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THE 1960 SOVIET BUDGET



November 1960

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THE 1960 SOVIET BUDGET

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FOREWORD

The 1960 Soviet budget was presented to the Supreme Soviet of the USSR on 27 October 1959 and was duly made into law after the usual minor adjustments had been made. Presentation of the 1960 budget to the legislature at such an unusually early date may indicate some success in recent campaigns to perfect financial procedures. The Soviet budget normally has been approved in the spring, well after the Soviet fiscal year, which coincides with the calendar year, is underway. The budgets for 1958 and 1959 were presented in late December, just before the beginning of the Soviet fiscal year.

This report attempts to trace in brief outline the major characteristics of the Soviet state budget and the main trends in Soviet budgets and budgetary procedures since 1955. Particular emphasis has been placed on the projected 1960 budget. For a detailed study of the early evolution of the Soviet budget system, see R.W. Davies, The Development of the Soviet Budgetary System, Cambridge, Cambridge University Press, 1958.

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THE 1960 SOVIET BUDGET

Summary and Conclusions

The state budget of the USSR, as a major part of the financial system, is the chief vehicle for mobilizing the economic resources of the economy, formed mainly in the consumption sphere, and apportioning them between various competing ends -- investment, defense, social welfare, and government administration. The Soviet budget is far broader than Western national budgets, including, for example, funds for investment and operational expenditures of productive enterprises that are by and large privately financed in capitalist economies. Moreover, the method by which funds are distributed and redistributed by the Soviet budget and financial system results in high prices for consumer goods and relatively lower prices for defense and investment goods. This serious distortion of prices should always be kept in mind when considering relative magnitudes of Soviet plans stated in rubles, including the budget allocations themselves.

The 1960 Soviet budget, presented to the Supreme Soviet this year by the new Finance Minister, V.F. Garbuzov, provides for moderately increased spending in nearly all categories -- Financing the National Economy; Health, Education, and Social Welfare; and Science. The notable exception is the explicit allocation Defense, which, at 96.1 billion rubles,* has not changed significantly since 1956. The stability of the explicit allocation Defense, however, must be viewed in reference to other budget allocations, which have been increasing and which are believed to include indeterminate substantial outlays for military programs.

For example, the state budget category Financing the National Economy, when divided by sectors of the economy, contains an Other (unspecified) portion, which has more than doubled since the 1958 plan (from 56.4 billion rubles in the 1958 plan to 118.9 billion rubles in the confirmed 1960 plan). There is a similar sharp rise in the Other portion of this category when divided on an end-use basis. Official Soviet sources make no attempt to discuss these

* Unless otherwise indicated, ruble values in this report are in current rubles. The official Soviet rate of exchange is 4 rubles to US \$1 for merchandise transactions and 10 rubles to US \$1 for tourist and other "invisible" transactions. Although neither of these rates is appropriate for converting Soviet budgetary entries from rubles to dollars, they do suggest the general order of magnitude.

increasingly large sums or even to recognize their existence. The conclusion seems almost inescapable that significant shares of these outlays are directed toward military or strategic programs.

Outlays for central investment will increase by 11 to 12 percent in 1960, as they did in 1959 -- a rate somewhat below the increase of 13 to 14 percent registered in 1957 and 1958 but still above the average annual rate of increase of 8 percent that was envisioned by the Seven Year Plan (1958-65). In general, over-all investment volume goals are being met; however, the budget presentation and debate revealed continued concern by central authorities regarding the dispersion of investment resources over a large number of projects. Investment increases in 1960 will be particularly great in the chemicals industry, machine building, and metalworking and also to a lesser extent in the oil and gas industry and the light and food industries.

The Social-Cultural allocation, consisting of outlays to Health, Education, and Social Welfare, will increase moderately in 1960, with the fastest growing item still the allocation to Science (under Education). The total outlay for Science continues to show the rapid growth that has been characteristic of this category since 1954. These funds for Science, earmarked to "finance scientific research institutes," are believed to finance a good deal of military-oriented research, especially that connected with the rocket and earth satellite programs.

Indirect methods of raising revenues will continue to predominate in 1960. The turnover tax is still the largest single item of budget revenue, although it will decline somewhat in 1960 both in absolute terms and as a share of total revenues. This decline reflects mainly the delayed effect of the 1958 agricultural reform, which, by raising procurement prices paid for agricultural goods without raising retail prices for these goods, has caused the turnover tax to fall. The loss in revenue from the turnover tax is more than offset by increases in profit taxes, which reflect the very rapid growth of profit in the national economy. Total planned profit in 1960 will increase 30 percent compared with the 1959 plan, of which 70 percent will be turned over to the budget. Especially striking is the 38-percent increase in industry profits that is planned for 1960, reflecting increases in production and decreases in cost. Some dissatisfaction with the high rates of profit in some industries was voiced by the Chairman of the Budget Commission of the Soviet of the Union, who complained that temporary wholesale prices for new products in industry were set too high and remained in effect too long.

Income taxes on the population were planned to increase only slightly in the 1960 budget. The details of Premier Khrushchev's

plan to abolish personal income taxes, presented and approved by the Supreme Soviet in May, may or may not have been taken into consideration when the 1960 budget was originally drawn up. In any event, the income tax abolition, which will be implemented beginning in October 1960, will initially affect the lower paid workers, whose tax obligations are slight. Therefore, the effect of the income tax abolition on the 1960 budget will be small or even negligible.

Budgets of the union-republics for the first time will amount to more than 50 percent of the total. The increase in 1960 is explained by the fact that all outlays for higher educational establishments, technical and professional schools, and aid to mothers now will pass through the republic budgets. In connection with the increasing flow of funds passing through the republic budgets, the Supreme Soviet this session approved a new law "On the Budget Rights of the USSR and of the Union-Republics" -- the first such law since 1927. As published, however, the law is expressed in generalities and contains little specific information concerning outlays financed by the All-Union budget as distinct from those financed through the republic budgets.

The 1960 budget reflects a continuation of the trend, begun in 1956, toward decentralization of economic administration. A series of measures have been adopted since 1955 to limit the role of central authorities to certain key decisions in areas of primary importance to the regime and to transfer the more routine operational functions to local, noncentral jurisdiction. A number of examples of this tendency in the financial sphere can be cited: the increased flow of budget funds through republic and local budgets at the same time that a high degree of central planning of key items such as investment is retained; the shift in responsibility for purchase and maintenance of agricultural machinery to collective farms at the same that indirect controls over the collective farms by the banking system have been expanded; and the increased reliance on enterprise own funds rather than budget funds in the financing of the economy.

Although the general trends of fiscal policy and planning can be traced, the precise effects of many recent economic and financial reforms are often difficult to assess. These reforms have given rise to serious questions of interpretation of budget data, which cannot be satisfactorily resolved without more complete information concerning budgetary accounting procedures.

I. Introduction: What the Soviet State Budget Means

The Soviet state budget is an extremely complicated institution. In its published form it often confuses and misleads as much as it reveals. The following general remarks are intended to give the reader a broad perspective about (1) the scope and coverage of the Soviet budget, (2) its role in the Soviet economy, and (3) its functions compared with that of government budgets in market economies. In all these respects the Soviet budget is markedly different from its counterpart in market economies.

A. Coverage of the Budget

The USSR considers itself a socialist economy based on Marxist principles. According to Soviet interpretation of one such principle, the state appropriates the "surplus value" produced in the economy (chiefly profit and turnover taxes) and applies it to investment, defense, social welfare, and normal government administration. The state budget, administered by the Ministry of Finance, is the principal instrument for carrying out this redistribution of funds.

Thus the Soviet budget is far broader than Western national budgets, as it includes funds for financing economic productive activities such as investment that are by and large privately financed in capitalist countries. The largest allocation in Soviet budget expenditures is labeled Financing the National Economy and is primarily for that purpose.

Finally, the Soviet budget is a consolidated budget, including national, republic, and local government activities. The entire Soviet budget is almost one-half as large as the Soviet gross national product (GNP), or approximately double the proportion of US budgets at all levels of government.

The budget is the principal mechanism for redistributing "surplus value" funds to the state's objectives, but it is not the only one. The budget is part of a government financial plan that also disposes of the retained profits of state enterprises. These retained profits are allocated for much the same purposes as the budget allocations to Financing the National Economy but do not pass through the budget. Enterprise own funds* provide a large and growing share of total funds for Financing the National Economy, amounting now to more than one-third of the budget funds for the same purpose.

* 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.

The discussion in this report, therefore, does not confine itself to the budget proper but considers, when pertinent, the whole government fiscal system.

Another fiscal mechanism used to redistribute funds in the Soviet economy is the banking system. A significant share of working capital in state enterprises is financed through bank loans, the inflationary effects of which are offset to some extent by the budget surplus.

Also to be considered are the collective farms, more than one-half of Soviet agriculture, which are nominally not state enterprises and which are not financed out of the budget. Nevertheless, because the state sets the prices that it pays the collectives, sets the share of receipts that the collectives must set aside for self-financing, and monitors all activities through the State Bank and the local Party organization, its control over the financing of the collectives is not much less complete than its control over industrial enterprises. Collective farm financing must therefore be considered along with Financing the National Economy.

Slightly more than one-half of the funds allocated to Financing the National Economy, both budget and enterprise own, go for investment, capital repairs, and working capital, as one would expect in a socialist economy. The remainder goes for a great variety of activities as a result of historical accident or arbitrary decision rather than any rational accounting logic. Among these are operational expenses, such as on-the-job training of workers, many of which should be simply current operating expenses of producing enterprises. For example, the entire operating expense of machine tractor stations (MTS's), while they still existed, was included in budget expenditures, and their gross revenues were included in budget revenues. In periods of price change a part of the turnover tax paid into the budget is rebated to procurement organizations and is listed under budget expenditure. Grants to foreign trade organizations, which suffer losses because of the arbitrarily low ruble foreign rate of exchange, are granted budget funds at the same time that import organizations, which benefit from the low exchange rate, provide offsetting revenues. In addition, Financing the National Economy includes, inter alia, subsidies to producing enterprises, bonuses of various kinds, and some categories that look suspiciously like defense expenditures.

B. Role of the Soviet Budget

In Western countries, budget revenue restriction is frequently a datum in the formation of national economic policy. In Soviet planning the budget has no such prior precedence. The economic plan

(mostly in physical terms) comes first. The financial plan, including the budget, is its reflection in rubles. While Soviet leaders certainly plan within the resource limitations of the economy and probably think initially in terms of quantities of steel, power, cement, and labor, they cannot perform detailed economic planning without resort to ruble values, and the economic plan, whether expressed in material terms or ruble terms, must balance. Particularly in relations with the public, where transactions are conducted in monetary terms, Soviet leaders have been very much aware of the desirability of equating purchasing power with availability of goods.

The most important role of the financial plan is probably in implementation rather than in initial planning. Allocation of fixed funds to subordinate agencies and monitoring of expenditures by the Ministry of Finance and the state banks is an important part of the controlling of the economic system and of guaranteeing that the economic plan is carried out more or less as the state desires.

The Soviet financial plan is the vehicle for transferring massive funds and resources from consumption to savings and investment. In this sense it performs the same function as savings and investment institutions of capitalist countries. The radical difference lies in the fact that Soviet tax and cost accounting practices act to raise drastically the prices of consumer goods and to lower the prices of investment and defense goods. The turnover tax, which provides the bulk of state revenue, is almost exclusively applied to consumer goods. On the other hand, prices of industrial goods are set relatively low as a consequence of inadequate depreciation charges, the absence of interest charges, budget financing of much research and development, budget aid for a variety of exceptional operational expenses, and in some cases plain subsidies.

This redistribution of funds, resulting in serious distortion of prices, should always be borne in mind when considering the relative magnitudes of various Soviet plans stated in rubles, including budget allocations themselves.

C. The Budget as a Source of Economic Information

The budget and financial plan that is available in full detail to Soviet planners would provide a wealth of economic information, but the published budget is a pitifully emasculated version of the original. The published version is highly aggregated, large magnitudes are unspecified residuals, and the content and coverage of many of the categories are only partly known at best. For example, defense expenditure is a single number in the budget with no breakdowns. Worse than that, there is good reason to suspect that

activities which one would believe were covered by the defense budget item are in fact covered in other categories in indeterminate magnitudes.

Definitions and coverage of categories furthermore change from year to year, frequently without notice. In addition, there has been a tendency for unspecified categories to increase as a proportion of the total in recent years. Trends in announced financial categories must be scrutinized with great care. For example, the 1957 administrative reorganization of Soviet industry and construction must have affected Soviet budget categories, but no specific information on the subject has appeared.

Thus only the broadest kinds of conclusions about trends in the economy of the USSR can be drawn from financial information alone. Nevertheless, Soviet budget and financial data constitute one of the major sources of raw material for Western students of the Soviet economy. All attempts to construct Soviet national income and product accounts rest heavily on financial data.

This report is intended to summarize the present state of our knowledge regarding the content and accounting significance of announced budget and financial data, with special reference to the 1960 budget.

II. Expenditures

The general trends in Soviet state budget outlays, as planned in 1959 and 1960, may be seen in the chart, Figure 1.* The two major outlay categories, Financing the National Economy and Social-Cultural Measures, will increase moderately in 1960, as they did in 1959, following the general pattern established in 1958, the first year of the Seven Year Plan (1958-65). Within these categories, shifts have occurred -- for example, the Other (unspecified) sectors of the National Economy allocation have grown very rapidly as have outlays under Education (Science) in the Social-Cultural allocation.

The explicit Defense budget, established before the announced troop reduction plan in January of this year, remains at the same level that it has occupied since 1956. Stability in this category, however, may be offset by undetermined increases in other categories believed to cover the new and expanding areas of military development.

Outlays for Administration are planned to decrease slightly, as a result of recent campaigns to reduce such expenditures.

A few general remarks are made (A, 1, below) concerning the category Financing the National Economy; this budget category is analyzed by sector (A, 2, below) and by end use (A, 3, below); and general conclusions concerning budget redistribution of funds are presented (A, 4, below). An analysis of the explicit Defense outlay category is presented (B, below); major trends in Health, Education, and Social Welfare outlays are discussed (C, below); and Administration and Miscellaneous outlays are dealt with (D, below).

A. Financing the National Economy

1. General Remarks

The budget category Financing the National Economy, which accounts for 40 to 45 percent of total budget expenditures, provides funds for investment, working capital, and operational outlays of Soviet productive enterprises and organizations. Unlike other outlay categories, which finance institutions almost completely dependent on the state budget for support, Financing the National Economy deals basically with state enterprises and organizations that are independent accounting units -- that is, these enterprises operate on the principle of economic accountability (khozraschet), charging costs of operation to revenue from sale of product. Any surplus revenue (profit) either

* Following p. 10.

is turned over to the budget as profit tax or is retained by the enterprise and used for investment, working capital, and other needs. The major share of investment funds, however, is provided by direct budget grant.

The fiscal category Financing the National Economy thus includes not only the budget allocations to Financing the National Economy (about 60 percent of the total) but also retained profits and amortization funds of enterprises and organizations. The expenditure of both budget and enterprise own funds for Financing the National Economy is centrally determined and is part of the over-all financial plan.

2. Allocations by Sector

a. Recent Trends

Since 1958, outlays from the budget to Financing the National Economy have been increasing at a rapid rate, with most of the increase occurring in the Other (unspecified) category (see Tables 1* and 2**). In general, trends in allocations follow the expected pattern: allocations to Industry have been increasing moderately as industrial production has been expanding, allocations to Agriculture have decreased as a result of the 1958 agricultural reorganization, and allocations for Transport and Communications have increased gradually. The Other (unspecified) category, however, has shown a remarkable increase which is difficult to explain on the basis of available information.

b. Accounting Shifts and the Category Other (Unspecified)

Outlays under the category Other (unspecified), which were fairly stable at 50 billion to 60 billion rubles in the 1955-58 plan period, have doubled since the 1958 plan. These outlays probably began to rise in the course of 1958, when a sizable share of the above-plan outlay of 33 billion rubles under Financing the National Economy probably occurred in the category Other. Since then this category has continued to increase at a rapid rate. Although there is no satisfactory explanation for this rapid rise, the following pertinent factors may be cited:

(1) Beginning in 1958, housing and other nonproductive investment formerly under the jurisdiction of enterprises and organizations was shifted to local soviets, thus presumably shifting allocations for this investment from the specific sectors, especially industry, to the Other (unspecified) category.

* Table 1 follows on p. 11.

** Table 2 follows on p. 12.

EXPENDITURES OF THE SOVIET STATE BUDGET

Figure 1

**1959
Plan**

Billion Rubles

1959 AND 1960 PLANS

**1960
Plan**

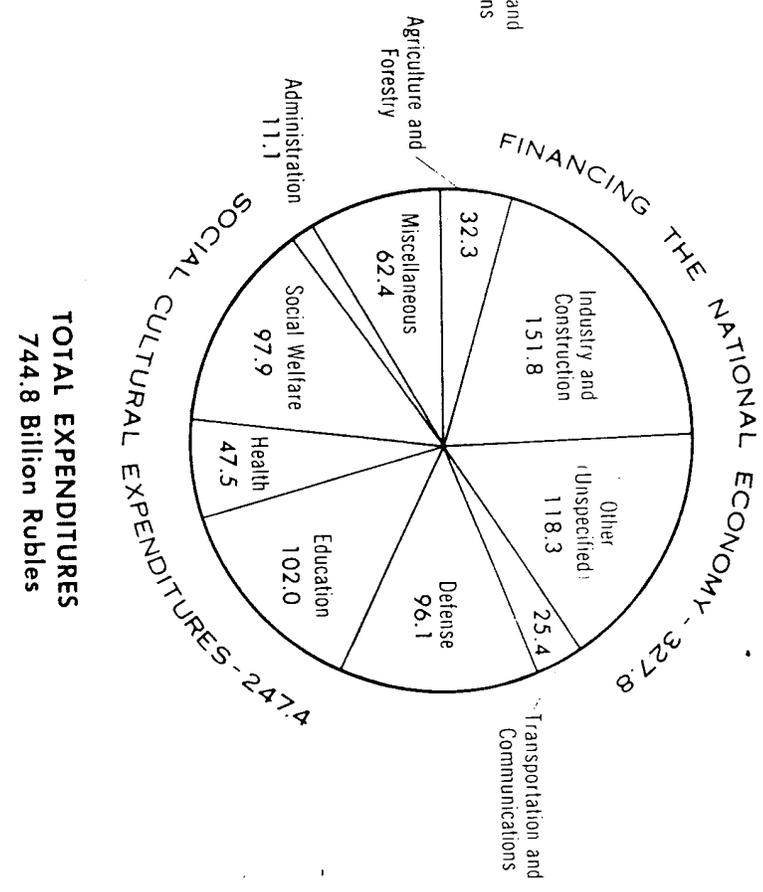
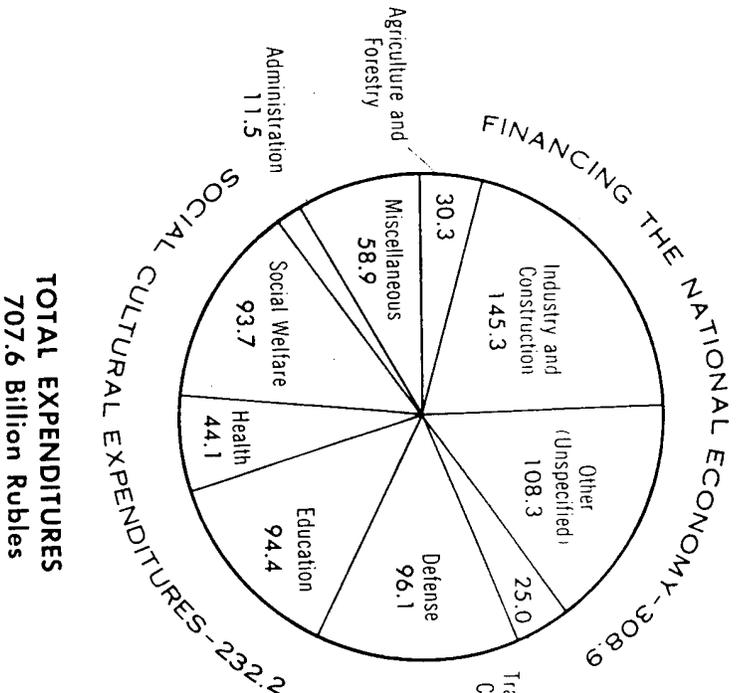


Table 1
 Financing the National Economy in the USSR by Budget Funds
 by Economic Sector a/
 1955-60

Billion Current Rubles

Economic Sector	1955		1956		1957		1958		1959		1960
	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Confirmed Plan	
Industry	110.2	110.0	128.2	118.4	130.8	129.0	N.A.	N.A.	145.3	N.A.	151.9
Of which:											
Heavy Industry and Construction	96.6	100.9	112.0	103.5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Agriculture and Forestry	50.9	48.6	49.1	52.9	51.8	53.4	N.A.	N.A.	30.3	N.A.	32.3
Transport and Communications	19.4	21.8	21.6	18.0	22.6	(18.4) b/	N.A.	N.A.	25.0	N.A.	25.4
Other (unspecified)	52.6	56.9	46.3	55.4	61.8	56.4	N.A.	N.A.	108.3	N.A.	118.9
Trade	10.7	N.A.	12.2	(15.0)	N.A.	(15.0)	N.A.	(18.0)	(18.0)	N.A.	(19.0)
Agricultural Procurement	7.6	N.A.	6.4	(8.0)	N.A.	(9.0)	N.A.	(9.0)	(9.0)	N.A.	(9.0)
Price Differential Grants	(15.0)	N.A.	0	0	N.A.	0	N.A.	(25.0)	(25.0)	N.A.	0
Municipal Economy	9.0	N.A.	11.3	(13.4)	N.A.	(14.0)	N.A.	(27.5)	(27.5)	N.A.	28.6
Residual	(10.3)	N.A.	16.4	(19.0)	N.A.	(18.4)	N.A.	(28.8)	(28.8)	N.A.	(62.3)
Total	233.1	237.3	245.2	244.7	267.0	257.2	290.3	308.9	N.A.	N.A.	328.5

a. Principal data for Financing the National Economy are from Table 19, Appendix B, p. 68, below.
 b. Figures in parentheses are estimates.

Table 2

Plan for Financing the National Economy in the USSR
by Enterprise Own Funds, by Economic Sector a/
1955-60

Economic Sector	Billion Current Rubles					
	1955	1956	1957	1958	1959	1960
Industry	75.5	73.0	83.0	97.0	107.1	127.4
Agriculture b/	10.1	8.0	8.7	11.8	14.7	18.3
Transport and Communications	17.5	19.0	19.1	17.8 c/	27.2 c/	31.9
Domestic Trade	1.0	1.2	3.8	4.8	5.1	5.3 d/
Residual	8.8	8.9	16.9	24.3	21.5	11.8
Total	<u>112.9</u>	<u>110.1</u>	<u>131.5</u>	<u>155.7</u>	<u>175.6</u>	<u>194.7</u>

a. 1/. (For serially numbered source references, see Appendix C.)

b. Including forestry.

c. All-Union subordination only -- that is, excluding investment in motor and river transport and communications of union-republic subordination.

d. Estimate.

(2) The 1958 increase in prices paid to collective farms for agricultural produce required substantial additional outlays from the budget to procurement organizations as a reimbursement for price differentials. But by 1960, prices were adjusted and these outlays no longer required.

(3) Unspecified revenues of the budget also began to increase sharply and inexplicably in 1958. Although there is no specific evidence, the possibility arises that in some fashion the budget has become more "gross," and some types of activity formerly netted outside the budget are now included in both income and outlay of the budget.

(4) The Soviet economy under Khrushchev has undergone a series of reforms and reorganizations whose precise effect on the budget is unknown. In particular, the 1957 reorganization of management in Soviet industry, by replacing a sector-of-industry organizational unit with a territorial administrative unit, may well have completely changed the coverage of budget categories.

(5) It is often argued that certain types of military or strategic outlays are hidden in unspecified portions of Soviet statistics. Because outlays of a military nature do occur in the category Financing the National Economy, the possibility cannot be dismissed that the increased size of the residual reflects some type of military spending. Some support for this type of argument may be found in the fact that the outstanding part of Other (unspecified) outlays are found in the central All-Union budget, where most of this type of activity would be expected to occur.

The category Other (unspecified) includes some activities for which scattered information is available and tentative estimates can be made (Trade, Agricultural Procurement, Price Differentials, and Municipal Economy). Other items -- for example, State Reserves and Gold Purchases -- cannot be estimated even tentatively and are included in the Residual.

The allocation to Trade has been estimated on the basis of 1955-56 data. In 1955 the allocation from the budget to domestic trade was planned at 0.8 billion rubles, and in 1956 it amounted to 1.1 billion rubles. ^{2/} The allocation to trade elsewhere given as 10.7 billion rubles in 1955 and 12.2 billion rubles in 1956 ^{3/} is assumed, therefore, to include reimbursements to foreign trade organizations made necessary because of the overvaluation of the ruble in foreign exchange (see 3, e, below). No comparable figures have been published since 1956, plan or actual. It has been assumed, for the estimates in Table 1, that such outlays have been proportional to total Soviet exports. This assumes world trade prices to be constant (actually they rose slightly in 1957 and have been declining slightly ever since). ^{4/} It also assumes a constant mix of Soviet exports. The series estimated in Table 1 thus should be taken as no more than an approximation.

Outlays for Agricultural Procurement also have not been available since 1956. They are assumed to be constant because costs probably have been falling (as have trade costs in general) although the volume of activity probably has been expanding. Outlays in this category include grants made by the budget for the usual purposes but are not large enough to include price differential grants.

Price Differential Grants from the budget are necessary in years when prices paid to farms increase with no corresponding increase in wholesale or retail prices. For example, in 1958-59, higher procurement prices may be estimated to have cost the state budget 25 billion to 30 billion rubles. But, by the time the 1960 budget was drawn up, wholesale prices for agricultural produce had been adjusted upward, thus ending the necessity for budget grants

(for a complete discussion of this problem, see III, A, below). On this score alone, the Other (unspecified) category should have shown a decrease in 1960, and in fact the corresponding category of the RSFSR budget does show a 10-billion-ruble decline in 1960. ^{5/} Evidently in the case of the All-Union budget, however, there are offsetting factors.

Municipal Economy outlays have been increasing steadily, although the large increase in 1959 resulted mainly from a category shift rather than from an expansion of activity. In 1959 it was decided wherever possible to shift housing and other nonproductive investment formerly under the jurisdiction of enterprises and organizations to local soviets. ^{6/} This meant, for example, that housing formerly supervised by an industrial enterprise and included under financing Industry was transferred to local soviets and included under financing the Municipal Economy. Analysis of the budget for the RSFSR, which accounts for 66 to 70 percent of the total outlays under the Municipal Economy, indicates that this allocation doubled in the 1959 plan compared with the 1958 plan. Estimates of the size of outlays for the Municipal Economy in Table 1 are based on data for the RSFSR. ^{7/} Financed under this category are municipal services (gas, electricity, water, public transport, and roads) as well as housing under the local soviets. Enterprise own funds available for this purpose are slight, amounting to 2.8 billion rubles in the 1960 plan. ^{8/}

The Residual finances, among others, such measures as Gold Purchases, State Material Reserves, and Geologic Prospecting -- activities whose size cannot be estimated with any degree of certainty. It is difficult to see why such activities have been increasing so rapidly or why they are so large. One possibility discussed below is that State Reserves may include purchases of significant amounts of military hardware (see 3, g, below).

c. Nonagricultural Sectors

Funds to finance industry include budget as well as enterprise own funds. They have maintained a fairly constant annual rate of increase of 10 percent between the 1956 plan and the 1960 plan. A striking feature of the 1960 plan allocation, however, lies in the relatively large increase in enterprise own funds financing and the much smaller increase in budget funds (see Tables 1* and 2**). The latter show a decline from 57 percent of the total planned in 1958 to 54 percent planned in 1960. The increased use of own funds is certainly to be expected, given the sharp rise of profit in the national economy. On the other hand, the trends do raise the suspicion that a basic reshuffling of categories may also be involved.

* P. 11, above.

** P. 12, above.

The 1960 allocations to Transport and Communications show a slight increase above 1959. As in industry, the increase occurs almost wholly in enterprise own funds and not in budget funds. The transport allocation rose rather sharply in 1959 indicating increased effort, perhaps in the electrification and dieselization of railroads or in track replacement, or, more likely, reflecting the development of civilian air transport.

d. Agriculture

The allocation to state agriculture* in 1960 is planned at 32.3 billion rubles, a sum approximately equal to the 1959 plan of 30.3 billion rubles (see Table 3**). Outlays from the budget for state farms, however, will show a rather significant increase, from 14 billion rubles in the 1959 plan to 19 billion rubles in the 1960 plan, suggesting a continuation of the policy begun in 1957 of transforming weaker collective farms into state farms. 9/ Increased allocations may also reflect higher state farms costs resulting from the new higher prices for supplies and equipment introduced in the course of 1958. Outlays for the repair tractor stations (RTS's), now entering the second full year of operation, have been reduced somewhat, as have outlays for other agricultural programs -- forestry, irrigation, experimental stations, land reclamation, veterinary services, and the like.

Budget statistics dealing with agriculture must be viewed within the context of recent reforms which have profoundly affected the relation between the budget and the agricultural sector of the economy. These reforms, originating with the central committee decision in September 1953 to raise the prices paid by the state for agricultural produce, are intended to improve the financial position of collective farms, thereby increasing the area of collective responsibility and, it is hoped, the efficiency of agricultural production. The most striking feature of the reorganization, the abolition of the machine tractor stations (MTS's) in 1958, shifted the burden of purchasing and operating agricultural equipment from the state to the collective farms, in return for which collective farms were paid higher prices for their produce. As a result, collective farms purchased equipment from the MTS's valued at

* The Soviet term state agriculture includes state farms, the machine tractor stations - repair tractor stations (MTS-RTS's), and general agricultural programs (irrigation, experimental stations, and the like), but it excludes collective farms. In most cases, statistics labeled state agriculture include forestry, and in many cases they also include activities of the State Committee for Grain Products.

** Table 3 follows on p. 16.

Table 3

Allocations to State Agriculture in the USSR a/
Selected Years, 1955-60

	Billion Current Rubles			
	<u>1955</u>	<u>1958 Plan</u>	<u>1959 Plan</u>	<u>1960 Plan</u>
Total financing	<u>61.0</u>	<u>65.2</u>	<u>45.0</u>	<u>50.6</u>
Budget funds	50.9	53.4	30.3	32.3
State farms	9.7 <u>b/</u>	11.9	14.0	19.0
MTS-RTS's <u>c/</u>	32.1	29.6	3.7	2.9 <u>d/</u>
Other	9.1	11.9	12.6	10.4
Enterprise own funds	10.1 <u>b/</u>	11.8	14.7	18.3
Total centralized investment	N.A.	<u>29.7</u>	<u>19.1</u>	<u>19.0</u>
Budget funds	15.9	25.9	15.2	N.A.
Enterprise own funds	N.A.	3.8	3.9	N.A.

a. 10/. Centralized investment figures for 1958-59 are from Table 7, p. 24, below.

b. Plan.

c. Machine tractor stations - repair tractor stations.

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

22 billion rubles; 8.3 billion rubles of this sum was paid in 1958, 5.5 billion rubles was planned in 1959, 4.6 billion rubles is planned in 1960, and the remainder will be paid during 1961-63. 11/

The net effect of the agricultural reforms on the budget is difficult to assess because of the many factors which must be taken into consideration. The abolition of the MTS's resulted in a drop in budget outlay for this purpose from the 29.6 billion rubles planned in 1958 to the 3.7 billion rubles planned in 1959 and 2.9 billion rubles planned in 1960. On the other hand, budget revenue from the MTS's fell from 11.9 billion rubles planned in 1958 to 1.5 billion in 1959; in 1960 income from this source will be confined to RTS profit deductions to the budget, which are negligible. The net effect on the budget of the abolition of the MTS's is thus a drop in outlay of approximately 15 billion rubles.

On the other hand, the increase in prices paid to collective farms for agricultural produce, unaccompanied by any corresponding increase in retail prices, has meant in some years (1955 and 1958) sizable budget grants to procurement organizations in the form of price differential reimbursements and in later years (1956 and 1960) sizable drops in receipts of the state budget from the turnover tax (see III, A, below).

The decline in budget outlay for investment in agriculture, from 25.9 billion rubles in 1958 to 15.2 billion rubles in 1959, has been offset by increased collective farm investment. The latter has increased from 23.5 billion rubles planned in 1957 12/ to 37 billion planned in 1960 13/ (both figures include State Bank loans). The importance being placed on collective farm investment may be seen by the fact that, according to the Seven Year Plan goals, of the total 500 billion rubles to be invested in agriculture by 1965, collective farms will account for 350 billion. 14/

Mechanization of agriculture in the USSR is of key importance as a means of releasing labor from the agricultural sector of the economy to the industrial sector. It is interesting to note, therefore, that the regime is relying so heavily on collective farm investment rather than on state farm investment, as the former has not been tried in the past and involves a sector of the economy less subject to effective central control. An indication of the importance placed on the mechanization of agriculture is evidenced by the fact that expenditures for "mastering the production of new models" of agricultural machinery are absorbed by the state budget, in contrast to general policy, which is that such outlays usually are charged to cost and included in price. Thus, in effect, prices for new models of agricultural machinery are more attractive compared to prices on old models than is generally the case (see 3, h, below).

Increased investment by collective farms is made possible by the fairly rapid rise in collective farm income (see Table 4*). Collective farms, since they are not state enterprises, pay income taxes rather than profit taxes. General trends in collective farm income, investment, and taxes in recent years may be seen in Table 4. The increase in collective farm monetary income has raised certain problems because this sector of the economy is less subject to central control than the state sector. Complaints have been made that collective farms are not diverting enough of their resources into the Indivisible Fund.** In July 1959 a reorganization of the Soviet banking

* Table 4 follows on p. 18.

** The Indivisible Fund consists of collective farm communal property, including fixed assets (such as buildings and equipment) and financial resources earmarked for investment in, or capital repair of, productive assets.

Table 4

Soviet Collective Farm Income, Taxes, and Deduction
to the Indivisible Fund
1957-60

Billion Current Rubles			
Year	Money Income <u>a/</u>	Income Tax <u>b/</u>	Deduction to the Indivisible Fund <u>c/</u>
1957 (actual)	94.5	9.6 (plan)	16.8
1958 (actual)	131.8	9.6 (plan)	30.3
1959 (plan)	147 to 150	13.3	33.2
1959 (actual)	140 to 144	N.A.	N.A.
1960 (plan)	154 to 158	N.A.	42.0

a. 15/

b. From Table 20, Appendix B, p. 69, below.

c. 16/

system went into effect, an important feature of which was the consolidation of all banking functions in rural areas into the State Bank. Such a consolidation may have been prompted by organizational considerations, but some of the motivation may have been provided by the desire to keep closer account of individual collective farms by having all banking activities confined to a single organization. 17/

It is now being argued in some quarters in the USSR that prices paid to collective farms are too high. Khrushchev himself at the Central Committee Plenum of December 1959 voiced some dissatisfaction with the existing price system, pointing to a need for a "payment system on the collective farms that will preclude excessively high, unjustified earning." 18/ Point 5 of the resolution adopted at the December Plenum called upon the Soviet State Planning Commission, the Ministry of Agriculture, and the Ministry of Finance to draw up a plan for the reduction of purchase prices "of a number of farm products sold to the state by the collective farms and the approximation of these prices to the prices of products delivered by the state farms." 19/ Thus some reduction of prices paid to collective farms may be expected in the near future.

The whole problem of the relationship between the collective farms and the state farms has come to the fore recently. Evidently the cost (sebestoimost') of state farm production was to some extent the criterion for the collective farm purchase prices set

in 1958. 20/ It has been implied that the agricultural reforms of the past 2 years benefited the collective farms and neglected the state farms. The latter were not benefited by the increases in prices paid for agricultural produce but were adversely affected by the establishment in July 1958 of uniform wholesale prices for tractors, trucks, agricultural machinery, and spare parts, which were, in effect, higher than the prices state farms had been paying previously. As a result, outlays of state farms increased by more than 2 billion rubles in the 1959 plan alone, leading to decreased profit and even planned losses (profits of state farms have historically been very low or even nonexistent). This may, at least partly, explain recent increases in state farm allocations, at least in 1959 (see Table 3*). At the present time, according to one Soviet publication, the Soviet Ministry of Agriculture is working out a proposal to change the purchase price (sdatochnaya tsena) for the agricultural production of state farms with the aim of "stimulating the lowering of costs of production and guaranteeing a minimum level of profit." 21/

The foregoing is, of course, no reason for the purchase prices of state farms to be as high as collective farm prices as long as state farms receive considerable sums from the state budget. Budget outlays are used for capital investment, forming herds, growth of working capital norms, and also operational expenditures such as housing losses. The many statements calling for increases in prices paid to state farms seem to be based on the assumption that state farms should in the future rely less on state budget financing and more on own funds financing. 22/ The planned 1960 increase in budget allocations to state farms, however, indicates that no significant steps in this direction have been taken as yet.

3. Allocations by End Use

a. General Trends

In Table 5,** budget outlays to Financing the National Economy are classified according to end use (investment, working capital, subsidies, and the like) for 2 years, 1956 and the 1960 plan. Because official Soviet budget statistics are not published in this form, most figures are estimates which represent general orders of magnitude rather than precise sums. Particularly tenuous are the estimates for Subsidies and Price Differential Grants, which are open to rather large margins of error. No attempt was made to list activities such as gold purchases, state reserves, and other items for which there is insufficient information on which to base reasonable estimates. All these items are therefore lumped together under the category Other.

* P. 16, above.

** Table 5 follows on p. 20.

Table 5

Budget Outlays for Financing the National Economy in the USSR
by End Use
1956 Actual and 1960 Plan

Billion Current Rubles		
End Use	1956 Actual	1960 Plan
Investment <u>a/</u>	124.3	(166.9) <u>h/</u>
Capital Repair <u>b/</u>	(4.0)	(5.0)
Expansion of Working Capital Norms <u>c/</u>	3.8	7.3
Subsidies <u>d/</u>	(12.0)	(12.0)
Grant to MTS's <u>e/</u>	(20.0)	N.A.
Price Differential Grants <u>f/</u>		
Foreign Trade	(11.0)	(19.0)
Premiums in Agricultural Procurement	(6.0)	Negligible
Planning Design Bureaus <u>g/</u>	4.9	6.2
Other (residual)	59.2	112.1
Of which:		
Industry <u>i/</u>	(30.0 to 40.0)	(35.0 to 45.0)
Nonindustry	(20.0 to 30.0)	(67.0 to 77.0)
Total	<u>245.2</u>	<u>328.5</u>

a. The figure for 1956 is given in source 23/; for 1960 it is assumed that the same portion of total budget investment (see Table 6, p. 23, below) is allocated under the category Financing the National Economy as in 1956 (92.4 percent).

b. Estimate based on scattered data for 1955 24/ and for 1960 based on the 2.7-billion-ruble allocation for capital repair for the housing of local soviets (see par. b, below).

c. See Table 8, p. 26, below.

d. See par. d, below.

e. The plan budget allocation to the MTS's was 32.7 billion rubles in 1956, 25/ of which over 12 billion rubles may be considered capital investment (on the basis of 12.8 billion rubles planned in 1958). 26/

f. See par. e, below.

g. Source 27/ for 1956. For 1960, see par. h, below.

h. Figures in parentheses are estimates.

i. Estimated, roughly, as the total budget allocation to industry (see Table 20, Appendix B, p. 69, below) less the estimated industry share of all items in the table. For 1956 the industry share of budget investment may be found in source 28/; for 1960 an estimate of 95 billion to 100 billion rubles was used.

The most striking feature of Table 5 is the increase in the Other (residual) category. This same conclusion was drawn from the analysis of the Financing the National Economy allocation broken down by sector of the economy (Table 1*). To make the residual in Table 5 more closely comparable to the residual in Table 1, the industry portion may be excluded and the nonindustry portion alone considered.** It may then be seen that, in addition to the residual-operational type of outlays to industry, which are fairly large (30 billion to 40 billion rubles) but fairly stable, there are also unexplainable operational outlays to the nonindustrial sectors, which are not only fairly large (20 billion to 30 billion rubles) but are also rapidly growing (having approximately tripled in the 1956-60 period). Moreover, these unexplainable residual outlays to nonindustrial sectors show the same size and the same trend as residual outlays under Financing the National Economy broken down by sector (see Table 1). This result is to be expected to the extent that both residuals include items such as state reserves and gold purchases. The important fact to note here is that, whether divided on a sector-of-the-economy basis (as in Table 1) or an end-use basis (as in Table 5), the most striking increases in the category Financing the National Economy occur in the Other (residual) portion -- that is, in those activities which the regime does not choose to disclose. This fact suggests, although it does not prove, that military programs may be involved -- for example, under State Material Reserves.

b. Investment and Capital Repair

The total volume of capital investment in the Soviet economy continues to grow at a rapid rate, although the high annual rates of increase of 13 to 14 percent recorded in 1957 and 1958, reflecting the reaction of Soviet planners to certain inadequacies of the now defunct Sixth Five Year Plan, have been reduced to annual rates of 11 to 12 percent in 1959 and 1960. The latter are still somewhat higher than the average annual rate of increase in investment of 8 percent that was projected for the Seven Year Plan. 29/

Investment under the central plan in 1960 will increase by approximately 10 percent compared with the 1959 plan and 14 percent compared with the 1959 actual. Investment increases will be particularly great in the chemicals industry (30 percent), machine building industry (30 percent), metalworking industry (20 percent), and also to a lesser extent in the oil and gas industry (15 percent)

* P. 11, above.

** The nonindustry residual in Table 5 still differs from the residual in Table 1 by the inclusion of operational allocations to agriculture and to transport and communications and by the exclusion of all investment funds.

and the light and food industry (14 percent). ^{30/} The 1959 investment program was marked by certain shortfalls in the central investment plan (fulfilled by 95 percent), which were offset by higher than anticipated outside-plan investment. This situation is cause for some concern to Soviet planners because of the key importance of projects financed under the central plan. The basic trends in the expansion of capital investment in the USSR, both centralized and decentralized, may be seen in Table 6.*

The budget continues to provide the major share of funds for centralized investment (69 percent in plan 1960), although its share has declined somewhat since 1956, when it was planned at 74 percent. Profits contribute a slightly growing share, from 9 to 13 percent, as might be expected given the generally rapid growth of profits in the economy. The share of amortization allowances has remained constant (at 14 percent), although some upward adjustment may be expected in future years as a result of the 1959 revaluation of the basic fund (capital stock). Minor miscellaneous funds account for the remaining 2 to 4 percent.

The series for financing capital investment differs in coverage from the volume of investment figures in Table 6 by the inclusion of working capital in construction. Moreover, the financing series presumably is presented in current rubles, whereas the volume series is expressed in constant planning rubles. Since 1956 the volume series has been presented in planning prices of 1 July 1955 with some upward adjustment for subsequent changes in wages and input norms. The financing investment series is available only by plan; actual outlays rarely are published. It is usually pointed out in Soviet texts that a sizable portion of the Reserve Funds of the Councils of Ministers is used to finance investment. The need for such supplementary funds in 1956 and 1957, when the investment volume was overfulfilled, is evident in Table 6. The need in 1958 and 1959, when actual volume was about equal to or less than plan, is not obvious. It is possible, of course, that investment costs have been rising, requiring greater outlays of financial means to achieve a given level of volume of capital investment; on the other hand, there is no evidence that investment costs have risen since 1958.

Data for the allocation of investment funds under the state plan for 1960 have not been published. Table 7** presents figures for 1958 and 1959 plans. Industry accounts for by far the largest share of investment funds (about 60 percent). The increase in

* Table 6 follows on p. 23.

** Table 7 follows on p. 24.

Table 6
Capital Investment and Planned Sources of Financing in the USSR a/
1956-60

Billion Rubles

	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960 b/</u>
Volume (centralized) c/					
Total (plan)	160.8	175.2	198.8	226.0	256.0
Total (actual)	166.2	184.7	199.1	219.5	N.A.
Planned financing (centralized) d/					
Total (plan)	(160.8) e/	178.8	203.8	233.1	262.4
Planned sources					
Budget	118.4	129.6	142.7	163.7	180.6
Profit	15.3	15.2	25.1	29.4	34.3
Amortization	23.1	24.9	27.7	32.5	36.1
Other	4.0	9.2	8.3	7.5	11.4
Decentralized (actual) d/ f/	20.0	25.9	40.4	50.0	N.A.

- a. 31/. Totals are derived independently from unrounded data and do not always agree with the sum of the rounded components.
- b. Figures for 1960 include outlays for project planning, set at 6.2 billion rubles.
- c. Presumably in constant plan rubles.
- d. Presumably in current rubles.
- e. Total for financing not given; it is assumed to be equal to volume.
- f. Excluding collective farm investment.

Table 7
Plan for Financing Soviet Capital Investment
by Economic Sector a/
1958 and 1959

Billion Current Rubles

<u>Economic Sector</u>	<u>Year</u>	<u>Total Investment</u>	<u>Budget</u>	<u>Profit</u>	<u>Amortization</u>	<u>Other</u>
Industry	1958	129.9	84.3	18.4	20.6	6.6
	1959	135.5	89.2	18.3 <u>b/</u>	22.3	5.7
Agriculture <u>c/</u>	1958	29.7	25.9	1.3	2.1	0.4
	1959	19.1	15.2	0.9	2.8	0.2
Trade	1958	1.1	0.2	0.7	0.2	N.A.
	1959	1.0	0.1	0.6	0.3	N.A.
Transport <u>d/</u>	1958	19.8	13.2	3.3	3.0	0.3
Transport and Communica- tions <u>d/</u>	1959	23.3	14.4	5.1 <u>b/</u>	3.4	0.4
Other	1958	23.3	19.1	1.4	1.8	1.0
	1959	54.2	44.8	4.5	3.7	1.2
Total	1958	<u>203.8</u>	<u>142.7</u>	<u>25.1</u>	<u>27.7</u>	<u>8.3</u>
	1959	<u>233.1</u>	<u>163.7</u>	<u>29.4</u>	<u>32.5</u>	<u>7.5</u>

a. 32/

b. The coverage of capital investment in industry and transport and communications as presented here is evidently less than that of the corresponding categories in Table 15, p. 50, below.

c. Including forestry.

d. Transport figures are believed to be comparable. The 1958 figure is stated to exclude motor and river transport of union-republics, the 1959 figure to include transport of All-Union subordination only.

investment in Other sectors, paralleling the increase in Other sectors in the category Financing the National Economy as a whole, is believed, at least partly, to reflect a shift of housing and other non-productive investment from the specific sectors to the category Other (see under Financing the National Economy). This does not preclude the possibility that other factors may be involved as well.

Two problems of finance and control of investment continue to plague Soviet planners. One concern has been the rapid growth of decentralized investment, for which the necessary complement of physical materials is not coordinated or approved at the center. In December 1958, former Finance Minister Zverev commented that the anticipated level of decentralized investment in that year (30 billion rubles) was in many cases not backed by the necessary construction materials, and consequently resources were diverted away from state planned investment. The level of decentralized investment in that year turned out to be even higher than that anticipated by Zverev (40.4 billion instead of 30 billion rubles), and it continued to increase in 1959 to the level of 50 billion rubles. In the 1960 budget message, the new Finance Minister, Garbuzov, again complained of the size of decentralized investment and, in answer to the deputies who again demanded increased retention of profits by local industry, revealed that the government has recognized the necessity to bring order into procedure for aboveplan outlays for capital construction and has entrusted a commission to work out a corresponding proposal on this question. 33/

The second concern of Soviet planners in the field of investment, somewhat related to the first, is the dispersal of investment resources within the central plan. This theme has been repeatedly stressed in Soviet journals particularly since the December 1956 central committee plenum, but apparently without the desired effect. In 1959, therefore, the Soviet State Planning Commission drew up a list of 271 projects considered to be especially important in 1960 and directed the councils of the national economy, enterprises, construction trusts, and other organizations to concentrate their energy on these projects. The main branches of the economy represented by these projects are pig iron, iron ore, steel, rolled metal, oil processing, cement, synthetic rubber, and artificial fiber; their value in 1960 will total 35 billion rubles. 34/

In conclusion, it should perhaps be pointed out that the bulk, but not all, of budget outlays for investment occurs under the category Financing the National Economy. In 1955 and 1956, the only years for which data are available, outlays under Financing the National Economy were 92 percent of total budget investment outlays. Investment in Social-Cultural, Defense, and Administrative facilities are made under the corresponding categories.

In addition to capital investment, the budget also allocates funds for capital repair. The latter is financed basically by amortization allowances, then by profits of economic organization, and, as a last resort, by the budget. 35/ Of course capital repair of budget institutions (schools, hospitals, and administration buildings)

is financed by the budget, again in the corresponding category. Capital repair under the category Financing the National Economy, consisting of repair of roads and other municipal property, is slight. For example, in the 1960 plan, allocation from the state budget for the capital repair of the housing of local soviets was announced as 2.7 billion rubles 36/; total budget outlays for capital repair under this category probably are not much in excess of 5 billion rubles at present.

c. Working Capital

Expansion of working capital norms is planned to total 27.9 billion rubles in 1960, of which 7.3 billion rubles will be provided by budget funds and 20.6 by enterprise own funds (see Table 8). Here again, there may be noted a slight trend away from budget financing; in 1957 the budget was to provide one-third of the total increase; in 1960 it is to provide one-fourth.

Table 8

Planned Expansion
of Soviet Working Capital Norms, Budget, and Enterprise Own Funds a/
1956-60

	Billion Current Rubles				
	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
Budget	3.8	4.7	5.6	6.1	7.3
Enterprise own funds	7.9	10.3	18.1	17.4	20.6
Total	<u>11.7</u>	<u>15.0</u>	<u>23.7</u>	<u>23.5</u>	<u>27.9</u>

a. 37/

Working capital norms refer to the minimum working capital needs of enterprises and organizations and are supplemented to an increasing degree by State Bank short-term loans. The sources of existing working capital vary considerably, with own funds providing a proportionally larger share of the total in industry (63 percent) and a much smaller share in trade (23 percent). 38/

Control over the proper use of working capital is a constant theme in Soviet financial literature. Complaints are made that enterprises misuse working capital, directing it toward fixed

investment or for the purchase of stocks of unnecessary materials needed elsewhere. 39/ Control over the working capital plan is an important tool to prevent possible overexpenditures of the wage fund -- an old problem for Soviet planners. Since the 1954 State Bank reform, wage fund overexpenditures have been brought under more adequate control.

d. Subsidies

Although a significant number of Soviet enterprises are unprofitable (the so-called "planned-loss" enterprises), planned losses in most cases are made up by the transfer of funds from other profitable enterprises. Moreover, many outlays from the budget for operational activities of enterprises, such as scientific research and development or on-the-job training, are not classified as subsidies in Soviet terminology. Subsidies from the state budget (gosudarstvennyye dotatsiya), fairly common before 1950, have fallen into disfavor, except in a few areas of the economy.

The timber industry, faced with steadily increasing costs, was slated to be the only branch of industry operating at a loss as of 1 January 1956 40/ and was no doubt receiving state subsidies until April 1957, when prices were raised and losses presumably wiped out. 41/ Meanwhile the coal industry had been experiencing difficulties. In 1955 it was barely making a profit, 42/ and for the first 6 months of 1956 costs were higher than plan 43/ and must have continued to increase as a result of the wage reform and growing production. By 1957, losses in the coal industry were planned at 5.6 billion rubles (see Table 10*). The municipal economy has long had difficulty balancing income and outlay, particularly in the case of housing, and aid from the budget is frequently mentioned in this connection.

Although the absolute size of subsidies is not known directly, it is possible to derive a tentative estimate of 11 billion to 12 billion rubles annually since 1955 on the basis of two separate series on profits. For example, in 1958, total profit of state and cooperative enterprises was planned at about 204 billion rubles -- the sum of 188.4 billion rubles for state enterprise profit (see Table 15**) and an estimated 16 billion rubles for cooperative organization. 44/ In Soviet statistics of "money accumulation," however, profit of state and cooperative organizations, excluding "losses of some productive enterprises and in the communal housing economy," was planned at 192 billion rubles in 1958. 45/ Thus the difference between the two series -- 12 billion rubles -- may be assumed to be the size of subsidies from the budget. Since 1953, subsidies probably have been stable or may have been increasing slightly.

* P. 34, below.

** P. 50, below.

e. Price Differential Grants

Outlays from the budget for Price Differential Grants may be divided into the following three types: (1) grants to foreign trade (export) organizations in compensation for the overvaluation of the rubles in international trade, (2) grants to Gosbank to cover premiums-markups paid for certain types of agricultural raw materials used in industry, and (3) grants to procurement organizations in years when prices paid for agricultural produce are increased.

(1) Grants to foreign trade organizations are necessary because these organizations purchase goods for export and sell goods that have been imported at Soviet internal prices (usually wholesale). Foreign currency, however, is converted at the arbitrarily low ratio of 4 rubles to 1 dollar, and therefore export organizations sustain large accounting losses and import organizations profit. In most cases, import organizations are distinct from export organizations, and gains of import organizations enter the budget as revenue and losses of the export organizations are paid out of the budget as expenditure. The gross size of these grants was in the neighborhood of 10 billion to 12 billion rubles in 1955-56, and they have been estimated to have increased, on the basis of the general increase in exports, to approximately 18 billion to 19 billion rubles currently (see Table 1*). The grant is more than 80 percent as large as total exports, suggesting that a more realistic ruble-dollar exchange rate, at least for items exported, would be about 7 to 7.5 rubles per dollar rather than the official rate of 4 to 1. One important byproduct of the currency revaluation to go into effect in January 1961 may be the establishment of a more realistic foreign exchange rate that would reduce or eliminate the need for budget payments and receipts.

(2) In 1958, grants from the budget as reimbursements for premiums-markups were planned at 8.6 billion rubles, of which 5.3 billion went to light industry for raw flax and hemp, 2.9 billion to the food industry mainly for meat and milk, and 0.4 billion to the fish industry. ^{46/} Use of these grants has been criticized by writers on finance, including Finance Minister Garbuzov, and they have probably been reduced or eliminated in the course of the 1959-60 price adjustments.

The need for special financing of premiums-markups arose because procurement organizations paid premiums-markups to farms and farmers for technical crops out of a special Gosbank loan account. The loans were then repaid by the processors, who included in their costs, and subsequently in their selling price, an average allowance

* P. 11, above.

for premiums. By the mid-1950's, however, premium payments to farms and farmers had significantly increased without a corresponding upward adjustment in average allowances paid to Gosbank by the processors. The differences were made up by budget funds. 47/

(3) Grants to agricultural procurement organizations from the budget are necessary in certain years when prices paid for agricultural produce are increased without corresponding increases in wholesale or retail prices (see III, A, below).

f. Planning Design Bureaus

Planning design organizations, which had been directly supported by the budget since mid-1950, 48/ were transferred to khozraschet as of October 1959. Under the new system, they will be paid directly by construction organizations for services performed; these costs will then be included under the construction portion of investment statistics. The general level of project design work is planned at 6.2 billion rubles for 1960. 49/ Not all project design work, however, has been transferred to khozraschet. Still financed from the budget are such activities as designing new models; planning research and carrying on experimental work connected with the introduction of new machinery into construction; establishing All-Union norms for research, design, and construction; and drawing up designs for rayons, cities, and settlements. 50/

g. State Material Reserves

Purchases of goods by the Chief Directorate for State Material Reserves, including "industrial agricultural transport, food, defense, and other types of reserves," appear under the category Financing the National Economy. 51/ Whether defense goods in State Reserves include more than food and clothing -- for example, military hardware -- is not known for certain. Recent evidence, however, indicates that these items could be fairly sizable. It should be recalled that undisclosed outlays in the category Financing the National Economy, whether viewed from a sector-of-the-economy or from an end-use point of view, appear unreasonably large unless some extraordinary activities, such as major defense programs, are included. The recent Soviet weapons programs are undoubtedly costly.

A Western study of Soviet national income statistics called attention to the fact that a significant share of national income (5 to 6 percent, or about 60 billion rubles, in 1957) is devoted to Reserve Funds and suggested that the large size of the item implies that production of military hardware is involved. 52/ Support for the thesis that military procurement, at least for some types of

goods, is classified under the Reserve Fund in national income distribution may be found in the following definition of this category by a Soviet economist 53/:

The fund of reserves combines, first, state material reserves which have a long-term character; secondly, reserves of means of defense [sredstva oborony] which have a special character; and, thirdly, current operational reserves of the Soviet of Ministers, used in the course of fulfilling the annual plan for satisfying newly arising current requirements.

A problem arises, however, when the attempt is made to relate national income categories to state budget categories. In the quotation cited above, the first element, state material reserves, obviously refers to activities of the Chief Directorate for State Material Reserves, included under Financing the National Economy. The third element obviously refers to Reserve Funds of the Councils of Ministers, which are included under miscellaneous outlays (see D, 2, d, below). The second element, "means of defense having special character," is ambiguous. It is impossible to determine what types of items are encompassed, nor is there any means of relating it to any one budget category. A plausible hypothesis is that outlays for military end items, certainly those "having special character," are financed in some special way. Perhaps they are purchased by the Directorate for State Material Reserves and made available to the Ministry of Defense without being charged to the explicit Defense budget.

h. Developmental and Other Outlays

The extent to which scientific research and developmental outlays are financed from the budget category Financing the National Economy is difficult to determine. That some research and development is financed in this way, especially when it has a "national-economic" character, is clear from any textbook discussion of budget outlays under Financing the National Economy, but general support for research carried on in scientific institutes comes from the budget category Education. Development of prototypes and the "mastery of production" either may be financed from the budget category Financing the National Economy or it may be charged to enterprise costs of production (sebestoimost'). Recent discussions of problems in price formation suggest that, as a general rule, developmental outlays are financed by the latter method -- that is, they

are charged to enterprise cost and amortized over a period of 2 years. On the other hand, the budget is responsible for the support of aircraft experimental factories, which are gross budgetary institutions, 54/ and it finances outlays for mastery of production in the case of agricultural machinery. 55/

A category that may conceivably be fairly large is starting costs of new enterprises. These costs are paid from the budget category Financing the National Economy when, as is often the case, they are not included in the state capital investment plan. 56/

Supervision over the mineral resources in the USSR is exercised by the Ministry of Geology and Mineral Conservation, which along with its local organs is financed fully from the budget. Its activities include exploratory drilling, exploiting, and other work. 57/ Supervision over forest reserves, including afforestation and protection of forests, is exercised by the Ministry of Agriculture and its local organs, which all are budgetary institutions. Part of their work, however, is financed by the sale of forest produce and other revenues. 58/ Also included under this category are miscellaneous outlays, such as on-the-job training of workers and purchases of the annual gold production by the Ministry of Finance.

4. Soviet Budget and the Distribution of Resources

The Soviet planners, by fixing price and output levels for the Soviet economy, determine the amount of "surplus value" (chiefly profit and turnover taxes) accumulated in each sector. By then allocating this "surplus product," either directly through the state budget or indirectly through central planning of internal funds, the central authorities determine the distribution of resources between various competing ends. Table 9* gives a general, although limited, picture of the budget distribution of funds by sector of the economy. On the outlay side appears the budget allocation to Financing the National Economy by sector, and on the income side is listed budget revenue from profit taxes by sector. Existing data do not permit the breakdown of other revenue items by sector. Clearly the net contribution to the budget varies greatly by sector, from plus 18 billion rubles in the case of light industry to minus 75 billion rubles in heavy industry. If effects of the turnover tax, an excise tax levied almost exclusively on consumer goods, were taken into account, the losses of the heavy industry sector would not be much less, but gains from light industry would be much greater. The significance of the figures on agriculture should not be overemphasized, because collective farm activity, accounting for two-thirds of agricultural production, is excluded.

* Table 9 follows on p. 32.

Table 9

Soviet Budget Redistribution of Funds, by Economic Sector
1957 Plan

Billion Current Rubles			
Economic Sector	Budget a/ Allocation	Budget Income b/ from Profits	Net Contribution to Budget
Industry	<u>118.4</u>	<u>61.1</u>	<u>-57.3</u>
Heavy Industry and Construction	103.5	28.6 c/	-74.9
Light Industry	14.9	32.5	+17.6
Agriculture and Forestry	<u>39.0</u>	<u>6.2</u>	<u>-32.8</u>
Transport and Communica- tions	<u>18.0</u>	<u>25.2</u>	<u>+7.2</u>
Domestic Trade	<u>0.6</u>	<u>8.6</u>	<u>+8.0</u>
Other	<u>54.8</u>	<u>10.4</u>	<u>-44.4</u>
Total	<u>230.8</u>	<u>111.5</u>	<u>-119.3</u>

a. 59/. Revenue to the budget from the MTS's (see Table 20, Appendix B, p. 69, below) has been deducted from both the total and the agricultural sector to obtain the net effect.

b. 60/

c. Specifically Group A (producer goods), a concept broader than heavy industry because it includes processing of raw materials. 61/

The procedure by which the Soviet budget finances various sectors of the economy results in a series of distortions in Soviet prices. Basically prices are fixed equal to costs of production (sebestoimost') plus profit. Because, however, investment and various budget grants for operational expenditures of enterprises are not considered a cost of production, prices, especially in the highly capital-intensive branches of the economy, are relatively lower than those in other branches, especially the less capital-intensive branches. Moreover, although profit rates are normally set at approximately 5 percent of cost, the actual rates of profit, whether calculated as a percentage of costs or as a percentage of investment, vary tremendously from one sector to another and even within the same industry (see III, B, below). Thus, for example, profits in light industry are relatively

high, reflecting relatively higher prices in this sector. Third, the levy of a turnover tax almost exclusively on consumer goods makes retail trade prices relatively much higher than wholesale prices.

Since 1956, leading Soviet economists have been engaged in a great debate concerning the best method to obtain a more realistic price system. Many proposals have been made, some calling for uniform rates of profit calculated on the basis of fixed and working capital funds, and others calling for minor changes within the existing system of price determination directed chiefly toward the removal of extremely large profits or losses. The request in October by the Budget Commission for a review of wholesale prices in 1960-61 probably will result in some modifications of the present price system (see III, B, below), but it is unlikely that any radical change in price fixing will be made, given the present lack of consensus among leading Soviet economists.

Related to the problem of proper price fixing is the question of financing capital investment. Table 10* compares profit and profit distribution, by economic sector, to investment and investment sources, by sector, for 1957. Many liberties in interpreting data have been taken in drawing up the table, but these are not believed to have any great effect on the general picture. Clearly there is little correlation between capital investment and the profit of a sector, and in fact the rather high profit in light industry may be viewed as one device to force the savings in that sector necessary to finance the investment program.

The problem of determining the economic effectiveness of capital investment, which has received much attention from Soviet economists in recent years, is not the concern of the present report except to the extent to which budget financing of capital expansion is involved. On this subject, proposals are being made along two lines, both of which would result in increased prices in sectors where investment outlays are high and in less reliance on the budget in general as a source of financing capital investment. One proposal calls for raising the share of internal funds of enterprises and economic organizations in the financing of capital investment. ^{62/} This proposal would involve increases in prices (and therefore profits), particularly in those sectors of the economy in which investment demands are high. The other proposal also involves increases in prices but would rely upon bank credit as the important means of financing capital investment. ^{63/} The repayment of bank credit would be charged to enterprise costs of production (sebestoimost'), thus raising costs and prices. Most proposals along these lines involve extending the time period

* Table 10 follows on p. 34.

Table 10

Profit, Investment, and Net Contribution to the Soviet Budget, by Selected Economic Sectors a/ 1957 Plan

Economic Sector	Disposition of Profit				Investment b/ by Source				Net Contribution to Budget
	Total	To Budget	To Investment	To Miscellaneous	Total	From Profit	From Amortization	From Miscellaneous	
Industry	95.2	61.1	25.9	18.2	111.2	74.3	29.5	7.4	-13.2
Heavy	51.3 g/	28.6	12.2	10.5	101.4	68.5	25.8	7.1	-39.9
Of which:									
Ferrous metallurgy d/	3.7	N.A.	N.A.	N.A.	12.1	N.A.	N.A.	N.A.	(-6.0) e/
Nonferrous metallurgy d/	3.1	N.A.	N.A.	N.A.	7.3	N.A.	N.A.	N.A.	(-3.0)
Coal d/	-5.6	N.A.	N.A.	N.A.	15.8	N.A.	N.A.	N.A.	(-20.0)
Oil and gas d/	3.3	N.A.	N.A.	N.A.	14.0	N.A.	N.A.	N.A.	(-8.0)
Machine building and other d/	19.8	N.A.	N.A.	N.A.	11.9	N.A.	N.A.	N.A.	(+7.0)
Light	43.9 g/	32.5	3.7	7.7	9.8	5.8	3.7	0.3	+26.7
Of which:									
Light d/	16.2	N.A.	N.A.	N.A.	3.1	N.A.	N.A.	N.A.	(+14.0)
Food d/	14.3	N.A.	N.A.	N.A.	3.7	N.A.	N.A.	N.A.	(+12.0)
Agriculture and Forestry	8.9	6.2	0.6	2.1	27.6	24.7	2.2	0.7	-18.5
Transport and Communications	29.1	25.2	2.1	1.8	22.3	16.0	5.9	0.4	+9.2
Trade	11.8	8.6	0.6	2.6	1.1 f/	0.2 f/	0.8 f/	0.1 f/	+8.4
Other	11.9	10.4	0.6	0.9	16.6	14.4	1.6	0.6	-4.0
Total	156.9	111.5	19.8	25.6	178.8	129.6	40.0	9.2	-18.1

- a. 61/
 b. State plan, excluding industry of oblast and rayon subordination.
 c. Specifically, Group A (producer goods) and Group B (consumer goods), a classification which differs from the Heavy and Light Industry breakdown but which does not affect the general conclusions of the table.
 d. Plan for 1958; activity of union-republic jurisdiction only.
 e. Figures in parentheses are estimates.
 f. Figures in parentheses are estimates.
 g. Plan for 1958.

and the size of modernization loans, which the State Bank since 1955 has been authorized to grant for periods of 2 to 3 years and which are paid out of profit deriving from modernization. In spite of much discussion in Soviet texts and journals, loans granted for this purpose have amounted to approximately 3 billion to 4 billion rubles annually, or only 1 to 2 percent of total investment. 65/

Both of these proposals would have the virtue of providing planners with a more realistic notion of the costs of investment by establishing more meaningful prices for capital goods. Nevertheless, it must be remembered that prices do not play a determining role in the distribution of resources in the USSR, and reform in the price structure would not in itself have any effect on the real volume of investment or consumption.

B. Defense

The explicit Defense budget for 1960 of 96.1 billion rubles is exactly the same as the 1959 plan allocation and remains at the level that has prevailed since 1956. Actual outlays in 1960, however, should be considerably less than planned as a result of the January Supreme Soviet decision to reduce armed forces by one-third. In his speech proposing the armed forces cut, Premier Khrushchev estimated that the measure would represent a saving of 16 billion to 17 billion rubles annually. 66/ It is unlikely that such a large saving will be realized in 1960, however, since the reductions may take as long as 2 years to complete.

The announced allocation for Defense represents the ruble outlay of the Soviet Government for support of certain military programs. The Defense category is stated in Soviet textbooks to include "the monetary and material allowances for armed force personnel, payment for supplies and repair of combat equipment, maintenance of military institutions and schools, military construction, and other expenditures included in the estimate of the Ministry of Defense of the USSR." 67/ The total published figure for Defense outlays, the only figure available, understates defense outlays in two respects, however. First of all, many programs which come under the heading of national security outlays are known or are believed to be excluded. 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 under the category Financing the National Economy. Thus much of the expense connected with such programs as the development of a modern missile system or atomic energy may be excluded from the explicit Defense budget. In addition, 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 ^{68/} and therefore most likely financed from funds for Financing the National Economy, not Defense. Then, as noted (see A, 3, h, above), the Financing the National Economy residuals contain large sums to unspecified programs, possibly state material reserves, which could conceivably include sizable sums for military hardware. Finally, it must be remembered that border guards come under the jurisdiction of security troops and are financed separately in the budget (see D, below).

The second sense in which the Defense budget may understate defense outlays lies in the peculiarities of the Soviet pricing system. Defense industry, like all industry in the USSR, operates on the principle of khozraschet -- that is, it charges costs to revenue from the sale of product. Outlays for investment and various operational expenses, however, are to a large extent covered by direct budget grant, with amortization charges far below levels required to recover investment costs. Thus a ruble figure relating to purchases of military goods by the Ministry of Defense may understate to a significant degree the actual value of the goods. Furthermore, the degree of understatement may vary from time to time.

Between 1955 and 1959 the USSR claimed to have cut its armed forces by 2.14 million men -- from 5.76 million in 1955 to 3.62 million in 1959. ^{69/} Nevertheless, economies due to reductions in force levels have been more than offset by increasing allocations for procurement of weapons and supplies. In his proposal to reduce armed forces in the USSR by an additional 1.2 million men in January, Premier Khrushchev estimated that the saving from the measure would amount to 16 billion to 17 billion rubles annually. This figure implies that the cost per person in uniform is equal to roughly 13,000 to 14,000 rubles per year. If the midpoint of this range -- 13,500 -- is taken as the outlay per serviceman per year, and if the recent Khrushchev statements concerning troop strength are taken at face value, then it is possible to calculate total personnel and nonpersonnel outlay. Resulting personnel outlays between 1955 and 1959 then show a drop from 78 billion to 49 billion rubles at the same time that nonpersonnel outlays increased from 30 billion to 47 billion rubles. This calculation is admittedly a rough one, but no matter what assumptions are made concerning outlays per man per year the conclusion follows that the explicit Defense budget has by no means fallen proportionately to the manpower cuts over the 1955-59 period and that as manpower was cut other outlays increased.

Certainly it is difficult to draw any conclusions concerning either the size or the trend of the Soviet military effort on the basis of the Defense budget alone. For any realistic estimate of the size of the military effort in rubles, allowance must be made for the

various programs and charges that are omitted. For an assessment of the trend of military outlays, the stability of the explicit Defense category must be viewed in conjunction with other rapidly growing budget categories that may include military outlays (see Tables 1 and 5, pp. 11 and 20, respectively, above).

C. Social-Cultural Measures

1. Education

a. General

Outlays from the Soviet budget for education continue to increase moderately, with the 1960 plan set at 102.0 billion rubles. The fastest growing item under the Education category is the allocation to "scientific-research institutes," which has more than tripled since 1955 (see b, below). Outlays for higher education and professional training, planned at 22.1 billion rubles in 1960, have remained fairly stable since 1955; on the other hand, outlays for kindergartens, primary, and secondary schools have been increasing moderately, from 33.5 billion rubles in 1955 to an estimated 45 billion rubles for plan 1960. Also included in the budget Education category are outlays for "cultural-education work" (used for propaganda and agitation) and subsidies to the press, theater, radio, and so forth (see Table 11*).

The increase in outlays for general education will be used mainly to expand the kindergarten and boarding school systems. Expenditures also will be required to complete the transfer of 7-year schools to 8-year schools and to provide greater facilities for practical work in secondary schools. The latter items were part of the 1958 reorganization of education.

The stability of outlays to maintain higher and professional education facilities since 1955 is matched by similar stability in enrollment in these institutions, at least for the period 1955-58 when figures are available. ^{70/} Analysis of more recent higher education statistics must take into account the 1958 educational reform, which requires students who have completed 8 years of general schooling to work for 2 years before going on to higher educational establishments. The reform, ostensibly aimed at "strengthening ties between school and life" by providing young people with practical work experience early in life, may at the same time reduce the percentage of students going on to higher educational institutions. At any rate, there is no indication of any general intent to expand higher educational facilities in 1960.

* Table 11 follows on p. 38.

Table 11

Soviet Budget Allocations for Education a/
1955, 1958, and 1960 Plan

	Billion Current Rubles		
	<u>1955</u>	<u>1958</u>	<u>1960 Plan</u>
General education	<u>33.5</u>	<u>39.8</u>	<u>(45.0)</u> b/
Kindergartens	6.5	8.3	11.0
Primary and secondary schools	24.2	26.6	N.A.
Other	2.8	4.9	N.A.
Cultural-educational work	<u>2.5</u>	<u>3.1</u>	<u>(3.5)</u>
Preparation of cadres	<u>23.3</u>	<u>23.5</u>	<u>22.1</u>
Higher educational establishments (VUZ's c/)	10.2	11.4	15.5
Technicums	5.9	5.4	
Technical-professional training	6.1	5.6	5.6
Other	1.1	1.1	1.0
Science	<u>8.3</u>	<u>17.0</u>	<u>(28.4)</u>
Press, art, and radio	<u>1.3</u>	<u>2.2</u>	<u>(2.5)</u>
Miscellaneous		<u>0.4</u>	<u>(0.5)</u>
Total	<u>68.9</u>	<u>86.0</u>	<u>102.0</u>

a. 71/

b. Figures in parentheses are estimates.

c. Vysshaye Uchebnoye Zavedeniye (VUZ) -- Institute of Higher Education.

Because of the absence of any kind of private educational system in the USSR, expenditures from the state budget comprise most of total outlays for education except for organizational outlays, which were 12.8 billion rubles in 1958. 72/ Most organizational funds are supplied by state enterprises; collective farm outlays are slight (the total social-cultural funds of collective farm funds were only 1.4 billion rubles in 1956). 73/

b. Science

Outlays for Science, under the category Education, are planned for 1960 at 32.6 billion rubles, an increase of 16 percent compared with actual 1959 expenditures and 19 percent compared with 1959 plan expenditures (actual outlays in this category are almost invariably higher than plan). The percentage increases for 1960 are almost the same as those planned in 1959 and continue the rapid rate of growth begun in 1954. Between 1954 and 1958, outlays from the budget for Science increased by at least 20 percent annually, and in 1957 they increased by more than 33 percent (see Table 12*). The figure for actual budget outlays in 1959 has not as yet been announced, but it may represent a slightly smaller increase, perhaps 15 to 20 percent.

These funds for Science, earmarked to "finance scientific-research institutes," are used to support activities of the Academies of Sciences and of research institutes connected with Gosplan, ministries, or councils of the national economy. These organizations carry on research on a wide variety of topics, from pedagogy and literature to physics and chemistry. Construction of a new scientific center in Novosibirsk as well as expeditions connected with the International Geophysical Year account for some of the increase in funds for Science in recent years. The sharp rise since 1954, however, appears unduly large unless sizable sums to finance preliminary research connected with the rocket and earth satellite program are included. Such an assumption is reinforced by the fact that, in spite of certain trends in recent years toward decentralization of financial activity, centralization has been continued and even strengthened in the case of science. For example, the increase in outlays for scientific research institutes has come about almost entirely on the account of budget funds and very little on the account of enterprise funds (see Table 12*). Moreover, of the budget funds, the central All-Union budget provides the bulk of total funds for scientific research institutes (83 percent in 1957) although, for education as a whole, it provides a much smaller portion (32 percent in 1957). 74/

Precise conclusions concerning the outlays series in Table 11 are made difficult because of an accounting shift which probably took place in 1958 and which resulted in a modified outlay series first presented in the 1959 budget report. Apparently the transfer of scientific research institutes from industrial ministries to Gosplan and the councils of the national economy resulted in a shift of

* Table 12 follows on p. 40.

Table 12

Financing of Scientific Research Institutes in the USSR a/
1954-60

Billion Current Rubles			
Year	Budget Funds	Enterprise Own Funds	Total
1954 (plan)	N.A.	N.A.	9.5
1954 (actual)	6.8	N.A.	N.A.
1955 (plan)	N.A.	N.A.	10.0
1955 (actual)	8.3	3.4	11.7
1956 (plan)	N.A.	N.A.	13.6
1956 (actual)	10.2	N.A.	N.A.
1957 (plan)	11.7	N.A.	N.A.
1957 (actual)	13.6	2.8	16.4
1958 (plan)	15.0	3.2	18.2
1958 (actual)	17.0	N.A.	N.A.
1958 (actual) <u>b/</u>	(20 to 21) <u>c/</u>	(2.9 to 3.9)	23.9
1959 (plan) <u>b/</u>	23.1	4.2	27.3
1959 (actual) <u>b/</u>	N.A.	N.A.	28.2
1960 (plan) <u>b/</u>	(28.4)	(4.2)	32.6

a. 75/

b. Data are more inclusive than earlier series and therefore are not comparable. The post-1958 figures for total science outlays are believed to be overstated by approximately 3 billion to 4 billion rubles annually compared with the earlier figures.

c. Figures in parentheses are estimates.

expenditures for scientific research from enterprise costs of production to the budget category Social-Cultural Measures. 76/ The series of budget outlays and therefore total outlays since 1958 are estimated to be overstated by about 3 billion to 4 billion rubles compared with the earlier series on this account.

The series of expenditures presented here does not represent the total scientific effort in the USSR. First of all, it

excludes significant sums for capital investment, which are provided by enterprises. 77/ Then, considerable activity, particularly in the field of applied research and product development, either is financed from other budget categories, such as Financing the National Economy, or is charged to production costs of enterprises and organizations. Moreover, a small amount of scientific activity carried out in higher educational institutions and universities is financed from funds to "finance higher educational establishments." Work done by higher educational establishments on contract for enterprises and organizations was planned at 450 million rubles in 1959. 78/

2. Health and Social Welfare

The allocation to Health and Physical Culture in 1960, planned at 47.5 billion rubles, continues to increase moderately (see Table 13*). These funds are used to build and operate hospitals, to provide emergency medical services in enterprises and rural localities, to collect blood, to support sanatoriums for tuberculosis patients and for children, to run nurseries and childrens homes, and the like. In addition to budget outlays for Health, there are also outlays for rest homes and sanatoriums under the budget outlay for Social Insurance (2.7 billion rubles in 1957) and outlays by enterprises and organizations (3.6 billion rubles in 1957). 79/

The allocation for Social Welfare, including Social Security, Social Insurance, and Aid to Mothers, is set at 97.9 billion rubles in 1960, a moderate increase above the 1959 plan of 93.7 billion rubles. Social Welfare outlays have approximately doubled since 1955 (see Table 13*); the bulk of the increase, however, occurred in 1957, when the full effect of the more liberal provisions under the 1956 Pension Law was felt. Since that time, increases have been moderate, averaging 4 to 7 percent annually.

Benefits under the social security system are available mainly to former servicemen (except officers, who are covered under the Defense budget) and to citizens who have performed special services. Social Insurance, on the other hand, covers workers and employees in state enterprises and organizations; it is administered by the trade unions; and a large part of its outlays are covered by payments from state enterprises (see III, D, below). Before 1956 these revenues from state enterprises and organizations were sufficient to pay all Social Insurance outlays; however, because the rates of contributions did not rise when benefits were increased in 1956, budget subsidies have been necessary ever since (amounting to 3.2 billion rubles in 1956 and 24 billion in 1958). The size of these subsidies

* Table 13 follows on p. 42.

probably will continue to increase unless some basic revision of the rate structure is made.

Table 13

Outlays from the Soviet Budget for Social Welfare a/
1955, 1958, and 1960 Plan

	<u>Billion Current Rubles</u>		
	<u>1955</u>	<u>1958</u>	<u>1960 Plan</u>
Health and Physical Culture	31.2	41.2	47.5
Social Welfare	<u>47.1</u>	<u>87.0</u>	<u>97.9</u>
Social Security	<u>16.9</u>	<u>24.3</u>	<u>23.0</u>
Social Insurance	<u>25.3</u>	<u>57.4</u>	<u>70.2</u>
Inability to work	6.4	10.3	12.5
Childbirth	2.4	4.4	5.2
Pensions	13.9	39.5	49.1
Sanatoriums and other services	2.6	3.2	3.4
Aid to Mothers	<u>4.9</u>	<u>5.3</u>	<u>4.7</u>

a. 80/

D. Administration and Miscellaneous

1. Administration

Outlays for Administration have shown a slight decline -- from 12.5 billion rubles, or 2.3 percent of budget expenditures, in 1955 to 11.1 billion rubles, or 1.5 percent of budget expenditures, in plan 1960 (see Table 19, Appendix B, p. 68, below). During this period, there has been a campaign to reduce administration staffs and to wipe out wasteful extravagance in public administration.

Outlays for Administration financed by the budget designation support higher and local organs of state power; planning, financial, and economic organs; ministries and departments; councils of the national economy; judicial organs; and the procuracy. 81/

Since 1 January 1959, all branch directorates of the councils of the national economy have been supported not by budget allocations but rather by charges to the cost of production (sebestoimost') of subordinate enterprises. ^{82/} The Tadzhik Council of the National Economy in mid-1959 adopted the khozraschet method of financing, which means that the cost of its operations is covered by the profit of subordinate enterprises. Formerly it had operated on the basis of an annual budget grant of 2.6 million rubles. ^{83/} If the Tadzhik experiment proves workable, it probably will be expanded to other councils of the national economy.

2. Miscellaneous (Other)

Other expenditures include the internal security allocation, loan service to the population, allocations to long-term investment banks, and minor miscellaneous items.

a. Internal security outlays (including the Ministry of Internal Affairs and the Committee for State Security) are not available for any recent years. In the early 1950's they were running in the neighborhood of 20 billion rubles annually, but they have been reduced by perhaps one-third in the more recent period. Numerous prisoner amnesties and reductions in forced labor personnel have reduced the role of the Ministry of Internal Affairs. In January 1960 this ministry was abolished on the All-Union level; this may result in no more than a transfer of financing from the central budget to the republic budgets.

b. Loan Service to the Population, consisting of public debt, principal retirement, and interest payments, has constituted a minor sum since 1957, when a moratorium on the state loan was declared. Expenditures under this category were given as 3.7 billion rubles in 1958 (see Table 19, Appendix B, p. 68, below) and probably have continued on the same level since.

c. Allocations to long-term investment banks provide the latter with necessary monetary reserves for expansion of credit. These outlays run in the neighborhood of 3 billion to 4 billion rubles annually. (In 1956 they were planned at 4.1 billion rubles; in 1958, at 3.0 billion rubles. ^{84/})

d. Plan budgets set aside Reserve Funds at the disposal of the Council of Ministers of the USSR and of the union-republics, to be used for contingencies. These reserves, consisting of monetary funds as well as material reserves, are reclassified in actual budgets under the categories for which they were expended. The size of

Reserve Funds has grown rapidly (it has approximately doubled since 1955), reaching the level of 27.6 billion rubles in 1960. In recent years, most of these funds have been directed to the category Financing the National Economy. This seems in line with recent attempts to introduce greater flexibility in financial planning, allowing central authorities to set plan allocations at minimum levels and then use reserve funds in the course of the year as the need arises for them.

III. Revenues

The general level of budget revenues, planned for 1959 and 1960, may be seen in the chart, Figure 2.* The largest item of revenue, the turnover tax, is slated to decline in 1960 because of adjustments in wholesale prices, but this decline will be more than offset by increases in profit taxes. The growth in the latter is made possible by the rapid growth of profits that has accompanied increased production and decreased costs in the national economy. Turnover and profit taxes together account for two-thirds of total budget revenue.

Revenue from the population, which has been declining since 1956, will increase only slightly in 1960, and as a percent of the total revenues will decline. This is in line with the current policy of fostering incentives by refraining from direct levies on the population, relying instead on indirect methods of raising revenues (primarily turnover tax and profit deductions). The latter have always been the major sources of revenue for the Soviet budget and will become increasingly so as direct taxes on the population are progressively eliminated (1960-65). Other budget revenues (social insurance receipts, income taxes on organizations, income from foreign trade organizations, forest revenue, and the like) will increase moderately.

Recent years have seen a series of measures to modernize the tax procedures without any change in the basic revenue structure. Minor revenue items, which yielded small amounts of income at the cost of cumbersome calculation and collection procedures, have been modified or abolished. Moreover, since 1955, a new procedure for collection of profits deductions has been established, the so-called decentralized method of collection, direct from the enterprise. Demands for a similar reorganization of turnover tax collections have not as yet been fully implemented.

A. Turnover Tax

The turnover tax, an excise tax levied on consumer goods, continues to contribute the largest single share of budget income. The 1960 plan, however, shows a slight decline in the turnover tax, both as a share of budget income (from 47 percent planned in 1958 to about 41 percent planned in 1960) and in absolute terms (from 333 billion rubles planned in 1959 to 317.1 billion rubles planned in 1960).

Changes in the level of tax receipts reflect changes in the volume of trade, in the composition of trade, and in the level of

* Following p. 46.

prices, wholesale and retail. Table 14 illustrates the relation between turnover tax and retail trade volume.

Table 14

Relation Between the Soviet Turnover Tax and Retail Trade
1955-60

Billion Current Rubles

Year	Turnover Tax <u>a/</u>	Retail Trade <u>b/</u>	Turnover Tax as a Percent of Retail Trade
1955 (actual)	242.4	497.0	48.8
1956 (plan)	271.2	538.7 <u>c/</u>	50.3
1956 (actual)	258.6	540.8	47.8
1957 (plan)	277.3	597.0	46.4
1957 (actual)	275.6	617.3	44.6
1958 (plan)	301.5	660.0	45.7
1958 (actual)	304.5	668.5	45.5
1959 (plan)	333.0	722.0	46.1
1959 (actual)	N.A.	709.5	N.A.
1960 (plan)	317.1	765.0	41.5

a. See Table 20, Appendix B, p. 69, below.

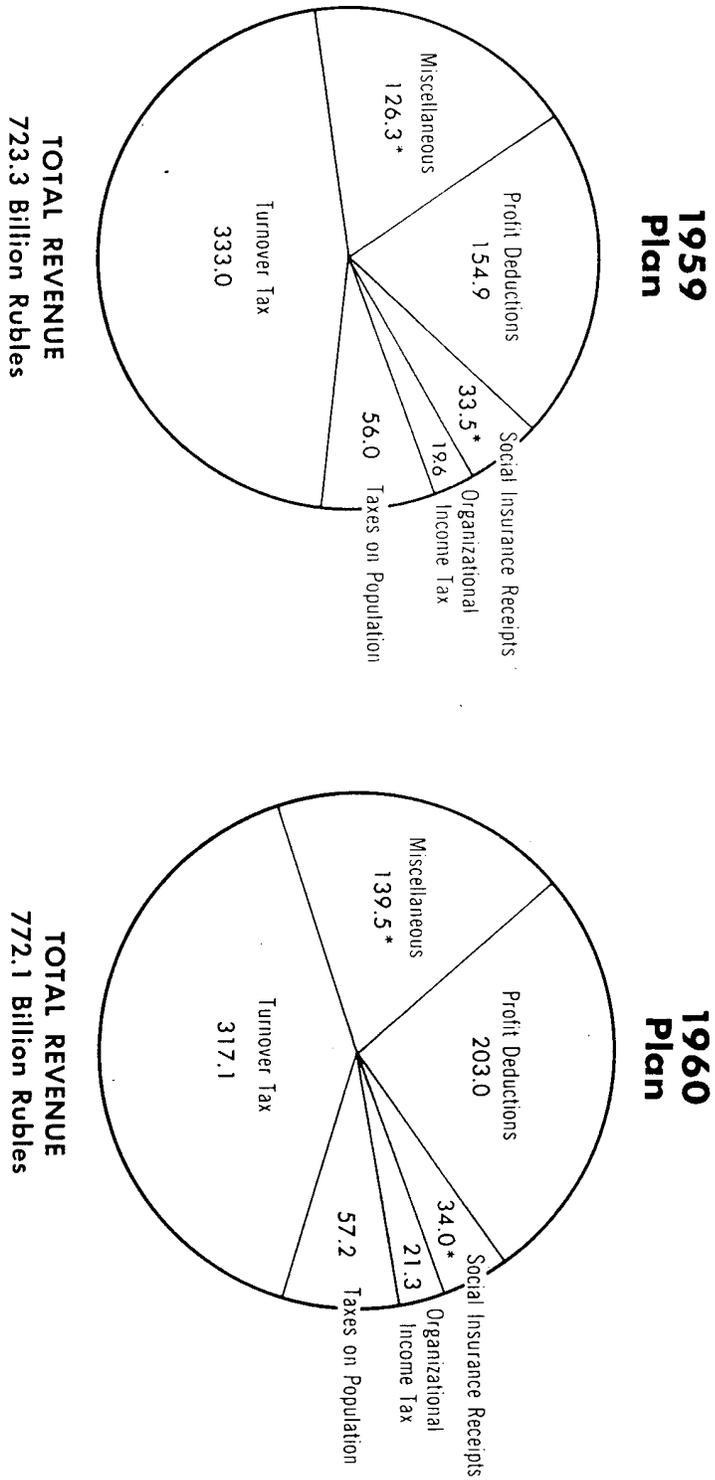
b. 85/

c. Estimated on the basis of the average annual rate of increase projected in the Sixth Five Year Plan (1956-60).

The two sizable declines in the turnover tax in 1956 actual compared with 1956 plan and in 1960 plan compared with 1959 plan, were the direct result of adjustments in wholesale price levels with retail prices unchanged, following increases in prices paid by state procurement agencies for agricultural produce. These price increases, both in 1953-56 and in 1958, were initially financed through grants by the budget to procurement organizations. Subsequently wholesale prices were adjusted upward, ending the need for a direct budget grant, but in the process turnover tax rates were decreased. The process may be seen in the following schematic representation:

REVENUES OF THE SOVIET STATE BUDGET 1959 AND 1960 PLANS

Billion Rubles



* Estimated

29358 10:60

Figure 2

	Nominal Values		
	<u>Old Price</u>	<u>Initial Adjustment</u>	<u>Final Adjustment</u>
Price paid to farmer	45	65	65
Wholesale trade costs	3	3	3
Total wholesale cost	48	68	68
Budget grant		-20	
Wholesale price	<u>48</u>	<u>48</u>	<u>68</u>
Retail trade cost	<u>2</u>	<u>2</u>	<u>2</u>
Turnover tax	<u>50</u>	<u>50</u>	<u>30</u>
Total retail price	<u>100</u>	<u>100</u>	<u>100</u>

When the 1956 budget was drawn up, final adjustments had been made for all commodities affected by the 1953-56 agricultural price increase except grain, which required a 15-billion-ruble budget grant. ^{86/} The subsequent increase in wholesale prices for grain removed the necessity for the grant, resulting in a decline in Other (unspecified) outlays under Financing the National Economy (see Table 1*) and a decline in turnover tax receipts (see Table 14**), actual compared with plan.

Increases in wholesale prices, resulting from the 1958 increase in agricultural prices, were not taken into account when the 1959 budget was drawn up. The budget law entrusted the Soviet of Ministers to correct the budget plan in accordance with new wholesale prices for grain products and mixed fodder, scheduled to go into effect in January 1959. ^{87/} Therefore, if complete data were available for 1959, both budget revenues from the turnover tax and outlays for Price Differential Grants would show a drop compared with plan. The drop does show in the 1960 turnover tax plan and in the 1960 budget allocations, although the latter was offset by other increasing outlays (see II, A, 2, above).

The cost to the government of the 1958 increase in purchase prices in agriculture may be roughly estimated at 25 billion to 29 billion rubles. The decline in the turnover tax was attributed by the Finance Minister to removal of the turnover tax on milk, to changes in wholesale prices for grain products and sugar, and to lowering of

* P. 11, above.

** P. 46, above.

state retail prices for watches, bicycles, wine, and other goods. Since the 1958 plan, turnover tax receipts have approximated 45.5 to 46 percent of retail trade. Retail trade was planned at 765 billion rubles in 1960, and turnover tax receipts should therefore have totaled 348 billion to 352 billion rubles. Tax receipts were in fact planned at 317 billion rubles, however, and would have been 323 billion without the retail price reductions (the latter were stated to represent a saving to the public of 6 billion rubles per year 88/). Thus the effect of shifts in wholesale prices was to reduce the turnover tax by about 25 billion to 29 billion rubles. The estimate is consistent with the Khrushchev statement that outlays for agricultural price increases would be made within the financial framework of the no-longer-necessary MTS allocation (planned at 29.6 billion rubles in 1958). 89/ It is somewhat lower than the estimated 31-billion-ruble increase in revenues that collective farms were slated to receive as a result of the procurement price reform. 90/

There has been virtually no information on turnover tax rates since World War II. It is known that, in the field of producer goods, the turnover tax is levied only on oil, gas, and electric energy (and perhaps some scattered fabricated items -- for example, it was apparently introduced for trucks in 1956). 91/ In the field of consumer goods, there is no tax on children's clothing, printed material, milk, and many types of meat, poultry, and furniture. 92/ On the other hand, the rate on alcoholic beverages has been significant 93/ and also the rate on sugar. The only general statement pertaining to the distribution of turnover tax receipts refers to the year 1957 when, it was observed, enterprises of the Ministry of Production of Food Goods accounted for 38.3 percent of the total, enterprises of the Ministry of Light Industry 30 percent, and organizations of the Ministry of Bread Products 13 percent. 94/

There has been a good deal of discussion about the payment of turnover taxes in recent years. Collection of the turnover tax at present is carried out roughly 40 percent on wholesale trade and 60 percent directly from the industry or procurement agency. The notion became widespread, when the reorganization of industry occurred in 1957, that the turnover tax should be levied directly on the producing enterprise and not on the wholesale or retail trade network. 95/ This, it was argued, would greatly simplify accounting by making a unified system possible, and it would strengthen financial control by concentrating collection from one type of organization (the enterprise); furthermore, theoretically, the turnover tax should be collected from the sphere of formation. Nevertheless, although financial books and journals ever since have extolled the virtues of the system, the government has been understandably extremely cautious in making any radical change in turnover tax collections in view of the importance of maintaining a steady flow of receipts to the budget.

It is often pointed out by Soviet writers that the turnover tax and profits really have the same economic nature -- that is, they represent part of the net product of socialist industry directed to general social needs. In sum, they represent the difference between cost and price. One economist therefore suggests combining the two into a single category called "deductions from the income of state enterprises." 96/ Others are disturbed by present high profits in many branches of industry. A recent conference of financial workers proposed careful study of the question of levying a turnover tax on some types of production of heavy industry where profits are excessive. This same group advocated use of more flexible turnover tax rates which, given generally stable prices, could be increased as costs of production go down, thus guarding against abnormally high profits. 97/ One writer proposes a simple criterion -- the turnover tax should be levied on any production whose profitability is higher than 10 percent. 98/

One of the most radical reforms in the turnover tax is the proposal of V. Nemchinov that the turnover tax be reduced by one-third and replaced by a state rent tax (oblozheniye) levied on the basic fund. In this way, he writes, every enterprise, in a determined period, must return to society sums borrowed from the national income for capital investment. 99/

The present turnover tax rates and methods of collection, which are the result of a multitude of ad hoc decisions made over a period of many years, are badly in need of a basic study and overhaul. Indications are that some modifications will be made (for example, more widespread collection of the tax directly from enterprises). However, the lack of a consensus of opinion among financial writers on this subject, plus the reluctance of the government to make a radical step in this field, make it likely that any basic reform is far off in the future.

B. Profit Taxes

Profit taxes ("deductions from profits" in Soviet terminology) have been a rapidly growing source of budget revenue, having increased from 18 percent of budget revenue in 1955 to 26 percent in the 1960 plan. This rapid growth reflects the extremely rapid increase in profits in the economy as a whole and especially in industry (see Table 15*). The absence of major wholesale price decreases since 1955, coupled with cost reductions and a generally expanding economy, has caused profits to double during the period. The decentralized system of accounting of profit transfers also may have inflated the figures to some extent, although the effect is not**

* Table 15 follows on p. 50.

** Text continued on p. 52.

Table 15

Distribution and Disposition of Profits in the Soviet National Economy g/*
Selected Years, 1955-60

	1958			1959		1960 Plan
	1955 Plan	Plan	Actual	Plan	Actual (Preliminary)	
Total	<u>143.3</u>	<u>188.4</u>	<u>196.4</u>	<u>219.5</u>	<u>232.4</u>	<u>285.3</u>
To state budget b/ Own working capital Capital investment Other	112.3 7.5 13.5 10.0	128.6 14.3 25.1 20.4	N.A. N.A. N.A. N.A.	152.5 14.4 29.4 23.2	N.A. N.A. N.A. N.A.	200.7 20.6 34.3 29.7
Industry	<u>88.9</u>	<u>111.6</u>	<u>117.6</u>	<u>132.5</u>	<u>143.3</u>	<u>182.7</u>
To state budget b/ Own working capital Capital investment Other	66.7 5.7 10.2 6.3	71.3 8.9 18.4 13.0	N.A. N.A. N.A. N.A.	86.0 9.4 20.1 17.0	N.A. N.A. N.A. N.A.	124.8 57.9
Agriculture	<u>8.3</u> c/	<u>5.1</u>	N.A.	<u>4.4</u>	<u>4.8</u>	<u>8.3</u>
To state budget b/ Own working capital Capital investment Other	4.8 0.3 0.9 2.3	1.7 0.9 1.3 1.2	N.A. N.A. N.A. N.A.	1.7 0.5 0.9 1.3	N.A. N.A. N.A. N.A.	2.1 6.2

* Footnotes for Table 15 follow on p. 51.

Table 15
(Continued)

Billion Current Rubles

	1958			1959		1960 Plan
	1955 Plan	Plan	Actual	Plan	Actual (Preliminary)	
Transport and Communications	<u>25.2</u>	<u>23.9</u> d/	N.A.	<u>39.6</u>	<u>39.9</u>	<u>44.6</u>
To state budget b/	22.4	18.4	N.A.	31.7	N.A.	34.6
Own working capital	0.2	0.5	N.A.	0.7	N.A.	
Capital investment	1.6	3.3	N.A.	5.7	N.A.	10.0
Other	1.0	1.7	N.A.	1.5	N.A.	
Trade	<u>10.9</u>	<u>14.8</u>	N.A.	<u>13.1</u>	<u>13.1</u>	<u>14.2</u>
To state budget b/	9.3	8.7	N.A.	8.9	N.A.	9.9
Own working capital	1.1	3.0	N.A.	3.0	N.A.	
Capital investment	0.2	0.7	N.A.	0.6	N.A.	4.3
Other	0.3	2.4	N.A.	0.6	N.A.	
Other	<u>10.0</u>	<u>33.0</u> c/	N.A.	<u>29.9</u> c/	<u>31.3</u> c/	<u>35.5</u> c/
To state budget b/	9.1	28.5	N.A.	24.2	N.A.	29.3
Own working capital	0.2	1.0	N.A.	0.8	N.A.	
Capital investment	0.6	1.4	N.A.	2.1	N.A.	6.2
Other	0.1	2.1	N.A.	2.8	N.A.	

- a. 100/
- b. Figures are somewhat less than those appearing in budget revenue tables (see Table 19, Appendix B, p. 68, below) because the latter include some deductions from profits of the previous year as well as return of surplus working capital.
- c. Including Procurement.
- d. Excluding activity of union-republic jurisdiction (motor and river transport), which is listed under Other.

clear. Profit taxed, as a percent of total profits, has decreased somewhat -- from 78 percent in the 1955 plan to 70 percent in the 1960 plan. This is a corollary of the trend toward slightly greater emphasis on use of retained own funds rather than budget funds in financing the economy.

The increase in profits in 1960 in industry of almost 40 billion rubles is somewhat higher than plans for higher industrial production and decreased costs would indicate. It may be assumed that, on account of the 8.1-percent plan increase in industrial production, 101/ the profit level will also increase by roughly 8.1 percent, or about 12 billion rubles. Savings because of the 1.9-percent cost reduction in industry are planned at 20 billion rubles. 102/ On these two accounts, the increase in profit totals about 32 billion rubles, considerably lower than the 40 billion rubles planned. This difference suggests either that the anticipated overfulfillment of industrial production is already built into the profit plans or that the most rapidly expanding areas of industry are also the most profitable.

Increasing profits in transport and communications may be explained mainly by railroad transport profits, which grew from 15.8 billion rubles in 1956 to 25.5 billion in 1959. 103/ Profit will most likely continue to increase in this sphere, with 1960 reduction in railroad shipping costs planned at 2.5 percent. 104/ The increase in profit in agriculture, from 4.8 billion to 8.3 billion rubles, is difficult to understand, since profit in this sphere has always been low and profit plans underfulfilled. Moreover, state farms have been experiencing particular difficulties since the 1958 agricultural reform (see II, A, 2, d, above), and it is not likely that the RTS's make any large amount of profit. Profits in trade have been fairly stable or slightly rising since 1955. Profits in the Other (unspecified) category have shown a sharp increase since the 1957 plan -- from 15 billion rubles (including procurement) to 35.5 billion in the 1960 plan. This has been an increase of approximately 6 billion to 7 billion rubles annually (on a comparable basis). This trend is thus parallel in direction to that observed in the residual of the category Financing the National Economy, although the degree of increase here is by no means so striking.

Analysis of profit and profit tax figures is complicated by certain difficulties in assessing the effect of recent organizational and accounting changes in the economy. The first of these goes back to 1 July 1955, when a decentralized system of profit taxation was put into effect for the Ministries of Automobile Building, Tractor and Agricultural Machinery, and Chemicals. According to this system, profit taxes were levied at the enterprise rather than at the trust

or ministerial level. In 1956 the system was expanded to include a series of other ministries (Machine Building, Wood and Paper Processing, and Textiles), 105/ and since the reorganization of industrial management in mid-1957, it has become the dominant form. This system, which precludes netting of above-plan profits at intermediate levels, has resulted in profit figures which are more "gross" -- that is, they include more profit of profitable enterprises and less deduction of losses of losing enterprises. This involves, however, larger budget subsidies to enterprises with losses, which no longer can depend on profits of profitable enterprises for aid (unless such aid is in the plan).

Perhaps more serious distortion in the profit figures, however, may be the result of the industrial reorganization itself. Whereas plan redistribution of profits formerly occurred within a certain branch of industry (ministry), such redistribution now takes place within a given territorial unit (council of the national economy). 106/ This cannot but affect profit figures as reported, but the exact effect and direction cannot be determined.

The problem of disposition of profit has aroused a good deal of discussion in the Soviet press. At present, profit taxes constitute 10 to 99 percent of profit. 107/ The general tenor of the recent discussion is that a greater share of profit should be allowed to the branch of the economy itself for its own expansion and a smaller share channeled through the budget. As noted (see II, A, 4, above), there is little correlation between the profit level of a branch and its investment requirements. Therefore, internal branch financing of investment is dependent upon a comprehensive revision of the price structure, which would provide for relatively higher prices for products of the more highly capital-intensive branches of the economy.

The role of the profit plan, and of financial plans in general, is receiving heightened attention in recent years as problems of cost reduction and efficiency of operation have come to the fore. The major concern, historically centered upon the fulfillment of output plans regardless of cost, has now shifted to the question of fulfilling output plans at minimum cost. Various measures to perfect financial planning may be cited. For example, in 1958, a new planning indicator -- outlays per ruble of production -- was introduced. This indicator, because it depends on the entire production mix of an enterprise, is more inclusive than the "cost for comparable production" indicator which it replaced. 108/ In 1959 a new bonus system for managerial and engineer-technical personnel was put into effect, wherein bonuses are contingent upon fulfillment and overfulfillment of cost reduction plans (assuming output and other goals are met) rather than upon overfulfillment of output goals. 109/

Under these conditions, attention has been focused on questions of costs, prices, and profit levels. One problem has been the existence of increasingly large variations in enterprise profit rates,* with many enterprises operating on the basis of "plan-losses." Although apparently all branches of industry (except coal) are profitable, and profit in industry as a whole has increased from 8.2 percent in 1955 110/ to more than 10 percent in the 1959 plan, 111/ there exist increasingly large variations in profit levels. If in 1955 the average profitability of most important branches of heavy industry ranged from -2 to +18.6 percent, by the end of 1958 the range had widened to from -15 to +31.7 percent. 112/ Losses are common not only in the coal industry but also in the mining of iron and manganese ore and in some types of construction materials. On the other hand, profits are very high in machine building, oil, gas, and electric energy. Profit varies widely even within the same industry and area. For example, in the Sverdlovsk Council of the National Economy, according to 1958 plan figures, the profit of ferrous metallurgy enterprises varied from -25 to +15 percent; of forestry and paper from -45 to +25; and of machine building from -55 to +33 percent. 113/ In this connection the Budget Commission of the Soviet of the Union suggested that Gosplan USSR should look at the question of the expediency of introducing in 1960-61 a general successive review of wholesale prices for industrial production in order to establish the correct relation between prices and to completely abolish the losses of separate branches of industry. 114/ Such a review might well result in temporary readjustments of price levels. Any prospect for a significant cut in wholesale prices such as the 1950 and 1955 cuts was soundly dismissed by Khrushchev in a speech last November. 115/

Of course prices for goods can be reduced imprudently, but where then will we get funds for the further development of the economy? Will God send us new plants, factories, and electric power stations? If we reduce prices for goods without considering actual opportunities or raise wages without considering anything, will it be possible to promote development of our economy? No, of course not. Then we would eat up all accumulation, would not get new accumulation.

A particularly vexing problem has centered on the proper fixing of price and profit levels for new products. In general, prices

* Profit rates in the USSR are always expressed as a percentage of production costs (sebestoimost').

are set at cost plus a 5-percent profit when the product is in series production. In the case of new products, however, temporary wholesale prices are fixed for a period of 6 to 18 months at a level which allows covering full costs for "mastery of production" plus the 5-percent rate of profit. Therefore, although new goods are relatively higher priced than comparable older products, profit for new goods, nevertheless, is less than that for goods in production longer that have benefited from cost decreases. Moreover, temporary wholesale prices are often retained beyond the 18-month period, leading to huge profit. According to a State Planning Committee check of nine textile plants in 1958, only 32 percent of the total volume of production was sold according to permanent wholesale prices. 116/ This is no doubt an extreme case, but the problem is very real. A July 1960 decree pertaining to machine building apparently adopted the suggestions of many Soviet writers that outlays for mastery of production be covered by deductions from all production of the enterprise or of the council of the national economy. 117/ Temporary high prices for new products will then no longer be necessary.

C. Direct Revenue from the Population

1. Taxes on the Population

Taxes on the population, a category that includes income taxes, bachelor taxes, and the tax on agricultural households, has been gradually increasing as incomes and numbers of workers have increased (see Table 16*). Nevertheless, direct personal taxes have never been a major source of budget revenue in the USSR, and their rate of increase in recent years has been less than that of the more important revenue items (turnover tax and profit deductions). The decline in revenue resulting from abolition of the income tax over the 1960-65 period will be more than offset by rapid increases in revenue from indirect taxes (turnover tax and profit transfers). The Khrushchev regime thus is continuing its policy of raising living standards primarily by increasing incomes in contrast to its earlier policy of reducing prices (the latter policy reduces turnover taxes and/or profits). The Khrushchev policy, by allowing the regime to raise incomes of selected groups in particular periods, is more flexible and, it is believed, can be more readily manipulated to maximize incentive effects.

The income tax will be abolished, according to the law adopted at the May session of the Supreme Soviet, in stages beginning in October 1960, when all taxes on incomes below 500 rubles per month will be discontinued and tax rates on earnings of 500 to 600 rubles

* Table 16 follows on p. 56.

Table 16
Soviet Revenue from the Population a/
1955-60

	1957		1958		1959		1960 Plan		
	Plan	Actual	Plan	Actual	Plan	Actual			
Total revenue	<u>88.1</u>	<u>97.5</u>	<u>92.7</u>	N.A.	<u>72.7</u>	<u>68.3</u>	<u>67.4</u>	N.A.	<u>70.4</u>
Of which:									
Taxes on the population	<u>48.3</u>	<u>50.5</u>	<u>51.5</u>	<u>52.0</u>	<u>49.8</u>	<u>51.9</u>	<u>56.0</u>	N.A.	<u>57.2</u>
Income tax	N.A.	37.4	38.8	N.A.	42.1	N.A.	N.A.	N.A.	N.A.
Bachelor tax	N.A.	8.7	8.5	N.A.	3.5	N.A.	N.A.	N.A.	N.A.
Agricultural tax	N.A.	4.3	4.2	N.A.	4.1	N.A.	N.A.	N.A.	N.A.
State loans	<u>36.8</u>	<u>44.3</u>	<u>39.2</u>	<u>35.2</u>	<u>17.6</u>	<u>10.6</u>	(<u>11.0</u>) b/	N.A.	(<u>12.0</u>)
Subscription	30.2	32.8	26.6	18.5	2.6	3.2	N.A.	N.A.	N.A.
Savings	5.3	10.0	11.0	16.0	13.0	6.5	7.2	13.3	8.4
Other (3-percent internal)	1.3	1.5	1.6	0.7	2.0	0.9	N.A.	N.A.	N.A.

a. See Table 20, Appendix B, p. 69, below, and source 118/. Totals are derived independently from unrounded data and do not always agree with the sum of their rounded components.
b. Figures in parentheses are estimates.

will be reduced on the average of 40 percent. Similar annual reduction will be made on progressively higher income groups until, in October 1965, the tax on all incomes below 1,000 rubles per month (approximately the planned average wage in that year) will be abolished. At the same time, taxes on incomes between 1,000 and 2,000 rubles will be abolished, but individuals in these groups will suffer pay cuts of 24 to 79 percent of the abolished tax. For the 6 percent of the labor force earning above 2,000 rubles per month in 1965, wages will be decreased by the exact amount of the abolished tax, so that take-home pay will remain unchanged. Thus the measure is in line with general attempts to reduce excessive gaps in wages between various categories of workers. 119/

The income tax in the USSR is paid on a progressive rate schedule, depending on the amount and source of income. A series of measures have reduced tax rates somewhat in recent years. As of 1 January 1957, those earning from 260 to 370 rubles per month were exempted from paying taxes, and in March the tax rates for those earning between 370 and 450 rubles monthly were reduced. At present the worker earning the minimum taxable income (371 rubles per month) pays a tax of 1.5 percent of his wage, the worker earning the average wage (800 rubles per month) pays 7.2 percent, and the academician (earning 5,000 rubles per month) pays a tax at the rate of 12 percent. If there are more than three dependents, the tax is reduced by 30 percent. For any private income -- for example, from the private practice of doctors, lawyers, or other professionals -- the rates vary from 2.5 percent (on a monthly income of 167 rubles) to 43 percent (on a monthly income of 5,000 rubles). 120/

The income tax on workers and employees accounts for by far the largest share of taxes on the population (see Table 16). The bachelor tax formerly provided that individuals with no children pay a monthly fee of 6 percent of wages and those with one or two children, 1 and 0.5 percent, respectively. As of 1 January 1958, all wage earners with children and single women were free from paying the tax. 121/ These taxes also will be completely abolished by 1965.

The tax on agricultural households is based on the size of the private plot available to a household. The rates vary by locality -- the average rate in the RSFSR is 8.5 rubles per 0.01 hectare (although it varies from 3 to 14 rubles), in Latvia and Estonia it is 4 rubles, and in Uzbek SSR and Tadzhik SSR it is 22 rubles for irrigated land and 8 rubles for nonirrigated land. 122/ This tax will not be abolished, because, according to Khrushchev, "it plays a certain role in the strengthening of labor discipline on collective farms and regulating collective farmers' incomes from private plots." 123/

2. State Loans

Revenues to the budget from state loans have decreased considerably, mainly because of the abolition in 1957-58 of compulsory mass subscription loans. These loans, introduced during the war, amounted to 2 to 3 weeks' wages and were listed as budget revenue. Although the loans were providing large sums of income, outlays from the budget as interest and repayment on the loans were growing rapidly and the net gain to the budget was decreasing. In the 1957 plan, gross loan receipts were planned at 26.6 billion rubles, but outlays for loan service were planned at 15.9 billion rubles, yielding a net gain of only 11 billion rubles. Since then, repayment of the old debt has been suspended by the government, and loan subscriptions by the population are limited to the voluntary 3-percent internal loan. The latter approximate 1 billion to 2 billion rubles annually.

Beginning in 1958, several republics instituted "money-goods" lotteries as a partial substitute for the compulsory loans. Incomes from this source are minor, amounting to 1 billion to 2 billion rubles at most.

Soviet budget accounting includes increases in savings banks deposits, which are invested in government bonds, as budget revenue. Increases in savings deposits have been difficult to plan and have fluctuated rather widely (see Table 16*).

D. Social Insurance Receipts

Social insurance receipts, which were 33.1 billion rubles in 1958, consist of payments to the budget by state enterprises, of a fixed percentage of their wage bill. This percentage varies from 3.7 to 9 percent ^{124/} depending on the degree of hazard of the work -- for example, in the coal industry the rate is 9 percent, and for agriculture and procurement it is 4.4 percent. ^{125/} These funds are used for pensions, sickness benefits, pioneer camps, childrens sanatoriums, and the like.

The Social Insurance budget is an independent unit, administered by the trade unions, but its income and expenditures are consolidated into the state budget. Since passage of the 1956 pension law, however, receipts (mainly from enterprise deductions) have not been sufficient to cover outlays, and general budget funds have been made available for these outlays (see II, C, above).

* P. 56, above.

E. Income Taxes on Enterprises and Organizations

Income taxes, paid by collective farms and producer and consumer cooperatives, have provided 2 to 3 percent of budget revenue over the 1955-60 plan period. This category previously included the Tax on Noncommodity Operations, a tax levied on services analogous to the turnover tax, which was abolished in November 1957. 126/ This tax was a negligible source of income (planned at 0.9 billion rubles in 1957). 127/

Of the 21.3 billion rubles of total income tax on organizations planned for 1960, it may be assumed, on the basis of the 1959 plan, that collective farms will be responsible for about two-thirds. Before 1958, collective farm income tax was paid according to a complicated schedule which set different tax rates for different types of income -- for example, produce used for productive needs was taxed at about 6 percent, whereas produce sold on the collective farm market was taxed at 15 percent. The changed collective farm tax which went into effect on 1 January 1958 excluded from taxable income many productive outlays formerly included and also set a single tax rate of 14 percent. Beginning with the income received by collective farms in 1958, the year prices were considerably raised, the tax rate was reduced to 12.5 percent. In spite of the reduced rates, however, collective farm income taxes went up from 9.6 billion rubles in the 1958 plan to 13.3 billion rubles in the 1959 plan. 128/

Consumer cooperatives pay 35 percent of their profit in income taxes to the budget. For producer cooperatives the rates vary from 20 percent on the first 5 percent of profit to 90 percent for profit above 15 percent (the profit being calculated as a percent of sebestoimost', or cost), but in recent years the average rate has approximated 35 percent. 129/

F. Miscellaneous Revenues

Before their abolition in 1958, MTS's paid their revenue into the budget. The successor RTS's are khozaschet enterprises and pay into the budget only slight profit taxes. (For a discussion of the effect of the 1958 agriculture reform on the budget, see II, A, 2, d, above.)

Other revenues, fairly stable between 1955 and the 1958 plan, jumped rather sharply in 1958 and have been increasing moderately ever since. Included are a variety of items, such as those discussed below.

1. Local taxes and fees, a rather small source of budget revenue in the past (3.9 billion rubles in 1955 and 4.2 billion rubles in 1956), 130/ will be even smaller in the future. As of 1 January 1960, enterprises were freed from the payment of the tax on construction and land rent. Since these two taxes accounted for approximately 85 percent of total local taxes and fees, and since enterprises paid 80 percent of the construction tax and 59 percent of the land rent, remaining local taxes, consisting of payments by the population, will be slight. Removal of this tax will not affect budget revenues, because it will be offset by increased profit deductions. 131/ Payments by the population under this category consist of fees on private homes, fees on private plots if they are not used for production, fees for the ownership of means of transport and cattle, and various market fees. Related to local taxes and fees is the entertainment tax, which totaled 2.9 billion rubles in 1955, the latest available figure. 132/

2. Collections and various nontax revenues include income from the sale of state property, repayment of credits extended by the USSR to foreign states, payments of various fines by enterprises, and income of some gross budgetary organizations (for example, planning organizations until their transfer to khozraschet in 1959, or housing in isolated areas which is financed directly out of the budget). The size of this category has not been known since 1955, when it was 22.3 billion rubles. 133/ Receipts from the sale of MTS's, 4.6 billion rubles planned for 1960, presumably fall under this category.

3. Customs and receipts from foreign trade operations encompass income traditionally considered as customs revenues as well as revenues resulting from the operations of import organizations which pay excess revenues into the budget. 134/ The size of this item is not known, but it is probably at least as large as grants to export organizations, which operate at a loss (see II, A, 3, e, above).

4. Miscellaneous revenues include minor items such as forest revenue (planned at 2.1 billion rubles in 1958). 135/ That sale of materials included as State Material Reserves is also probably included here. In the past, revenues from Price Differentials have been included as budget revenue -- for example, receipts for differences in the price of cattle were an income item in 1952. 136/ Sometimes incomes from the revaluation of inventories as a result of price increases are listed as budget revenues; it is more likely, however, that such revenues are related to the surplus and the budget account in the State Bank. 137/

G. Budget Surplus

The Soviet budget has consistently shown a surplus of revenues over expenditures (except for the war years 1941-43), and in both 1958 and 1959 the actual surplus was significantly higher than planned. This surplus serves to increase the credit reserves of both the long-term and the short-term banks.

The exact relation between the budget surplus and the expansion of credit is difficult to determine. It has been recognized that in general the budget surplus has a deflationary effect on the economy, offsetting the inflationary effect of the State Bank extension of credit. ^{138/} It has never been clear, however, what correlation between the two the Soviet planners seek to achieve. There are two distinct areas of money circulation in the USSR -- the area of "cash," which relates mainly to incomes and outlays of the population, and the area of enterprises accounting, which involves bookkeeping transactions rather than transfers of funds. To determine deflationary and inflationary effects on the economy, therefore, it would be necessary to consider these two areas separately and to distinguish, in the budget, those revenues and expenditures that are cash (such as revenues from taxes on the population or expenditures on pensions and grants) from those that concern enterprise accounts (such as profit taxes). Similarly, in State Bank credit it would be necessary to determine how much expansion of credit ultimately shows up in the wage fund and thus in the cash income of the population and how much leads to purchase of materials and thus appears in enterprise accounts.

A comparison of the budget surplus and State Bank credit may be seen in Table 17. In the period 1951-55, budget surpluses in general were greater than expansions in State Bank credit; since 1955, however, the trend has been reversed because of the great expansion of State Bank credit.

Table 17

Soviet Budget Surplus and Extension of State Bank Credit 1951-55 Period and 1956-60

Year	Billion Current Rubles		
	Budget Surplus ^{a/}		Expansion of State Bank Credit ^{b/}
	Plan	Actual	
1951-55	N.A.	113.2	36.5
1956	23.1	22.4	44.2
1957	12.6	19.8	19.6
1958	15.2	29.3	56.8
1959	15.7	37.0	60.0
1960	27.3	N.A.	20.0

a. ^{139/} See Tables 19 and 20, Appendix B, pp. 63 and 69, respectively, below.

b. ^{140/}

APPENDIX A

BUDGETS OF THE UNION-REPUBLICS OF THE USSR

The share of total budget funds channeled through republic and local budgets will increase to 52 percent in the 1960 plan, compared with 48 percent in the 1959 plan. This increase may be explained by the fact that republic budgets now will include outlays for higher educational establishments, technical and professional schools, and aid to mothers.

The share of expenditures passing through 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. ^{141/} This trend was furthered by the 1957 regionalization of industry, which put the bulk of industry under the jurisdiction of the councils of the national economy; the latter are under republic control. In the 1958 plan, 70 percent of outlays to the category Industry and 68 percent of outlays to the category Financing the National Economy in general went through republic budgets. Since then, however, republic budget outlays for Financing the National Economy have been growing less rapidly than All-Union outlays, and their share in total Financing the National Economy has fallen from 68 percent in 1958 to 60 percent in the 1959 and 1960 plans.

Republic budgets for the 1959 plan and the 1960 plan are listed in Table 18.* The budget of the RSFSR accounts for, by far, the largest share of total republic budgets (60 percent), and the three largest republics -- the RSFSR, the Ukraine, and Kazakhstan -- together account for 84 percent of the total. Although in general the republic budgets are balanced, republics being allowed to retain enough general government revenue to cover expenditures, the Kazakh republic, for the third consecutive year, will receive a subsidy from the All-Union budget. Even though it is the only republic allowed to retain all the turnover tax collected on its territory, Kazakhstan will need a state subsidy of 5.1 billion rubles in 1960 in order to carry out measures "projected in the plan for the development of the national economy in 1960." Similarly, it was planned to receive a grant of 2.5 billion rubles in 1959 and 3.1 billion rubles in 1958.

Outlays of union-republic and local budgets are used to finance industry that is under the control of the councils of the national

* Table 18 follows on p. 64.

Table 18

State Budgets of the Union-Republics of the USSR a/
1959 and 1960 Plans

Republic	Billion Current Rubles	
	1959	1960
RSFSR	205.4	231.9
Ukrainian SSR	63.1	69.8
Belorussian SSR	9.9	11.1
Uzbek SSR	8.7	10.2
Kazakh SSR	20.9	25.2
Georgian SSR	5.8	6.4
Azerbaijdzhan SSR	5.3	6.1
Lithuanian SSR	4.3	4.6
Moldavian SSR	2.5	3.0
Latvian SSR	4.1	4.2
Kirgiz SSR	3.0	3.4
Tadzhik SSR	2.5	2.9
Armenian SSR	2.8	3.2
Turkmen SSR	2.7	3.1
Estonian SSR	2.6	2.9
Total b/	343.5	387.9

a. 142/

b. Totals are derived independently from unrounded data and do not always agree with the sum of their rounded components.

economy and union-republic or republic ministries, local industry, the MTS-RTS's, state farms, internal trade and municipal enterprises, automobile and river transport, kindergartens, primary and secondary schools, higher educational establishments, some institutes, libraries, museums, and local administration. Financed under the All-Union budget are outlays for defense, railroad, sea and air transport, foreign trade, industry that is under All-Union jurisdiction, the Academy of Sciences, major scientific research institutes, military pensions, and other items of All-Union significance.

Republic outlays are covered by a portion of the state revenue collected on republic territory that republics are allowed to retain. In the 1960 budget, 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 revenue. In the case of profit deductions, enterprises subordinate to republics pay their profit deductions to the republic, except that 20 percent of plan profit of enterprises under the councils of the national economy goes into the All-Union budget. For the turnover tax the share retained varies by republics and by year and is fixed in the annual budget law. This is the flexible item, which enables republic budgets to balance exactly (the entire surplus occurs in the All-Union budget). In the 1960 plan, for example, the share of the turnover tax retained by the republic varies from 11.2 percent in Latvia to 100 percent in Kazakhstan, with the RSFSR percent fixed at 24.7.

The trend toward larger union-republic budgets has been accompanied by some expansion of the fiscal privileges of the republics. For example, since 1956 the Supreme Soviet approves the state budget for the individual union-republics as a whole, without specifying the size of local budgets; the latter are determined subsequently by the Supreme Soviets of the corresponding republics. Moreover, since 1956, republics have been allowed to retain for their own disposition any surplus funds resulting from overfulfillment of their plan income or economies in plan expenditures.

Present budget rights and procedures are based on legislation dating back to the 1927-30 period that has lost most of its meaning under present conditions. As part of the current search for more legality in the USSR, attention is being given to modernization of the budget law. The first step in this direction was the law passed by the October Supreme Soviet "On the Budget Rights of the USSR and of the Union-Republics." Provisions of the law are stated in extremely general terms and presumably will be made more specific by subsequent Ministry of Finance regulations. The law provides that the State Budget, drawn up by the Ministry of Finance, USSR, on the basis of drafts of union-republic state budgets, the trade union social insurance budget, and financial plans and estimates of the ministries and agencies of the USSR, shall be presented to the Council of Ministers, USSR, which then shall submit the plan budget in general outline to the Supreme Soviet of the USSR. After analysis by the Budget Commissions of the Soviet of the Union and the Soviet of Nationalities, the Supreme Soviet discusses and approves the budget, but only by broad category. On the expenditure side it fixes outlays to Financing the National Economy, Social-Cultural Measures, Defense, and Administration; it fixes the size of the All-Union budget and the union-republic state budgets (in total income and outlay by republic) and the size of allocations from All-Union taxes and revenues paid into the republic budgets.

This law is no more than a first step in a general review of All-union and union-republic budget legislation. For example, according to one Soviet writer, questions of fulfillment of the state budget are still regulated on the basis of principles laid down in 1929, and it is difficult to find a single article that has not partly or completely lost its meaning. ^{143/} The same author wonders why All-union legislation should determine the rights of union-republics, since republics themselves establish the direction and the level of allocations in their budget.

There will probably be further clarification of the budget rights and procedures in the union-republics as the quest for legality in the USSR continues. Whether this will result in a clarification of budget procedures concerning All-Union outlays, which finance the more important measures, is more doubtful.

APPENDIX B

STATISTICAL TABLES

Table 19
Expenditures of the Soviet State Budget
1955-60

	1955		1956		1957		1958		1959		1960	
	Actual a/	Plan b/	Actual c/	Plan d/	Actual e/	Plan f/	Actual g/	Plan h/	Actual i/	Plan k/	Actual	Plan
Financing the National Economy	233.1	231.3	245.2	244.7	267.0	257.2	290.3	308.9	N.A.	327.8	328.5	
Industry	110.2	110.0	128.2	118.4	130.8	129.0	N.A.	145.3	N.A.	151.8	151.9	
Heavy Industry and Construction	96.6	100.9	112.0	103.5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
Light Industry	13.6	9.1	16.2	14.9	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
Agriculture and Forestry	50.9	48.6	49.1	52.9	51.8	53.4	N.A.	30.3	N.A.	32.3	32.3	
Transport and Communications	19.4	21.8	21.6	18.0	22.6	14.4	N.A.	25.0	N.A.	25.4	25.4	
Other (unspecified)	52.6	56.9	46.3	55.4	61.8	60.4	N.A.	108.3	N.A.	118.3	118.9	
Social-Cultural Measures	147.2	161.5	164.4	188.4	200.5	212.8	214.2	232.2	N.A.	247.4	N.A.	
Education	68.9	72.8	73.6	78.9	80.7	84.2	86.0	94.4	N.A.	102.0	N.A.	
Health	31.2	35.1	35.7	37.9	38.3	40.4	41.2	44.1	N.A.	47.5	N.A.	
Social Welfare	47.1	53.6	55.1	71.6	81.5	88.2	87.0	93.7	N.A.	97.9	N.A.	
Administration and Miscellaneous	12.2	12.2	12.1	11.9	11.2	11.9	12.0	11.5	N.A.	11.1	N.A.	
Defense	107.4	102.5	97.3	96.7	(97.0) 1/	96.3	91.6	96.1	N.A.	96.1	N.A.	
Reserve Funds, Councils of Ministers	N.A.	(13.0)	N.A.	14.0	N.A.	16.7	N.A.	21.2	N.A.	27.6	N.A.	
Loan Service	14.3	(16.0)	16.3	18.0	(4.0)	(3.0)	3.1	(3.5)	N.A.	(3.5)	N.A.	
Other	25.0	(26.4)	28.2	30.9	(26.9)	(29.8)	(28.9)	(34.2)	N.A.	(31.3)	N.A.	
Total Expenditures	539.5	569.6	563.5	604.6	607.3	627.7	642.7	707.6	698.8	744.8	745.8	

a. 144/
b. 145/
c. 146/
d. 147/
e. 148/
f. 149/
g. 150/
h. 151/

1. 152/
j. 153/
k. Excluding motor and river transport of union-republic subordination, which would make the total approximately 4 billion rubles higher.
l. Figures in parentheses are estimates.

Table 20
Revenues of the Soviet State Budget
1955-60

Category	1955		1956		1957		1958		1959		1960
	Actual a/	Plan b/	Actual c/	Plan d/	Actual e/	Plan f/	Actual g/	Plan h/	Actual i/	Plan j/	Actual k/
Turnover tax	242.4	271.2	258.6	277.3	275.6	201.5	204.5	333.0	N.A.	317.1	N.A.
Profits deductions	102.8	107.3	102.9	116.0	118.4	130.3	135.4	154.9	N.A.	203.0	N.A.
MPS revenue	6.2	N.A.	10.6	13.9	11.3	11.9	9.7	1.5	N.A.	N.A.	N.A.
Income tax on organizations	12.4	N.A.	14.1	15.5	14.1	15.6	16.6	19.6	N.A.	21.3	N.A.
Of which:											
Collective farms	(6.3)	N.A.	(7.5)	9.6	N.A.	9.6	N.A.	13.3	N.A.	N.A.	N.A.
Cooperatives	5.3	N.A.	5.7	5.0	N.A.	6.0	N.A.	6.3	N.A.	N.A.	N.A.
State loans	36.5	N.A.	44.3	29.2	32.2	17.6	19.6	(11.0)	N.A.	(12.0)	N.A.
Of which:											
Subscription	30.2	N.A.	32.8	26.6	18.5	2.6	3.2	N.A.	N.A.	N.A.	N.A.
Savings deposits	5.3	N.A.	10.0	11.0	16.0	13.0	6.5	7.2	N.A.	8.4	N.A.
Taxes on the population	49.3	50.3	50.5	51.5	52.0	49.8	51.9	56.0	N.A.	57.2	N.A.
Social insurance receipts	26.5	N.A.	28.3	31.0	33.3	(32.1)	33.1	(33.5)	N.A.	(34.0)	N.A.
Miscellaneous	83.9	N.A.	76.6	72.8	87.0	84.1	110.5	113.8	N.A.	127.5	N.A.
Total revenues	564.3	572.7	589.9	617.2	626.9	642.9	672.3	723.3	735.8	772.1	772.1
Surplus	24.8	23.1	22.4	13.6	19.6	19.2	29.6	15.7	37.0	27.3	27.3

a. 151/
b. 155/
c. 156/
d. 157/
e. 158/
f. 159/
g. 160/
h. 161/
i. 162/
j. 163/
k. Figures in parentheses are estimates.

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