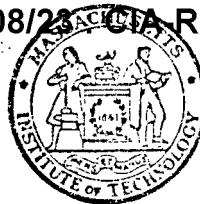


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CENTER FOR POLICY ALTERNATIVES

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December 23, 1974

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State Dept. declassification & release instructions on file

Dr. E. E. Grishayev
Head, Department of Finance and Capital Investment
State Committee of the Council of Ministers
Moscow, U.S.S.R.

Dear Dr. Grishayev:

In accordance with the provisions of the agreement reached at the September 23-26, 1974 meeting of the U.S.-U.S.S.R. Joint Group of Experts on Financing of Science (Research and Development), paragraph (1)b, I am enclosing a proposed revised outline for the Survey Report on the Systems of Financing Science (Research and Development). As you will note, the revised outline is little more than an elaboration of the items contained in the preliminary outline, reflecting our basic satisfaction with the intent and scope of the survey reports as defined at the September meeting. After each side has had an opportunity to review and comment on our respective proposals for revision and clarification, we plan to prepare separate outlines for each section of the survey report on the U.S. system of financing research and development for our mutual review at the meeting of experts planned for the first quarter of 1975. In keeping with the precedent of alternating meeting places, I assume this meeting will take place in Washington, D.C.

Let me take this opportunity to add my personal expression of praise to that of the U.S.-U.S.S.R. Joint Commission on Scientific and Technical Cooperation at its October 1974 meeting for the comprehensive study outline developed by you and Dr. Steele. I sincerely regret that I was unable to accompany my colleagues to Moscow and to participate in those discussions.

I have been asked by Dr. Steele and the other members of the U.S. delegation who were privileged to meet with you and your associates last September to extend to you their warmest personal regards and appreciation for your hospitality. We look forward to receiving your proposed revision to the preliminary survey report outline and your comments on ours.

Sincerely yours,

[Handwritten Signature]
J. Herbert Hollomon
Director, Center for Policy
Alternatives

SFT Science Policy

JHH/rt

A Survey Report on the System of Financing Science (Research and Development)

Revised Report Outline

I. Statement of Objectives

The objective of the survey report is to provide descriptive analyses of the mechanisms by which the financing of science (research and development) is carried out and how these mechanisms are reflected in the financial statistics of the U.S. and the U.S.S.R. These analyses shall cover the topics listed below in paragraphs II through VII. In addition, the survey report shall include the following statistical tables covering science (R&D) financing for calendar years 1970 through 1973:

1. Total expenditures distributed by appropriate classes of performing organizations.
2. Total expenditures distributed by type of scientific work (basic research, applied research, development), using estimates if necessary.
3. Total operating expenditures distributed by sources of financing.
4. Total operating expenditures distributed by cost element (wages and salaries, equipment, materials, etc.) using estimates if necessary.

II. Definitions, concepts and survey methodology

The survey report shall contain an explanation of all terms and concepts used in describing science (research and development) financial statistics and other statistical measures used to relate trends in science (research and development) expenditures to selected economic variables, e.g., total company sales, gross national product, etc. Particular attention will be given to the identification and explanation of the boundaries between activities considered within the scope of science (research and development) and other activities. Survey methodologies used in the collection and analyses of science (research and development) and related statistics from institutions in each of the four major economic sectors - Government, industry, academia and private nonprofit organizations - including, as appropriate, information on universe size, sampling ratios, response rates, etc., will be described.

III. Science (Research and Development) Performing Organizations

The survey report shall describe the basis used for sectoral classification of science (research and development) performing organizations, including specific examples to illustrate types of institutions within each sector.

IV. Planning Science (Research and Development) Financing

The survey report shall describe the procedures for planning of science (research and development) budgets, identifying decisions points within and interaction between the legislative and executive branches of government.

V. Science (Research and Development) Expenditures Review and Control

The survey report shall describe Government procedures used to ensure that funds are expended in accordance with pre-established guidelines and the review and control exercised by Government agencies over science (research and development) activities funded from Federal sources.

VI. Composition of Science (Research and Development) Cost Elements

The survey report shall identify and describe the major cost elements included in science (research and development) expenditures under current operating costs, e.g., wages, salaries, materials, overhead, etc.

VII. Mechanisms for Financing Science (Research and Development)

The survey report shall describe the types of instruments used to finance science (research and development) including a discussion of the provisions for control, amendments, extension and the degree of flexibility associated with each type of instrument.

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Dr. J. H. Holoman, Director
Center for the Study of Policy Alternatives
Massachusetts Institute of Technology
Cambridge, Massachusetts, U.S.A.

November 28, 1974

In accordance with the understanding reached at the meeting of the Working Subgroup on Financing of Research and Development during September 23-26 of this year in Moscow, I should like to inform you that as of now the Soviet Side does not have any substantive remarks on the preliminary outline of the review papers.

After the September meeting our side completed work on making more precise and specific the above-mentioned outline. The results of this work are presented in the appendix enclosed in this letter.

I shall be most grateful to you if you would communicate your remarks to us on the opinions expressed by us or your other proposals regarding a more precise definition of the outline of the review reports so that we could discuss them in the future.

I should like to take this opportunity to send my best wishes and those of my colleagues in the Subgroup for the New Year to you, to Mrs. N. Nimitz, to Doctors L. Steele, W. Stuart and Ch. Falk.

Very sincerely yours,

(signature)

E. E. Grishaev, Director

Division of Financing and
Investments of the State
Committee of the USSR Council
of Ministers for Science
and Technology, Head of the
Soviet Section of the Subgroup
on Financing for Research
and Development

Example of a more detailed outline
of the review report "Financing of Science in the Soviet Union"

1. Purpose of the report

The basic purpose of this report is to acquaint American experts with the system of financing of science in the USSR and to promote the writing of a brief scientific description regarding a comparative analysis of the indices of financing scientific activity provided for in paragraph 3 of the Report on the Joint Meeting of the Subgroup held during September 23-26 of this year.

It is recommended in the report to study the concepts, definitions and organizational matters involved in financial science.

2. Description and definition of the basic concepts

A definition of the concept science is given; this definition is used for purposes of financing science. The borderlines of this realm are drawn to separate it from other realms of activity. Its relationship to such processes as "utilization of scientific and technical achievements", "invention and rationalization", "training scientists and specialists" is described, and a classification of the different fields of science is given. Other concepts which can be used in all or some sections of the report are defined.

3. Description of the organizations carrying out scientific research and development supported by science funding

A brief history and the present state of affairs of the network of scientific organizations is given; these organizations are described, and their rights and responsibilities are indicated.

4. Description of the methods of planning expenditures for science

A description is given of the current system of future and present planning of expenditures for science, and of the creation and approval of plans for financing scientific research work. Ways of planning and financing scientific research on various levels are described.

5. Description of the science financing mechanism

In this section the sources of financing, the channels and the means of financial flow movement, and the manner of utilization of finances are identified. The specific characteristics of budgetary financing profit-and-loss financing, and utilization of credit are presented. The system of material incentives for scientific activity and for implementing its results is described.

6. Description of the structure of basic expenditures for science

In this section the dynamics of the structure of expenditures for science are studied from various angles: for the whole country, by the basic branches of the national economy, by types of research (evaluation), by economic components of the expenditures (wages, equipment, etc.).

7. Description of the methods of supervision and monitoring of expenditures

Book-keeping systems of scientific establishments, and accounting procedures and financial measures used in the system of scientific establishments are presented.

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