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THE ECONOMY OF THE SOVIET BLOC

A Brief Guide

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FOREWORD

The purpose of this guide is to provide a summary statement of the economic situation in the Soviet Bloc. It is not intended to provide exhaustive coverage but rather to serve as a guide for those who must perforce "run while they read."

The discussion covers the present Soviet Bloc under three main geographical subdivisions: the USSR, the European Satellites, and Communist China. The topical coverage includes a survey of the economic organization and an evaluation of its effectiveness; a description of the salient features of the economic base, including population, agriculture, industry, and transportation; an outline of the broad economic objectives of the system; and an indication of the levels of achievement which have been reached. As the situation warrants, the economic interdependence of the various political entities is pointed out in a general way.

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I. Economic Organization and Control.

The organization and control of the Soviet Bloc economies are designed to centralize and concentrate the functions of planning and decision in the hands of the political leadership.

A. USSR.

At the apex of the economic administration of the USSR is the Presidium (formerly the Politbureau) of the Communist Party. To carry out its decisions, the Presidium utilizes the machinery of the Soviet state. On the basis of the policy decisions of the Party Presidium, designed to meet what are regarded as the crucial internal and external problems which confront the nation, general directives are issued to the State Planning Commission (Gosplan), a staff attached to the Council of Ministers. Gosplan, with the assistance of other agencies, translates these directives into Five Year Plans and subsidiary plans, which eventually are given the rubber stamp of approval by the Supreme Soviet (theoretically the highest legislative body). Virtually all economic activity in the USSR is included in the state plan. The only economic activity of any importance not included is the collective farm market, where the state does not control the price and only indirectly controls the supply. It is important to note that in Soviet jurisprudence the all-inclusive state economic plan has the status of law, which means that a Soviet citizen may be prosecuted for failure to fulfil obligations arising thereunder.

In addition to their duties on the Party Presidium, leading members of the Party hold government executive posts in the Council of Ministers. Of much greater significance is the fact that certain key members constitute the Presidium of the Council of Ministers, in which capacity they operate outside the ministerial channels and are responsible for whole sectors of the economy. Lazar Kaganovich, now a Deputy Chairman of the Council of Ministers, has for years been responsible for heavy industry and transport.

Implementation of the state economic plans involves two basic operations -- the allocation of resources to production and the distribution of the output to various uses. These functions are performed by the economic ministries subordinated to the Council of Ministers and by the various staffs attached thereto. The ministries are of three basic types: (1) the All-Union ministries of overriding national significance, which have no counterparts in the Republics; (2) the Union-Republic ministries, as, for example, the Ministry of Agriculture of the USSR, which has a counterpart in each of the 16 constituent republics; and (3) the Republic ministries, such as the various Ministries of Local Industry, which are concerned with the local affairs of each republic and have no counterpart for the USSR as a whole. Each ministry is headed by a council consisting of the minister and several deputy ministers and is further divided into several Main Administrations, for sales, supply, production, and so on. Prior to the death of Stalin the ministerial structure had two outstanding characteristics: specialization according to production activity and proliferation of extra-ministerial control and verification staffs. Since the death of Stalin, important changes have taken place in this structure. The number of ministries has been drastically reduced from 50-odd to half that number, and many staffs have been abolished. These changes are summarized in the accompanying chart.*

With the one important exception of agriculture, virtually all production of goods and services in the USSR is carried on directly by state-owned enterprises. At the present time, socialized enterprises account for more than 98 percent of all industrial production and for practically all banking, transportation, and foreign trade. Co-operatives account for only an insignificant part of industrial production. Education, medical care, communications, the press, and social services are

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* P. 2, below.

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Ministerial Organization Changes in the USSR on 15 March 1953

Before 15 March 1953	After 15 March 1953
Manufacturing	
Chemical Industry	Chemical Industry
Coal Industry	Coal Industry
Oil Industry	Oil Industry
Construction of Machine Building Enterprises Construction of Heavy Industrial Enterprises	Construction
Aviation Industry Armaments	Defense Industry
Electrical Industry Communications Equipment Industry Power Stations	Electrical Industry and Electric Power Stations
Machine Tool Building Agricultural Machine Building Machine and Instrument Building Automobile and Tractor Industry	Machine Building
Nonferrous Metallurgical Industry Ferrous Metallurgical Industry	Metallurgical Industry
Heavy Machine Building Construction and Road Machine Building Shipbuilding Transport Machine Building	Transport and Heavy Machine Building
Construction Materials Industry	Construction Materials Industry
Light Industry Fish Industry Meat and Dairy Industry Food Industry	Light and Food Industries
Paper and Woodprocessing Industry Timber Industry	Timber and Paper Industry
Agriculture	
Agriculture Cotton Growing Forestry State Farms	Agriculture and Procurement
Transport and Communications	
Communications	Communications
Merchant Marine River Fleet Main Administration of the Northern Sea Route	Sea and River Fleet
Transport Auto Transport	Transport
Trade	
Trade Foreign Trade Procurement	Internal and Foreign Trade
Social and Cultural	
Health	Health
Higher Education Labor Reserves Cinematography Main Administration for Printing and Publishing Arts Committee Broadcasting Committee	Culture
Defense	
Navy War	Defense
Administration and Control	
Finance	Finance
Foreign Affairs	Foreign Affairs
State Control	State Control
Internal Affairs (MVD) State Security (MGB)	Internal Affairs
Justice	Justice

all controlled by the governmental apparatus. The state distribution system accounts for practically all internal wholesale trade and for an estimated 85 percent of all retail trade. The free but restricted collective farm market accounts for the remainder.

Agriculture is the one sector where at the present time "socialist productive relationships" mean something other than direct operation by the state. Approximately 85 percent of agricultural production is carried out by the collective farms (kolkhozy), ostensibly free associations of the peasantry for the communal cultivation of land assigned for use in perpetuity. Direct production by the state is limited to the state farm (sovkhoz). In addition, the state owns and operates the Machine Tractor Stations (MTS's), which control the entire tractor park and the bulk of all other agricultural machinery. Although all productive activity on the collective farm land enters into the state plan, the planning apparatus is relatively ineffective in this sector, owing to the incompleteness of control and natural vagaries such as the weather. Thus in the agricultural sector the state plans for certain commodities, notably meat and dairy products, have been repeatedly underfulfilled.

The only remaining economic activity of any importance which the state simply regulates but does not operate or even plan is the collective farm market. This is an open market where the peasants may sell their surplus produce, which is derived primarily from private cultivation on individual plots which the collective farm members are permitted to retain. In the collective farm market the Soviet government has neither price nor credit controls. Although the existence of the private plot on the collective farm is not regarded with favor by the regime, the USSR simply could not afford the loss of production which could be expected to follow the abolition of the private plot.

Control of the distribution process involves the allocation of land, producers' goods, consumers' goods, labor, and income. In the USSR, all land rights are vested in the state. Agricultural land is granted to the collective farms for use in perpetuity without right of transfer. Manufacturing and extractive industries, transportation, and other enterprises receive use rights to land in accordance with state plans for these activities. The use right to urban lands for nonindustrial purposes is controlled by local government.

Most raw materials, the important intermediate products, heavy equipment, and military end items are allocated directly by the Council of Ministers in physical units. Prices of these items tend to reflect cost of production and serve as the basis for reimbursement. There were 1,600 of these so-called "funded commodities" in 1952. Each individual producer receives an allocation of these commodities based upon centrally established input-output norms. Prices are used in some instances to encourage substitution of one grade of a commodity for another -- for example, the brown coal from the Moscow basin has long been sold at a subsidized price -- and in a few instances they peform the traditional role of allocating scarce resources for example, high rates are set for railroad transportation. In general, prices of industrial goods have a limited allocation function.

The system for distributing consumers' goods is equally complex. Most of the food supply is produced on the collective farm and brought into state distribution channels through contractual deliveries, in part at fixed low prices (in effect a tax in kind), or is produced by state-owned food industries such as fishing and the state farms. Other consumers' goods are produced by state enterprises or by producers' cooperatives. Production of the cooperatives is transferred to the state at established prices. At the retail level the price of consumers' goods includes a turnover tax which is one of the important sources of income to the state. Thus the retail price is determined in part by revenue considerations and in part by sumptuary considerations. Generally, prices have been established at a sufficiently high level to hold down the standard of living and to free resources for military production and investment in heavy industry.

Free prices prevail only for such food as is sold through the collective farm market. The supply is erratic, however, since it depends on what the peasant saves out of his income in kind from the collective farm and from production in his private plot. Since transportation is limited, and since no marketing organization for such produce exists, the peasant is limited to a narrow geographical market.

In order to direct labor into the industries and locations as necessary to fulfil the state plans, various direct manpower controls are employed, the most important currently being the passport and the labor record book (both carried by every Soviet worker). The former limits the worker's geographical movement, the latter requires the approval of the local authority with every job change, and the absence of this approval usually means no housing. The role of the labor union is primarily recruitment, propaganda, and administration of social security. Since 1940 the USSR has operated a labor reserve system by which 15-year-olds are co-opted into technical training and then assigned to plants enjoying the highest current priorities. All these direct controls, however, have proved rather ineffective, and the compulsory system is declining. Labor is one factor for which price has remained the primary allocational mechanism. A system of incentive "piece" wage rates prevails.

Since virtually every Soviet citizen except the collective farmer is on the payroll of the state, the state has direct control of most income. Through the system of taxation and obligatory deliveries the state has a fair degree of control of the income of the collective farm households. In recent years the state loans (compulsory interest-free loans with a lottery bonus feature) are estimated to have absorbed the equivalent of one month's salary for all wage earners. However, for 1953 the Malenkov regime cut the loan in half. The turnover tax also absorbs a considerable portion of household income. The state collects a very substantial tax from the profits of the state-owned enterprises, some 80 billion rubles out of a planned total of 111 billion rubles in 1953. The amortization allowances of the enterprises and the greater part of profits after taxes are invested by the enterprises in accordance with the state plan. Only a small fraction of the profits accrue to the managers' fund, which may be used for various worker benefits. Collectively these sources comprise the largest part of the nation's investment funds which are, then, allocated in the All-Union budget.

Foreign trade is a state monopoly, which historically has served several purposes: (1) to isolate the internal market from the external; (2) to adjust for Soviet deficiency in capital goods, materials, and technical services needed for the fulfillment of plans; and (3) to serve as an instrument of Soviet foreign policy.

Through the Ministry of State Reserves the state takes control of a large inventory of materials and equipment in the USSR. The functions of this inventory are to adjust for planning errors, to compensate for failure to meet production goals, to regulate the flow of resources to insure against hoarding, and to provide a strategic stockpile. Although the maintenance of this inventory undoubtedly involves a large social cost, the Soviet government believes that the social cost of lost production and hoarded resources would be even greater.

The lifeblood of this vast production and allocation process is information and control. The USSR has a large and very comprehensive statistical reporting system. Soviet handbooks describe statistical forms which are to be submitted at frequent intervals to the Central Statistical Directorate in Moscow for reporting everything from the number of beehives on collective farms to the output of steel plants.

The control and verification apparatus of the state has three basic parts: the banking system, the verification and punitive ministries, and special staffs for particular purposes. In addition, the Communist Party organization constitutes an independent and parallel control and verification apparatus.

The state-owned banking system controls all long-term and short-term credit for every sector of the economy in accordance with plans. All working capital and investment accounts and transactions are controlled with a view to enforcing the plan. The banking system, together with the cost accounting apparatus, operates the monetary side of the plan to provide what is known in Soviet terminology as "control by the ruble." The state has, of course, a similar monopoly of all banking and credit for private individuals.

The specialized verification ministries are exemplified by the Ministry of State Control, which has sweeping powers to investigate violations of procedure and general laxity or inefficiency throughout the economic structure. Violations may be dealt with by administrative recommendations to the central organs or by referral to the Procurator General for prosecution, or by both means, depending upon the situation. The Ministry of Justice and the Procurator General are concerned with the violation of economic as well as civil and criminal law.

The Council of Collective Farm Affairs is an example of a special staff for a special purpose. The council was created after the war to rectify the encroachment on collective farm land by the private plots which had taken place on a large scale during the war, and to provide continuous surveillance of the collective farms. The Soviet extraministerial control staff somewhat resembles a US commission but also has punitive powers.

Finally, the Communist Party acts as an organ of control and verification of everything, penetrating the government, the secret police, the trade unions, the collective farms -- in short, every aspect of Soviet life, economic or political. The Party of course reports to the Party Presidium, which controls the entire state apparatus.

B. European Satellites.

The Soviet long-term economic program for the European Satellites envisions their complete transformation into planned economies on the Soviet model. Although this goal has not been achieved, the degree of socialization in the Satellites is such as to provide the basis for centralized direction of the economy. The principal difference between the Soviet and Satellite economies is that a larger porportion of industry, trade, and agriculture is still in private hands in the Satellites. While the number of private firms is still fairly large, their contribution to industrial production is relatively small. In East Germany, about 20 percent of gross industrial output is produced by private firms, most of which are handicraft firms such as bakeries and dressmaking and woodworking establishments. In Czechoslovakia, all firms employing more that 50 persons and all concerns of any size operating in key industries have been nationalized. A substantial part of retail trade is still carried in private hands in several of the Satellites.

Probably the greatest variation in the degree of socialization among the Satellites is in the field of agriculture. East Germany, with approximately 18 percent of arable land collectivized, has the smallest degree of socialization of agriculture, whereas in Bulgaria about 60 percent of the arable land is collectivized.

The existence of a larger private sector in the Satellite economies than in the USSR makes very little difference in the degree of control exercised by the governments over the economies. The private sector of industry and trade not only is small but also is fragmented. In each of the Satellites the socialized sector of the economy controls all basic, large, and strategic industry as well as all commercial transportation, communications, banking, insurance, wholesale trade, and foreign trade. Private trade and industry are effectively controlled by taxation, and the allocation of raw materials is controlled by the central government. In agriculture, controls take the forms of taxation, compulsory delivery quotas, allocation of seed and other supplies, and the ownership of virtually all agricultural machinery by the Machine Tractor Stations.

Probably more is known about the process of economic planning in East Germany than in the other Satellites. Since each of the Satellites explicitly models its economic planning on that of the USSR, the process is probably quite similar throughout the Satellites. The greatest degree of difference is probably in the process of price formation. Each of the Satellites inherited a price structure from its capitalist predecessor. The speed with which these price structures have been changed to accord with Soviet practice has depended largely upon internal conditions in each Satellite.

According to the West German Ministry for All-German Questions, the East German State Planning Commission has taken over the forms, nomenclature, and commodity code unchanged from the Soviet models. The same source reports that East Germany and each of the other European Satellites receive yearly from the USSR mandatory goals for the production of key products. These mandatory goals comprise the most important products of the basic and machine building industries. It also is reported that the USSR dictates investment and import and export plans in considerable detail.

The mandatory production goals dictated by Soviet authorities are expanded by the State Planning Commission and then transmitted to the responsible ministries. The ministries spell out the goals in more detail and transmit them in turn to the nationalized firms. The nationalized firms then work out requirements plans incorporating the material, labor investment, and subsidies necessary to meet the Plan goals. The requirements plans follow the same route back to the State Planning Commission, and are adjusted at each higher administrative level. The State Planning Commission then "balances" the material requirements with available resources and, in consultation with the Ministry for Finance, draws up plans for production, investment, finance, export, import, and supply of material and labor. The individual plans are reported to be synchronized exactly in quantitative terms only with respect to the key positions laid down by the Soviet authorities. For other products, only a general aggregative balancing takes place.

In East Germany, production is planned for key products in quantitative terms and also in terms of plan prices, or Messwerten. Planning of other production is largely in terms of the Messwerten only. The Messwerten are based on the prices used in the 1950 Plan, which were, for the most part, current prices. The Messwerten were fixed for the duration of the Five Year Plan and were intended to take the place of a price index -- that is, to permit the measurement of the change in production in constant prices. After the conclusion of the current Five Year Plan in 1955, the Messwerten will be abandoned, and planning will be on the basis of prices during the preceding year. It is planned to gradually recalculate all prices on the basis of the Marxian labor theory of value. The Soviet planners do not seem to have solved in theory the problem of expressing relative scarcity in the price system. In practice the problem is partially solved on an ad hoc basis by manipulating the turnover tax rates on retail sales and by the use of a priorities system for allocating raw materials within the nationalized economy.

The "balancing" of planned production and material requirements by the State Planning Commission is intended to match supply with demand but has not succeeded in achieving this result. Goods which could not be sold (at fixed prices) have been produced according to plan, while at the same time raw materials used in their production have been in short supply. The import and export plans seem never to be fulfilled on time and raw material shortages are chronic. East German law provides that within a month after the distribution of Plan goals to the firms they must complete contracts with other firms and with import and export agencies for both their material requirements and the sale of their production. This has not worked in practice either. In short, the planning process is not efficient, but it does work for the achievement of a limited number of high priority goals.

Financial planning in East Germany, and probably the other Satellites as well, serves the purpose of control rather than direction, the latter being determined by the production plan. The progress of production is checked not only by a myriad of reports on physical production but by the flow of credits through the banking system. The East Germans have tried to limit the use of cash to payment of wages and purchases at retail. Since the central bank knows the wage bill, retail turnover and savings of any given period, the bank can theoretically calculate the amount of cash being hoarded or going into illegal trade.

Many aspects of the economy are planned other than production and finance. The national plans include such factors as research, transport, labor productivity, cost reduction, scale of living of the population, health, culture, and sports. Each firm must draw up a yearly plan covering its contribution to each part of the national plan. The paper work involved is enormous.

The incentives offered both labor and management to fulfil plans are a combination of rewards and penalties. Management receives high salaries, privileges with respect to housing and rationed commodities, and less tangible honors of various kinds and, on the other hand, is always in danger of being prosecuted for economic sabotage if plans are not fulfilled. Labor is paid on a piecework basis wherever possible. Workers are given extra financial rewards if they exceed production norms and thus provide a basis for raising norms. Ideological propaganda seeks to convince workers that only by working harder and submitting to the regulations can the general welfare of the country be raised. On the other hand, the inefficient worker is threatened with being drafted into the army or sent to prison for economic sabotage or (in East Germany and Czechoslovakia) is threatened with being sent to work in the uranium mines.

The instrument used by the USSR to force these conditions upon the populace of the Satellites is the communist parties of those countries, which are in turn backed up by the Red Army. An auxiliary means of Soviet economic control in the Satellites has been Soviet ownership (complete or partial) of some of the most important corporations in the Satellites. These are being returned to local ownership.

C. Communist China.

The best way to summarize the Chinese economic organization and administration is to characterize it as an embryonic Soviet system. While the fully developed structure may prove to have some significant differences in detail, on the basis of present knowledge it must be presumed that the essentials will be the same. Indeed, one of the more notable Soviet technical exports is its system of economic administration. After the basic ideology it is probably the strongest unifying factor in the Soviet Bloc.

Although many details are not known, it is clear that in China, as in the USSR, the Communist Party controls the economic activities of the government apparatus. As in the USSR, one of the principal functions of the state is the administration of the economy -- that is, supervision over the production and distribution of goods and services. However, in Communist China the degree of state participation in production and the effectiveness of the control of resources allocation are considerably less than in the USSR.

In China, as in the USSR, the Communist Party determines the major elements of national economic policy. Instructions are passed on to the Government Administrative Council (GAC), to which the State Planning Committee is attached. This committee is still very inexperienced. Failure to publish the current Five Year Plan is probably due to the tentative or provisional nature of many of its goals and the lack of detailed elaboration of the major targets. In direct line of command below the GAC is the Committee on Finance and Economics (CFE), to which the economic ministries are subordinate and to which the Central Statistical Bureau is attached. The organization and functions of each ministry are roughly analogous to Soviet models. At this point, however, very significant differences appear, for the Chinese Communist state owns but a part of the modern industrial sector, and virtually all agricultural production is in the hands of individual peasants.

The share of the state sector in total industrial production is best summarized by the following quotation from the communique released by the Central Statistical Bureau:

> Of the 1952 total value of output of State-owned and private industry, State-owned industry accounted for 50 percent, joint State and privately owned industry for 5 percent, cooperatives for 3 percent, and private industry for 42 percent. Of the total value of output of the larger State-owned and private industrial enterprises, State-owned industry accounted for 60 percent, joint State and privately owned industry 6 percent, cooperatives 3 percent, and private industry 31 percent.*

However, indirect controls are extensive: (1) the state has a monopoly of all banking, (2) the state is the largest single customer for the private sector, and (3) the state controls a large part of the supply of goods and services to the private sector. Almost all new construction is concentrated in the state sector. All railroads, airlines, telecommunications, and most of the shipping is owned by the state. A few banks are still privately owned, but the state controls their operations.

State control of agriculture is exercised through the political control of the countryside, primarily by heavy taxes in kind and by various changes in the ownership of land under the program for "agrarian reform." With the exception of a few state farms in the Northeast and Northwest, all agricultural production is carried out by the individual peasants. The state also exercises an important measure of control over peasant agriculture through state operation of transport and trade channels.

* FBIS, 2 October 1953, pp. AAA 19-20.

In the case of producers' goods and essential raw materials the central planning organs are able to exert more control. Allocations of these resources are made by the Committee on Finance and Economics. Apparently the Soviet system of funded commodities provides the model, although the Chinese have yet to work out a suitable system of input-output norms.

Consequently, the central planning organs seem to have considerable difficulty in making estimates of direct capital goods requirements for their investment program and the indirect effects of these requirements on the economy. Goods and services which are not centrally allocated enter the free market, except for certain agricultural commodities where state-owned distribution channels dominate trade.

The state has an effective apparatus for determining the aggregate volume of saving. Revenue from the agricultural tax in kind is estimated at approximately 30 million tons of grain per year, and an additional amount of grain, estimated at 10 million tons, is obtained in exchange for consumers' goods which the state procures at wholesale prices. The financial operations of private and government corporations are required to pass through the state banking system, thus permitting the central authorities to monitor and control the economy of these enterprises. Hence the collection of taxes on business profits is relatively simple, and these taxes total about 70 percent of total state income. Foreign trade is divided between public and private corporations, but all financial operations of the latter are again handled by the state-controlled banks.

Government investment in agriculture is primarily in irrigation, flood control, and general conservation work. With the exception of investment by the peasantry and the small private handicraft and service enterprises, state control of investment is virtually all-inclusive.

As far as is known at present, state reserves are limited to grain stocks. It is likely that this activity will be extended as the economy develops.

Little is known about the Chinese labor market. Apparently labor is allocated by manipulation of wage rates, which are controlled by the central government.

The operation of the socialized economy is directly supervised by the economic ministries and their subordinate agencies. As far as is known, there are only two important external organs of control and verification: the banking system and the Party. The latter is organized like the Communist Party of the USSR and has its cells scattered through the entire fabric of the society.

It is important to note one crucial difference here between Communist China and the USSR. In 1917-18 the Russian peasant made his own revolution in the countryside -- he seized the land and burned the manor houses on his own initiative. The Chinese peasantry, on the other hand, was organized to carry out "land reform" by professional revolutionaries, the Party "cadres," who accompanied the armies of "liberation" and gained additional recruits in the villages as their work proceeded. In China, "land reform" was a revolution from above. These cadres now constitute the principal apparatus of political control in the countryside.

Thus the Chinese Communists have already established a fairly effective mechanism for mobilizing investment resources and for controlling the allocation of producers' goods and essential raw materials. In industry the state sector is limited to the "commanding heights," but credit and marketing controls are comprehensive and effective. Agriculture is by far the weakest link in the control structure. However, the regime is capable of collecting the grain tax in kind and does control investment in irrigation and flood control. In comparison with the current Soviet model, the Communist Chinese system of economic planning and control is as yet primitive and incomplete.

II. Economic Base.

A glance at the resources within the borders of the Soviet Bloc is enough to establish the fact that a formidable economic base is at the disposal of the USSR. The Bloc comprises the "heartland" of the Eurasian land mass, with a population of nearly 800 million as compared with 160 million in the US and 505 million in all of North American and Western Europe. This Bloc is entirely self-sufficient in food. It has a heavy industry to the expansion of which every governmental resource is being devoted and possesses nearly all the raw materials required to keep that industry alive. The Satellite economies have been ruthlessly integrated with that of the USSR in an effort to compensate for all points of weakness in the Soviet industrial machine.

A. Population and Manpower.

Collectively the Soviet Bloc today includes two of the three most populous nations in the world, the USSR and Communist China. A description follows of the salient features of the population and labor force of the three broad geographical areas, the USSR, the European Satellites, and Communist China.

1. USSR.

In 1953 the USSR with 210 million people ranks third among the countries of the world. Its 1950 population was about one-third larger than that of the US. Despite recurring turbulence and catastrophe the population within the pre-1939 boundaries (that is, those established by the Treaty of Brest-Litovsk) almost tripled, from 60 million in 1950 to 170 million in 1939. (See Appendix, Table 1.)* By the end of 1940, annexation added some 23 million people, principally from Eastern Poland, the Baltic States, and Northern Bukovina. Further annexations were made at the close of World War II. Roughly speaking, these annexations replaced the losses in the USSR which resulted indirectly or directly from the war.

As in other countries undergoing economic development, birth and death rates have declined. The excess of births over deaths, however, has remained high. In 1939, 36 percent of the population was under 15 years of age, and about 57 percent was in the 15 to 60 age group. The proportional size of this latter group is expected to rise at least until 1955.

The Soviet government has tried to sustain a high birth rate and has succeeded in reducing the death rate. Medical care, while inadequate, is free. Abortion was proscribed in 1935, and in the following year the government issued a comprehensive pro-natalist decree. This measure (a) strengthened the law prohibiting abortions, (b) provided annual allowances for mothers of large families, (c) made it more difficult to secure divorces, and (d) provided for expansion of nurseries and kindergartens.

Projections for the military age group (males 20 to 34 years of age) indicate that the USSR will continue to have substantially larger reserves of military manpower than the US. The 1953 estimate of persons in the Soviet armed forces was 4.4 million.

As indicated in the Appendix, Table 1,* there has been a surplus of women in the USSR. Even before the war, in 1939 for example, there were about 7 million more women than men. This imbalance remained in 1950 and is expected to continue for years to come.

Under the Soviet regime, urbanization has proceeded at a rapid rate. For 30 years prior to the introduction of the Five Year Plans the urban population constituted less than 20 percent of the total. After 1928, in keeping with the general industrial development program, a large-scale shift from the farms to urban areas was encouraged and frequently forced. By 1950, about 40 percent of the population of the USSR, or about 80 million people, lived in urban areas. At the same time the USSR has become a land of large cities. Between 1926 and 1939 the number of Soviet cities of more than 100,000 population increased from 31 to 82.

Estimates for the total labor force vary, as a result partly of scarcity of official information and partly of the existence of large numbers of political prisoners and unrepatriated prisoners of war. In other countries the labor contributed by prisoners is negligible, but estimates of the size of this force in the USSR range between 3.5 and 12 million people.

* P. 24, below.

The most recent census, in 1939, reported civilian employment of 76.4 million in a population of 170 million. The total labor force, however, including the armed forces, slave workers, and prisoners, was 90.7 million. In 1951, something like 97 percent of the Soviet working population was employed in state-owned enterprises or on collective farms. Excepting the armed forces the labor force was estimated at 94 million in 1947 and at 98 million in 1953. In the 6 years following 1947 the agricultural civilian labor force is estimated to have declined by 4 million, whereas the nonagricultural labor force gained 10 million persons. One noteworthy feature is that in this shifting process the agricultural community seems to have lost a great many essential skilled workers, such as mechanics.

Of the nonagricultural workers (see Appendix, Table 1), the concentration in industry, mining, and construction is high, reflecting the emphasis on heavy industry in the USSR. The number of skilled workers is increasing, and technical education programs are being expanded to augment this group. The compulsory labor service education program for 14 and 15 years old has sharply declined in recent years as the USSR has gradually shifted to a broader technical educational base for the entire population.

2. European Satellites.

The population of the European Satellites is believed to have increased somewhat from 1947 to 1952, from about 88 million to about 91 million. (See Appendix, Table 2.*) The population increase in the Satellites between 1947 and 1957 is projected at about 6 million, a rate of increase of 7.3 percent in 10 years, or less than half of the expected rate of increase for the USSR during the same period. Individual rates of increase for the Satellites range from zero in the Soviet Zone of Germany to 22 per thousand in Albania.

In 1953 the number of males in the European Satellites in the 15 to 49 age group was 21.4 million. The number of physically fit males was 14.6 million. The total on military duty in this year is estimated at 1.6 million, which is compared with 4.4 million on military duty in the USSR.

By 1957 the Satellites are expected to have increased civilian employment 6.4 million over the 1947 figure of 38.4 million. This is a 16 percent increase and is larger than the projected increase in the USSR. As shown in the Appendix, Table 2, the increase will be a net increase resulting from a decrease of 1.9 million agricultural workers and an increase of 8.3 million nonagricultural workers. Involved in this shift will be the more extensive employment of women, since the increase in civilian labor force is approximately equal to the total increase in population for the period. Nevertheless, considerable additional labor would still be available if average European agricultural productivity were attained in the Satellites.

About 90 percent of the total increase in nonagricultural workers is expected to be employed in industry, mining, and construction -- those sectors of the economy considered most vital by the Communists. The addition of 7.5 million employees will result in a total of 16.1 million in these sectors in 1957. This total is to be compared with a projected 19.1 million for this group in the USSR for the same year.

In 1952 there were 3.9 million skilled workers in the Satellites, which is to be compared with 8.3 million in the USSR. There were 1.9 million in the engineering, professional, and technical group in the Satellites and 4.9 million in the USSR. However, there were 14.1 million unskilled workers in the Satellites as compared with 27.6 million in the USSR. The European Satellites are adopting the system of vocational training which has been evolved in the USSR. Under pressure for more highly trained personnel, they are also accelerating personnel training by shortening the time before graduation. The training system is expected to double the supply of skilled labor and of engineering, professional, and technical personnel between 1947 and 1957.

3. Communist China.

Little is known about the population of China. There has never been a census, as we use the term. The latest estimate of Chinese population in 1952, which was promulgated for adoption and use, is 476 million. (The Communists have given the figure of 483 million, but this includes the 7.7 million in Formosa.)

* P. 25, below.

For several decades to come the possibility of population growth will be determined by the extent of control achieved over the death rate, since the birth rate probably will remain high. If China improves the public health service, the rate of growth might conceivably approximate that of India for the 1931-41 period -- 1.5 percent per year. In 5 years this would raise the population by 35 million. Indications are that by 1957 a total population of 500 million could be supported with only a slight lowering of the individual caloric intake per day.

The age distribution of a population is determined by the birth and death rates. China with its high birth and death rates probably has a younger population than the major industrial countries of the world. Specific information on this subject is, unfortunately, not available. One estimate, resulting from surveys, indicated that 37 percent of the population is under 15 years old, 60 percent is between 15 and 65 years, and only 3 percent is over 65 years. The sex ratio has been estimated at 110 males to 100 females. China possesses more than adequate military manpower. There are about 280 million persons in the 15 to 65 age group.

Although the majority of the Chinese people live in rural areas, the total urban population is among the largest in the world. In China, about 73 million people live in cities of more than 10,000 population. In the US in 1940, 60 million people lived in cities of equivalent size. Relative percentages of urban to total population for the two countries were, however, 10 percent for China and 48 percent for the US.

Of a total labor force estimated at 229 million to 267 million workers in 1950-51, about 85 percent (195 million to 227 million) were rural workers. Most of these, or about 75 percent (172 million to 200 million) of the total labor force, were farm workers. Farm labor is difficult to classify in China, since much of the labor is seasonal or part-time. For instance, most of the 18 million fisherman on inland lakes, rivers, and ponds probably are part-time farmers. From 20 to 25 percent of the labor force is nonagricultural, only a small part of which (possibly 3 million to 4 million) is employed in modern type industry. In addition to this, there are probably about 12 million workers in the handicraft trades.

Available material indicates that skilled labor is as scarce as common labor is abundant. In a few categories of top level engineers and scientists there is a limited supply of foreign-trained Chinese, but in the fields needed for the development of heavy industries the supply is wholly inadequate for the proposed expansion. To remedy this lack of trained personnel, the Chinese are adopting the system of adult and workers' schools and vocational high schools common to the Soviet Bloc. The demands upon trained manpower, however, are expected to be so great as to jeopardize the successful completion of the plans.

B. Agriculture.

Agriculture presents a unique and complex picture in the Soviet Bloc countries. Of the approximately 800 million people living within the Bloc, about 70 percent are dependent on agriculture for their support. With its variety of climate and soil, every crop known in the temperate and subtropical zones can be grown in the Bloc. Farms range from the fairly modern state and collective farms of the USSR, often encompassing thousands of acres, to the tiny, hand-cultivated plots of China. At the present time, production is sufficient to permit a subsistence diet, some exports, and at least limited state reserves of food. The situation in agriculture is discussed below for each of the major areas.

1. USSR.

The USSR occupies one-sixth of the total land surface of the world, but little more than 10 percent of this area can be classed as arable, and of this arable land only about 65 percent is cultivated. Because of unfavorable climate, much of the land is unsuitable for agriculture, and most of the arable land is found in the "fertile triangle" which extends from Leningrad to Odessa to Lake Baikal. Sown acreage increased from 127 million hectares (1 hectare equals 2.47 acres) in 1930 (1930 boundaries) to about 155 million hectares in 1952 (1952 boundaries). This expansion has taken place both through territorial acquisitions and through the extension of the cultivated area into regions of erratic production. There is hardly a crop of the temperate and subtropical zones that is not grown in the USSR. Grains dominate the crop pattern, and potatoes, sugar beets, cotton, flax, feed crops, and sunflower seed are the most important nongrain crops.

Soviet agricultural policy has been the main obstacle to increasing production. Since the Bolshevik Revolution a vicious struggle has been waged be between the Communists and the peasantry. Following the disastrous attempts of the Communists to collectivize the peasantry forcibly in the early 1920's, agriculture enjoyed a period of relative independence and prosperity. But the strange anachronism that "capitalism existed in the village alongside socialism in the city" caused a vigorous renewal of the collectivization program in 1928. By 1940, 20 million farm households, constituting 97 percent of the peasant population, had been amalgamated into 236,000 collective farms. Further amalgamation reduced the number of collective farms to 94,000 by 1953.

At present, collective farms account for over 90 percent of total Soviet agricultural production, state farms accounting for most of the remainder. State farms are operated by the state, with the farmers being paid fixed wages. Collective farms represent a pooling of the land and labor resources of many small peasant farms. Theoretically, a collective is a democratic institution, governed by a model charter, but the obligations required of the farmers are such that the collective has become merely a tool whereby the state not only controls the peasantry but also assures itself of the major portion of agricultural production which has been necessary to implement the industrialization of the country. Each worker is paid according to the amount and type of work performed, measured in "labor days," the value of which depends upon the productivity and income of the individual collective. Each household has a private garden plot and the right to maintain a specified number of livestock. Because of its capitalistic nature, the garden plot and privately owned livestock have been a primary source of concern on the part of the regime. The eventual liquidation of rural capitalism, with the resultant complete dependence of the peasant upon the income of the collective farm, is the goal of the Communist Party of the USSR.

As a source of investment, soviet agriculture during the past two decades has been forced to carry a considerable portion of the burden of the industrialization of the country. Extensive mechanization, use of mineral fertilizers, irrigation, and improved agro-techniques have resulted in only modest increases in over-all agricultural production during the last 15 years. The output of certain industrial crops has increased, however, reflecting the special emphasis the government has placed on them. Sugar production has increased from 2.48 million metric tons in 1938 to 2.75 million metric tons in 1952, and cotton from 731,691 metric tons in 1938 to 874,000 metric tons (ginned basis) during the same period. Grain production increased slightly from 88.5 million metric tons in 1938 to 91.6 million tons in 1952. Production of potatoes, vegetables, and livestock, however, has lagged seriously and has not kept pace with the growth of the population. As a result of great losses suffered during the collectivization period of the early 1930's and as a result of World War II, production in some sectors such as livestock (chiefly cows) is even less than it was in 1928.

Mechanization, which was facilitated by collectivization, released millions of workers for other industries. Machine Tractor Stations (MTS's) were set up to service the needs of the collective farms. Tractors in the MTS's increased from 66,000 units of 15 horsepower in 1930 (1930 boundaries) to 1 million units of 15 horsepower in 1952 (1952 boundaries). Production of other agricultural machinery also increased during this period. The large increases in agricultural output the Soviets had envisioned through mechanization, however, did not materialize, because of the inefficient use of the machines. In 1950 the output of work per 15-horsepower unit was only about the same as in 1937, despite marked technological improvements. Use of chemical fertilizers has increased from 228,000 metric tons in 1928 (1928 boundaries) to about 4 million metric tons in 1952 (1952 boundaries).

Although during the 1952-53 consumption year the available food supply in the USSR was sufficient to provide about 2,800 calories daily per capita, over 65 percent of the food base is represented by grains. There is a paucity of potatoes and vegetables, which comprise less than 20 percent of the diet. The scarcity of meat and dairy products is even greater; they comprise only about 5 percent of the diet.

During the past few months, significant shifts in agricultural policy in the USSR have occurred. The struggle for the immediate liquidation of the private garden plots has been relaxed temporarily, and production of livestock and vegetables is being encouraged by a series of measures, including the following:

a. A greater emphasis on material incentives. Procurement prices for livestock products and vegetables have been increased. Taxes on private plots have been lowered considerably and slight tax exemptions granted to encourage the farmers to obtain livestock.

b. Increased investment in machinery necessary for the cultivation of vegetables.

c. Agricultural loans to provide more buildings and barns on the collective farms.

d. Individual responsibility, especially on the part of tractor drivers, designed to increase machine productivity.

e. Improvement in agro-techniques -- more chemical fertilizers, improved seed stock, and more agricultural and livestock specialists.

In general, it can be said that the USSR produces sufficient food and industrial crops for its own use, given a low standard of living. Despite the noted insufficiencies, the agricultural economy has risen from a half primitive to a fairly modern status since 1928. Sown acreage has just about reached a peak, and the USSR proposes to achiev subsequent increases in production by increasing yields through a greater use of chemical fertilizers, by greater mechanization, and by irrigation and improved agro-techniques. With appropriate priorities the USSR may be able within the next 5 or 6 years to achieve its goals of providing more and varied food to the populace and sufficient raw materials to the industrial plant.

2. European Satellites.

The transformation of farming in Eastern Europe from small independently owned plots to large socialist enterprises in the form of collectives and state farms has been the primary aim of the Communist governments established since World War II. The rate and extent of socialized farming, however, varies considerably among the Satellites. The percent of agricultural land farmed by the socialist sector ranges from approximately 18 percent in East Germany to about 60 percent in Bulgaria.

Agriculture has presented the Communist governments with the greatest problems in their attempt to nationalize the production facilities of the Satellite economies. In implementing their ambitious industrialization programs, the Satellites are dependent upon the agriculture sector of the economy to supply needed manpower and a large share of the exports required to finance imports of machinery and raw materials. The methods used by the governments to release agriculture manpower to industry and obtain a sizable share of the indigenous production have been compulsory delivery quotas and collectivization. This policy has had the over-all effect of depressing agricultural production instead of increasing production according to plans.

Despite Communist concern for increased production, agricultural output has not yet attained prewar levels. Lack of natural and chemical fertilizers, shifts of population, and the general apathy of the peasantry brought on by collectivization contribute to low productivity. Grains dominate the crop pattern, although considerable emphasis is being given to industrial crops, mainly sugar beets. Sown acreages and production for the Satellites as a whole are given in the Appendix, Table 3* with a prewar comparison.

As a direct result of government policies and adverse weather conditions, livestock numbers in the Satellites, like crop production, have not reached prewar levels. Numbers of the primary meat-producing animals, cattle and swine, have suffered especially. Slaughter weights are also considerably below the prewar level. This has resulted in a serious shortage for the industrial population in meat, fats, and dairy products. The primary emphasis of the

* P.26, below.

recently adopted "new course" as pertains to agriculture is placed on improving the animal husbandry industry.

The mechanization of agriculture has been emphasized in the Satellites, but with slight success. Numbers of tractors and complementary equipment have increased, but not to the extent called for in the Plans. To foster and support collectivization, the mechanical draft power base must be increased. This fact was revealed in the self-criticism contained in the recent announcements by most of the Satellites of the "new course" for agriculture. Increased emphasis will now be given to supplying agriculture with more machinery to relieve the labor and draft power shortage during the next 2 years.

The immediate outlook for an increase in agricultural production and food supply in the Satellites is not very favorable, despite the fact that investments and incentive goods are to be increased and compulsory delivery quotas reduced. Cereals will continue to constitute the major share of the diet of the population, and meat, fats, and oils will remain in short supply.

3. Communist China.

Chinese agriculture is characterized by too many people on too little land, undercapitalization, intensive cultivation, and primitive technology. At least 80 percent of the 450 million to 500 million people in China live on the land. The arable land of China probably does not exceed 357 million acres, or 16.7 percent of the total land area, and the cultivated area is estimated at 272 million acres. Thus there is approximately 0.6 acre of cultivated land per person. To increase yields, much of the cultivated land is irrigated. Cereal grains, potatoes, and other foods derived from plants constitute 85 to 90 percent of the total food supply. In most areas of China, little is provided beyond the minimum daily caloric intake necessary for survival, and the diet is usually deficient in one or more of the nutritive elements essential to optimum health. Chinese agriculture, moreover, is extremely susceptible to the vagaries of nature. Much of the agricultural production is concentrated in river lowlands, where it is subject to floods. Drought frequently occurs in the plains of North China, typhoons often ravage the coastal areas, insect pests are numerous, and insecticides virtually unknown.

The Chinese Communist "land reform" program has been a revolution from above, organized in the villages by cadres of professional Communist revolutionaries. As a result of this "reform" the average size of the Chinese farm has been slightly reduced, which makes the acquisition of capital equipment even more difficult than before. The Communists have encouraged several forms of mutual cooperation in agriculture. The cooperative forms range from seasonal pooling of labor with no change in ownership of land or implements to joint farming of pooled land holdings with common ownership of some implements and draftpower. Ownership of the land even in the most advanced form is still retained by the individual.

The burden of the agricultural tax in kind (levied at progressive rates) is believed to be heavy. It is estimated that 30 million metric tons of grain are collected in taxes each year, and 10 million tons in addition through the state cooperative network. This represents one of the most important sources of income to the state: the grain tax provides the food for the cities and the armed forces, and the principal source of foreign exchange. It is believed that the agricultural sector accounts for as much as 75 percent of the exports of Communist China, the bulk of which are used to pay for imports of capital goods from other Soviet Bloc countries.

The Chinese Communists, however, have two solid achievements to their credit: (a) they have energetically continued certain Nationalist-initiated flood control and irrigation projects, such as the Hwai River project, and have begun others with a consequent increase in the total irrigated area, and (b) they have improved the transportation system so that surpluses can be shifted to deficit areas. In 1952, production of the major agricultural crops approximated prewar levels.

Collectivization of agriculture remains the explicit objective of the Chinese Communist Party. Apparently it will be delayed for some time, almost certainly until the next Five Year Plan, which should begin in 1957. One must presume that the cost of collectivization in lost production and in human lives would be even more appalling in China than in the USSR.

Production of Major Crops in Communist China
1949-52

Thousand Metric Tons

	1949	1950	1951	1952
Grains a/	104,310	107,810	106,840	111,890
Potatoes b/	24,500	28,987	31,490	34,221
Cotton c/	370	529	653	609

a. Grains consist of rice (paddy), wheat, oats, corn, millet, sorghum and other grains, kaoliang, and barley.
b. Potatoes are approximately 85 percent sweet potatoes and are not on a grain-equivalent basis.
c. Cotton as shown here is on a ginned basis.

In attempting to increase the productivity of Chinese agriculture the Chinese Communists face a difficult problem. With the exception of irrigation and flood control measures, the Chinese Communist actions to date probably have tended to aggravate rather than to ameliorate the basic difficulties. It is highly unlikely that the planned increases in production over the next few years will be achieved. Also, it is doubtful whether the Chinese Communists will have available the resources necessary for mechanization for a good many years, perhaps a decade. Unless its position in natural resources improves greatly, it is highly unlikely that in the near future China will be able to support the degree of mechanization of agriculture which obtains in the USSR.

C. Industry.

The development of the industrial base of the USSR has been the object of much attention on the part of the Soviet planners. As the Satellites and China were brought into the Soviet Bloc, a similar emphasis was placed on their industrial development. The pattern followed is first to place greatest importance and highest priority on heavy industry and producers' goods. In the USSR the 1930's were devoted to the accumulation of basic capital equipment, especially by importation,with concomitant emphasis on technical training of the labor force. The USSR is now in a position to go forward in a rather balanced fashion, with primary reliance upon indigenous resources. The future pattern can be expected to show relatively more emphasis on basic materials, including energy, required to support its industrial machine. However, the current "new course" indicates an evolving change in the direction of making a special effort to equip and expand consumers' goods industries. In the following sections the industrial base of the Bloc will be described under the headings of energy, metals, cement, chemicals, rubber, manufacturing, and military end items.

1. Energy.

The potential energy resources of the Soviet Bloc are adequate to support sizable increases in industrial capacity on a long-term basis. By and large, coal is the main source of energy in the Bloc. Reserves of anthracite, bituminous coal and lignite are very large and are thought to be adequate for almost any conceivable future needs.

The long-term goal for the production of all types of coal in the USSR is 500 million metric tons by about 1960. Total Soviet Bloc output of anthracite and bituminous coal in 1952 was 372 million metric tons, of which 59 percent was produced in the USSR, 30 percent in the Satellites, and 11 percent in China. From 1940 to 1952, production in the USSR increased by 58 percent, to 220 million metric tons in 1952. In the Satellites the production of coal increased but little between 1940 and 1952, from 103 million to 110 million metric tons. This production, 50 percent that of the USSR, was confined mainly to the Silesian coal fields, which are divided politically between Poland and Czechoslovakia. In 1952, Poland produced 76 percent and Czechoslovakia 18 percent of all the coal produced by the Satellite countries. China in 1952 produced 48 million metric tons, about twice as much as Czechoslovakia. In addition to anthracite and bituminous coal, large quantities of lignite are produced. In 1952, output of lignite in the Bloc was 325 million metric tons -- 82 million metric tons in the USSR and 243 million metric tons in the European Satellites. The largest Satellite producer, East Germany, accounted for 73 percent of the total Satellite output.

The emphasis placed on liquid fuels in the USSR is indicated by the present announced intention to double crude oil distillation and cracking capacity between 1950 and 1955 in order to produce annually 70 million metric tons of petroleum products. The limiting factor at present is not the inadequacy of crude petroleum but of refining and cracking facilities. In 1952, production of crude petroleum in the Soviet Bloc was 58.8 million metric tons, representing an increase of 55 percent over 1940. The USSR produced 80 percent of the Bloc total in 1952. The European Satellites, principally Rumania, accounted for substantially all of the balance, with only token production occurring in China. In addition to production from crude petroleum, the Bloc produced about 2 million metric tons of shale oil and synthetic liquid fuels. East Germany produced about two-thirds of this total, with the USSR, Czechoslovakia, and, to a lesser extent, China accounting for the balance.

Soviet preoccupation with the development of sources of electric power dates from the announcement of the Goelro Plan in 1921. Continuing emphasis on this energy source is indicated by the announced long-run goal of 250 billion kilowatt-hours to be met between 1960 and 1965. Production of electric power in the Soviet Bloc in 1952 was 180 billion kilowatt-hours. Of the Bloc total, 65 percent was produced in the USSR, 31 percent in the Satellites, and only 4 percent in China. The Soviet output increased by 144 percent between 1940 and 1952, to 117 billion kilowatt-hours, about 15 percent of which was hydropower. Output in China in 1952 was 6.3 billion kilowatt-hours. The European Satellites produced 56 billion kilowatt-hours in 1952, almost half as much as the USSR. East Germany was the largest of the Satellite producers, accounting for 41 percent of total Satellite output. The next two largest Satellite producers were Poland with 23 percent and Czechoslovakia with 21 percent.

2. Metals.

Since 1928 the growth of metals production in the USSR has been impressive. By 1951, despite the effects of the war, production had increased almost tenfold over 1928. As a result of the ambitious investment program, the concentration on heavy industrial production and the growth of over-all industrial activity, metal supplies in general seem to have remained tight. The position in specific metals, however, is subject to considerable variation. Neither the European Satellites nor China has so well balanced a position as the USSR, but they do produce substantial quantities and, in a number of important cases, serve to round out the supplies of the Soviet Bloc as a whole.

Steel is naturally a major item of interest on the part of the Soviet planners. The USSR has announced a long-run goal for 1960 calling for 50 million metric tons of pig iron and 60 million metric tons of steel. In 1952 the USSR accounted for 77 percent of Soviet Bloc production, having increased output from 18 million metric tons in 1940 to 34 million metric tons. European Satellite production, which was 9.4 million metric tons in 1952, was concentrated in Czechoslovakia, Poland, and East Germany. These three countries accounted for 86 percent of the 1952 production of the Satellites. Chinese production was 1.2 million metric tons in 1952, and it is on the increase.

Primary copper production in the Soviet Bloc, at 320,000 metric tons in 1952, is believed to have fallen short of requirements. The USSR is the major source, having produced 287,000 metric tons in 1952, or 90 percent of the Bloc output. This represents a 109 percent increase over 1940. The European Satellites contributed 29,000 metric tons, or 9 percent of the total Bloc output. China, a small producer, accounted for only 5,000 metric tons in 1952.

Aluminum, in addition to its use in the aircraft industry and for long-distance electrical transmission, can serve adequately in many instances as a substitute for copper. The USSR in 1952 accounted for 89 percent of the total Soviet Bloc production of primary aluminum. The Soviet output of 220,000 metric tons in that year represented a 267 percent increase over its 1940 production. The balance of Bloc production, 27,000 metric tons, was divided between Hungary, 22,000 metric tons, and East Germany, 5,000 metric tons. It is significant to note that more than 50 percent of the supply of bauxite available to the USSR in 1952 was derived from nonindigenous resources. Hungary supported the Soviet deficiency and provided the total supply for the rest of the Bloc.

The Soviet Bloc countries are interdependent for supplies of a number of other metals. The USSR is the primary Bloc source of the alloying materials necessary for high-quality and special steels, and is practically the only source of nickel, cobalt, and manganese, although Czechoslovakia and Rumania produce minor amounts of manganese. Albania produced slightly more than 10 percent of the Bloc supply of chromite in 1952, with Bulgaria and Rumania providing minor amounts of this material. China produced 70 percent of the Bloc supply of tungsten in 1952, and something like 10 percent of the total Bloc supply of both molybdenum and vanadium, the USSR accounting for the balance. Tungsten is particularly important both for itself and in partial substitution for possible deficiencies in molybdenum. Vanadium is similarly of some importance as a substitute for cobalt. There is some indication that cobalt and nickel are in short supply in the Bloc as a whole.

Zinc and tin illustrate very well Soviet Bloc interdependence. In 1952 the Bloc produced 267,000 metric tons of zinc, divided almost equally between the USSR and the Satellites, Chinese production being insignificant. The USSR accounted for 49 percent of Bloc production, and the Satellites 51 percent. Of the Satellite output, Poland produced 93 percent. At that, Polish production was only equal to its 1940 output and can be expected to increase considerably by 1955. Tin production in the Bloc, at 18,000 metric tons in 1952, was divided between the USSR and China, with outputs of 10,000 and 8,000 metric tons, respectively.

3. Cement.

The expanding production of cement, a key construction material, reflects the vast building program which is in progress in the countries of the Soviet Bloc. Since 1940, Soviet production of cement has increased almost threefold. In 1952 the USSR accounted for 60 percent of the 24.3 million metric tons produced in the Bloc. Satellite countries accounted for 33 percent of this output, while China produced the remaining 7 percent.

4. Chemicals.

The general chemical industry of the USSR grew rapidly following the program of industrialization. By 1948, production of chemicals had more than recovered from the effects of the war, and production had increased by 1951 to roughly double the prewar peak. In the European Satellites the Soviet Bloc acquired a chemical industry which is substantial relative to that of the USSR.

Soviet production of sulfuric acid more than doubled between 1938 and 1952, when output was 3,627,000 metric tons. In 1952, production in the USSR was 75 percent of the Soviet Bloc total, with a substantial proportion of production (23 percent) being contributed by the Satellites. Czechoslovakia, East Germany, and Poland were the major Satellite producers, with outputs of 300,000, 372,000, and 330,000 metric tons, respectively. Insofar as sulfurous materials are concerned, the USSR probably is self-sufficient, but the European Satellites seem to depend largely on imports from the West.

Production of chlorine in the USSR increased from a negligible amount in 1930 to 261,000 metric tons in 1952. The Satellites outproduced the USSR in this chemical in 1952, contributing 52 percent of Soviet Bloc production. The USSR provided practically all of the balance, or 47 percent of the Bloc total of 560,000 metric tons. The major Satellite producer was East Germany, with 68 percent of the output of the Satellite countries. The next largest Satellite producer, Czechoslovakia, contributed 17 percent of the Satellite output.

Caustic soda production follows a similar pattern in the Soviet Bloc. The Satellites outproduced the USSR in 1952, accounting for 386,000 metric tons, or 54 percent of the Bloc total. The rest of the Bloc output, 333,000 metric tons, was produced in the USSR. Of the Satellite production, East Germany contributed 53 percent; Poland, 26 percent; Czechoslovakia, 15 percent; and Rumania, the remaining 6 percent.

On the other hand, the USSR was the major producer of nitric acid in 1952, contributing 75 percent of the 1.6 million metric tons produced in the Soviet

Bloc. The remaining output was in the European Satellites. East Germany produced 65 percent of the output of the Satellites, and Bulgaria and Hungary produced 17.5 percent each.

5. Rubber.

Except for one synthetic plant in East Germany, the USSR is the only important producer of rubber in the Soviet Bloc. In recent years the Soviet Bloc has imported substantial quantities of natural rubber. Out of the total of 171,000 metric tons imported in 1951, 64,000 tons went directly to the USSR. The USSR also received a considerable part of the 74,000 tons imported by Communist China, and the 33,000 tons imported by the European Satellites.

Synthetic production is the main indigenous source of rubber in the Soviet Bloc. In 1951 the USSR produced 77 percent of the 224,000 metric tons of synthetic rubber produced in the Bloc. East Germany produced practically all of the rest, of which over 40 percent (21,000 metric tons) went to the USSR.

Also in 1951 a negligible amount of natural rubber, 2,600 metric tons, was produced in the USSR. For low-grade formulations, the rubber supply of the Soviet Bloc was augmented by the reclamation of 68,000 metric tons of rubber, including 50,000 tons in the USSR.

Generally speaking, the Soviet Bloc has excess blending and fabricating facilities. Through allocation of stocks, the USSR can guide the production of finished products according to its interests.

6. Manufacturing.

Prewar growth of Soviet production of machinery and equipment was much more rapid than general industrial growth. Output increased sevenfold between 1928 and 1937. The 1937 level was regained in 1947-48, and production has since increased to the point that in 1951 it was 17 times greater than the output in 1928. During the same period (1928 to 1951) the output of the light and textile industries increased only about two and one-half times.

In 1952 the Soviet Bloc produced 157,000 tractors, 439,000 trucks, and 98,000 freight cars, principally in the USSR. The European Satellites, mainly Czechoslovakia and East Germany, produced 36,000 tractors, 29,000 trucks, and 25,000 freight cars.

In other important categories, the European Satellites accounted for a greater proportion of the total production of the Soviet Bloc. This area in 1952 accounted for 60,000 of the 145,000 machine tools, 8 million of the 24 million kilowatts of electric motors, 1.7 million of the 5.9 million kilowatts of electric generators, 1,087 of the 3,336 steam locomotives, and 195,000 of the 667,000* gross registered tons of merchant ships produced in the Soviet Bloc. The contribution of the Chinese Communists in these categories was limited to an estimated 5,000 machine tools and 102,000 gross registered tons of merchant ships.

7. Military End Items.

Production of military end items in 1952 tended to be concentrated in the USSR. The USSR produced 203,000 standard displacement tons of naval vessels, while the rest of the Soviet Bloc produced only 13,000 tons. The Soviet output of 13,000 artillery pieces was the major Bloc contribution of this item; 720 pieces were produced by China and 600 pieces by Czechoslovakia. The 1952 estimated production of tank and assault guns was 10,950 units, all produced in the USSR.

D. Transportation.

Before the war the increase in the volume of rail and water transport outstripped the rate of industrial growth in the USSR. The great distances and the relatively adverse distribution of resources have created large demands on transportation. This growth has taken place despite the regional self-sufficiency policy of the USSR, which has as one of its aims the "bringing of industry closer to the sources of raw materials and to the consuming areas in order to eliminate an uneconomic and excessively long freight haulage.**

* 1951 data.

** Balzak, Vasyutin, and Feigin, Economic Geography of the USSR, New York, MacMillan, 1952, p. 137.

There are indications that this thinking may have led to some suppression of investment in the transport field. A degree of self-sufficiency has been sought in fuel supplies, particularly in the Soviet Far East, where strategic considerations are important. The Soviet authorities have in fact recognized the benefits of regional specialization of production, with a consequent increase in transportation input per unit of national product and some resultant congestion in the transportation system.

The European Satellites are rather well endowed with transport capacity. The Chinese system is quite inadequate, and expansion of capacity is currently being emphasized. In the Soviet Bloc as a whole, rail transportation connecting the three major sections is complicated by transloading or by the provision of special arrangements such as adjustable axles made necessary by the differences in gauge.

The utilization of inland water transport has grown with heavy industry and has been encouraged by the construction of such projects as the Volga-Don Canal.

The fact that the 1951-57 growth in rail and water transportation is not expected to keep pace with general industrial expansion may be explained in part as indicating an increase in the utilization of truck transportation, especially for local traffic.

Pipeline transportation has not yet achieved any position of prominence in the Soviet transportation system.

III. Major Trends in Economic Policy.

The major economic policies of the Soviet Bloc countries, as reflected in their current economic plans, include the following.

A. In the USSR.

1. Continuing rapid expansion of the industrial base of the economy. The amount of resources allocated to gross investment in recent years has not only increased in absolute terms as gross national product has risen but has also represented an increasing percentage of the total (see the Appendix, Table 4*). Some shifting away from grandiose plans for the transformation of nature, such as the grand Turkmen Canal, is evident in the distribution of investment funds.

2. Provision of adequate supplies of modern equipment for the Soviet armed forces and, to a lesser extent, for the Satellite armed forces. Since no significant increase in the size of the Soviet military establishment is apparent, the emphasis probably has centered on modernization, air defense, and the production of unconventional weapons.

3. An increase in comsumption. Only a modest fraction of the year-to-year increase in total output has been permitted in the consumers' goods sector. As a result, consumption constituted a declining proportion of gross national product between 1938 and 1951, as shown in the Appendix, Table 4. Since the rate of increase in consumption exceeds the growth in population, a modest improvement in the standard of living during this period may be inferred. The Fifth Five Year Plan and recent policy pronouncements indicate an intention on the part of the regime to accelerate the improvement of the living standard. While it is possible that consumption in 1955 may absorb something like the proportion it did in 1938, the expectation is that total output will have almost doubled in the interval.

4. In the industrial sector of the economy, concentration on the production of capital goods rather than consumers' goods and high priority for the supporting sectors of transportation, communications, and construction.

5. In the agricultural field, some expansion of production, primarily through capital inputs. This expansion is subsidiary to industrial growth and has resulted in little more than maintenance of per capita food supplies at historical levels.

6. Emphasis on education and training of engineers and skilled workers to inculcate the more efficient techniques of production and increase labor productivity.

7. Increasing integration of Satellite economies with that of the USSR. This involves considerably more than exploitation of these countries by the USSR, having the broader aims of speeding the industrial growth of the more important Satellites and taking advantage of their special capabilities to attain the greatest over-all economic power for the Soviet Bloc. Although there is some effort in the direction of promoting regional self-sufficiency, the advantages of a policy pointed toward regional specialization have not been ignored. Trade among the Bloc countries has consequently grown considerably.

B. In the European Satellites.

1. Broad efforts to complete the socialization of their economies, particularly the nationalization of all important industrial and commercial enterprises. Thus the long-range policy is one of transformation to planned economies on the Soviet model, involving a high degree of centralized decision-making and direct administrative control.

* P.27, below.

2. Substantial industrial growth, though not to the extent pursued in the USSR because of the Satellites' more limited resources and their problems of transition to economies of the Soviet type. Priority is given to expansion of the metallurgical and engineering industries to obtain capital goods for further industrial growth, and to expansion of implement and fertilizer production to increase agricultural output. Production of consumers' goods is permitted to the extent consistent with these objectives. (See the Appendix, Table 5,* for data on the three most important European Satellites.) A "new course" in the Satellites was inaugurated in East Germany in June 1953. Some measures to reduce the rate of investment in heavy industry and improve living standards were announced shortly before the riots of 17 June, and other changes in this direction followed the disturbances. Similar steps have since been taken in the other European Satellites. Communist officials have emphasized, however, that these measures will effectively advance the program of "building socialism" and thus do not indicate a change in broad economic policy.

3. Collectivization of agriculture as an ultimate goal. This is being approached cautiously in the face of strong resistance from the farmers.

C. In Communist China.

1. Pursuit by the mainland regime of the typical Communist objectives of industrialization, economic self-sufficiency, and military preparedness. In the planned expansion of industry, emphasis is placed on basic heavy industry, coal, steel, electric power, chemicals, and machine building; on technical training in schools and on the job; on geological exploration to discover additional natural resources; and on effective utilization of Soviet technical and material assistance. Resources are to be diverted from the agricultural and consumers' goods sectors through direct controls and through fiscal and price policies.** Special programs for the economic development of Manchuria and the Northwest have been adopted.

2. Socialization of agriculture. So far, this has consisted largely of the land reform program (that is, the confiscation and redistribution of certain lands). This has been coupled with an effort of the government to increase its control over the allocation of resources to agriculture and over the production and distribution of agricultural commodities. The organization of mutual aid teams among the peasants has been encouraged, and there is little doubt that the ultimate aim is collectivization.

* P.28, below.

** Gross investment through the government budget is believed to account for a large part of the total expenditures of Communist China for this purpose. The recent growth in this item and in military expenditures is shown by the following data derived from the budgets for 1950 to 1952 and the planned budget for 1953:

	Billions of Current Yuans			
	1950	1951	1952	1953
Investment	17,356	35,110	73,699	103,528
Military Expenditures	28,274	50,656	42,777	52,254

IV. Gross Production of Goods and Services.

The policies outlined in the preceding section are reflected in the growth of the gross national product of the Soviet Bloc countries and in the changing proportions of these products originating in the various sectors of their economies. By valuing their gross outputs over a period of years at prices in the US in a given year, a common denominator is obtained for measuring purposes, the trend in physical output without regard to price changes is shown, and Soviet Bloc-US comparisons are made more meaningful. Calculated in this way, the estimated gross products of the significant Bloc countries in 1938 (1936 for China) and in 1948 through 1951 are as shown in the Appendix, Table 6,* with US values included for comparison.

The following relationships drawn from the information appear to be most significant:

1. The gross production of the USSR was a little less than one-third that of the US in 1951. This may be compared with the ratio of about 42 percent in 1938, when the US economy was still seriously depressed.

2. The combined gross production of the Soviet Bloc countries declined from 90 percent of the US figure in 1938 to about 56 percent in 1951. These relationships reflect the fact that, from 1938 to 1951, US output doubled and USSR output increased by one-half, while there was no over-all change in the gross production of China and the European Satellites.

3. Although the production of the Satellites had barely reached the pre-war level by 1951, it accounted for about 24 percent of the total production of the Soviet Bloc in that year, which is to say almost 45 percent as great as the output of the USSR. The largest relative increases since 1938 occurred in the Satellites with the smallest outputs -- namely, Hungary, Bulgaria, and Czechoslovakia. The larger economies of East Germany and Poland had not yet reached prewar production levels by 1951. Gross production of the Soviet Bloc countries has increased substantially since World War II. On the other hand, the annual rates of increases have generally declined. Year-to-year percentage increases in gross production and the total increase from 1938 (1936 in the case of China) to 1951 for the Bloc countries and the US are presented in the Appendix, Table 7.**

These data on gross production do not, of course, indicate the extent of changes in labor productivity, because the sizes of the labor forces are not taken into account. Similarly, the data do not show how living standards are affected, because changes in total population and in the portion of national output devoted to capital formation and military expenditures are not reflected. The population of the Soviet Bloc is increasing at a slow and decreasing rate and was in 1951 only 5 or 6 percent higher than in 1938. Rates of change in the production of goods and services per capita in the Bloc are therefore only slightly less than the rates for the aggregate production.

It should also be noted that gross production cannot be equated with the success which a country may have in attaining a certain rate of growth in its productive facilities (which will have its full effect on production later) or its ability to support a certain level of military spending. Levels of capital formation and military spending depend fundamentally on national policies concerning desirable or necessary living standards. Soviet and US policies in this respect and the relative living standards in the two areas are such that the rate of economic growth and of military expenditures in the Soviet Bloc is much greater as compared with the US than the gross production data suggest.

It is useful in this connection to consider the portions of gross product generated by the major sectors of the Soviet economy. The percentages of gross product originating in the various sectors in 1948 through 1951 are shown in the Appendix, Table 8.*** The figures make it clear that the pattern of production in the USSR has given increasing emphasis to industrial, transport, and

* P.29, below.
** P.29, below.
*** P.30, below.

communications activity. Conversely, a progressively smaller share of the national product has been accounted for by the agricultural, services, and trade sectors.

Though the corresponding percentages are somewhat different for the Satellites, these over-all trends of the Soviet economy are generally descriptive of their economies as well.

Within the industrial sector, Soviet policy has called historically for an accelerated growth of production facilities at the expense of consumers' goods. This is illustrated by recent annual percentage increases in the two components of Soviet industrial output, as follows:

	1948 to 1949	1949 to 1950	1950 to 1951	Total 1938 to 1951
Producers' Goods	20.0	18.3	10.6	96.3
Consumers' Goods	11.8	11.0	8.4	29.1
Total Industrial Production	18.0	15.2	11.8	72.7

The current Five Year Plan calls for a 65-percent increase in the output of consumers' goods and a 70-percent increase in the output of heavy industry in 1955 as compared with 1950, indicating that a serious attempt has been under way for some time to redress the balance somewhat in favor of consumption. The "new course" recently announced calls for an acceleration in consumers' goods production in order to reach 1955 goals in 1954.

APPENDIX

TABLES

Table 1

Data on Population and Employment in the USSR
Selected Years, 1939-57 a/

Millions

	1939	1947	1950	1953	1955	1957
Population	170 b/	191	200	210	217	224
Males	81.6	88	92.5	98	101	104.9
Females	88.8	103	107.8	112	115	119.5
Military Age Group (20 to 34 Years)				23.5	25.9	26.3
Slave Labor		10.0		8.0		6.0
Civilian Employment c/	76.4	84.2	87	89.7		93.2
Agricultural Labor	45.7	52	50	48		47
Nonagricultural Labor	30.7	32	37	41.7		46.2
Industry, Mining, and Construction		12.5		18.1		19.1
Skilled		5.5		8.6		10.1
Unskilled		23.7		27.7		28.4
Engineering, Professional, and Technical		3.0		5.4		7.7

a. NIS 26, Sections 41 and 44. C. CIA/RR PR-32, Postwar Trends in Manpower of the USSR and the European Satellites, 1947-57, 27 May 1953. C. CIA/RR IP-341, Economic Intelligence Handbook: Statistical Summary, 25 Aug 1953. S.

b. This figure is for the pre-1939 area of the USSR. The figure for the latter part of the year, including new annexations, is 186 million. All the following years are on the basis of territory occupied.

c. These figures exclude military personnel.

Table 2

Data on Population and Employment in the European Satellites
Selected Years, 1947-57 a/

Millions

	1947	1952	1957	1947-57 Increase
Population	87.8	90.8	94.2	6.4
Civilian Employment	38.4	41.9	44.8	6.4
Agricultural Labor	23.0	22.0	21.1	1.9(-)
Nonagricultural Labor	15.4	19.9	23.7	8.3
Industry, Mining, and Construction	8.6	13.2	16.1	7.5
Skilled	2.9	3.9	5.8	2.9
Unskilled	11.1	14.1	14.9	3.8
Engineering, Professional, and Technical	1.4	1.9	3.0	1.6

a. CIA/RR PR-32, Postwar Trends in Manpower of the USSR and the European Satellites, 1947-57, 27 May 1953. C.

Table 3

Agricultural Production in the Soviet Bloc
Prewar and Postwar

	USSR		European Satellites		Communist China	
	1938	1952	1935-39	1952	Prewar	1952
Sown Area (million hectares)						
Grains a/	113.2	108.4	32.5	28.8	75.1 b/	77.8
Sugar Beets (China, including cane)	1.3 c/	1.5 d/	0.6 c/	0.9 c/	0.2 c/	0.2 c/
Cotton e/	2.1	2.9				
Potatoes f/	9.0	9.5	4.8	4.5	3.1	4.0
Production (million metric tons)						
Grains a/	88.5	91.6	45.9	34.2	114.3	111.9
Sugar (raw)	2.48 d/	2.75 d/	2.6 c/	1.9 c/	4.0 c/	4.0 c/
Cotton (raw) e/	2.5	2.7				1.8
Potatoes f/	76.9	78.9	65.3	40.4	22.7	29.6
Livestock (million head) g/						
		1953		1953	1937	
Horses	19.9 h/	15.3 i/	7.6 j/	6.4 j/	6.0 k/	4.8 k/
Cattle	59.2 h/	56.6 i/	25.7 j/	20.3 j/	37.5 l/	36.3 m/
Sheep and Goats	73.1 h/	109.9 i/	30.4 j/	32.2 j/	40.5 l/	35.2 m/
Swine	31.6 h/	28.5 i/	25.0 j/	22.6 j/	65.0 l/	65.0 m/

a. Area: CIA estimates except for China, for which figures are from US Consulate Reports, Hong Kong. Production: USSR and European Satellites, ORR Contribution to NIE-90, IP-333, Economic Factors Affecting Bloc Capabilities through Mid-1955, 2 Apr 1953. S. China, US Consulate Reports, Hong Kong.
b. 1931-37.
c. CIA/RR IM-376, Production and Utilization of Sugar in the Soviet Bloc, 1952, 14 Aug 1953. S.
d. Revised CIA estimate dated 1 Dec 1953; 1952 estimate given in office-wide Project No. 7, Current Trends in the Soviet Economy. S.
e. CIA/RR IM-373, Production and Utilization of Cotton in the Soviet Bloc, 1952, 4 Jun 1953. S.
f. CIA/RR IM-378, Production and Utilization of Potatoes in the Soviet Bloc, 1952, 23 Sep 1953. S.
g. Beginning of year numbers.
h. Postwar boundaries, CIA/RR PR-28, Livestock Numbers and Meat Production in the USSR, 17 Jun 1953, p. 20. S.
i. Pravda, 15 Sep 1953.
j. Postwar boundaries, ORR Contribution to NIE-90, op. cit.
k. Total horses, mules, and donkeys: 1937, 20.2; 1951, 15.1. Contribution to ORR Project 0.4, Regional Distribution of Production in the Soviet Bloc, 20 Oct 1953, unpublished. S.
l. Contribution to ORR Project 0.4, op. cit.
m. Memorandum to ORR D/A dated 27 Oct 1953 giving change in estimates for 0.4 for 1951 (also carried for 1952).

Table 4

Estimated Gross National Product of the USSR by Final Use
Selected Years, 1937-51 a/

	Billion 1948 Rubles			Percent Increase	Uses as Percents of Total		
	1937	1948	1951	1937 to 1951	1937	1948	1951
Gross Investment	125	154	232	86	23	24	27
Defense	44	83	129	193	8	13	15
Gove nment Administration	16	32	26	62	3	5	3
Personal and Communal Consumption	360	371	473	31	66	58	55
Total	545	640	860	58	100	100	100

a. CIA/RR-23, The Economy of the Soviet Bloc: Production Trends and 1957 Potential, 20 May 1953. S.

Table 5

Estimated Gross National Product
of Poland, Czechoslovakia, and East Germany
by Final Use
Selected Years, 1938-52 a/

Poland

	Billion 1938 Zlotys				Percent Increase	Uses as Percents of Total			
	1938	1950	1951	1952	1938 to 1952	1938	1950	1951	1952
Gross Investment	2.8	4.2	4.3	4.7	68	10.2	16.3	16.9	17.5
Defense	1.5	1.0	1.2	1.4	-7	5.4	4.0	4.6	5.3
Government Expenditures (non-defense) b/	2.7	3.9	4.3	4.7	74	10.0	15.1	16.7	17.5
Personal Consumption c/	20.5	16.7	15.8	15.9	-22	74.4	64.6	61.8	59.7
Total	27.5	25.8	25.6	26.7	-3	100	100	100	100

Czechoslovakia

	Billion 1938 Korunas				Percent Increase	Uses as Percents of Total			
	1938	1950	1951	1952	1938 to 1952	1938	1950	1951	1952
Gross Investment	10.3	10.5	11.1	11.7	14	15.7	15.6	16.0	16.2
Defense	4.6	3.2	3.7	4.2	-9	7.0	4.8	5.3	5.9
Government Expenditures (non-defense) b/	7.3	12.2	12.8	13.9	90	11.1	18.0	18.4	19.3
Personal Consumption c/	43.3	41.6	41.8	42.2	-3	66.2	61.6	60.3	58.6
Total	65.5	67.5	69.4	72.0	10	100	100	100	100

East Germany

	Billion 1938 Reichsmarks				Percent Increase	Uses as Percents of Total			
	1938	1950	1951	1952	1938 to 1952	1938	1950	1951	1952
Gross Investment	3.3	1.4	1.7	2.2	-33	15.0	8.7	10.0	12.0
Defense	4.1	0.6	.9	1.1	-73	18.8	4.0	5.0	6.0
Government Expenditures (non-defense) b/	1.4	2.9	2.6	2.2	57	6.2	18.6	15.0	12.0
Reparations	-	2.0	211	2.1	N.A.	-	12.6	12.0	11.0
Personal Consumption c/	13.2	8.7	10.1	11.1	-16	60.0	56.1	58.0	59.0
Total	22.0	15.6	17.4	18.7	-15	100	100	100	100

a. ORR Contribution to NIE-87, IP-332, Probable Economic Developments within the Satellites, 7 Apr 1953. S.
b. This use may be regarded as consumption determined collectively rather than through individual choices. It consists largely of services (for example, that of police forces) to which the individual does not give great weight in considering his standard of living despite their classification as consumption uses of the national product.
c. These figures should be adjusted for population changes in forming an impression of how living standards have changed. Population indexes of the three countries, on the basis of current international borders and taking 1938 as 100, are as follows:

	1950	1951
Poland	80.0	80.2
Czechoslovakia	84.4	85.2
East Germany	113.3	111.4

S-E-C-R-E-T

Table 6

Estimated Gross National Product
of the USSR and the US
Selected Years, 1938-51

Billion $ US at 1951 Prices

	1938 a/	1948	1949	1950	1951
USSR	69	77	86	95	104
Bulgaria	1.0	1.2	1.2	1.2	1.3
Czechoslovakia	7.3	7.0	7.4	7.9	8.3
East Germany	16.1	9.7	10.7	12.8	14.7
Hungary	2.4	2.5	2.7	2.9	3.3
Poland	14.6	11.8	12.6	13.7	13.7
Rumania	3.0	2.5	2.5	2.7	3.0
European Satellites Total	44.4	34.7	37.1	41.2	44.3
Communist China	36.3	N.A.	30.2	34.7	36.4
Soviet Bloc Total	149.7	N.A.	153.3	170.9	184.7
US	165.8	283.3	284.3	308.5	329.8

a. 1936 for China.

Table 7

Comparison of Increases in Gross National Product
of the Soviet Bloc Countries and the US
Annual Increases, 1949-51,
and Total Increases for the Period 1938-51

Percent

	1948-49	1949-50	1950-51	1938-51 a/
USSR	11.7	10.5	9.5	50.7
Bulgaria	0	1.7	8.3	31.0
Czechoslovakia	6.4	6.6	4.0	13.2
East Germany	10.0	19.5	14.6	-8.9
Hungary	9.3	8.5	13.3	35.5
Poland	7.3	8.3	0	-6.4
Rumania	0	6.3	13.1	1.0
Communist China	N.A.	14.9	4.9	0.2
Soviet Bloc Average	10.2 b/	11.5	8.1	23.4
US	0.4	8.5	6.9	99.0

a. 1936-51 for China.
b. Exclusive of China.

Table 8

Breakdown of the Gross National Product of the USSR
by Sector of Origin
1948-51

Percent

Sector	1948	1949	1950	1951
Industry	36.2	38.8	41.1	42.9
Agriculture	23.4	22.1	21.0	20.2
Transport and Communications	9.3	9.8	10.1	10.2
Building	5.6	5.6	5.6	5.7
Services	21.9	20.4	19.2	18.2
Trade	3.6	3.3	3.0	2.8
	100.0	100.0	100.0	100.0

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41.7.1 } Soviet Military Bank
1P-346 } in ~~#~~ Austria

41.7.2 later became 41.25.5 slightly revised and transmitted to requester in draft. put out as PR-53, is entitled "Soviet Control and Procurement Agencies in Austria" (41.7 title) but is concerned only with USIA.
Pub. March '54.

41.31 new project covered RGM follow-up request of 15 March 1954.
Entitled "Soviet Organizations in Austria". Part I - Top Secret.
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