

~~S-E-C-R-E-T~~THE 1953 SOVIET STATE BUDGET\*Summary and Conclusions

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Although the 1953 Soviet state budget, like its predecessors, stressed maintenance of a high level of military preparedness and investment for increasing production capacity, it introduced a number of striking innovations. Among these the most noteworthy were the following: (1) inclusion of the "cost" of the 1953 price reductions in the state budget; (2) a new emphasis upon increasing agricultural production by means of raising procurement prices, greater investment in Machine Tractor Stations, and reduction of the agricultural income tax; and (3) an increase in consumer purchasing power through reducing the average turnover tax rate and state loan subscriptions by the population.

Explicit planned allocations for defense in 1953 were slightly below the 1952 planned level, although they exceeded actual 1952 expenditures (estimated) in this category by about 1.5 percent. The small change in 1953 defense appropriations represented a sharp leveling off from the rate of growth of the defense sector in 1951-52. In view of recent price reductions, however, the purchasing power of the 1953 defense allocations was greater than that of corresponding ruble sums in 1952.

Total planned investment in fixed assets in the Soviet economy continued to increase in 1953 at approximately the rate prevailing in 1952.

Following the announcement of the 1953 Soviet state budget, the Soviet government released figures on investment in the consumer sector of the economy which suggested that the decision to increase the output and sale of consumer goods was not designed to affect greatly the traditional Soviet rate of aggregate investment or growth of heavy industry. Additional resources for the consumer goods sector were to come primarily from increments to the national product, with explicit appropriations to defense being somewhat above the 1952 level.

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\* The estimates and conclusions contained in this report represent the best judgment of the responsible analyst as of 16 February 1954.

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## I. Introduction.

The Soviet state budget for 1953 was presented by Finance Minister Arseniy Zverev at the Fifth Session of the Supreme Soviet on 5 August 1953. The annual budget message and the "debates" which follow have become in recent years virtually the only source of aggregative information on the performance and plans of the Soviet economy, especially in its financial aspects. Zverev's 1953 message was less generous in dispensing factual information than his 1952 message, but the published 1953 budget contained more specific figures than the 1952 budget, and Premier Georgiy Malenkov's speech on 9 August 1953 added a number of hints regarding the present position of the Soviet economy and the plans for future development.

The Soviet budget, which is presented in consolidated form for all levels of government, finances the activity of all noneconomic organs (such as administration, defense, police, education, and health), transfer payments to individuals (such as pensions and maternity aid), and the bulk of capital formation in the Soviet economy. Its main source of revenue is the margin between the cost of production and distribution of consumer goods and their retail value. Part of this margin, however, is not included in the state budget but remains with the economic enterprises and is used by them to supplement budget sources of capital investment and for expansion of working capital. As a rule, economic enterprises are independent accounting entities, and their activities appear in the budget on a net basis, appearing as their net losses, a tax on their net profits, and new investment needs. The Machine Tractor Stations (MTS's) are an exception to this rule and enter the budget on a gross basis. 1/\*

The most striking point in the 1953 budget is the inclusion for the first time of expenditure and revenue entries concerning retail price reductions. These items raise both sides of the budget by about 43 billion rubles and render comparison with previous total budgets difficult. Zverev and Malenkov both stated that the retail price reductions were reflected in the 1953 budget. The fact that they had not been included in the budgets of previous years but had represented a loss to the state is evident from a comparison of statements by Zverev in 1951 and 1953 concerning the relation of the price reductions to the state budget.

\* Footnote references in arabic numerals are to sources listed in the Appendix.

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In 1951, Zverev said,

"The reduction of State retail prices for mass consumer goods, on an annual plan, will represent 27.5 billion rubles. This sum represents a pure loss for the State budget and, at the same time, is pure profit for the population." 2/

In 1953, Zverev said,

"The USSR State Budget for 1953 allocates napravlyayet, the same word used for other allocations/ 43.2 billion rubles for lowering as from 1 April, the State retail prices for foodstuffs and industrial goods, which represents for the population an estimated annual gain of over 46.0 billion rubles." 3/

In other words, only the loss in turnover tax receipts was entered as an item in the 1951 budget, whereas it would seem that in 1953, besides a loss in planned turnover tax receipts due to price reduction, there were two budget entries, one credit and one debit, which accounted for the price reduction and raised by this amount both sides of the budget.

Disregarding the inclusion of price reduction costs, the 1953 budget as compared with that of 1952 was much like the 1950 budget as compared with that of 1949. In the light of these similarities, it seems that some attempt to stabilize the economy and benefit the consumer was begun by the Stalin regime in 1950, interrupted for 2 years by the Korean War and the fear of general war, and resumed again, but more extensively, in 1953 after Stalin's death. 4/ Total comparable planned revenues in 1950 and 1953 were slightly less than those in 1949 and 1952, respectively, and total comparable planned expenditures were only slightly higher. The slump in the planned revenue in 1950 is attributable to large retail and wholesale price reductions and to the abolition of the turnover tax on some basic commodities in connection with the program for abolishing subsidies in industry and transport. 5/ In 1953, likewise, retail and wholesale price reductions were large, although not so large as those of 1950; the state loan was less than it had been in 1952 by about 14 billion rubles; and the planned agricultural tax receipts decreased by 4 billion rubles because of a change in the tax.

\* To do this, 43.2 billion rubles must be subtracted from total expenditures and a balancing item of, say, 43.2 billion rubles must be subtracted from total revenues.

\*\* Savings to the consumer resulting from current price reductions amounted to 80 billion rubles in 1950 as against 23 billion rubles in 1951 and 27.5 billion rubles in 1952. 4/

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## II. Sources of Revenue.

Total revenue in the 1953 Soviet budget was planned at 544.3 billion rubles, as compared with 509.9 billion rubles planned in 1952. This revenue, however, includes 43.2 billion rubles which represent "revenue allocated to the lowering of state retail prices carried out beginning 1 April 1953." 6/ This is simply a bookkeeping entry and total revenue is thus only 501.1 billion rubles, which is only slightly above the realized 497.7 billion rubles in 1952. A breakdown of budgetary revenues for the years 1949-53 is given in Table 1.\* Probably the main reason for inclusion of the price reductions in the budget was to present a much larger apparent increase in revenue. For purposes of analysis, all sources of revenue are divided into two groups -- primary and secondary sources. The primary sources include turnover taxes, deductions from profits, direct taxes ("taxes on the population"), and state loans. Secondary sources include the income of MES's, social insurance funds, customs and reparations, revenues not classed as taxes, the income tax on cooperative enterprises, and local taxes.

### A. Turnover Taxes.

Turnover taxes, which are excise taxes levied almost exclusively on consumer goods,\*\* were scheduled to yield 241 billion rubles in 1953, or 19.7 billion rubles less than planned for 1952. In the absence of statistics as to the change in the cost components of retail prices, it has been assumed that the 1953 reductions in retail prices were accounted for by decreases in turnover tax rates. The relation between planned turnover tax receipts in 1952 and 1953 is somewhat like that in 1949 and 1950.

### B. Deductions from Profits.

In the 1953 Soviet budget the state was to receive 80.6 billion rubles in transfers from profits of state enterprises, as against 58.7 billion rubles actually received on this account in 1952, an increase of 22.2 billion rubles. 7/ The sharp increase in this category is primarily a reflection of the projected increase in economic activity but may also indicate wider planned margins of profit. The profits of the national economy of the USSR are shown in Table 2.\*\*\*

\* Table 1 follows on p. 5.

\*\* The only exceptions are petroleum products, which also are subject to the turnover tax.

\*\*\* Table 2 follows on p. 7.

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Table 1

Budgetary Revenues of the USSR  
1949-53 <sup>a/</sup>

Sources	1949		1950		1951		1952		1953	
	Plan (Billion Current Rubles)	Percent of Total	Plan (Billion Current Rubles)	Percent of Total	Plan (Billion Current Rubles)	Percent of Total	Plan (Billion Current Rubles)	Percent of Total	Plan (Billion Current Rubles)	Percent of Total
Primary Sources										
Turnover Tax	262.1	58.8	239.1	55.2	244.6	53.3	260.7	51.1	241.0	44.3
Deductions from Profits	33.9	7.6	40.0	9.2	47.2	10.3	62.0	12.2	80.6	14.8
"Taxes on the Population"	36.6	8.2	36.4	8.4	43.4	9.5	47.4	9.3	46.1	8.5
State loans	23.1	5.2	31.8	7.3	33.4	7.3	42.5	8.3	28.4 <sup>c/</sup>	5.2
Total	355.7	79.8	347.3	80.2	368.6	80.4	412.6	80.9	396.1	72.8
Secondary Sources (Residual)										
Income of Machine Tractor Stations	3.3		4.2		5.2		6.0			
State Social Insurance	17.5		19.3		21.1		21.4			

\* Footnotes for Table 1 follow on p. 6.

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Table 1  
Budgetary Revenues of the USSR  
1949-53 a/  
(Continued)

Sources	1949		1950		1951		1952		1953	
	Plan (Billion Rubles)	Percent of Total	Plan (Billion Rubles)	Percent of Total	Plan (Billion Rubles)	Percent of Total	Plan (Billion Rubles)	Percent of Total	Plan (Billion Rubles)	Percent of Total b/ Total b/
Secondary Sources (Residual) (Continued)										
Customs and Reparatons	22.4		25.8		23.0 c/		26.2			
Non-Tax Revenues (Fees and Licenses)	12.5		13.3		13.5 c/		14.0			
Income Tax on Coopera- tive Enterprises	10.4		10.0		7.6		10.2			
Local Taxes	14.6		10.0 c/		7.2		7.0 c/			
Balance on Mand	2.0 c/		2.0 c/		2.0		3.0			
Total of Defined Residual	82.7		81.6		79.6		87.8		105.0	19.3
Unaccounted Balance	7.6	20.2	1.3		10.5		9.5			
1953 Price Reductions										
Total	90.3	20.2	85.9	19.8	90.1	19.6	97.3	19.1	43.2	7.9
Grand Total	446.0	100.0	433.2	100.0	458.7	100.0	509.9	100.0	148.2	27.2
Surplus over Expenditure d/	30.6		5.3		7.2		33.0		544.3	100.0
									13.5	

a. Based on budget reports for the corresponding years.

b. Percentages for 1953 are based on total planned revenue including the 43.2 billion rubles related to price reductions and therefore are not fully comparable to percentages in earlier years.

c. Estimated.

d. See Table 4 on p. 10.

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Table 2

Profits of the National Economy of the USSR a/  
1949-53

Billion Current Rubles			
Year	Profits	Paid into Budget	Balance Retained
1949	69.6	42.2	27.4
1950	70.7	40.4	30.3
1951	74.7	47.8	26.9
1952	88.1	58.4	29.7
1953 Plan	111.5	80.6	30.9

a. The figures in this table are taken from budget reports of the specified years.

C. Direct Taxes.

Soviet planned revenue in 1953 from direct taxes ("taxes on the population"), consisting chiefly of the nonagricultural income tax and the agricultural tax, was given by Zverev at 46.1 billion rubles, 1.3 billion rubles less than planned in 1952. As shown in Table 3, the relation between planned revenues in 1952 and 1953 is once again similar to the relation between planned revenues in 1949 and 1950. Planned receipts from direct taxes were underfulfilled in 1949 by 2.9 billion rubles. 1950 planned receipts from direct taxes were less than 1949 planned receipts from direct taxes by 0.2 billion rubles. In 1953, planned receipts from direct taxes decreased over 1952 planned receipts by 1.3 billion rubles. Actual receipts for 1952 were not disclosed. In both 1951 and 1952, planned receipts from direct taxes rose over the previous year, and the difference between actual and plan in 1951 was negligible. The reduction in the agricultural tax rates planned for 1953 was one of the incentives offered by the government to the peasant to increase the production on his private plot and probably was effected because of underfulfillment of the 1952 plan.

D. State Loans.

Revenue from state loans in the 1953 budget was reduced markedly in comparison with 1952. The reduction in state loans should have increased consumer purchasing power, which was planned to be absorbed by an increase of consumer goods on the market. Borrowing from the population was planned at

\* Table 3 follows on p. 8.

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Table 3

Direct Taxes in the USSR a/  
1949-53

Billion Current Rubles		
Year	Planned	Actual
1949	36.6	33.7
1950	36.4	35.8
1951	43.4	44.3
1952	47.4	
1953	46.1	

a. The figures in this table are taken from budget reports of the specified years.

16.7 billion rubles. 8/ Additional public borrowing from public organizations and savings banks was planned at an amount of about 11.7 billion rubles.\* Total public borrowing planned for 1953 is thus estimated at 28.4 billion rubles as against 42.5 billion rubles planned for 1952.

#### B. Secondary Sources

After subtracting 396.1 billion rubles, the sum of primary sources of revenue, from total planned revenue for 1953, there remains 148.2 billion rubles coming from other sources in the 1953 budget. Within this residue, 43.2 billion rubles represent the retail price reductions, and 105 billion rubles comprise various secondary sources. By assuming that these secondary sources would at least have maintained the 1952 planned level of income, 97.3 billion rubles are accounted for, leaving only 7.7 billion rubles to be explained out of the 105 billion rubles total.

\* Additional public borrowing in 1953 is estimated on the basis of the budget speech by I. Khokhlov, Chairman of the Budget Commission, Council of Nationalities. Khokhlov stated that 1953 receipts from direct taxes and loans will decrease by 15.3 billion rubles in relation to the preceding year and will constitute 14.1 percent of total planned revenue as compared with 18.5 percent of actual revenue in 1952. This means that the 1953 revenue from these two sources was planned at 76.7 billion rubles (14.1 percent of 544.3 billion rubles, planned 1953; or 18.5 percent of 497.7 billion rubles, actual 1952 minus 15.3 billion rubles). The difference between Khokhlov's figure and that of Malenkov (65 billion rubles) is 11.7 billion rubles, which represents borrowing from savings banks and public organizations not included in Malenkov's figure. 9/

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### III. Expenditures.

Scheduled budgetary allocations in 1953 appeared to increase substantially, but if the 43.2 billion rubles allocated to price reduction are deducted, the increase was much more modest. It amounted to 5.9 percent over 1952 actual revenue and 2.2 percent over the 1952 plan. The principal items of expenditure in the Soviet budget are outlays for financing the national economy, social-cultural activities, state administration, and defense. Table 4\* gives a breakdown of planned and actual expenditures for the years 1949-52 and of planned expenditures for 1953.

#### A. Financing the National Economy.

The largest item on the expenditures side of the budget is financing the national economy, which in 1953 was scheduled at 192.5 billion rubles, or 36.3 percent of total budgetary expenditures.\*\* The 1952 budget allocated 180.4 billion rubles for the same purposes, but actual expenditures amounted to 178.8 billion rubles, or 38.9 percent of total actual expenditures. The planned increase in 1953 was thus 7.7 percent over 1952 actual outlays. These budgetary sources of financing the national economy are augmented by non-budgetary sources, mainly retained current profits of state enterprises, depreciation allowances, and the indivisible funds of collective farms. According to Malenkov's speech on 9 August 1953, these nonbudgetary sources of financing the economy in 1953 accounted for 98 billion rubles. 10/

##### 1. Industry and Agriculture.

Only two components were mentioned by Zverev under the category financing and National Economy. He stated that industry would receive 82.6 billion rubles, as compared with 80.6 billion rubles appropriated in 1952, and that the allocations to agriculture and agricultural procurement would amount to 39.9 billion rubles, as against 34.7 billion rubles to agriculture alone in 1952. The budget law stated that the 1953 budget made provision for additional state expenditures on agriculture and reduction in revenue from the agricultural tax levied on collective farmers to the amount of 13.6 billion rubles. 11/

An analysis of the functional allocation of these 13.6 billion rubles shows that only 8.9 billion rubles can be classified as a budgetary expenditure, bringing the total budgetary appropriation for agriculture and procurement up to 48.8 billion rubles. The budget law gives the following breakdown of 13.0 billion rubles out of 13.6 billion rubles: (a) payment of higher procurement prices on livestock products and vegetables (6.5 billion rubles), (b) operational expenses and new equipment for MES's (2.4 billion rubles, and (c) reduction of agricultural tax levied on collective farmers' personal plots (4.1 billion rubles). It is evident that items (a) and (b) are expenditure items and that item (c) is a reduction in revenue item.

\* Table 4 follows on p. 10.

\*\* Percentages of total 1953 expenditures given below refer to the announced total, including 43.2 billion rubles related to 1953 price reductions.

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Table 4

Budgetary Expenditures of the USSR  
1949-53 a/\*

Billion Current Rubles

	1949		1950		1951		1952		1953	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
Financing the National Economy										
Industry	75.5	75.5	85.3		79.9		80.6		82.6	
Agriculture	32.7	30.8	36.6	34.2	39.0		34.7	33.5 b/	45.8 c/	
Transport and Communications	14.7	14.7	15.0		11.9		14.3	13.5 b/	17.4 b/	
Trade and Procurement	6.5	7.9	9.3		11.2		13.3		N.A.	
Municipal Economy and Housing	6.0	6.0	6.0		5.0		5.0		7.0 c/	
Unrefined Items (Residual)	17.1	27.0 e/	12.2		31.5		32.5		36.7 f/	
Total	152.5	161.9	164.4	157.3	178.5	179.4	180.4	178.8	129.5	
Social-Cultural Activities										
Education	60.8		59.5		59.0		60.0		62.1	
Social Security	21.4		22.4		22.3		37.5		42.9	
Social Insurance	12.0 d/		12.8		13.5		4.5		24.8	
Grants to Mothers	3.4		4.0		4.1		22.8			
Health and Physical Education	21.6		22.0		21.9					
Total	119.2	115.0	120.7	116.8	120.8	118.9	124.8	122.8	129.8	

\* Footnotes for Table 4 follow on p. 12.

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Table 4

Budgetary Expenditures of the USSR  
1949-53 a/  
(Continued)

	1949		1950		1951		1952		1953	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
State Administration	13.7	13.5	13.9	13.8	14.3	14.1	14.4	14.4	14.3	
Defense	79.1	79.2	79.4	82.9	96.4	93.4	113.8	108.6	110.2	
Internal Security	23.8		21.1		18.0		17.0 d/		N.A.	
Loan Services	4.5		5.5		7.0		8.9	6.8	9.8	
Reserve Funds of the Council Ministers	10.0		6.1		6.0 d/		6.0		N.A.	
Allotment to Special Banks	3.0		3.5 d/		4.0 d/		4.5 d/		N.A.	
Balance Carried over in Republic and Local Budgets	2.0 d/		2.0 d/		2.0 d/		3.0		3.1	
1953 Price Reductions									43.2	
Undisclosed Residual	7.6	41.7 e/	11.3	41.9 e/	4.5	37.2 e/	4.1	43.2 e/	27.6	
Total	415.4	412.3	427.9	412.7	451.5	443.0	476.9	460.2	530.5	
Surplus Revenue over Expenditure g/	30.6	21.7	5.3	9.4	7.2	25.0	33.0	37.5	13.8	

Table 4

Budgetary Expenditures of the USSR

1949-53 a/

(Continued)

a. This table is based on budget reports for the corresponding years except as indicated.

b. Based on a Soviet text. <sup>12/</sup>

c. These are total 1953 allocations to agriculture and procurement and are not comparable with other figures for agriculture alone. The sum of 48.8 billion rubles is composed of 39.9 billion rubles explicitly designated for these categories plus 2.4 billion rubles for agriculture (WTS's) and 6.5 billion rubles "for raising procurement prices." <sup>13/</sup> It is not clear in what manner the appropriation for raising procurement prices would operate, and it may be simply a propaganda device to publicize the concessions to the population.

d. Estimated.

e. Residual on basis of reported figures.

f. This residual apparently includes 4.1 billion rubles for "reducing agricultural taxes" paid by collective farmers on income from their household plots. Such an entry would correspond to the expenditure item of 43.2 billion rubles for consumer price reductions: that is, it would be a bookkeeping entry without being an actual expenditure. <sup>14/</sup>

g. See Table 1, p. 5, above.

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## 2. Transport and Communications, Trade and Procurement, and Municipal Economy.

Aside from the figures for allocations to industry and agriculture, the budget does not reveal how the expenditures for financing the national economy are allocated by sector. Some of the allocations were revealed by other Soviet officials; others can be estimated on the basis of earlier years and studies of the budgets of the union republics; and some cannot be estimated, because of organizational changes introduced after Stalin's death. Allocations for transport and communications in 1953 were planned at 17.4 billion rubles, 15/ an increase of about 4 billion rubles over actual expenditures for transport and communications in 1952. Allocations for municipal economy and housing in 1953 increased over 1952 by an amount estimated at about 2 billion rubles. A large part of the allocations under this head goes for housing, which was scheduled to increase by 25 percent. On the basis of allocations in union republic budgets, allocations for municipal economy in 1953 are estimated at 7 billion rubles.

Trade and procurement allocations in 1953 cannot be estimated, because in March 1953 the Ministry of Procurement was transferred to the Ministry of Agriculture and because allocations to trade alone have not been separately shown in recent years. Likewise, allocations in 1953 to agriculture and procurement cannot be compared with allocations in previous years to agriculture alone.

Additional items under financing the national economy cannot be estimated because of organizational changes and lack of information. These allocations are made to state reserves; meteorological services; and draining, research, and experimental work.

## 3. Investment.

The budgetary grants to the national economy offer a rough index of outlays for the capital expansion of Soviet industry and other branches of the national economy. In recent years, more than half of these grants have been devoted to investment in fixed capital, the remaining portion being allocated to the expansion of working capital, capital repairs, and other uses (including stockpiles and subsidies). A smaller amount of capital investment is financed from nonbudget sources, principally from retained current profits of state enterprises. Total planned capital investment during 1953, both budgeted and nonbudgeted, amounted to 171.2 billion rubles.\* Of

\* Capital repairs and investments of collective farms from their own resources are not included.

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this total, 156.1 billion rubles were allocated to fixed capital and 15.1 billion rubles to expansion of working capital. The planned outlay of the state amounted to 111 billion rubles, while the planned investment of enterprises from their own funds amounted to 60.2 billion rubles. The breakdown of capital investment for 1949-53 is shown in Table 5.

Table 5  
Capital Formation in the Economy of the USSR  
1949-53

	Billion Current Rubles				
	1949	1950	1951	1952	1953
Fixed Capital from Budget	89.9	106.5	98.0	98.1	106.7
Fixed Capital from Enterprises	39.2	29.1	34.0	45.0	49.4
Working Capital from Budget	10.1	6.7	5.4	4.6	4.3
Working Capital from Enterprises	13.5	9.6	5.9	6.1	10.8
Total Capital Formation	152.7	151.9	143.3	153.8	171.2

Since 1950 there has been a steady increase in contributions to capital formation by enterprises from their own resources. The fact that enterprises in 1953 were left to account for a much larger portion of funds allocated to expanding working capital than in earlier budgets suggests that the managements of enterprises were to have a somewhat greater incentive for efficient operation. In 1951, Zverev stated that the share to be contributed by enterprises from their own resources in financing the increase in their working funds in 1952 was to rise to 57.2 percent as against 50.6 percent in 1951. He indicated that this would place considerable responsibility on the chiefs of enterprises and economic organizations with regard to lowering production costs and increasing the level of profits. 16/ In 1953 the share which enterprises were scheduled to contribute from their own resources to the increase in their working funds rose again from 57.2 percent to 71.5 percent. This increase seems to indicate that in 1953 somewhat greater responsibility was given to chiefs of enterprises in carrying out their obligations under business accountability (khozrachat).

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B. Social-Cultural Activities.

Allocations in the budget for social-cultural purposes in 1953 amounted to 129.8 billion rubles, exceeding the planned allocations of the preceding year by 5 billion rubles, or 4 percent. The planned allocation for education, which includes scientific research, was increased by 2.1 billion rubles over 1952, and planned allocations for health and physical education were increased by 2 billion rubles. Allocations for social security, social insurance, and grants to mothers were combined into one allocation of 42.9 billion rubles, 0.9 billion rubles larger than the corresponding allocation for 1952.

C. State Administration.

The planned allocation for state administration in 1953 was 14.3 billion rubles as compared to 14.4 billion rubles in 1952. Since Zverev and others claimed large savings (6.5 billion rubles) in the cost of maintaining the state apparatus, these savings very probably cover a wider range of state apparatus than is ordinarily denoted by the term administration.

D. Defense.

The explicit budgetary allocation for defense in 1953 was 110.2 billion rubles. In his presentation of the budget draft, Zverev did not reveal the actual 1952 defense expenditures. The appearance of a decline in this category was created by comparison with the 1952 plan figure of 113.8 billion rubles. Malenkov, however, later gave additional information on the actual defense expenditures for 1952, which brought the planned 113.8 billion rubles down to 108.6 billion rubles actually expended. Table 6\* gives available figures on defense appropriations for the years 1940-53, including both planned and actual figures for the years for which they are available.

It is evident that the rate of growth in defense spending shown in the explicit allocations, which cover the cost of maintaining and equipping the Soviet armed forces, considerably leveled off in 1953. A large part of Soviet military expenditures was not disclosed in the budget appropriation for defense but was buried in other categories, such as capital investment, scientific research, education, and internal security (MVD).

\* Table 6 follows on p. 16.

\*\* In view of the changes in prices of producer goods, the increase in appropriations for 1949 in real terms is considerably less than indicated in Table 6 and the increase in 1953 is somewhat greater. Information on the extent of the price reductions for producer goods in 1953 is not available, and therefore there is no way of measuring the real increase over 1952. 17/

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Table 6

Defense Appropriations in the Budget of the USSR  
1940-53

<u>Year</u>	<u>Planned (Billion Current Rubles)</u>	<u>Actual (Billion Current Rubles)</u>	<u>Percentage Increase Plan over Actual of Preceding Year</u>
1940		56.1	
1941	70.9		26.4
1942		108.4	
1943		125.0	
1944		137.7	
1945		128.2	
1946		73.6	
1947		66.3	
1948		66.3	
1949	79.1	79.2	
1950	79.4	82.9	0.25
1951	96.4	93.4	16.3
1952	113.8	108.6	21.8
1953	110.2		1.5

E. Residual Expenditures.

Allocations in the 1953 budget for financing the national economy, social-cultural activities, state administration, and defense amounted to 446.8 billion rubles, leaving 83.7 billion rubles as residual from the total allocations of 530.5 billion rubles. Within this residual, explicit allocations for retail price reductions amounted to 43.2 billion rubles and for loan services to 9.8 billion rubles, and the balance carried over in republic and local budgets was 3.1 billion rubles, reducing the residual to 27.6 billion rubles. The residual is almost fully accounted for, if it is assumed that allocations for internal security, the reserve funds of the Council of Ministers, and the allotment to special banks were carried at their planned 1952 levels.

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APPENDIX

SOURCES

The statistical data given in this report on Soviet state budgets for the years prior to 1953 have not been systematically documented. The most convenient single source for most of these data is State, Moscow Despatch No. 706, 21 Apr 1952. C.

The specific sources of information on Soviet state budgets given below are not individually evaluated. In general, however, budgetary data emanating from Soviet official sources should be evaluated either 1 or 2 (confirmed by other sources, or probably true).

1. V.A. Shavrin, Gosudarstvennyy byudzhets SSSR, Moscow, Gosfinizdat, 1951, pp. 149-150. U.
2. FBIS, USSR and EE, Daily, 8 Mar 1951, p. AA-28. U (Official Use Only).
3. Pravda, 6 Aug 1953. U.
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