

CIA/RR 53  
(ORR Project 10.406)

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LONG-RUN SOVIET ECONOMIC GROWTH\*

Conclusions

Soviet economic growth is defined as the increase in the ability of the USSR to produce goods and services and may be measured in terms of the increase in Soviet gross national product. It is determined by the quantities of the factors of production available -- land, labor, and capital -- and by the efficiency with which they are used -- technology, management, the scale of production, and other elements which can be treated only qualitatively.

It is unlikely that the gross national product of the USSR will grow at an annual average rate of 5 percent or more over the period to 1975. The most probable average annual rate of growth will be between 4.2 and 4.8 percent, depending on the Soviet policy decisions concerning the allocation of the Soviet gross national product among various consuming sectors, primarily investment, consumption, and defense. The chief deterrents to a higher rate are the problems involved in increasing the output of the agricultural sector above that projected in this report. This difficulty is illustrated by the differences in the projected levels of nonagricultural and agricultural production for 1975: whereas nonagricultural output is expected to be 170 to 260 percent greater than in 1953, agricultural output is expected to be only 60 to 80 percent greater than in 1953.

The limits of this range are set by making assumptions as to the largest and smallest probable growth in consumption and in agricultural production. Two methods are used in projecting gross national product in this report.

The above estimates are based, not upon a sample projection of the gross national product, but upon projections of the principal factors determining production. To obtain nonagricultural output, the quantity and quality of labor, the stock of capital, and the net effect of all other factors (technology, management, and so on)

\* The estimates and conclusions contained in this report represent the best judgment of the responsible analyst as of 13 December 1954.

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are projected. In the case of the agricultural sector, an assumed level of output serves as a basis for estimating labor and capital requirements.

A rough comparison of the projected gross national product of the USSR and that of the US is helpful in assessing the meaning of estimates developed in this study. This comparison cannot be precise, because it involves not only all the inaccuracies of projecting both the USSR and US data but also the inaccuracies of international comparison.

The best estimate is that the Soviet gross national product will increase from \$103 billion in 1953 to \$290 billion (4.8 percent per year), assuming low consumption, and \$250 billion (4.2 percent per year), assuming high consumption, in 1975. It is estimated that the US gross national product will increase from \$350 billion in 1953 to \$735 billion (3.4 percent per year in 1975). The gap (in absolute terms) between the US and Soviet gross national product is expected to increase, even though the Soviet gross national product is expected to become a larger percentage of the corresponding US value by 1975.

A basic assumption of this report is that international trade will increase only slightly and will not contribute to the growth of the USSR substantially more than it currently does. If, however, the Soviet policy makers decide to supplement the agricultural output of the USSR by imports to a significant extent, the rate of growth of the Soviet gross national product could be higher.

Another basic assumption of this report is that expenditures for defense will be geared to a continuation of the cold war. If, however, defense expenditures are less than projected, it is possible that total production in 1975 would be higher than estimated.

It also should be pointed out that the contributions to the growth of the USSR made by the Satellites have not been explicitly considered. These effects have, however, been considered implicitly to the extent that they have affected Soviet growth in the past.

This report necessarily assumes there will be no basic changes in the Soviet political system.

Finally, it should be noted that the projections of Soviet output in 1975 are limited to the extent that all economic projections

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over a long period of time are limited. They are based on what is known about the past developments and present conditions and what can be deduced from this information and reasonable assumptions about the future. They are limited to the extent that currently unknown future events affect the quantities which this report attempts to estimate.

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