

# Is Soviet productivity too low to support a beam-weapons development program?

by Clifford Gaddy in Stockholm

The Soviets have issued many strange and spurious arguments opposing President Reagan's program for directed-beam ballistic missile defense, including his offer of parallel U.S.-Soviet development of such defense systems. One of the most contorted, made only two weeks after Reagan's March 23 announcement, was that of Georgii Arbatov, the Yuri Andropov lieutenant who heads the Soviets' U.S.A.-Canada Institute.

In an interview in the *Washington Post* on April 8, Arbatov stated that beam weapons are "useless and exotic weapons." By trying to trick the Soviet Union into also developing beam weapons, Arbatov went on, the Reagan administration is seeking to "provoke the Soviet Union into doing something harmful to the Soviet economy, to negate our capital investments and make us spend so much that we would bleed white."

The real irony of Arbatov's statements is not that he and other Soviet spokesmen have protested vociferously that these "useless" weapons are a preparation for a U.S. first nuclear strike. Nor is it that the Soviets are, of course, *already* engaged in building these "useless" weapons. Arbatov is making a specific economic argument directed not so much at the West as at certain circles in his own country and other Eastern European nations.

In recent discussions with *EIR*, highly placed economic officials in one Eastern European capital repeatedly reflected this same Arbatov argument. "Your strategic military arguments for parallel U.S.-Soviet deployment of beam weapons indeed make a lot of sense," admitted these officials, but, they continued, "what we would question, however, is whether the Soviets can ever dare to embark upon this kind of new arms race with the United States. The Soviets won't be able to afford it. Their economy is already suffering from massive bottlenecks. They simply can't take the strain of the huge new investments that a beam weapons program would entail."

Is Arbatov right about the "burden of investments" and does the Soviet economy really lack the resources for a broad-based program of investment in beam technologies? Some

remarkable facts published in a recent article in a Soviet economics journal indicate that this is not the case. Rather, the problem is a purely subjective one of the Soviet leaders' attitudes toward investment, an attitude which is associated with a fundamental flaw in the principles of Soviet economic theory.

In the March issue of the publication *Voprosy Ekonomiki* (*Problems of Economics*), the dean of Soviet economists, Tigran Khachaturov, publishes figures which illustrate the disastrous capital investment situation in the U.S.S.R. in the past decade. To measure the real efficiency of investments, Khachaturov proposes looking at the extent to which the investments lower the net cost of production per unit. He therefore compares total industrial investment outlays during a given year with the aggregate cost-savings achieved two years later (Khachaturov assumes this two-year lag to allow the investments to take effect). These results are then put in the form of a "recoupment period" for the investments, i.e., the number of years it will take before the accumulated cost savings achieved are sufficient to cover the initial investment outlays.

The results are astounding. While the recoupment periods were around 10 years or less up through the early 1970s, by the mid-1970s they had risen to 25-40 years, and by the end of the decade were close to 100 years!

In other words, the Soviet economy is today pumping huge amounts of resources into industrial plant and equipment (well over 50 billion rubles a year) with such trifling increases in productivity that it would at present rates take a century to pay for the investment. And if the situation in industry were not bad enough, Khachaturov adds that agriculture and transportation are even worse off. In certain sectors, in fact, the investments have a negative effect: the more that is pumped in, the worse the situation becomes.

So much for the capital investments that Georgii Arbatov is so concerned about protecting.

For the sane observer, the problem of Soviet investment is not a lack of resources, but rather fear of investment in new, more productive technologies. And underlying this fear

is a deep-rooted, traditional peasant conservatism which in the Marxist period of Russian history has merely been formalized into the economic concept called "amortization."

As used by the Marxists, amortization—which properly is a financial notion, developed under feudalism, referring to the repayment of the principal of a debt—is the allegedly objective transfer of value from fixed capital (machines, equipment, and so forth) to the product the machine produces as it is gradually worn out. Corresponding to this wearing down of the value of the machine, the Marxist planner (one is tempted to substitute: the "wise peasant") is supposed to build up a compensation fund called the amortization fund, which will permit him to purchase a new machine at the precise moment when the old one has completely worn out.

Ignored in all this is the concept of *obsolescence*—the process in which a machine becomes technologically outmoded or outdated, regardless of its physical age or condition. Throughout the history of the Soviet period and until today, authoritative Soviet economists have asserted that "obsolescence is a capitalist concept which does not exist under socialism." In principle, they insist, there is therefore no need under an ideal socialist system to retire any plant or equipment that is still operable.

The "keep-it-running-until-it-breaks-down" school of economic management is, of course, still the dominant one

in Russia today. Even official Soviet statistics show that equipment retirement rates (the percentage of equipment scrapped and replaced by new machines each year) is less than 2 percent in the critical machine-building and metal-working industries, and below 1 percent in iron and steel as a whole. The remaining machines are simply run through one major or minor overhaul after another until they finally break down for good. Soviet machines are virtually never replaced just because they are outmoded. The result is that the huge Soviet production apparatus is, in the words of one Soviet economist who just throws up his hands in despair at the whole thing, "a gigantic inert mass" of old-fashioned capacities.

As is well known, the American economy also suffers in large measure from the problem of too much outmoded plant and equipment. The *EIR*'s LaRouche-Riemann model studies have shown that the President's beam-weapons program will force U.S. investment into the high-technology areas which will revolutionize U.S. industry. There is little doubt that many of the findings of the model studies apply to the Soviet economy as well. Far from "harming" the Soviet economy, a broad-based crash project to develop beam technologies, combined with a healthy and ruthless attitude toward old capital stocks, would be just what is needed to revitalize the sagging Soviet economy.

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