

# NATO analyzes Soviet economy, but 'overlooks' arms buildup

by Laurent Murawiec and Edith Vitali

It was hard to believe that you were in the NATO headquarters in Brussels, attending the annual conference of the NATO Economics Directorate. During the discussion period, a participant stood up and timidly asked: "Should we not, perhaps, consider the possibility that, by its very nature, the Soviet system might have a built-in imperialistic tendency?" The question raised a few eyebrows by its audacity, since the conference, after outgoing NATO Secretary-General Josef Luns' nondescript introductory remarks, had concerned itself with the question: Why is it that the Soviet economy's growth has slowed down so much since the high-growth period typified by the 1950s? Most speeches ignored the extraordinary Soviet defense buildup of the last 25 years, or only gave lip-service to its existence, the better to revert to the academic game of systems analysis.

The single most important issue that ought to have been discussed by the NATO conference—*has the Soviet economy entered a pre-battle "surge production" mode*—was not touched upon, except through the intervention of *EIR*'s correspondents. While many speakers dwelt upon the current crisis of the Soviet economy, no conclusions were drawn and no policy recommendations made. In fact, as *EIR* documented in a recent cover story ("The Soviet economy: Everything goes for war," April 10, 1984), the Soviet economy is cannibalizing both consumer and industrial sectors to sustain a military production burden of at least 30-35% of GNP. The economy has operated on this Spartan basis since the death of Lenin, but the current fever pitch of the military buildup, discussed openly by Chief of Staff Marshal Nikolai Ogarkov and others, signals that the U.S.S.R. is now actively preparing for war.

Yet the NATO conference heard such hyper-liberal academics as Brandeis University Prof. Joseph Berliner argue that "the Soviet economy could muddle through forever. Socialism has not been disproven as a way of managing a country's affairs," handing out reams of statistics to make his point.

British Sovietologist Philip Hanson of the University of Birmingham started out with a discussion of "Brezhnev's

economic legacy." "The Western world economy has been in a mess for almost a decade, yet the Soviets, far from seizing this opportunity to forge ahead with the program of 'catching up and overtaking,' contrived to stumble into a growth slowdown of their own." As he reported, the CIA has calculated that the per capita output differential between the U.S.A. and the U.S.S.R. has, if anything, widened since the mid-'70s. There is local food rationing in a number of provincial cities; domestic food output per capita has *fallen* between 1978 and 1982; real income has dropped, as well as retail sales per capita; and investment growth has fallen too.

Then Hanson began to flounder: "Exactly what has been done to 'real' investment in the U.S.S.R. is a difficult and in my view unresolved question." Hanson advanced the absurd, politically motivated contention attributed to the CIA, that Soviet military hardware procurement rates *slowed down* after 1976.

Investment slack, slowdown in the labor input into the economy, slow or negative growth of "total factor productivity," massive bottlenecks—all "present Brezhnev's successors with a tricky dilemma," Hanson continued. "Should they continue to hold down investment in favor of consumption in the hope of improving morale and thus incentives and output? Or should they shift priorities marginally the other way in the hope that this will widen bottlenecks sufficiently to allow a faster flow of output in total, including consumer-goods output?" Hanson concluded that with continued slow growth, "the contest between defense, investment and consumption would be fiercer than ever before in the postwar period." Although the "Hungarian model" of "market socialism remain[s] taboo . . . nonetheless Brezhnev's legacy was almost enough to drive the Politburo to economic reform."

Reform? As if the "contest" between the defense economy and all the rest of the economy had not been decided more than 25 years ago when Russia started the great military drive that gave it its present strategic superiority!

When in the discussion period *EIR* raised the issue of the Soviet war economy, presenting the evidence of the gearup of the Soviet society to serve the requirements of defense,

Hanson archly replied: "I could not buy your idea that the Soviets are in the middle of a 'surge military production' phase . . . even though I cannot rule it out." He "did not know" of the writings and thinking of Soviet military leaders concerning the economy! "If you are right, then we are lost anyway—and we won't survive to know that you were right," he added.

The senior economist of the U.S. Arms Control and Disarmament Agency (ACDA), Dr. Byron Doenges, upheld Hanson's point of view and claimed that "Soviet military spending between 1976 and 1982 decreased from a 4.5% annual growth rate to . . . around 2%. The military burden was estimated to a range between 13-15%." He proceeded to quote Defense Minister Marshal Dmitrii Ustinov's Nov. 19, 1983 *Pravda* article announcing "sizable resource allocations . . . because of the gravity of the threat caused by the military build-up undertaken by the United States and some of its NATO allies." The ACDA representative stated that "a short-run surge in military spending would impact severely on consumption and investment. It would cause a diversion of resources at a time when those resources are needed for capital improvements which, if effective, would result in a later more balanced growth for both consumption and military. A surge in defense output is *probably possible* [?!] in view of that sophisticated and efficient military-industrial complex; such an objective, however, would have serious implications for an economy already in great difficulty."

Doenges proceeded to advise the Soviet leaders on how best to improve their economy, how to curb the "appetite of the military," implement "a wise investment program," and "decentralize most of the major decisions on resource allocation, rebuild the management systems through the removal of inefficient managers and their replacement by competent people, and judiciously select the most promising reform measures." Doenges concluded that "the system will continue to muddle through," if only the West behaves nicely: "While basic insecurity is endemic to the Soviets, there remains a fascination with the possibility of competing with the West in economic development. The economic rivalry cannot proceed in tandem with military rivalry. The choice is not the Soviets' alone to make."

### The figures are a fraud!

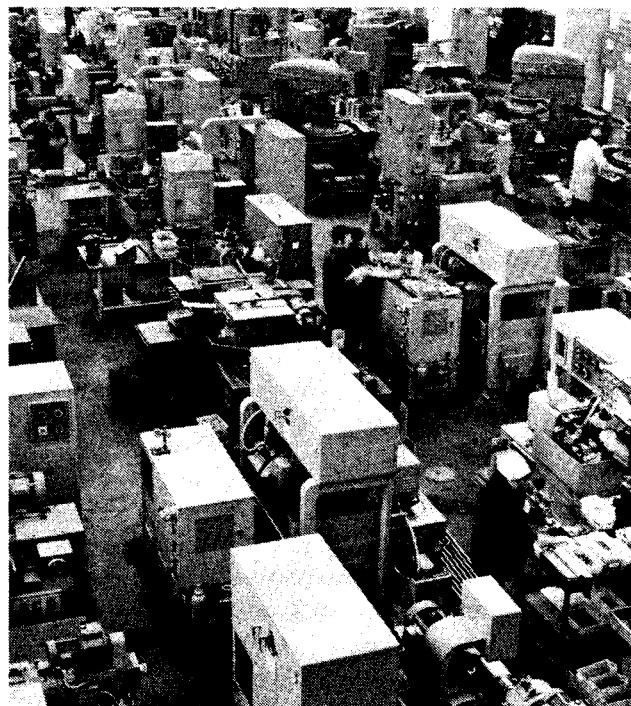
It took a Czech refugee working with a Western economic organization to set a few basic facts straight: have you not realized, gentlemen, he said in essence, that *all* the official Soviet figures are cooked, and that the "cost of empire," defense and the military bureaucratic burden of the worldwide looting and imperialist machinery, is what fundamentally accounts for the sinking growth rate. But then again, neither the senior French civil servant chairing the proceedings with studied, stylish indifference, nor any of the panelists, responded.

Keith Severin, an official from the U.S. Dept. of Agriculture, also exposed the uselessness of "ordinary" statistical

FIGURE 1  
**Collapse of per capita consumption of food products in U.S.S.R.**

	1965-69	1970-74	1975-79	1980-84*
Meat	14.6%	14.6%	1.7%	-2.9%
Milk	21.1	0.2	0.9	-10.1
Eggs	19.3	28.9	8.8	6.9
Fruits	7.1	5.7	-2.6	17.5
Vegetables	1.4	6.1	6.3	6.8
Grain products	-4.5	4.7	-0.7	-1.2
Sugar	10.5	5.7	2.7	0.4

\*extrapolation  
Source: U.S. Department of Agriculture



A Soviet factory produces bearings. NATO's "experts" claim the U.S.S.R.'s military production is down.

FIGURE 2  
**Collapse of Soviet industrial indicators**

	1970-74	1975-79	1981-83
Number of wage-earners	1.9%	1.4%	0.9%
Industrial employees	1.5	1.6	0.7
Industrial production	4.6	3.4	1.0
Rolled steel products	4.1	0.8	1.1
Fuel output	5.2	3.8	2.4
Electricity output	7.0	4.5	3.0

Source: Eastern European Institute.

analysis for the subject at hand: "We should know what we mean behind the formal definitions. When the Soviets talk about meat, they include things in their diet that you and I would not give to our cat," he said, adding that there are "Russian kilos and Western kilos," to the great dismay of the number-fetishists who seem to compose most of the Soviet-watching profession. Assessing the Soviet food program, he presented the facts and figures of the dismal collapse of the successive reforms, the eternal sinking of investment funds into agriculture, and buttressed the demonstration with figures, from which we have abstracted ratios indicative of trend functions in the Soviet agriculture (see fig. 1).

The period since 1975 has seen a precipitous *collapse* of the improvement in the diet of the Soviet population at large. But the same collapse occurred in *industrial* growth rates, as shown in evidence presented by Jiri Slama, of the Eastern European Institute of Munich (see fig. 2).

Slama demonstrated that most crucial sectors of Soviet industry will end the current Five Year Plan with a huge gap, as much as 10% for steel, 50% for nuclear energy, and 7% for coal extraction. "The gradual exhaustion of available resources reduces the magnitude of industrial startups while increasing the cost." Little new land, less growth in labor input and labor productivity, "the 11th plan is a failure and in 1985, the whole of industrial production will be inferior to the planned targets." Mechanical engineering and construction are particularly defective, energy bottlenecks multiply, and the process sheet in the economy as a whole is brutally disrupted. Slama concluded: "The problems that will be posed are known, but will not be able to be resolved by being compensated [by added other inputs or methods] neither today nor tomorrow, and *threaten at present to destroy the economic basis of the Soviet regime.*"

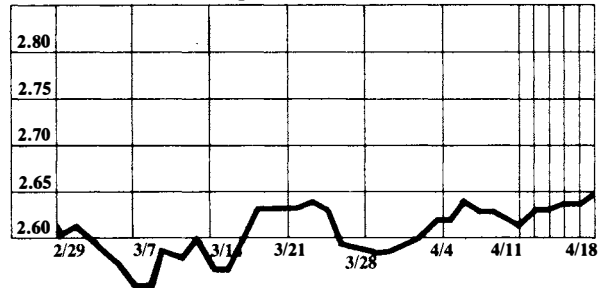
With such hard facts and figures in hand, one might have believed that the conference would have been able to get down to brass tacks and outline a research program aimed at determining the timing factor. How fast does the ongoing "collapse" trend impel the Soviet leadership toward compensating for its political-economic failure by other means, by war? What are the shifts in the internal composition of the Soviet economy that indicate the acceleration of the military production tempo, and thus indicate the strategic design of the Soviet military junta?

But no such program was forthcoming, and that is really no surprise. A few years ago, *EIR* published an exposé of the NATO civilian bureaucracy, demonstrating that it was organically part of the "One World" federalist apparatus—the Club of Rome, the Pugwash movement and the political faction generally identified with appeasement of the Soviet Empire. The insanities proffered at this conference did nothing to disprove our earlier conclusions on the necessity of eliminating this civilian bureaucracy, one of the major hindrances—intellectually, bureaucratically, and politically—to an effective defense of the West against the Soviet strategic threat.

## Currency Rates

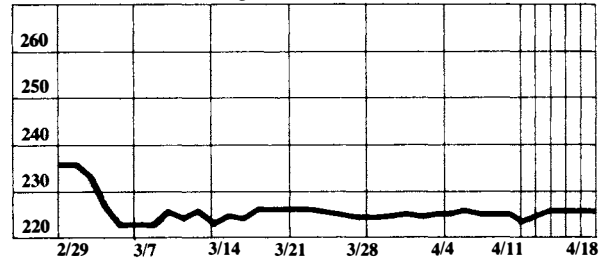
### The dollar in deutschemarks

New York late afternoon fixing



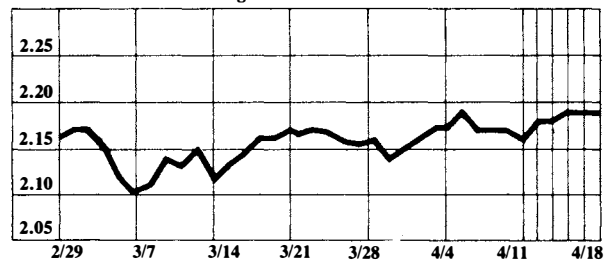
### The dollar in yen

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing

