

EIR Special Report

The Soviet economy: everything goes for war build-up

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The Soviet economy is a military economy. The greatest proportion of its working population (about 42% of the labor force not employed in agriculture or services) is employed in military production. The greatest proportion of its re-investable surplus (about 75%) is channeled into military production. And the one sector of its social activity which year after year registers increasing growth rates is the military.

These statistics ought to be the indispensable grounding for any serious intelligence evaluation of both the Soviet economy and the Soviet military effort. Unfortunately, this has not been and is not the case, at least not in the U.S. intelligence community. Once the composition of the Soviet Union's labor force is understood and its implications are assimilated in a competent way, the absurd debates over "dollar estimates" of Soviet military expenditures among the CIA, DIA, Rand Corporation, et al. will cease, and will be replaced by a sober understanding that we are dealing not with an ordinary though inefficient economic system, but with a purely military machine with a "nation attached to it."

This has been especially true since the end of the Brezhnev era, and the takeover by the military junta which swept aside the communist bureaucracy and now governs absolutely. As this Special Report demonstrates, the economies of the U.S.S.R. and the satellite countries of Eastern Europe are being stripped down to fuel the current military buildup. But the shift now under way merely accentuates the distorted features of an economy which has been on a Spartan military footing since 1925.

The Soviet Union, a nation with half the GNP of the United States, has maintained a military expenditure at least twice as large as that of the United States over a period of more than a decade. It outproduces the United States by wide margins in every category of military hardware, from rifles to tanks, to aircraft, to warships, to conventional and nuclear-armed missiles of all ranges.

Of a total labor force of about 140 million persons, 8.5 million are employed in the manufacture of combat hardware of all types. A total of 26 million are employed in industrial professions which produce goods for the consumption of



The Red Army on parade in Red Square. The military machine devours about three-quarters of the surplus generated by the Soviet economy.

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the military machine and under the direct administration of the military establishment. In short, the Soviet "military-industrial complex" employs 26 million productive workers, which is approximately the same number that the United States employs in all manufacturing categories combined.

Compared to these 26 million productive workers in the Soviet military-industrial complex, the total number of non-military-related Soviet industrial workers is about 36 million. The rest of the Soviet labor force is distributed between agriculture, services, and administration.

Of a total of 62 ministries which comprise the Soviet government, 17 industrial ministries are administered directly by the military. These are: 1) General Machine Building; 2) Machine Building; 3) Shipbuilding; 4) Aviation; 5) Defense Industry; 6) Radio Industry; 7) Communications Equipment Industry; 8) Medium Machine Building; 9) Electronics Industry; 10) Electrical Equipment Industry; 11) Installation and Special Construction Work; 12) Maritime Fleet; 13) Transportation and Heavy Machine Building; 14) Oil Refining and Petrochemical Industry; 15) Energetics Machine Building; 16) Instrument Making, Automation Equipment, and Control Systems; 17) Civil Aviation.

In 1980, Soviet military hardware of all types was being assembled in 134 major final assembly plants which were being supplied by over 3,500 other individual installations. This represents the greatest number of such facilities of any nation on earth, and by far the greatest amount of industrial floor space. During the 1960s and the 1970s, the Soviet economy consistently produced and employed twice as many major weapons systems per year as the United States.

Each year, the Soviet educational system graduated 300,000 engineers and 400,000 "junior engineers." Half of these joined the military sector. By comparison, the United States graduated 60,000 engineers per year and only 20% of those joined the defense industry.

Our own rough estimate, based on qualified manpower allocations among production sectors, is that for every man-hour invested in "new investment," there are three manhours invested in the productions of military hardware. This is a rough, heuristic approximation which may upon closer study prove to be an underestimation of the extent of the military production effort. As a rule of thumb, available information justifies the assumption that 75% of all reinvestible surplus generated by the Soviet economy goes into military output.

This, of course creates a problem: if one continues, year after year, to plow the investable surplus of the economy into military output, the productive base is bound to start crumbling from the lack of adequate replenishment of the productive plant and equipment which produces the annual reinvestable surplus. This is what happened to the Soviet economy in the decade of the 1970s.

Cannibalization of the civilian sector

We survey three crucial economic parameters: rate of growth of GNP, rate of growth of civilian investment, and rate of growth of military production.

The rate of growth of the Soviet GNP as measured by official Soviet statistics declined from 6-7% per year in the 1950s, to 5% in the 1960s, to 3.8% in the 1970s, including 0.9% for 1979-80.

Yet from 1966 to 1981 the annual growth rate of military production averaged 5-6% per year, more than doubling over the entire time span. It is generally estimated, on the basis of conventional judgments, that annual Soviet military spending is between 18% and 20% of Soviet GNP. More sophisticated methods of analysis tend to accept a 30-35% figure.

From 1970 to 1980, the civilian sector of the Soviet economy collapsed, while its military sector enjoyed unprecedented prosperity. Military production facilities of all types expanded at an unprecedented rate. In 1980 they were able to produce 3,000 main battle tanks, compared to the United States' maximum capacity of 750. Floor space in the shipbuilding industry expanded by about 75%, facilitating the production of seven types of submarines and all types of surface combatants. In 1979-80 the U.S.S.R. produced 23 submarines, while the U.S.A. produced two, and those with serious production difficulties. The Soviet aviation industry underwent two successive phases of expansion and modernization in this period, having massively outproduced its U.S. counterpart. It is now about to test-fly a fighter bomber clearly superior to the American F-16. At the beginning of the decade, the Soviets could produce about 200 missiles per year; now the production of the SS-20 medium-range missiles alone is probably this much.

In the course of the 1970s, the Soviet Union's 50 major weapons design bureaus launched and completed over 200 new major weapons systems, compared to less than half that many in the United States. These included the SS-18, SS-19, SS-20, and the Typhoon nuclear submarine. From 1970 to 1980, the Soviets invested three times as much as the United States in conventional hardware for their land forces, twice as much for aircraft production, twice as much for military R&D, and twice as much for strategic offensive weapons. Through expansion of their space program, the Soviets laid the basis for the future development of seven major new types of space systems: the G-1 (Saturn class) super booster, a medium-lift space booster, a space shuttle, a space plane, a large space station, the Potok communications satellite, and an advanced antisatellite system—all expected to be ready for deployment either later in 1984 or early in 1985.

The year 1976 was a critical turning point. The Tenth Soviet Five-Year Plan for 1975-80 had provided for an increase in civilian investment of 42% over the five years. After the initialing of the SALT II accords in 1975, the Soviet leadership decided to increase military production and correspondingly decrease the civilian investment rate to 23% for the five years.

After the first reduction of civilian investments by half in 1976, a second major such decision was made in the spring 1981 Central Committee meeting, which ordered another halving from a 23% rate over five years to a 12% rate. Before Brezhnev died, it was once more decided to further reduce civilian investment growth rate to 1.5% per year.

The program of the Ogarkov era

But by then another important political event had occurred: Chief of Staff of the Soviet Armed Forces Nikolai V. Ogarkov published a booklet titled *Always Ready to Defend the Fatherland*. It laid out the policies and economic programs on the basis of which a successor to the dying Brezhnev was to be selected. Ogarkov proposed to dramatically accelerate the rate at which the Soviet military economy cannibalizes the modest resources of the civilian sector, in order to further speed up the pace of military buildup. Both Yuri Andropov and Konstantin Chernenko were chosen after they had paid homage to the Ogarkov program.

Marshal Ogarkov's booklet states:

In the interests of raising the defense capacity of the country, it is more necessary than ever before that the mobilization of the Armed Forces be coordinated with the national economy as a whole, especially in the use of human resources, transport, communications, and energy, and in ensuring the reliability and viability of the entire vast economic mechanism of the country. In this connection, there must be a constant effort to find ways to improve systems of cooperation among enterprises which produce the basic types of weapons, and to make them more autonomous with respect to energy and water supplies, to provide them with necessary stocks, and to create an equipment and material reserve. Further improvement has to be made in the actual system of mobilization readiness of the national economy on the basis of the principle that a close interrelationship between the mobilization readiness of the Armed Forces, the national economy and civil defense is the most important condition for maintaining the defense capacity of the country as a whole on the requisite level.

Marshal Ogarkov's economic program was identified by students of Soviet history as the continuation of a Spartan military-economy doctrine which became dominant in the Soviet Union in 1926-27 and was best articulated in two earlier books, Major General A. N. Lagovskii's *Strategy and Economy* (1957) and the other published in 1947 by N. A. Voznesenskii, the man who directed the Soviet economy during the war, from 1941 to 1946, *The War Economy of the U.S.S.R. in the period of the Patriotic War*.

We present excerpts from these seminal policy documents which ultimately determined the evolution of the Soviet war machine "with a nation attached to it."

First, from Major General Lagovskii: "Economy and strategy are intertwined and reciprocally dependent. Their full unity is achieved by State Power. This unity is a perfectly new phenomenon in the history of war and only possible in the Socialist State." And further on: "In order to meet the

requirements of war, the whole economy will be revamped for war." Lagovskii quotes early communist General M. V. Frunze, who wrote in 1924 that "Each time something is started in the economy, culture or other spheres, we must always raise the question: how much will the results of what we are starting here be in harmony with the requirements of the defense of the country? Is there a possibility to build it in such a way that it can also fulfill determined military tasks?"

"Strategy must already in peacetime make known the approximate requirements of Army and Navy for the early phase of a war, so that the economy, as war breaks out, has sufficient bases in energy and raw materials, the required production capacity and skilled labor force, to meet the requirements of the armed struggle." Also: "[Modern] wars have demanded from the economies already in peacetime a powerful tension and a corresponding preparedness to supply the armed struggle with the required military hardware.

"In modern war, quantity and quality of weaponry are of primordial significance . . . the country's economy must be prepared to take up immediately the mass production of arms, military technology hardware, and other supplies for the Armed Forces . . . today, the strength of a country depends also on the time in which it can deploy its military potential . . . the prompt and all-rounded mobilization of all economic reserves is in the first place dependent on a country's economic system. . . . The Socialist system of planned economy has major advantages from this standpoint over the capitalist economic system."

Then, most emphatically: "*Economic planning is very strongly determined by the interests of strategy. . . . The reciprocal relations and mutual influence of economy and strategy are in the modern war of especial significance. He alone who grasps this fact, recognizes the true driving force of war.*"

N. A. Voznesenskii, who directed the World War II economy of the Soviet Union, asserted the military superiority of socialist planning in the following way:

"The Patriotic War created a new period in the development of Socialist economics, the period of war economics. War economics of the U.S.S.R. is characterized by peculiar laws in the sphere of production and reproduction."

Voznesenskii described ". . . the mobilization of the productive powers of Socialist industry, workers, and engineering and technical personnel for the needs of the Patriotic War. Industrial enterprises were converted to war enterprises. War industry was reinforced by means of transferring to it enterprises from other branches of the economy. The output of a number of civilian products was stopped in order to release productive capacity, manpower, and material resources for the needs of the war economy. The commodity composition of industrial output underwent a radical change. Increases in the relative shares of quality

rolled steel in the output of metals, of aviation gasoline in the output of petroleum products, and of special chemicals in the output of the chemical industry took place. The relative share of foodstuffs and supplies for the Red Army in the food-processing and light industries increased, etc." These "new laws" have obtained in Russia's economy ever since. They are the very principle of the economic matrix of Russia.

The continuity of socialist planning

As to the present relevance of the Voznesenskii doctrine, suffice it to mention an extraordinary paean published on the occasion of the 80th anniversary of his birth in the official government daily *Izvestia* on Dec. 1, 1983, and another panegyric printed in *Pravda* on the same day, extolling the "unfading fascination and authority of this man . . . one of the creators of the political economy of Socialism, the discoverer of a number of fundamental problems in science." Just as former premier Aleksei Kosygin was being posthumously hailed on his own 80th anniversary above all as one of the main organizers of the World War II mobilization, rather than for any other earlier or later achievement, the fact that Defense Minister Dmitrii Ustinov, in place in the military-industrial ministries since 1939 and a war-time collaborator of both Voznesenskii and Kosygin, is at present the overseer of the Russian "military-industrial complex" testifies to the continuity of the Russian leadership's doctrine and practice.

Ogarkov himself, in the cited 1982 booklet, reviews the lessons of 1941:

The beginning and the course of World War II introduced further changes into the concept of mobilization and to an even greater extent revealed the direct link which connected the mobilization and deployment of the Armed Forces with the transition of the entire economy to a war footing and the reorganization of the political, social, scientific, and other institutions of the State. The greater part of the economy and resources of the State were enlisted for the purpose of ensuring immediate war needs.

Here again, Ogarkov is underscoring the principles that have governed the Russian war mobilization since 1975.

The high-blown prose of Voznesenskii and Lagovskii notwithstanding, no war economy can survive for long by dumping most of its reproductive potential into the dead end of military hardware. Missiles, tanks, and warships do not add to productivity and are a net minus for the stock of capital plant and equipment. After a few production cycles, the whole scheme tends to come to a crashing halt, unless it loots an extraneous source of wealth . . . or unless somebody feeds the military monster from outside. The Soviet war production system is no exception.