

The Challenge of Soviet Economic Growth

THEODORE H. WHITE

IN THE perspective of history, events that seem like miracles and disasters are simply the sum of a thousand almost unnoticed changes erupting in a climax that shatters old and fragile assumptions to bits. A disaster, it appears, may now be in the making; within twenty years it may become one of the world's dominant political facts unless the western world organizes itself immediately for an effort more imaginative than any it has yet undertaken. The nature of this possible disaster is political, not military.

The military potential of Soviet industry is, to be sure, enormous. With a machine-tool capacity more than double that of 1944 and a steel production nearly three times as great, Soviet arms capacity must be at present at least twice as large as that of the last war year, when Russia produced, among other armaments: forty thousand aircraft; more than thirty thousand tanks, self-propelled guns, and armored cars; over three million rifles; two million tommy guns; 450,000 machine guns; and 120,000 heavier guns.

But it is not this military threat which is important. The western world already possesses the capacity to match and overmatch this potential any time in the next thirty years. In this atomic age such measures can make us powerful but cannot make us safe.

THE political threat of Soviet productive capacity is more important, more insidious, and more difficult to deal with.

Up to now, in the political rivalry of Communism and freedom, freedom has been sold to western Europe not only as a good in itself but

as a more fruitful way of acquiring the comforts of life. Since the Bolshevik Revolution, the spread of Communism has been countered by the knowledge that the Russian citizen exists at a standard of living so low as to make a western worker, even one on unemployment relief, seem comfortable by comparison.

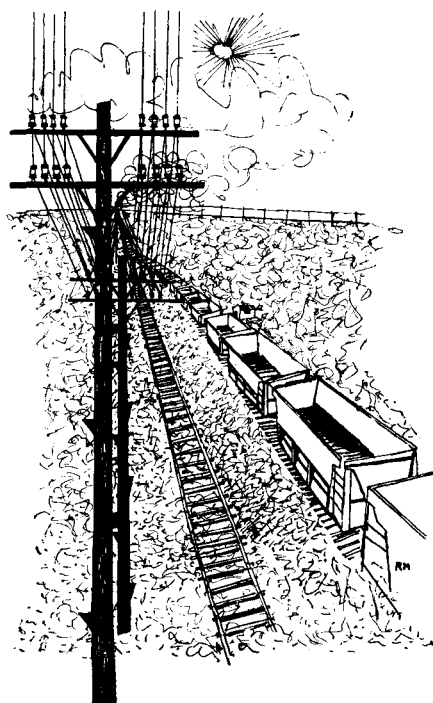
While this has been true in the past, and while the gap between western and Soviet standards of living is still huge, it now lies within the power of the Soviet rulers to wipe out the discrepancy in another decade. Any projection of the current growth curves of production in the Soviet Union and western Europe shows them meeting and intersecting at some point between 1960 and 1970. If this statistical intersection becomes apparent in the

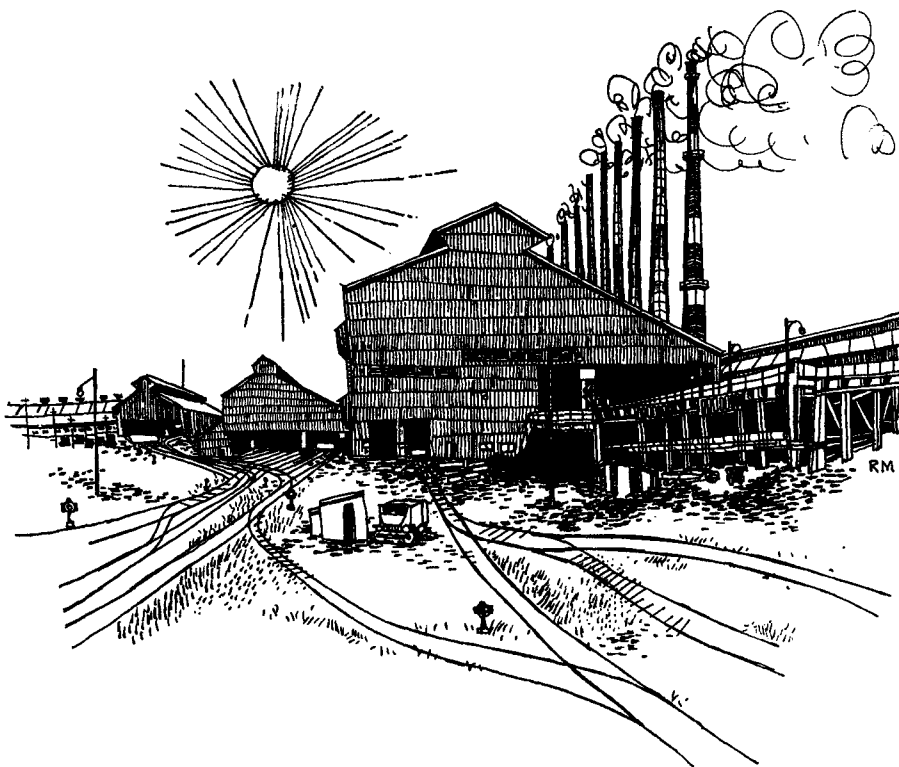
material goods available to ordinary citizens, the politics of Europe may change as a tide changes. If comparative poverty becomes the price of freedom, freedom will obviously lose an immeasurable part of its political appeal.

Wrestling with Ghosts

The growth of the Soviet economy has not, until recently, played a great part in European political thinking. But within a five-month period stretching roughly from the Communist approval of the fifth Five-Year Plan last October to the great economic survey of the Economic Commission for Europe published in February, it has suddenly become one of the most significant imponderables in the rethinking of western strategy that has been going on in several of the most important capitals of western Europe. This rethinking—heightened by whatever shreds of information are available since Stalin's death and Malenkov's swift peace offensive—holds that a western strategy frozen and limited to NATO's rigid military objectives is badly and narrowly conceived. The threat of Russia, according to this thinking, is not primarily military; it is political, and rests upon the dynamic attraction of Russian economic expansion.

Whoever grapples with Russian statistics is like a man wrestling with ghosts. Figures printed by the Russians, though usually accurate, are at once symbolic and misleading. Categories of goods shift from column to column, from plan to plan, as fancy or the changing principles of Russian accounting dictate. Successes are highlighted; failures can be traced only by groping in the areas of statis-





tical silence or by assessing patches of criticism in provincial Russian papers.

To calculate production in volume, weight, and tonnage, western economists must become statistical detectives. They must start with the percentage figures that are the sole present public measure of progress in Russia and adjust them for current volume by reaching back to the last available figures on absolute production. At present, most western economists must adjust Russian percentages from the base year 1941 because 1941 is the last year for which absolute figures are available.

In that year, during the German invasion of Russia, the Wehrmacht captured a bound volume of secret Russian production figures which, after the defeat of Hitler, the U.S. Army seized, photostated, and made available to world economists. But with each passing year even these 1941 figures become more difficult to use, for the Russians, with every new Five-Year Plan, reduce the area of observation necessary for judgment.

One of Europe's most authoritative official researchers into Russian affairs took me to his bookshelves to illustrate the problem. "Here is the first Five-Year Plan," he said, and showed me two fat volumes. The

second Five-Year Plan, by its side, consisted of one fat volume. The third Five-Year Plan was one thin book. The fourth Five-Year Plan was a tiny pamphlet. The current Five-Year Plan he lifted out of a folder—one sheet of Russian newspaper and that was all.

DESPITE this obscurity, certain gross facts are now obvious. By 1955 (the end of the current Five-Year Plan), Russia will be approaching western Europe in most major categories of production and will have surpassed it in at least one—petroleum. By 1960, according to the calculations of United Nations economists, Russia will be fully equal in basic industrial production to western Europe and will have surpassed it dramatically in several critical sectors.

Western Europe—France, Italy, Germany, Britain, and the Low Countries—is a population bloc of 207 million people; this is almost the same as the population of the Soviet Union. In 1951 the Soviet Union produced only about half as much coal (281 million tons against 530 million tons), three-fifths as much steel (31 million tons against 51 million tons) and a little more than half as much electricity (103

billion kilowatt-hours against 196 billion kilowatt-hours) as western Europe. There is still a great gap between the two; the drama arises from the spectacular stride and rhythm of Russian production.

Since 1940, the Russians have almost doubled their production of coal (up from 166 million tons a year to 301 million tons), steel (up from 18 million tons to 35 million tons), and oil (up from 31 million tons to 47 million tons); they have done even better with electric power (from 48 billion kilowatt-hours to 117 billion kilowatt-hours). This increase, it should be stressed, is the increase only as measured against the best Russian records of prewar years. The actual increase of Soviet production since the war has been much greater than this because before the Russians could reach these peaks they were forced to repair devastation greater than that in any other nation except Germany.

This rhythm is ominous in itself. Set against the pattern of development in western Europe, it is more ominous still.

The Treadmill

Western Europe's development since the war has been quite substantial—swifter than at any time since the late Victorian decades. But measured against Russian production, these efforts are almost negligible. The British, for example, are the greatest coal-producing power of western Europe. They were never invaded. Yet they have not yet recovered their prewar level of production and, after seven years of desperate effort, they have now set as the target of their efforts—to be reached over a period of twelve years—an increase of 20 million tons annually. Since 1950, in a two-year period, the Russians have increased their coal production by 40 million tons. The great steelmaking powers of western Europe—Britain, France, Benelux, and Germany—with all the aid and prodding of the Marshall Plan have succeeded in adding only 12 million tons of new steel to their economy since the war. The Russians have added almost twice that amount since the war, and plan almost to double their present total by the end of this decade.

Perhaps the most disconcerting factor of all in the comparison of Russia and western Europe is the present leveling off—or stagnation—of industry in every western European country but Germany. Cotton-cloth production in western Europe (much of it for export) stood at 987,000 tons in 1951. The Russian plan calls for 737,000 tons by 1955 and catching up with western Europe by 1960. Coal production in western Europe was 530 million tons in 1951 as against a planned Russian production of 372 million tons in 1955 and an estimated 500 million tons in 1960. Steel production in western Europe was 51 million tons in 1951; Russian plans call for 60 million tons by 1960, and at the Russians' present rhythm they will reach that target a year early.

Oil production has always been considered the Achilles' heel of Russian production—but our intelligence services inform us of a vast Russian postwar oil strike in the Ural-Volga region, equivalent in riches to the Kuwait oil field of the Middle East. This new field gave the Russians 18 million tons of oil last year alone and has caused the most important upward adjustment of Russia's postwar planning. In the immediate postwar period, Stalin set Russia's goal as only 60 million tons of oil by 1960; the sights have now been lifted to 70 million by 1955.

TO REDUCE these broad and fuzzy figures to the direct comparisons which arouse political emotion, one must divide western Europe into its component parts and peoples. The 207 million people of western Europe are not a homogeneous conglomerate. Britain has a standard of living perhaps double that of France; Germany has a rhythm of expansion of its own which sets it, for the moment, beyond immediate political infection by Communism. The weak sisters in western Europe are Italy and France, and these, with their enormous Communist Parties, are politically the most vulnerable to Russian economic demonstration.

During the past winter, several French analysts and statisticians have prepared comparisons between their own productive system and the Soviets'. All these analyses start, as they

must, with the fact that French expansion has leveled off and that France's 1951 achievements are (except for electricity) semi-permanent levels unless the French government whips the nation into another domestic drive as inspired as the first Monnet Plan.

Here are some of the politically explosive comparisons: By 1955, coal production in the Soviet Union will come to 1,384 kilograms per person as against 1,350 kilograms per person in France. Steel production by 1955 will come to 206 kilograms a head in the Soviet Union as against 232 kilograms a head in France. But since France must export about twenty-five per cent of its steel to pay for essential imports while the Soviet Union consumes all its steel at home, per capita consumption of steel in the Soviet Union will be higher. France in 1955 will still retain a slight lead in per capita production of electricity—850 kilowatt-hours per head as against 756 kilowatt-hours per head in the Soviet Union.

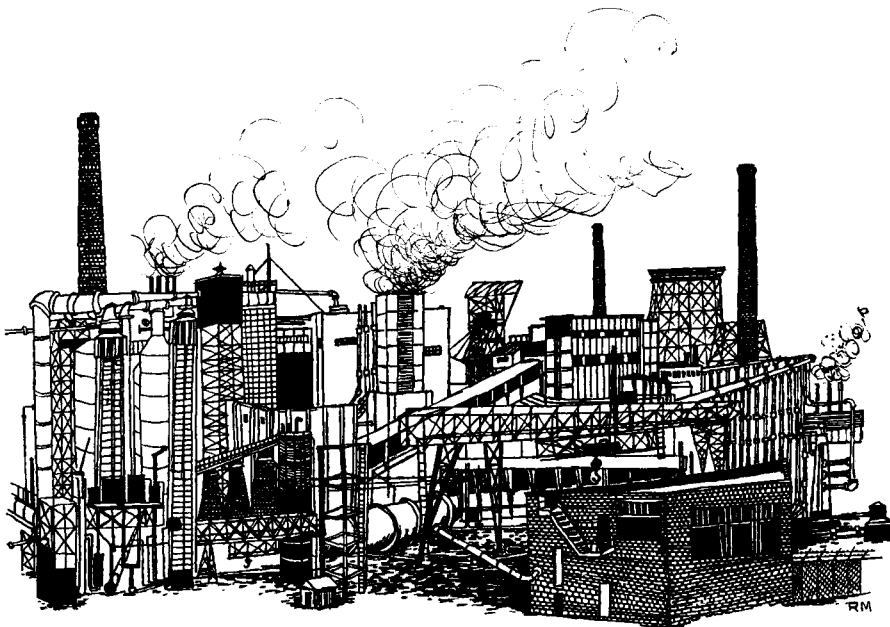
Where Politics Is Made

These are the figures for basic industry. Basic industry, however, does not touch directly on the nerves and emotions of the family budget, where politics is made. Consumer goods are more important in politics, and the comparison in consumption is even more depressing than in basic industry. By 1955, it appears, the average Russian will have at his disposal,

statistically, more than twice as much grain as the average Frenchman (870 kilograms against 350), twice as many potatoes (six hundred kilograms against three hundred), more fish (thirteen kilos a year against 9.5), more table fats (seventeen kilos against fourteen), more cotton cloth (twenty-eight yards against sixteen), as many shoes (three pairs every two years). He will still have less sugar (twenty kilos a year against the Frenchman's twenty-six), and far less meat (twenty-four kilos against forty-seven kilos).

By 1955 or 1956, according to some French economists, standards of living in France and Russia will be equal. With its fanatic and articulate control of the French working class, the Communist Party can turn such comparisons into political dynamite and street violence.

IT SHOULD be said at once that most other European economists consider these French calculations outrageously gloomy. But no economist quibbles with the basic content of these French surveys—that the Russian economy is overtaking the west European economies one by one. And the French, most conscious of past greatness and responsibility, are the most alarmed. Even among the most deeply and desperately anti-Communist French politicians, Russia's threat is seen more and more as social and economic rather than military. Present French thinking on the



subject can be summarized, easily, in a few sentences:

The Soviet Union, however glib its protestations of peace and amity may be, has as its sole, continuing objective the destruction of our kind of world. The means for this destruction are not necessarily military—indeed, a military clash is the most hazardous test the Soviet Union could face. Military means may be employed by the Soviet Union only as the final *coup de grâce*—but only after Communist economic and social development has so eaten away at the convictions of the western democracies that they crumble politically from within. A continuation of present Soviet economic expansion and present European stagnation offers the Soviets an almost ironclad guarantee of ultimate superiority. The basic strategy of the Atlantic alliance and NATO needs, therefore, total rethinking at once so that we can make use of the decade or two of economic advantage that remain.

From the Ground Up

The stories told by the economic analysts of a booming Russian economy and the stories of returning travelers who tell of the semi-barbarism in which most Russians continue to live seem at first glance to be in fundamental contradiction. Actually, this contradiction is more apparent than real. All the stories are true.

The Russian economy operates

now, as it has since the beginning of state planning, by its own peculiar rules. These are the rules of an economy in which the personal desires of the ordinary people, who dominate our economy, play no part. As western analysts have studied the development of Russian thinking and planning, its profile takes this shape: The basic targets set first are those of energy—of coal, oil, and electric power. The figures that come next in the planners' priority are those of the engineering industries necessary to achieve the energy totals—steel, machines, railways, mines, and the heavy equipment they use.

The state is the monopoly capitalist, monopolist of all forms of production and of the labor of the people involved. What has so far been allowed to the worker, who is the consumer, is only enough to keep him alive and operative to realize the investment goals. Even his protest has been turned to account in the Soviet economy, for it becomes the pretext for the forced labor that feeds the Pharaonic engineering projects.

IN THE western world, heavy industry grew up to feed consumer desire. Iron, steel, and the first machinery were used to supply the textile industry; coal was dug to warm homes; electronics and communications were developed for radios, television, and personal comfort. The

Soviet economy functions differently. Even in the new Soviet Five-Year Plan, hailed so loudly at last fall's Russian Communist Party Congress, one finds that the production of capital goods will remain at least two-thirds of total industrial production. Production will rise enormously—but ordinary consumers will still receive only a small portion of its bounty.

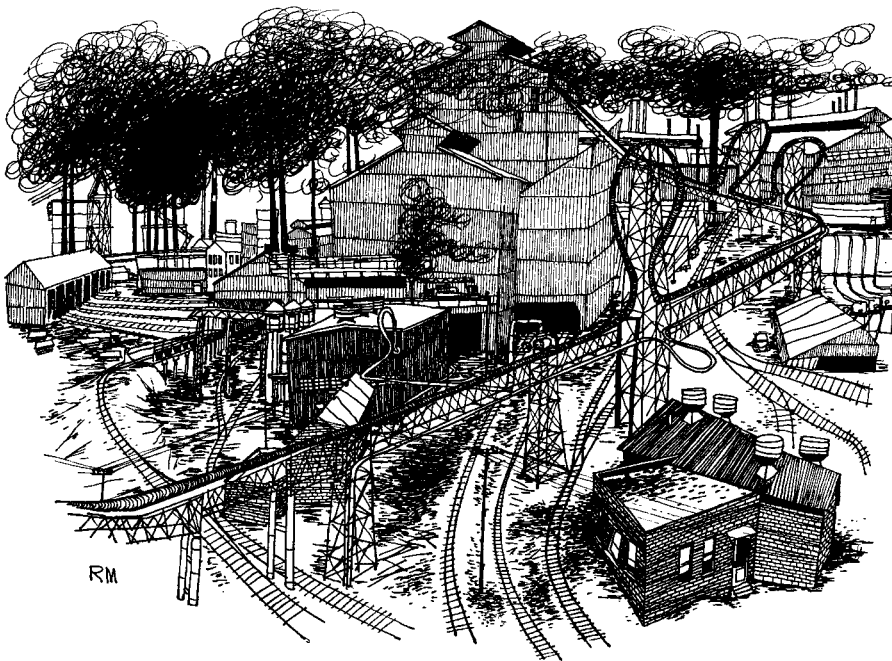
The picture of Soviet industry is thus one of enormous power with its foundation resting in mud, filth, and deprivation. The glowing statistics are probably all true, but they are not a picture of human life. The picture of human life at present comes from items snipped from provincial papers. Last year, for example, the newspaper in Chelyabinsk, a city of several hundred thousand people and one of Russia's major steel centers, proudly announced that the first two kitchen gas ranges in town had been installed in the homes of two shock workers.

Another facet of the picture is shown when one compares the development of the eastern European economy with the Russians'. Since 1949, all the satellite economies have been wrenched about to fit, commercially and structurally, into the pattern of Soviet industry. The result has been, despite amazing basic industrial progress, a savage and brutal reduction of all standards of living in the satellite countries.

But it is beyond doubt that Russian industry, in its basic sectors, is rapidly overtaking that of western Europe. The political danger point will come when this expanding basic production reaches the area of consumers' goods.

IT is hard to give a date for this danger point because two separate calculations are involved. One is a technical one, involving the elaboration of a consumer industry to process the goods of basic industry. The second is a political one, involving the Russian strategy on a global scale.

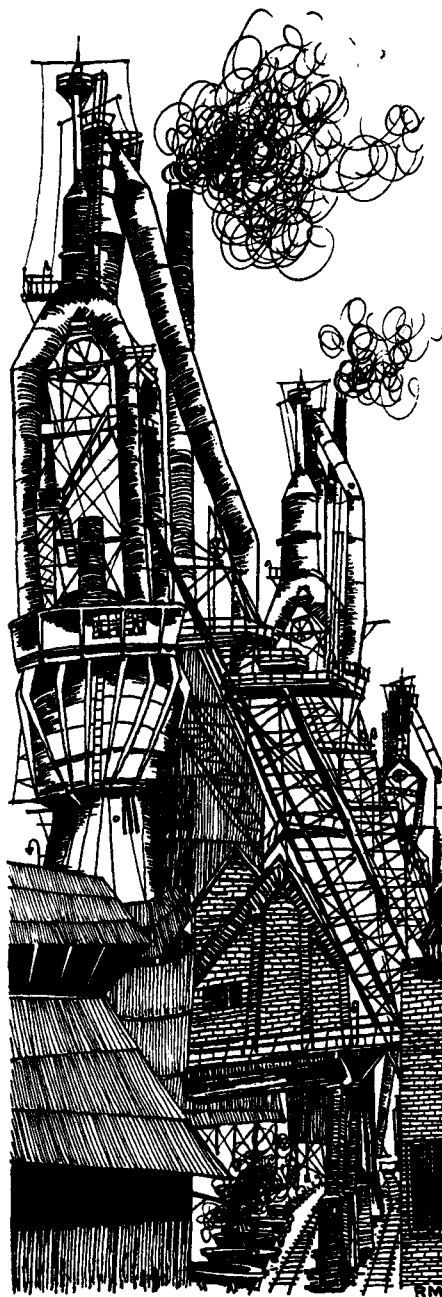
Any serious investigation of the technical problems involved in erecting a consumer industry and the raising of consumption levels must immediately stigmatize the gloomier French economists' prediction of



growth intersections within three years as wildly unrealistic. In any advanced western country—the United States, Britain, or France—far more people are employed in processing the basic goods of industry than in creating them, and far more subtle skills are involved. To make an industry that can supply Russians with consumer items as well as basic industrial items requires an effort by the Russian state almost as great as the one it has made in a whole generation of its industrialization. Russia is geared to produce generators and dams, not tiny motors for Mixmasters, record players, and vacuum cleaners. Russia is geared to produce guns and tanks, not new housing and canned foods. Russia is geared to produce crude textiles in enormous quantities, to be sold by the meter in villages and state stores to women ready to sew them; it is not yet ready for the cutting and stitching of ready-to-wear clothes.

MOST OF ALL, the standard of living rests upon food, and any analysis of Russia's food production, other than the statistical, leaves it many years to go before it can match even western Europe. It is true that in both grain and potatoes the Russians will have greater pantry supplies available than the French. But much of the grain goes to feeding draft animals on Russia's backward farms; and the very predominance of these high-caloric, high-starch foods in the Russian diet indicates a low standard of living. High standards depend on fruit, vegetables, milk, and meat—and here even the Russian statistics do not promise equality with the French by 1960.

Specialists argue over the date of the intersection year with all sorts of refined statistics and data. They point out that technological progress has come with a rush in the Soviet Union since the transplantation of many German techniques. Photographs have already been brought back from Moscow of one or two automatic-process plants that surpass anything in American engineering. We know, too, that since the war the first pilot plants have been set up for the production of television sets, washing machines, and electric refrigerators. The out-



put of these comfort-producing plants is small and channeled entirely to the thin layer of Soviet aristocracy, but the plants function. We know that Soviet radio production (of very bad-quality radios) has multiplied five times. Bicycle production has tripled. We know further of the imposing development in the Russian machine-tool industry and of the potential flexibility this gives the Russian industrial system. Britain in 1952 produced only 55,000 machine tools—but Russian production had reached 74,000 in 1950 and is heading for 213,000 in 1955.

This argument over dates of inter-

section can be prolonged with pages of statistics and deductions—but it is a narrow argument. Few people believe it could come before 1960, the year when Russia may pull abreast of western Europe in basics; but few doubt that it can be achieved by 1975, if the Russians want it to be achieved.

Soviet Blue Chips

Beyond the purely technical problems lie the complexities of politics. The 1960-1975 calculation is based only on technical, or economic, factors. It may be speeded or delayed by the purposes of Russian politics, for with its growing economic strength Russia has a choice of alternatives.

The first that leaps to mind is a beefing up of the Russian arms effort to a point where its competition with the western defense effort would become almost intolerable. Western economists estimate that up to twenty per cent of Russian steel production now goes directly into arms or arms support. The doubling of Russia's steel production and the forecast tripling of its machine-tool production could, if all present proportions of use were maintained, require a commensurate back-breaking effort by the western world.

But there are other equally ominous alternatives open to the Soviet Union. It could, if it wished, sluice its growing production into an offensive in what the western powers still call the backward countries. Russians, unlike Americans, Britons, or Frenchmen, could be indefinitely deprived of comforts if their masters believed it wiser to bind China more tightly to their system and attract India, the Middle East, and Africa into it by the offer of more and more of the capital goods Russia turns out.

Or the Russians could use their productive increase for buccaneering on the world market—by the dumping of surplus wheat below dollar prices, by the dispersal of their mysterious gold production in ways calculated to upset world monetary standards. Stalin's parting legacy of theory to the state he practically created was a precise description of this strategy of economic wrecking—the final disruption of the shattered world market by the uncontrollable intrusion

of Soviet wares, machines, and intrigue.

Finally, Russia could sluice part of its growth of production into consumer goods to upset western Europe by the sheer magnetism of example. This last alternative seems to Americans, who look at the world from the vast and lofty plateau of their own comfort, a challenge of almost negligible importance. But to western Europeans, particularly to Frenchmen and Italians, it seems the most dramatic and difficult of all possible challenges. The Russians would not even need to alter their economic thinking too violently—if an investment in consumer goods could prove as disruptive to the western world as an investment in arms, it would clearly be, in their cold calculations, well worth while.

IT IS HERE that statesmanship enters into the rivalry of systems. Atlantic diplomacy since the war has been

extremely successful in Europe and occasionally brilliant. But it has been a diplomacy geared always to crisis, the meeting of each emergency as it has developed. Statesmanship is the gift of meeting crises before they develop and avoiding them by wise measures taken in time.

We are now faced, since the death of Stalin, with what is a major shift of Russian tactics and, probably, strategy also. If Malenkov & Co. press the peace offensive, it may be because genuine peace, at this moment, serves their ends best. Given a continuation of present trends in Europe and Russia, peace may be a surer means of encompassing Europe's destruction than war.

It is an offensive that must be met. There is nothing inherent in either Russia's physical resources or engineering skills that cannot be matched or surpassed by the Atlantic world—if we are organized in time. There is, moreover, some time available, a pe-

riod of between ten and twenty years, for all the countries of western Europe to take the necessary steps. The most important of the requirements has already been measured—the creation of a true European Union to maximize the efficient flow of goods and manpower in the peninsula that abuts on Communism.

The framework of the second requirement is also in existence—the Atlantic alliance, which brackets America and Europe, and which, once we realize that the threat is as much economic as military, can strengthen both halves of the free world.

The third requirement is that the western Europeans themselves throw into a forward surge, at whatever cost, all their scattered energies and will to live. The outlook is bleak only if Atlantic thinking does not expand to understand it, only if we rest content with building guns and fortresses.

... And an American Expert's Response

J. K. GALBRAITH

EVER SINCE the end of the First World War, it has been a settled habit, in thinking of our position in the world, to assume absolute and unchallenged industrial supremacy. Whatever our other weaknesses, there has always been our industrial plant, and nothing anywhere else in the world could compare with it.

In absolute terms this presumption of industrial supremacy is still valid. Our total industrial output is still greater than that of any rival. But another fact that must be taken into account is that Russian output is growing at a faster rate than our own.

The time has come when we need to reflect on the meaning of our slower rate of growth, both as it affects our position in the world and

in relation to what, if anything, we should do to bestir ourselves.

As a guide to our reflections, it would be helpful if we knew what the Russians intend to do with their expanding economy. There was once a quaint notion that the primary purpose of industrial output was to

provide goods for the nourishment, shelter, and general enjoyment of people at large. There is always the possibility, of course, that the Russians may decide to use their output for these purposes. If this should happen, we might—and with some reason—relax.

Some European economists have even suggested that the long-run effect of such a policy would be deeply damaging to the West; sooner or later Russia would come to present such a spectacular contrast in living standards to much of western Europe that discontented Europeans would become Communists in droves. But this danger could only arise if the threat of war had receded—because the Russians had chosen oleomargarine (one must al-

