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Land: USSR.
Onderwerp: Soviet budget for 1959.

Referenties:

Datum van waarneming: Eerste helft januari 1959.

Bron: Van bevriende zijde.

Opmerkingen:

Verzonden aan: de Minister van Buitenlandse Zaken.

Aan Zijne Excellentie Prof. Dr. L.J.M. BEEL
Minister-President

Plein 1813 no. 4
'S-GRAVENHAGE.

January 1959

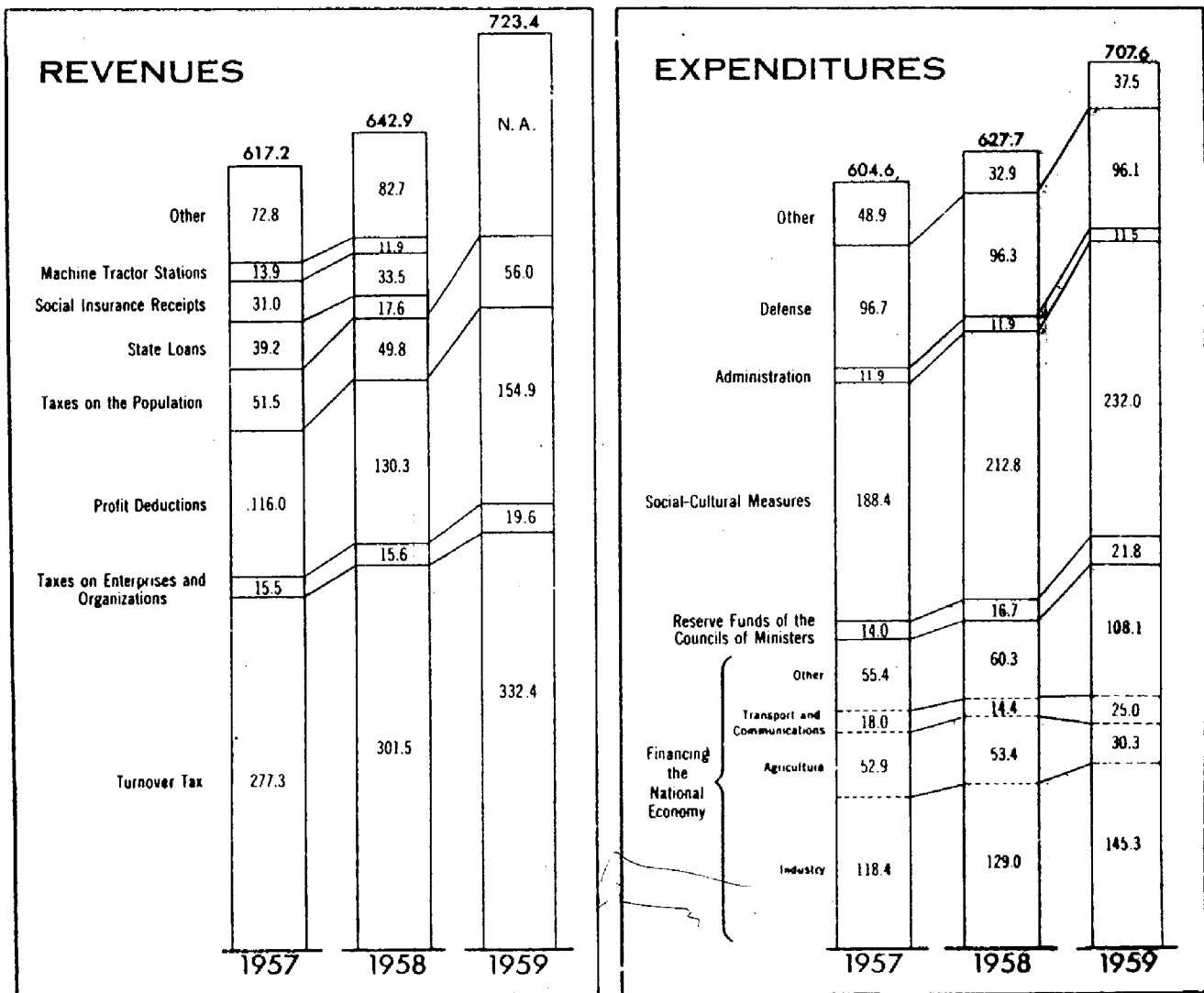
SOVIET BUDGET FOR 1959

The Soviet 1959 budget presented by Finance Minister Zverev indicates a sharp rise in revenues and expenditures--about 12 percent over last year's planned budget, as compared with an average increase of 4 percent annually since 1953. Increased military expenditures in categories other than the explicit defense allocations probably account for part of the rise. Explicit military expenditures remain at the level of the past several years, despite the fact that the USSR is known to have embarked on costly programs involving complex new equipment.

There are noteworthy increases in this year's figures over last year's plan in the unspecified portion of the category "Financing the National Economy," which increased from 60.4 billion rubles to 108.1 billion rubles, and in the Reserve Funds of the Councils of Ministers, which

USSR
Planned Budget Revenues and Expenditures for 1957-1959

BILLION CURRENT RUBLES



increased from 16.7 billion to 21.8 billion rubles. Appropriations for scientific research institutes-- which in part are devoted to defense-oriented research-- are to be increased to 27.3 billion rubles as against a "comparable" figure for 1958 of 23.9 billion rubles.

The 1959 budget increases appropriations for scientific research institutes 70 percent over the expenditures allotted in 1957 (16.4 billion rubles). The original 1958 appropriations were 18.2 billion rubles. The 1959 increase may indicate that the type of research activity conducted in 1957 has been correspondingly increased, or possibly the 1959 budget's definition of "scientific research institutions" has been broadened.

Besides covering military needs, a considerable part of the increased appropriations and revenues may result from new accounting procedures. Since the 1958 budget was drawn up, a series of organizational changes have taken place both in industry and in agriculture, resulting in numerous modifications of accounting and financing practices. In general these modifications are not yet known, but they could provide explanations for a considerable part of the increases.

The reorganization may have caused budgetary increases by introducing larger income and expenditure entries in place of figures formerly consolidated in ministries now abolished. Accounting changes, however, involve decreases as well. For example, a drop from 53 to 30 billion rubles in state agriculture outlays results primarily from transfer of tractors from the machine tractor stations to collective farms, the operations of which do not affect the state budget.

Plans for economic development in 1959 show no sharp break with the past and appear consistent with the goals of the Seven-Year Plan as presented by Khrushchev in his theses last November. There is an increasing emphasis on central control of investment via the budget, expressed in two ways. First, centrally planned capital investment is to increase in 1959 by an unusually high 11 percent, while expansion of extraplan investment, which jumped from 8 billion rubles in 1954 to more than 30 billion in 1958, is to be discouraged. Finance Minister Zverev stressed that extraplan investment--made largely at the initiative of enterprises--diverted material resources from investment projects of greater importance.

Second, the recent trend toward reducing the proportion of centrally planned investment financed from budgetary sources is brought to a halt.

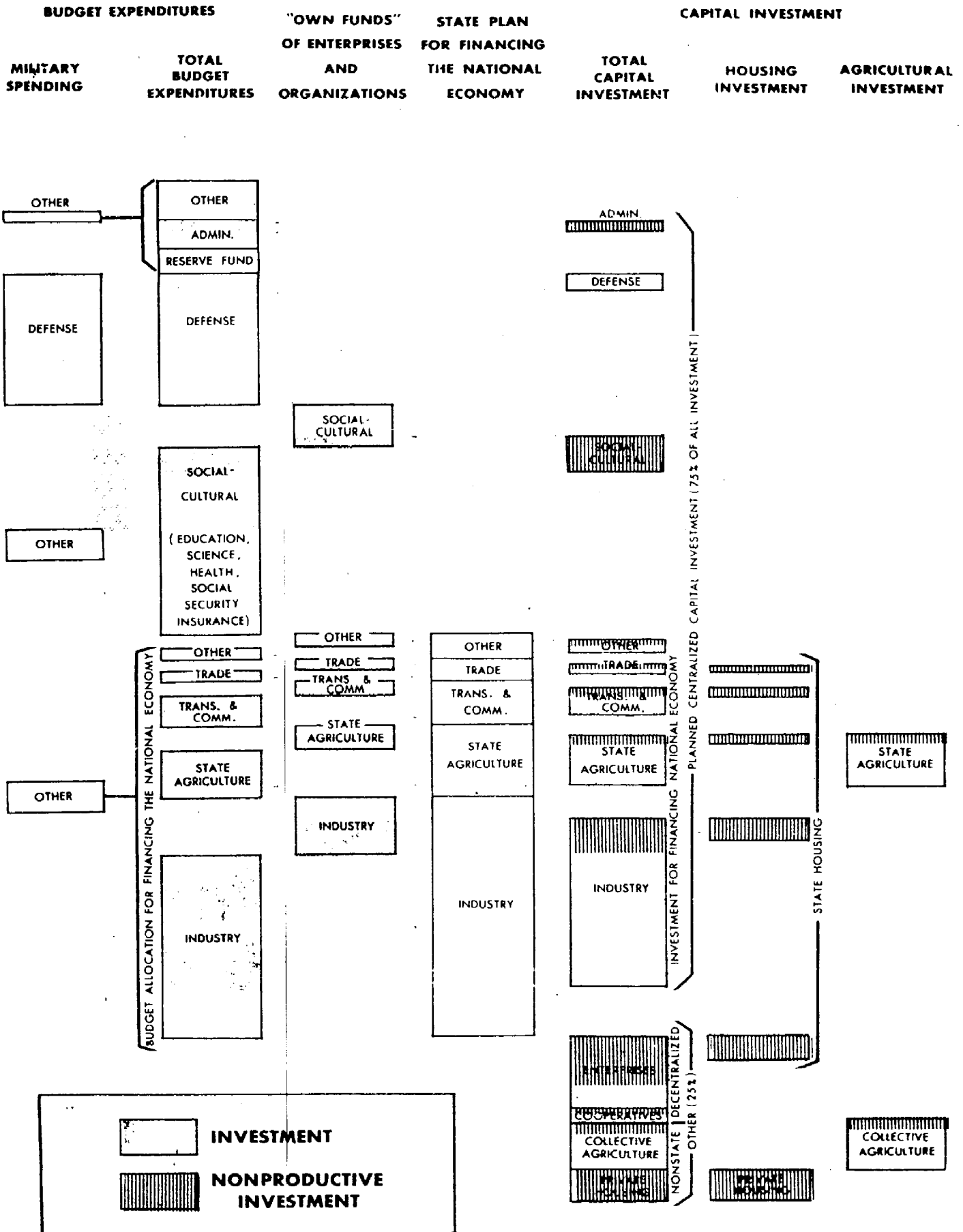
The 1959 budget marks the end of two trends in evidence in the 1957 and 1958 budgets: the greater concessions to the consumer and the increasing flow of funds through republic and local budgets rather than through the central all-Union budget. The past two years have been marked by a series of measures benefiting the population, such as increased pensions, the abolition of compulsory mass loans, a reduction in the bachelor tax, and an increase in the minimum level of income on which the income tax is levied. Apparently no further changes are contemplated at present. Funds passing through

SOVIET EXPENDITURES

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1958

SCHEMATIC RELATIONSHIP OF KEY TERMINOLOGY



union republic budgets, after rising from about 25 percent of total budget funds in 1956 to slightly over 50 percent last year, now are set at just under 50 percent.

Comparison With US Budget: The official rate of exchange--four rubles to the dollar--is inappropriate for converting Soviet budget entries to dollar terms, for the ruble-dollar ratios that would allow comparisons between American and Soviet expenditures on similar activities vary widely. Thus conversion of the ruble figures into dollars requires extensive interpretation.

In addition to the great diversity between the economies of the two countries, budget coverage is very different. The Soviet state budget consolidates the expenditures and revenues of the central government as well as those of the union republics and local jurisdictions--thus it would be somewhat akin to a consolidation of the federal, state, and local budgets in the United States. The Soviet state budget includes the major share of the outlays for investment, the planning and administration of economic activity, and education--activities financed in the United States largely through private enterprise and, in the case of education, by private institutional and state and local governmental sources.