

THE COMMUNIST ECONOMIC CHALLENGE

David Ingram

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ECONOMIC CHALLENGE

BY
DAVID INGRAM

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CHAPTER I

Introduction

This book is about the economic achievements and potentialities of Communism. A general awareness of the military might of the Soviet Union and the kind of political ambition it supports has existed since the end of the Second World War, but it is only in the last ten years or so that attention has been properly focused on the economic threat. In particular, the much-vaunted, and indeed spectacular launching of the Soviet sputnik in 1957 plunged many people in the West into gloom, for it seemed to demonstrate a level of economic development and technical accomplishment above the average estimate and, in some ways, far in advance of our own. This readjustment of thinking had followed a significant reappraisal of policy within the Communist world. The maintenance of a rough balance of military power had largely contained the expansion of communism by brute force, but had certainly not sapped its dynamism. The era of 'peaceful co-existence' has also been the age of 'peaceful competition'. On the one hand, the Communist powers realized after the Korean war that a frontal attack on the positions of other countries was precluded by the promise of retaliation but, at the same time, the completion of postwar reconstruction in the bloc meant that they now felt more able to challenge the West with economic weapons. New territories were not to be gained by physical force, but by such means as the emulation of the Communist way of life. This policy has fully flowered with the rise of Khrushchev. It is Khrushchev who insists that the two opposing systems are engaged in an economic race: 'let the nations contend' is his slogan. Peaceful co-existence, in fact, is the continuation of the class war by other means.

For Communist leaders themselves there is little doubt about the outcome of the conflict, be it waged by military or economic means. Time, they think, is on their side and the inexorable working out of

those immutable historical laws discovered by Marx and Lenin ensure the final victory. In a speech at Vlore in Albania in 1959, Khrushchev was typically optimistic:

'Communism is the cherished long awaited dream of the working people, the bright future of humanity. And no matter how decrepit capitalism tries to prolong its existence, it is doomed, for a new victorious system, communism, is coming along to take its place. This is life, comrades; everyone of you knows that however strong a man may be, in time he becomes senile and his last day comes regardless of what medicine he takes. No medicine will help a dying organism; thus, no medicine will help capitalism. We must do everything not to delay the process.'

It was during his visit to the United States in the same year that Khrushchev made that notorious aside about 'burying capitalism', but what he really meant was that it would surely dig its own grave. According to Communist canons, world capitalism has recently entered a new, third stage of its general crisis. This epoch is characterized by 'the upsurge of the national liberation movement' and 'the breaking up of the colonial system'. The contradictions and antagonisms in the capitalist camp, both between the States themselves in their competition for markets and between the various classes in each country, are increasing as, of course, is the exploitation and impoverishment of the working masses. Simultaneously, the 'Socialist countries are winning one position after another from the old world, raising their share of global output, and outstripping everyone else in rates of economic development'.

For the faithful this is an appealingly simple and comforting picture, but the claims of superiority for the Communist system and evidence of the impending downfall of capitalism are presented with such confidence and so amply supported by factual and statistical data that they have impressed many other people too. Until recently, the image of Communist progress that existed in the minds of many citizens of the West had differed little from what Khrushchev had wanted it to be. The belief that east of the Iron Curtain were millions of men and women, toiling ceaselessly under near-military discipline to outproduce and defeat us economically was common. It had also been thought that the day was not far off when the Communist world would be in a position to deluge the markets of the world with products as various as strawberry pulp and crude petroleum, rob us of our markets and generally disrupt our economies.

These impressions were formed regardless of whether the ordinary person read or listened to Communist propaganda. For the most part it is directly attributable to reading his own organs of news and opinion. This is not due to the hidden hand of Communism but because of the special nature of what is almost the only available information on Sino-Soviet affairs. Political and economic correspondents, whether reporting on East or West, must rely heavily on official statements; in the case of Communist countries it is the official hand-out or virtually nothing at all. This information is deliberately slanted to create the best propaganda effect, and most of the correspondents know it. But it takes a discerning and well-informed mind to discover quickly how much truth there is in these statements. They are usually long and complex and, more often than not, take considerable time to analyse—far too long to suit the demands of editors anxious to meet a deadline. All this is especially true of information on economic matters where a correct interpretation often depends on an abstruse technical definition. There was a time when the majority of Soviet pronouncements could safely be regarded as worthless propaganda and be given little or no attention in the West. But since the death of Stalin, the USSR has realized that it has made real progress in spheres where its purpose is served by being neither mendacious nor secretive, and western observers have learned the dangers of disbelieving or ignoring Soviet announcements. In any case, by virtue of Khrushchev's personal showmanship and because of the mystery which still shrouds much of the Soviet scene, its affairs are news in much the same way as were those of Hitler's Germany. Whether we like it or not, we are all in danger of being mesmerized.

Anyone who has time to make a careful study of the affairs of the Communist world is not likely to be impressed by the published information. The more closely he examines the official Press and broadcasts and delves into the technical and learned periodicals as well as into the daily newspapers, he will probably reach different conclusions from any formed through a more hasty approach. He will realize that, while the USSR and China and their allies are undoubtedly making rapid progress, they face difficulties far greater than they have admitted, and that it is by no means proven that the final triumph belongs to the Communist system, or even that it provides the most satisfactory answer to humanity's problems. Indeed, it is arguable that there is more danger from an uncritical western acceptance of Communist claims to superiority than there is from the intrinsic power of the Communist world.

This book tries to take advantage of an unhurried approach to get as close as possible to the real facts about the Communist economies and to assess Communist attempts to make an economic impact on the rest of the world. It should then be easier to see more clearly what kind of challenge confronts us. Since the Communist leaders resort so liberally to comparisons with other countries, and since yardsticks are needed with which to judge Communist economic developments, this book will itself make frequent use of such measurements.

The treatment of Chinese developments is rather more historical than that applied to the other Communist countries. This is largely because of the nature of the available data, which are both scarce and, where official statistics are concerned, much less reliable than those of the USSR and Communist Eastern Europe. Over the past three years in particular there has been a virtual blackout in Chinese statistics. The only way in which to form any kind of picture of the economy in such a situation is to use the fragments of up-to-date information available in a historical setting. In other words, each scrap has to be fitted on to the more reliable knowledge acquired on earlier developments, thereby providing a foundation for an assessment. This approach, which was also the only one possible for the USSR during the last years of Stalin, has certain advantages. As one of the most recent examples of an under-developed country trying to modernize and expand its production by Communist methods China merits as detailed an examination as possible.

Though most of this book deals with economic matters, attention must also be given to defence expenditure. This is because today such expenditure is usually high enough to exercise a considerable influence on economic development. It is generally accepted that Soviet defence expenditure is among the heaviest in the world, but no one is quite sure how heavy it really is; few are disposed to think it is what the Soviet authorities say it is. Some light is shed on this question in the contexts of both the competition between the USSR and USA in the production of modern armaments and space vehicles, and of the burden such activities must impose on the economy of a country whose leaders seek to lead the world economically as well as militarily.

CHAPTER II

The World Balance Sheet

What is the economic balance sheet of the opposing forces in the present global conflict? According to official Soviet figures, the struggle has, in terms of territory and population, developed since 1919 as follows:

	<i>'Socialist Camp'</i>		<i>'Imperialist Capitalist Camp'*</i>		<i>Rest of World</i>	
	1919	End 1962	1919	End 1962	1919	End 1962
<i>Area</i>						
Million sq.						
kilometres	21.7	35.2	60.3	15.0	53.2	85.0
Per cent	16.0	26.1	44.5	11.1	39.5	62.8
<i>Population</i>						
Millions	138.0	1112	855	524.3	784.0	1513.7
Per cent	7.8	35.3	48.1	16.6	44.1	48.1

* USA, UK, West Germany, France, Japan, Italy, and their Colonies.

Thus, at the end of 1962, the area and population under Communist rule were both more than double those under the rule of Communism's opponents whereas, only forty-three years earlier, the balance had been overwhelmingly in favour of the latter. The vast majority of the 974 million people who have been won for Communism since 1919 had little say in the matter; the 13 million square kilometres of territory they inhabit was mainly acquired by annexation, civil war and subversion.

The vast areas and populations of the uncommitted countries, which in large part constitute the 'under-developed world', could exist, according to the Communists, be the victims of imperialist exploitation but for their own national awakening and the sympathy and support of the Communist world. In fact many are considered

ripe for revolution. What is not disputed is that these uncommitted countries include most of the poorest peoples of the world. Their populations are increasing fast and their only hope of material betterment lies in a development of their human and material resources. In spite of their poverty (indeed, partly because of it), they are of great political significance in the modern world, and perhaps the most important battleground in the ideological struggle between East and West.

Area and population is one thing, relative economic strength is another. Just how strong are the economies of the Communist countries in relation to those of the countries to which their leaders choose to be opposed? How great is the poverty of the uncommitted countries? Unfortunately, there is no really accurate measuring rod. Gross National Product (GNP), which is a yearly calculation of the physical volume of goods and services produced by an economy expressed in value terms, is a useful concept when applied to a single country, but innumerable difficulties arise when GNP comparisons are made between one nation and another. Any two economies are as different as chalk and cheese. The price structures and patterns of consumption are dissimilar; there are thorny problems of weighting and realistic exchange rates. The normal difficulties of comparison are multiplied when it comes to Communist countries which do not publish the kind of GNP statistics familiar in the West and often conceal information that would aid an independent estimate. It is possible, however, to form rough orders of magnitude. In 1963, for instance, it is estimated that the GNP (reckoned in market prices and in dollars) of the Communist world, with its 1,100 million population, was at least some 20 per cent less than that of the USA with a population of 193 million.

More realistic indicators are found in the statistical volumes of the United Nations and similar publications. These give figures not only of population but of the output and consumption of a number of important products in nearly every country of the world. Some of these, notably crude steel output, primary energy consumption and grain output, when considered together, speak volumes about an economy. In all but a few countries, crude steel output is a fairly good indicator of total industrial capacity, particularly that of the engineering industries which, with shipbuilding, construction and railways, are the main consumers of steel. An even better indicator than crude steel output would be annual consumption (output plus imports minus exports) of finished steel. Unfortunately, this can only be calculated for a few countries. For world-wide comparisons, we

must be satisfied with the output of crude steel, which is one of the most easily and accurately measurable of all products.

Primary energy consumption can often rectify the picture of a country whose crude steel output is misleading, although neither of them is a particularly good indicator of activity in the textile, clothing, and other consumer goods industries which are important in such highly developed regions as the USA and Western Europe, and relatively even more important in some of the least developed. In the United Nations statistics, primary energy consumption is taken to comprise annual output plus imports minus exports of coal, brown coal, crude petroleum, natural gas and hydro-electricity expressed in terms of hard coal. Peat, wood, dung, and other such fuels have proved impossible to cover; they are of little importance in the more developed countries but significant in the poorer ones.

Grain production, the most doubtful of all the indicators, is extremely hard to assess, particularly in peasant communities. Although it is consumed by animals as well as humans and is therefore relevant to the output of meat and dairy produce, grain and its animal derivatives are by no means the only major items of human food consumption. Its virtue lies in its having the highest quality among vegetable products in relation to its weight, and it is, therefore, the best single indicator of agricultural production as a whole. Like energy consumption, it tends to exaggerate the poverty of the poorer countries, whose output cannot be accurately assessed and which in any case rely heavily on vegetable foodstuffs other than grain. With their limitations in mind, the indicators can now be examined.

A number of important facts are brought out by this table. To begin with, let us confine comparisons to the Communist economies on the one hand and those of the English-speaking countries, Western Europe, and Japan on the other. By 1961 or thereabouts, the population of the former outnumbered that of the latter by as much as 70 per cent, but the industries of the non-Communist group were at least twice as large as those of the Communist countries. This is fairly clearly indicated by the crude steel figures, which point to a capacity in the non-Communist group which was about 2.3 times that of the Communist and a primary energy consumption of 1.84 times. If it were possible to allow for the quality of the finished steel represented by the crude, for the efficiency factor in primary energy consumption, and for the backwardness of the consumer goods industries in most Communist countries, the comparison would be even more favourable to the non-Communist. It is enough

THE ECONOMIES OF THE WORLD

Country or Region	Popu- lation in 1962 Millions	Crude Steel Output in 1962		Primary Energy Consumption in 1961 ^(b)		Average Yearly Grain ⁽¹⁾ Output in 1960/62		
		Million metric tons	Kgms. per head	Million metric tons	Kgms. per head	Million metric tons	Kgms. per head	
<i>Communist</i>								
USSR	221	76.30	345	637	2,921	139.8	627	
Eastern Europe and Yugoslavia	119	25.74	216	332	2,815	57.3	482	
China	706	7.00	10	407	528	180.0	255	
N. Korea and N. Vietnam ..	28	1.05	37					
Total ..	1,074	110.09	103	1,376	1,290	386.9	360	
<i>English Speaking</i>								
<i>W. European and Allied^(a)</i>								
USA	187	89.20 ^(e)	477	1,478	8,042	171.7	918	
UK	53	20.82 ^(f)	393	261	4,925	9.4	179	
W. Germany ..	57	32.56 ^(g)	571	204	3,626	12.9	226	
France	47	17.24	367	116	2,514	21.4	453	
Japan	95	27.61	291	122	1,298	19.9	209	
Others	189	44.18	234	409	2,197	72.5	384	
Total ..	628	231.61	369	2,590	4,184	307.8	490	
<i>Africa, Asia and Latin America^(b)</i>								
Latin America ^(c)	223	5.00	22	148	677	44.7	201	
Africa	269	2.87	11	69	264	39.3	146	
South Africa ..	16	2.63	164	43	2,414	5.9	372	
Other Africa ..	253	0.24	1	26	106	33.4	132	
Free Asia ^(d) ..	955	5.60	5	146	163	183.8	192	
Total ..	1,447	13.47	9	363	264	267.8	185	

^(a) Including all non-Communist countries of Europe, but not their non-European territories; including Canada, Australia and New Zealand.

^(b) Excluding Japan, but including all Colonial territories.

^(c) Including Carribean islands.

^(d) Including Pacific islands not included elsewhere.

^(e) Output in 1955 was 106.17 million tons.

^(f) Output in 1960 was 24.69 million tons.

^(g) Output in 1960 was 34.1 million tons.

^(h) Hard coal, brown coal, crude oil, natural gas and hydroelectricity, expressed in terms of hard coal equivalent.

⁽¹⁾ Wheat, rye, barley, oats, maize, millet, sorghum and rice.

Sources: *United Nations Population and Vital Statistics Report.*

United Nations Statistical Yearbook.

United Nations Monthly Bulletin of Statistics.

FAO Production Yearbook.