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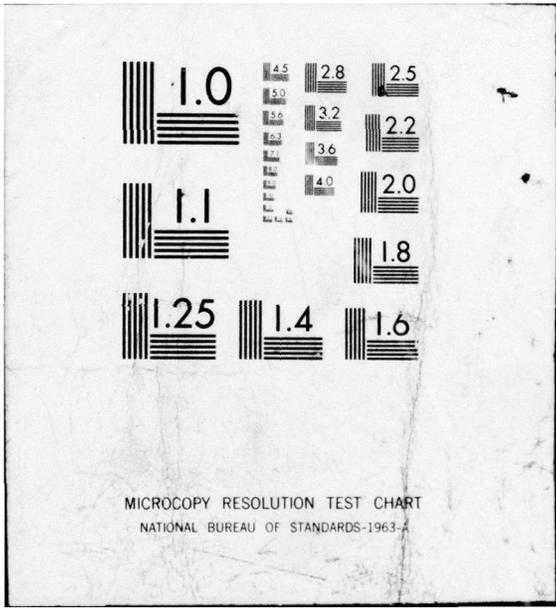
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6 Review of Franklyn D. Holzman, FINANCIAL CHECKS ON SOVIET DEFENSE EXPENDITURES

10 Abraham S. Becker

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Review of Franklyn D. Holzman, FINANCIAL CHECKS
ON SOVIET DEFENSE EXPENDITURES*

Contemporary interest in arms control devices tends to focus on limitations of specific weapon systems or forces, expressed in physical units. However, ever since the Hague Peace Conference in 1899 there have been periodic attempts to place limitations on military budgets. In the postwar period, suggestions for reduction of military budgets have been a staple of Soviet disarmament statements, the latest example being Gromyko's proposal at the 28th General Assembly in September 1973 that the Permanent Members of the UN Security Council reduce their military budgets by 10 percent and allocate 10 percent of the savings to international assistance to developing countries.

Reaction by NATO states to this proposal was similar to their reaction to previous Soviet proposals of this kind, predictably cool. As usual, the Soviet initiative made no provision for verification of compliance and ignored the problem of asymmetries in the scope and coverage of the military budgets of different states. There was no indication that the Kremlin intended to provide any more information about its annual military expenditures than the single, undefined figure--allegedly, total "defense" outlays--which is all that has been released in the USSR during the last three decades.

Against this background, Prof. Holzman was asked by ACDA (U.S. Arms Control and Disarmament Agency) in 1964 to provide a detailed analysis of the problem of verifying Soviet compliance with a military expenditure limitation of the type indicated above. The book under review is based on the author's 1965 ACDA report with some revision and updating. Roughly half of the material represents a painstaking exploration of the possibilities of concealment of portions of Soviet military outlays in various parts of the Soviet state budget (other than the explicit "defense" category) and in nonbudgetary channels. It is clear from his

* D.C. Heath and Co., 1975.

This review is
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exposition, as has been noted by other specialists, that given the state of our information on Soviet finances the concealment problem is significant indeed.

Prof. Holzman then proceeds to examine methods of financial verification that take account of the concealment problem. In doing so, he seeks to avoid unnecessarily trampling on Moscow's security consciousness. But because he performs his task with admirable conscientiousness, he is forced to seek substantial increases in the volume of information released by the Soviets to assure reasonable confidence in verification. Again and again, the logic of the problem drives the investigator to such statements as the one on p. 60: "One possible solution to this problem would be for the Soviets to agree . . . to present their budget expenditure accounts in greater detail."

In his final chapter, Prof. Holzman explores the very interesting possibilities of verification through sampling of financial documents made out on the budget's account in Gosbank. But while the technique is suggestive, it has loopholes that may also be sizeable, including the requirement for rigorously auditing a subsample of the documents in question. The author acknowledges that "in fact, the auditor might obtain more information about the Soviet economy from such a sample check than it would from the publication of a large number of additional time series of the type required for verification in [the previous chapter]."

Thus, Prof. Holzman has helped make clear a point that emerged from the report of the UN Expert Group on the Reduction of Military Budgets (Document A/9770/Rev. 1, Sales No. E.75.I.10, 1975). There are tradeoffs between the stringency of an agreement to limit military expenditures and the volume of information provided by the participants. Ultimately, then, whether expenditure limitations are a feasible route to control of superpower arms will depend on Soviet understanding of that tradeoff and Moscow's incentive to reduce its military burden.