Assessing Soviet Economic Performance During the Cold War: A Failure of Intelligence?

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Print: ISSN 2576-1021 Online: ISSN 2576-1153
For years, scholars have argued that economists and the CIA failed to see that the Soviet Union's economy was headed toward collapse. But are they right?

The swift and peaceful collapse of the Communist order, first in Eastern Europe and then in the Soviet Union itself, was an extraordinarily important historical event, and people at the time were amazed to see the Soviet system end the way it did. But why did it come as such a surprise? Shouldn't the experts in the West who had devoted their lives to the study of the Soviet Union have been able to see that such enormous changes were in the making?

Many observers felt that social scientists in general, and economists in particular, had failed, as Martin Malia put it, to understand “the deeper dynamics driving Soviet reality.” Their writings, in Malia’s view, had suggested that the Soviet system was perfectly viable. They had assumed that the Soviet Union was “just another” modern society — that it was “as much a West concern as its ‘capitalist’ adversary.” Viewing things through that social scientific lens, he thought, had prevented Western scholars from seeing how serious the USSR’s problems were; this was the main reason so many of them had “been so wrong about so much for so long.” Western economists in particular, he said, had been unable to see that the USSR had to deal with some very grave and perhaps even fatal problems; the more pessimistic line taken by some émigré Russian economists had mistakenly been dismissed out of hand. Mainstream economists in the West, he believed, had greatly overestimated Soviet economic performance; and had it not been for that, political scientists, sociologists, and historians would scarcely have painted such a rosy picture of Soviet performance in the areas they studied.2

Malia was by no means the only scholar writing after the collapse of Soviet Union to argue along those lines. Vladimir Kontorovich, for example, claimed flatly that Western specialists in this area had failed to “diagnose observable tendencies,’ such as the continued decline of economic growth rates.”3 According to Igor Birman, another émigré economist — and one much admired by Malia — it was “only in 1981, or maybe in 1982,” that people began “talking about problems within the Soviet economy.”4 Even today, many observers still take it for granted that the economics profession, and indeed scholars more generally, essentially missed what was going on in the USSR — a major failure, given the importance of the issue.5

And it was not just academic economists who were criticized for their supposed failure to understand what was happening in the USSR. The economic analysis produced by the CIA, it was said, had also failed to bring out how serious the Soviet economic problem was. Sen. Daniel Patrick Moynihan, himself a former academic, was by far the most prominent critic. “For a quarter century,” he wrote, “the C.I.A. has been repeatedly wrong about the major political and economic questions entrusted to its analysis.” For 30 years, according to Moynihan, “the intelligence community systematically misinformed successive Presidents as to the size and growth of the Soviet economy.” It had portrayed the USSR “as a maturing industrial society with a faster growth rate than the United States,” a country “destined, if the growth rates held, to surpass us in time, and in the interval well able to sustain its domestic military and its foreign adventures.” The Soviet economy, he said, was thought to be roughly “three times as large as it turned out to be.” That was the conventional wisdom among economists,” but the fact that economists had taken that view was scarcely an excuse, since “the C.I.A. was meant to do better.”6

Indeed, in Moynihan’s view, the CIA had done

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such a poor job in this area that he wanted to abolish the agency. The CIA, he repeatedly claimed, had utterly failed to see how serious the USSR’s economic problems were. “For 40 years,” he wrote in 1990, “we have hugely overestimated both the size of the Soviet economy and its rate of growth. This in turn has persistently distorted our estimates of the Soviet threat — notably, in the 1980s when we turned ourselves into a debtor nation to pay for the arms to counter the threat of a nation whose home front, unbeknownst to us, was collapsing.”7 Moynihan later boasted that he had been able to see as early as 1979 that “Soviet economic growth was coming to a halt” and that “the society as well as the economy was sick.” “But our intelligence community,” he said, “just couldn’t believe this. They kept reporting that the economy was soaring!”8

In the public discussion, and to a certain extent of the Soviet economy” counting as one of the “more spectacular misses.”9 In 1994 a Newsweek columnist noted in passing that the CIA story was “one of repeated intelligence failures,” culminating in the “monumental miscalculation of the size of the Soviet economy, which the CIA judged to be three times as big as it really was.”10 And in 1995 the Washington Post columnist Mary McGrory asked rhetorically whether any government department had “goofed up more than the Central Intelligence Agency?”: “Their most egregious and expensive blunder about the Soviet economy we are still paying for.”11 The same basic point was made by a former CIA officer, Melvin Goodman, in 1997; it was not until the mid-1980s, Goodman wrote, that the CIA “finally began to report lower growth rates for the economy.” The CIA, he wrote, “completely misread the qualitative and comparative economic picture and provided no warning to policymakers of the dramatic economic decline of the 1980s.”12 And some leading scholars also took the view that “CIA estimates dramatically underreported the severity of the decline that preceded Gorbachev and accelerated during his leadership.”13

It was not just the Americans, the argument ran, who had failed to understand what was going on in the USSR. The Soviets themselves, it was commonly argued, had “reason to be confident in their economy,” at least until around 1975; it was only later that “serious weaknesses” showed up.14 Moscow, according to the well-known historian Christopher Andrew, for example, “was in economic denial.” “Though the naïve economic optimism of the Khrushchev era had largely evaporated,” he wrote (referring to this period), “the ideological blinkers which constricted the vision of Brezhnev, Andropov, and other Soviet scholars also took the view that ‘CIA estimates dramatically underreported the severity of the decline that preceded Gorbachev and accelerated during his leadership.’12

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even in the scholarly literature, such claims were treated as established fact. “As the Bay of Pigs was to intelligence operations,” the columnist William Safire wrote in the New York Times in 1990, “the extended misreading of the Soviet economic debacle is to intelligence evaluation.”15 According to a 1992 article in the Wall Street Journal, the CIA’s track record “on the really big developments” was “hit-or-miss at best,” with “the downward spiral

11 Melvin Goodman, “Ending the CIA’s Cold War Legacy,” Foreign Policy, no. 106 (Spring 1997): 141.
true believers made it impossible for them to grasp the impossibility of the increasingly sclerotic Soviet command economy competing successfully with the market economies of the West.16 Soviet leaders, according to O.A. Westad, another distinguished scholar, were “cushioned from the grim reality of technological backwardness and lack of productivity by what today’s Russian economists call a political economy of illusions.”17 Because of the nature of the Soviet system, according to Robert English, a leading specialist in this area, the Politburo, at least until the late 1980s, was not “subject to anything like the pressures that would weigh on the leaders of a pluralistic state in similar economic straits”; Soviet leaders could thus feel, until the very end, that the system was stable and that strategic retreat was not their only option.18 Part of the problem, it was sometimes said, was that the leadership relied on inflated figures generated by its own bureaucracy; it therefore had little sense for what was really going on. “For all one knows,” Walter Laqueur wrote, “the Soviet leaders (certainly under Brezhnev) were as ignorant as the Sovietologists — that it was determined to turn a blind eye to the country’s problems and to pretend, even to itself, that nothing was really wrong.”19

The goal here is to examine some of these arguments in the light of the massive body of evidence we now have bearing on the subject. This, of course, is not the first time these issues have been dealt with. A number of writers have defended the performance of Western economists specializing in this area; Gertrude Schroeder’s “Reflections on Economic Sovietology” (1995) is of particular interest in this context.20 There is, moreover, a certain body of work dealing with — and mainly defending — the CIA’s work on the Soviet economy.21 But those studies of the CIA’s performance focused mainly on the mid- and late 1980s. The focus here, however, will be on an earlier period: the period from the mid-1960s to about 1985. The goal is to give some feel for the sort of thinking that went into the economic assessments, both on the part of the CIA analysts and their academic colleagues (who, it is important to note, were part of the same intellectual community). I want to show, in fact, how impressive that thinking was, how early the key ideas took shape in those circles — and indeed how the Soviets themselves came to approach the problem in much the same way.

What is the point of doing this kind of analysis? The aim is not just to set the record straight as a kind of end in itself. The story is worth telling only because it has a certain larger importance. For one thing, the findings here have a major bearing on how the later Cold War is to be understood. A sense for how serious the USSR’s economic problems were, to the extent that it was shared by the political leadership, was bound to play a key role in shaping policy on both sides. That basic point needs to be kept in mind as we try to make sense of great power politics not just in the late 1980s, but in the whole period from 1963 to 1991.

But beyond that the story tells us something important about the way the American political system works. We like to think that when policy issues are discussed in democracies like our own,
intellectual standards are maintained because people are held accountable for making claims that turn out to be baseless. What this case suggests, however, is that there is much less accountability in our system than people realize — even on issues of fundamental political importance, and even when the evidence is readily available.

### Measuring Soviet Economic Performance

Was it true, as many observers have claimed, that academic economists had failed to see what was going on with the Soviet economy, that the CIA analysts had presented much too rosy a picture, and that the Soviet leadership itself did not really understand what was going on? If true, that conclusion would have a major bearing on how the period should be interpreted. But is it in fact correct?

In a word, the answer is no. There is, for example, no basis for the claim that Western economists had failed to ‘‘diagnose observable tendencies,’ such as the continued decline of economic growth rates.’’

Experts in this area had little trouble recognizing that the Soviet growth rate was falling. It was widely understood by the mid-1960s that the Soviet economy was growing less rapidly than in the past. As the CIA’s leading expert on the Soviet economy, Rush Greenslade, pointed out in 1966, ‘‘the slowdown of economic growth in the U.S.S.R. is now a well-known story.’’ Abram Bergson, professor of economics at Harvard and the most prominent scholar working in this area, referred to it in a 1966 roundtable as a ‘‘very familiar fact.’’ That general point, moreover, was commonly noted in the press at the time. Even a casual reader of the New York Times — someone who merely glanced at the headlines — could scarcely fail to note that the Soviet growth rate had declined (See Table 1). Subsequent CIA calculations simply underscored that basic point. The growth rate was worse in the early 1970s than it had been in the late 1960s; it was worse in the late 1970s than it had been in the first part of that decade; and in the early 1980s it was lower still (See Table 2). As one scholar put it in 1995 looking back on this whole period: ‘‘The Soviet economy seemed to be gradually running out of steam, being dragged to stagnation and decline by some inexorable underlying process.’’

What about Moynihan’s claim that the CIA had given the impression that the Soviet economy was growing a lot faster than America’s and that the USSR might well out-produce the United States in the not-too-distant future? That certainly had been the CIA’s view in the late 1950s. At that time, the Soviet economy seemed to be growing rapidly; the U.S. economy appeared sluggish in comparison. If that trend continued, the USSR might actually be able to overtake the United States not too far down the road. The Soviet leader Nikita Khrushchev repeatedly predicted that by around 1970 the USSR would catch up with and surpass the United States in per capita production, and in 1961 the goal of surpassing America by the end of the decade was even included in the official party program. The political implications were clear: If the Soviet Union was able to out-produce the United States, the ‘‘correlation of forces’’ would shift, and the Communist side would soon have the upper hand in its conflict with the West.

In the United States these Soviet boasts were by no means dismissed as mere propaganda. The Eisenhower administration’s CIA director, Allen Dulles, sounded the alarm in a 1958 speech. The

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Soviet economy was expanding rapidly; the USSR seemed to be catching up. The United States thus had to deal with “the most serious challenge” it had ever faced in peacetime. “If the Soviet industrial growth rate persists at 8 or 9 per cent per annum over the next decade, as is forecast,” he told a congressional committee the next year, “the gap between our two economies by 1970 will be dangerously narrowed unless our own industrial growth rate is substantially increased from the present pace.” The New York Times praised Dulles for “brilliantly” warning the country “of the perils that threaten our survival.” The paper agreed that “future Soviet growth to at least 1970 seems sure to be rapid” and that America’s “margin of superiority over the Soviet Union” would be “narrowed dangerously” if the United States did not speed up its own growth rate.28

Those concerns were widely shared within the American political class, and the issue played a major, and perhaps decisive, role in the 1960 presidential election. Soviet output might be only 44 percent of America’s today, the Democratic nominee, Sen. John F. Kennedy, said in the first presidential debate. But the narrowing of that gap posed a real threat to American security. Kennedy did not want to see the day when Soviet production was “60 percent of ours and 70 and 75 and 80 and 90 percent of ours, with all the force and power that it could bring to bear to cause our destruction.” America’s independence, indeed America’s survival, was at risk; the Eisenhower

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<td>“Added Data Strengthen Belief in Slowdown of Soviet Growth” (March 22, 1964)</td>
<td><em>“Russian Economy Gives Andropov Huge Problems”</em> (June 12, 1983)</td>
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<td>“Communist Drive to Overtake West’s Industrial Output Lags” (May 3, 1964)</td>
<td><em>“Andropov Assails Economic Failings of Soviet System”</em> (Dec. 29, 1983)</td>
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<td>“Premier Says Soviet Economy Is Beset by Lag in Production” (Dec. 14, 1964)</td>
<td><em>Front-page articles are marked with an asterisk</em></td>
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policy was too passive; a far more active policy was in order.29 And the U.S. economy did revive after the change of administration, in part thanks to some modest expansionist policies put into effect during the Kennedy presidency. Gross domestic product grew by more than 6 percent in 1962 and by more than 4 percent in 1963, and this was no mere flash in the pan. The annual growth rate, according to recent calculations, was twice as high in the four years after Kennedy took over (5.7%) as it had been during Eisenhower’s second term (2.8%).30

The Soviet economy, on the other hand, had started to run into trouble. In January 1964, the CIA reported that the Soviet growth rate had dropped from between 6 and 10 percent in the 1950s “to less than 2.5 percent in 1962 and 1963.”31 That finding was considered extraordinarily important; the new president, Lyndon Johnson, sent a special delegation to Europe to brief the NATO allies on what had been learned.32 To be sure, those exceptionally low growth

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30 See U.S. Bureau of Economic Analysis, National Income and Product Account (NIPA) Historical Tables https://www.bea.gov/iTable/index_nipa.cfm, Table 1.1.1: Percent Change from Preceding Period in Real Gross Domestic Product, line 1, and Table 1.1.6: Real Gross Domestic Product, Chained Dollars, line 1. For historical data, click the “modify” link in the table and enter appropriate dates.


rates could be attributed in large part to shortfalls in agriculture brought on by unusually bad weather, and Soviet performance did improve somewhat in subsequent years. But the rebound was limited. According to one estimate at the time, the Soviet economy was growing at a rate of about 4 percent annually in the early 1960s, well below what had been predicted. All of this, in fact, came as quite a surprise to U.S. experts, in the CIA and in academia, who followed these issues. As one of them pointed out in 1966, most analysts had expected a certain slowdown in Soviet economic growth, “but the suddenness of the change, like a horse going lame, surprised many, including this writer.”

Thus, while it is indeed true that both the CIA and, to a certain extent, the academic economists, had taken the view in the late 1950s and very early 1960s that the Soviets were quickly gaining on America in the “great economic race” (as Bergson called it), that view faded rapidly in the early Johnson period and a rather different picture took shape. The Soviet economy was still gaining on the United States, but more slowly than before. The ratio of Soviet to American gross national product, according to a 1970 CIA estimate, increased from about 48 percent in 1961 to only about 51 percent in 1969. By the late 1970s, the tide seemed to have turned. The USSR now seemed to be losing ground. Soviet GNP, according to an estimate the CIA produced in 1984, was only 55 percent of America’s, down from 58 percent in 1975; the ratio was no greater than it had been in 1970 (See Figure 1). And if one compared the two blocs, the picture was even clearer. In 1960, America and its allies were producing three times as much as the Warsaw Pact countries; in both 1970 and 1980, according to CIA calculations, the picture was basically the same. Perhaps the precise ratio was off, but in this context it is mainly the trend that matters: In the CIA’s view, America’s economic lead was not being threatened by a rapid build-up of Soviet economic power.

Thus, while it is indeed true that both the CIA and, to a certain extent, the academic economists, had taken the view in the late 1950s and very early 1960s that the Soviets were quickly gaining on America in the “great economic race” (as Bergson called it), that view faded rapidly in the early Johnson period and a rather different picture took shape. The Soviet economy was still gaining on the United States, but more slowly than before. The ratio of Soviet to American gross national product, according to a 1970 CIA estimate, increased from about 48 percent in 1961 to only about 51 percent in 1969. By the late 1970s, the tide seemed to have turned. The USSR now seemed to be losing ground. Soviet GNP, according to an estimate the CIA produced in 1984, was only 55 percent of America’s, down from 58 percent in 1975; the ratio was no greater than it had been in 1970 (See Figure 1). And if one compared the two blocs, the picture was even clearer. In 1960, America and its allies were producing three times as much as the Warsaw Pact countries; in both 1970 and 1980, according to CIA calculations, the picture was basically the same. Perhaps the precise ratio was off, but in this context it is mainly the trend that matters: In the CIA’s view, America’s economic lead was not being threatened by a rapid build-up of Soviet economic power.

What finally is to be made of the claim that the CIA had grossly overestimated the size of the Soviet economy — that it had mistakenly portrayed it as being three or four times larger than it really was? CIA estimates, it now appears, were probably too high, but they were not nearly as bad as Moynihan and others had suggested. The evidence supporting the claim that the CIA estimates were grossly inflated — that the agency had overestimated Soviet GNP by a factor of three or four (meaning that the U.S. economy was at least five times as big), or even that the USSR was just an “Upper Volta with nuclear weapons” as was sometimes said — is quite weak, if only because an Upper Volta could never have built the sort of military establishment the Soviet Union created. Some critics seem to assume that because various Russian (and other) economists had come up with

**Figure 1: CIA Estimate of Soviet GNP as a Percentage of U.S. GNP, Selected Years**

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<tr>
<th>Year</th>
<th>Soviet GNP as Percentage of U.S. GNP</th>
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<tr>
<td>1960</td>
<td>48%</td>
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<td>1970</td>
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<td>1990</td>
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* Geometric mean of estimates based on Soviet and U.S. prices
** Preliminary figures


35 Computed from Table 1 (slide 9) in CIA Office of Economic Research, “Soviet Economic Growth: Proposed Presentation to the Naval War College,” Aug. 24, 1970, CIAERR/0000307690. For an earlier estimate, see Table 2 of “US and USSR: Comparisons of Size and Use of Gross National Product, 1955-64,” March 1966, 23, CIAERR/0000316278. This showed the Soviet economy growing at an annual rate of 4.6 percent from 1961 to 1964, compared with a U.S. growth rate of 3.9 percent in that period.
37 Keep in mind that all such estimates, which try to sum up in a single figure a massive and constantly shifting outpouring of goods and services, are necessarily based on a large number of assumptions, some rather arbitrary, and that none of the figures generated in such a calculation should be taken as representing objective reality. When I say that the CIA estimates were probably too high, I mean simply that the most reasonable calculations today yield lower estimates of Soviet national income than those the CIA generated at the time, not that there is a single, unambiguously correct figure we are now better able to see.
much lower estimates, that in itself shows that the CIA figures were unrealistically high.38 But the mere fact that alternative estimates were put forward scarcely proves that the CIA figures were grossly inflated, especially since those alternative estimates, and the methods that produced them, have come in for their share of criticism.39 And not every Russian scholar in the post-Soviet period took the view that the CIA estimates were deeply flawed. As Angus Maddison points out, V.M. Kudrov (whom Maddison calls a “leading Soviet Americanologist”) thought the CIA had done a good job in this area.40 Maddison himself, a highly respected authority on national income accounting, wrote in 1998 that the CIA “estimates of Soviet growth performance” were “the best documented and most reasonable estimates we have.”41

Analyzing the Problem

The key issue, however, is not really about numbers. It is much more about how good the qualitative assessments were — about whether, and if so when, analysts were able to see that the Soviet economy was in real trouble. Did economists, both in academia and in the CIA, think that there was nothing fundamentally wrong with the Soviet system? To the extent that they recognized that there were major problems in this area, how were those problems understood? Did they interpret what they saw — the declining growth rate, most notably — in essentially conjunctural terms? Did they view the problems as resulting, for example, from bad weather, excessive military spending, changes in the international price of oil, and so on — that is, the sort of thing that could easily change from year to year? Or did at least some of them, at some point, come to the conclusion that the USSR’s problems were deep-seated — that the fundamental problems were structural in nature and would therefore probably worsen with time? Did they, in other words, develop the sort of theoretical framework that would enable them to see beneath the surface and understand the basic problem the Soviets would have to deal with?

The answer is that a powerful theoretical framework did develop, but it took a while for it to take root among economists working in this area. In the early 1960s, when the decline in the Soviet growth rate was first noticed, the falloff was not interpreted in structural terms. U.S. officials instead attributed it mainly to increased military spending — that is, to a readily reversible factor. The CIA, for example, in a January 1964 press release, said that “much of the blame for recent reductions in the rate of growth falls on the sharp increase in Soviet defense spending, which between 1959 and 1963 increased by about a third,” and the agency took much the same line in classified reports at the time.42

But there were problems with that argument, both conceptual and empirical. Military end-products are as much a part of GNP as consumer goods are, and while increased defense spending certainly hurt the civilian economy it would not in itself necessarily affect the overall rate of economic growth. If an increase in military spending resulted in a reduction in overall investment, GNP would grow more slowly than it otherwise might, but a shift in priorities toward the military sphere might be accompanied not by a cut in overall investment but, rather, by a reallocation of resources within the capital-goods sector — that is, in an increased emphasis on investment in industries that supplied the military at the expense of industries that mainly produced consumer goods. Such a shift in priorities could actually have had a positive impact on the overall growth rate, if common

38 The passage on page 141 in Goodman’s “Ending the CIA’s Cold War Legacy” is an egregious example.
41 Maddison, “Measuring the Performance,” 322. In retrospect, however, Maddison did view the CIA figures as a bit too high. Maddison’s own figures, posted on his website in 2009 (shortly before his death in 2010) showed the Soviet economy as peaking relative to America’s around 1975 at about 45 percent, as compared with the CIA’s estimate of about 58 percent. See the Excel file “Statistics on World Population, GDP and Per Capita GDP, 1-2008 AD,” posted on Maddison’s website (http://www.ggdc.net/maddison/oriindex.htm).
42 CIA press release, “Soviet Economic Problems Multiply,” Jan. 9, 1964, and CIA Special National Intelligence Estimate 11-5-64, “Soviet Economic Problems and Outlook,” Jan. 8, 1964, CIAERR/00000272915, which claimed (on page 1) that the “demands of defense and space have greatly encumbered economic growth since 1958.” Many observers still argue that the economic problem had a good deal to do with high levels of military spending. See, for example, Brooks and Wohlforth, “Economic Constraints and the End of the Cold War,” 277. But some economists who have studied the issue have concluded that the role increased defense spending played in causing the economic slowdown of the 1980s was “so modest as to be unimportant.” See William Easterly and Stanley Fischer, “What We Can Learn From the Soviet Collapse,” Finance and Development 31, no. 4 (December 1994): 3. Wohlforth himself a few years ago referred to recent work by economists suggesting that there is not much of a connection between military spending and economic growth. See William Wohlforth, “Hegemonic Decline and Hegemonic War Revisited” in Power, Order and Change in World Politics, ed. G. John Ikenberry (Cambridge: Cambridge University Press, 2014), 117.
assumptions about higher productivity in the military sector were correct.43

By 1970 CIA analysts had in fact reached the conclusion that military spending was not the fundamental cause of the slowdown. It certainly had not resulted in a reduction in the share of GNP earmarked for investment. That share actually rose slightly from about 23 percent in the late 1950s to about 25 percent in the early 1960s and then to about 27 percent by 1969; it never fell below that level through at least 1987, according to CIA estimates released in 1982 and 1990.44 On the other hand, the share of GNP devoted to defense had decreased from a high of about 15 percent during the Korean War period down to about 13 percent in the mid-1950s and finally down to about 9 percent in 1960-61, more or less remaining at that level for the rest of the decade. Looking at those latter figures, one CIA analyst concluded that the idea that the burden of defense was to blame for the slowdown was something of a “bugaboo.” If the economy was growing rapidly when the military burden was high and the slowdown took place as the burden was being reduced, how could defense spending be to blame for the decline in the growth rate?45 And indeed by the late 1960s the prevailing view among Western analysts was that the real problem had deeper causes and that Soviet leaders were going to have to make some very tough choices. Specialists like Bergson had previously assumed that the Soviets would be able to maintain a high growth rate because they, unlike their rivals in the West, could exercise “political control over the rate of investment.”46 It was for that reason that in 1961 he had been cautiously optimistic about the USSR’s economic prospects.47 But he soon came to see that things were not so simple. It would be hard, he pointed out, for the Soviets to make sure that their capital stock continued to grow at even its present rate, since that would mean a constant rise in the share of national income devoted to investment. The share allocated to consumption, he thought, would have to decline correspondingly.48 For if investment as a share of national income remained constant, investment

43 It was commonly argued in the specialized literature at the time that “military R & D and production benefit from the close, interest, and demanding supervision of the consumers of the product,” and that this “effective communication of users with producers is missing at all stages of civilian production.” Rush Greenslade, “The Many Burdens of Defense in the Soviet Union,” Studies in Intelligence 14, no. 2 (Fall 1970): 10. See also William Odom, “The Riddle of Soviet Military Spending.” Russia 2 (1981): 56-57.


45 “Soviet Economic Growth: Proposed Presentation to the Naval War College,” Aug. 24, 1970, Table 9, CIAERB/0000307690; and CIA Office of Economic Research, “The Soviet Economy: Proposed Briefing,” Aug. 25, 1970, 5 (with chart). More recent figures, though higher for all periods, show the same basic trend (albeit with a less dramatic decline) — they show that the defense burden was higher in the 1950s, when the economy was vibrant, than it was later on — and in the present context it is the trend that is important. See Noel Firth and James Noren, Soviet Defense Spending: A History of CIA Estimates (College Station: Texas A&M Press, 1998), 129-30; Table 5.10; Noren, “CIA’s Analysis of the Soviet Economy,” 33. The general point about the lessening of the defense burden is important because (as Noren notes in the passage just cited) even scholars had gotten a very different impression. To be sure, even the most recent CIA figures have been challenged; some scholars say the Soviet defense burden was much higher. Brooks and Wohlfarth, for example, cite Mark Harrison’s “How Much Did the Soviets Really Spend on Defence? New Evidence From the Close of the Brezhnev Era” (PERSA working paper No. 24, University of Warwick Economics Department, 2003), to support their claim that the Soviets “devoted up to a third of their economic output to the generation of military power.” Stephen Brooks and William Wohlfarth, A World Out of Balance: International Relations and the Challenge of American Primacy (Princeton: Princeton University Press, 2008), 55. Harrison’s new evidence did seem to show that the Soviets were spending more on defense than many had thought; his main document suggested that the figure was equivalent to perhaps 24 percent of GNP. But Harrison, after reading various comments on his paper, concluded that the document in question (the “Konoplev Report”) was probably a forgery. See the postscript to the description of the original paper on Harrison’s website. On the other hand, according to Chernyaev, Gorbachev at one point received a top-secret briefing that suggested “defense” was consuming about a third of national income; that estimate was in line with a similar estimate made at the time by the Defense Department’s Office of Net Assessment. See Gordon Barrass, The Great Cold War: A Journey Through the Hall of Mirrors (Stanford: Stanford University Press, 2009), 323, 254. According to another respectable estimate, the military sector accounted for about a quarter of Soviet GNP in the late 1960s and early 1970s. See Vladimir Zubok, “The Soviet Union and Detente of the 1970s,” Cold War History 8, no. 4 (November 2008): 430.


47 And I do mean cautiously optimistic: The key sentence reads almost like a parody of ultra-cautious academic prose. “In the coming years,” Bergson predicted toward the end of a major work in 1961, “the rate of growth of Soviet Russia’s output per worker may decline below its recent high level, but if so one hesitates to assume that the reduction will soon be very consequential.” Khrushchev’s plans for the future, “he went on, “may often be overoptimistic, but they have some basis in fact.” Bergson, Real National Income, 295, 298. Newspaper accounts, however, gave the impression that he had taken a more alarmist view. See Harry Schwartz, “Output of Soviet May Remain High: Study Shows It May Exceed U.S. Production by 1975,” New York Times, Nov. 26, 1961; “Soviet Growth,” Washington Post editorial, Dec. 16, 1961.


and national income would grow at the same rate. Since in the long run the growth rate for investment determined the rate at which the capital stock grew — indeed, the two rates tended to converge — sooner or later the capital stock would grow no more quickly than national income as a whole.49 Yet it would have to if the present rate of economic growth were to be sustained simply by expanding the capital stock: Given that the workforce was growing less rapidly than the economy as a whole, the capital stock would have to expand more rapidly, since those two growth rates together (assuming no increase in productivity) essentially determined the growth rate for the economy as a whole.50 The fact that, with a large and aging capital stock, an increasing amount of investment would have to go toward replacing worn-out plant and equipment simply compounded the problem.51 All this, Bergson had come to feel, lay “at the very heart of the Russian problem.”52

What this kind of analysis suggested was that the Soviets could not sustain a high rate of economic growth just by plowing more and more capital into the economy. If productivity did not rise substantially, the Soviet leadership would confront major problems. Investment policy alone could not do the job — a finding that perhaps had a special resonance, given the way Western economists had by this point come to understand the whole phenomenon of economic growth, and especially the leading role that technological change played in the growth process.

The implications were clear. Investment policy on its own could not guarantee a high growth rate; if a high growth rate was to be sustained, capital and labor would have to become more productive. The productivity problem was thus of fundamental importance. And this was why findings about productivity loomed so large in the analysis. Indeed, perhaps the most striking empirical fact to emerge from the study of the Soviet economy was that “total factor productivity” — a measure of the part of the growth of output not accounted for by growth in factor inputs (essentially labor and capital) — was not increasing at anything like its earlier rate. A 1964 CIA study had revealed that the annual growth rate for factor productivity in industry had fallen from almost 5 percent in the late 1950s to only about 2 percent in the early 1960s.53 Three years later another CIA study pointed out that the decline in the Soviet growth rate (from about 6.5 percent in the last half of the 1950s down to about 4.5 percent in the first half of the 1960s) could “be attributed primarily to the sharp drop in the rate of growth of productivity” in the economy as a whole (from 2.8 percent down to a mere 0.6 percent in the same period).54 According to an important July 1977 CIA study, the growth rate had turned negative: factor productivity actually declined in the early 1970s.55 The basic trend here was clear to academic economists. Bergson, for example, in a major 1973 article, noted that total factor productivity had grown at an annual rate of 1.7 percent from 1950 to 1958; that rate, he pointed out, had fallen to 0.7 percent in the period from 1958 to 1967.56 The corresponding growth rates were much higher even in the most sluggish Western economies (See Tables 3 and 4).

49 Bergson, “Toward a New Growth Model,” 4. This important article was a revised version of a paper Bergson had presented at a conference in Brussels in 1971. A shorter version was published in Challenge 17, no. 2 (May-June 1974), and the whole article was republished in Bergson’s Productivity and the Social System: The USSR and the West (Cambridge: Harvard University Press, 1978).

50 See, for example, Abram Bergson, “The Soviet Economic Slowdown,” Challenge 20, no. 6 (January-February 1978), 23-24. It was widely recognized that the two “reservoirs” the Soviets had traditionally drawn on as a source of industrial labor — women and low-productivity rural labor — had by the mid-1960s been largely depleted. An increasingly urbanized population, moreover, tended to have fewer children per family, in large part because of the unsatisfactory housing situation. According to projections provided to Congress in 1970 by Murray Feshbach, the leading expert in this area, the working-age Soviet population was expected to grow by only about 1 percent a year from 1970 to 1990, significantly less than its previous growth rate. Calculated from Murray Feshbach, “Population,” 66-67, Table 4, in U.S. Congress, Joint Economic Committee, Economic Performance and the Military Burden in the Soviet Union (Washington: Government Printing Office, 1970), the source Bergson relied on for his population growth figures in his 1973 article “Toward a New Growth Model.”

51 “The growing burden of attrition of the capital stock,” as Robert Campbell noted, “will also slow growth in productive capacity. In the early stages of growth, depreciation of the capital stock is relatively small compared to new additions. As the stock ages and becomes obsolete, depreciation increases as a share of increments, and net increments are squeezed further.” Robert Campbell, “The Economy,” in After Brezhnev: Sources of Soviet Conduct in the 1980s, ed. Robert Byrnes (Bloomington: Indiana University Press, 1983), 69.

52 Slavic Review Roundtable, 243.


56 Bergson, “Towards a New Growth Model,” 3, Table 1. More recent calculations show the same trend. See, for example, William Easterly and Stanley Fischer, “The Soviet Economic Decline,” World Bank Economic Review 9, no. 3 (September 1995): 353; Ofer, “Soviet Economic Growth,” 1778 (Line 7); and Angus Maddison, The World Economy in the 20th Century (Paris: Organization for Economic Cooperation and Development, 1989:100. “What was most striking after 1973,” Maddison writes, “was that total factor productivity became substantially negative, with labor productivity slowing down dramatically, and capital productivity very negative indeed.” Note also the data in Tables 3 and 4.)
Table 3: Estimates of Average Annual Growth Rates of Total Factor Productivity for the Soviet Economy

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<tr>
<td>CIA 1967</td>
<td>2.7</td>
<td>1.2</td>
<td>2.8</td>
<td>0.6</td>
<td>0.8</td>
<td>0.7</td>
<td>-0.6</td>
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<tr>
<td>CIA 1977</td>
<td>1.2</td>
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<tr>
<td>Bergson</td>
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<tr>
<td>(1973)</td>
<td>(1950–58)</td>
<td>2.8</td>
<td>(1958–67)</td>
<td>0.8</td>
<td>0.1</td>
<td>-0.2</td>
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<td>Easterly</td>
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Table 4: Comparative Average Annual Growth Rates of National Income and Total Factor Productivity (TFP)

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<tr>
<td>USSR:</td>
<td>5.02****</td>
<td>5.05</td>
<td>0.50</td>
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<tr>
<td>United States:</td>
<td>3.36</td>
<td>1.87</td>
<td>3.66</td>
<td>1.49</td>
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<tr>
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<td>4.70</td>
<td>3.71</td>
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<td>West Germany:</td>
<td>7.26</td>
<td>4.47</td>
<td>5.92</td>
<td>4.14</td>
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<tr>
<td>Japan:</td>
<td>9.29</td>
<td>5.47</td>
<td></td>
<td></td>
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<tr>
<td>United Kingdom</td>
<td>2.38</td>
<td>1.55</td>
<td>3.02</td>
<td>1.98</td>
</tr>
<tr>
<td>Average OECD:</td>
<td>2.38</td>
<td>1.55</td>
<td>3.02</td>
<td>1.98</td>
</tr>
</tbody>
</table>


*** Figures for OECD countries are given for “national income,” with no further specification.

**** Figure is for GNP, calculated from CIA (Laurie Kurtzweg), “Measures of Soviet Gross National Product in 1982 Prices,” 54-55, Table A-1.
How then was what one analyst referred to in 1966 as a “precipitous decline” in the rate at which productivity had been growing to be explained?57 This issue lay at the heart of much of the work done on the Soviet economy from the mid-1960s on.58 The answers were not obvious, but by the late 1960s certain ideas were widely accepted. First, it was assumed (as basic economic theory would lead one to expect) that diminishing returns had set in as capital had become more abundant relative to labor.59 Certainly the evidence showed, as Bergson put it, that the Soviets were “suffering from a rising capital-output ratio” — that is, it was taking more and more capital to produce a given unit of output.60

A second major point was that by the mid-1960s all the low-hanging fruit had been harvested: easily exploitable resources had already been exploited (Khrushchev’s “virgin lands” program being a good example here); relatively simple, and thus easily importable, foreign technologies had already been imported; and as their economy had become more developed, the Soviets were no longer able to benefit as much from the “advantages of backwardness” as they had in the past (an argument developed most notably by Bergson’s Harvard colleague and friend Alexander Gerschenkron).61 Western economies were embedded in a vast international economic system, in which technology transfer was relatively easy and the level of competition — and thus the spur to innovation — was relatively high. With their much more autarchic and bureaucratically run economy, the Soviets could not benefit from that system to nearly the same extent. They might try hard to import Western technology through both legal and illegal means, but as technology advanced the barriers to technology transfer inherent in the Soviet system were bound to loom larger.62 It was clear what those barriers were, as Joseph Berliner, a leading specialist in this area, pointed out in a 1973 essay, “The international flow of technological knowledge,” he wrote, “takes place through the movement of publications, products, and persons. The Soviets have relied most heavily on the first, less on the second, and least on the last. The effectiveness of technological transfer, however, is in the reverse order.” They therefore had not benefited, and by implication could not benefit, from technological advances to the same extent as their rivals in the West.63

A third and somewhat related argument focused on the fact that the Soviet economy was far more complex than it had been in the past. The assumption was that the well-known inefficiencies and rigidities of the Soviet system would cause more problems than they had in earlier years, when economic goals (such as vastly increased steel production) were relatively simple and the strategies for achieving them were more or less obvious. But an enormously complex modern

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60 Slavic Review Roundtable, 243-44.


economy could not be run efficiently in such a centralized way.64

What all this suggested was that the USSR’s economic problems could be expected to worsen unless the Soviet economy changed in fundamental ways. In the past a rapid increase in factor inputs — essentially capital and labor — had been the main engine of growth, but that strategy appeared to have run its course. The old “extensive” growth model, as it was called, had to be replaced with a new “intensive” growth model, focused on improving productivity — either that, or the USSR’s economic problems would become even more serious.65 This was one of Bergson’s main points. His main article laying out these ideas, called “Toward a New Growth Model,” concluded with the observation that the traditional Soviet model “may not survive its dictatorial originator much longer.”66 Other scholars went a bit further and as early as 1966 actually used the word “crisis.”67 Gregory Grossman, a professor of economics at Berkeley and a leading specialist in this area, was particularly prescient. In an extraordinary article published in 1962, Grossman argued that some of the most basic features of the Soviet economy — the absence of a market mechanism, the limited role that money played in economic life and the limits on labor mobility — were increasingly counterproductive. They clashed with “some of the most fundamental requirements of a modern economy and society”:68

The lack of a market mechanism, that is, the command principle, obstructs decentralization and thus conflicts with a modern economy’s enormous complexity, the need for dispersed initiative to take full advantage of industrialism’s productive and growing potential, and the modern consumer’s quest for quality and variety of goods and services. Demonetization, albeit partial, stands in the way of effective decentralization and bars the use of a rational calculus even within the framework of the command economy. And lastly, direct controls over labor — trained and educated labor at that — offend against human dignity and the sense of justice.

The conclusion he drew was of fundamental importance: “In terms of the historical contrast with the West,” he wrote, “the wheel is set for another turn.”69

The basic assumption here was that the absence of a market, or at least of market-like mechanisms, lay at the heart of the productivity problem; it followed that a solution would depend on economic decentralization. But would the Soviets be able make the transition — that is, would they be able to move toward a more efficient, and thus more decentralized, system? On the one hand, they certainly had enormous incentives to do so. For both domestic and foreign policy reasons, a vibrant economy was of fundamental importance. The Soviet government, as Bergson pointed out in 1966, had over time become “committed to the notion that rapid growth was the success criterion for the system as a whole,” so the decline in the growth rate was “politically and ideologically very disturbing.”70 The CIA economist Rush Greenslade made much the same point that same year. It was hard, he said, to see how the Soviets could accept “slower growth and give up hope” of catching up with the West. They had always justified the sacrifices their people had to make “as the necessary price of Utopia in the future.” Could they lower their sights now, settle for just moderate growth, and aim merely for a society that was “a pale and lagging imitation of Western life”? It was hard to imagine how that could happen after all that had been said, especially given what the domestic political consequences might be.71 It was also clear that a strong economy was needed to generate the resources to build a military establishment that would enable the USSR


65 This terminology was common. See, for example, Ofer, “Soviet Economic Growth,” 1786, and the sources cited there.


67 See the Slavic Review Roundtable, 233-36.


69 See the Slavic Review Roundtable, 231-32.

to hold its own against rivals or even to pursue more ambitious goals. And Soviet influence in the Third World depended in part on the Soviet Union's ability to hold up its system as a model — one that could lead to rapid economic growth. On the other hand, a thorough reinvigoration of the economy called for fairly radical economic reform, and it would be extremely difficult for the Soviets to dismantle the command economy, not just for ideological reasons. Strong bureaucratic interests were bound to oppose far-reaching reform of that sort, even if the leadership wanted to move in that direction. And it was far from obvious that the leadership would even want to do so, given that partial marketization was problematic even for purely economic reasons: “co-existence between the command principle and the market mechanism would seem to be unstable and ephemeral,” so perhaps there was “no half-way house between a market economy and a command economy.” But at its core the problem was political: At stake was “the whole centralized structure of the Soviet economy, the command economy itself, and ultimately, the location and distribution of power in the society.”

No one could tell where even partial marketization might lead, a point perhaps underscored by what had happened in Czechoslovakia in 1968. Fear of the unknown — that is, of a possible unraveling of the system, political as well as economic, once the reform process had begun — could easily hold the Soviet leaders back.

Yet, as Grossman pointed out in 1963, the issue was not quite that simple. Partial marketization could not be ruled out entirely. Over time, he thought, the Soviet system might become more relaxed. An improvement in the international environment, “a greater sense of security and comfort due to material progress,” “the waning of the ideological élán,” “the embourgeoisement of the population, the growing expertise and self-confidence of the professionals,” and so on — might not such developments, he wondered, “lead to a more relaxed attitude toward resource mobilization and the enforcement of priorities?”

In that case, “certain sectors might be separated out of the command pyramid and ‘marketized’; for example, agriculture (albeit still largely socialized) and construction (or some parts thereof).” “But then,” he went on to speculate, “such a hybrid structure might prove to be only a transitional stage, for the same political developments would probably make it more difficult to resist the lure of a thoroughgoing socialist market economy à la yougoslave.” “But we are now,” he concluded, “on very ‘iffy’ ground.”

The point here is that the sort of analysis economists had developed in the 1960s did not quite allow one to see with any certainty how things would change. Its main value was that it enabled one to understand the structure of the problem the Soviets would face and thus could serve as a framework for informed speculation about how things might develop. The fundamental question had to do with the core issue of stagnation or marketization. The command economy lay at the heart of the Soviet system, Greenslade pointed out in 1966, but it was “as clear as can be that no commands can cure the economic troubles


72 Grossman, “Notes for a Theory,” 119, paraphrasing an argument made by Peter Wiles.


74 See Malla, Soviet Tragedy, 360. As economic and political liberalization are linked in many ways, this problem was related to the fear that the whole Soviet system might be overwhelmed by forces released once the political controls were relaxed. “If we open up all the valves at once,” Andropov said, “and people start to express their grievances, there will be an avalanche, and we will have no means of stopping it.” Quoted in Barrass, Great Cold War, 355.

75 Grossman, “Notes for a Theory,” 122-23. A decade later, however, in a review of Moshe Lewin's Political Undercurrents in Soviet Economic Debates, Grossman seemed to argue that partial marketization was not a viable strategy. “Yet one may wonder,” he wrote, “whether the obstacles to effective marketization of the economy — and, therefore, also to socio-political liberalization — are to be found only in the leadership’s tenacious attachment to power. By this time equally important may be the tacit acknowledgment by both ruler and ruled of the public’s right to full employment, job security, and an easy pace of work, while its consumption levels must be steadily raised. Under these conditions, a fledgling market mechanism may not have much chance against an entrenched command economy. Objectively, to use a favorite Soviet word, the masses may thus be on the side of the powerful and privileged in protecting the command economy from fatal attack. Again, the Czechoslovak experience is not without its lessons.” Journal of Economic Literature 14, no. 3 (September 1976): 915. That someone of Grossman’s intellectual stature found it hard to reach definitive conclusions is a measure of how difficult this problem of partial marketization was, and yet the whole issue of whether gradual economic and political change was possible turned in large measure on how that question was to be answered. The scholarly literature on the semi-legal “second economy” is of particular interest in this context, since the “second economy” represents a form of partial marketization. For an early account, see Zev Katz, “Insights From Emigrés and Sociological Studies on the Soviet Economy,” U.S. Congress, Joint Economic Committee, Soviet Economic Prospects for the Seventies (Washington: Government Printing Office, 1973), 87-120. For more extensive studies of the subject, see the many works published by the Berkeley-Duke Project on the Second Economy in the USSR, headed by Vladimir Treml, Gregory Grossman, and Michael Alexeev. Note in particular Gregory Grossman, “The Second Economy of the USSR,” Problems of Communism 26, no. 5 (September-October 1977), and Grossman, “Sub-Rosa Privatization and Marketization in the USSR,” Annals of the American Academy of Political and Social Science 503 (January 1990). See also Steven L. Sampson, “The Second Economy of the Soviet Union and Eastern Europe,” Annals of the American Academy of Political and Social Science 493 (September 1987) and the references cited there.
of the U.S.S.R.” Yet the Soviets’ justification for their system, and for all the sacrifices the Soviet people had been forced to make, was that it would produce material well-being in the future. It was hard to see how they could give up on that, but it was equally hard to see how they could give up on the command economy. One could see the Soviets’ problem: Their dilemma, Greenslade thought, was “that the causes of the slowdown and the party’s tangible raison d’être are rooted equally deep in the system.”76 But no one could tell how they would resolve it.

Assuming, moreover, that the Soviets were not able to liberalize their economy in any significant way and that the slowdown continued, how were the resources they did have to be divided between their three main uses: consumption, investment, and defense? The problem was obvious. Increasing investment was one of the few things they could do to increase the growth rate, even if it was becoming less and less effective in that regard, but allocating a greater share of national income to investment would mean that the share going to defense or consumption or both would have to be cut. It was difficult to cut defense spending, given that the USSR was competing with a much richer and more technologically advanced group of powers (not to mention China). On the other hand, to cut back on what was going to the consumer might be difficult, in part because the whole basis of the regime’s policy in the post-Stalin period was to change the relationship between state and society — so that it rested not brute force and terror but on at least a degree of consent; the regime’s legitimacy in the eyes of the people, and to a certain extent in its own eyes as well, rested in large measure on its ability to deliver the goods and improve the material well-being of the population as a whole. And the consumer’s interests had to be taken into account for purely economic reasons. “The methods used for forced industrialization,” as a CIA analyst pointed out in 1970, were “increasingly ill-suited for the management of a complex, modern economy. The highly skilled, technical labor force now required is more motivated by incentives than by coercion. This means, in turn, that consumers can be no longer treated as residual claimants.”77

But all this meant that the Soviets were going to have to face some very hard problems. As the economy slowed down and the allocation problem began to bite, they might be forced to take the basic question of marketization more seriously, but given the fundamental nature of their system would they really be willing to move in that direction? “I have the feeling,” Bergson said in a 1966 roundtable of economists devoted to this issue, “that it’s going to be terribly difficult for the Russians to work out a solution for the problems they are dealing with.” Another economist in that roundtable, G. Warren Nutter, went a bit further. The Soviets, he thought, were “facing extremely difficult problems of choice as to which way they will move — to the point of whether they will fundamentally change their economic system.”78 Again, no one could tell how the issues would be resolved, but given the seriousness of this set of problems it was hard to think that things would just go on as they had. Perhaps gradual change was possible, but it was also possible that Soviet society would not be able to evolve in that way. In that case, three analysts wrote in 1966, “if substantial changes do occur, they may occur rapidly and have far-reaching and immeasurable impacts on the whole fabric

76 Greenslade, “Soviet Economic System in Transition,” 8-9. This theme was echoed in many writings and even some key leaders came to view the problem in these terms. For example, as one document pointed out, none of the USSR’s leaders “can suggest a new program of reform which would spur economic progress and at the same time preserve central political control. This is a central Soviet dilemma.” President Nixon highlighted those passages and wrote in the margin: “The critical point.” Kissinger to Nixon (drafted by Kissinger’s assistant Helmut Sonnenfeldt), Feb. 2, 1970, FRUS 1969-74, 12:370. See also Georges Pompidou Le Noeud gordien (Paris: Flammarion, 1974), 112, and Ronald Reagan, as quoted in Peter Schweizer, Victory: The Reagan Administration’s Secret Strategy That Hastened the Collapse of the Soviet Union (New York: Atlantic Monthly Press, 1994), xiv. And see Henry Kissinger, “Les fondements de la politique étrangère des États-Unis,” Politique étrangère 47, no. 4 (1982): 922: “Le dilemme du communisme est qu’il semble impossible de faire marcher une économie moderne avec un système de planification totale alors que la survie d’un État communiste pourrait bien s’avérer impossible sans un tel système de planification!”


78 Slavic Review Roundtable, 235.
of society.” Even the modest reforms the Soviets seemed to be contemplating, might, if implemented, “take them well beyond the dimensions anticipated by those who have unleashed the forces of change. The end result may well be a second economic revolution comparable in scope and depth to that launched by Stalin in the thirties.”79 Those words, of course, have a special resonance today given what happened during the Gorbachev period.

So while the analysis might not have enabled people to see precisely how the USSR was going to develop, it did provide a certain window into the future — a hazy and uncertain window to be sure, but one of real value nonetheless. What was particularly impressive was that this conceptual framework took hold very early on — in the mid- and late 1960s, that is, at a time when the Soviet growth rate still seemed quite respectable by Western standards.80 The economists had been able to see beneath the surface and give some feel for the seriousness of the problem and for why those problems were likely to grow over time. It was certainly not the case that mainstream American economists took a rosy view of Soviet economic performance and prospects well into the 1980s (as people like Malia had claimed). They not only saw, very early on, that the Soviets faced major problems, but also saw why those problems were likely to worsen in the not-too-distant future.

The Widening Circle

The core analytical framework that had taken hold by the late 1960s remained intact for the remainder of the pre-Gorbachev period, but the basic picture that came across was increasingly bleak: The Soviet economy was slowing down, and the slowdown was expected to continue in the years to come. An important July 1977 CIA paper called “Soviet Economic Problems and Prospects” is a good case in point. The document began by noting that the Soviet economy faced “serious strains in the decade ahead”; the basic problems that had long been noted “were likely to intensify”; “a marked reduction in the rate of economic growth in the 1980s,” it concluded, down to between 2 and 3½ percent a year, seemed “almost inevitable.”81 Similar views can be found in many other CIA documents from the period. The CIA director in the late 1970s, Adm. Stansfield Turner, took the same line year after year in testimony before Congress.82

These increasingly gloomy assessments were widely reported in the press (See Table 1 above). In the late 1970s, the basic message was that the Soviet leadership would eventually have to deal with some very difficult problems. By the start of the 1980s, the situation was viewed as even more serious. The veteran New York Times correspondent Harrison Salisbury, for example, referred to “debilitating Soviet weaknesses” and to the “crushing problems” Soviet leaders had to face in an important article published in the New York Times Magazine in February 1981, at the beginning of the Reagan presidency; he concluded by talking about how the Soviets had to “fight their way out of the quagmire into which failed Marxian precepts and their own rigid bureaucracy” had led them.83 Ivan Selin, a former Pentagon official who for years had been deeply involved with Soviet affairs, expressed much the same view in a 1982 roundtable. The Soviets, he said, were “in a terribly difficult situation,” “probably the worst situation they’ve faced at least since the early 1950s”; “their prospects are pretty grim — at least out to the end of the century.”84 That same year Thomas Reed, formerly a consultant to the Reagan National Security Council and then a special assistant to the president, called the Soviet Union “an economic basket case”; the Soviet government, Reed said, could not “feed its own people”; “the potential for corruption and decay,” he added, had

80 According to a 1982 CIA estimate, the Soviet economy was growing at a rate of 5.2 percent a year in the late 1960s. The U.S. growth rate for the same period was 3.1 percent, and the growth rate for the whole OECD area was 4.8 percent. CIA (John Pitzer), “Gross National Product of the USSR 1950-80,” 20, Table 1. See also Table 2 above.
81 Central Intelligence Agency, “Soviet Economic Problems and Prospects,” July 1977, i, ii, v, CIAERR/0000292354. This important paper was also released to the public by the Joint Economic Committee a month after it was prepared.
82 For a series of excerpts from CIA documents and statements expressing similar views, see “Excerpts From Cited References” in Douglas MacEachin’s monograph “CIA Assessments of the Soviet Union: The Record Versus the Charges,” available online at https://www.cia.gov/library/center-for-the-study-of-intelligence.
“mushroomed in the dank darkness of the Soviet dictatorship.”96 During the presidential transition at the end of 1980, CIA analysts had in fact made it clear to President-Elect Reagan that “the Soviets are really suffering” and that “these guys are in a lot of trouble.”97 By 1983, when the economist Marshall Goldman, associate director of Harvard’s Russian Research Center, published his book *U.S.S.R. in Crisis: The Failure of an Economic System*, the view that the Soviet Union was in deep trouble was quite common.98 Indeed, Goldman noted in his preface that other scholars had come to the perspective reflected in the book’s title earlier than he had.99 A CIA document issued in early 1981 noted that the Soviet leadership’s apparent belief “that the decline in Soviet economic performance can be kept within manageable bounds without major policy change diverges from the perception of most Western observers, who foresee more severe consequences stemming from this business-as-usual attitude.”100 The reference to “Western,” and not just American, observers is worth noting: Many Europeans, such as the highly respected French journalist Michel Tatu, took much the same view.101 The consensus by the early 1980s, in other words, was that the economic problem was already quite serious and would probably worsen in the next few years.

A new element was incorporated into the analysis beginning in the late 1970s. For the first time, serious attention was given to the social problems the Soviets had to contend with — alcoholism, corruption, absenteeism and so on — and to the demographic indicators suggesting that Soviet society had taken a sharp turn for the worse.102 The most important work in this area was done not by the CIA (which did not pay much attention to issues of this sort) but by the demographer Murray Feshbach.103 Feshbach and his co-author Christopher Davis presented their findings in a *Wall Street Journal* article in 1978. “Unlike the rest of the industrialized world,” they began, “the Soviet Union is experiencing a rising infant mortality rate and falling life expectancy.”104 The evidence was outlined in some detail in a paper they released two years later, and Feshbach published several other articles on the subject in the early 1980s.105 Their findings were extraordinary. The Soviet infant mortality rate had “shot up by over 50%” in the 1970s; it was three times as high as the U.S. rate.106 Life expectancy for males had fallen from 67 years

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85 Michael Getler, “Soviet Economy Called ‘Basket Case’: Presidential Aide Says U.S. Should Continue Pressures on Trade and Credit,” *Washington Post*, June 17, 1982. This is of particular interest given the later view that CIA estimates were too rosy because the political leadership at the time refused to accept the idea that the Soviets were in trouble. Note, for example, a comment by Michael Nacht, then dean of the Public Policy School at the University of Maryland and a well-known expert in this area. “Frankly,” Nacht said in a 1992 interview, “the reporting of intelligence has been extremely politicized. In the Casey period, any kind of study showing the Soviet Union was an economic basket case would have been shelved. It didn’t comport with the overarching view of a communist threat.” Rodman Griffin, “The New CIA,” *CG Researcher* 2, no. 46 (Dec. 11, 1992), Reagan himself, incidentally, also referred to the Soviet Union as an ‘ec. basket case’ in a diary entry in November 1985. See David E. Hoffman, *The Dead Hand: The Untold Story of the Cold War Arms Race and Its Dangerous Legacy* (New York: Doubleday, 2009), 226, 520.


88 ’A few years ago,’ he wrote, ‘Soviet prospects looked far more promising to me. When American Sovietologists painted a picture of the Soviet Union showing it on the verge of doom, if not collapse, I invariably responded that they were viewing something radically different from what I knew. Now I am not so sure.’ Marshall Goldman, *U.S.S.R. in Crisis: The Failure of an Economic System* (New York: Norton, 1983), xii. The journalist Drew Middleton had pointed out a few years earlier that ’some analysts’ believed that ’the Communist system is incapable of dealing with the USSR’s economic and political problems and that their growth could lead in time to disintegration of the Soviet Union.’ ‘West Expects Soviet Might, and Ills, to Peak in Mid-80s,’ *New York Times*, June 29, 1979.


92 On Feshbach, see Cullen Murphy, ’Watching the Russians,’ *Atlantic Monthly*, February 1983, and Schrad, *Vodka Politics*, 249-51. For the CIA’s neglect of social issues, see Lundberg, ’CIA and the Fall of the Soviet Empire,’ 8, 12.


in 1964 to about 62 years in 1982.\textsuperscript{96} It seemed clear, moreover, that a leading cause for all this was what Feshbach called the “pandemic” of alcoholism in the USSR, a point developed in greater depth by Feshbach’s sometime collaborator, the Duke economist Vladimir Tremil.\textsuperscript{97} Infant mortality figures were considered a good indicator of the overall health of a society; it thus seemed that the general health of the Soviet population was deteriorating and that the USSR’s health-care system was not able to cope with the problem. Recent studies had suggested, one leading analyst, Nick Eberstadt, wrote in 1981, that the Soviet health-care system had “deteriorated dramatically in the past 15 years” and that “many believe its lapses may now have reached epidemic proportions.”\textsuperscript{98}

The press paid a good deal of attention to what these scholars were saying. The Feshbach-Davis study, for example, was the subject of a front-page article in the Washington Post after it came out in 1980.\textsuperscript{99} Eberstadt published an important piece in the New York Review of Books in early 1981 discussing Davis and Feshbach’s “startling report” and drawing out some of its implications. Looking at the “bits of information” they and others had supplied, Eberstadt asked: “What do these things say about alienation and depression, the desire of people to look after their health and to keep others alive?” To him, they suggested that “some virulent strain of anomie” was “running rampant” and that the Soviet social order was “in the midst of deadly decay.” He referred to the “debilitation of the workforce” and the “demoralization which underlies it”; the 1960s and 1970s, he thought, had “proved devastating to Soviet society.”\textsuperscript{100} Another analyst was even more blunt. “The health data,” he was quoted as saying, “simply reflect that some things may be cracking up there.”\textsuperscript{101} Other observers interpreted Feshbach’s findings in much the same way. They were, for example, a key basis for Moynihan’s argument in 1979 that the USSR might “blow up.”\textsuperscript{102}

Other information pointed in the same general direction. Corruption, it was learned, had become pervasive; in 1978 a Soviet dissident, Konstantin Simis, published an important article on the subject in Survey, one of the main journals in the field.\textsuperscript{103} Even the family of Soviet leader Leonid Brezhnev was not beyond reproach in this regard — and Brezhnev’s hold on power at the end, in 1982, was so shaky that Yuri Andropov, the head of the KGB, was able with impunity to leak some damaging information about Brezhnev’s daughter, her lover (“Boris the Gypsy”), and a diamond scam they were involved with.\textsuperscript{104} Brezhnev himself, clinging to power despite obvious physical and mental decline, seemed to personify all that was wrong with the system. Unable toward the end even to “utter a few phrases in public unless they were printed out for him,” and barely able to stand unaided, “he became a symbol,” Dmitri Volkogonov writes, “of the entire decrepit leadership.”\textsuperscript{105}

People were increasingly coming to feel that the Soviet system was in decline. In 1967, the economist Joseph Berliner was struck during a visit to the USSR that the Soviet economists he
spoke with took a gloomy view of their country's economic prospects — quite different from the "modus of exuberance and of confidence in the vitality of the Soviet economic system" he had observed in another visit a decade earlier.\textsuperscript{106} Other observers came away with similar impressions: One scholar, who had spent four years in the Soviet Union in the early and mid-1970s, published an article when he returned home called "The 'New Soviet Man' Turns Pessimist."\textsuperscript{107} William Odom remembers "several chance conversations" he had while serving as assistant U.S. military attaché in Moscow from 1972 to 1974: "middle-level bureaucrats and officers expressed deep concern over the state of the economy and the military burdens it carried."\textsuperscript{108} Some Europeans had come to see things in a similar light. Georges Pompidou, for example, just before his election to the French presidency in 1969, had already concluded that the Soviets had lost the economic competition with the West. He approvingly quoted Milovan Djilas, the former Yugoslav Communist leader, as saying that "as an ideology, Communism was in the process of falling apart, and as a society was in a state of unrest"; and he clearly shared Djilas' view that "the political and social structure of the Soviet Union was radically inconsistent with modern ideas and contemporary realities."\textsuperscript{109}

Some — but by no means all — journalists’ accounts gave much the same impression. In 1969, Anatole Shub, after serving as Moscow correspondent of the Washington Post, published a series of articles in that newspaper summing up what he had learned about the Soviet Union. His views are of particular interest in this context. "The sense of suffocation and choking among the educated," he wrote, "is matched by the sullenness and permanent irritability of the masses."\textsuperscript{110} The following year he wrote in Survey commenting on his friend Andrei Amalrik’s famous essay "Will the USSR Survive until 1984?" which that journal had recently published. Nothing in the past six years, Shub said, including his two years in Moscow, had "significantly altered" his view that the Soviet regime was in a state of what Amalrik called "decrepitude" and that the great problem for the USSR’s leaders, as well as for the population they ruled, was to find a way out "of the cul de sac" the Communists had created in Russia. He thought that as time passed and the regime became "more and more clearly anachronistic," the discontent would spread through the intelligentsia into the Communist Party itself, and perhaps to some parts of the leadership. "A definite intellectual osmosis" between dissidents, "loyal but critical intellectuals, economic managers and Party officials," he wrote, had been going on for some time and was bound to continue; "the current Soviet economic crisis should, I would think, accelerate the process."\textsuperscript{111}

During the 1970s more and more people came to see things this way — that is, they were coming to think not merely that the economy was sluggish and that the USSR had to deal with a series of discrete yet manageable problems but, rather, that the whole system was in trouble. That conclusion had by no means been universally accepted. As late as 1983 some experts still took a relatively rosy view.\textsuperscript{112} But among specialists, and to a certain extent in the educated public as a whole, by around 1980 a certain picture had come into focus. The USSR’s prospects appeared grim; the Soviet populace seemed increasingly disaffected. "Over the past several years, and especially over the past several months," a 1982 CIA document reported, "a number of Western observers in Moscow have detected in Soviet society an air of general depression and foreboding about the future."\textsuperscript{113} It seemed that even the Soviet leadership had lost


\textsuperscript{109} Pompidou, Le Noeud gordien, 103, 111-15. This book was written mainly in the brief period after Pompidou was dismissed by Charles de Gaulle as prime minister following the events of May 1968 and before he was elected to the presidency in 1969; it was published in 1974, the year he died in office. The idea that the Soviet economy was in trouble was a common theme in published French and German diplomatic documents even for the 1960s. See, for example, Wilson-Erhard meeting, Jan. 15, 1964, Krieg, Akten zur Auswärtigen Politik Bundesrepublik Deutschland 1964, 1:50 (note 6); and de Gaulle-Heath meeting, Nov. 22, 1965, Akten zur Auswärtigen Politik Bundesrepublik Deutschland 1965, 2:624. Note also de Gaulle’s comments in a meeting with West German Chancellor Kurt Georg Kiesinger, Jan. 13, 1967, DDF 1967, 1:69.


\textsuperscript{111} Anatole Shub, "Will the USSR Survive...? A Personal Comment," Survey, no. 74/75 (Winter-Spring 1970): 88, 92.


\textsuperscript{113} CIA Directorate of Intelligence, "Soviet Elite Concerns About Popular Discontent and Official Corruption," 1. See also Barrass, Great Cold War, 284, which discusses a British intelligence report on The Malaise of Soviet Society. The report was given to the Americans and, according to Barrass, made a big impression on its readers in Washington.
faith in the system; the widespread corruption was one major sign of this. And if the leadership no longer took the ideology seriously, that was bound to have an effect on ordinary citizens. “Under Brezhnev,” Volkogonov writes, “Communism was talked about from habit, though no one believed in it any longer”; as Anatoly Chernyaev, then an important official in the International Department of the Central Committee, noted in 1972, “our ideology is for internal consumption only.”14 Brezhnev himself, according to David Remnick, “began privately calling Leninist ideology tryakhomud’ — a term of derision that might best be translated as ‘crapola.’”15 The Soviet leader sneered at officials who kept “going on about imperialism this, imperialism that” and even asked for “quotations from the [Marxist] classics to be cut” from his speeches, saying, “And who’s going to believe I ever read Marx?”16 People on the outside had little trouble seeing how hollow the ideology had become. Brezhnev had become an object of ridicule. One joke, widely reported in the West, was particularly telling. In it, Brezhnev’s mother, after a lapse of many years, visited her son in Moscow. As he showed off his sumptuous apartment, his fine clothes, his vast collection of luxury cars (Volkogonov says he had no fewer than eighty!), the old lady looked increasingly disconcerted. “What’s the matter, mom?” he asked. “Aren’t you pleased with my success?” “Well, of course I am, Leonid,” she replied. “There’s just one thing that worries me. What are you going to do when the Communists get back?”17

Did the Soviet leadership understand that it would have to deal with some very serious problems? It is often said that only at the very end of the Brezhnev period in the early 1980s did the leadership come to see how serious the problem was and that before that point it had the sense that things were going pretty well. In reality, Soviet leaders had long been aware that their economy was in trouble. “The top echelons of the Soviet leadership,” according to two scholars who have studied this issue, “had been getting confidential reports critical of the economy’s performance since at least the 1960s.”18 Another scholar refers to an important 1968 report laying out the problems; it had been prepared, at Prime Minister Alexei Kosygin’s request, by the economic section of the Soviet Academy of Sciences.19 Brezhnev himself discussed the situation at some length in Central Committee plenums in 1972 and 1973. Chernyaev, who gives an account of both speeches in his diary, came away from the 1973 discussion with “a gnawing feeling about the lack of prospects.” It was not that economic collapse was imminent; indeed, the assumption was that the system would probably endure. But the outlook was fairly dismal and it seemed that, given the existing structure, not much could be done. “Have we formed,” Chernyaev wondered, “some kind of inert, bureaucratic, ossified force of hopeless indifference (following the principle — just to survive a few more years), a force that will swallow anyone who tries something new?”20

In fact, the problems were discussed openly.

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116 For the first point: Anatoly Chernyaev 1974 diary, entry for July 13, translated and edited by Anna Melyakova and Svetlana Savranskaya, 24; the diary for 1974 is linked to National Security Archive Electronic Briefing Book no. 471 (May 2014). (Brezhnev was referring to a prominent Soviet ideologue, B.N. Ponomarev, head of the International Department of the Central Committee.) For the latter point: see Georgi Arbatov, The System: An Insider’s Life in Soviet Politics (New York: Times Books, 1992), 123.

117 See Ben Lewis, Hammer and Tickle: A Cultural History of Communism (New York: Pegasus, 2010); and Volkogonov, Autopsy for an Empire, 302-03. McCauley, Rise and Fall, has many of the best jokes from the period. For Brezhnev’s automobile collection, see Volkogonov, Autopsy for an Empire, 307. The view that the ideology was just a shell of its former self is, of course, by no means universally shared. Even so hard-core a realist as Wohlforth, writing in 1994, thought it was striking “how very late in the game” Soviet leaders clung to their “basic ideological faith.” Wohlforth, “Realism and the End of the Cold War,” 98. Mark Kramer, who probably is more familiar with the historical evidence from Eastern sources than any other Western scholar, takes a balanced view but clearly believes ideology was more important than realist scholars are inclined to think. “The latest evidence,” he concludes in an important article on the subject, “suggests that Marxism-Leninism was far more than a charade or a smokescreen.” “It was an ideology,” he writes, “that underlay and guided the Soviet regime,” and a certain emphasis on ideology in explaining Soviet foreign policy “seems largely warranted.” Kramer, “Ideology and the Cold War,” Review of International Studies 25, no. 4 (October 1999): 574-75.


119 Lewis, Soviet Century, 261.

120 Anatoly Chernyaev 1972 diary, entry for Dec. 31, translated and edited by Anna Melyakova and Svetlana Savranskaya, 37-39; the diary for 1972 is linked to the National Security Archive Electronic Briefing Book no. 279 (May 2012); Anatoly Chernyaev 1973 diary, entry for Dec. 17, translated and edited by Anna Melyakova and Svetlana Savranskaya, 74-77; the diary for 1973 is linked to National Security Archive Electronic Briefing Book no. 430 (May 2013). Note also Chernyaev’s postscript to the 1973 diary, on page 80, written in 2002. The economy, he wrote, was not doing well; indeed, a period of “stagnation and irreversible decline” had begun; this was “starting to be felt, if not understood, by the ruling stratum”; and it “became clearer and clearer that ideology was falling victim to the hopeless economic stagnation.”
“Never has there been such widespread and frank discussion of the defects of the planning system,” Alec Nove, a leading specialist in this area, said in May 1963. “To an ever greater extent,” Nove reported, “Soviet economists express the view that a new stage has been reached, that the old methods of planning cannot any more cope with the problems of an increasingly mature and sophisticated industrial system. The pages of Pravda and of the specialized press are filled with debates on radical reforms.”\textsuperscript{122} The political leadership frequently discussed these problems, and its pronouncements were widely reported in the Western press. A handful of New York Times and Washington Post headlines gives some feel for what was being said: “Premier Says Soviet Economy Is Beset by Lag in Production” (Dec. 14, 1964); “Brezhnev Reports Wide Economic Ills, Asks Tight Control” (Jan. 17, 1970); “Soviets Ponder Ailing Economy” (March 29, 1971); “72 Growth Rate Lowest in 10 Years, Kosygin Says” (Dec. 14, 1972). “Dissatisfaction of the Soviet leaders with the performance of the economy,” a CIA analyst reported in 1970, was evident not just in their speeches but “in a flood of press articles that urge better and more intensive work and announce new measures to alleviate specific difficulties.”\textsuperscript{122} The details reported in the Soviet press about the inefficiencies of the Soviet system had a major impact on the thinking of Western economists in the 1960s and beyond: “when we’re being told these things with increasing frankness and incisiveness,” one U.S. economist noted in 1966, “something sinks in.”\textsuperscript{123}

The interesting thing here is that the Soviets analyzed the problem in much the same way U.S. economists did. The basic problem, according to the Americans, was that the “extensive” growth model had run its course and one had to shift to an “intensive” model and focus on making both capital and labor more productive. Some of the most talented Soviet economists took essentially the same line. The academicians V.S. Nemchinov, most notably, had argued as early as 1964 that a far-reaching liberalization of the economy was needed if the productivity problem was to be solved — and indeed if the whole economic system was not to break down.\textsuperscript{124} The idea that the centralized planning system might have made sense in an earlier period but no longer suited the needs of a modern, complex economy was quite common. It even made its way into the military journals.\textsuperscript{125}

Indeed, even top Soviet leaders expressed views of that sort. Prime Minister Alexei Kosygin himself, in a famous 1965 speech, outlined (in Vladimir Tremil’s words) “practically all the shortcomings and defects of the existing system.” Productivity, Kosygin admitted, was growing less rapidly than in the past; making capital more productive was the “central problem” the country had to face. That meant that the present system had to be liberalized: existing forms of management were “no longer in conformity with modern technico-economic conditions”; “the rights of enterprises are cramped and their area of responsibility is insufficient.” In making those arguments, as Tremil points out, Kosygin was presenting ideas that had

\begin{itemize}
  \item \textsuperscript{122} Byrne, “Recent Trends in the Soviet Economy,” 3.
  \item \textsuperscript{123} Alexander Erlich in Slavic Review Roundtable, 244-45. See also Schroeder, “Reflections on Economic Sovietology,” 210.
  \item \textsuperscript{125} See the passage from T. Bul’ba, “The Fundamental Question of the Economic Policy of the Communist Party of the Soviet Union,” Kommunist vooruhrennykh si, no. 10 (1973): 16; quoted and discussed in William Odom, “Who Controls Whom in Moscow,” Foreign Policy, no. 19 (Summer 1975): 114. See also Leslie Gelb's account of a remarkable interview he had with Marshal Nikolai Ogarkov, chief of the Soviet General Staff, in 1983. “We will never be able to catch up with you in modern arms,” Ogarkov essentially said, “until we have an economic revolution. And the question is whether we can have an economic revolution without a political revolution.” Leslie Gelb, “Who Won the Cold War?” New York Times, Aug. 20, 1992.
\end{itemize}
been developed by leading Soviet economists and had been discussed thoroughly in the press.\textsuperscript{126}

And Soviet thinking, one should note, was also influenced by the writings of Western analysts; major Western studies were translated into Russian and made available to researchers in this area.\textsuperscript{127} Soviet economists, in fact, seemed to have a high regard for the work done by their American colleagues and in particular by the CIA. The academician Abel Aganbegyan, for example, noted in 1965 that the CIA had given “an absolutely accurate assessment of the situation in our economy.”\textsuperscript{128} And Gennadii Zoteev, who worked in the Soviet planning agency in the 1980s, later said that it was “thanks primarily to Western literature on the Soviet economy” that he realized how “inflexible, sluggish, and inefficient” the planning system was.\textsuperscript{229} Even Yuri Andropov, general secretary from 1982 to 1984, thought the CIA’s figures were more reliable than the statistics the Soviet system itself generated; that was the view of the most astute Soviet leader of the pre-Gorbachev period, a former head of the KGB and a man who (as Volkogonov put it) “knew far better and in greater depth than any of his colleagues the true state of the economy.”\textsuperscript{129}

The problem, as Dimitri Simes pointed out in 1982, was that the Soviets were “unaware of the sad state of their economy. They know very well how pitiful their economic situation is.” The problem, under Brezhnev at least, was that they could not bring themselves to do much about it. When you read the speeches given by Soviets leaders, Simes said, you are struck by how huge a gap there was “between the frankness with which they admit their shortcomings and difficulties and the solutions which they’re willing to offer.” It was “almost pathetic” to see how incapable they were of rising to the challenge.\textsuperscript{131} Chernyaev had come to much the same conclusion a decade earlier. He reported in his diary the reaction of one prominent figure in Soviet industry to Brezhnev’s December 1972 speech to the Central Committee plenum about the problem: “we’ve heard it all before more than once. The speeches get nicer and nicer, while things get worse and worse.” “He said all this out loud,” Chernyaev noted, in the crowd of Central Committee members, “but it didn’t turn a single head. The others must have been occupied with similar thoughts.”\textsuperscript{132}

**Why Does It Matter?**

Western Sovietology, Martin Malia charged in 1990, had “done nothing to prepare us for the surprises of the past four years.”\textsuperscript{133} The CIA, according to Melvin Goodman in 1997, had “completely misread the qualitative and comparative economic picture” and had “provided no warning to policymakers of the dramatic economic decline of the 1980s.”\textsuperscript{134} It is clear,
However, that such claims are not supported by the historical record, at least as far as the economists were concerned. To be sure, neither the CIA analysts nor the academics were able to predict that the Soviet system would collapse when it did; even in retrospect, it is hard to see how anyone could have foreseen exactly how events would run their course. But what the specialists in this area had been able to do was create a framework for analysis — to give a good sense for what the major problems were and to suggest that some very fundamental choices were going to have to be made. “The low growth rates we envision for the mid-1980s,” CIA Director Turner told a congressional committee in 1979, “could squeeze their resources to the point where something has to give.”135 But what exactly would give could not be predicted — though Turner did think that fairly radical change was a real possibility. “By the mid-1980s,” he thought, “a new, well-established Politburo could be persuaded that more radical policies were necessary.”136 But no one could tell specifically what the future would bring, and at that point the Soviets themselves probably did not know how they would deal with their problems. One needs only to think of the Chinese experience to realize that things could have turned out very differently.137

This story is important for many reasons. It matters, first of all, because of the light it sheds on the way the political process works in countries like the United States. Many people like to think that “the marketplace of ideas” ensures that public discourse in liberal democracies will meet certain standards — that because public figures, including prominent journalists, will be held accountable for misrepresentation, they have a strong interest in getting their facts right, so if an idea is broadly accepted, one can pretty much assume that it is correct. But those mechanisms are a good deal weaker than many think, and it is in fact shocking to see what even major figures were able to get away with.

Consider, for example, Moynihan’s charge in 1990 that while he had been able to see in 1979 that Russia might blow up, in large part because Soviet economic growth was coming to a halt, “our intelligence community just couldn’t believe this. They kept reporting that the economy was soaring!” If the U.S. government had been able to see what he had seen, it would not have had to virtually bankrupt itself by engaging in a massive but utterly unnecessary military buildup and could have just waited the Soviets out.138 But in the 1979 article he was referring to, the economic data he cited were quite similar to the data the CIA was releasing at the time and may well have been where Moynihan’s figures came from.139 He had also predicted that the Soviets, as a power in decline (like Austria-Hungary in 1914, he said), would pursue an increasingly aggressive policy and might try to seize the “oil fields of the Persian Gulf”: Soviet military power had “never been greater”; “the short run looks good, the long run bad. Therefore move.” But that argument scarcely suggested that a major U.S. military buildup was unwarranted.

There was also a problem with Moynihan’s evidence, or really the lack of it. In his many writings and speeches dealing with the subject, he did not cite specific assessments the CIA had made at the time. As Bruce Berkowitz points out, he relied instead mainly on one striking source: former CIA director Turner’s admission, in a 1991 Foreign Affairs article, that no one in the agency appeared to recognize how serious the USSR’s economic problem was. The CIA analysts, Turner suggested, 135 U.S. Congress, Joint Economic Committee, Allocation of Resources in the Soviet Union and China — 1979, Part 5 (Executive sessions, June 26, 1979) (Washington: Government Printing Office, 1980), 11.
139 Thus he referred in that 1979 article to how the Soviet economy had been growing at “better than 6 percent in the 1950s” but was “barely half that” in the 1970s. He also noted that “productivity increases are about at zero.” Those figures are in line with CIA estimates at the time: In the important CIA paper “Soviet Economic Problems and Prospects,” released by Congress’s Joint Economic Committee in 1977, the Soviet economy was said to be growing at a rate of 5.8 percent in the 1950s but only 3.7 percent in the first half of the 1970s (page 2), and factor productivity was presented as actually declining slightly in that period (page 10).
had failed to see that the Soviets were suffering from a “growing, systemic, economic problem.”

“Neither I nor the CIA’s analysts,” he wrote, “reached the conclusion that eventually something had to give.” His basic point was clear: “We should not gloss over the enormity of this failure to forecast the magnitude of the Soviet crisis.” Yet the major CIA study on the subject released in August 1977, not long after Turner had taken the top job at the agency, analyzed the issue in some detail: the “long-standing” economic problems, it said, were “likely to intensify”; solutions would not be “easy to find”; “a marked reduction in the rate of economic growth in the 1980s seems almost inevitable”; given the seriousness of the problem, Soviet leaders were very likely “to consider policies rejected in the past as too contentious or lacking in urgency.”

Turner himself, in congressional testimony for four years in succession, took much the same line. The Soviet growth rate, he said, had fallen and the decline would continue; the economic outlook was “bleak”; Soviet leaders would try to “muddle through” but that policy was not “tenable in the long run”; indeed, “the economic picture might look so dismal by the mid-1980s that the leadership might coalesce behind a more liberal set of policies.” Indeed, in his first speech after assuming the directorship he said the Soviet economy was in trouble and predicted that the Soviet leadership was “going to be facing some very difficult periods.” And as noted above, he himself had stated in 1979 — and this contradicts, almost word for word, his claim in the Foreign Affairs article — that the “low growth rates we envision for the mid-1980s could squeeze their resources to the


142 Quoted in MacEachin, CIA Assessments of the Soviet Union, appendix. MacEachin gives extracts from Turner’s testimony to Congress in 1977, 1978, 1979, and 1980, all of which make the same basic point.

point where something has to give."144 All this was a matter of public record; it should have been easy to see how misleading Turner's remarks in the Foreign Affairs article were, and it should have been easy to see that Moynihan's claim that the CIA had "kept reporting" that the Soviet economy was "soaring" was baseless. Yet no one pointed out these things at the time; the press tended to take at face value what Moynihan, and Turner, had said about a huge intelligence failure.

This is just one case among many, but it does suggest that there is much less accountability in the U.S. political system than many scholars would like to believe. And that point is certainly worth noting, not least because it relates to common ideas in the international relations literature about "audience costs," the "open marketplace of ideas," and so on. But the findings here are also important because they shed light on the issue of whether social science can be of real value in practical political terms.

Malia, of course, had argued that when it came to giving insight into the big issues, social science in general, and economics in particular, had not made much of a contribution. Other writers took much the same view. Even so careful a scholar as David Engerman, in his important book on America's Soviet experts, saw economic Sovietology peaking in the early 1960s before going into a "steady decline that long preceded the Soviet Union's." The scholars in that field should have helped other Soviet experts understand what was going on with the USSR's economy but, according to Engerman, they failed to do so.145

My own assessment is obviously rather different. The body of thought developed by economists working in this area was quite impressive in conceptual and not just empirical terms; it provided real insight into what was happening in the USSR and even some insight into how things might develop. Economists like Bergson did not provide the world with a crystal ball. What they did provide was a very useful framework for thinking about the Soviet Union and indeed, in principle, for thinking about what U.S. policy toward that country should be.

There is a third reason this whole story matters: It casts light on what was going on in the Soviet Union during the Brezhnev period. It was common, especially in the late 1980s, to view the Brezhnev years as an "era of stagnation," and it certainly seemed that the Soviet leadership could not bring itself to even consider fundamental changes in the basic structure of the system. But it is now clear that below the surface the sense was growing that things could not go on indefinitely as they had, and that sooner or later major decisions would have to be made. Gorbachev himself had reached that conclusion well before he became general secretary of the Communist Party; he kept his views mostly to himself, but he eventually opened up with others who had also reached fairly radical conclusions — with Alexander Yakovlev during a trip to Canada in May 1983 and with Eduard Shevardnadze in December 1984.146 The conservative journalist Bernard Levin had predicted in 1977 that this was the way fundamental change would take place: that people were coming into positions of power in the USSR who had "admitted the truth about their country to themselves" and had "vowed, also to themselves, to do something about it," and that eventually they would "look at each other and realize that there is no longer any need for concealment of the truth in their hearts." At that point, he wrote, the match would be lit.147 And that seems to sum up what actually happened during the Gorbachev period.

But the most important reason this story is of interest, at least from my point of view, is that it has a direct bearing on how international politics in the later Cold War period is to be understood. The economic problem was clearly of enormous political importance and not just because it affected what was going on in the USSR. It was also bound to have a substantial impact on the way the Soviets related to the rest of the world and on how the United States framed its own policy. That issue, however, is too important to be treated in passing here. It deserves to be analyzed in some depth — but that is something that will have to be done elsewhere.

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146 Hoffman, Dead Hand, 183-85. Gorbachev is quoted as telling his wife "We can't go on living like this" just before he became general secretary in 1985 (page 187).