

## US INTELLIGENCE AND THE END OF THE COLD WAR

19-20 November 1999

### Welcoming Remarks

George Edwards: (in progress) . . . studies here in the Bush School, and I'd like to welcome you to our conference on US intelligence and the End of the Cold War, which is co-sponsored by the Center for Presidential Studies and the CIA Center for the Study of Intelligence. We are certainly delighted to have you with us for the next two days, and I am confident you will find this a rewarding experience. It is now my pleasure to introduce the interim dean of the Bush School to welcome you to Texas A&M. He's a person well known to the Intelligence Community. When we began organizing this conference more than a year ago, we asked him to play two prominent roles in the conference, including giving the address this evening. Little did we know that he would soon be filling yet another significant role, this time in leading the Bush School. It is my pleasure to introduce Bob Gates.

RG: Well it is a pleasure to welcome you here. As George said, when this invitation was extended to me last Spring to keynote tonight and to be a part of the panel tomorrow on the Deputies Committee, little did I realize that I would already be in College Station. Commuting from north of Seattle to College Station is an interesting challenge, both culturally and climatologically. All I can say is I came here because the University asked me, and because President Bush and Brent Scowcroft asked me if I would be willing to do it. But I must say that I am here now in spirit as well as physically. This campus has an extraordinary tradition, an extraordinary spirit. It is extraordinarily contagious, and, therefore, I have a special sympathy with the grief that this campus is going through now because of this bonfire disaster that I am sure you all have heard about. We clearly sympathize with the families and pray for them and for those who are still in the hospital. And for those who lost their lives. We will press on. The University will, and so will we. There are a lot of old friends here today. A lot of new friends from A&M, and I think it is going to be a really interesting conference. It may be exciting at moments. I certainly hope so. I just want to welcome you on behalf of the Bush School,

and also on behalf of the Agency's Center for the Study of Intelligence, which is the co-sponsor of the conference. I think that the best thing to do now is to get on with the program. So welcome, and I hope you enjoy the program. Thanks a lot.

LS: Good morning. I'm Lloyd Salvetti, the Director of the Center for the Study of Intelligence at CIA, the co-sponsors of the conference. I welcome you on behalf of CIA to this very special event. We join with the Texas A&M community in mourning the loss of eleven young lives, and the injury of so many others, in the tragic accident at the bonfire yesterday. The conference is now ready to get down to business, and our first session addresses the complicated, and sometimes controversial, aspect of estimative, or predictive, intelligence. Chairing our panel is Dr. Gerry Haines, the CIA historian. Gerry has served in a variety of historian posts throughout the national security establishment. As you will note in the biographic summary booklet we have given to each of you, he has written extensively about the history of intelligence in America and is well qualified to chair this panel. Gerry.

GH: Good morning. I'm looking for Lloyd Gardener. Is he here? Aaahhh. We were talking, last night, after dinner, and he said he rarely, if ever, got up this early, only if it was an important tennis match. So I know this must be an important conference if he is here this morning. So thank you.

I'm just delighted to be here to lead off the conference. I think it promises to be an interesting and provocative one. The session that I chair, will, I hope, offer a lively exchange on the important issue of how well the US Intelligence Community, and especially the CIA, did in predicting the collapse of the Soviet Union. Let me first introduce the panelists, and then attempt to set the tone for the discussion. You all have the little bio books in your folders, so I will not simply repeat the credentials of each of the panelists. But I will introduce them now, and they will speak in this order. Charles Wolf, who is on my immediate right. Then Bruce Berkowitz. And then Charles Gati, and then Thomas Powers, and finally Douglas MacEachin. I must tell you that originally we asked Senator Daniel Patrick Moynihan, the senior

Senator from New York, to chair this panel. I'm not him. He was very interested in doing it, but had other commitments that prevented him from accepting the chair. So here I am to stand in his place.

I want to attempt briefly to set the tone for the discussion by reviewing Senator Moynihan's provocative views on our panel's topic. You are probably all familiar with the Senator's arguments expressed most recently in his book, Secrecy: The American Experience-it was just published this year--in which he claims that US intelligence not only missed the collapse of the Soviet Union, but that American policymakers from the 1960's to the 1980's, supported by US intelligence analysis, believed that the Soviet Union was fundamentally strong and growing stronger. According to Moynihan, US intelligence warned policymakers of the Soviet's ever increasing military, political, and economic strength. This analytical trend, he says, dated at least from 1957 and the Gaither Report that portrayed the Soviet Union as a modern industrial military power, growing ever stronger. Moynihan claims, in opposition to this prevailing view, that he and others noted, as early as 1975, that the Soviet emperor had no clothes. In fact, no shoes, butter,

meat, living space, heat, telephones, or toilet paper. The Soviet Union was in fact so weak economically, as well as so divided ethnically, that it could not long survive. This is 1975, he is saying this. By 1984, Senator Moynihan says that he believed, and so stated, that the Soviet Union was dying and that the Soviet idea of Communism was spent. The economy was collapsing, rising ethnic consciousness was inciting violent nationalism, and history was moving rapidly away from the Communist view. Yet again, according to Moynihan, and his views are generally accepted by numerous others in the media, and in the academic community, US intelligence continued to overestimate Soviet strength, saying that the USSR was a despotism that worked. Let me close these brief remarks by quoting Senator Moynihan's depiction of the cold war in the 1980's, and then turn the session over to the real experts. Moynihan wrote, and I quote, "It was though two chess grandmasters had pursued an interminable, and highly sophisticated, strategy of feint and counter-feint, not noticing that for the past 40 or 50 moves, one side not only had been in checkmate, but has had his queen, his rooks, his bishops, and knights all taken from the board. Only nuclear weapons, however, kept the game from being completely boring." To mix

metaphors, if I may, here lies the gauntlet thrown. I suspect that one or more of our panelists today may want to pick it up and examine it. And so, Dr. Wolf, I will turn first to you.

CW: Do you want me to do it from there, or from here?

GH: Whatever you prefer.

CW: OK. Let me try from here, and if it doesn't carry sufficiently, I'll move to the podium.

I'm an economist for whom reconstructing history is a rare experience and quite possibly a fallible one, because memories both wax and wane in being exercised, especially when they are exercised as rarely as I exercise mine -- mainly being concerned with projecting forward, rather than looking backward. I should also be particularly humble about my recollection, since there are some people in the audience whom I will be mentioning in this historical reconstruction, and they may find flaws in my recollections. What I want to do

in the next ten or fifteen minutes is to share with you my recollections of what was referred to, at the time, as a Team B economic exercise. The Team B reference was an appellation, was made in the wake of Dick Pipe's Team B on the Soviet missile buildup. And the underlying concept, which I think has relevance currently, and prospectively, is to impanel a group of putatively knowledgeable "outsiders" to look at, on an all sources basis, the same data and information that the CIA Directorate of Estimates and Analysis have available to them -- to see whether their, "their" being the Team B panel of outsiders, reach the same or significantly divergent estimates or evaluations. And in the case of our Team B exercise, which was impaneled by Bob Gates in 1984 and met through the academic year, 1984/85. Our charge, as Bob levied upon us, was to look on an all-source basis at all the information and data on the Soviet economy available to CIA analysts and focus on the following question. I have reference to Pat Moynihan later, because I testified on this subject to his subcommittee of the Foreign Relations Committee in 1990. And the question that we were charged with addressing was the following: "Is there a chance, negligible or substantial, that the Agency's estimates of the Soviet economy have considerably

erred?" So the panel was organized and chaired by Harry Rowen, who would have been here except for a bad back unrelated to this conference. Harry had formerly been a chairman of the NIC, the National Intelligence Council. The other members of the panel, and Harry and I talked about this yesterday because we didn't remember, and I'll explain why in a minute, because the report has not been, still not been, declassified, at least as of yesterday, and so we couldn't refer to who the other co-authors on the panel were. The other members were, Rick Erickson of Columbia, who is an expert on the Soviet economy industry and especially on the Goskomstat, the Soviet statistics. Gail Johnson, of the University of Chicago, an expert on Soviet agriculture. Bornstein, I forget his first name, from Michigan State, who was an expert on Soviet manufacturing industry. Steve Meyer, from MIT, who had done a lot of work on Soviet defense spending, and me, from Rand. I had recently, and then subsequent to this panel, been working with a number of other Rand folk on the costs of the Soviet empire relating to the costs of COMECON and outside of COMECON recipients of Soviet economic and military aid.

So our Team B worked on this problem through the full academic year 1984-85. We had five or six meetings at the Agency and elsewhere during the year. We had briefings from Maurice Ernst, who was then head of the economic analysis division or department, whatever it was at the Agency, and a number of other CIA analysts. We had excellent staff support from two of the top analysts from that community, as well as probably 8 or 10 conversations with outside consultants, including Anders Ausland, Andy Marshall, Vladimir Treml, and a number of others whom my memory, at least as of yesterday, couldn't recall.

Now at the time that the Team B exercise was underway, Gorbachev was in the process of besting Ligachev and the Politburo, and glasnost and perestroika were just starting. So there was a flood of formerly unavailable, or incompletely available, data and information from more or less reliable sources. So the focus of our effort was under that broad mantle of, "Is there a chance that the CIA estimates have significantly erred?" on three subsidiary questions. First, on the size of the Soviet economy, that is the size of the Soviet GNP compared to the US economy. Second, on the rate of growth in the Soviet GNP and in

the then current, that is 1984-85, and looking immediately forward, 1985-86, GNP growth rate. And the third subsidiary question was, the size of the Soviet military effort and the military burden, that is, the ratio of the answer to question one and the answer to question three. That is the ratio between military spending and the GNP. There are, and were, there are retrospectively and were then, concurrently, enormous methodological and statistical problems. The valuation of both outputs and inputs at factor costs or questionably comparable international prices. The use of nominal exchange rates versus purchasing power parity rates. The estimation of hidden inflation in the Soviet Union. The question of whether the Soviets kept two, three, or "N" different statistical books. There were the official statistics of Goskomstat and there was a so-called white book that was available, or allegedly ostensibly available to the top decision makers. And there were issues about whether they could run a centrally planned economy while keeping several sets of books. There were questions of the padding and fraud involved in the reported data and so forth. I'm not going to go into those formidable methodological and statistical problems, except to repeat for the third time they were formidable and whether, and to

what extent, we satisfactorily resolved them. For ourselves we thought we did, but for others, including those in the Intelligence Community it is still debatable.

So to try to get to something approximating a bottom line, the answers to the three questions that we reached were, first, that CIA probably, well, the answer to the overall question, is there a chance, is there a significant chance that the CIA's estimates of the size of the economy, its rate of growth and the military burden might have erred substantially? Our answer to that question to Bob Gates at a final briefing and delivery of the report that we wrote was emphatically, yes. Specifically, on the three subsidiary questions, the estimate within the Intelligence Community, the CIA's estimate of the Soviet economy, was about 50% of that of the US economy. Our estimate, maybe that's investing it with more weight than it warrants, our judgment about the available data and the formidable methodological problems that I've alluded to, was that the Soviet GNP was not more than 30% of the US GNP, versus the 50% estimate of the Agency. On the second question, the growth rate, our estimate was that CIA had

overestimated that, even though it was estimating declining rates of growth. Our judgment was that probably the rate of growth in real GNP was at least a couple of percentage points lower than the CIA estimates for the 1982 through 1984 period. And finally, the military spending and military burden had been overestimated.

So on the first question, our judgment was the CIA had overestimated the GNP, had overestimated its rate of growth, and on the third question, that it had underestimated the military burden and that that military burden was more likely in the range of 25% to 30% of the GNP, rather than 12% to 15%, which was the CIA estimate. So to conclude with three observations, one advertng again to the report that we made orally to Bob Gates and I hope his recollection, corroborates mine, but I'm willing to be corrected if it doesn't. In either the summer or the fall of 1985 was that, yes, there was a chance that they had erred substantially, and the specifics that I've just reviewed with you. Second concluding comment is that while the report has not been, at least as of yesterday, still not declassified, and I think it should be, we had a meeting with President Reagan in the Oval Office in

October 1986, it was the same day as the Libyan bombing, but I don't remember the exact date. But it was in the fall of 1986 and President, then Vice President Bush, was at that meeting, as was Donald Regan, then Chief of Staff of the White House, and one or two others. Harry Rowen, Andy Marshall, Vlad Treml, and I had an hour- plus meeting with the President that was called because of the then impending G7 summit meeting, where the expectation was that each of the G7 leaders would have an hour, 45 minutes or an hour, to introduce and lead a discussion of some salient major global problem, and the President was intending to introduce the subject of the Soviet economy, where was it going. And so he asked to have a chat with some "outsiders" to discuss this, which we did, and during which we introduced the numbers that I mentioned and referred to the classified Team B report that we had made a year earlier, which he said he was interested in and could we get a copy for him. We said, "Yes, we thought we could." I'm sure he never read it, but we did make an effort to get that to him. Anyhow, the last comment relates to Pat Moynihan. Pat had arranged a set of hearings, which George Kolt and Mike Boskin and Nick Eberstadt, some names you may remember, and Abe Bergson, from Harvard, and I, and maybe a couple of

others, testified. And Senator Moynihan, chairing a subcommittee of the Senate Foreign Relations Committee--he was the only member there conducting the hearing--wanted to discuss the things that he rather colorfully referred to in the letter that Dr. Haines just read. And again, I alluded to this report and went through some of the same numbers that I just summarized with you. And Senator Moynihan strongly endorsed this view, but he had an inference from it which I thought then, and said in the hearings--I had a chance to review the transcript--that I thought was quite unwarranted. His inference, and the implication in the letter that was read to you earlier, was that because there may have been significant mis-estimates of the Soviet economy, and its scale, and its growth, and its prospects, the US "wasted" large resources in the defense effort that President Reagan had sponsored because we could have done without that buildup--medium range missiles in Europe and Turkey and elsewhere-- because the Soviet economy would have collapsed of its own internal inconsistencies, and so forth. It seemed to me then, and I said it in the hearings and it seems to me now, that that is a non-sequitur. That is profoundly unwarranted from the evidence, because there was the question of whether, in desperation, fearing the loss

of its capabilities, the Soviets might well have used their capabilities to conduct an invasion in the, sort of, the canonical scenario in Central Europe. So that it seemed to me that the reading and evaluation of the Soviet economy and its prospects did not then, and does not now retrospectively, lead to the conclusion that there was a misallocation or waste of resources as a result of those intelligence mis-estimates. Thank you.

BB: (Bruce Berkowitz) A few years ago I got a call from Jeff Richelson. Jeff's a old classmate of mine from graduate school, and we are something of an odd couple. I've spent most of my life either as a intelligence analyst or a consultant to the Intelligence Community and so I'm one of the largest users of the Publications Review Board, which is a body intended to make sure that no secrets are inadvertently released from the government in my writings. Jeff has never worked in the Intelligence Community, although he is a scholar of intelligence, and is probably the largest user of the Freedom of Information Act to get as many secrets out of the Intelligence Community as the government will allow. Jeff was calling me to tell me that he had just received, through the FOIA, some old CIA reports that I

might find interesting. They were the estimates that the Agency published in the 1980's leading up to the fall of the Soviet Union. At the time, the conventional wisdom said that the CIA had blown--that's a technical intelligence term--had blown the estimate of the century. It seemed like everybody, pundits, politicians, writers, all agreed that the CIA had failed in its most important mission of all--watching the Soviet Union at the most critical moment of the 20<sup>th</sup> century.

Jeff and I decided to work together and look at what the real record showed. And we requested more of the documents that were available at the time, and we also interviewed most of the people who took part in drafting those intelligence reports and many of the people who actually used them. Eventually we summarized our findings and published an article that appeared in the National Interest. So with this as background, I'd like to discuss three points that came out of our project. First, I want to summarize what the record really says. How well did the Intelligence Community perform, over time, in predicting the Soviet collapse? Second, I'd like to discuss why do people still disagree about whether the US Intelligence

Community failed or succeeded, given all the evidence that is now available? And finally, I'd like to briefly look at some lessons for the future.

On the whole, Jeff and I found that the conventional wisdom is wrong. We found that most of the evidence shows that the CIA did a pretty good job. One needs to look at the problem of predicting Soviet collapse as consisting of three tasks. The first task is analogous to the strategic warning. Detecting, say beginning in the late 1970's or early 1980's, that all was not well with the Soviet system. That its economy was slowing down. That its people were becoming disenchanted with their government, and that ethnic and regional fissures were becoming more apparent. The second task was analogous to tactical warning. Understanding, after say, 1984, 1985, where events were leading, whether Gorbachev was going to be able to pull the Soviet Union out of its nose dive, and the specific factors that were going to be decisive in determining the final outcome. The third task was providing warning of the imminent fall. Once it was clear that something was going to happen, US analysts needed to tell policymakers what that something was going to be. A

coup, a civil war, a breakdown of order, whatever, and what the likely trigger would be.

Now the record shows, an honest reading of the record shows, we believe, that US intelligence succeeded in each of these three tasks. First, in respect to strategic warning. Contrary to popular opinion, the CIA was among the first organizations to detect that the Soviet economy was indeed stalling out. By the late 1970's, which was about the time that I first started working for the Agency, I can distinctly remember standing around and discussing with my colleagues whether the Soviet GNP growth that year was going to be zero, one, or two percent. We knew it was slowing down. It was a question of how much it was slowing down. And the real disagreements at the time wasn't so much whether or not the Soviet economy was strong, or weak, but how the Soviet government was going to respond to it. Whether it was going to result in reductions in Soviet defense spending, or whether the Soviets were going to tough it out. It is important to remember that the Intelligence Community was reaching this conclusion at a time when most of the public, and definitely most of the academic world, was unaware of the weakness in the Soviet Union. And,

indeed, at a time when people could actually argue in serious policy circles, that central planning actually worked. There was a view at the time, that was well respected, that totalitarian may be brutal, but it was effective. Even so, the Intelligence Community avoided this intellectual inertia in reaching its conclusions.

Later, in respect to tactical warning, during the 1980's the key question was, would the Soviet Union survive, given the economic stress that it was undergoing? And in particular, would Gorbachev gamble with glasnost and perestroika succeed in preserving the Soviet regime? Again, we believe that the record shows, which is available, shows that an honest reading of the record indicates that the Intelligence Community was mainly on the money. No one in the Intelligence Community predicted good times for Gorbachev. Everyone agreed, by the time of, say, the 1989 National Intelligence Estimate, that's two years before the actual collapse, that turmoil and decline laid ahead. Within the Intelligence Community the CIA was especially prescient. It took a footnote in that 1989 NIE that specifically said that conditions would not get better, and by November 1990, still a year before the collapse,

it said flatly the Soviet Union, as we have known it, is finished.

Finally, in respect to immediate warning. The Intelligence Community and the CIA, according to the record, did its job well during the months leading up to the actual collapse. The problem then was to anticipate what kinds of scenarios were possible, and the likelihoods of each. US intelligence provided policymakers analysis that defined, in effect, a series of gates, if-then statements, that if this happens, you can expect this result. In other words, a series of clear markers that policymakers could use in determining how close the fall was, and what the likely outcome was going to be.

So one might ask, if the evidence is as clear as Richelson and I suggest, why has the myth persisted that the Intelligence Community failed to anticipate the Soviet collapse? There seems to be several reasons. The first reason is that some people simply won't read the evidence, and it's hard to argue with this group. These are the same kinds of folks who electrocute themselves with toasters because they don't read the instructions.

Second, there is the "They should have told us sooner" school. This school, these people seem to argue that US intelligence, if US intelligence had known, really, that the Soviet Union was ultimately doomed, then we could have avoided the cost and expense of the arms race. The problem with this argument is that no analyst, in, say the mid 1960's going into the 1970's, could have predicted that the Soviet Union was doomed because, strictly speaking at the time, the Soviet Union was not doomed. At the time there were measures that Soviet leaders could have taken that would have averted, or at least delayed the ultimate collapse. They could have adopted marginal economic reform, they could have avoided intervening in Afghanistan, or they could have, for example, selected say Romanov instead of Gorbachev for the Politburo. And they could have made sure that Boris Yeltsin was not around at all to be a catalyst for the collapse that later occurred. For that matter, there were things the United States might have done that could have made the collapse more or less likely. It is a point of strong contention, even today, but the fact is that the Soviet collapse probably would not have occurred at the time, at the specific time that it did, had not the United States taken a more confrontational approach in the 1980's.

A third reason why people disagree over why, over whether the Intelligence Community did indeed predict the Soviet collapse is really a preoccupation with detail, and this is a point that we would have to concede. Many people would note that the CIA muffed, for example, its precise estimate of Soviet GNP growth, or the size of the Soviet defense budget. But I would have to contend that this is really missing the forest for the trees. Even though the CIA was not able to lick the problem of how do you interpret an economy that does not have prices to value goods and production, it is very clear in reading the reports that everybody in the Intelligence Community, and the CIA in particular, understood that the Soviet economy, and political system, was being stressed to the limit. The main question again was, what would the political leadership do about it?

Finally, a final reason why the myth persists that the Intelligence Community failed to predict the Soviet collapse is because the United States failed to achieve its policy objectives. We were trying at the time to maintain a cohesive, albeit a more democratic and more market-oriented, less oppressive, Soviet Union. It was

in our interest to maintain the integrity of the Soviet Union at the time, and the collapse of the Soviet Union has indeed been messy. However, the real lesson here isn't so much that we missed the estimate. The real lesson here is that even successful intelligence does not guarantee policy success. US leaders were aware of the stress that the Soviet Union was undergoing in the late 1980's. The problem was is that they were constrained in the range of actions that they could take. As Brent Scowcroft has said, "Analysts kept telling us that we needed to back away from Gorbachev and make approaches to Yeltsin, but I didn't know what that meant." How would you actually implement a policy like that? And more importantly, how would you do that without running the risk of a potentially even more catastrophic outcome, say a total fragmentation of the Soviet Union, or a coup, or a general breakdown of order.

So, it seems to us that the record is clear, and that a reading of the available evidence will make it more clear, both what the Intelligence Community was saying at the time, and the impact it had on policy.

So, with this in mind I think we ought to also ask ourselves whether or not this experience in predicting the fall of the Soviet Union provides us any lessons for intelligence today. I think that it probably provides at least two lessons that are important to keep in mind. One is, what are the real limitations of intelligence in the policy process? And what is the role of the intelligence analyst, and what is the role of the policy maker? In intelligence circles we like to sometimes observe that we play with facts, secrets, and mysteries. Facts are things that one can readily observe. We can report what the GNP of the United States is, or what the policy of Britain is for non-proliferation on arms control. Secrets are like facts, except that somebody is trying to keep us from knowing what they are. And a lot of the time we can find out what they are also. We can use HUMINT, IMINT, SIGINT, analytical methods. We can figure out secrets if there is enough to go on.

The real problem are mysteries. Mysteries are a different animal. There are questions that have to do with grand questions like, what are the relative strengths of Capitalism versus Communism? They have to do with things like, what will a leader do in a

hypothetical situation five years from now? These are not things that intelligence analysis can answer. These are things that require judgment, and the people that we select to exercise this judgment are not intelligence analysts. They are policymakers. Because there are truly gray areas in which responsible officials have to make decisions that are ultimately responsible to the American people. And so the lesson here is that we need to make clear, in the future, when we are producing intelligence analysis and isolating, and reserving, those things that require judgments for the people that are truly qualified and selected to make those decisions.

And finally, I think that, ironically enough, the most important lesson from the Intelligence Community's experience in the Soviet collapse is that, it does not provide a model for how to deal with intelligence problems of the future. We are honored here today by the presence of people who spent 20, 30, 40 years examining this one singular target. The Soviet threat was amenable to that kind of analysis. It was unique. It was slow changing, and changes were incremental. You could devote a lifetime to studying it. Today's threats, in contrast, are many, varied, and quick to

materialize. And they come from almost any direction, with little or no warning. One of the reasons why we know that the Soviet estimate was not an intelligence failure is that we know from recent experience what a real bolt out of the blue intelligence surprise looks like. The nerve gas attack by the Aum Shinrikyo in Tokyo, the Indian nuclear test, the North Korean missile test, and so on. Threats, surprises that can come from any direction at an instant's notice. These recent events show how intelligence challenges have changed. And to deal with these new kinds of threats, we'll need new approaches to organizing and managing the Intelligence Community. We'll need intelligence organizations that can focus on dozens of directions all at once. Mobilize, almost instantly, to bring to bear the talent that's required to analyze the problem that has suddenly appeared and is at hand. It is a daunting job, but it is one that the Intelligence Community, with the effort and support of policymakers and the American people, is fully able to tackle.

GH: Dr. Gati.

CG: (Dr. Gati) As a way of introducing myself and my qualifications, I'd like to say that I may know something about the collapse of Communism, but I know very little about NIE's. Until 1993, I didn't know what the NIC or NIE stood for. The first NIE I read was in 1993, when I worked for the State Department for a short time, so I am a total innocent here in the company of experts, if not quite a virgin. From 1993 through 1997, however, my wife represented the State Department at the Intelligence Community, and when she came home very late, and very upset, I knew that she didn't get her way, on some issues at least, concerning the NIE's. So I was also very unhappy about these NIE's, though I had absolutely no idea what was in them. All I knew was that I blamed Jim Woolsey for our marital problems. I'm not unhappy about the NIE's in this volume, however.

CG: (continuing) . . . the Agency and the NIC in good light. I think Senator Moynihan, though I voted for him a few years ago when I lived in New York, is almost completely wrong. Not completely, almost completely wrong. But I also think that those who say that the Agency was always right, and accurate, about

the Soviet Union and its decline, I think they are also mistaken. And moreover, I don't believe that vindication is needed, or celebration especially. I think that the real question is, what can be learned from the experience of reading, for an outsider like myself, reading or rereading these studies about the past. As I said, I am not unhappy about the NIE's in this volume, although I would say that the most astute assessments, in my judgment, number five and number two in the volume that you all have, came from the CIA's Office of Soviet Analysis. They are not perfect, either. Number five, which I regard as by far the best study here, at the end really does not suggest anything but three futures for the Soviet Union, quite contradictory. But you know what? I am very sympathetic to that kind of forecasting. Unless you are a perfectionist, you cannot expect anything much better than that. I, for being a teacher, I expect a lot from my students, and I am certainly very tough on myself, but I expect no miracles. The future in politics is unknowable. There are accidents. I don't have the time here to explain why this is so. I think we all agree that we can't tell what's going to happen in the United States next month, or certainly next year in the elections, for example. How could we

know about a closed society that the Soviet Union was. I think we did quite well. Not perfectly well, but we did quite well.

I am also not unhappy about these particular estimates here because they were issued at a time of a paradigm change. That doesn't happen very often in human history that something as important as what happened in 1989, 1991, would happen. As it developed, this paradigm had three new parts, all shockingly different from what we were used to. The first was the loss of Moscow's outer empire in Eastern and Central Europe. The second paradigm change, earthquake, was the loss of Moscow's inner empire in the Soviet Union. And the third was the loss of Germany to the Soviet Union, and at that, the loss not to neutralism but to NATO. Nobody could accurately predict that, except maybe a month or two before they happened. But a year, two, or five years before? This is not the standard that we ought to use when assessing what happens in other countries. You may even add a fourth point here, and that is the rise of a Soviet leader who believed he was reviving the Soviet Union while he was actually destroying it.

When you know all of these things, and you read them and you studied them, and you hear them, it is very hard to believe. Cognitive dissonance is at work. Something that is not particularly easy to overcome. So my point here is, that it is hard enough to predict important changes and events in normal times, but it is almost impossible to anticipate events that happen once in a century, or I think once every two centuries. Paradigm changes. Fundamental changes. And I think that in that light, against realistic standards rather than perfectionist standards, I think these estimates do well.

Another way of looking at this is to ask, did the academics, did Sovietologists do any better than the Agency? Well if you read Bob Kaiser's piece in the "Outlook" section of the Washington Post, as I'm sure many of you did a couple of weeks ago, you would have to reach the conclusion, according to the quotes that he used, that the forecasting ability of academics was worse than the Agency's. Most did not do well. And I think that by and large is accurate. It is just a little dig here without mentioning his name, some of you will know who I am talking about. It's quite amazing that the good professor at Duke University

hasn't lost his tenure. After all, he kept writing about the growing strength of Communism in the Soviet Union and even in Eastern Europe in 1990 or 1991. But to be a little bit nicer here, let me say that one of the few exceptions was Zbigniew Brzezinski. But how hard it was for him, and he is not particularly shy about his views, but how difficult it was for him, at the time, to develop his points about the coming collapse of Communism, because he was accused of anti-Sovietism. As many of us were, in the 1970's, especially. But still in the academic world in the 1980's as well. And, of course, with his background, and mine, we were also accused of being biased because of our East European birth. So you know it is not so easy to step beyond the mainstream when you have problems like that, particularly hard in the guilt-ridden 1970's.

Now this does remind me of the CIA's studies mentioned here in passing already. Not in this volume, about which I don't have such a favorable view. Those are the studies in those thick green volumes published by the Joint Economic Committee that some of you may remember. As Charlie Wolf has just explained, those were excessively optimistic about the strengths of the

Soviet economy. Difficult to do, I acknowledge, because of the very different economic system, as Mr. Berkowitz just said. But I think it would be important, if it hasn't been done, to find out why the Agency's estimates were so rosy, and so overly optimistic about the strengths of the Soviet economy. All you had to do was to travel there, and I'm not an economist, I don't have Charlie's skills, to put it mildly, but while I traveled there, I knew it. I came back and I couldn't understand it. Now I know that they were wrong. And I think one of the problems there, too, was that the critics were mainly Soviet émigrés. I think in the air of American public life was the sense that they have a grudge, and, therefore, they cannot be right. I think they were too easily dismissed, and that's a pity. Moreover, it is very possible that given the enormous successes of the Soviet Union in space, and in the military realm, it was very difficult. Again it's cognitive dissonance. It was very difficult to accept the proposition that the Soviet economy was a third or fourth world economy. How could it produce Sputnik, starting with 1957 and all the rest, about which the rest we all know? So I am very critical of those economic papers

and estimates, and I don't know to this day why they were so inaccurate.

The question though today, the last point that I would like to raise here is, are we ready now for a paradigm change? Did we learn anything from 1989-1991, when, broadly speaking, I think these estimates suggested that Agency was on the, and the NIC, were on the right track, but not necessarily in terms of time and in terms of precision. And I suspect that in our triumphalist mood today, we have come to assume, starting in the 1980's, and especially after the Berlin Wall collapsed, that democracy is the wave of the future in the post-Communist world everywhere. And I think this broad generalization, and belief, is not being questioned sufficiently. I'm not familiar with what's in most papers coming out of the Agency these days. I did notice, by the way, that on page 181, a paper on Eastern Europe, very wisely, and prophetically I would say, foresaw difficulties with democracy, much more so than I did in 1990, though I am not unhappy about my own record, either. In any case, is democracy really the future of the post-Communist world? I'm not really sure. I think that since 1993, the person who has since become the deputy

secretary of state has identified all reversals on this supposedly happy road to the free markets, and pluralism, in Russia and elsewhere as "mere setbacks". Or bumps on the road. Now the problem is that if every reversal is identified as merely a setback, then when do you reach the point of seeing that all of these setbacks amount to something far more than a setback. That perhaps Russia is not marching to a democracy, as I suspect that it isn't, but that analytical framework or that paradigm, or whatever you want to call it, I think leaves us unprepared for tremendous disappointments. I hope that people like George Kolt and others see this, I don't know this for a fact, but we must question the current paradigms. Just as I think the NIE's in the late 1980's, and especially in the early 1990's, came to do that.

Of the three important transitions, so-called transitions taking place today, for example, in Poland, Russia, and Ukraine, the three countries that really matter in that part of the world, my own judgment is that only Poland is moving in the right direction, more or less, with great difficulties, but I think it is moving in the right direction. But both Russia and Ukraine have peaked about three or four

years ago. They are illiberal, not illiterate, please. They are semi-authoritarian states, full of nostalgia for a dream that they think was a dream, but they no longer recall that it was a nightmare. I think that we suffer from a problem. The problem is that we don't understand what the anti-Communist period was about. The people in Poland, well, first of all, nobody rebelled anywhere. In Poland they did, but they rebelled against the totalitarian police state and not the socialist welfare state. Now once we understand that, we understand their nostalgia, we understand their problems. And I think, I hope, this is being conveyed to our politicians who may or may not want to hear the truth once again. Thank you.

GH: Tom, you're up.

TP: (Thomas Powers) Thank you. I think, for me, the hardest thing at this moment is not to explain what happened, but to remember what it was like 20 years ago, before it had happened. How the world appeared then, and how dark sometimes the future did appear. When I left the hotel this morning I passed, coming

out, Oleg Kalugin, and he was certainly doing something very different 20 years ago. And arriving here this morning, I look out and see many formerly classified faces that would have been inaccessible to me 20 years ago as a journalist, when I first started to write about the Central Intelligence Agency and about nuclear weapons and about those related subjects. What we are talking about here today, predicting the collapse of the Soviet Union is, in fact, the biggest thing that happened in this century that wasn't a war. And big things do invite hope of predictions so that they don't arrive as a surprise. And prediction, of course, as several people have already pointed out, is a very, very difficult thing to accomplish. I often think of Niels Bohr's remark about prediction. He said, "It is very difficult to predict, especially about the future." I feel that predicting the past is a lot easier, and we can all see now, everybody in this room could go back and probably give a good five-minute analysis of why the Soviet Union did collapse, and why it was kind of dying for so long while we were failing sufficiently to pay attention. I think that probably that knowledge is very common in the Soviet Union as well. But until this actually happened, until it has

actually taken its final form, those things don't gel. And it is at that time that the future is dark and difficult to foresee.

So I will say right away my own feeling that, no, the CIA didn't predict the collapse of the Soviet Union. The question is not, did it notice the collapse? The document which has been presented to us for this conference gives ample evidence that it did notice. It was paying very close attention, and it was seeing all the relevant information as it unfolded along the way. There was no failure there to pay attention, to be sensitive, to consider all the information that was coming in, and to accurately portray, which was what was coming to pass under its nose. But it certainly didn't, in my view, actually predict it. And in reading through this volume, I don't find very many attempts to predict it. There is only a couple of cases where you could find language that really sounds like a prediction. I just noted two, which I think are sort of typical. Typical of the way such papers are written and typical of the frustrations on the part of the people who have to read it. Document number three, 21 November 1989, a couple of weeks after the fall of the Berlin Wall. The revolutions

were well under way, although not quite complete. That particular document predicts a continuation and intensification of the current course is most likely. That was right, in a way, for a short period of time. It wasn't very useful. It didn't tell you anything that you couldn't figure out on your own. I can't see that that would have taken months of highly intensive debate within the entire government to come up "An intensification and continuation of the present course is most likely." But that was one. And it elicited a dissent from the DDI. You will notice on that particular paper, who does say very clearly, "No. The intensification and the continuation is not really right. Gorbachev has unleashed forces here that he can't control. And where that's going to go exactly, nobody knows." That was noticing, I would say, at quite a high level. Rare, because it's inherently very difficult to do that.

Document number nine, April of 1990, four months after the fall of the wall. All of the revolutions had taken place. We have another prediction. "Communist rule in Eastern Europe is finished, and it will not be revived." Well, this is almost predicting the past. It is kind of predicting the future, and I think it is

typical of what any organization actually does do when it tries to predict what's coming down the road towards it. This kind of analysis, as to whether or not the CIA accurately noticed and registered, and in a timely manner provided a reasonable description of events to policymakers, I think that's settled. I think that volume of documents proves that, yes, this was pretty good reporting going on. The CIA never got suckered by Gorbachev. It never took its eye off the military and the KGB. It never said it was all just a trick. It never said it was going to blow over and go away. It kept everybody focused on what was the main thing.

But in a deeper sense, if you take a longer frame of reference, and instead of going back to 1989 and considering the two years of the immediate crisis, go back to 1947, which you could say was roughly the beginning of the Cold War, certainly the CIA's beginning of the cold war. Then, no, it didn't predict what was going to happen at any stage along the way really, and nor did anybody else. You can, if you go back and study the record carefully, you can occasionally pull out something that sounds like a clear foresight of the collapse of the Soviet Union.

But for the most part, I don't think there was. We have to remember the shock, and astonishment, when it really began to come down, that everybody experienced. The amazement. It was hard to believe as you were reading the paper every day the things were unfolding, actually, as they were. And that we had come to a moment of complete and utter change. It was going to be a seismic shift, and it was going to be the biggest thing that happened in this century that wasn't a war. I think there is a reason why it was so difficult to foresee that. And it is because somewhere, and everybody's got, understood that this unequal struggle could not go on forever. And unequal it surely was. I'm with Moynihan on the question of the estimating of the Soviet economy. I agree with Charles Gati. All you had to do was get off the plane and take a taxi into Moscow, and all became clear. What became clear was that this could not possibly go on, and that there was something bizarre and unsettling about a country so primitive, and so impoverished, and so locked in the minutiae of decision-making. How could the whole world be resting on the cusp of disaster in a conflict with this particular, with this particular nation? It could not go on, but how would it end? Well, we know how it did end. It ended with a collapse, but looking

forward I would say that that's not the way that most people thought it would end. I think most people thought there was a pretty good chance it might end in a war. Somewhere deep, subliminally. But I never heard anybody say that. I used to ask people how they thought the Cold War would end. I spent a lot of time doing that because I, myself, incorrectly, thank God, thought that it would end in a big war with the use of nuclear weapons. I never met one who said anything except, "It's just going to go on the way it is. Neither side is going to collapse, and there's not going to be a big war." There was a sort of shrinking away from the nature of this inherently unstable, because so unequal, contest between the two sides. So my explanation for why the CIA, and everybody else that was paying attention, failed to predict the collapse, is that, psychologically, we had a very deep investment in believing that nothing was going to happen forever. Thanks.

GH: Doug, you're up.

DMc: Yes, I will start off with my interpretation of a lessons learned from all of this. Because where I live now, you call a *Plus Ca Change* because nothing ever changes. I'm going to, since the time is so short, and there is so many, is going to skip through a few things I meant to talk about. But I have asked permission, and have been granted, the right to offer you, anybody who wants, a copy of my original notes in which I gave page numbers and document references for everything that I was going to say and anything I will refer to. So you can have this if you want to.

Let me start out by going to an analogy on the prediction, and use the metaphor that a colleague of mine once gave to me as the difference between fortune telling and forecasting. And I am going to talk about forecasting in weather, and I'm going to talk about forecasting hurricanes, and I'm going to try to talk about the difference between when we have a tropical storm, which looks like it developed into a hurricane, and the forecasting problems there, and the problem a few months earlier when you are trying to forecast whether there's going to be a tropical storm. As regards the economic and societal evaluation of the conditions of the Soviet Union in the 1970's, and I'm

going to go back to the mid-1970's, starting about 1976, 1977. I have here a pile of the so-called selected declassified documents, and anybody who would like, I have some of the green books that were mentioned in here, and I will not have any need to defend what's there. You can read them. And what they say, and what the members of Congress told us at the time they said, and what leaders of various government agencies said when they went down to Congress and were asked about the message is, "What are you going to do about the declining, the drastically declining Soviet economy, which CIA has reported to us?" And that is in here and I have collected some Congressional testimony. My only point is, as some has said, in the latter half of 1970's, the issue was not is the Soviet economy collapsing. Nor was the issue, at that time, it was being debated with us, whether we saw a drastic societal decay which was going to cause a problem. And I would just, I hate to have to do this but, in 1977, we are talking about per capita consumption, at least, which is one-third of the US, perhaps half of Western Europe. This is a Congressional testimony given by the Director of Central Intelligence, about twelve years before the Berlin Wall fell down. In 1979 and 1981, reports

describe the world's most underdeveloped country with progress and living standards likely to slow to a crawl, and the consumer sector is fourth class by world standards. So it is hard for me to understand where this booming economy was described in these green books, or who wrote those green books. As I say, the record is there, and all I would do is say help yourself. What I would like to break this down into is, and by the way you could also argue if you want to argue Gross National Product numbers, we did not try to estimate Gross National Product to find out, or we did not try to see how miserable things were in the Soviet Union so we could get a Gross National product number. We were trying to figure out various measures to see the progress. Changes up and down. I also have here for any who would like it some other studies along the lines that Charlie Wolf described, by other economists, who had somewhat different views, and that's what was very helpful to us when we hired all these outside advisers because we got ups and downs.

No question that the economy is going down. No question that there are serious societal problems. Not just ethnic divides, but a decaying morale in the

workforce, which is part of the reason the economy is going down. And part of the reason that the workforce morale is going down is because the economy is going down and it becomes a sort of a self-driving machine. Question is, What's it going to do? What's it going to mean? What's going to happen because of it? If you will read the testimony, you will see discussions with the people in the Congress on that very question. And what's interesting is, and I'll just make two points I'll raise. I think 1970, anyway it is in my notes you can, I'm working from memory now, about 1978 I think, the point is made that they cannot forever kick us down the road, but it is not going to be the Brezhnev leadership that's going to take it on, we've seen enough of that. When the leadership will come along to take it, we don't know. Who these leaders are going to be, we don't know. Very interesting. One of the people at this hearing--his family was from the Soviet Union-- named Javitz, and he heard this testimony and his reaction. If I could just give a couple of points that he made here, was, what's going to cause them to do something about that? There is no public opinion, no elections, no press, no radio, no television. Why does the leadership feel they have a need to respond to the consumers' plight? This is

what he was saying in reaction to testimony he had just heard. Two points were made here which I want to carry through for a decade, and that is, until a Soviet leadership comes along that is willing to release the party stranglehold on the economy and take on, directly, the disproportionate amount of resources devoted to defense, we don't see much prospect for any improvement. And that was made by, that was a 1978 statement. The point is, not only did we see the problem, but we said, "They see it." OK, now we are on time, right?

Let me take you to another, oh, during this discussion, let me skip that one and come back to one. This is 1977, when the DCI first makes his testimony about the sharply declining economy. That is six months after an NIE is issued that was produced by what was described as the Team A, Team B exercise. How did that national, what was the issue in the National Intelligence Estimates that really focused attention on the Soviet Union? There was not a lot of argument on the economy. A lot of academics were arguing was it 1.8% versus 2.1% versus 1.3% and all that was going to determine how happy they are living. Not quite. The driving issue was something called the

window of vulnerability. And for some of those who remember it, I'm sorry to bother you, but I've got to quickly summarize it for those who are not terribly familiar with it. The window of vulnerability said roughly as follows. "The Soviet Union's objective in its nuclear forces is to build a force large enough to launch a strike against ours, take out enough of ours so that what we have left to shoot back at them is so feeble that, at the end of this, they will be the dominant world power." I will give you all of the NIE's in this blue volume down here. You will find there is no serious disagreement in any agency in the Intelligence Community that this is the basic Soviet objective. The only disagreement is how seriously they believe they can actually achieve it. There is no serious disagreement about what this means.

What does this mean? It means the Soviet Union is going to have to produce, off the assembly line, out of the factory, an awful lot of new, what we call strategic nuclear delivery vehicles. Again, intercontinental ballistic missile, a sea-launched ballistic missile, a bomber. The numbers that were projected in those estimates, from 1976 on, for ten years, averaged projecting that they would turn off the assembly line and deliver to the force some 300 to

325 new strategic nuclear weapon delivery systems per year. That's a lot. In fact it's enough at that rate between 1975 and 1985 it would have replaced 99% of the intercontinental ballistic missiles, 40% of the sea-launched ballistic missiles, and 70% of the bombers would all have been new. OK. The question is obvious, and I can give you references for every one of these numbers. You won't find those numbers in the declassified NIE's though, but I can give you another document where you can get them.

What is the obvious question? It has already come up. How are they going to do this with this disastrous economy you just described? That's the issue that is raised by the members of the Senate and Congressional committees that are hearing the briefing, and believe it or not, it even appears in the NIE's on strategic forces, which are not known for their detailed exploration of the economic aspects of the weapons programs they project. The answer that is given to the Senate is, "Yes sir, we understand that the economy is going down, but they will nonetheless go ahead with this military buildup because they are this country, and they will absorb the costs and the burden of this defense regardless of what it does to their society." I hate to use the words "Evil Empire," but that's basically they will do it. It was pointed out to the Senate in 1978 that, yes, it

is true that defense spending has flattened for the last couple of years but not to worry. As our weapons projection shows, it's been flat, but next year it is turning back up again. You can read a description of this in the New York Times, August 21<sup>st</sup>, 1980, given by Secretary of Defense Brown, at a speech he made up at the Naval War College in Newport, just to prove it was not a purely partisan issue. That was the accepted wisdom. No argument over how, over whether there would be a big build up, only how big and how fast.

That's where we were about 1982 and 1983 when CIA did do, had to do something. And to make sort of a confession, and that is, this turn up was always next year. So we called it the bow wave. Every year it is just as flat, but it is going to go up. By 1982 we had to say, no it has actually not turned up for the last five to seven years. I can give you a source for that, the Washington Post and a few other places, because it quickly then got, suddenly the issue of the economy and the great defense build-up is now a front burner issue. We are suddenly getting a lot of attention. I'm sorry that none of my economic colleagues are here, but one thing we didn't hear a lot of back then is that "You guys are being too optimistic about their economy." We heard quite the opposite, that "Your economic

estimates are undermining US national security to suggest that they are not going to meet this military buildup."

I should say, by the way, you can't criticize the military buildup too much because, in 1976, if you projected an average deployment of about 300 new strategic nuclear delivery vehicles every year for the next five to six years you would only be predicting what you had just seen the preceding five or six years. Because that's what was happening in the late 1960's and early 1970's. What was being projected was that this was going to continue, turn over, become brand new. More warheads per missile. More accuracy. Less vulnerable to a strike because they were mobile, And all the things that were being projected to come in, somebody could find something in the developmental process that would fit that description. But by the mid-1980's, they clearly were not coming in as soon as they were said, and not nearly as fast as they were said. Something was going on. Probably the conclusion was reached then was, it probably was not someone had decided to slow it down, but they were suffering the same problems in their defense area that they were suffering in the rest of their economy. Bad management. Materials not showing up on time. Technological lag.

We really can't argue much longer that the economy is in deep trouble, because the new secretary of the Communist Party of the Soviet Union had just made a public announcement, "Our economy is in trouble." That takes care of that debate. In fact, he makes fixing this economy the mainspring of his whole program. So the issue, once again, and, by the way, all of the sudden there is a noticeable increase in the traffic flow on the road to Damascus. Anyway, all of a sudden, the economic issue is a different one. The question then is, and I'll shortcut this on Gorbachev, not whether the economy is in trouble, not whether he's made a commitment, orally at least, to try and fix it. There is not even an argument at that point as to his aims. His aims are obviously to make the Soviet Union, revive it as a credible world power. Would we have estimated Gorbachev's aim is to reduce the Soviet Union's credibility as a world power? No, that was his objective.

You could have two views. His initial program was basically a shot of adrenaline in the arm and a kick in the other end, and see if we can do something in the next two or three years. Boost some investment to a human factors program and, hopefully, by the end of a few years, I'll have turned this thing around. If you believed that, you believed that Gorbachev was actually a more threatening Soviet leader than

his predecessors, because whatever their evil aims, they were incompetent. This one would be competent if he succeeded. The threat would be bigger and better. The economy that was slowing down the threat would improve.

The opposite view is, nice intentions but your chances of success with this initial program range between slim and none. So then the issue is what will happen if Gorbachev's initial program fails. Again you have two choices. Choice number one, he will hunker down and look like Brezhnev and kick it down the road and let some other leader have to hang on to it. I just got notified of my time. OK. Let me fast forward.

We had always estimated to be the crunch point. By the way, I did check my time, and I'm right on time according to my notation. I've been writing it down right here, and I wrote down when I started. OK. I'll run two minutes over here or something. 1988 was going to be both the need and the opportunity. We figured it is going to run out of gas by 1988, about, and 1988 is also when they are going to start retooling. We actually wrote two papers in June of 1988, published them. One of them had the audacious title of, The 19<sup>th</sup> All Union Congress: Restructuring the Soviet System.

Because we actually, most of us thought that, no, he was not just committed to the military power, he was actually committed to going further. We were disappointed in that Congress, and we said so in writing later. He didn't go as far as we thought that he would, or should. In September of 1988 he did. If you go back and check what he did in the September 1988, is when he put into effect the rules that brought Boris Yeltsin in, in the Spring of 1989 and a whole lot of things happened. He did take the party stranglehold off it, or tried to. He did attack the defense budget, which I've got to take a minute for, Gerry, I'm sorry.

The issue from the outset on this was, if he was ever going to do something-- they have been cheating on investment for years--he's got to get more money for long-term investment. And there's really only one space in that miserable place to get it, and that's from defense. But you couldn't persuade, I mean that was not an easy sell with the window of vulnerability still looming here. And you'll check the NIE's and see what they were still projecting in 1985 and 1986. But we did publish a paper in June of 1988, which said, concluded that, yes, there were arguments why he wouldn't, but we concluded there's a good chance he will. I'm sorry we didn't say it more strongly. We didn't say he definitely will. I would only say if you had asked

Gorbachev in June of 1988, are you going to cut your defense substantially? He'd have probably said, "Well there's a good chance I will but I don't know yet." But he did do it, in New York, and that's why I would argue he had crossed two lines then. And so you not only had a tropical storm by then, you pretty well were crossing into hurricane territory.

And there was one other thing he did shortly after that, he made it perfectly clear that, barring some kind of ultimate disaster, he was not going to send troops into East Europe, whatever the cause. And after that session, where Bob Blackwell and I were testifying in front of the Senate Committee, roughly eleven months later, the Berlin Wall came down. So that's what the forecasting atmosphere was, and I will be happy to take on any questions on it later. But I just wanted, I read a book yesterday, was reading a book that described the situation that said, "The regime, no pundits at the time recognized, or were prepared to accept that this regime which was lurching from crisis to crisis and was somehow surviving, would somehow disappear." Now what this was, it was writing about France in 1792 and Louis XVI. So *plus ca change*.

GH: Thank you Doug, and I'm sorry we had to cut all the panelists a little bit short. We wanted to save a couple of minutes anyway for a couple of questions from the audience. And if you would come down to the microphones and identify yourself, I'm sure the panel would at least attempt to answer your questions. Yes sir.

CB: Yes, my name is Chip Beck and I was a former DO officer. I'd like to make a comment about the past and ask you a question about the future. In the late 1980's and early 1990's, I worked in the propaganda and political staff, along with Ben Fischer, and part of our job was to engage in what was loosely called propaganda operations, but provide information available to outlets around the world. And in 1988, I wrote a piece, predicting that the Warsaw Pact was in trouble and might collapse. I was roundly ridiculed by some of our operational colleagues. In fact, the number three officer in the Soviet-East Europe Division said it never happen in our lifetime. And after the Berlin Wall collapsed, I happened to run into him in the hallway and I remarked that he looked remarkably fit for a dead man. Later on, as Mr. Gati

said, you only had to go to the Soviet Union. And I sure went to the Soviet Union in August in 1990, and came back and wrote another piece saying that the Soviet Union in some shape or fashion was going to follow the rest of the Warsaw Pact and was going to collapse. I was not allowed to publish that. In fact, there is a little handwritten note on the side of that piece said, "You are predicting the future." To which I said, "I thought that was our job." But what I'd like to say is, you gentleman have presented a very well, I think the complexity of predicting what was going on at that time. I think just as in 1899, few analysts knew what was going to happen in this tumultuous 20<sup>th</sup> century. Do you see that, here in 1999 we are equally, maybe, oblivious to the events that are coming down the road in the coming century, and how would you gentleman suggest that we use our experience with the Cold War to maybe look much farther ahead and provide what's coming down the road in front of us now?

GH: Who wants to tackle that one? Tom?

TP: I would suggest that you point your interest in other directions. The big things that I am curious about in the next century have to do with the economy and the environment, I would say, are the two big questions. I'd like to know when the hole in the ozone layer is going to reach Florida.

GH: Yes sir.

DE: I'm David Ensor of CNN. I'd like to ask the panel, and particularly those who were in the Agency during the period we are talking about, to respond to another piece of the conventional wisdom that critiques the Agency. Am I not right that a lot of people believe the Agency, and the Intelligence Community, greatly overestimated the level at which the military, the Soviet military, was expanding its capabilities? The rate per year at which it was expanding its capabilities. And if I am right, and the conventional wisdom is right, why was the Intelligence Community so wrong about that?

GH: Who wants to tackle that? Doug, you want to start?

DM: Well, I want to end my career earlier, my new career I mean. Yes, I think it is clear that the estimates of the military expansion, even the early to the mid 80's, all included a statement, and I'll give you the page numbers if you'd like to talk afterward, that said they will continue to build up these military forces even though the economy is collapsing. I'm shortcutting the bureaucratise that was used. In 1986, when I first, I went back to take the Soviet office in 1984. As I walked in the office, my predecessor walking out said, "You've got a problem. You've got this bow wave. You've got to figure out..." "So we worked on a methodological problem, and we had a good methodological explanation, and just as we got there Gorbachev came in, and then we had two explanations of why the projections, we thought, were too high. Because in addition to everything else, if those were what they were planning to do, that meant Gorbachev was a liar. He had no intention of doing what he said he was going to do. And there are some people here who know that we sent a memorandum forward that said just that. I can't tell you which

particular weapon system now that you have projected is not going to come, or not going to come as fast, but I can tell you that they all are not coming. All the ones you said are coming are not coming, nor are they coming at the speed you projected them.

And that was about that time we started building this analysis which led us to the conclusion that what we couldn't prove, and he didn't know if he was going to cut the military budget then, but it got pretty clear that there was some kind of a non-fit between that military buildup and not just the economy, but Gorbachev's sense of where he was going. In fact, as Bruce said, I think that's part of the reason we have all this, "You guys are really screwed up," because a lot of people are aware that we were talking of one thing on the threat at a time when we had this basket case over here

GK (George Kolt). . . . that is skipped by these generalization that individuals play in shaping estimates. The importance that various arguments/discussions we have among ourselves, and how that mix is really what produces then these broader

judgments. And in this respect, there have been several allusions to the dissent we took to an NIE in November 1989, to a paper that was written in that year about Gorbachev's gambles. I would just like to use this opportunity to give recognition to an analyst who played a key role in shaping our views, and he is here, and this is Grey Hodnett, who wrote the paper on Gorbachev's gambles, so identified, and who really helped create dissent. I just would like Grey to stand up so everybody can see him. So I owe him a great debt of gratitude. I think we all do owe him a great debt of gratitude.

Second, about the, coming back to the issue of predicting the future, paradigm changes. I think one of the difficulties is, you can say yes, the paradigm is changing, but it is establishing the rate of change, and when, and Marxist parlance, and then you go from quantitative to qualitative change as to when that will occur. And as Charles pointed out, what paradigm will take its place? And that's not, that's never clear. So I think that what we always talk about is what Bruce Berkowitz pointed to, the if and when. The different directions it could play on events. So even though in a situation as large, and as Charles referred to that,

occurs once in a century as big as the collapse of the Soviet Union, yes, we can focus on that issue. But it is much more difficult than that to establish the various paths the development could take. And this is what we try to do in the papers that we wrote.

And the third point is the importance, which I hope will be picked up in other discussions, of the dialogue that has to occur between the Intelligence and the policy community. How the questions have to be put, the criticism of our papers have to be there so that we can shape them, according to, judging by how outsiders see them, and what their interest, their issues are. I must say I was very fortunate, too, in the period that I headed SOVA in the Bush Administration, of how well that worked. Particularly with the NSC. Thanks a lot to Bob Gates who was there. And with the Department of Defense with Secretary Cheney, who had regular symposia to discuss issues in the Soviet Union. But that played a very important part in our work.

GH: Thank you George. I think on that note, they tell me you've got three and a half minutes to run to the rest

rooms and come back for the next session. And let's  
thank our panelists. (Applause)