

Watching the Bear: Essays on CIA's Analysis of the Soviet Union

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Foreword

During the entire period of the long Cold War (1945-1991), the United States faced in the USSR an adversary it believed was bent on world domination. US intelligence was pressed to focus much of its attention on the Soviet Union and attempted to understand its leaders, discern their intentions, and calculate the capabilities of a closed, totalitarian society. It was a formidable task. Nevertheless, led by the Central Intelligence Agency (CIA), the US Intelligence Community provided US policymakers with a wealth of information and analysis.



How good was this intelligence? Some critics have charged that the Agency and the Intelligence Community failed to accurately assess the political, economic, military, and scientific state of the Soviet Union. Some argue that the CIA gravely miscalculated Soviet military power and intentions and even missed the signposts on the road to the final downfall of the Soviet empire. Others believe that the intelligence was adequate but that policy miscues led to missed opportunities to relieve tensions or speed the transformation in the USSR.

Now, more than ten years after the disintegration of the Soviet Union, we have a chance to review a representative sample of this intelligence and to judge more accurately whether US intelligence was truly "asleep at the switch." The CIA released over 80,000 pages of newly declassified materials relating to its role in providing intelligence to US policymakers on the Soviet Union. Several well-known scholars were asked to review these and earlier released materials and to critique CIA's analysis of Soviet political, economic, military, and science and technology developments. This volume is the result of that effort.

In March 2001, the Agency co-sponsored with Princeton University a conference on this topic, which provided an in-depth review of the issues. I attended the conference, and after reviewing the documentation and reflecting on the task these scholars faced, I must say I found the essays fascinating for their nearly comprehensive portrayal of the US effort. From my perspective, the Intelligence Community worked much better than many assumed. Much of my career in the American Foreign Service was spent studying the Soviet Union. As Special Assistant to President Ronald Reagan (1983-1986) and as US Ambassador to the Soviet Union (1987-1991), I had access to and relied on US intelligence data on all aspects of Soviet developments. It was not always right, and it missed certain developments. But, I must say, it was right more often than not. Intelligence, one should remember, is rarely perfect, however

much we would like it to be. For the most part, and I say this from personal experience, the CIA and its partners in the intelligence business provided policymakers with timely and useful intelligence which helped them formulate and carry out effective US policies.

This volume is invaluable in helping to understand not only US intelligence analysis, but also the bureaucratic process involved in the production of finished intelligence, and, finally, its impact on US policymakers. Moreover, given the tragic events of 11 September 2001 and the sudden emergence of a new focus for America's intelligence--international terrorism--I would suggest to critics and would-be reformers that they begin any discussion of US intelligence with a thorough reading of this thought-provoking examination of the US intelligence analysis effort against the hardest target of the Cold War, the Soviet Union.

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Introduction and Overview of Conference Papers

"CIA's Analysis of the Soviet Union, 1947-1991" was the subject of a conference at Princeton University on 9 and 10 March 2001, sponsored by Princeton's Center of International Studies and the Center for the Study of Intelligence at the Central Intelligence Agency (CIA). The conference drew experts including former and current analysts from CIA, members of the academic community, former members of the US policymaking community, and representatives of the media. The goal of the conference was to assess how well CIA--specifically its major analytic component, the Directorate of Intelligence (DI)--in concert with other agencies in the US Intelligence Community helped policymakers in Washington understand and gauge the readiness and the plans of Soviet military forces, the state of the Soviet economy, the capabilities of Soviet military technology, and the policies and internal workings of the Kremlin throughout the Cold War.

The conference was divided into seven sessions or panels. The first five focused on the organizational evolution of the DI and on CIA's analysis of Soviet economic, political, military, and scientific and technological developments during the Cold War. The sixth session assessed the extent to which Western analyses of the Soviet Union may have influenced the USSR's policymaking process. A seventh panel featured a roundtable discussion of how influential CIA's analysis had been on the foreign policymaking process in Washington.

The papers featured in this volume were presented at the first six panel sessions of the Princeton conference. A panel of experts provided comments on the papers and presented their own views on the subjects being reviewed. All of the panels were followed by open discussion among the authors of the papers, panel members, and the audience.

An examination of CIA's analytic record and performance from the early Cold War years through the collapse of the Soviet Union was made possible by the declassification and release for the conference of almost 900 documents produced by the DI. In addition, the authors of the papers and the scholars at the conference were able to draw upon a sizable collection--close to 2,700 documents--of previously declassified and released analytic documents on the USSR published by CIA between 1947 and 1991.

All of the declassified documents are available at the National Archives and Records Administration; those released specifically for the conference also are available on the CIA Electronic Document Release Center (or FOIA) Website at <http://www.foia.ucia.gov>. Absent from this collection of documents is the diet of CIA's daily current intelligence reporting and analysis tailored for the President and his closest circle of most senior policy advisers in the form of the *Daily Intelligence Summary*, later the *President's Intelligence Checklist*, and more recently the *President's Daily Brief* and the *National Intelligence Daily*. The contents of these all-source daily reports, while presumably influential, still are deemed too sensitive for declassification.

The six papers prepared for the conference are summarized below. In some instances, editorial comments are provided in an effort to put some of the issues in context or to raise issues for possible future research and discussion. The papers can be found in their entirety in Chapters I through VI. Speeches and concluding remarks follow in Chapters VII and VIII.

Origins of CIA's Analysis of the Soviet Union

Donald Steury's paper focuses on the evolution of an independent, analytical capability at the Central Intelligence Agency during the early years of the Cold War and the Agency's existence. Steury traces the development of the Central Intelligence Agency from the creation of the Central Intelligence Group (CIG) in 1946 through the tenure of Lt. Gen. Walter Bedell Smith as Director of Central Intelligence (DCI) in 1950-51. It was during this period that the nucleus of the Agency's future analytic organization--the DI and a Board of National Estimates (BNE)--was formed.

According to Steury, some US officials opposed the creation of a civilian intelligence agency, fearing it might become an American Gestapo. President Harry Truman, however, concerned with preventing another Pearl Harbor, created the Central Intelligence Group as a "sort of holding company whose main function would be the coordination of departmental intelligence." The first DCI, Rear Adm. Sidney W. Souers, was given a staff of only 29 people (17 of them on loan from other departments) and was dependent on the Department of State and the War and Navy Departments for both staff and funding.

Meanwhile, the military services, the Department of State, and the FBI jealously controlled their information and their role as intelligence policy advisors to the President. According to Steury, the military resented having to provide military data to a civilian agency and felt "civilians could not understand, let alone analyze, military intelligence data." Similarly, the Department of State immediately challenged the CIG on the issue of access to the President. When Truman asked for a daily intelligence summary from the CIG, Secretary of State James Byrnes insisted that State provide the President with a daily report as well. As a result, Truman received daily summaries from both the CIG and State. Thus, the War Department and the Department of State remained the focal point for providing analysis on the Soviet Union during this period. The CIG, with the creation of an Office of Reports and Estimates, concentrated on producing the Daily Intelligence Summary for the President.

The passage of the National Security Act and the creation of the CIA in 1947 did not greatly alter the situation. According to Steury, the "new kid on the block" found itself trying to carve out an analytical role in a pre-existing and bureaucratically entrenched national security establishment.

Steury claims that neither the CIG nor the early CIA was capable of meeting America's early postwar intelligence requirements on the Soviet Union. The War Department was producing detailed, high-quality, analyses on Soviet military capabilities and making long-term projections about Moscow's intentions. Only after Gen. Lucius D. Clay, the American Military Governor in Germany, sent his famous "war warning" cable to Washington on 5 March 1948 did CIA get more actively involved in analytical assessments. Steury argues that the true motive of the Army leadership in seizing on Clay's cable was to justify increases in the US defense budget. Regarding the war warning crisis, CIA analysts took the position that the Soviet Union was unlikely to deliberately initiate war in the foreseeable future, despite its strong military position in Europe.

From this point on, the mission of CIA's analysts quickly grew, according to Steury. In addition to producing daily current intelligence and long-term estimates, they were asked to do wide-ranging research on topics such as economics, transportation, and geography. Also, in his view, bureaucratic opportunism played a role. While the Department of State and the military services remained adamant that political and military analysis should not be tasked to CIA,

they left scientific and, increasingly, economic analysis to the Agency.

Following the recommendation of the Dulles-Jackson-Correa report, DCI Walter Bedell Smith created the BNE in 1950-51 and added the DI in January 1952. The Board was supported by an Office of National Estimates (ONE) and gradually became a major research organization in its own right. At the same time, CIA reached a landmark agreement with the Department of State that gave the Agency responsibility for economic research and analysis on the Soviet Union and its East European satellites. (The State Department retained primacy in political analysis.) The DI subsequently developed models of the Soviet economy that, with modifications over the ensuing decades, provided US policymakers invaluable insights into the USSR's massive but cumbersome economy. Gradually, the CIA assumed a broad mandate for analysis, especially with regard to the Soviet Union.

Assessing Soviet Economic Performance

CIA's Directorate of Intelligence allocated a large share of its analytic resources from 1947 to 1991 to the Soviet Union in general and to the Soviet economy in particular. Two watershed events in this effort were the recruitment of Max Millikan, an economist from the Massachusetts Institute of Technology, to head the Office of Research and Reports (ORR) ^[1] -- which focused on basic intelligence reporting including, most prominently, economic intelligence--and the agreement with the Department of State mentioned earlier, which enabled ORR to assume responsibility for economic research and analysis on the Soviet Union and Eastern Europe.

James Noren, a leading expert in the DI's effort to analyze the Soviet economy during much of the Cold War, provides a first-hand account of the work the DI produced during this period. His paper chronicles an array of intelligence assessments of the Soviet economy and a record of significant achievements by CIA and the US Intelligence Community. It lays out how the DI attained the five goals set by Millikan for the Agency's economic analysis of the Soviet Union during the Cold War:

- To help estimate the magnitude of present and future military threats by assessing the resources available to a potential enemy--now and in the future.
- To estimate the character and location of possible military threats--how potential enemies have invested their resources.
- To assist in divining the intentions of potential enemies in the conviction that how they act in the economic sphere is likely to reveal real intentions.
- To help policymakers decide what can be done to reduce possible or probable military threats by impairing the enemy's capabilities.
- To assist in establishing and projecting relative strengths of East and West.

Noren contends that all of Millikan's goals for CIA's economic intelligence were fulfilled:

Over the years, CIA learned a great deal about the Soviet economy, and shared its findings not only with policymakers but also academia and the general public... The Agency's economic analysis contributed to a better understanding of the threat posed by the Soviets in both economic and military spheres, and restrained a general tendency to exaggerate that threat.

Noel Firth and I opined in our book that, in the absence of the defense-spending estimates, "The prevailing view of Soviet military programs would have been more alarmist and US defense spending during the Cold War would have been much higher."

In his paper, Noren describes how CIA's economics division, which was small and largely unrecognized in the early 1950s, grew in the 1960s, 1970s, and 1980s to become arguably the preeminent organization in the West engaged in analysis of the Soviet economy. Along the way, according to Noren, the DI undertook some precedent-setting work. For example, the Agency's economic analysts constructed a set of national income accounts for the USSR that built on the pioneering work of Professor Abram Bergson and his colleagues at Columbia, Harvard, and the RAND Corporation. Also, at a time when production-function analysis was in its infancy in the United States, CIA developed measures of combined-factor productivity--the efficiency with which labor, capital, and land were used--for the Soviet Union. These constructs became the backbone of the Agency's analysis of Soviet economic trends. They provided a way for the DI to gauge the rate of growth of the Soviet economy and to answer structural questions about it--such as how fast the USSR's capital stock was growing, whether or not living standards were improving, and how much of a burden defense spending was placing on the economy. They also provided a basis for international comparisons of the size and structure of the Soviet economy.

At the same time, according to Noren, the DI provided US policymakers with timely and useful analysis on a wide range of economic issues. CIA's analysis assessed the strengths, weaknesses, and prospects of the individual industrial, agricultural, transportation, communications, and energy sectors in the USSR in detail and on a continuing basis. The Agency followed Soviet agriculture, for instance, with state-of-the-art methods of predicting grain yields. According to Noren, coverage of Soviet agriculture, particularly the models of grain production, provided critical information that enabled US policymakers to successfully gauge large changes in Soviet grain production and therefore possible Soviet purchases in world markets. Noren pointed out that the Department of Defense was an eager customer of CIA's estimates, expressed in US dollars, of the cost of Soviet military programs. He noted that in 1977 Secretary of Defense Harold Brown had characterized the dollar estimates as "providing the best, single aggregated measure of US and Soviet defense efforts." Finally, Noren noted that the Agency took the lead in assessing the role of technology transfer in the USSR's economic and military development. According to Noren, the DI's analysts found that the technology gap--in the West's favor--was large and widening over the course of the Cold War, that the Soviet system of planning and management retarded the assimilation and diffusion of new technology, and that the volume of Soviet imports was too small relative to total investment to have a substantial effect overall.

Meanwhile, the Agency regularly provided assessments of the state of the Soviet economy to US policymakers. Noren points to a succession of analytic papers going as far back as the early 1960s that described a slow and steady decline in the rate of economic growth, a lack of improvement in the quality of life in Soviet society, and finally growing indications of political destabilization that ultimately resulted in the breakup of the Soviet Union.

- The Agency's measures of Gross National Product (GNP) indicated that Soviet economic growth was slowing over time. Indeed, as early as 1963, CIA reported that Soviet GNP had grown only by a modest 2.5 percent, largely debunking Nikita Khrushchev's boast that the USSR would overtake the United States. By 1982, CIA was forecasting that Soviet GNP growth would average only 1.4 percent in the 1980s, projections that tracked well with actual 1980s growth.
- The Agency's productivity analysis painted a pessimistic picture of the future of the Soviet economy. In 1961-63, for instance, CIA reported that the rate of growth of factor productivity had fallen to 2 percent

per year compared with almost 5 percent per year in 1954–60. A 1970 paper concluded that returns on new capital were "strongly diminishing" and that a higher rate of capital formation would "not insure even a continuation of present rates of economic growth."

- CIA's analysis of Soviet industry uncovered major vulnerabilities that were slowing the growth of industrial output--shortages of raw materials, slower growth in energy supplies, and rail bottlenecks--as well as the continuing priority given to the military, increasing planning snafus, and foreign trade rigidities.
- CIA's analysis of the worth of a succession of economic "reforms" in the USSR was consistently skeptical. The DI's analysis found most reform programs--the 1965 Kosygin reform program, for instance, and the reform proposals that surfaced in 1957, 1965, and 1979, as well as those put forward by Gorbachev--to be too "timid" and predicted they would yield only small positive results.

Finally, Noren also cites an impressive number of analytic papers done by the DI that were skeptical of Gorbachev's policies of *glasnost* and *perestroyka*. These papers describe "financial imbalances and inflation," an economy "out of control," ill-conceived policies, partial economic reforms, misdirected investment resources, and a failure to improve living standards. Overall, the analysis done by the DI during the Gorbachev years, Noren asserts, painted a consistently pessimistic picture of an economy that was going steadily downhill. According to Noren, "The Agency tracked and projected an economy drifting toward stagnation, posing extremely difficult choices for Soviet leaders."

At the same time, Noren's paper reveals that some of the Agency's assessments were considerably off the mark. He indicates, for instance, that while CIA's analysis was correct on the fundamental problems that eventually brought about a fall in oil production in the USSR, the Agency's 1977 estimate of oil reserves in the USSR was too low, and its analysts did not take sufficient account of Moscow's willingness to shift men and equipment--in massive numbers--to the development of the Siberian oil fields in the middle of a five-year plan. The Agency's abrupt reassessment in 1976 of its ruble defense-spending numbers led to a lack of confidence in the Agency's work among some members of the Administration and Congress. Noren also points out that CIA's analysis of Soviet military power and intentions missed the mark in the late 1970s. A review of CIA's estimates of Soviet defense spending in 1982 found that while outlays for military procurement had leveled-off in the USSR since 1975 and the growth in total defense spending had slowed in real terms, the Agency's assessments continued to maintain that defense spending was rising at the historic rates of 4 to 5 percent per year.

The accuracy of CIA's analysis of the Soviet economy has been questioned, and has become the subject of substantial debate since the collapse of the Soviet Union. Noren's analysis buttresses the assessments of a number of other analysts who maintain that the Agency did as well as could be expected in anticipating the collapse of the Soviet economy in the early 1990s. [2] Other analysts, meanwhile, continue to disagree. They charge very broadly that CIA failed in one of its main missions--to accurately assess the political, economic, and military state of the Soviet Union. [3]

Analyzing Soviet Politics and Foreign Policy

Douglas F. Garthoff, a former analyst and senior official at CIA, provided an account of the Agency's analysis of Soviet politics and foreign policy and also described the organizational

changes that affected the production of political analysis within CIA during the Cold War. He recounted CIA's reading of political events in the USSR beginning with the initial reporting to the President by CIA's predecessor organization--the CIG--in mid-February 1946, through the Stalin and Khrushchev periods, the Brezhnev and post-Brezhnev eras, and finally the controversial Gorbachev period.

On the whole, Garthoff assigns the Agency and the Intelligence Community high grades for political analysis, describing the views of experts "who had immersed themselves in the subject rather deeply and who had no policy-driven axes to grind in forming their conclusions." At the same time, he is critical of the Agency's cautious or conservative approach in evaluating statements regarding Soviet foreign policy. According to Garthoff:

There seems to have been a bias in favor of not making analytic mistakes in the direction of being too "optimistic" about Soviet policy choices, probably in the conviction that this was the most prudent and therefore most responsible way to shape analysis for senior US policymakers.

Garthoff asserts that two other biases were built into CIA's analysis of Soviet foreign policy: (1) that threats to US interests were more important to identify for US policymakers than opportunities for advancing US policy interests; and (2) that attention to the military dimension of the Soviet threat dwarfed all other aspects of the analysis of the USSR. [4] Garthoff acknowledges that the Agency's basic mission was, and still is, to warn of possible military threats to the United States. Nonetheless, he maintains, "CIA sometimes attempted to relate appreciations of Soviet military strength to Moscow's general foreign policy in ways that emphasized the military or assertive aspects of Soviet policy." He leaves open the question of how the Agency could have done a better job of integrating its analysis of the political, economic, and military dimensions of Soviet policymaking.

In his concluding section, Garthoff addresses the issue of whether or not CIA predicted the demise of the USSR. He gives the Agency relatively high grades for the quality of its effort:

The papers currently available show that CIA's analysts interpreted Gorbachev's words and actions as serious efforts to bring about real change in the USSR, that the analysts kept pace with changes as they occurred and thought through their possible implications, and that they understood after a while that the impact of Gorbachev's changes might turn out to be beyond his expectations, understanding and control. It may be said of CIA that it did not predict with exactitude that Gorbachev would fall or when he would fall, but it also must be acknowledged that CIA documented many indications of the troubles he encountered (and engendered) and the seriousness of their danger to his political health.

Garthoff cites a number of National Intelligence Estimates (NIEs) and intelligence assessments as examples of the tenor of the Agency's analysis during the Gorbachev period, including the following:

- An NIE published in November 1987 titled *Whither Gorbachev: Soviet Policy and Politics in the 1990s*, which concluded that Gorbachev's intent was to be bold and visionary and that he was "now convinced that he must make significant changes to the system, not just tinker at the margins." The estimate goes on to say that Soviet foreign policy was in for "profound" changes, with a de-emphasis on military intimidation as a policy instrument and a reduction in tension with the West so that growth in defense spending could be constrained.
- A December 1988 intelligence assessment titled *Gorbachev's September Housecleaning: An Early Evaluation*, which stated that "new thinking" on national security and foreign policy involving a "more pragmatic, non-

ideological approach to foreign affairs" was now more likely.

- A March 1990 intelligence assessment that described reform in the USSR as at "a critical juncture," and warned that domestic problems threatened to overwhelm *perestroika*, that Gorbachev had to choose between moving more decisively toward democracy and economic reform or backtracking on both, and that near-term instability and conflict seemed likely to persist and possibly intensify.

Garthoff's ability to assess comprehensively the Agency's analysis of political events for more than four decades was, in his view, limited. He writes that his paper deals only "with high points of topmost level leadership politics and policies" and "the main lines of the basic East-West competition" with respect to Soviet foreign policy issues. One constraint he faced was the uneven availability of declassified CIA studies dealing with Soviet political and foreign policy issues, a problem that plagued all authors of the papers in this volume. But the problem was most severe in the political area, according to Garthoff, because previous declassification efforts involving CIA's analyses of the USSR resulted in the release of relatively larger and more representative samples of documents dealing with military and economic affairs. [5] The fact that the conference covered the entire Cold War period from 1947 through 1991 also was a problem. Garthoff found that addressing all of the major events over that entire time period posed a daunting task. [6]

A careful reading of Garthoff's paper points out the need to understand the organizational structure of the Agency and how it changed over time if one is to fully comprehend CIA's role in providing political analysis to policymakers. Much of the Agency's early political analysis, for instance, was provided to policymakers in the form of current intelligence--daily, short-term assessments of events as they unfolded--although long-term research papers were done early on as well, such as, the so-called CAESAR and ESAU papers produced by the Senior Research Staff and its predecessor. [7] The formation of the Office of Soviet Analysis in 1981 was a significant organizational change in that it brought together military, political, and economic analysts in one office and provided the basis for a more multidisciplinary approach to Soviet issues.

On the other hand, the abolition of the ONE's board and staff in 1973 was a less positive development. ONE was replaced by a system of National Intelligence Officers responsible for drafting NIEs for geographic or specific subject areas. In the process, the collegial structure that had existed in ONE--in which the Board reviewed each National Estimate--was lost. The effect of structural change on the Agency's analysis is a subject that warrants further research and study.

Finally, Garthoff necessarily relies heavily on NIEs to chart the course of the political analyses done by CIA and the Intelligence Community during the Cold War. NIEs, the DCI's most authoritative written judgments on the Soviet Union, present the views of the entire Intelligence Community. The text of an NIE generally reflects the Agency's analytic position on the issues; when it does not, the Agency's position is stated in a dissent. On balance, the judgments reached in NIEs usually paralleled those reached by the DI in its own, ad hoc intelligence assessments.

Analysis of Soviet Science and Technology

Clarence E. Smith asserts in his essay, "CIA's Analysis of Soviet Science and Technology," that

a revolution in technical intelligence collection capabilities at CIA during the Cold War led to the development of new analytic techniques as well. These advances ultimately brought significant successes in discerning Soviet scientific and technical capabilities, especially with respect to advanced offensive and defensive weapons. Smith describes the difficulties CIA and the US Intelligence Community faced in collecting intelligence on hard targets in the denied areas of the Soviet Bloc. Traditional espionage, severely restricted at the time, was not producing the needed information. As a result, US policymakers feared another surprise attack that could be far more devastating than the one on Pearl Harbor. For example, on 23 April 1952, DCI Walter Bedell Smith told the National Security Council:

In view of the efficiency of the Soviet security organization, it is not believed that the present United States intelligence system, or any instrumentality which the United States is presently capable of providing, including the available intelligence assets of other friendly states, can produce strategic intelligence on the Soviet Union with the degree of accuracy and timeliness which the National Security Council would like to have and which I would like to provide. Moreover, despite the utmost vigilance, despite watch committees, and all of the other mechanics for the prompt evaluation and transmission of intelligence, there is no real assurance that, in the event of sudden undeclared hostilities, certain advance warning can be provided.

Smith describes how civilian scientists, led by James Killian of MIT and Edwin M. Land as part of a Technological Capabilities Panel established by President Dwight D. Eisenhower, found that the Intelligence Community needed to "increase the number of hard facts upon which our intelligence estimates are based to provide better strategic warning, minimize surprise in the event of an attack, and reduce the danger of gross overestimation or gross underestimation." To counter the Soviet threat the panel recommended a vigorous program using the most advanced knowledge in science and technology.

This, according to Smith, led CIA and the Intelligence Community, in partnership with private corporations, to develop revolutionary collection programs designed to provide the needed intelligence data. CIA's Office of Scientific Intelligence (OSI), later to become the Directorate of Science and Technology, spearheaded the effort that included advances in collecting electronic intelligence (ELINT), the development of manned reconnaissance platforms, and the creation of space-based imaging satellites.

Smith notes that the flow of new data brought a revolution in analysis as Intelligence Community analysts worked to assimilate and make sense of it. At the outset of the Cold War, CIA had only a small analytic unit, the OSI, to analyze Soviet atomic capabilities. In May 1954, DCI Allen Dulles approved a dedicated ELINT program to intercept non-communication signals associated with the USSR's ability to deliver atomic bombs or weapons of mass destruction, as well as signals associated with its defensive systems. According to Smith, this unique program allowed CIA analysts to dissect, early on, Soviet missile and satellite telemetry data and to assess the performance of Soviet missile systems.

Smith's paper also discusses the use of the U-2 high-altitude reconnaissance aircraft developed by the Agency in cooperation with the Air Force and the Lockheed Corporation. The U-2, first flown over the Soviet Union on 4 July 1956, helped settle the "bomber gap" issue with overhead imagery of the Soviet Union. Later photo imagery was invaluable in also dispelling the "missile gap" issue and in determining the precise location of Soviet strategic delivery systems and Soviet defensive systems. Smith describes how the U-2 eventually became a dual-use reconnaissance platform, capable of collecting both imagery and ELINT. CIA's OXCART program,

better known by its Air Force designator SR-71 (or Blackbird), followed the U-2 and brought technological breakthroughs in aerodynamic design, engine performance, and stealth techniques.

Smith also details the role of the Agency in the development of the first space reconnaissance program, CORONA, and rates the technical advances made in camera systems and orbital life as "simply phenomenal." By September 1964, CORONA had photographed all 25 of the existing Soviet intercontinental ballistic missile (ICBM) complexes. While stressing CIA's role, Smith credits the entire Intelligence Community for contributing to the technological breakthroughs. In his view the new collection systems enabled US policymakers to become increasingly confident in their ability to discern Soviet military capabilities and to provide warnings of possible Soviet attack. In turn, he believes these pioneering collection systems made possible the Strategic Arms Limitation Talks (SALT) and the signing of arms-control agreements with the Soviet Union because they provided the United States with the means to verify Soviet compliance.

Estimating Soviet Military Intentions and Capabilities

Raymond L. Garthoff's paper addresses how CIA responded to policymakers' questions about Soviet military power and intentions. Garthoff traces the gradual development of CIA's role in military analysis from the "bomber gap" and "missile gap" controversies in the 1950s and early 1960s to questions surrounding Soviet intentions concerning nuclear parity or superiority in the 1970s, to the Agency's estimates of Moscow's growing military power in the 1980s and 1990s. He argues that CIA's analysis was not always right, nor always accepted, but that it played a predominant role in the US policymaking process because it was "more correct, more often."

Implicit in CIA's analysis of Soviet military power, according to Garthoff, was an assumption that we were dealing with a "given," an objective and established reality. There was little recognition, Garthoff argues, that the underlying reality might have been contingent and dynamic and, at least in part, reactive--that Soviet intentions and military programs might have been significantly affected by US policies and actions, and that US intelligence assessments and their consequences for US policy and military programs might have influenced the nature and extent of the very threat being analyzed. According to Garthoff, the main reason for this blind spot was the tendency of CIA analysts to see Soviet objectives, intentions, and capabilities as principally, if not exclusively, offensive in nature.

Like Donald Steury, Garthoff asserts that CIA analysis, especially of Soviet military affairs in the earliest years of the Cold War, was neither especially stellar nor influential, although this would soon change. At the outset, even though CIA had a voice, the most important judgments regarding Soviet intentions fell to others, especially the US military. When the CIA was established, according to Garthoff, there was a general understanding that the Army, Navy, and the newly created Air Force would exercise primary responsibility for military intelligence. Garthoff argues convincingly that during the 1950s the US military seriously miscalculated the threat posed by Soviet forces. He cites as examples of underestimation: the growth of Soviet military expenditure in the mid-1950s, the size of Soviet Army ground forces, the number of Soviet medium bombers, and the availability of uranium and U-235. The US military overestimated the growth of the Soviet submarine force and the production of Soviet long-range bombers, which led to the so-called "bomber gap." Garthoff points out that instead of the

700-800 long-range bombers the US Air Force estimated from 1955 to 1957, Moscow never deployed more than 150, U-2 reconnaissance flights and other technical intelligence led CIA to deflate the feared "bomber gap" by 1958.

Garthoff also discusses the famous "missile gap" controversy that developed in the early 1960s. According to Garthoff, Air Force Intelligence egregiously overestimated current and future Soviet ICBM capabilities. The feared "missile gap" was dispelled by CIA analysts when satellite photography during 1961 clearly showed that the Soviet leaders were not deploying large numbers of ICBMs.

On balance, Garthoff gives the Agency good grades for its military analysis during the 1950s and early 1960s, calling it "probably the best in the Intelligence Community." It was also, according to Garthoff, the least influenced by institutional interests, especially compared to the military intelligence services.

Garthoff illustrates this point by contrasting CIA's analysis during the 1960s and 1970s with military intelligence estimates. According to Garthoff, the documents CIA declassified for the Princeton conference indicate that CIA believed the Soviets probably sought no less than strategic equality with the United States, although they would have preferred some degree of strategic advantage if it could have been achieved. The US military, on the other hand, was convinced by December 1976 that the Soviet buildup of intercontinental nuclear capabilities was part of an effort to achieve world domination. The Air Force called it "the Soviet drive for strategic superiority." As a result, US military analysts opposed the administration's policies of détente, arms control, and increased trade with Moscow, contending that the Soviet Union had "exploited them to the serious disadvantage of the West."

Garthoff asserts that every NIE from 1974 to 1986 overestimated the magnitude of Soviet strategic force modernization programs. By 1982 analysts in CIA's Directorate of Intelligence determined that Soviet defense spending had in fact increased by only 2 percent on average since 1976 and that the rate of growth of weapons procurement had been almost flat. Nonetheless, the heads of the Defense Intelligence Agency and the military intelligence services, Garthoff points out, continued to argue that "Soviet leadership is now confident that the strategic military balance has shifted in the Kremlin's favor and that the aggressiveness of its foreign policy will continue to increase as the Soviet advantage grows."

Garthoff sharply criticizes the "Team B" approach created by DCI George H. W. Bush in 1976 as an alternative to the Intelligence Community's military estimates. Team B's report was highly critical of CIA's analysis but, according to Garthoff, virtually all of Team B's criticisms proved to be wrong. The Team B exercise, in his view, was "ill conceived and disappointing" in its attempt to identify ways to improve the estimating process. The Team B members, according to Garthoff, were less concerned with objectively evaluating Intelligence Community estimates than with pushing their hard-line views of a dangerous Soviet Union bent on world domination.

Garthoff concludes that perhaps the greatest shortcoming of the NIEs and CIA's assessments of Soviet military power from 1988 to 1991 was a failure to recognize the radical changes in Soviet outlook, doctrine, policy, or military strategy. He cites as an example a 1988 NIE that concluded, "To date we have not detected changes under Gorbachev that clearly illustrate either new security concepts or new resource constraints in the Soviet fundamental approach to war." Garthoff viewed this as a lost opportunity to identify and analyze changes that indeed were taking place. Nevertheless, he concludes that analysts at CIA were well ahead of the Intelligence Community as a whole in assessing Soviet military intentions and capabilities.

Western Analysis and the Soviet Policymaking Process

Vladimir Treml's paper assesses whether government officials in the former Soviet Union read Western studies of the USSR and, if so, the degree to which the studies influenced policymaking in the Kremlin. Treml focuses his analysis almost exclusively on economic issues--that is, on Western studies that assessed "the performance, effectiveness of policy, and structural changes in the Soviet economy"--but believes his conclusions apply generally across the range of disciplines that focused on the Soviet system.

Treml's study covers the period from the mid 1950s--when secrecy and censorship in the USSR were most severe--to the implementation of Mikhail Gorbachev's policy of openness or *glasnost* in the late 1980s. Treml points out that Soviet officials and academics were not allowed during most of this period to deviate from the Communist Party line on the performance of the Soviet economy, nor could they use or cite economic data not approved by officials from the USSR's Central Statistical Administration. In essence, they were hamstrung in their ability to assess objectively the performance of the Soviet economy and were largely, if not completely, isolated from the work of other economists throughout the world.

While Treml's paper focuses on Western analyses of the Soviet Union in general, he points out that CIA was the dominant intelligence organization analyzing the Soviet economy during this period. CIA analysts wrote many of the papers that appeared in the compendia published by the Congressional Joint Economic Committee (JEC) and Treml estimates that more than 40 percent of these JEC articles on the Soviet economy were "either completely translated, summarized, excerpted, or reviewed in classified Soviet publications, and, once in a while, in open publications in Soviet economic journals."

Treml's paper seeks to determine the extent to which Western studies of the Soviet economy were translated into Russian, reviewed, and studied by Soviet academic and government economic specialists with appropriate clearances, and used to make policy recommendations to high-level Soviet officials during the roughly thirty-five years covered by his study. In an effort to determine this, he (1) combed Russia's central archives for formerly classified as well as open Western documents that had been translated and for other information and documents that indicated such materials were made available to Soviet officials or policymakers; (2) interviewed Russian economists to determine the extent of their knowledge on the subject; (3) reviewed Soviet and post-Soviet literature for evidence that Western analysis had been used during the Soviet era; and (4) interviewed Western experts on the Soviet economy to determine whether they had any knowledge of altered Soviet practices during the period in question.

Treml's conclusions can be summarized as follows:

1. The Soviet Government made a massive effort to severely restrict the dissemination of Western studies to a small number of Party and government officials. Even the most prominent Soviet economists saw relatively few translated Western studies and only heard about the results contained in others.
2. Some Western studies of the Soviet economy were selected, translated into Russian, classified, summarized, and distributed to Soviet leaders--estimated by Treml to include the top 200 to 500 party and government officials. Treml found in the Soviet archives, for example, a

1976 JEC study that had been translated into Russian and distributed to the Central Committee. About half of the Politburo's members had initialed the document.

3. Kremlin officials generally mistrusted official Soviet analyses of the USSR's economy, and whenever possible would read or at least scan restricted Western studies. Kosygin and Gorbachev, for instance, indicated in their memoirs that they read Western studies of the Soviet Union. Treml also found that such Western studies as Morris Bornstein's work on Soviet prices; CIA's estimates of the rates of growth of the Soviet economy and of Soviet defense spending in rubles and dollars (which were sent directly to Brezhnev); the work of Professor Gregory Grossman and others on the "second economy" in the USSR; and the report by Christopher Davis and Murray Feshbach on the deteriorating state of public health in the USSR were read by top party officials.

Treml was unable to assess with much certainty the impact Western studies had on Soviet policymakers because many Central Committee records remain classified, are lost, or were destroyed. He found the paper trail of Central Committee policy decisions to be shoddy or nonexistent. But in what appears to be the clearest example of the impact of Western analysis on Soviet policy, Treml found references in the Central Committee's archives to two still-classified documents that reference CIA studies in the late 1970s. The CIA reports concluded that the Soviet petroleum industry was beset by serious problems. He notes that, following the release of the CIA study, the Kremlin directed a major shift in investment spending in favor of the oil and gas industries and that Soviet extraction and exploration policies changed in the late 1970s.

[1] Max Millikan's tenure at CIA was quite short—about a year. Nonetheless, in this short period he initiated an extensive recruitment program, hiring economists who formed the core group of CIA's economic analysts for the next decade, and set a course that the Agency's Soviet economic analysts followed for the next forty years.

[2] See Douglas J. MacEachin, *CIA Assessments of the Soviet Union: The Record Versus the Charges* (Washington, DC: Center for the Study of Intelligence, Central Intelligence Agency, 1996), p. 7. Other analysts who have defended the Agency include Bruce Berkowitz and Jeffrey T. Richelson, "The CIA Vindicated: The Soviet Collapse Was Predicted," *The National Interest*, no. 41, (1995); and Kirsten Lundberg, "The CIA and the Fall of the Soviet Empire: The Politics of Getting It Right," Harvard Case Study C16-94-12510, Harvard University, 1994.

[3] Most prominent among the critics of the Agency are former Senator Daniel Patrick Moynihan, William Safire of the *New York Times*, and author Nicholas Eberstadt. See, for example, Daniel P. Moynihan, *Secrecy: The American Experience* (New Haven, CT: Yale University Press, 1998); George P. Schultz, *Turmoil and Triumph: My Years as Secretary of State* (New York, NY: Charles Scribner's Sons, 1993), 864-869; and Melvin Goodman, "The Politics of Getting it Wrong," *Harper's Magazine*, November 2000, pp. 74-80.

[4] The over-attention paid to the military dimension of the Soviet threat was addressed by two members of the panel, Dr. Fritz Ermarth and Dr. Peter Reddaway. This issue also is addressed in some depth in a recent book by Willard Matthais. His book surveys more than 50 years of national security policy and the role played by intelligence in its formulation. A major theme of

the book is that diverse views developed during the Cold War on the importance of military power in the determination of foreign policy. Matthais points out, for example, that the military establishment saw military power as the prime determinant of the behavior of states. As a result of this narrow viewpoint, he believes that military and political leaders demonstrated “a grievous failure to understand the Soviet leaders and communist doctrine.” On the other hand, in his view, the Office of National Estimates was more correct in that it kept Soviet policies “under continuing review” and “did not take refuge in any fixed theories about Soviet intentions.” See Willard C. Matthias, *America's Strategic Blunders: Intelligence Analysis and National Security Policy, 1936-1991* (University Park, PA: The Pennsylvania State University Press, 2001).

[5] As was noted in the “Introduction” to the conference publication, the body of DI documents on the Soviet Union published during the Cold War years, which had not yet been declassified, was far too large to have been reviewed for declassification and released for the conference. The Agency’s goal, therefore, was to assemble a collection of documents large enough and sufficiently diverse that (1) most, if not all, of the major developments and analytic issues that occurred during the period were represented; and (2) the tenor and substance of the DI’s analysis was adequately captured. Nonetheless, the process of declassifying and releasing documents was uneven and resulted in a collection of documents that was not perfectly representative of events as they occurred over time, despite considerable effort to make it so. See *CIA's Analysis of the Soviet Union 1947-1991*, edited by Gerald K. Haines and Robert E. Leggett (Washington, DC: US Government Printing Office, 2001), pp. 10-12.

[6] Historians and scholars will require the declassification and release of additional documents to sort out many of these issues. The Director of Central Intelligence has pledged to continue the release of these and other Cold War materials within the limits imposed by law not to jeopardize sources or methods, impinge on liaison relations with other countries, or interfere with the Agency’s ability to carry out its mission. Included in the priority list for review are finished intelligence analyses on the former Soviet Union. See “DCI Statement on Declassification,” dated 29 May 1998.

[7] Although current intelligence assessments were not included in the body of declassified materials made available to the conference authors, papers such as those in the CAESAR and ESAU series are discussed by Douglas Garthoff in Chapter III.

Chapter I

Origins of CIA's Analysis of the Soviet Union

Donald P. Steury

In the forefront of President Harry Truman's mind as he signed the order establishing the Central Intelligence Group (CIG) in 1946 was concern that the permanent, peacetime intelligence organization he was creating not serve as the cornerstone of an American "Gestapo," Nazi Germany's pervasive and oppressive secret police organization. At the same time, Truman felt the need to respond to widespread concern that the lack of an overarching national intelligence organization in the United States had been responsible for the strategic surprise at Pearl Harbor just five years before. And his own experience in the year he had been President showed him the policymaker's need for regular, timely intelligence reporting. Truman's way out of this dilemma was to choose a minimalist solution. The CIG was created as "a sort of holding company whose main functions would be the coordination of departmental intelligence."¹

The Director of the CIG was given a permanent intelligence staff of just 29 (17 of whom were on loan from other departments).² He was dependent on the Departments of State, War, and Navy both for staff and for funding. As created, CIG had two functions: the planning and coordination of all federal intelligence projects and the making of high-level estimates of foreign situations for the President and senior government officials. Although meant to be "the very last word in accuracy and timeliness," the estimates were not supposed to result from independent research but to be the product of the correlation and evaluation of analyses produced by the "departmental" intelligence organizations.³

As Sherman Kent presciently observed in 1946, "The CIG... [is] in for difficulties. If it has a soul to call its own, this and its heavy responsibilities are about all it can claim exclusive ownership to."⁴ The original concept of CIG may have been "reasonable and derived from real informational needs, [but] institutional resistance made implementation [of this concept] virtually impossible." The military services and the Department of State jealously guarded their preexisting control of information and their role as policy advisors to the President. Under such circumstances, CIG's original mission was "an exercise in futility."⁵ The military resented having to provide military data to a civilian agency and felt that "civilians could not understand, let alone analyze military intelligence data."⁶ Although the War and Navy Departments eventually assigned officers to CIG, they never granted CIG access to US military data. No less hostile to CIG's intelligence-producing authority was the Department of State, which almost immediately challenged CIG on the issue of access to the President. When Truman asked CIG for a daily intelligence summary, Secretary of State James F. Byrnes insisted on his department's prerogative to provide the President with daily policy analysis. The result: Truman received daily summaries from both CIG and the Department of State.⁷

It is true that in Spring 1946, the National Intelligence Authority--the Secretaries of State, War, and Navy and the President's personal representative, who were to supervise the CIG's Director of Central Intelligence (DCI)--authorized the CIG to conduct independent research and analysis "not being presently performed" by other departments.⁸ By October of that year, DCI Lt. Gen.

Hoyt S. Vandenberg had created the Office of Reports and Estimates (ORE), with a staff of more than 300 intelligence professionals and clericals-- sufficient to make CIG an independent intelligence producer. At the same time, CIG received its own clandestine collection capability, the Office of Special Operations (OSO), created by "returning" the War Department's Strategic Services Unit (SSU).⁹ With the SSU, CIG received a number of trained personnel, originally from the World War II Office of Strategic Services, with experience in both analysis and operational matters. Despite this, ORE depended on the Department of State for raw intelligence and relied primarily on unclassified sources of material--in part because OSO's intelligence product was highly compartmented and not accessible to ORE, and in part because ORE still lacked ready access to military intelligence. Moreover, the President's interest drove ORE to concentrate on producing a daily summary of international developments. Even as CIG discovered that it was easier to collect and analyze its own data than coordinate the work of obstructionist departments, it also learned that Truman liked and expected to receive its Daily Intelligence Summary. The pressure of events and the priority of responding to the President thus focused ORE's efforts on current reporting rather than on long-range forecasting.¹⁰

The result was that CIG "drifted from its original purpose of producing coordinated national estimates to becoming primarily a current intelligence producer."¹¹ CIG produced just four estimates on the Soviet Union in 1946, two of which were analyses of Soviet Bloc propaganda broadcasts.¹² Another, *Soviet Capabilities for the Development and Production of Certain Types of Weapons and Equipment*, was just two pages long and contained the first of a series of wrong-headed projections concerning the development of Soviet atomic weapons capabilities.¹³ The very first estimate--ORE 1: *Soviet Foreign and Military Policy*--represented exactly the kind of "high-level estimate of foreign situations" CIG was created to produce, but it stands out as virtually unique among the crop of estimates ORE turned out.

The passage of the National Security Act and the creation in 1947 of the Central Intelligence Agency (CIA) did not greatly alter the situation. Under the new DCI, RAdm. Roscoe Hillenkoetter, "The Agency experienced un-directed evolution in the area of intelligence, never fulfilling its coordination function, but developing as an intelligence producer."¹⁴ The list of intelligence estimates published in 1947 is rather longer than that for 1946 and contains a number of high-level estimates, but topics of immediate concern predominate. Of the 15 estimates declassified to date, six are in the nature of "situation reports" describing developments in various countries. Four others discuss the ongoing implementation of Soviet regional policies or likely Soviet reactions to US actions under consideration. Perhaps the most comprehensive estimate is ORE 14, *Future Soviet Participation in Long-Range International Air Transport*.¹⁵

None of these documents represent judgments outside the purview of either CIG or CIA, and all contain information of importance to the formulation of US foreign policy. But the predominance of such a current, situational focus suggests a preoccupation with "answering the mail," to the detriment of the longer range, more comprehensive intelligence assessments which the nation's central intelligence organization might have been expected to produce. Nowhere does one see the kind of comprehensive, formative intelligence documents produced by CIA's Office of National Estimates (ONE) in the 1950s and 1960s or by the National Intelligence Council (NIC) beginning in the 1970s. Moreover, the predominantly political tone of many of the estimates (especially the "situation reports") suggests a duplication of intelligence functions better performed by the Department of State.

In reviewing the intelligence process for the National Security Council, the 1949 Dulles-Jackson-Correa report somewhat wistfully concluded, "The principle of the authoritative National Intelligence Estimate (NIE) does not yet have established acceptance in the government. Each

department still depends more or less on its own intelligence estimates and establishes its plans and policies accordingly."¹⁶ The report blamed ORE for not asserting itself enough in the estimates process and for failing to fulfill its mission as a coordinating intelligence body. That indictment was largely in line with the facts, but it failed to allow for what CIA veteran Ludwell Montague called "the recalcitrance and incompetence of the departmental intelligence agencies."¹⁷ Lack of cooperation on the part of the departmental agencies only isolated ORE further, contributing to its general failure to function as a producer of coordinated, high-level estimates.

Nonetheless, the problem was deeper still, interwoven into the fabric of the newly created intelligence organization. In fact, neither CIG nor the early CIA was capable of meeting America's postwar intelligence requirements. CIG had been created to prevent the kind of strategic surprise that had brought the United States into World War II. But by 1946, although avoiding another Pearl Harbor was a paramount requirement of the postwar American Intelligence Community, strategic warning was only part of a wide spectrum of intelligence requirements. The experience of more than four years of total war was formative for postwar American strategic culture. By the end of World War II, a nation's war-making capacity was seen as but the expression of its total potential economic and military power defined in the broadest possible terms.

The shadow of Soviet military power settled across the European continent as the Soviet Union first infiltrated and then ruthlessly imposed dictatorial communist regimes upon the peoples of Eastern Europe, all the while moving to confront the Western Allies in Germany, Greece, Iran, and, eventually, Korea. An accurate appraisal of the full military and economic potential of the Soviet Union came to be viewed as an essential component of the role of the US Intelligence Community in assessing the burgeoning Soviet "threat"-- one fully as important as achieving an accurate forecast of Soviet intentions.

The dimensions of the postwar intelligence problem were mapped out by Sherman Kent briefly in a 1946 *Yale Review* article¹⁸ and then comprehensively in a 1949 treatise, *Strategic Intelligence for American World Policy*. Kent focused the lens of American intelligence on what he called the *strategic stature* of a potential enemy. By this he meant a nation's ability to influence an international situation in which the United States had a "grand strategic interest."¹⁹ Kent saw a nation's strategic stature as having three components, the most important of which was its *war potential*--the fully mobilized potential of its society, economy, and military to wage war. In any given situation, a detailed understanding of a nation's strategic stature was important, not only as a measure of what courses of action were possible (e.g., its capabilities--military or otherwise--for action), but as one indicator of its likely courses of action. For example, Soviet deployment of massive ground and tactical air forces capable of deep-strategic (e.g., offensive) operations to Eastern Europe was an indicator, not only of the political and strategic importance Moscow attached to the region, but of likely Soviet strategy in the event of war. A nation's war potential would only be fully employed in wartime, but Kent warned that in the developing Cold War the gap between a peacetime posture and one fully mobilized for war was narrowing rapidly.²⁰

Kent's voice was the most authoritative to speak on intelligence matters, but it certainly was not the only one. America's strategic culture blossomed intellectually in the postwar period, and questions of strategic intelligence received considerable attention. Kent himself was strongly influenced by what probably was the first postwar book to be published on the subject, George S. Pettee's *Future of American Secret Intelligence*. An intelligence veteran of the wartime Foreign Economics Administration, Pettee concentrated almost entirely on the industrial and

socioeconomic elements of national power.²¹ To cope with the complexities and dangers of a world arena shaped by industrialization, Pettee called for a postwar intelligence organization with far more emphasis on research and analysis than ever in the past. His influence on Kent is to be found in the latter's conceptualization of national war potential and even in the basic organizational schema applied to *Strategic Intelligence*.

Pettee's little book has all but disappeared from the American political consciousness, but his contribution was part of a large body of work influenced by the experience of total war. In the postwar world, foreign intelligence analysis meant building a comprehensive picture of state and society--one that demanded a significant, ongoing research effort. This was particularly true as American intelligence confronted the Soviet Union--a nation combining a large, offensively minded, standing military; rich natural resources; and a vast, if not necessarily modern, industrial base with a powerful and effective security apparatus that kept secret virtually every aspect of Soviet industrial, military, and technological development. It would have been impossible to achieve a strategically significant body of knowledge about the Soviet Union without the development of sophisticated tools of intelligence collection and analysis. Whatever their talents, the CIG's 29 intelligence officers simply lacked the time or resources to perform analytical work on such a level. In effect, they lacked an institutional basis for the intellectual authority they were expected to wield over the national intelligence process. ORE was perhaps better placed, but it was confounded by the institutional difficulties of inserting itself into a preexisting and bureaucratically entrenched national security establishment.

To some extent, ORE was also attempting to impose itself on a process that already was under way. The War Department's Joint Intelligence Committee (JIC) had been created in 1941 to counter Maj. Gen. William J. "Wild Bill" Donovan's appointment as Coordinator of Information, the first step in creating the Office of Strategic Services. In 1945, the JIC had begun applying its experience analyzing the Nazi military-industrial base to estimates of Soviet war potential and to projections of likely postwar Soviet behavior. JIC analyses encompassed the political, economic, and ideological dimensions of Soviet power as well as the more traditional military aspects of weapons development and war planning.²²

By 1946, the War Department's estimative process had acquired considerable momentum. Thus, when the DCI on 29 April issued a directive (CIG 8) calling for "production of the highest possible quality of intelligence on the USSR in the shortest possible time," it was the JIC, rather than ORE, that became the focal point of the analytical effort. Although the directive expressed the intention that "CIG would take over formal sponsorship of the project at the earliest possible moment," in practice CIG was virtually excluded from the process.²³ Intelligence actually was to be produced by a Working Committee comprising representatives of the Department of State, G-2 (Army Intelligence), the Office of Naval Intelligence, and Air Force Intelligence. CIG was not represented. The Working Committee was to be responsible for creating a digest of factual strategic intelligence on the Soviet Union, to be compiled as a *Strategic Intelligence Digest*. Based on the digest, *Strategic Intelligence Estimates* were to be prepared by member agencies as needed to meet their own requirements. CIG was to act in a "supervisory capacity"²⁴ and function as adjudicator between departments. The military, however, resented having to defer to CIG to process and distill raw intelligence data.²⁵ CIG's impact on the process thus was minimal.²⁶ ORE's own response to the CIG 8 directive was ORE 1, *Soviet Foreign and Military Policy*, a landmark estimate, but one that failed initially to achieve the prominence or impact of JCS 1696, a much larger document, produced by the War Department's JIC, and published under the aegis of the Joint Chiefs of Staff.

Ludwell Montague, principal author of ORE 1, was critical of the methodology employed in JCS

1696, and the document's balance and alarmist conclusions about Soviet intentions have since been questioned.²⁷ Nonetheless, JCS 1696 responded to prevailing concerns in the Washington national security establishment, and it was to this document that the White House staff turned in drafting its own appraisal for the President.²⁸ Truman's reaction was dramatic. "This is so hot," he concluded, "it could have an exceedingly unfortunate impact on our efforts to try to develop some relationship with the Soviet Union."²⁹ While ORE 1 was more concise and perhaps more balanced in its analysis of Soviet intentions, it did not offer much that was not in JCS 1696. In short, the new kid on the block still had a lot to prove.

The opportunity to do so was provided by the Soviet Union. On 21 November 1947, the Soviet Military Governor in Germany, Marshal Sokolovskiy, opened a meeting of the Allied Control Council with a violent outburst attacking the Western Allies. In December, Soviet Foreign Minister Vyacheslav Molotov disrupted a Quadripartite Foreign Minister's Conference in London and, in January, Soviet guards began regularly harassing trains transiting East German territory en route to the Allied garrison in West Berlin. Over the winter, Gen. Lucius D. Clay, the American Military Governor in Germany based in Berlin, began noticing an increased Soviet security presence in meetings with his military counterparts. Meanwhile, local intelligence officers reported recurrent consultations between the Soviet-controlled zone of Germany and Moscow. On 20 January 1948, Sokolovskiy rejected Clay's plans for currency reform inside occupied Germany.³⁰

Finally, on 5 March 1948, Clay felt compelled to voice his growing unease in a cable to Washington:

For many months, based on logical analysis, I have felt and held that war was unlikely for at least 10 years. Within the last few weeks, I have felt a subtle change in Soviet attitude, which I cannot define but which now gives me a feeling that it may come with dramatic suddenness. I cannot support this change in my own thinking with any data or outward evidence in relationships other than to describe it as a feeling of new tenseness in every Soviet individual with whom we have official relations. I am unable to submit any official report in the absence of supporting data but my feeling is real. You may advise the chief of staff of this for whatever it may be worth if you feel advisable.³¹

Unbeknownst to Clay, that same day the American Commandant in Berlin, Col. Frank Howley, decided to express similar misgivings in another cable to Washington:

After weeks of calm, last 2 Kommandatura [the quadripartite governing council in Berlin] meetings, 26 February and 2 March, showed such increased Soviet violence in attacks that it is believed that General Kotikov, Senior Soviet Member is acting under new instructions. Attacks are thoroughly prepared, unprovoked, and often unrelated to any incidents of the meeting.

...The apparent pattern, with reference to Soviet intentions in Berlin, which may be temporary or permanent, includes the following elements:

--Effort to build case that quadripartite government is unable to operate in Berlin...

--Complete opposition to agreement of any kind in quadripartite meetings.³²

According to Secretary of Defense James V. Forrestal's biographer, Walter Millis, Clay's telegram "fell with the force of a blockbuster bomb."³³ Howley's cable, dispatched independently later that day, seemed only to magnify the crisis. Although Clay later denied that he intended the cable as a war warning,³⁴ it was interpreted as such inside the Pentagon. That same day, Gen.

Stephen Chamberlin, Chief of Army Intelligence (G-2), hand-carried the "war warning" to Gen. Omar N. Bradley, Chairman of the Joint Chiefs of Staff. Secretary of the Army Kenneth C. Royall also saw it that afternoon; his first response was to ask how long it would take to get a number of atomic bombs to the Mediterranean, ready for use should the Soviets initiate a military action. Meanwhile, G-2 formed a task force under Col. Riley F. Ennis to begin a crash estimate of Soviet intentions.³⁵

Incredibly, although the cable was received with the utmost alarm inside the Pentagon, the Army was in no hurry to inform anyone outside the Department of Defense. Not until three days later, on 8 March, did Secretary of Defense Forrestal brief a closed-door session of the Senate Armed Services Committee on Clay's telegram. On 11 March, Gen. Chamberlin, the G-2, called DCI Hillenkoetter to request a meeting of the inter-departmental Intelligence Advisory Committee the next day.³⁶ Not until that meeting did representatives of the Office of Naval Intelligence, Air Force Intelligence, or the Department of State see Clay's cable, although by that time they had gleaned through the rumor mill some idea of what was happening.³⁷ On reading the cable, Director of Naval Intelligence Thomas Inglis noted that "this was the very function for which CIA had been established," and proposed that Hillenkoetter appoint a CIA representative to chair an ad hoc committee to study the situation and prepare an estimate of Soviet intentions.³⁸ With a stroke, Admiral Inglis transformed what up to that moment had been "an Army matter" into a national intelligence problem.³⁹

As Washington mobilized to deal with what it still perceived to be a crisis, intelligence officers stationed in Europe were polled for any supporting data. With this, CIA's Berlin Operations Base first heard of Clay's cable.⁴⁰ Surprised by the apparent extremity of the situation, Dana Durand and Peter Sichel of CIA visited Clay's intelligence chief in the Office of the US Military Governor in Germany. All agreed that further Soviet measures short of war were likely, but that war itself was unlikely--an opinion that prevailed generally throughout Allied intelligence establishments in Europe.⁴¹ This consensus in the field took the edge off Clay's "war warning" and reduced the sense of immediacy prevailing in Washington.

The next day, Saturday, 13 March, the ad hoc committee met for the first time under the chairmanship of CIA's DeForrest Van Slyck, an analyst from ORE's Global Survey Group. Hillenkoetter left Van Slyck to run the meeting, but bustled in and out with trays of coffee and sandwiches.⁴²

CIA's Van Slyck and G-2's Col. Ennis later were identified as "the principal protagonists" in the meeting--those with the most timely information and staff on the ground in Europe. The Army leadership had seized on Clay's cable as a means of justifying increases to its budget, which was about to come up before Congress. While Ennis was thrashing out an intelligence response with Van Slyck, his colleagues in G-2 were drafting an "Estimate of the World Situation" that called for augmenting the regular Army and recommended bringing "our machinery for general mobilization to an alert status." This Army document went on to warn that "The risk of war is greater now...than was the case six months ago...[and that]...war will become increasingly probable.... The Soviet Armed Forces...overshadow the whole of Europe and most of Asia.... The United States has no forces in being which could prevent the Soviet [sic] overrunning most of Eurasia.... Present forces...are incapable of offering more than a weak and unorganized delaying action in any of the likely theaters."⁴³

In the ad hoc committee, G-2--supported by Air Force Intelligence--was equally dire in its conclusions but was restrained by the need to achieve a consensus supported by evidence. (The Army, in its "Estimate of the World Situation," admitted that it lacked conclusive evidence

of an immediate Soviet intention to initiate hostilities.) Ennis led off by demanding that the estimate include a recommendation for universal military training. Van Slyck angrily refused, saying he was "running an intelligence estimates committee, not an appropriations committee." Considerable difficulty was experienced in reaching agreement on the language to be used. Although none of the intelligence organizations argued that war was likely or imminent, the Army G-2 and Air Force Intelligence refused to agree to a direct statement that war was unlikely. Nonetheless, by the close of business on Sunday, a unanimous agreement had been reached on a statement that war was improbable for at least the next 60 days. Van Slyck drafted a response to be given to the Intelligence Advisory Committee (IAC) the next day.⁴⁴

We now know that the Soviet premier, Joseph Stalin, after consulting East German leaders, had decided to initiate actions designed to push the Western Allies out of Berlin over the course of 1948.⁴⁵ The results were nothing like what he expected. Indeed, had Stalin deliberately set out to increase US military spending, he could not have chosen a more propitious time. The Pentagon was on the verge of requesting a supplementary budget authorization for fiscal 1948-1949. At stake for the Army was a general expansion and universal military training. The newly created Air Force hoped for expansion to 70 combat groups. The Navy was looking for continued funding for its postwar aircraft carrier force, based on the first of a new generation of supercarriers.⁴⁶ On Thursday, 11 March, the day before the first IAC meeting, Gen. Bradley and the service chiefs left Washington for a meeting on the proposed budget at Key West, Florida. They returned, having decided to make the supplemental budget request, to face an ad hoc committee estimate that the Soviet Union was not ready for war. The service chiefs, supported by Air Force Intelligence and the Army G-2, rejected Van Slyck's draft. Only Admiral Inglis, the Director of Naval Intelligence, stood fast behind the estimate his department had helped write. ⁴⁷

On 15 March (Monday) Van Slyck presented the ad hoc committee's conclusions to the IAC, but it would not agree to the estimate. Hillenkoetter, however, had been to see the President and returned with a demand for answers--definitive, yes or no answers; that morning; with no elaboration--to three questions:

1. Will the Soviets deliberately provoke war in the next 30 days?
2. In the next 60 days?
3. In 1948?⁴⁸

After some debate, the IAC drafted the following answers, consolidating (1) and (2) and deferring (3):

- I. An examination of all pertinent available information has produced no reliable evidence that the USSR intends to resort to military action within the next 60 days.
- II. It is not believed that the USSR will resort to military action within the next 60 days.⁴⁹

Theodore Babbitt, CIA's chief of current intelligence, hand-carried the answers to the White House in the form of a CIA estimate while discussion continued in the IAC meeting. At this point, the G-2 raised again the issue of universal military training, but further delay was avoided by agreeing to deal with the issue in a separate document.⁵⁰ On 16 March, a fuller statement--allowing for the possibility that "some miscalculation or incident" might result in war--was issued as Intelligence Memorandum 21.⁵¹

A series of escalating Soviet provocations, culminating in the blockade of Berlin and the Allied airlift, kept the ad hoc committee alive until the end of the year. It produced a series of estimates, beginning with ORE 22-48, Possibility of Direct Soviet Military Action During 1948 (2 April 1948), followed by two supplementary updates.⁵² The gist of all three estimates was that the Soviet Union was unlikely to deliberately initiate war in the foreseeable future, despite its military preponderance in Europe. A further supplement, ORE 58-48, expanded this argument with a careful evaluation of the risks, advantages, and disadvantages conquest of Western Europe would bring to the Soviet Union. This estimate concluded that the potential risks of such an action were so great that the Soviet leaders "would be unlikely to undertake this operation...unless they anticipated an attack or became involved in military action through accident or miscalculation."⁵³

Although the process was attended by considerable difficulty, in the end the ad hoc committee served its purpose. The analyses it prepared began with a short-term projection of Soviet intentions but rapidly evolved into an effort to place Soviet actions into the much broader context of the strengths and weaknesses of their overall strategic posture. The result was a much more balanced estimate that gave due weight to the restraints operating on Soviet military power, while acknowledging the undoubted military superiority the Soviets enjoyed in Europe. The Cassandra-like tone of the Army's "Estimate of the World Situation" shows what could have been expected had the departmental intelligence agencies been allowed to function without the benefit of a "national" consensus.

As the Berlin crisis deepened, the ad hoc committee Estimates proved to have both immediate and long-term relevance for both policymakers in Washington, and those stationed in Europe. Thus, when Marshal Sokolovskiy's deputy notified his Western counterparts on 30 March that, effective the following midnight, all Allied traffic through the Soviet zone would be forced to submit to inspection, both Washington and the Office of the US Military Governor in Germany were reasonably sure they faced a political challenge, not an effort to provoke a war. By the same token, when all ground access to Berlin was severed three months later, Truman could be reasonably certain that the city could be supplied by airlift without deliberate interference from Soviet air defenses. That confidence was no doubt shaky at first, but by winter the confrontation over Berlin was clearly a struggle of endurance that, barring accident, was not expected to escalate into war. Thus it was that, when the Dulles-Jackson-Correa Survey Group reported to the National Security Council, they singled out the actions of the ad hoc committee as "the most significant exception to a rather general failure...in national estimates.... This case illustrated that, when properly used, the existing interdepartmental arrangements can, under the leadership of the Central Intelligence Agency, provide the President and top policy-makers with an authoritative intelligence estimate."⁵⁴

The key to the success of the ad hoc committee was CIA's ability to exert intellectual authority over a process that closely involved the departmental agencies. That Van Slyck was able to do so was less due to CIA's position inside the Washington national security hierarchy than to the circumstances under which he assumed chairmanship of the committee. The Berlin crisis was so obviously a *national* intelligence problem that it transcended the bureaucratic lines that had divided the Intelligence Community for the previous two years. It was at once a crisis that was developing daily--even hourly--and an enduring confrontation with profound implications for national security policy and the survival of the Western alliance. Understanding Soviet intentions meant anticipating their actions on a daily basis, while comprehending their behavior in the context of a long-term national strategy. The alternative to a "national" approach to the intelligence problems presented by Berlin was, quite simply, paralysis. Even so, as the Dulles-Jackson-Correa survey noted, the event was "largely fortuitous," and quite dependent on the

statesmanlike judgment of the Director of Naval Intelligence, Admiral Inglis; CIA just happened to be there.⁵⁵

The fuller implications of the estimates prepared over 1948 did not become apparent until 1950. In moving to implement the recommendations of the Dulles-Jackson-Correa report, Hillenkoetter's successor, Lt. Gen. Walter Bedell Smith, adopted the workings of the ad hoc committee as an example to be replicated in the organization of CIA.⁵⁶ The 1950-51 "Smith reforms" dissolved ORE and replaced it with a Board of National Estimates, headed by William L. Langer and then Sherman Kent, both of whom brought to bear considerable authority from their experience in the Office of Strategic Services. The Board of National Estimates was given analytical support by an Office of National Estimates, with the intention that it would rely exclusively on the departmental agencies for research support, although, perhaps inevitably, it became a major research organization in its own right. In January 1952, both were made part of a newly established Directorate of Intelligence (DI).⁵⁷ CIA's own particular contribution derived from analyses performed by the Office of Scientific Intelligence (OSI), which produced intelligence on weapons research and long-term scientific developments, and the Office of Research and Reports (ORR), responsible for analysis of the Soviet economy. This latter responsibility was assumed from the State Department in exchange for acknowledging State's primacy in political analysis.

In theory, CIA assumed responsibility for the Soviet economy as one of those national topics for research and analysis "not being presently performed" by other departments. In fact, both ORR and OSI gave CIA considerable analytical depth, completely independent of the national intelligence process. Officers in ORR quickly demonstrated that they interpreted their mandate for economic intelligence in the broadest possible terms. As the founding head of ORR, MIT's Max Millikan, noted somewhat wryly, "The distinction between economic and military or political, or scientific intelligence is wholly arbitrary."⁵⁸ To Millikan, the degree to which a country was able to mobilize its economy for military purposes was a profound indicator of likely intentions. The first function of economic intelligence was "to estimate the magnitude of possible present or future military or other threats to ourselves and our allies," a task that included estimating "the character and location of possible present or future military or other threats...[and]...the intentions of the USSR or any other potential enemy." "A potential enemy can undertake successfully only those military operations which its economy is capable of sustaining," he wrote in 1951. In the short run, operations might be determined by the manpower available and stocks of weapons and materiel, but in the long run, "the military potential for anything but the briefest campaign...[depends]...upon the total economic resources available to a nation, including those necessary to support the civilian economy as well as those necessary to produce and operate the instruments of war."⁵⁹

With a mandate this broad, ORR was able to build a comprehensive picture of Soviet war potential that provided a constant, reliable check upon analyses prepared in the departmental agencies. In effect, ORR institutionalized and provided a sustainable intellectual base for the authority wielded by DeForrest Van Slyck in 1948.

Discussant Comments

A panel moderated by **Frederick P. Hitz**, Lecturer in Public and International Affairs at Princeton University and former Inspector General at CIA discussed Donald Steury's paper and

provided views on CIA's early analytic efforts on the Soviet Union. The panelists were R.M. Huffstutler, Chief Operating Officer of the Aegis Corporation and former Executive Director and Director of the Office of Soviet Analysis at CIA; Dr. Melvyn Leffler, Edward Stettinius Professor of History at the University of Virginia; and former Dean of the College of Arts and Sciences at the University of Virginia; and Jack F. Matlock, former US Ambassador to Moscow and currently the George Kennan Professor at the Institute for Advanced Study at Princeton University.

Commentator **Rae Huffstutler** discussed the development of CIA's analytical capabilities in the late 1950s through the early 1980s. Huffstutler agreed with Steury that neither CIG nor CIA were capable, in the early Cold War period, of preventing another Pearl Harbor. He contrasted CIA's analysis in the 1950s with the far more detailed and sophisticated estimates of the 1970s. Huffstutler described four major developments that shaped CIA's analysis over that 20 year period: (1) the revolution in technical collection and analysis; (2) the change in Department of Defense force-planning guidelines in the early 1960s under Secretary of Defense Robert McNamara; (3) the emerging preeminence of the national estimates process; and (4) the growth of a cadre of analysts at CIA and elsewhere in the Intelligence Community.

According to Huffstutler, the development of an extraordinary national technical collection and processing capability allowed the CIA and other agencies to address key questions regarding Soviet strategic capabilities. Secretary of Defense McNamara's demand that the threat portion of force-planning documents be based on National Intelligence Estimates (NIEs), changed strategic military assessments from departmental edicts to debates chaired by CIA's Board of National Estimates. It also changed the scope and the depth of the strategic estimates, Huffstutler argued. The unconstrained "military requirements approach" to estimating prevalent during the 1950s, Huffstutler also claimed, gave way to a multidimensional and more integrated approach during the 1960s. Thus, CIA analysts were drawn into an area that was once the province of the military services. Huffstutler further argued that just as the Board of National Estimates was drawn into the strategic assessments process by McNamara's directive, it also emerged gradually as the arbiter of assessments on Soviet political behavior in the fields of foreign policy, domestic Soviet policy, and arms control.

Finally, Huffstutler briefly commented on the analytical skills of the CIA. Although in the 1950s, CIA had a diverse set of analytical experts in a wide range of fields, they were relatively small in number. Some 200 analysts worked Soviet issues in the 1960s according to Huffstutler. By the early 1980s, there were over 1,600 analysts in CIA's Directorate of Intelligence alone; half of them working on Soviet issues. In addition, the Agency sought expertise from industry and from American universities. Moreover, the turnover of CIA analysts was also extremely low, running less than 3 percent during the 1980s.

Looking at the overall performance of the CIA during the early Cold War, **Melvyn Leffler** argued convincingly that, despite shortcomings, the Agency built a comprehensive picture of the Soviet state and of the communist system and of the threats they posed to American society. Although the Agency did not predict the timing of the Soviet atomic bomb, the North Korean attack, or China's intervention in Korea, Leffler said that the Agency's analysis was far more nuanced, far shrewder than popular or even scholarly accounts currently suggest. According to Leffler, CIA defined security in terms of correlations of power, and power was defined in terms of control of energy resources, industrial capacity, and raw materials production. Thus, the rivalry between the United States and the Soviet Union was--for the CIA--not primarily military, but was a competition over aggregations of power potential.

According to Leffler, CIA saw three basic problems for American security: (1) to keep the still

widely dispersed power resources of Europe and Asia from being drawn together into a single Soviet power structure with a uniformly communist social organization; (2) to persuade the people and political authorities of states in the intermediate regions that their political aspirations and security interests could be satisfactorily identified with the United States; and (3) to maintain the social fabric and structure of the United States. Leffler asserted that CIA's analysis sought to establish a larger strategic framework for assessing Soviet intentions, Soviet threats, and more importantly, American security interests.

Agreeing with Steury's analysis, Leffler said that the intelligence assessments produced during the 1948 Berlin crisis were basically sound. The Soviet Union wanted to avoid war, because it was weaker than the United States and knew it could not win a protracted war. CIA analysts concluded that the Soviets would, nevertheless, try to exploit economic hardship and revolutionary nationalism. Hence, revolutionary nationalism in the Third World had to be dealt with effectively. According to Leffler, CIA grasped the virulence of revolutionary materialism, grasped its indigenous roots, and worried about the Kremlin's ability to harness it for its own ends. The CIA also perceived the roots of the Sino-Soviet split before most other observers, and it understood that the key to Soviet power was a strong economic base.

All of this, Leffler claimed, did not translate into clear policy choices. CIA's nuanced assessments created problems of their own for US policymakers. Leffler argued that since "reality is always messier, grayer, and blurrier, than we would like," we need to focus attention not only on intelligence assessments, but, on how policymakers have used intelligence.

The final commentator, **Jack Matlock** focused his remarks on the question of how policymakers have used intelligence. Speaking from his own experiences, he stated that usually one could discount the assessments from the military intelligence services because "they never make an assessment that would, in any way, undercut their service's requests for funds." Matlock went on to say that in making political decisions you wanted an unbiased analysis, so you looked to CIA or to the State Department, depending on the subject. The biggest advantage Ambassador Matlock saw in creating CIA was in moving the thrust of intelligence analysis out of the Defense Department into a more neutral body.

Referring to former Senator Patrick Moynihan's criticisms of the Agency's analysis, Matlock argued that the purpose of intelligence is not necessarily prediction. For Matlock, the only solid basis for prediction is what happened in the past, and this can lead to shaky assumptions because inevitably there comes a time when people react differently than in the past. Matlock, in general, agreed with Leffler's assessment that CIA's analysis of the Soviet Union, particularly from the late 1960s through the 1980s, was much more accurate than most critics are willing to admit.

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Footnotes:

1. Sherman Kent, "Prospects for the National Intelligence Service," *Yale Review* (1946): p. 123.
2. William M. Leary (ed.), *The Central Intelligence Agency: History and Documents* (Tuscaloosa, AL: University of Alabama Press, 1984), p. 25.
3. For example: The intelligence organizations of the Department of State, the War Department, and the Navy Department. Kent, pp. 126-27.
4. Kent, "Prospects," p. 127.
5. Leary, CIA, p. 24.
6. *Ibid.*, p. 25.
7. *Ibid.*, p. 25.
8. *Ibid.*, pp. 25-26.
9. *Ibid.*, p. 26.
10. *Ibid.*, pp. 26-27.
11. *Ibid.*, p. 24.
12. Center for the Study of Intelligence, *Declassified National Intelligence Estimates on the Soviet Union and International Communism* (Washington, DC: CIA, 1997).
13. 20 ORE 3/1: *Soviet Capabilities for the Development and Production of Certain Types of Weapons and Equipment* (31 October 1946), p. 1.
14. Leary, CIA, p. 23.
15. Center for the Study of Intelligence, *Declassified National Intelligence Estimates*.
16. Leary, CIA, p. 28.
17. Ludwell Lee Montague, *General Walter Bedell Smith as Director of Central Intelligence: October 1950-February 1953* (University Park, PA: Pennsylvania State University Press, 1992), p. 43.
18. Kent, "Prospects," p. 123.
19. Sherman Kent, *Strategic Intelligence for American World Policy* (Princeton, NJ: Princeton University Press, 1965), pp. 40-41.
20. The three components were *non-military instrumentalities* (the ability to influence events with political and economic means); *force in being* (the capabilities of its standing military); and *war potential* (the fully mobilized potential of its society, economy, and military to wage war). Kent, *Strategic Intelligence*, pp. 40-65, *passim*.
21. George S. Pettee, *The Future of American Secret Intelligence* (Washington, DC: The Infantry Journal Press, 1946), see esp. Chapters 2 and 3, pp. 25-46.
22. Larry A. Valero, "The American Joint Intelligence Committee and Estimates of the Soviet Union, 1945-1947," *Studies in Intelligence* (Summer 2000), pp. 5-9.

23. *Foreign Relations of the United States* (hereinafter, *FRUS*), 1945-1950: *Emergence of the Intelligence Establishment* (Washington, DC: US Government Printing Office, 1996), p. 345.
24. *FRUS*, 1945-1950, p. 346.
25. Leary, *CIA*, p. 25.
26. Leary, *CIA*, p. 25.
27. Valero, "Joint Intelligence Committee Estimates," p. 11.
28. Melvyn P. Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford: Stanford University Press, 1992), 130-38; see also *Ibid.*, p. 11.
29. Valero, "Joint Intelligence Committee Estimates," p. 11.
30. William R. Harris, "March Crisis 1948 Act I," *Studies in Intelligence* (Fall 1966), pp. 3-4.
31. *Ibid.*, p. 7.
32. *Ibid.*
33. *Ibid.*
34. Lucius D. Clay, *Decision in Germany* (Garden City, NY: Doubleday and Co., 1950), p. 354.
35. Harris, "March Crisis," p. 8.
36. *Ibid.*, pp. 9, 11.
37. *Ibid.*, p. 10.
38. *Ibid.*, p. 13.
39. *Ibid.*, p. 8.
40. Murphy, et al., p. 55.
41. Harris, "March Crisis," p. 15.
42. *Ibid.*, p. 16.
43. *Ibid.*, pp. 16-17.
44. *Ibid.*, pp. 16-17.
45. Vladislav Zubok and Constantine Pleshakov, *Inside the Kremlin's Cold War: From Stalin to Khrushchev* (Cambridge: Harvard University Press, 1996), pp. 48-49.
46. Kenneth W. Condit, *The History of the Joint Chiefs of Staff: The Joint Chiefs and National Policy, Vol. 2, 1947-1949* (Wilmington, Michael Glazier, Inc., 1979), pp. 191-212, passim.
47. Harris, "March Crisis," p. 19.
48. *Ibid.*, p. 20.

49. *Ibid.*, p. 21.

50. *Ibid.*, pp. 16, 21.

51. *Ibid.*, p. 21.

52. ORE 22-48, Addendum: *Possibility of Direct Soviet Military Action During 1948-49* (16 September 1948); ORE 46-49 *The Possibility of Direct Soviet Military Action During 1949* (3 May 1949). For a full text of all these documents, see Donald P. Steury (ed.), *On the Front Lines of the Cold War: Documents on the Intelligence War in Berlin, 1946-1961* (Washington, DC: CIA, 1999), pp. 136-57.

53. ORE 58-48, *The Strategic Value to the USSR of the Conquest of Western Europe and the Near East (to Cairo) Prior to 1950* (30 July 1948), p. 3.

54. Harris, "March Crisis," p. 13.

55. Arthur B. Darling, *The Central Intelligence Agency: An Instrument of Government, to 1950* (University Park, PA: Pennsylvania State University Press, 1990), p. 338.

56. DeForrest Van Slyck saw things rather differently. As he later reported to DCI Hillenkoetter, "It was 'virtually impossible'...to get a 'completely objective' estimate from the 'Service departments;' they were 'unable to free themselves from the influences of departmental policy and budget interests.' It was their tendency 'too readily to translate capabilities into intentions' without giving due weight to political, economic, and psychological considerations of wide range. These points [he wrote] were equally 'applicable to the State Department.'" D. Van Slyck to R.H. Hillenkoetter, 23 December 1948; quoted in Darling, *Instrument of Government*, pp. 339-340.

57. Leary, CIA, p. 31.

58. Max Millikan, "The Nature and Methods of Economic Intelligence," *Studies in Intelligence* (Spring 1956), p. 4. Although published in *Studies* in 1956, this article actually reprints a memorandum written by Millikan during his tenure as D/ORR.

59. *Ibid.*, p. 2.

Chapter II

CIA's Analysis of the Soviet Economy

James Noren

Fifty years ago Max Millikan, the first director of CIA's Office of Research and Reports (ORR), set a course for the Agency's economic analysis of the Soviet Union; one that proved to be remarkably prescient over the next 40 years--*The Role of ORR in Economic Intelligence* (August 1951). He wrote that foreign economic intelligence serves at least five purposes:

- To help estimate the magnitude of present and future military threats by assessing the economic resources available to a potential enemy--now and in the future.
- To estimate the character and location of possible military threats--how potential enemies have invested their resources.
- To assist in divining the intentions of potential enemies in the conviction that how they act in the economic sphere is likely to reveal intentions.
- To help policymakers decide what can be done to reduce possible or probable military threats by impairing an enemy's capabilities.
- To assist in establishing and projecting relative strengths of East and West.

Clearly, at first there was a laser-like focus on potential enemies. At that time and throughout the Cold War, these potential enemies were the USSR and other Soviet Bloc countries. Approximately two-thirds of ORR's economic and geographic analysts were assigned to the Soviet target; most of the remaining one-third covered Eastern Europe and the Asian communist countries. Before long, however, CIA's economic analysis was extended to cover much of the rest of the world. Developments in the international arena in the 1960s and 1970s such as the spike in raw-material prices, the Vietnam War, the oil crisis, and unsettled monetary markets siphoned off analysts from work on Soviet Bloc countries. A number of economic analysts also were transferred to military analysis as CIA expanded its role in this area, first as a Military Research Area within ORR and then in a newly formed Office of Strategic Research (OSR).

As a consequence, the resources devoted to economic analysis of the Soviet Union shrank appreciably. For example, whereas eight or nine analysts followed Soviet Bloc chemical industries in the 1950s, two had that responsibility in the 1980s. Overall, the number of analysts assigned to Soviet economic topics declined sharply between 1953 and 1991. Nonetheless, for those analysts on the Soviet economic account, Millikan's broad set of objectives still guided their work. This paper reviews CIA's analysis of the Soviet economy as it relates to these objectives.

We need to begin with a reminder of how obsessed the Intelligence Community and policymakers were in the 1950s with the prospect that the Soviet Union would overtake the United States in terms of national output and military production. As Millikan put it:

Patient and thorough examination and analysis of the mass of detailed information available to us as to the present status and prospects of the Soviet economy...is ORR's main job. It may well be the most important research job there is in the country today.

Further, a distinguished Princeton historian and CIA consultant, Joseph Strayer, declared that "Some of the most valuable intelligence papers ever written [are] those projecting the future economic growth of the USSR."

Building a Framework for Analysis

To assess Soviet economic potential, ORR first had to develop its own economic measures. Soviet macroeconomic statistics were too few and too flawed. Beginning in the 1950s and periodically thereafter, CIA constructed national accounts for the Soviet Union. This entailed a laborious search for bits of the puzzle in Soviet statistical handbooks, economic journals, and newspapers. The path had been pioneered by Professor Abram Bergson and his colleagues at Columbia, Harvard, and the RAND Corporation.

The national accounts provided estimates of Soviet gross national product (GNP) by sector of origin and end use. As explained by a 1958 ORR publication, *Soviet National Accounts for 1955*, they served "several specific requirements of the Intelligence Community." Deflated by appropriate price indexes, national accounts series measure the growth of the Soviet economy. End-use and sector-of-origin breakdowns of GNP yield information on the structure of the economy and economic policy directions. Elements of the national accounts such as the urban wage bill, agricultural incomes, household consumption, and capital formation are of significant intelligence interest. Finally, national accounts, with the help of appropriate purchasing power (ruble/dollar) ratios, provide the basis for international comparisons of levels of GNP and its major components.

After a mostly abortive attempt to measure real growth in Soviet GNP by estimating price indexes in order to deflate GNP by end use in current prices, CIA turned to estimates of the real growth of GNP as the sum of the estimates of the real growth of the various sectors of origin-- industry, agriculture, transportation and communications, etc. Two of the papers in the collection for this conference-- *Trends in Industrial Production in the USSR, 1955-63* (December 1964) and *Trends in Output, Inputs, and Factor Productivity in Soviet Agriculture* (May 1966)-- describe the estimating procedures and report some significant results. The report on industrial production found that the average annual growth in Soviet industrial output had decelerated from 8.6 percent in 1956-59 to 6.7 percent in 1960-63. Soviet official claims were about two percentage points higher. The paper on agricultural output, inputs, and productivity explained why independent estimates of farm output were necessary and, like the paper on industrial production, reported a substantial drop in the growth of agricultural production. The paper's agricultural statistics showed that between 1950 and 1965 production had increased by 70 percent, but that two-thirds of the increase had occurred in 1954-1958, the five years following Stalin's death. Per capita output in 1965 was less than in 1958.

Since the industrial and agricultural sectors drove the Soviet economy, CIA's measures carried over to GNP. The deceleration in GNP growth reported by CIA did a great deal to ease concerns that the USSR would soon overtake the United States, as Soviet party leader Nikita Khrushchev had boasted it would at the twenty-second Congress of the Communist Party of the Soviet

Union (CPSU) in 1961. When the CIA reported that the increase in Soviet GNP in 1963 was only 2.5 percent, President Lyndon Johnson dispatched a delegation to brief the findings in West European capitals. The Agency also held a formal press conference after the news had appeared in the *New York Times*. The press, however, seemed more interested in CIA's motives in going public than in the decline in Soviet economic fortunes (see Fig. 1, the Herblock cartoon).

Over the years, CIA's estimates of GNP growth were refined to take advantage of new information released by the Soviet Union and to adjust the measures for divergencies between Soviet established prices and the costs of the resources used in producing a given product. Successive publication of portions of Soviet input-output tables allowed Duke University Professor Vladimir Treml and his colleagues to compile partial reconstructions of the 1959, 1966, 1972, 1976, and 1982 tables. These tables proved a great help in improving the sector weights for CIA's measures of GNP growth and the adjustments designed to convert GNP in established prices to GNP at factor cost.

Measures of the productivity with which resources were used in the Soviet Union were essential in assessing the USSR's economic potential. The focus here was on discovering the sources of economic growth rather than measuring its extent. In the 1950s, CIA papers on labor productivity wrestled with the problem of matching output with inputs of labor. They concluded that half of the increase in industrial production in 1951-55 could be attributed to a rise in labor productivity.

CIA's productivity analysis took a major step forward in 1954 in Long-Run Soviet Economic Growth. At a time when production-function analysis was in its infancy in the West, the paper developed measures of combined factor productivity--the efficiency with which labor, capital stock, and land were used--for the Soviet Union. Especially noteworthy was the paper's treatment of labor quality, economies of scale, and the possibility of diminishing returns to increases in the Soviet capital stock. Factor-productivity analysis became the backbone of CIA's analysis of Soviet economic trends. Thus, *Trends in Factor Productivity in Soviet Industry, 1951-63* (November 1964) found that more than half of the growth in industrial output from 1950 to 1963 was due to the "employment of additional labor and capital" and the remainder to an increase in factor productivity--output per unit of labor and capital combined. From 1961 to 1963, however, the rate of growth of factor productivity fell to about 2 percent per year compared with nearly 5 percent per year from 1954 to 1960. The paper's analysis suggested



Figure 1. Herblock cartoon.

that the decline was not a short-run phenomenon "but is also, in part, a trend that is likely to persist over the near future." Estimates of factor-productivity growth in the several branches of industry showed substantial variations but broadly similar trends. The paper put forward several possible causes of the slowdown in factor-productivity growth: the immediate postwar recovery as a nonrecurring event; the rapid increase in defense spending and its claim on scarce science and engineering resources; the effect of declining rates of growth in investment on the average age of capital stock; and a lessening of the pressures on Soviet managers to maintain output that prevailed during the reduction in the work week from 1956 to 1959.

CIA's *Trends in Factor Productivity* paper concluded that because the USSR could not continue to increase inputs to industry at past rates, the slowdown in industrial growth could not be halted unless the efficiency with which resources were used could be improved. The prospects for raising factor-productivity growth through administrative measures or partial economic reforms were central to subsequent macroeconomic analyses of the Soviet economy. The paper on agriculture cited above reached a similar conclusion--that factor-productivity growth in agriculture had slowed abruptly in the early 1960s and that future growth in farm output depended on a reversal of this trend.

A 1970 CIA paper offered an even more pessimistic view of the Soviet economic future. The Cobb-Douglas production functions used in earlier reports had a particular form: a given percentage increase in labor or capital resulted in a specified constant increase in output. Thus a one percent increase in labor might increase output by 0.75 percent and a 1-percent increase in capital might increase output by 0.25 percent. The paper, *Investment and Growth in the USSR* (March 1970), investigated a different production function, one in which the returns to capital declined as the ratio of capital to labor increased. This 1970 paper concluded that this type of function, when fitted statistically to Soviet postwar experience, indicated that returns to new investment were "strongly diminishing." Thus a change in leadership priorities favoring a higher rate of capital formation would "not insure even a continuation of present rates of economic growth." In any event, controversy in CIA and in the academic community over the appropriate form of a production function for the Soviet economy and Soviet industry proved inconclusive. CIA's production function analysis continued to be based on the more familiar and simpler Cobb-Douglas form.

Industry Studies

While CIA's resources allocated to macroeconomic analysis of the Soviet Union were considerable, they were decidedly less than those devoted to specific sectors of the economy. As an indication, the CIA publications declassified and released to the National Archives by spring 2001 include 215 on civil industry, 152 on agriculture, 219 on transportation and communications, and 155 on energy. Many of these responded to requests from other government agencies. The Department of the Interior wanted information on Soviet mineral production, the Maritime Administration required periodic reports on the status of lend-lease ships in Soviet hands and occasional reports on Soviet ports and port regulations, US delegations to the Soviet Union meeting with their Soviet counterparts asked for briefings and background information on specific industries, and the list goes on.

CIA's analysis of individual industries, agriculture, energy, and transportation and communications assessed the strengths, weaknesses, and prospects of these sectors in detail

and on a continuing basis. These studies generally had a special focus on the technological level of the given industry. They supported not only intelligence objectives but, as contributions to publications of the Joint Economic Committee of Congress, contributed to the general pool of knowledge on the Soviet economy. Some examples of the depth of the research are a 315-page study of the coal-mining equipment industry (May 1953) and a 410-page paper on iron and steel plants in Ukraine (August 1954).

In addition to shedding light on areas of ignorance regarding Soviet industry, ORR's research program in the 1950s sought to uncover vulnerabilities that might slow Soviet economic growth. Thus, a paper on the Soviet tire industry reported a persistent deficit in the availability of tires, inferior tire quality, and a technologically backward industry. But it concluded that the USSR could produce modern tire-making equipment, probably by copying equipment readily available in the West. On the other hand, an industry given a higher priority--the electro-technical industry--was increasing production rapidly, in general had the personnel and materials it needed, and was supplied with relatively modern equipment (mainly of Soviet design). This sector could supply all the electronic and telecommunications equipment necessary to meet current needs, as well as support a general war in the future. A series of papers on other branches of industry recorded similar results in the sense that no important vulnerabilities were uncovered.

After the 1950s, ORR's research became more narrowly focused on a relatively few industries: the iron and steel industry was followed closely and in great detail. A 1957 paper covered the organization of the industry, planning and control, production of steel and raw materials used in steel production, trade, technology, costs, prices, investment, employment and wages, distribution and consumption, and the usual "capabilities, vulnerabilities, and intentions." Although Soviet steel production had far surpassed US production in the 1970s, Soviet requirements increased even faster: steel shortages constrained fulfillment of the 1971-75 national economic plan. Production of precious metals also was covered carefully with the help of the full range of intelligence sources. The Soviets reported almost nothing in this area, and demand for information on production and reserves of gold (especially from Washington policymakers) was high throughout the Cold War.

When a given industry was essential to a major Soviet planning initiative, ORR's research program reacted accordingly. For example, when Khrushchev and later Soviet party boss Leonid Brezhnev put forward their ambitious farm programs, they called for huge increases in the production of mineral fertilizer. A 1954 CIA report, *The Mineral Fertilizer Industry in the USSR* (April 1954), took stock of the industry's position--the investment required and the lack of supporting infrastructure--and concluded that the production goals could not be met in the time frame specified. Then a 1962 paper, *The Soviet Fertilizer Industry: Great Plans, Little Progress* (March 1962), reported that producers were indeed falling behind the plan's goals because of insufficient investment and the "unhappy lot" shared by other branches of the chemical industry--defective equipment, shortages of equipment, and tardy receipt of more modern technical designs.

The growth of Soviet industrial production slowed markedly after 1975. To uncover the reasons for the slump, CIA's Office of Soviet Analysis (SOVA) commissioned several papers looking at steel, nonfuel minerals and metals, machine tools, fertilizers, cement, and the timber industry. A 1983 paper *The Slowdown in Soviet Industry, 1976-82* (June 1983) considered the findings of these publications and concluded that several key factors were at work as well as many lesser ones. First, the paper noted the planners' decision to cut the rates of growth planned for new fixed investment and output--a "planned temporary retreat turned into a rout." Second, three

critical constraints on industrial production had emerged: growing shortages of raw materials; slower growth in energy supplies (especially coal and electric power); and developing bottlenecks in rail transport. Third, industrial performance suffered from the continuing priority given to the military, changes in the rules by which industrial managers operated, growing difficulties in planning, and foreign trade rigidities.

The analysis concluded that these factors would be at work throughout the 1980s, exacerbated by a "greatly reduced availability of labor, accelerated pressure on industry to economize on all inputs simultaneously," and overly complex incentive schemes. While Soviet party leader Yuri Andropov's discipline campaign could have some short-run impact on productivity, it would not last. Major systemic reforms, although not on the agenda, could provide a solution down the road. But the road would be long. Reforms, even if introduced, "would be unlikely to boost industrial growth and productivity for many years."

The CIA's coverage of Soviet agriculture featured periodic reports on crop prospects and analysis of successive attempts to boost farm production. In the early 1950s, the desperate condition of agriculture throughout the Soviet Bloc led CIA to undertake its own forecasts and estimates of crop production. As in industry, independent indexes of agricultural production had to be compiled to overcome devious official statistical practice. Several attempts were made to develop statistical relations between crop yields and weather, the earliest in 1952--*Weather-Crop Yield Correlations as Applied to Crop Yield Estimates for the European USSR* (May 1952). When the USSR began to import grain following poor harvests, the search for a predictive model intensified. By the 1970s, a well-funded effort to employ meteorological data, agronomic expertise, and satellite images to monitor the progress of the grain crop was in place. In a particularly provocative paper, *Soviet Climate Change: Implications for Grain Production* (May 1985), a few Office of Global Issues analysts suggested that a general improvement in climate since the 1960s, rather than improved agro-technology, had accounted for most of the rise in Soviet grain yields. They then projected what yields might be if the gradual increase in precipitation levels came to a halt while average temperatures continued to climb because of the greenhouse effect. The "most likely" estimate was that grain production would average about 60 million tons below target from 1986 to 1990. On balance, the models tracked actual yields fairly well. The problem was that the range of error around the point predictions was still large enough to make estimates of import requirements uncertain in most years. The principal contribution of the crop-monitoring reports was to signal large changes in Soviet grain production and therefore possible Soviet purchases in the world market.

In following Soviet agricultural progress, CIA's analysis first centered on the post-Stalin program to increase livestock production as part of a more consumer-oriented policy thrust, and the "New Lands" program, which was intended to provide the feed base for the livestock program. A 199-page report in 1957 (*The New Lands Program in the USSR*) reviewed developments in the new lands. The work already accomplished was striking--in less than two years, the area introduced to cultivation had exceeded total wheat acreage in the United States by 25 percent. The initial yields were high, but after comparing the soil and growing conditions with the Canadian spring wheat belt and looking at sixteen years of yields grown in similar Soviet regions, the paper concluded that yields would average little more than half of the yields implied in official statements. The program, according to the paper, displayed the major strengths and weaknesses of the Soviet system. It could marshal resources quickly, but it appeared to have been "developed without a sound preliminary analysis" of how best to proceed and without a realistic estimate of the production levels that could be achieved.

According to CIA's analysis, Khrushchev's initiatives often made the agricultural situation worse.

Organizational changes giving party officials a greater role in agricultural administration were counterproductive. His decision to plow up grassland and fallow land to plant corn, sugar beets, peas, and beans seemed wrong headed, especially in the case of corn. Even if some short-run gains might materialize, in the longer-run soil moisture and nutrient levels would decline, as reported in *Recent Developments in Soviet Agriculture* (November 1962).

Economic Projections

To give a quantitative dimension to the future economic potential of the Soviet Union, CIA tried various approaches over the years. An early paper titled *Long-Run Soviet Economic Growth*, published in December 1954, experimented with projections based on past trends in labor productivity for agricultural and nonagricultural production separately. The projection of choice, however, was based on projections of labor, capital stock, and land (for agriculture) together with the efficiency of factor inputs: a slight increase for both agriculture and the rest of the economy based on past trends. The "final projection" had GNP increasing by 4.2 percent or 5.2 percent per year from 1953 to 1975. The higher rate of GNP growth was associated with a slower rate of growth of consumption and therefore a higher rate of growth for investment. For what it's worth, the CIA estimate of GNP growth during this period was 5.1 percent per year according to a 1982 report.

A leading example of production-function-based projections was published as an unclassified paper, *Soviet Economic Problems and Prospects*, in July 1977. It considered the policy choices available to the Soviets in dealing with the labor force, productivity, and energy constraints discussed above. Because many of the solutions were interrelated (e.g., importing oil would reduce purchases of Western machinery and equipment), the paper attempted to sort through the combination of policies that showed the most promise. The result was a set of **policy-conditioned** forecasts. In the best case, GNP might grow at 4 percent per year through 1980, then at 3 to 3.5 percent per year from 1981 to 1985. Still, chances were good that growth would be slower.

In the late 1970s, CIA began to build a large-scale, macroeconomic model of the Soviet economy. *Sovsim: A Model of the Soviet Economy*, produced in February 1979, reported on a fifteen-sector model that used production functions for the projection of output in individual sectors but imposed the inter-industry ties found in Soviet input-output tables as constraints on potential growth. It was able, therefore, to deal with a wider range of policy scenarios than the much more aggregative framework employed in the 1977 *Soviet Economic Problems and Prospects*. In the 1979 model, a baseline scenario assumed that Soviet economic policy would remain frozen in its pre-1977 pattern. Then it examined a series of options that the Politburo might adopt to improve the Soviet economic future. The model's baseline projection of growth in GNP was 2.5 percent per year from 1981 to 1985. The "what if" analysis of various policy scenarios and differences in underlying conditions--oil production, Western demand for Soviet exports, and the like--showed little difference from the baseline projections. Seemingly, the Politburo could not "stave off a reduction in rates of economic growth by simply exercising the traditional policy levers under its control."

CIA's analysis of the prospects for Soviet oil production provoked a good deal of controversy. An unclassified paper in 1977 predicted a decline in production and a potential shift for the USSR from a net export to a net import position. CIA's position had shifted abruptly. A paper prepared

for the Joint Economic Committee (JEC) *Outlook for Soviet Energy* (June 1976) had noted that the USSR was the only major industrial nation self-sufficient in energy and was likely to remain so, although future growth in the Soviet energy supply depended on the development of resources in a hostile Siberian environment. It predicted that oil production in 1980 would reach 590 million metric tons compared with the plan of 620 to 640 million metric tons (mmt). Nine months later, another Office of Economic Research (OER) paper *The Impending Soviet Oil Crisis* (March 1977) declared that "the Soviet oil industry is in trouble," and that oil production would peak as early as 1978 and "certainly" no later than the early 1980s at a level of 550 to 600 mmt per year. The 1997 paper continued, "maximum levels are not likely to be maintained for long, however, and the decline, when it comes, will be sharp." Two basic problems confronted the industry: first, acceptable reserve-to-production ratios could not be maintained unless a massive new field was found and, second, existing wells were experiencing severe water encroachment.

Oil production, however, climbed to 603 mmt in 1980 and 616 mmt in 1983. It then fell to 595 mmt in 1985 before rebounding to 624 mmt in 1987 and 1988. As it turned out, CIA was right about the fundamental problems that eventually brought about a fall in production. However, CIA's estimate of oil reserves was low--even though it was derived from open Soviet literature, which was not prone to understate Soviet potential--and CIA did not take sufficient account of Soviet willingness to shift resources to Siberian development in the middle of a five-year plan.

In a 1982 paper, the baseline projection for GNP growth in the 1980s had dropped to less than 2 percent per year. Moreover, the projections assumed that defense spending would increase at 4.5 percent per year, pushing growth in consumption and investment down to the lowest levels in the postwar years. In fact, per capita consumption would fall after 1985. CIA presented the model and a series of conditional forecasts *USSR: Economic Projections Through 1990--A New Look* (February 1984), at a meeting with academics in February 1984. The new forecasts took into account a more optimistic assessment of the Soviet energy situation contained in a 1983 CIA paper, the recently revised (lower) estimates of the growth of defense spending, and the probable effects of Andropov's accession to power. Nevertheless, the projection of GNP growth was only marginally better--roughly 2 percent per year. Again, the differences from the baseline projection resulting from a range of policy choices were small

No model--and certainly not the CIA's as it had evolved in the 1980s--could reflect all the complexities and possibilities in the Soviet economy. But beginning in the 1950s and continuing into the 1980s, CIA's model-assisted predictions of medium- and long-term growth were remarkably accurate--at least as compared with CIA's estimates of real GNP growth. More complex models had the principal virtue of forcing analysts to consider the trade-offs involved in policy decisions. Ultimately, however, their use highlighted the fundamental problem underlying declining rates of Soviet economic growth--the erosion in the efficiency with which labor and capital were employed. As the 1984 paper reported, "our results suggest that, without a fundamental reform of the economic system or a combination of very favorable circumstances bringing back pre-1975 productivity relationships, the Soviets probably can do little to alter the economic growth trend through 1990 as is indicated in our baseline."

Analysis of Intentions

CIA's analysis of Soviet intentions in the economic sphere centered on plans and policies and

how those plans and policies would work out. Of the hundreds of Agency publications reporting on economic plans and plan fulfillment, this author can discuss only some that were representative of Agency thinking at particular points during the Cold War. Having invested heavily in measures of the growth and distribution of GNP, Agency economic analysts then had the responsibility of identifying and assessing how changing economic conditions in the Soviet Union had affected or would affect resource allocation and/or stimulate economic reforms.

After Joseph Stalin's death, Washington policymakers wondered whether Soviet Premier Georgi Malenkov's announced economic policy really meant that improving the lot of the consumer had taken priority over industrial development. CIA concluded that Soviet leaders were serious. In particular, the growth of defense spending would be "drastically reduced in 1953-55," *The Implications of the New Soviet Economic Policy* (December 1953). In fact, CIA estimates showed a fall in defense expenditures during this period. The increment to consumption, according to the paper, could not come at the expense of investment because consumption goals could not be met without additional investment in consumer-goods industries. Before long, Khrushchev had deposed Malenkov and the emphasis had switched to agriculture instead of industrial consumer goods. But defense spending continued to decline with the demobilization of millions of Soviet servicemen.

In November 1958, Khrushchev presented theses on the 1959 to 1965 economic plan to the Central Committee of the Communist Party. He boasted of past economic progress and said that in the coming period--the period of large-scale building of a communist society--the main tasks would be "creation of the material-technical basis of communism; the further strengthening of the economic and defensive might of the USSR; and simultaneously, the fuller satisfaction of the growing material and spiritual requirements of the Soviet people," *Khrushchev's Theses on the Seven-Year Soviet Economic Plan, 1959-65*. In other words, all the major claimants of GNP--investment, defense, and the consumer--would be winners. Indeed, Khrushchev asserted that by 1970, or even earlier, the Soviet Union would lead the world in both absolute and per capita output, providing its population with the highest living standards in the world. CIA's paper dissected the plan as outlined by Khrushchev and pronounced it both infeasible and inconsistent with hopes of overtaking the United States, even if plan goals were met. The major plan features on the production side were a pronounced shift in the energy balance to oil and gas at the expense of coal, and a much larger share of investment assigned to chemicals. Still, Allen Dulles, in JEC testimony, maintained that the seven-year goals could be met with certain exceptions, notably the agricultural targets. For US policymakers, Dulles's message was that meeting the goals of the seven-year plan was such a high priority for the Soviet leaders that they wanted a period of coexistence. In any event, the 1959-65 goals were badly under-fulfilled.

A little more than three years after the Dulles testimony, a major CIA paper, *Trends in the Soviet Economy* (February 1963), recognized the falloff in the rates of growth in industry and agriculture. In particular, agriculture had been hit by a series of poor or indifferent harvests. As a result of an acceleration in defense spending, resources were over-committed and the consumer suffered. In 1962, meat prices were raised by 30 percent, scheduled reductions in personal income taxes were deferred to restrain consumer demand, and housing construction was cut. The paper questioned whether the Soviet leadership would countenance an "inclusive military buildup" for very long, given the "fundamental" long-term Soviet policy of overtaking the United States economically. Furthermore, consumers were becoming more insistent on having "better quality food, decent housing, and more consumer durables." Finally, Soviet leaders were increasingly aware that the arms and space races were hurting economic growth much more in the USSR than in the United States. Nonetheless, as it did so many times in the future, CIA

said that economic considerations would not move Soviet leaders to scale back defense programs.

Soviet policy did change markedly following a near disastrous wheat harvest in 1963. Apparently deciding that they could not permit the population to take the full brunt of the shortfall, the Soviet leadership ordered the purchase of 11 million tons of wheat and flour. From that point forward, CIA focused considerable effort on improving forecasts of the Soviet grain crop and the potential for Soviet imports of grain and meat. A 1964 Agency review, *Soviet Economic Problems in Mid-1964* (April 1964), noted that even before the harvest failure, Khrushchev had begun a review and revision of the 1959 to 1965 plan with emphasis on "chemicalization" of the economy in support of agriculture and industry. After the harvest, planned support for agriculture was increased. Meanwhile, the continuing slowdown in economic growth aggravated the competition for resources needed for industrial modernization, defense-space programs, and improvement of the population's diet and housing. A new Politburo, however, seemed to be marking time; no new decisions to change the allocation of resources were evident.

Beginning in the 1950s and continuing until the Soviet Union dissolved, other CIA assessments responded to requests of US policymakers. These were designed to judge Soviet interest in arms control. For example, a 1957 paper given to Harold Stassen, President Dwight Eisenhower's special assistant on arms control, *Estimated Effect on the Soviet Economy of the Level of Disarmament Implied by Recent Soviet Proposals* (May 1957), found that 2.5 million men could be released from military service and that alternative scenarios for procurement cuts could result in reductions of 11 and 42 percent, compared with the procurement implied in current national estimates. The resources freed up "could cause a significant impact on non-military production." A memorandum for the Arms Control and Disarmament Agency's (ACDA) Archibald Alexander, *Economic Consequences of Reduction in Soviet Military Expenditures Under ACDA Planning Assumption* (August 1966), reported that realization of ACDA's scenario would reduce Soviet military spending by 13 percent between 1965 and 1970. The overall effect on economic growth was relatively small, but the benefits for the consumer were larger. As in almost all of the papers of this kind, the findings stressed that at the margin the pressures on the economy would be reduced markedly.

CIA's estimates of Soviet defense spending were used extensively in the 1950s and 1960s to test the plausibility of projections of Soviet military programs in National Intelligence Estimates (NIEs). An ORR contribution to an NIE on Sino-Soviet military air defense programs held that the NIE's production and deployment numbers for fighter aircraft and missiles were unrealistically high; their production would reduce the rate of growth of heavy industry and require the Soviet Bloc's electronic equipment industries to be "expanded to a far greater extent than is currently estimated." Fred Kaplan, in his book *The Wizards of Armageddon*, describes the Pentagon's use of CIA's dollar estimates of the cost of Soviet defense programs, during Pentagon deliberations over a damage-limiting strategy to employ against Soviet strategic forces. The Agency estimates indicated that all US combinations of civil defense, ABM systems, and anti-bomber defense systems were losing propositions. As Kaplan put it, the studies showed that for each extra dollar that the Soviets added to the attack forces, the United States would have to spend \$3 to protect 70 percent of its industry, \$2 to save 60 percent...and the same \$1 to defend a mere 40 percent.

Until the end of the Cold War, the Department of Defense continued to be an eager customer for CIA estimates of the dollar equivalent of Soviet military programs. In 1977, Secretary of Defense Harold Brown, in a memorandum to the Director of Central Intelligence (DCI), declared

that the reports and analysis being produced on military economics were "the basis of the comparative economic analysis employed by Defense." He added, "The dollar estimates provide the best, single aggregated measure of US and Soviet defense efforts." (CIA's defense spending estimates are discussed in detail in a book sponsored by the Center for the Study of Intelligence titled *Soviet Defense Spending: A History of CIA Estimates, 1950-1990*, written by Noel Firth and James Noren and published by the Texas A & M University Press in 1999.)

The rapid growth in Soviet military programs as reflected in CIA estimates of defense spending in constant prices led to questions in policymaking circles as to whether it would or could continue. DCI Richard Helms told Congress in January 1968 that the Soviet Union had introduced substantial changes in resource allocation favoring defense and, to a lesser extent, consumption, while slighting investment in both industry and agriculture. Furthermore, he said, Soviet-announced plans suggested that these policies would be in place for the time being. "Ultimately, however, the cutback in investment is bound to affect economic growth adversely," he concluded, adding that this was a development that some Soviet leaders recognized. How to "allocate the USSR's limited resources seems to be a hot issue in the Kremlin at the moment." Nonetheless, as the DCI said in his 1971 Congressional briefing, problems in the economy would not force the Soviet leadership to forgo specific military or foreign initiatives because the Soviet economy is "now large enough so that even low rates of growth mean a very substantial increase in output."

In May 1976, CIA published the findings of a major reassessment of Soviet ruble defense spending in classified and unclassified papers. Intended as interim reports on the impact on the ruble estimates of "an unusually large body of new information," the papers reported:

- Soviet defense spending (as the USSR might define it) had increased from 40-50 billion rubles in 1970 to 55-60 billion rubles in 1975, measured in constant 1970 prices. (A year earlier the comparable figures were 29 billion rubles for 1970 and 34 billion rubles for 1975.)
- Over the same period, the rate of growth of defense spending in 1970 prices was now thought to be 4 to 5 percent per year instead of the 3 percent per year reported in previous estimates.
- Since 1970, defense requirements had been absorbing 11-13 percent of GNP (instead of less than 8 percent) depending on whether defense was defined narrowly (US definition) or broadly (Soviet definition).

At the same time, the papers emphasized that because about 90 percent of the increase in ruble estimates resulted from "changes in our understanding of ruble prices and costs" rather than "discovery of larger programs," the revision did not affect CIA's appraisal of the size or capabilities of Soviet military forces or change appreciably the estimated dollar cost of reproducing Soviet defense programs. The real significance of the revision was that the Soviets were devoting more resources to defense than had been thought earlier.

The consternation sparked by the revision reverberated in the administration and in Congress. Appearing before a CIA advisory panel of outside experts chaired by Ivan Selin--hereafter referred to as the Selin panel--David Chu, Assistant Secretary of Defense for Programs Analysis and Evaluation, spoke of the increasing distrust of the spending estimates, "particularly its relationship to Soviet GNP." Also in testimony before the panel, James Locher, a staff member of the Senate Armed Services Committee, highlighted the problem caused by major shifts in the estimates ("as in 1976") in his summary of criticisms of CIA's estimates by senators on his committee. Unfortunately, confidence in the defense estimates waned just as advances in technical collection had markedly improved CIA's estimates of the size and composition of Soviet forces, military construction, and the physical and technical characteristics of Soviet

weapons systems. Almost all Soviet weapons had been re-costed, research on Soviet maintenance practices had raised the spending estimates, and a study of military manpower had raised estimates of military manning substantially.

Agency publications did identify a fundamental shift in Soviet intentions in the early 1970s when General Secretary Brezhnev announced that the USSR hoped for a "new epoch" in relations with the West. CIA explained the new policy as follows: "Faced with slower economic growth and a commitment to meet rising consumer expectations and having experimented unsuccessfully with economic reform, Moscow has turned to the West to help relieve its economic problems" (*Implications of the Present Soviet Economic Problems*, February 1973). Brezhnev's program to supply more meat to the population had created a demand for grain that could not be satisfied from domestic production, and the USSR had decided to buy large quantities of machinery and equipment from the West to raise the productivity of fixed capital. The ensuing détente spawned a great many CIA appraisals of the economic benefits to the USSR from expanded commercial relations with the West and how US firms might be affected.

In the 1977 paper cited earlier, (*Soviet Economic Problems and Prospects*) and later distributed by the JEC, CIA adjusted its stance with respect to Soviet intentions in the defense area. Citing the various causes of the slowdown in the economy, the 1977 paper argued that "long-standing problems are likely to intensify" and be aggravated by a sharp decline in the growth of the working-age population and a "looming oil shortage." Analysis of a series of possible leadership attempts to deal with the situation suggested that a "marked reduction" in economic growth was "almost inevitable," perhaps sparking sharp debate in Moscow over future levels and patterns of military spending. The paper expected the rise in defense spending to continue to increase for the present time "at something like recent annual rates of 4 to 5 percent because of programs in train." Mentioning that with slower economic growth, ways to reduce the growth in defense spending could be increasingly attractive for "some elements" of the Politburo.

CIA's analysis of Soviet intentions regarding defense missed the boat in the late 1970s. Whereas a second look at its estimates in 1982 found that outlays for military procurement had leveled off since 1975 and the growth in total defense spending had slowed significantly in real terms, the Agency's assessments in the intervening period continued to maintain that defense spending would rise at the historic rate of 4-5 percent per year. A massive interoffice study taking advantage of more than 40 individual research projects surveyed the evolution of Soviet forces during the Brezhnev era, looked at the ongoing research and development programs, considered Soviet military requirements, and concluded that military spending would have to rise through the 1980s to support all of the ongoing activities. Moreover, "current evidence" suggested that they intended to do just that, *The Development of Soviet Military Power: Trends Since 1965 and Prospects for the 1980s* (April 1981). A year later, another review reported continued growth in defense spending with the expectation that it would continue at its historical rate through at least 1985, or at even higher rates in view of "what the Soviets may perceive as an accelerating arms competition with the West."

Then in 1983, CIA announced that its estimates of Soviet defense spending had changed: first in a paper comparing Soviet and US expenditures in dollars, then in *Soviet Defense Spending: Recent Trends and Future Prospects*, issued in July 1983. Instead of rapid growth in procurement, the papers said a "procurement plateau" had existed since 1976 and that growth in overall defense spending had also slowed substantially, largely because of the flat procurement. The new estimates were issued only after careful internal review within CIA's Office of Strategic Resources of the physical estimates underlying the spending estimates. They encountered a great deal of resistance in the upper levels of CIA and in the Department of Defense, coming as

they did when President Ronald Reagan's US defense buildup was gathering momentum. The possible reasons advanced in the estimates for the procurement plateau were eclectic: technical delays in production, bottlenecks in transportation and in the supply of energy and raw materials, and perhaps a policy decision to reduce defense spending. A subsequent draft paper suggested that the most plausible interpretation was that the slower growth was built into the 1976-80 economic plan and into at least the first few years of the 1986-90 plan. The draft never saw the light of day.

Soviet GNP and Defense Outlays

Figure 2

CIA addressed the implications of a slowdown settling into stagnation in a major paper in 1984, *Policy Implications of the Slowdown in Soviet Economic Growth* (July 1984). Analyzing a range of policy alternatives, it suggested that the USSR would try to salvage its military programs while striving for at least some growth in living standards and spending on new plants and equipment. The Soviet policy response would also likely include heightened propaganda to convince the population of the need to tighten belts in the face of the growing military threat from the United States, while redoubling efforts to divide the West over trade policies. To increase hard-currency earnings, Moscow would attempt to expand its commercial relations with the Middle East and its arms sales to the Third World. Despite a GNP growth rate of 2 percent or less, the paper went on to predict that "We believe that the chances are low" that, by 1990, the economic slowdown will lead to "widespread popular unrest, pave the way for significant liberalization or a militarization of the regime," or "bring to power a leadership with significantly different foreign policy aims." In most respects, the paper's predictions were off the mark.

It is instructive to review what CIA's defense spending and GNP estimates, as they matured in the late 1980s, suggest about the relation between defense and the civilian economy in the postwar USSR. The first things to look at are the estimates of Soviet defense spending and GNP in 1982 rubles (Fig. 2). If prices of an earlier year are used, the rates of growth of both defense spending and GNP would be marginally higher and the ratio of defense spending to GNP a bit lower, but the overall picture would be much the same. In constant 1982 prices, the share of defense in GNP declined from 24 percent in 1951 to 14 percent in 1959. It then varied within the range of 14 to 16 percent between 1960 and 1990. The calculation provoked a good deal of controversy over the years, as it was taken to represent the burden of defense on the Soviet economy.

One can also isolate different stages in the growth of Soviet defense spending and relate them to developments in the economy generally. CIA's estimates set out in considerable detail the changes in the composition of GNP or defense spending. This detail permitted analysis of changes in the USSR's economic policy--the third of Max Millikan's objectives for US foreign economic intelligence. The average annual rates of growth shown for defense in Figure 2 certainly do not reflect the monotonic, monotonous, rapid growth that was, and perhaps still is, the prevailing public perception. Meanwhile, the continuous decline in the rate of growth of GNP suggests the underlying forces that led Soviet leaders to constrain defense spending and finally caused General Secretary Mikhail Gorbachev to introduce his ill-fated reforms and cut military outlays.

Tracking Changes

The immediate explanation of the changes in the growth of defense spending are complicated, but a few of the prime movers can be identified. In the 1950s, Khrushchev's manpower demobilization was the major factor. In the 1960s, defense spending grew rapidly, propelled by growth in procurement of missiles, ships and submarines, space vehicles, and aircraft as well as by the post-Khrushchev buildup in general purpose forces. Thereafter, the growth of defense subsided as procurement increased less rapidly from 1970 to 1974 and leveled off from 1975 to 1984. Outlays for operations and maintenance and research and development continued to rise, although at a slower pace than formerly. After Gorbachev came to power, there was a three-year acceleration in defense spending marked by a spurt in outlays for aircraft and missiles, then a sharp decline in defense procurement, spurred by a downturn in outlays for aircraft, land arms, and space-related equipment.

At a minimum, the trends described in Soviet defense spending suggest some questions for historical research on Soviet military policy during the Cold War. For example:

- Were the slower growth in real defense spending after 1975 and the plateau in procurement the result of conscious policy decisions? If so, what were the underlying reasons?
- What role did the US defense buildup beginning in the late 1970s play in the spurt in Soviet defense spending in 1985-87?

CIA's economic analysis of Gorbachev's economic program traced its evolution from reliance on the human factor to dependence on industrial modernization, and finally, to a recognition that basic reforms were necessary. A 1987 paper, *Gorbachev: Steering the USSR Into the 1990s* (July 1987), reviewed the adjustments the Soviet leadership would have to make in the economic plan to cope with emerging shortfalls and to correct imbalances. Judging the reforms introduced thus far as a "set of partial measures," it assessed the guidelines for additional reforms approved by the Central Committee of the CPSU in June 1987. With the industrial modernization program failing, Gorbachev would have to decide whether still more investments were needed and defense programs should be cut back. But time was growing short. "Developments during the past years have increased the chances that he [Gorbachev] will act boldly to sustain the momentum of his program" by seeking arms control agreements and pushing through more radical political and economic reforms. The paper concluded with some thoughts on the consequences of failure:

Gorbachev has already asked the military and the population to curb their appetites in return for more later. If his programs do not work out, other leaders could appeal to these constituencies. The risks in a more radical reform and a rewrite of the social contract are that confusion, economic disruption, and worker discontent will give potential opponents a platform on which to stand. Gorbachev's position could also be undermined by the loosening of censorship over the written and spoken word and the promotion of limited democracy. If it suspects that this process is getting out of control, the party could well execute an abrupt about-face, discarding Gorbachev along the way.

From the beginning of Gorbachev's rule to the end, CIA tracked *perestroika's* policies and assessed the results. A 1985 paper, *Gorbachev's Economic Agenda: Promises, Potentials, and Pitfalls* (September 1985), set out his program in a skeptical vein. The abortive attempt to

modernize the machine-building sector while leaning on it to produce more civilian goods was described in *The Soviet Machine-Building Complex: Perestroika's Sputtering Engine* (April 1988). Loosened controls over the economy led to financial imbalances and inflation, *USSR: Sharply Higher Deficits Threaten Perestroika* (September 1988). By 1989, the economy was nearly out of control, *Soviet Industry in 1989: Falling into Disarray* (March 1990); and *The Soviet Economy Stumbles Badly in 1989* (May 1990).

Was the economic slide of the 1980s inevitable? Was it preordained by the systemic flaws of the Soviet economy? In CIA's view, the demise of the system--although perhaps inevitable at some point--was brought forward in time by a particularly unfavorable constellation of developments.¹ Gorbachev's plans were dogged by bad luck in several respects. The downturn in world energy prices after 1985, the Chernobyl disaster in 1986, and the Armenian earthquake in 1988 did substantial damage to the economy in addition to inflicting a terrible loss of life. The weather from 1984 to 1987 also was uncommonly poor for agriculture in the USSR. Using regression analysis to estimate weather-related harvest losses, Robert Kellogg found that the Soviet Union sustained 30 billion rubles of farm losses from worse-than-average weather in the 1984 to 1987 period, or 6 percent of reported production, *Modeling Soviet Agriculture: Isolating the Effects of Weather* (August 1988).

More important, in many respects *perestroika's* policies were ill-conceived and Gorbachev's partial economic reforms contributed to the collapse of the traditional system. The initial emphasis on investment--to the neglect of the population's desire for higher living standards--was a costly mistake. To make matters worse, by launching his anti-alcohol campaign, Gorbachev simultaneously dealt a blow to production of a major consumer good and cut state budget revenues sharply. The population, which had always experienced shortages of particular goods and services, found the shortages becoming more general as income growth outstripped the supply of consumer goods.

To explain the popular discontent that flourished in the 1980s, however, one also has to take into account the much greater freedom of expression in printed and spoken dialogue and even in demonstrations and strikes. *Glasnost* served as a powerful amplifier for the dissatisfaction that lay under the surface before Gorbachev. *Perestroika's* failures in improving living standards and reforming the economy could not be endured silently as previous campaigns had been. The gulf separating promise and performance now was discussed openly, with fairly obvious consequences for perceptions of well-being.

The sudden shift in resource priorities in mid-plan added to the confusion and disruption in the economy. Because enterprises were not equipped to change gears so suddenly, production dropped, especially in the machine-building sector. While the lost production of military hardware was not serious, the methods employed in restructuring the economy set back reform and hurt key industries. The reorientation of the economy toward the consumer was carried out in campaign fashion, by issuing state orders and strengthening central planning. In the hurry to limit state-financed investment, the crucial energy sector was short changed. Within a year or two the effect on production, domestic supplies, and export earnings became evident.

When Gorbachev decided to pursue economic reform, moreover, its implementation proved to be partial and contradictory. Central control over the economy was lost, and market forces were slow to emerge. Just as economic reforms began to force enterprises out of their accustomed reliance on central plans and orders, the loss of control of the state budget and the disruptions caused by ethnic unrest and republic rivalries wreaked havoc with the traditional distribution system. In addition, reform coupled with the rapid demoralization of the party removed one of

the traditional elements of economic administration.

The breakup of the Soviet multinational empire proved to be the final blow to economic activity in the former Soviet economic space. Beginning with ethnic conflicts on the periphery, the desire for autonomy spread to almost all republics. Moscow's belated attempts to reduce the budget deficit, which probably achieved some success in 1990, were overwhelmed by republican refusal to support the union budget in 1991. By the end of that year, no monetary or fiscal control worthy of the name remained, and the rate of open inflation accelerated. Republican, and even local governments struggled to protect their citizens by limiting exports of food and scarce industrial supplies. The ruble lost its value as a medium of exchange, and factories and workers alike resorted increasingly to barter to sustain commerce. The economic linkages built up in the postwar years were substantially destroyed in a relatively short time. Perhaps only the powerful inertia of the system and the long-standing personal and business relationships that surmounted republican and regional boundaries prevented the economic collapse that many observers predicted or reported.

Organization and Management

The Princeton conference collection of CIA documents on the Soviet Union includes a great many papers assessing earlier Soviet attempts to improve economic organization and management. CIA's skepticism about the worth of the successive "reforms" mounted as experience with them accumulated.

From the perspective of the post-Soviet years, a 1956 paper on the Soviet industrial enterprise, *Management of the Soviet Industrial Enterprise* (November 1956), seems an outlier. It found elements of flexibility in plan implementation that indeed were present throughout the Soviet period, while offering a thorough explanation of how the system of industrial management operated. Surprisingly, however, the paper declared that the "strong points of the Soviet system of centralized control over enterprises appear to be of greater significance than its weaknesses."

When Khrushchev pushed through his 1957 industrial reorganization plan, creating more than 100 regional economic councils in order to relax the Moscow ministries' grip on local decision-making for industrial and construction enterprises, CIA appraisals were decidedly negative. At the beginning of the reform, a CIA paper, *The Political and Economic Effects of the 1957 Industrial Reorganization* (October 1958), held that the reorganization promised no significant devolution of economic decision-making and that its effect on industrial growth would be small. In particular, the reform had not changed the focus of decision-making regarding the allocation of resources.

Three years later, another paper reviewed developments under the territorial system of economic organization and planning--*Developments in the Organization and Planning of Soviet Industry* (August 1961). It pointed out a persistent problem confronting Soviet planners as they alternated between ministerial and regional-based managerial principles: neither system was able to "encompass simultaneously and with equal effectiveness both departmental and regional considerations." After inspecting Soviet claims made for the 1957 industrial reorganization, the paper said the advertised achievements were for the most part either unsubstantiated, or not due to the reorganization, and that local managers had not much more freedom of maneuver than under ministerial subordination.

The story was much the same in agriculture. A 1963 paper reviewed the many administrative changes in farm management--*Vacillations in the Organization of Soviet Agriculture* (August 1963). It could find no noticeable improvement in efficiency whether the turn was toward greater centralized control or more decentralized control. At the same time, the influence of the party apparatus seemed to be expanding. Other measures, such as increasing incentives and devolving decisions to the farm level, would be of more help and the paper noted that greater price-based incentives had boosted production between 1953 and 1958.

In the evolution of economic reforms, Premier Alexei Kosygin's 1965 program was the next big step. It gave somewhat greater authority to the enterprises and revised the measures by which enterprise performance was judged, with more emphasis on profits and return on capital. The reform also called for a revision in wholesale prices and allowed enterprises to accumulate cash for employee bonuses and investment. An early assessment of the program, *The Soviet Economic System in Transition* (May 1966), argued that the proposals were too "timid" and that their results could be "forecast in advance"--small positive and negative effects. In short, the "new system cannot operate as long as the old one remains on the job in full strength." However, the paper did stress the distance Soviet economic thought had traveled since Stalin's time. Elements not included in the Marxist theory of value--charges for the use of land and capital, the role of demand in price formation, and the "pivotal role of profits"--could be discussed openly. The paper concluded that evolutionary reform would not work in the Soviet Union and that "If growth rates continue to decelerate the pressure for further reform will build up again."

The titles of two papers expressed CIA's evaluation of Soviet economic reforms as they had solidified by the late 1970s: *Organization and Management in the Soviet Economy: The Ceaseless Search for Panaceas* (December 1977); and *Soviet Economic "Reform" Decrees: More Steps on the Treadmill* (May 1982). The 1977 paper systematically reviewed developments in organization and management from 1965 to 1977. It found that the Kosygin reform had eroded and that its beneficial effects "have been minimal at best." Reforms in research and development had foundered on managerial resistance to innovation and new technology, and the revision of enterprise success indicators had confronted managers with conflicting pressures. In any case, unrealistic prices sent the wrong signals. While seeing little prospect for more radical reforms in the near future, the 1977 paper suggested a reform involving market arrangements might be tried later on. It would have to abolish directive plans for enterprises, replace rationing of most producer goods with wholesale markets, set most prices free, and introduce profit-based incentives. All of these elements were featured in Gorbachev's 1987 economic reform. The "Treadmill" paper discussed and dismissed a July 1979 decree and its July 1981 amendments designed to improve planning, reform industrial wholesale prices, encourage enterprises to economize on material inputs, expand enterprise self-financing, and restrain the proliferation of investment projects. It concluded:

The changes in working arrangements do not constitute a genuine reform of the economic system. Rather they reinforce the traditional features that have wasted resources on a grand scale. Because planning is now more centralized, rigid, and detailed than ever before, the producing unit is more fettered. Producer goods are more tightly rationed; administratively set, average cost-based prices are retained, and Byzantine incentive systems tie rewards and punishments to meeting plan targets expressed in physical units. The modifications of the past two and a half years are no panacea for the Soviet economy. Rather, they move the system away from the decentralization, flexibility, and introduction of market elements, which most Western (and some Soviet) critics believe are needed.

Intensified research on the defense planning process provided the basis for two 1988 papers and summarized our knowledge in a highly secret area--*USSR Forecasting and Planning Weapons Acquisition* (January 1988); *Preparing the Soviet Five-Year Defense Plan: Process, Participants, and Milestones* (October 1988). The papers' findings are too rich to summarize, but they underline how tightly defense planning was tied to national economic plans and how plans for weapons acquisition were guided by information and intelligence on Western plans for weapons acquisition.

Foreign Economic Policy

By the mid-1950s, interest in Washington concerning Soviet intentions and capabilities in the foreign economic arena had triggered a very substantial research and reporting program in CIA--one that continued until the last days of the Soviet Union. By the late 1950s, concern over the Soviet "economic offensive" in the Third World was extremely high in Washington. In perhaps the best CIA discussion of the topic *External Impact of Soviet Economic Power* (October 1962), the author noted that by the mid-1950s the USSR had achieved basic economic independence and was ready to shift to an active and aggressive international economic policy. Soviet foreign trade with the West climbed, and in 1962, 45 percent of that trade was with the less-developed countries (LDCs). As an important part of Soviet determination to extend the USSR's influence into new regions, the trade and aid programs in LDCs were intertwined with propaganda, subversion, and political support to favored local leaders. As of 1961, the USSR had established positions of influence in the economies of Egypt, India, Afghanistan, Indonesia, and Cuba. In the communist world, Moscow employed its trade weapon to punish China by suddenly calling its technicians home and by easing the conditions of its trade with Eastern Europe in the wake of the 1956 uprisings there.

Hundreds of CIA research papers, memoranda, and short responses to questions from Washington departments or agencies described the status of Soviet economic and military aid programs. Periodic reports related what was known about the programs, country-by-country and project-by-project. Other papers covered the training of foreign nationals in the USSR, the presence of Soviet economic and military technical experts in LDCs, and the USSR's attempts to penetrate and manipulate foreign labor organizations.

In the mid-1960s, a midstream assessment of the Soviet aid program was made--*Soviet Foreign Aid to the Less Developed Countries: Retrospect and Prospect* (February 1966). The LDCs' demand for Soviet aid flowed in part from their proclivity to fashion overly ambitious development plans they could not finance themselves. The USSR offered aid in the hope of nurturing future leaders who would be sympathetic to the Soviet Union. Striking a balance, the paper noted that the USSR had established a presence in the LDCs consisting of men, equipment, and ideas and had made progress in displacing Western powers, in part through Soviet support for the nationalization of Western properties. On the other hand, there had been some notable failures. LDCs often grumbled at the slow implementation of aid agreements. Soviet failure to assume responsibility for individual projects frequently had meant they were done badly, with the blame attached to the Soviets. Moreover, a decline in Western influence did not necessarily lead to an increase in Soviet influence, as evidenced by the fall from power of a succession of Soviet-supported strongmen.

A May 1976 CIA study, *Organization of Foreign Military and Economic Aid*, found that a hierarchical

institutional structure forced resolution of all important aid issues to the top. Nevertheless, the aid programs were run by experienced bureaucrats who could wield considerable influence over less informed policymakers. But their recommendations were subject to the conflicting goals and rivalries of the numerous institutions involved in administering the programs. Finally, the Soviet leadership tended to favor military over economic aid, believing that it promised to have a bigger political payoff.

In 1985, a CIA contract study, *USSR-LDC Trade: An Economic and Quantitative Analysis* (February 1985), investigated Soviet-LDC trade in-depth with the help of some laboriously constructed statistics previously unavailable. This study suggests that "some common perceptions of the nature and importance of the trade are mistaken." First, Soviet exports of nonmilitary goods to LDCs had increased slowly since the early 1970s, while the terms of trade with the developing countries had deteriorated. Second, the Soviet Union had not proved to be a substantial market for LDC manufactures. Third, the prices paid by the USSR for imports of raw materials from the LDCs were no more stable than the prices paid by Western market economies. All in all, few LDCs except those in the Soviet political sphere of influence depended heavily on trade with the USSR, and economic interdependence between the USSR and the LDCs probably had grown more slowly than perceived by many in the West and claimed by the Soviets.

Reducing Military Threats

The contributions of CIA's economic analysts to Max Millikan's fourth purpose of foreign economic analysis consisted of support for trade controls, assessments of the effectiveness of other trade restrictions, and evaluations of the impact of technology transfer on Soviet economic and military strength.

In the 1950s, ORR published dozens of encyclopedic industry studies intended to shed light on areas of Western ignorance and to identify possible sources of vulnerability to Western embargoes and other trade controls. By the mid-1950s, however, a contribution to a briefing for President Eisenhower reported that while controls had some "retarding effect" on Bloc economies, the internal supply position for many of the commodities on control lists had "improved markedly." Thereafter, CIA support for export controls centered on the gradually shorter list of strategic commodities. For example, a memorandum for the Department of Commerce's Director of Export Control, *USSR and Eastern Europe: Semiconductors* (April 1973), stated that solid-state technology was quite backward in the USSR, and provided a list of inferior equipment for which the Soviets were trying to find foreign substitutes.

As early as 1962, ORR was commenting on Soviet capacity to produce large-diameter pipe in connection with a possible embargo. And in a memorandum for the Commerce Department's Advisory Committee on Export Policy, OER advised in May 1970 that Soviet persistence in trying to buy Gleason gear-cutting machines was understandable given the state of technology in the USSR's automotive industry. Gleason tools were "crucial" to modernizing Soviet truck production, and an increase in production of all-wheel-drive vehicles--best suited for army tactical operations--was part of the plan for every plant wanting Gleason gear cutters. In contributions like these and in technical support to the advisory committees concerned with specific areas of export control, CIA analysts reported on the state of Soviet technology and on the availability of equipment in countries not participating in export controls.

Sanctions and Trade Restrictions

When Khrushchev began his chemicalization campaign, the USSR requested larger Western credits and longer repayment terms. ORR reported that the credits would prevent the diversion of resources from other high-priority programs and, using various assumptions, ran a number of scenarios before concluding that the Soviet Union could repay the credits if it were able to increase its exports to the West by 5 percent per year. In the 1980s, the question of the effectiveness of credit restrictions was central to policy discussions. Two National Intelligence Council (NIC) memorandums were issued in 1982, *The Soviet Bloc Hard Currency Problem and the Impact of Western Credit Restrictions* (March 1982); and *The Soviet Bloc Financial Problem as a Source of Western Influences* (April 1982). The first reported that the financial bind facing the USSR and Eastern Europe provided an "unusual opportunity to use economic measures to influence Moscow's behavior." Even limiting new credits to recent levels--the most that Western Europe and Japan might agree to--"would significantly constrain Soviet policy choices." Curiously, the second NIC memorandum stressed the difficulty of gaining international cooperation in limiting credits, reported that a possible agreement on capping the volume of new credits would have little effect on Soviet import capacity, and it downplayed the influence that even stronger restrictions would have on Soviet defense or foreign policies.

The subsiding of official interest in credit restrictions was partly due to briefings CIA's SOVA gave to high-level departmental representatives--*USSR: The Role of Western Credits* (January 1982). Using a financial model, SOVA stipulated various levels of credit drawings to see what Soviet import capacity would be. To the dismay of those who supported pushing Western Europe and Japan to clamp down on new credits to the Soviet Union, the briefing pointed out that, after 1985, differences in debt service among the scenarios began to offset differences in volume of new credit drawings. Thus, Soviet import capacity was much the same over a range of assumed new credit drawings.

Over the years, CIA was consistently bearish with respect to the effectiveness of Western embargoes on exports to the Soviet Union and the Soviet Bloc. Two reasons for skepticism were usually advanced: the difficulty of getting other countries to join in an embargo, and the ability of the Bloc to adjust internally to an embargo. A 1961 paper, *Estimated Impact of Western Economic Sanctions Against the Sino-Soviet Bloc* (July 1961), is illustrative. It pointed out that a unilateral US embargo would be ineffective because the volume of US-Soviet trade was so small. Enlisting NATO and Japan, would, under generous assumptions, deny about \$4 billion of Western goods, but the effect would be mainly in the first six months. Thereafter the Bloc could turn to alternative suppliers. In 1980, the United States restricted exports of grain to the Soviet Union following Soviet intervention in Afghanistan and secured the agreement of other major grain exporters not to replace the US grain. A paper from OER tried "to clarify" the embargo's impact--*USSR: Adjusting to the Grain Embargo* (February 1981). It reported that the embargo reduced Soviet imports by 6 million tons in the year ending September 1980, but its impact "was substantially lessened by the fact that other exporters sold more grain to the USSR than was contemplated when the embargo was announced." Moreover, the Soviets were able to replace some of the lost imports by drawing down domestic stocks.

The US attempt to interfere with the construction of the Siberia-to-Europe gas pipeline ran into similar constraints. Western Europe welcomed the gas and refused to deny compressors and large-diameter pipe for the pipeline. For its part the USSR, for technical reasons and through

internal adjustments, was capable of doing without US compressors. A paper jointly produced by SOVA and the Office of European Analysis, *Outlook for the Siberia-to-Western Europe Natural Gas Pipeline* (August 1982) summarized the results of intense investigation, some of which responded to DCI William Casey's questions. The paper stated, "We believe that the USSR will succeed in meeting its gas delivery commitments to Western Europe through the 1980s" by relying on excess capacity in existing pipelines, the contributions of West European and Soviet equipment, and the fact that the USSR could push through about two-thirds of the gas using only about one-third of the compressor power ultimately intended for the pipeline. Moreover, Western Europe was "deeply angry" over the US decision to try to control compressors manufactured in Western Europe under US license. These findings were briefed extensively to Washington policymakers and supported by US industry experts in February and March 1982. Nonetheless, on 18 June 1982, President Ronald Reagan extended the pipeline sanctions to prevent foreign subsidiaries and licensees of US companies from supplying equipment for the pipeline.

Monitoring Technology Transfer

Washington officials had an enormous appetite for assessments of the role of technology transfer in Soviet economic and military development. Usually CIA's response was (a) virtually all Soviet technology was relatively backward, creating a demand for more advanced Western technology; (b) the contribution of this technology was likely to be concentrated in small areas because the acquisitions Moscow could buy or steal constituted only a small share of total investment; and (c) systemic constraints on the assimilation and diffusion of new Western (or Soviet) technology further limited its impact. Still, CIA papers found a great many instances where the Soviet Union copied or adapted Western designs, a form of technology transfer not subject to measurement or easily denied.

After Western controls on the export of machinery and equipment were relaxed in the 1950s, the flow of technology to the USSR increased. The burst of Soviet buying of chemical installations attracted particular interest--*Acquisition of Chemical Equipment and Technology by the Soviet Bloc From the Free World, 1957 Through Mid-1963* (April 1964). Soviet Bloc purchases of 234 installations worth \$1.3 billion "clearly" would make a major contribution to Bloc chemical industries, although there would be problems in getting them on line, the paper noted. Two papers on agricultural technology, *Soviet Efforts to Introduce US agro-technology* (November 1975), and *Agricultural Machinery Technology in the USSR and Eastern Europe* (May 1976), pointed to the difficulty the Soviets were having in assimilating Western agro-technology and maintained that even successful adaptations of Western designs resulted in poor quality products because of shortcomings in planning and incentives.

In the documents supporting the Princeton conference, there are a great many comprehensive surveys of the role of technology transfer in Soviet economic development. A few of the more prominent examples are *The Technological Gap: The USSR vs. the US and Western Europe* (June 1969); *Transfer of Technology from the United States to the USSR: Problems and Prospects* (December 1973); *Significance of Soviet Acquisition of Western Technology* (June 1975); *Soviet Economic Dependence on the West* (June 1975); and *Soviet Microelectronics: Impact of Western Technology Acquisitions* (December 1986). In broad terms, the papers argued that the technological gap was large and probably widening even though the USSR had borrowed extensively from the West. The Soviet system of planning and management retarded the

assimilation and diffusion of new technology, and the volume of imports was too small relative to total investment to have a substantial effect in macroeconomic terms.

When attention turned to specific sectors, the findings were different. In just one of many examples, Soviet oil and gas development benefited considerably from imports from the West--*The Role of Western Equipment in Soviet Oil and Gas Development* (September 1984). The Soviet focus on acquisition of technology for more militarily-significant sectors stimulated a large body of research. In addition, CIA aggressively sought to alert Western countries to the scope and successes of legal and illegal Soviet acquisition of technology for the defense industry. An unclassified paper, *Soviet Acquisition of Western Technology* (April 1982), received wide dissemination abroad. One of the more startling examples was the microelectronics industry where, according to a 1986 paper--*Soviet Microelectronics: Impact of Western Technology Acquisitions* (December 1986), Western equipment had "radically advanced the quality and quantity" of production. The USSR now lagged in advanced integrated circuit development by eight to nine years; without Western assistance it might have been 18 to 19 years. "Successful, and in most cases illicit, "acquisition had filled critical military electronic requirements. As an illustration of how important Western technology could be to a small industry, the report estimated that the Western equipment on hand would provide about one-third of the "critical equipment for all production areas."

Assessing Relative Strengths of East and West

Max Millikan's fifth objective of foreign economic intelligence perhaps attracted more interest and provoked more controversy than any other facet of CIA's economic analysis of the Soviet Union. In the 1950s, many worried that the balance of relative strengths of East and West--or at least the USSR and the United States--was going to tip in favor of the East. CIA research produced estimates of the dollar value of Soviet GNP and each of its components--consumption, investment, defense, and government administration.

The procedure for determining the estimates, with some exceptions, was to start with CIA's estimates of the ruble values of the components of Soviet GNP and convert these values to dollars. This was done by applying appropriate dollar-ruble ratios to express what it would cost in dollars to buy a ruble's worth of goods and/or services in a particular segment of Soviet GNP. Then the components of US GNP were converted to ruble values by applying ruble-dollar ratios expressing what it would cost in rubles to buy a dollar's worth of goods and/or services in a particular segment of US GNP. The result of this exercise was a set of comparisons of US and Soviet GNP expressed alternatively in dollars and in rubles. When presented in a publication, a single-valued comparison was usually reported--the geometric mean of the dollar and ruble comparisons.

The research required to derive the appropriate conversion ratios was enormous and has been described in large part in a series of unclassified publications. Some representative examples are *Ruble-Dollar Ratios for Prices of Machine Tools, Metal-Forming Machinery, Textile Machinery, and Abrasive Products* (October 1956); *1955 Ruble-Dollar Ratios for Construction in the USSR and the US* (August 1964); *A Comparison of Consumption in the USSR and the US* (January 1964); *USSR and the United States: Price Ratios for Machinery, 1967 Rubles-1972 Dollars, Volumes I and II* (September 1980); and *Consumption in the USSR: An International Comparison* (August 1981). In deriving the ruble-dollar conversion ratios the Agency consulted extensively with US firms--even to the

extent of buying Soviet goods and having them appraised by US manufacturers of similar products.

The Comparisons

One of the first CIA publications dealing with US-Soviet comparisons estimated physical output per worker in the branches of industry and transportation where data permitted such comparisons--*Comparative Levels of Labor Productivity in the US and the USSR, 1951* (December 1954). It found that labor productivity in the USSR varied from 15 percent (spinning of cotton textiles) to 73 percent (blast furnaces) of the US level. The paper attributed the differences in productivity to differences in natural conditions in mining sectors and to differences in technology and investment in other sectors. Systemic differences, so prominent in later comparisons of productivity, were not mentioned.

Research in the mid-1950s under the guidance of Morris Bornstein led to a comparison of GNP and its components in the United States and the USSR in 1955. Many of the ruble-dollar ratios employed in the comparisons paper, *A Comparison of Soviet and United States National Product*, submitted to the Joint Economic Committee, Congress of the United States, 1959, were drawn from RAND Corporation studies. The results are expressed as Soviet percentage of US:

	Comparisons in 1955 Rubles	Comparisons in 1955 Dollars	Geometric Average
Consumption	20.8	39.0	28.5
Investment	48.8	68.3	57.7
Defense	75.3	94.3	84.3
Administration	152.5	152.1	152.3
GNP	26.8	53.4	37.8

Most CIA comparison papers presented both ruble and dollar comparisons as well as the geometric mean comparisons, but the comparison most generally quoted was the geometric mean of the ruble and dollar comparisons. This "short cut" is commonly used in international

comparisons but obscures some important information. Thus, the dollar comparison can be interpreted as giving a rough appreciation of the relative ability of the USSR and United States to produce the Soviet mix of goods and services. Conversely, the ruble comparison can be interpreted as approximating the relative ability of the two countries to produce the US mix of goods and services. Given their respective resource endowments and production history, it would be expected that the Soviet Union would look better in a dollar comparison (the relative ability to produce the Soviet mix) than in a ruble comparison (the relative ability to produce the US mix).

In subsequent years, as new estimates of the ruble value of Soviet GNP and ruble-dollar ratios were developed and assimilated, the geometric mean comparisons showed the USSR in varying positions. A 1966 ORR paper, *US and USSR: Comparisons of Size and Use of Gross National Product, 1955-64* (March 1966), said that the main reason for the lower USSR/US comparisons was a series of adjustments made to ruble/dollar ratios to take account of the lower quality of Soviet durable goods and the lower productivity of Soviet workers in health and education. Later, however, a CIA comparison published in a congressional JEC compendium in 1979, *US and USSR: Comparisons of GNP*, presented new comparisons "based on [new] US-Soviet purchasing-power-parity ratios covering consumption, machinery, construction, and defense." The ratios drew on a much wider sample of goods and services and a United Nations comparison of national products, which helped in sample selection and product specification. According to the CIA comparison, Soviet GNP in 1976 was 60 percent of US GNP (geometric mean), per capita consumption 37 percent of US per capita consumption, and outlays for defense and space 136 percent of the US level.

In 1981, the JEC published a CIA paper that revised downward the estimates of the dollar value of Soviet consumption--*Consumption in the USSR: An International Comparison* (August 1981). It found that, since 1960, Japanese living standards "caught up with, and raced ahead of the USSR's, while France, West Germany, and Italy extended their leads." The study put Soviet per capita consumption at 34 percent of the US level in 1976, but its major contribution was a wide-ranging discussion of international differences in the structure of consumption and a thorough exposition of the methodology underlying the estimates.

The next general comparison of GNPs appeared in 1984--*A Comparison of Soviet and US Gross National Products, 1960-83* (August 1984). This paper reported Soviet GNP as 49 percent of US GNP in 1960 and 55 percent in 1983. Soviet per capita consumption in 1983 was one-third of the US level. As in previous comparison papers, the authors declared that these numbers "trace the upper bound of ratios of Soviet to US GNP." And, as in previous studies, the ratios for machinery and equipment were not adjusted for quality differences beyond those reflected in the original product matches, and the consumption ratios did not take into account the advantage the American consumer has in terms of convenience, variety, and availability. Moreover, the ratios for consumer services were probably too low because they could not adjust adequately for the higher qualifications of American workers in health and education.

Employing the Agency's basic ruble-dollar ratios and estimates of Soviet GNP growth, the last comparison paper, *The Soviet Economy in a Global Perspective* (March 1989), tried to put Gorbachev's concerns about the Soviet economy in context by comparing it to a wide range of other economies. CIA purchasing-power-parity estimates for the Soviet Union were linked to those of the UN's International Comparison Project. The CIA paper reported that the Soviet economy was in many respects like that of a developing rather than a developed country--more like Mexico or Brazil. In terms of the share of agricultural output in GNP, the USSR resembled Turkey and the Philippines. The paper also tested CIA's comparisons using a model relating

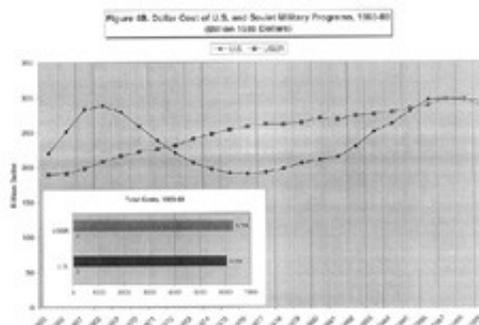
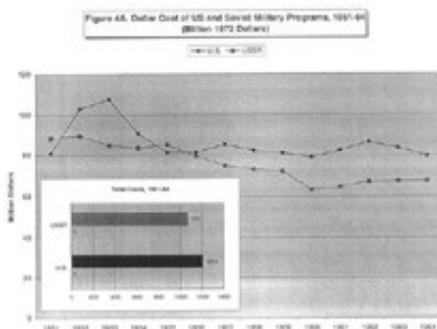
GNP statistically to a collection of physical indicators. The physical indicator approach produced a value for Soviet GNP in 1980 of \$5,360 per capita while the purchasing-power-parity method equivalent was \$5,600.

For the general public, CIA's annual unclassified publication *Handbook of Economic Statistics* provided a window on CIA estimates of the East-West balance and the relative size both of US and Soviet GNP. The 1991 edition showed the comparisons depicted in 1990 dollars (see figure 3). The USSR-US ratio peaks around 1970, levels off in the 1970s, and falls steadily in the 1980s. If Eastern Europe (excluding Yugoslavia) is added to the Soviet potential and compared with the Organization for Economic Cooperation and Development (OECD) countries (excluding Sweden and Switzerland), the USSR and its allies had only about 30 percent of the GNP of the OECD nations in the 25 years from 1960 to 1985. As for the Soviet Union overtaking the United States, these handbooks showed an absolute gap between them, widening steadily in the 1960s and more rapidly in the 1970s.

Comparisons of Real GNP

Interest in CIA's estimates of Soviet defense outlays within the US government and in Congress centered on the dollar comparisons. Unfortunately, the records necessary to put the defense comparisons on a single-dollar price base are no longer available. Figures 4A and 4B show the comparison of the dollar cost of Soviet and US defense programs in 1951-64 expressed in 1972 dollar prices and in 1965-89 in 1988 dollar prices. According to these comparisons, the cost of US defense programs exceeded the dollar equivalent of Soviet programs by about 13 percent in the earlier period, while the dollar cost of Soviet military programs in 1965-1989 was slightly greater than US spending.

These comparisons are dollar comparisons, not the geometric mean of comparisons in ruble and dollar prices that underlie the GNP comparisons. Critics have rightly noted that a comparison in dollars shows the USSR to a greater advantage than a comparison in rubles. For example, a comparison of Soviet and US defense and space programs in the 1970s showed the Soviet programs 36 percent larger in dollar prices and 29 percent larger in ruble prices. A proper ruble comparison required Soviet prices for American defense procurements, but Soviet estimates of these prices were not available. Further research widened the gap between comparisons in dollar and ruble prices. The most recent calculations of ruble comparison based on indirect calculations, suggests that over the period 1973 to 1987 Soviet defense activities exceeded the US equivalents by 21 percent in the dollar comparisons and by 7 percent in the ruble comparisons.



In the 1980s, some variants of these comparisons were constructed--one to take in a broader definition of national security outlays and another to construct a NATO-Warsaw Pact comparison. The comparison, expanded to include the so-called "cost of empire," civil defense, and the like, pushed up Soviet spending relative to US outlays by a couple of percentage points in the 1980s, but the NATO-Warsaw Pact comparisons showed the dollar-equivalent cost of NATO defense programs to be 15 percent larger than Warsaw Pact programs over the period 1976 to 1986.

Perhaps the most visible contribution of the defense spending estimates was to the debates over US defense budgets. The US-Soviet comparisons figured heavily in the presentations that successive presidential administrations made to Congress and the country. For example, Secretary of Defense James Schlesinger at the beginning of his 1975 annual report said that "The Soviets now devote more resources than the United States in most of the significant categories of defense" and showed a chart comparing US and Soviet defense spending. He emphasized even more strongly the adverse trends embodied in the spending estimates by telling the armed services committees, "If they continue to grow at 5 percent or 7 percent per annum, and we continue to shrink, then it is plain that sooner or later the divergence will become so great that we will be in very substantial trouble." Under Democratic administrations, the pitch was much the same. William Kaufman, a consultant to the Department of Defense (DOD) through most of the 1970s, said that, beginning in 1973 and 1974, he "turned very strongly to the CIA estimates as a basis for indicating why the US defense budget ought to be increased."

Thus, the US-Soviet defense comparisons were featured in DOD congressional testimony, defense posture statements, and in the DOD publication *Soviet Military Power*. The comparisons, however, lost their popularity when the dollar-equivalent cost of Soviet defense programs began to fall below the cost of US programs in the 1980s. Robert Gates, as Deputy Director for Intelligence and later as Deputy Director of Central Intelligence, had long been skeptical of the dollar estimates and tried to abolish them in the early 1980s; pressure from consumers in the Pentagon and Congress, however, forced a resumption of the dollar costing. When Soviet military spending moved downward in the late 1980s, consumer demand for the dollar estimates weakened, and Agency managers decided the time was right to drop them.

The estimates of the ruble and dollar costs of Soviet defense programs were controversial, but they were the only ones that reflected the Intelligence Community's best estimates of the physical quantities underlying these programs. Moreover, the trends displayed by the latest CIA estimates seem consistent with recent interpretations of Soviet policy shifts and fit quite well with post-1985 statements by Soviet leaders regarding the defense burden and the production of military hardware. Finally, in the absence of CIA's estimates, the field would have been left to alternative calculations that had Soviet real defense spending increasing at double-digit rates. Had such calculations been believed, the US national debt might have been appreciably higher than it was because of the pressure that would have been exerted to raise US defense spending to match what the USSR was thought to be spending.

The Agency's inquiries into the relative strengths of the Soviet Union and the United States proceeded down a number of other paths as well. For example, in the 1960s, papers dealt with population, manpower, and professional manpower--*Comparison of US and Soviet Population and Manpower* (November 1960); and *A Comparison of US and Soviet Professional Manpower* (May 1963). The demand for comparisons of the US and Soviet space programs never wavered. A 1966 paper estimated US civil and military funding for space programs at \$7 billion in FY 1964 and FY 1965 while the estimate for the USSR was in excess of \$5 billion in FY 1965. It was a tricky

exercise since the requirements for the USSR had to be reconstructed from both identified and inferred components. *Comparison of US and Soviet Procurement of Major Weapons Systems* (November 1975), provided annual figures for 1953-74. Perhaps the best treatment of a particular sector appeared in 1989--*A Comparison of the US and Soviet Industrial Bases* (May 1989). It described the many quantitative, qualitative, and structural differences between Soviet and US industry.

How Good Were the Dollar Comparisons?

The dollar comparisons of US and Soviet GNP have been criticized--correctly--for not taking sufficient account of quality differences in the product matches that formed the basis for the ruble-dollar ratios used in converting Soviet GNP to dollars and US GNP to rubles. Certainly CIA struggled with the problem over the years as it introduced some fairly arbitrary adjustments to the ratios while warning readers that the comparisons were at the "upper bound" of reality. In my view, a combination of realistic adjustments would not take a Soviet-US GNP ratio of 50 percent below 40 percent. That such a change would have changed perceptions of the relative strengths of East and West seems doubtful. (Any adjustments should also include an allowance for the "second economy" activity not fully reflected in CIA's estimates of Soviet GNP.)

What the comparisons measured is not obvious. CIA argued that they were more valid as measures of real income than of production potential, although they fell short of the theoretical requirements for a real income measure (see *US and the USSR: Comparisons of GNP* [1979], pp. 388-89). Fundamentally, the comparisons provided an indication of the relative volume of goods and services produced in the two countries and to a lesser extent, a sense of relative production potentials and real incomes. If one were to be more demanding regarding these requirements, however, the structure of international comparisons built up over the years (e.g., in the *UN International Comparison Project*) would collapse and with it much of the statistical analyses of the sources of economic growth based on these comparisons. For the Soviet Union, just as for much economic analysis, the requirements for theoretical purity conflicted with the demand for policy relevant analysis. CIA's economists attempted to provide relevant analysis while recognizing the limitations inherent in Soviet statistical reporting.

The Analysis in Perspective

Over the years, CIA's analysis of the Soviet economy fulfilled, I believe, all of Max Millikan's objectives for economic intelligence. In the process, CIA learned a great deal about the Soviet economy and aspects of Soviet military forces not discovered earlier. It shared most of these findings with the public and academia in hundreds of unclassified papers and dozens of contributions to Joint Economic compendia.

CIA's support for US policymakers expanded as its research base grew and other agencies came to know the capabilities of the analysts following the Soviet Union. Most of their work responded to requests from a wide range of consumers; the examples cited in this paper can only suggest the diversity and extent of these contributions. In terms of Millikan's first objective,

CIA did, over the decades, measure and forecast the erosion in the USSR's economic vitality, calming the fears of "overtaking" arguments so prevalent in the 1950s. The estimates of the cost of Soviet defense programs helped to shape US policy in various ways. To repeat a view expressed above, Noel Firth and I opined in our book that, in the absence of the defense-spending estimates, "the prevailing view of Soviet military programs would have been more alarmist and US defense spending during the Cold War would have been much higher." In its support for policymakers, CIA had the advantage of not having to defend a particular policy. It tried to offer impartial assessments without worrying about the sour receptions they sometimes received.

Much of the controversy over CIA's economic analysis has centered on the accuracy of the GNP and defense measures. This is unfortunate to the extent that it overshadows the large volume and vast range of the Agency's economic work as suggested by the records released to the National Archives. I would say that CIA's measures relied on the best evidence available and were compiled according to standard national accounting practice. They were reviewed by a series of external panels that generally gave the ruble measures high marks. The dollar comparisons elicited greater skepticism, but there were no credible alternatives. Therefore, CIA's ruble and dollar estimates are still the estimates of choice for scholars researching the economic history of the Soviet Union or investigating the sources of international differences in production and productivity.

Many lessons have been learned during the years of studying the Soviet economy, but I will cite two major ones. They are (1) the need to be willing to take new evidence aboard without delay and entertain an unconventional view of the world, and (2) the difficulty of interdisciplinary analysis. These played a part, for example, in CIA's delayed call on the slowdown in Soviet military spending in the late 1970s, the exaggeration of the Soviet oil crisis, and the reluctance to believe that conditions in the economy would lead to dramatic changes in the way the Soviet Union was governed.

Discussant Comments

A panel chaired by **Dr. Laurie Kurtzweg**, from the Office of Russian and European Analysis in CIA's Directorate of Intelligence, discussed James Noren's paper and provided additional views on CIA's analysis of the Soviet economy. The panelists were Dr. Abraham Becker, Senior Economist Emeritus at RAND; Dr. James Millar, Professor of Economics and International Affairs at George Washington University; and Dr. Charles Wolf, Senior Economic Advisor at RAND.

Abraham Becker attempted to explain the "extraordinary explosion of hostile reaction" to CIA's economic analysis that took place in the late 1980s and early 1990s. He cited several reasons for it. One reason, according to Becker, was the highly complex nature of the economic issues that were debated, such as the international economic comparisons done by CIA and the Agency's use of dollar and ruble estimates of Soviet defense spending. These issues were, according to Becker, difficult for policymakers to understand. Further complicating the analysis were the significant differences between the US and Soviet economic and political structures, Soviet secrecy and disinformation efforts, and Marxian concepts that found their way into Soviet economic issues and statistics. Becker implied that a lack of understanding of some of the economic concepts used by CIA contributed to considerable skepticism about the Agency's analysis.

Becker also maintained there was confusion over the use of CIA's GNP estimates of the size and growth of the Soviet economy as a measure of welfare in the USSR. In his view, economic practitioners understand that GNP statistics are not a measure of a nation's welfare. Still, according to Becker, CIA was accused of passing off its GNP series as welfare indicators.

A third reason cited by Becker was what he labeled the "disastrous impact" of the changes in Soviet military expenditures announced by CIA in the mid-1970s and again in the early 1980s, and the release of the controversial oil estimate in 1977. The public, according to Becker, interpreted these events as multiple, serious intelligence failures and the politicizing of intelligence estimates.

A fourth factor undermining CIA's economic analysis was, according to Becker, the contradictory message given to policymaking authorities, particularly during the later Reagan years. He cited, in particular, former DCI William Casey's effort to provide policymakers with his view of the Soviet Union. Unfortunately, that view sometimes varied significantly from what CIA's analysts were saying. Becker pointed out that Casey and his assistant, Herbert Meyer, who Becker claims misunderstood what CIA was saying about the rate of economic growth in the USSR, did a lot of maneuvering behind the scenes, effectively undermining the CIA's message.

The fifth factor, according to Becker, was a dilemma the Kremlin faced that made the forecasting of economic events in the Soviet Union difficult, if not impossible. The Soviets desperately needed to reform the Soviet economy but realized that implementing meaningful reform measures could lead to political upheaval and chaos. How to implement meaningful reform without bringing down the system was a difficult problem even for a more enlightened leader such as Gorbachev. In Becker's view, there was no way to predict when and if someone would come along who would be able and willing to implement significant reform.

Finally, Becker asserted that US analysts erred in failing to adequately take into account what Soviet émigrés were saying about the state of the Soviet economy. According to Becker, this unfortunate occurrence resulted from the development of a "climate of mistrust between émigrés and the US Sovietological establishment."

James Millar, who served as the chairman of a committee formed in the late 1980s at the request of the House Permanent Select Committee on Intelligence to evaluate CIA's record in measuring Soviet economic performance, gave the Agency high marks for its economic assessments. Millar said the committee concluded, in general, that the work of the Office of Soviet Analysis, and its predecessors in the CIA, has been "professional and appropriately reasonable and cautious." Most reports through 1988 on the course of Soviet GNP and on general economic development were found to be "accurate, illuminating, and timely." Finally, Millar opined that the committee concluded that the CIA "did in fact provide the kind of information that policymakers needed to make reasonable judgments about policy with respect to the Soviet Union."

According to Millar, however, the committee was critical of the Agency's estimates of Soviet defense expenditures and its estimates of the defense burden as being based on slender data sources and on questionable methodologies. Moreover, it found CIA's dollar estimates of Soviet GNP and defense spending misleading, and it criticized the Agency for publishing geometric mean averages of its dollar and rubles GNP and defense estimates that were without meaning.

The next commentator, **Charles Wolf**, used three criteria to assign numerical grades to CIA's work on the Soviet economy:

Grading Criteria	Grade
Scholarship and Academic Quality	Strong B
Validity and Accuracy	Strong C
Effect on Policy	A-

Under his first category, "Scholarship and Academic Quality," Wolf praised the Agency's work in constructing national income accounts as equal to the very high standard set by Simon Kuznets and the National Bureau of Economic Research (NBER) in compiling accounts for the US economy. In fact, Wolf opined that it was a standard that was met under circumstances that were more difficult than those faced by the NBER because of the secretive nature of the Soviet Union and the "peculiarities" of Soviet published economic data. According to Wolf:

The industry studies, including defense industries, agriculture, energy, foreign aid, and international comparisons, I think, provided major insights into the structure of the Soviet economy, into the input/output relations in the system, and so forth, and conformed to the average for the National Bureau.

At the same time, however, Wolf was critical of the Agency for, in his view, being too optimistic about the viability of the Soviet planned economy--what he termed "within the box thinking," based on the work of economists Oskar Lange and Abba Lerner who believed in the perfectibility of market socialism. Rather, he opined that Agency analysts should have done more "outside the box thinking" based on the work of economists Frederic Hayak, Ludwig Von Mises, and Milton Friedman who felt that socialist economies were unworkable and doomed to collapse under their own weight. As an example, Wolf cited the failure to take into account the poor quality of manufactured goods in the USSR. In other words, according to Wolf, CIA should have looked deeper and in different ways "at the corrosive effect of the Soviet political system on human capital, that is on morale, on entrepreneurship, on innovativeness, the work ethic, and so forth."

In his category of "Validity and Accuracy," which he graded as little better than average, Wolf concluded that CIA overestimated the size of Soviet GNP--that is, in his view, it was no more than 30 percent of US GNP compared with the geometric mean estimate of around 50 percent that the Agency claimed. Analysts persistently overestimated the Soviet economy's growth rate by "at least a couple of percentage points," and underestimated the military burden. The latter, according to Wolf, was closer to 25 percent than the 11 to 15 percent range posited by CIA.

Finally, Wolf addressed the effects of the Agency's analysis on the Administration's policies. Wolf disagreed strongly with Senator Moynihan's publicly stated view that the United States overspent on defense during the Cold War period because of the Agency's overblown analyses. Wolf, in effect, characterized such thinking as wrong headed. Rather, he opined, "The Soviets, if

faced with the choice of using it or losing it, might well have used it had we [the United States] not prepared with medium-range ballistic missiles (MRBMs) and the prospect of the Strategic Defense Initiative (SDI) and Star Wars."

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Chapter III

Analyzing Soviet Politics and Foreign Policy

Douglas F. Garthoff

The task of describing in a single essay CIA's analysis of Soviet politics and foreign policy for the entire Cold War period leads inevitably to a broad survey. With respect to domestic politics in the USSR, this account deals only with the high points of top-level leadership politics and policies. In light of this broad-brush approach, there is much of interest to specialists regarding CIA's analysis that is necessarily left out and awaits future attention. With respect to Soviet foreign policy, only the main lines of the basic East-West competition are examined throughout the lengthy period covered. Unfortunately, but necessarily, even major issues such as Moscow's efforts through the years to deal with the German question or to gain influence in the Middle East are left for more detailed examination in the future. Finally, it should be noted that the availability of declassified CIA studies is uneven throughout the period under study, although there are National Intelligence Estimates (NIEs) from all years, which help to fill in what otherwise would be major gaps.

Earliest Efforts

From the outset, much of the analytic work of the CIA revolved around assessing the intentions and capabilities of the USSR. By the time CIA was created (its official birthday is 18 September 1947), the Soviet Union was generally viewed in Washington as hostile to US and Western interests. The wartime image of the USSR as an ally that the United States had willingly aided and as a potential postwar partner in assuring peace had been superseded by a growing concern in the United States over Soviet behavior in the emerging Cold War. It is worth noting, in fact, that the initial reporting to the President by CIA's predecessor, the Central Intelligence Group (CIG), began in the middle of February 1946. One week earlier, Joseph Stalin had delivered a notable speech explaining to the Soviet populace that hard times would continue because of the international situation. One week later, George Kennan sent his "long telegram" from the US Embassy in Moscow exploring the reasons for Soviet behavior. Three weeks later, Winston Churchill delivered his famous "iron curtain" speech in Missouri. These tocsins set the stage for what would become forty-five years of analytic labor by CIA. In a world increasingly seen as threatening and at times even dangerous because of Moscow's ambitions and actions, Agency analysts sought to understand and explain Soviet behavior to a US policymaking community anxious to make the right moves to ensure US national security.

The Soviet Union was the topic of CIG's first major analytic paper, produced in the summer of 1946 by CIG's new Office of Research and Evaluation (ORE) in response to a White House request.¹ ORE 1, *Soviet Foreign and Military Policy*, placed its sober but non-alarmist main analytic judgment about the top question of the day—Soviet military intentions—in its first four sentences: The USSR is determined to increase its power relative to its adversaries and

anticipates an inevitable conflict with them, but it is also intent on avoiding a conflict for some time to come and on avoiding provoking strong reactions from its adversaries. It struck a tone of circumspection by asserting that world domination “may be” an ultimate Soviet objective but should be viewed as a “remote and largely theoretical” aim.² (This caution about ultimate Soviet objectives was dropped from future analyses as a number of unwelcome Soviet actions were seen by analysts and policymakers alike as threatening to the West and as evidence that ambitious goals—animated by both ideology and *realpolitik*—guided Soviet foreign policy.)

Six months later, in January 1947, ORE produced ORE 1/1, titled *Revised Soviet Tactics in International Affairs*, advising its readers that the USSR had adopted “more subtle tactics” in pursuing its unchanged aims, citing actions such as Soviet concessions on the Trieste issue. The paper credited the change to Western firmness and also to domestic factors, which received more attention in this paper than in ORE 1. The internal economic situation and morale in both civilian and military sectors were cited as conditions inducing Soviet leaders to seek a “temporary breathing space for the purpose of economic and ideological rehabilitation at home and the consolidation of positions abroad.” The paper even ventured that, while basic aims remained as described in ORE 1, they would now be sought “by methods more subtle than those of recent months,” particularly by a range of political warfare methods, including economic and ideological penetration. It continued to stress that the USSR wanted to avoid attempting military conquests while building up its military strength.

The first major political analysis of the new CIA, produced on 26 September 1947, was CIA 1, *Review of the World Situation as It Relates to the Security of the United States*. It continued the basic line of thinking laid out in ORE 1 and 1/1 that the USSR wanted to avoid war while building its strength.³ Yet it took a broader stance, asserting on the one hand that the USSR was capable of overrunning Western Europe and some other adjacent areas (while pointing out some reasons why this option would probably not be chosen by Moscow), and on the other hand that the chief threat to US security was the economic collapse of Western Europe and the opportunities that such a development would open up for expanded Soviet influence.

It should be pointed out that CIA’s earliest analysis hardly led Washington thinking on Soviet affairs. The papers cited above were compatible with the analytic direction laid out in the “long telegram” and other contemporary expressions of concern about Soviet behavior and with already set lines of US policy such as the Marshall Plan. At the same time, it is probably also fair to say that CIA addressed issues of real concern to senior policymakers and buttressed their thinking by pointing out limits as well as potentialities affecting Soviet behavior. George Kennan, in reflecting back on the earliest efforts of CIA’s analysts, commended the items he reviewed from the 1946 to 1948 period, “particularly the realism and restraints shown in the judgments of Soviet military intentions and capabilities.”⁴ He then observed a “deterioration” on this point, in his view, beginning in late 1948, when an overrating of aggressive Soviet military commitments, divorced from political restraints and economic weaknesses operating upon Stalin and other Soviet leaders, occurred. Indeed, other analysts have observed that CIA predictions of when the Soviets would acquire the atomic bomb and whether South Korea would be invaded were more “accurate” from 1946 to 1948 and got worse closer to the actual times of the events. (No wonder many CIA analysts are ready to join a few scholars who argue that predictions of specific events should not be considered a key measure of the quality of intelligence analysis.)

One paper produced by CIA in July 1948 shows an effort to help policymakers think about a situation by going beyond the general atmosphere of concern about Soviet military intentions

caused by events such as the coup in Prague, General Lucius Clay's "war scare" telegram, and the onset of the blockade of Berlin. The paper, ORE 58-48, was titled *The Strategic Value to the USSR of the Conquest of Western Europe and the Near East (to Cairo) Prior to 1950*. Its avowed purpose was to determine whether such a conquest would in fact place the USSR in a stronger strategic position.

The paper failed to achieve its aim. It could not get beyond the problem of what assumptions to make (e.g., if Soviet actions caused a war, would it escalate or end in a negotiated peace?), and it presented as its main conclusion that the Soviets would be unlikely to attempt such a conquest, thereby earning a justified US Air Force dissent claiming that, by estimating intent, the paper had gone beyond its announced purpose. It thus became just another estimate rather than a "think piece" that might have provoked additional research, analytic effort, or policy thinking. The paper could be regarded, however, as a bellwether of future CIA efforts to provide "what if" analyses to enrich and broaden the contributions intelligence can make to policy planning.

Internal Soviet Politics

CIA analysts believed that politics inside the USSR was an important subject for study, but they enjoyed no special information advantage in the 1940s. ORE 9, *The Succession of Power in the USSR*, 13 January 1948, speculated that a single person, probably senior Politburo member Vyacheslav Molotov, would be more likely to succeed Stalin than a collective. It concluded that uppermost in the successor's mind would be maintaining regime stability and that therefore the immediate effects of a transition would be insignificant. The paper mentioned Stalin's absence from some recent public events and ventured that perhaps a deliberate effort was being made to condition the Soviet populace for Stalin's retirement. Surprisingly, it then swung to the other end of the spectrum and speculated that if the USSR were confronted with enough domestic and foreign adversities at a time of transition, "the absence of Stalin's prestige and personality might give rise to manifestations of personal rivalry among Politburo members, which could result in the rapid disintegration of the Soviet regime." It was as though CIA's analysts accepted uncritically Stalin's own notion that his colleagues would not be up to the job of ruling once he was gone, and at the same time rejected any possibility of a leadership model for the Soviet Union other than a one-for-one replacement for Stalin. Analysts actually did consider a triumvirate of Molotov, Andrei Zhdanov, and Lavrenti Beria but seemed to lean to the idea that Stalin would be able to foreordain the passage of power to a single person rather than to a committee. CIA noted that it had no unique evidence on which to base its analysis but was attempting to "analyze the thought processes" of Soviet leaders.

Stalin's Foreign Policy

The question of Soviet military intentions continued to be addressed in CIA's analytic work into the 1950s. Three key events heightened the sense of urgency even after the Berlin blockade ended: the initial Soviet test of an atom bomb, the communist victory in China, and the North Korean invasion of South Korea. The first of these occasioned a paper that sought to explore the event's implications for US policy with special reference to Soviet willingness to use force. ⁵

The paper ran through previously presented reasons why the Soviets were unlikely to initiate use of military force to achieve their goals and stated that the reasons remained valid. It foresaw a greater willingness for an atom-bomb-armed USSR to run risks and to use threats and intimidation, however, and concluded that Soviet achievement of a decisive advantage in atomic power—an ability to cripple the United States and limit damage to the USSR—could lead to possible attack.

The paper probably is most noteworthy for its inability to reach consensus. In the foreword, it was noted that the paper had been in the works for six months and still should be regarded as an “interim” product because of continuing disagreement on the issues. Indeed, there were four dissents published along with the main text—one of which said the paper was “dangerous”—and it seemed clear that only CIA wanted it published at all. The main point of disagreement seemed to be that the State Department and the military services believed there was more danger for the United States in the implications than CIA would abide.

This paper was published around the time of the adoption of NSC 68, the national security directive officially spelling out the US foreign policy of containing Soviet expansionism. Two months later, just weeks before the North Korean attack on South Korea, a second attempt to describe the impact of Soviet atomic capability was disseminated.⁶ This time a “joint ad hoc committee” of intelligence representatives was given a narrower scope to examine, and agreed—with only a mild dissent from the Navy—that the maximum threat was a single surprise attack on US forces that could limit US offensive capacity “possibly to a critical degree.” They added that it was also possible the USSR could do more to weaken the US position in the world “without resorting to direct military action.”

Two observations can be made in retrospect about this pair of papers. First, it almost seems the subject—surprise attack and US vulnerability—was seen to be of such critical importance that intelligence was frozen into inaction, unable to agree on a set of useful observations to assist policymakers. Second, it can be taken as perhaps a low point of the troubles of CIA’s estimate-making during the late 1940s. These had already been pointed out in the previous year’s “Dulles Report,” and they were regarded as solved only with the advent of Walter Bedell Smith as Director of Central Intelligence (DCI) in October 1950 and the creation the next month of the Board and Office of National Estimates, first under William Langer and soon thereafter under Sherman Kent. Smith abolished ORE and replaced it with an Office of Research and Reports, which built up capabilities for economic and other nonpolitical analysis, and an Office of Current Intelligence, which housed mainly political or country analysts and was the principal locus of political analysts in CIA until the 1970s. In 1950, it should be recalled, “political intelligence” was seen as the proper province of the Department of State, whereas producing “current intelligence” in the form of a daily summary had specifically been assigned to CIA by the President, and disseminating “national intelligence” was increasingly acknowledged as an appropriate role for CIA.

Soviet foreign policy toward various areas of the world was described in the papers from this period generally in terms of Soviet willingness to seek to expand the USSR’s presence and influence and to undercut the US position.⁷ Predictions of specific major Soviet moves, such as the coup in Prague early in 1948, are lacking in CIA’s analysis, although of course such events fit with CIA’s general characterization of Soviet aims and tactics. Europe was the main theater of concern, and by 1950 CIA was contemplating the possible eventual incorporation of the Eastern European satellite countries into the USSR. The Soviet decisions to forgo Marshall Plan aid and to “sovietize” regimes in Eastern Europe were taken as evidence of Stalin’s

preoccupation with political control of the region above all other considerations.⁸ The exception, of course, was Tito's Yugoslavia. CIA noted that while the Soviets might harbor hopes of someday recapturing that country in their orbit, their minimal and more practical aim was to prevent Tito's stabilization of power. CIA's analysts also believed that as long as Tito stood as an exemplary alternative to Soviet domination, Moscow's claim to ideological supremacy could be challenged.⁹

The other main area of concern was the Far East. An early paper on Soviet views of the civil war in China showed considerable thought about the relationship between the communists in Moscow and those in China. Whereas ORE 1 in July 1946 had referred to the Chinese Communist Party (CCP) as an "unusually effective instrument of Soviet foreign policy," ORE 45, *Implementation of Soviet Objectives in China*, published in September 1947, offered more cautionary observations. It noted that the Soviets could count on Chinese communist cooperation "so long as the CCP itself is engaged in a struggle for power" and that a China dominated by communists would serve long-range Soviet interests "assuming that [the CCP] remained closely allied to the USSR." In fact, the analysis went on to state more directly that the USSR might prefer "a continuation of instability and regionalism in China...to the final achievement of central power by the CCP," and that Moscow might find that Chinese communists in power would display the same degree of nationalism and xenophobia as the Chinese Nationalists, "bearing little resemblance to the puppet governments found in the European communist satellites." Beyond China itself, the Far East was depicted in CIA analyses as an area of geostrategic importance to the Soviets that needed to be denied to them in order to protect the island chain that included the Philippines and Japan and to prevent them from seizing control of resources that could be decisive in an ultimate world conflict.¹⁰

Analysts of foreign intelligence are supposed to avoid attempting to do "net assessments" involving US as well as foreign data. As CIA sought to understand Soviet behavior and the opportunities that might tempt Moscow to take offensive actions, however, it could not avoid on occasion noting Western capabilities or actions as important factors in Soviet thinking. For example, an April 1948 assessment of whether the Soviets would attack that year, done a month after General Clay's telegram, concluded that they probably would not. It did not exclude the possibility, however, that they might do so, "particularly if the Kremlin should interpret some US move, or series of moves, as indicating an intention to attack the USSR or its satellites."¹¹

Korean War

With the outbreak of the Korean War, CIA offered within days of the invasion an opinion that the Soviets were not seeking a global conflict although they might exploit other areas of the world. Even if South Korea was "picked off," CIA estimated the USSR would be content to remain quiescent in such areas as Iran, Yugoslavia, Turkey, and Germany so long as US policy did nothing to require Soviet reactions. A second conflict, or "another Korea," could occur, but only if local conditions mirrored those in the real Korea. CIA also offered the view that the Soviets might use Chinese troops in Korea if hostilities were prolonged, but probably not Soviet forces.¹² Two months later, CIA saw signs of Soviet preparations for major hostilities (e.g. aircraft production, airfield construction, processing of petroleum) and warned of the risk of general war, but noted that it possessed no evidence of Soviet plans for initiating additional conflicts. It estimated the Soviets could deliver 25 atomic bombs on the United States, but not

“large-scale” bombardment. ¹³

The arrival of a new DCI and a new estimates process and the intervention of the Chinese in the Korean conflict late in 1950 brought a new sense of urgency to CIA’s analysis of possible Soviet actions, and a flurry of estimates were prepared for Washington policymakers. In November (just after William Langer’s arrival to chair the Board of National Estimates), a Joint Intelligence Committee paper from the Pentagon was adapted to produce an estimate that said the Soviets would be relentlessly aggressive because of their immutable and dynamic objective of world domination and because they could not satisfy their offensive goals without war. “In the belief that their object cannot be fully attained without a general war with the Western powers, the Soviet rulers may deliberately provoke such a war at a time when, in their opinion, the relative strength of the USSR is at its maximum.” This time was judged to be between 1950 and 1954, with the maximum danger in 1952. The war in Korea was seen as a significant step forward in fulfilling the Kremlin’s overall strategy. ¹⁴

In December 1950, several more papers continued the new vigor. NIE-11, *Soviet Intentions in the Current Situation*, speculated that the Kremlin might now want general war. Soviet leaders were judged to have opted for aggressive attacks on US positions, additional direct or indirect aggression was deemed likely, and Moscow surely saw a Sino-American war as good for their interests. No sense of tentative calculation or concern over miscalculation was attributed to Stalin and his colleagues. NIE-15, *Probable Soviet Moves to Exploit the Present Situation*, concluded that Soviet leaders thought the USSR’s international position was one of great strength. It repeated the judgment that Moscow may now have decided on general war, warned of various violent options it might exercise in Berlin or even West Germany, and guessed that the Soviets would not be satisfied in Korea short of ousting UN forces completely.

By 1952, with the Korean war locked in stalemate and no dramatic Soviet reactions to Western plans to strengthen NATO militarily, CIA’s judgment about Soviet aims had shifted to a less dire viewpoint. The analysts now saw the balance of power moving against the USSR, not enough to make Soviet leaders desperate but enough to lessen the likelihood of Soviet military action. NIE-48, *The Likelihood of the Deliberate Initiation of Full-Scale War by the USSR Against the US and Its Western Allies Prior to the End of 1952*, published in January 1952, estimated that the Soviets, concerned about risks to their own system and country and mindful of US power, would not undertake a frontal military attack. Rather, they would seek advantages in former colonial areas such as the Middle East and Southeast Asia. The next month saw another estimate published, NIE-53, *Probable Soviet Courses of Action Regarding Germany during 1952*, which indicated that the Kremlin would seek to weaken the Western position in Berlin but would not resort to another blockade or to military attack. It judged that Moscow was more interested in retaining control of East Germany than in accepting a united, independent, and disarmed Germany, and would be careful not to provoke rearmament of West Germany.

NIE-58, *Relations Between the CPR and the USSR: Present and Future*, published in September 1952, foresaw that while mutual interest would prevail over the next two years, Soviet efforts to extend control over China would weaken the Sino-Soviet alliance. It cited conflicts in border areas and separate Chinese efforts to assist communist parties in Asia, as well as Mao Tse-tung’s special role as leader of a party that had seized power independently and had a seemingly stable leadership, as factors that would tug at the ties binding the two powers. In all three of these papers from 1952, CIA continued to wrestle with how best to understand and depict what it saw as the most important aims of Stalin’s USSR. How did its ultimate objectives relate to its proximate intentions? What factors did Soviet leaders most take into account? Illuminating these issues, CIA analysts believed, would be the best contribution they could

make to US policymaking.

In December 1952, no doubt to assist the new Eisenhower administration as it organized its transition to power, NIE-64, *Probable Soviet Bloc Courses of Action Through Mid-1953*, repeated many of the basic points covered in the estimates put out earlier in the year. It stressed Soviet political warfare and declared that Moscow would support rebellions in Indonesia and Malaya. A broader memorandum prepared in November titled *Estimate of Soviet Intentions over the Forthcoming Decade* emphasized the ideological component of Soviet thinking. It predicted that Cold War hostility would persist throughout the 1950s, that coexistence and relaxation of tensions were temporary and tactical, and that the Kremlin would continue to pursue its objective of a communist world dominated by Moscow. Eastern Europe would remain firmly in Soviet control, and the Chinese communists could continue to work “in close accord” with the USSR. The world political chess match was in stalemate. But as this condition continued, CIA argued, both sides would work to correct their deficiencies. Thus, the Soviet stockpile of nuclear weapons would grow, as would its capacity for delivering them and for defending against US capabilities. The possibilities of a Sino-Soviet split (which, if it occurred, would “profoundly alter the world power situation”) and of war (which, if it occurred, would come through error, misinterpretation, or unexpected power shifts, not deliberate planning) were acknowledged, but both were seen as unlikely.

Post-Stalin Period

The lack of any significant inside knowledge of Kremlin politics did not absolve CIA’s analysts of the task of explaining the implications of Stalin’s death. Within days of the event they had produced SE-39, *Probable Consequences of the Death of Stalin and of the Elevation of Malenkov to Leadership in the USSR*. This “special estimate” foresaw no immediate challenge to Georgi Malenkov since he had been at senior levels for years and the transition had seemed smooth, but it warned that “A struggle for power could develop within the Soviet hierarchy at any time.” It also declared that “The USSR is politically more vulnerable today than before Stalin’s death.” It followed that not self-evidently clear statement by declaring that difficult policy decisions and rivalry for personal power could lead to reduced Soviet strength and reduced cohesion in the international communist movement. Perhaps its best prediction was about Sino-Soviet affairs. It declared that Mao’s stature and influence in Asia would inevitably increase and that Soviet failure to deal “cautiously” with him would “almost certainly” lead to serious bilateral strains.

As for the impact of Stalin’s death on foreign policy, the report predicted continuity—that is, unremitting hostility—but expressed concern about the ability of Stalin’s successors to manage the Cold War peacefully. Stalin, it averred, “while ruthless and determined to spread Soviet power, did not allow his ambitions to lead him into reckless courses of action in his foreign policy.” It warned that “it would be unsafe to assume that the new Soviet regime will have Stalin’s skill in avoiding general war.” The new leaders might have more difficulty abandoning positions and might react more strongly to Western moves, the estimate continued, as well as be less sure in handling new developments, including new Western proposals.

The unease CIA analysts must have felt in trying to fathom the loss of Stalin’s sure hand on the helm of the Soviet state proved well founded. One month later, they were back at the drawing board. In an 8 April 1953 memorandum prepared for a National Security Council (NSC) meeting,

they confessed up front that “recent Soviet moves belie many of [CIA’s earlier] predictions” of cautious policy continuity. The unexpected moves abounded: a repudiation of the alleged doctors’ plot to kill Soviet leaders, the scrapping of Stalin worship, an amnesty, and no fewer than nine steps marking a “peace offensive” on the international front (e.g., relaxing Berlin traffic controls and accepting a UN proposal for exchanging sick and wounded in Korea). Motives for the new stance were depicted as lessening the danger of war and gaining a breathing space for the new leaders, stopping US rearmament and the European Defense Community initiatives, and encouraging the eventual neutralization of Germany and Japan and removal of US troops from Europe and Asia. The analysts found the internal changes more difficult to understand. They speculated that the succession problem was not solved after all and that “an abrupt change in Soviet tactics, comparable only to that in 1939, may be impending.” Thus emerged the first instance of a troublesome problem that would bedevil CIA’s analysts throughout the Cold War years: “soft-line” Soviet flexibility was in some ways tougher for them (and their policy customers) to deal with than “hard-line” Soviet hostility.

In reaction to the surprising political events in Moscow, CIA’s Office of Current Intelligence formed a small group of political analysts who were separated from current intelligence reporting duties and assigned to do in-depth studies of various episodes of the late Stalin and early post-Stalin period. The initial spur to this action was actually the doctors’ plot unveiled in the fall of 1952, but Stalin’s death caused the reports done by this group to be called the “CAESAR” series.¹⁵ Eight lengthy reports were issued in summer 1953, and two others followed the next year. They covered political developments from the Zhdanov-Malenkov relationship in the postwar period to the purge of Beria, including the doctors’ plot and its reversal, Stalin’s death, and party-military relations through 1953. They drew on a variety of intelligence reporting, including reports of CIA’s operations directorate (then called Directorate of Plans) and communications intelligence (which was made available to only a limited number of CIA analysts at the time because codewords limited dissemination). They are essentially “Kremlinological” assessments, however, relying heavily on Soviet official announcements and media output and thoughtful interpretation.

The studies were quite detailed, retrospective, not formally coordinated, and devoid of any attempt to spell out implications of their conclusions for US policy. They stand as testament to the importance CIA was willing—early in its existence—to place on devoting analytic resources to understanding the “main threat” that faced the United States and to the belief of at least some in CIA that intensive study of Soviet politics and policies needed to be protected from the time-consuming tasks of current intelligence and policy support activities. These studies were in effect building blocks that assisted general understanding of Soviet affairs, not attempts to deliver “bottom line” messages of immediate utility to CIA’s customers in the policy community.

One of the first of these studies, published in July 1953, stated that “it is the author’s contention that Stalin was unable to contemplate anyone succeeding him.” This is not a surprising conclusion, but it is precisely opposite the reasoning that had guided the estimates done in 1952 and at the time of Stalin’s death, which had imagined that Stalin had carefully positioned an individual to succeed him smoothly (and even that he had a will prepared and might retire). So these studies testify to another CIA practice of the day: a willingness to permit the publication and dissemination of uncoordinated views by individual analysts that did not accord with the company line as expressed in authoritative National Intelligence Estimates.

Twentieth Party Congress

This impulse to develop deep analytic expertise and devote it to study of the communist threat led, around 1956, to the formation of a Senior Research Staff (SRS) on International Communism subordinated directly to CIA's Deputy Director for Intelligence (head of all CIA analysis but not in charge of the production of NIEs). This staff did in-depth studies of Soviet and Chinese political affairs and a wide range of international communist matters. Probably the Staff's best contribution was its exhaustive ongoing treatment of the course of Sino-Soviet relations, which was pathbreaking in nature and a model of exemplary research and analysis (and, it should be remembered, on a topic about which there were passionately held differing views in Washington). According to a CIA Inspector General (IG) report on the SRS done two years after it was created, the Staff originated in part because of counterintelligence concerns about international communism and was to assist in operational work countering communism. It developed, however, as an entity devoted to academic-style inquiry with an emphasis on the role of ideology in animating communist thinking and policy.

Like the CAESAR work, SRS products were detailed, usually retrospective, scholarly, largely self-generated, and not of immediate utility to policymakers. They often lacked even an introductory abstract or summary, and they were frequently denoted as "speculative" in nature. One complaint stated in the IG report was that the Staff's work was sometimes at odds with other CIA products (an example cited referred to differences between SRS and James Angleton's Counterintelligence Staff, which of course was not a Directorate of Intelligence analytic unit producing finished intelligence for outside consumers). Another was that the Staff's product was not going to policy-level officials. The report's conclusion that the Staff should be removed from CIA and that kind of work be performed at a research foundation or university was, in a sense, apt. Research was exactly the kind of work it did, and some of its members went into university teaching and research positions after leaving the US government. This recommendation was not acted upon, however, and CIA kept the staff intact until 1973. It continued, until its demise, to do pathbreaking work and to live up to the reputation for analysis of "good intellectual quality" cited in the IG report.¹⁶

The first paper published by SRS was an examination of the momentous twentieth congress of the Communist Party of the Soviet Union (CPSU). CIA/SRS-1, *The 20th CPSU Congress in Retrospect: Its Principal Issues and Possible Effects on International Communism*, was published in June 1956 (just after the *New York Times* published Khrushchev's "secret speech" at the meeting denouncing Stalin and before the impact of that publicity was felt). It clung solidly to the idea that the basic Soviet goal of world domination had not been altered and went to some length to argue that "mellowing" tactics in foreign policy and less dictatorial regime practices did not bode well for US interests. Although the Soviet system now had the party rather than an individual in charge, it was still a dictatorship. "Revolution," the paper argued, "can become more gradual and respectable."

At the same time, the paper noted that a purposeful domestic tension, the demands placed on both the populace and the economy for an unending struggle, and the concept of an inevitable death struggle between two camps had served useful purposes for the regime. Because the new party platform called for relaxing these tensions, the paper reasoned, "The question naturally arises whether the leaders of the CPSU and other parties can dispense with permanent tension without at the same time undermining their monolithic dictatorship." And since these leaders are surely not unaware of this risk and "would reject a 'mellowing' process," SRS concluded, "their reasons must have been weighty indeed, and their confidence great."

This theme of questioning whether Soviet leaders could pull off the kind of “inducements-instead-of-force” policy shift they seemed to be attempting was raised frequently by DCI Allen Dulles in forums such as lectures at the National War College. Also stressed was the theme that greater subtlety in Soviet foreign policies probably posed more danger for the West than Stalin’s confrontational but non-reckless approach.

The Soviet doctrinal shift on the non-inevitability of war was clearly attributable, this CIA analysis believed, to the recognition by the Soviet leaders of the significance of nuclear weapons. Stalin, the paper asserted, had not understood this in the immediate postwar period before the USSR had successfully tested atomic bombs, and the new leaders “surely must realize that the atom knows no ideological preferences.” The shift to allowing peaceful and varying roads to power for communists in other countries was seen by SRS as indicating that Moscow would allow “considerably more leeway to the satellite parties,” and would seek advances in other regions via its new strategy, which the paper judged to be “realistic and ingenious.”

Khrushchev Era

The issue of change in the USSR was much on the minds of CIA analysts in the 1950s. A January 1957 Office of National Estimates memorandum titled *Forces of Ferment in the USSR* outlined two phenomena that the author felt were insufficiently appreciated in the formal estimates: the role of the intelligentsia and Great Russian chauvinism. Dostoyevsky, the memo asserted, “wrote a better ‘estimate’ of the future of Russian society” than any statesman of his day. There was evidence of discontent in the USSR at this time, and the writer ventured that “one of the first key prerequisites for a revolutionary situation” was coming into being and that “a disaffected intelligentsia living within an absolutist state has been, historically, almost impossible to conciliate with piecemeal reforms.” SRS wrote a lengthy (130 pages) study on the eve of the 1957 Moscow youth festival about both internal and international aspects of the event.¹⁷ The staff’s analysts clearly saw the new inquisitiveness and openness as potentially of critical importance for the USSR and cited their own director, Allen Dulles, as having said in a December 1956 speech at Princeton University that “The leaven of education has begun its work; the men in the Kremlin have a hard task ahead to hold this process in check.”

By the late 1950s, CIA had passed through the “shake-down” period of its first ten years, and its political analysts were both regularly contributing to the formal estimates that supported the well-oiled NSC process and grappling with the exciting changes of the post-Stalin “thaw.” Some of their best work on Khrushchev-era politics and the emerging Sino-Soviet split lay just ahead. We might pause at this juncture and look at a 1958 retrospective assessment of how well the Office of National Estimates (ONE) had done in covering the Soviet Union in its first seven years.

The author of the assessment, Abbott Smith, a senior ONE officer who later headed the office, noted dryly how NIEs had grown in size during the period. He was struck by the development of the economic section, which he felt “reflected the maturing capabilities of ORR (the Office of Research and Reports).” “Political sections, both on domestic and foreign affairs,” he noted, “have grown luxuriantly.” Inclusion of these now lengthy “learned disquisitions,” he perceptively observed, had the effect of reducing the proportion of the estimate language that referred to the threat posed by the USSR. As for political forecasting, however, he felt that NIEs “wholly

failed to foresee” events connected with post-Stalin policy changes such as the June 1953 Berlin riots, the Austrian peace treaty, the Soviet arms deal with Egypt in 1955, and the convulsions in Eastern Europe in 1956.

The grand charge was that “our most important wrong estimates, all of which were in the political field, arose out of resistance to the idea that change and development would occur in the Soviet bloc.” ONE had failed to recognize that Stalin’s death was a critical event that ended an era, he contended, and the complications of running the Eastern Europe empire had been underappreciated. Perhaps it was a lack of imagination, he thought. (The basic US policy of containment was predicated on inducing change inside the Soviet system by denying it external successes, however, and one might therefore think that change would be the *most* logical target of estimative work.) He identified analytic mindset (without using the term) as a key problem: “We had constructed for ourselves a picture of the USSR, and whatever happened had to be made to fit into that picture. Intelligence estimators can hardly commit a more abominable sin.”

At the same time, he balanced his critique by noting that many of the main points of political analysis of the USSR had turned out to be valid: emphasis on the continuing strength of party rule, the importance of heavy industry and the military, and the emergence of problems with communist China. If the main fault was not foreseeing change, perhaps the cautious emphasis on continuity for a regime retaining its basic shape and aims was not so bad. “It is better for us to err on the side of conservatism and immobility,” he concluded, than to bend in every breeze. (This viewpoint is a surprising conclusion for a professional intelligence officer, who should avoid slant of any kind. It was widely held throughout the Cold War, however, by analysts and policymakers alike.)¹⁸

Certainly this assessment was right in complimenting CIA’s coverage of Sino-Soviet affairs. In 1954, one estimate described China as more an ally than a satellite, and another mentioned the potential for worse conflict between the states while stating that cohesion was at that time far more dominant.¹⁹ The threat posed by both nations as they sought to advance their influence in the Third World was followed diligently in the 1950s. By 1958, estimates described the bilateral relationship as “more nearly one of equality.”²⁰ Apart from estimates, SRS was producing a series of papers that focused on the details of Sino-Soviet differences (they were called the ESAU series of studies since they dealt with a troubled “fraternal” relationship). These and other studies tracked carefully the various meetings, communications, and actions between the two countries and their impact on other key areas such as Soviet policy toward Eastern Europe or the West.

Study of Sino-Soviet relations was a major subfield of CIA analytic inquiry. Differing points of view were expressed in a number of uncoordinated papers. Some stressed the areas of unity and cooperation, others put more emphasis on the growing signs pointing toward possible rupture. Ideology was of course a constant field of battle, and much of the SRS analysis involved interpretations of ideological disputes and their practical meaning. Estimates tended to stress geopolitical factors. Sherman Kent, in a 1961 memorandum to a new DCI (John McCone), described the Sino-Soviet dispute as one of national interest and offered the opinion that a full break was coming.²¹ The subject took up more than a third of the memorandum, which was about the full range of Soviet intentions, and Kent forecast that a rupture might cause harsher Soviet policies in Eastern Europe, but perhaps a willingness to ease tensions with the West.

On Eastern Europe, an estimate in early 1956 predicted no active resistance to firm communist control in the area although nationalism and dissidence would be factors with which regimes would have to deal.²² A special NIE done during the Hungarian revolt foresaw that the Hungarian leadership could not bridge the gap between nationalist aspirations awakened there and Soviet security requirements.²³ The NIE calculated that events in Hungary and in Poland had clearly weakened the Soviet position in the region, rendering the communist military alliance less reliable. A month later, estimators tried to think through what kind of control the Soviets could devise and offered the view that the looser model provided by the Polish case might be applied elsewhere.²⁴ After another year had passed and Khrushchev had consolidated his power, CIA reversed course and saw Moscow going slow in bloc relations and trying to avoid the Polish example.²⁵ By 1958 Soviet policies in Eastern Europe were seen to have worked in terms of reestablishing control, and no political innovations, let alone revolts, were foreseen, although internal ferment (and potential for influence from the West) was expected to continue.

As Khrushchev shifted to more confrontational tactics after the initial Soviet ICBM tests and Sputnik's precedent-setting satellite launch, NIEs dutifully registered the change. NIE 11-4-58, *Main Trends in Soviet Capabilities and Policies 1958-1963* (23 December 1958) described the "new tendencies" in Soviet policy, including pressures on Berlin.²⁶ Militancy and external assertiveness seemed based, the NIE stated, on a new confidence felt in Moscow owing to a more favorable balance of international power. "We think that the substance, as distinguished from the style, of Soviet policy is likely to be little affected by Khrushchev's idiosyncrasies," the estimate intoned. Yet Khrushchev the person could not help but loom large in the analysts' thinking, and the energy evident in Soviet actions was at another point in the same paper explicitly linked to the now clearly number one Soviet leader.

Early 1960s

How to relate judgments about Khrushchev's position or about general, internal conditions to policy was difficult for CIA's analysts. They assessed Khrushchev's political success as being dependent on the success of policies he supported, a marked change from the kind of power Stalin had held. Political controversy within the Communist Party and the top leadership was clearly recognized. In substantiating the argument that Khrushchev was under some political restraints, the Sherman Kent memo of late 1961 cited earlier and an early 1962 estimate (NIE 11-5-62, *Political Developments in the USSR and the Communist World*, 21 February 1962) pointed out that old-line Communist Party leaders were hardly the kind of people likely to be capable of or enthused about carrying out some of the reforms pushed by Khrushchev. Remaking the party in his image, Kent asserted, will "be a long and difficult process," and will even then perhaps be inadequate to the task of maintaining party supremacy in a society that has been told of Stalin's excesses. Analysts also carefully examined such factors as the role of the military in Soviet politics.²⁷ But as Allen Dulles noted in a lecture to the National War College in 1960, even a general judgment that dictatorships either degenerate or mellow over time or that Soviet society suffers certain liabilities does not mean analysts can assure policymakers about a leadership that seems to be striving mightily in international affairs and building or maintaining a lead in some measures of military power.

A Special National Intelligence Estimate (SNIE), done in summer 1960 just as US reconnaissance satellites began operations, was unsure whether Moscow would press publicly against such capabilities or remain silent while building countermeasures.²⁸ It predicted that the Soviets would try to block them from acquiring some data and be ready to destroy them with anti-satellite capabilities as soon as possible. There was no discussion of Soviet use of such satellites themselves. That they spelled the end of the period of Khrushchev's exaggerated boasting about Soviet missiles was not yet evident.

On Sino-Soviet relations, a 1960 estimate noted growing Chinese power and predicted China would increase its weight in Communist Bloc affairs over the next five years.²⁹ In general, it judged that the cohesive forces between the two powers outweighed the divisive ones but noted that a break between them could still come. It noted Soviet help to China on nuclear weapons and predicted a Chinese nuclear bomb by 1964 if Soviet assistance continued. CIA wrestled with the impact Sino-Soviet differences had in various respects: on internal affairs within the Soviet and Chinese communist parties, on Eastern Europe, and on Soviet foreign policy generally. On the latter point, the line generally adopted was that it did increase militant tendencies in Soviet policy, for example, regarding the national liberation struggle in the Third World, but would not necessarily lead Moscow to take risky actions. (The Berlin actions involved threats but arguably in a way that controlled risks; the Cuban missile deployment, famously not foreseen by CIA, clearly was much riskier).

When the wall went up suddenly in Berlin in 1961, an estimate done within two weeks of the event warned that stanching the refugee flow might not be enough and that further efforts to obtain a separate treaty for East Germany and to expel the West from Berlin might occur.³⁰ At the same time, it judged that further drastic action in Germany or elsewhere was not likely once this step had been taken. A unique follow-up paper issued less than two months later cited information recently supplied by a source, "judged at this time to be reliable," warning of Soviet military plans and a planned sudden signature of a peace treaty with East Germany (it credited the information regarding plans but cast doubt on the signature story as source speculation).³¹ Other 1961 papers cast the Berlin action as part of a general policy of intimidation that would be felt in areas such as Iran (e.g., SNIE 11-12-61, *The Soviet Threat to Iran and CENTO*, 5 October 1961).

NIE 11-9-62, *Trends in Soviet Foreign Policy*, 2 May 1962, judged that Soviet leaders still believed the Soviet system would prevail but did not want to run risks in pursuing their international aims. It was published about the time Khrushchev was secretly hatching his Cuban missile gambit, and may have reflected the new confidence felt in Washington with the collapse of the "missile gap" fears in 1961. It took a long view, looking back to the initial post-Stalin opening up of Soviet foreign policy in the mid-1950s and to Khrushchev's post-Sputnik rhetorical aggressiveness and imagining how Soviet leaders assessed their gains as against their earlier hopes. It concluded that the "mood of exuberant confidence" in Moscow had "sobered somewhat," leaving an "expectation of slower advance" internationally despite apparent favorable gains in Cuba, Laos, and elsewhere. Notably, it pointed to the importance of the United States to Khrushchev as a measure of Soviet advance. It depicted Soviet leaders as wanting to have an equal voice with Washington's in world affairs and acknowledgment by the United States that this was warranted. It also declared that peace and economic gains were now more important to Soviet leaders and that therefore relations with the West might become less ideologically intense and possibly even more valued than ties to their communist colleagues in China. Domestic economic goals drove them to want to reduce the burden of military spending, the estimate judged, but military strength remained the foundation for their

policy.

In the wake of the Cuban missile crisis, a CIA memorandum of March 1963 titled *Soviet Policies: The Next Phase* drew the logical conclusion from the outcome of the event that Soviet leaders would now want to build military strength (although this reasoning did not carry over to estimates of future Soviet strategic military power, which in the next few years understated the Soviet intercontinental ballistic missile buildup).³² The memorandum quoted Khrushchev's frank public acknowledgment that this policy "diminishes, and cannot but diminish" the prospects for Soviet consumers and went on to speculate that there now existed "an internal stress for sacrifice [that] will militate against any resumption of détente." "A further decline in confidence and expectations" was foreseen for foreign affairs generally, and a possible nuclear test ban was seen as unlikely.

By 1964, on the eve of Khrushchev's ouster, the Soviet acceptance of the limited nuclear test ban and hot line agreement led CIA's analysts to conclude that Moscow's post-Cuba period of indecision was over. NIE 11-9-64, *Soviet Foreign Policy*, 19 February 1964, envisioned continued Soviet emphasis on the Third World but avoidance of confrontation there as well as in Germany. NIE 11-4-64, *Soviet Military Policy* 22 April 1964, stated that Moscow recognized US strategic superiority and judged that both sides were deterred from nuclear weapon use. It held out hope that Soviet leaders would try to hold down military spending.³³

Brezhnev Comes to Power

Some months after Khrushchev's ouster in the fall of 1964, CIA portrayed more continuity than change in Soviet policies, asserting that the differences had been more about style than substance.³⁴ There were still pressures to ease military spending, it asserted, as agricultural and other policies seemed to anger the defense lobby. The leaders were still seen as looking for popular support in a more modern Soviet society, and their political struggle continued "to revolve around specific issues of policy." In foreign policy, the new collective leadership was seen as wanting to repair the fissures within the socialist camp and willing to accept a deterioration in Soviet relations with the United States.

By 1966, however, after the twenty-third party congress, Leonid Brezhnev was seen as leading a return to a more orthodox party role, and the military was getting a better hearing for its claims on resources. A major issue facing the renamed Politburo was increased demands for greater intellectual and other freedoms, which were being met with resistance, and so greater chances for internal political conflict in this arena were foreseen.³⁵ NIE 11-4-66, *Main Trends in Soviet Military Policy*, 16 June 1966, noted a sharp increase in military spending although it did not conclude that this meant more aggressive policies. (The US Air Force dissented on this point.)

A series of studies from ORR in 1965-67 (just before it split in mid-1967 into an Office of Economic Research [OER] and an Office of Strategic Research [OSR]) followed the important changes taking place in Soviet military policy at that time. They noted the rise in defense spending signaled at the end of 1965 and cited Brezhnev's complaint that this was "a great burden for the budget, for our national economy." They explored the rethinking of Soviet strategists of modern military requirements that had been neglected under Khrushchev and that justified more military investment. By mid-1967, these papers asserted that there had been

a “marked change in the Soviet Union’s strategic situation over the past year” and that the USSR was “approaching maturity in the nuclear missile age.”

If the internal building of military strength was going well for the Soviets, other areas of policy were not. In the Middle East, an Arab defeat in 1967 left Moscow having to take actions (e.g., rearm clients) to maintain its hard-won position in the region, but—in CIA’s view—choosing not to seek new commitments (e.g., bases) there. In the Far East, CIA charted a worsening of the Soviet relationship with China that caused Moscow to build up forces on the border and to compete with China in the Third World. In Eastern Europe, the situation in Czechoslovakia in 1968 brought Soviet leaders new evidence of unreliability on the part of the communist regimes there, new fears of the effects of the Prague Spring within the USSR itself, and a temporary setback in the budding dialogue with the United States on strategic arms (though, CIA argued, Moscow’s invasion of Czechoslovakia in August did not mean a general hardening of policy toward the West).

Brezhnev and his colleagues were portrayed in CIA analysis in the late 1960s as a colorless, cautious group devoted to committee rule among themselves over the central apparatuses of control, and to party rule over the country.³⁶ Whereas Khrushchev had spoken to the party, one memorandum observed, Brezhnev spoke *for* it. Their domestic prospects were seen as “not especially bright,” and the rebirth of neo-Stalinism and vigilance were seen as reactive policies that might or might not cope well with the internal pressures faced by the regime.

In the first months of the new administration of President Richard M. Nixon, NIE 11-69, *Basic Factors and Main Tendencies in Current Soviet Policy*, 27 February 1969, offered a treatment of politics and policymaking in Brezhnev’s USSR that was especially sensitive to limitations and predicaments faced by the Kremlin. It dwelt on internal affairs, portraying the leadership as on the defensive, operating with a “fearful mood of conservatism,” and not certain of their ability to co-opt new members to their ranks without upsetting their collective leadership arrangement. “Severe problems” at home related to dissidence and economic growth were depicted as not easy for Soviet leaders to solve, especially while at the same time they were competing with the United States globally on an economic base only half the size of their rival’s. In Eastern Europe, there was no good solution, and CIA warned that force might have to be used again. In Asia, China had moved from a fraternal ally to a full-fledged great power enemy, and the specter of Sino-US collusion loomed.

All in all, the estimate offered less a catalogue of policy options or predictions than a sense of the perspectives and atmosphere in Moscow pressing on all Kremlin policy decisions. Notably, it did not stress the Soviet military threat—although that topic was much on Washington policymakers’ minds at the time. It served as a good summary of what preoccupied the minds of the Brezhnev-led collective leadership on the eve of Soviet military clashes with the Chinese and a new stage of détente with the West.

Rise and Fall of Détente in the 1970s

After the initial round of US-Soviet strategic arms limitation talks (SALT), an estimate was prepared to support US policy choices on the important strategic dialogue opening up between Moscow and Washington.³⁷ It stated that the Soviet leaders wanted US recognition of the USSR’s equality with the United States, and might see as attainable margins of advantage even

as they recognized the basic condition of mutual deterrence and demanded at least parity in strategic arms. Whether beyond this they sought strategic superiority occasioned divided opinion, with the main text stating that it was not seen as a feasible goal, and the US Air Force claiming that it was. They “must be reluctant” to face additional arms expenditures, the estimate declared, and technology was seen as another big part of their motivation to seek agreement on some limitations to the strategic competition. Internally, the Soviet military was probably split in its opinions about the talks, the SNIE continued, and cautious decisionmaking would mark the Soviet approach to further negotiations.

Two years later, an estimate prepared on the eve of President Nixon’s trip to Moscow to sign the SALT I accords depicted a Soviet leadership more confident about its security posture and more vigorous in its foreign policy.³⁸ Regarding Soviet strategic aims, although superiority was seen as not feasible, some kinds of advantage were now seen as achievable, not just possible. Brezhnev, now the indisputable leader, had a political stake in détente, the paper argued. Détente itself was described as a useful element of Soviet foreign policy’s current “forward phase,” which involved Moscow’s making common cause with the United States in containing tensions in a world where the USSR now had a bigger role. The paper judged that the Soviet leaders felt the USSR had “made the grade” as a superpower.

The competition for influence in the world continued, the estimate contended, and international difficulties for the USSR abounded. US relations with China posed problems for Soviet diplomacy, and China itself had become a worse adversary than the United States. The Middle East remained unsettled, complex, and dangerous, but stalemate in this region would serve Soviet interests, and working toward a settlement of the Arab-Israeli dispute might even do so as well. Eastern Europe remained unsolved as détente with Western Europe still had to be squared with continued control by communist regimes in the east. In this environment, sharp competition with the United States continued, but détente was seen as helping Moscow to contain the risks of that competition.

What détente meant to Moscow was a much-debated issue in Washington as skepticism about Soviet intentions grew in the wake of the SALT and other agreements and in the midst of considerable international turmoil. New developments in Soviet strategic military programs fueled the fire. CIA produced a series of papers exploring Soviet aims throughout the 1970s. SNIE 11-4-73 asked a key question in its title: *Soviet Strategic Arms Programs and Détente: What Are They Up To?* (10 September 1973). It saw an edge to Soviet actions, testing the West on occasion, but did not portray Moscow as inviting new risks. The Soviets were after both equality and advantage, the paper declared. They were both prudent and opportunistic. They saw no contradiction between détente and vigorous arms programs. The latter underwrote their entire foreign policy, of which the former was an integral part.

The next year, a national intelligence analytic memorandum (NIAM 11-9-74, *Soviet Détente Policy*, 22 May 1974) repeated much of the same point of view regarding the utility to Moscow of détente with the West in setting limits on the big power rivalry while allowing Moscow to continue to build its military strength and maximize its security, power, and influence. It concluded that the policy was not a transitory one for Soviet leaders, and that a lower probability of aggressive Soviet actions in the Third World was implied. The Air Force dissented from the 1973 estimate, contending that Moscow was after strategic superiority and that détente was a tactic. And both the Air Force and the Navy dissented from the 1974 paper, arguing that more aggressive Soviet foreign policies were to be expected in the Third World.

The thrust of CIA’s analysis of Soviet foreign policy shifted to a more dour outlook in the mid-

1970s. Moscow's words and actions, including vigorous Soviet strategic military programs, played a role, as did the "Team B" exercise in Washington in 1976. This experiment in competitive analysis, in which an outside group challenged CIA's previous views as being too complacent about the threat posed by the USSR, was conducted with respect to estimates about Soviet strategic military power, but it really focused on overall Soviet policy objectives, not just military policy or capabilities.

Just after the conclusion of the "Team B" exercise and before the administration of President Jimmy Carter took office, NIE 11-4-77, *Soviet Strategic Objectives*, 12 January 1977, took a markedly more dire line in describing Moscow's policies. A foreword noted that the paper continued a trend toward "a more ominous interpretation" of Soviet aims, and the key judgments termed those aims "far-reaching." Moscow was not seeking equilibrium, the paper asserted, only continual enhancement of its own power, and military power was seen as a "key instrument" of its advancement. Although their military programs were described as steady at a high level and not accelerating, the Soviet leaders were now thought to no longer accept the concept of mutual assured destruction even though they did recognize mutual deterrence as a "present reality" that would be hard to change. Most interesting perhaps was the paper's contention that Soviet leaders now saw their political system as strong and stable, with dissidence more an embarrassment than a challenge, although a concern about its being brittle was perceived. Soviet leaders, the paper concluded, would not be compelled to lower their rate of military spending. Most of the "limits" that CIA in the past had often cited in describing Soviet policy seemed to have been removed.

Taking Stock

It is worth pausing at this point to note two assessments made of CIA's political analysis in 1977 and 1978. The first was an in-house study conducted before the advent of the Carter administration by senior intelligence officers with analytic experience, largely on the basis of interviews with recipients of estimates.³⁹ The study covered all estimates, but its points seem clearly to apply to the ones on the USSR. It said that estimates on military, scientific, technical, and economic subjects were better received than those on political subjects, mainly because "most users were less able to handle the complex data, perform their own analysis, and reach their own conclusions" with the former. Also, the former often dealt with "hard" data: "By comparison, judgments on political matters, or on intentions, seem fuzzier, less precise, and less supportable, and often are." They found among recipients little concern about "slant" in estimates and little interest in specific predictions about possible future events such as coups.

The second study responded to a set of concerns voiced by the Carter administration about a year into its tenure about the quality of the intelligence support given to policymakers. Again, the object of the study was intelligence in general, but analysis of the USSR was prominently included. Promises to step up multidisciplinary work and to improve the quality of the analysts themselves were made in response to the criticism (an internal memorandum containing these promises cited the association with CIA of several prominent Sovietologists who were—in one way or another—assisting CIA's analytic effort on the USSR). In the Office of Regional and Political Analysis, a "multidisciplinary" branch was established in the Soviet affairs division to strengthen work on topics that bridged politics and policy on the one hand and military, economic, and technical issues on the other hand (e.g., Soviet science policy, Soviet policy toward legal regimes for space, Soviet arms control policy).

Organizational Changes

Organizational changes in the 1970s and early 1980s rearranged CIA's political analysts, including those working on Soviet affairs. In 1973, the ONE and the SRS were abolished.⁴⁰ Their analysts formed the core of a new Office of Political Research (OPR), which was established to provide a research-oriented complement to the Office of Current Intelligence (OCI) and a companion to the then six-year-old offices of economic and strategic research. OPR's Soviet analysts numbered only a handful (a much smaller group than their counterparts in OER and OSR) and included some newly recruited officers as well as transfers from ONE, SRS, and OCI.

One paper done by this office, *The Soviet Foreign Policy Apparatus*, published in June 1976, examined in detail the political and organizational context that had developed to support foreign policy decisionmaking in Moscow. It explained how foreign policy was now more important in leadership politics, how Communist Party experts exerted influence alongside professional diplomats, and how Brezhnev had formed a new kind of unique political stature involving authorities tied to the Defense Council, Politburo, and Central Committee. This kind of research-based work, as in the case of the detailed studies of Sino-Soviet affairs and other topics, brought a special dimension to CIA's political analysis of Soviet affairs and supported points made in shorter memorandums and estimates.

Another OPR paper, *Changing Soviet Perceptions of World Politics and the USSR's International Role*, published in October 1975, looked at how a newly self-confident and powerful USSR found itself conflicted between desires: to exploit apparent opportunities that had some Soviet scholars writing again about the general crisis of capitalism (e.g., political change in southern Europe, Western economic difficulties because of the oil issue); and to solidify its newfound influence via cooperation and agreements with its erstwhile ideological adversaries. Ideology remained important as a conceptual prism and rationale for action, the paper argued, but not as a practical guide to short- or intermediate-term goals and actions. Interstate relations had supplanted revolutionary struggle for the bureaucrats led by Brezhnev, and maintaining the new *détente* with the United States took precedence over embracing militancy for the sake of uncertain gains. The paper did not dwell on Soviet military policy or capability and struck a relatively balanced tone. It had no discernible impact on the estimates prepared in the mid-1970s and was deemed "provocative" by the chief of US Army intelligence. DCI William Colby praised the paper, however, and in his last month in office he sent it to President Gerald Ford and other senior US policymakers.

In 1976, OPR and OCI were both abolished and replaced by an Office of Regional and Political Analysis, which was renamed the Office of Political Analysis in 1979. In 1981, a major reorganization of CIA's Directorate of Intelligence abolished this office and the offices devoted to economic and strategic research. Created out of their units and staff were multidisciplinary offices for five geographic areas: four regions of the world and the USSR.⁴¹ Thus came into existence the Office of Soviet Analysis (SOVA), which lasted ten years, until the end of the USSR.⁴²

Within SOVA, as the office was called, the main subordinate units remained defined basically by discipline, but there were new synergies across disciplines resulting from the organizational

change that assisted analysis of Soviet affairs at CIA. One new element introduced in the early 1980s was the creation of an office-sponsored panel of recognized non-CIA experts on Soviet political affairs that met periodically to review SOVA's political analysis products and research program. This group was an analogue to panels of outside experts on Soviet military and economic affairs that had previously existed and were continued under SOVA. The meetings of these panels, and the preparation and briefings associated with the meetings, may well have improved SOVA's perspectives across as well as within academic disciplines. Some analysts felt, for example, that SOVA's conclusion in 1982 that Soviet spending for military procurement had leveled off in the late 1970s and early 1980s grew out of ideas exchanged at such meetings. Also, CIA's recognition of the importance of the burden of defense spending to Gorbachev and his "new thinking" with respect to both economic reform and foreign policy may have been spurred by cross-disciplinary discussions made easier by virtue of SOVA's creation. ⁴³

Confrontation Replaces Détente

NIE 11-4-78, *Soviet Goals and Expectations in the Global Power Arena* (9 May 1978), set forth what the DCI described in an introduction as the basic thrust of Soviet foreign and military policies in an estimate written specifically to have a more "unified, integrated view" than the typical coordinated product. It asserted that military strength was the foundation of the USSR's status, the key to its prospects in the world, and of "sharply increased importance" in Soviet policy calculations at a time when other forms of international competition were not going so well for Moscow. Soviet military spending could therefore be expected to continue unabated over the next decade and to improve Moscow's relative power position in the 1980-85 timeframe.

Just how this military power was going to be translated into foreign policy gains was seen as a complex issue. Ideology was still a "vital force" animating Soviet policy, however, and Soviet foreign policy was seen as "essentially revolutionary." Thus, a "purposeful, cautious exploration" by the Soviets of the political implications of their military power could be expected. Increased assertiveness was described as simply a projection of continuity in their policy actions. Gone with the winds of change of the 1970s were CIA's past emphases in some papers on the growing irrelevancy of ideology and the importance of interstate cooperation among great powers. The one general dissent to the estimate's main line of analysis was taken by the Department of State, which argued that the estimate overemphasized Soviet leaders' perceptions of the USSR's power and undervalued political and economic factors. (One might well guess that the principal author of NIE 11-69 *Basic Factors and Main Tendencies in Current Soviet Policy*, which highlighted precisely those elements a decade earlier, would have agreed.)

The late 1970s and early 1980s brought a succession of important changes in the USSR's international environment and in Soviet policies to deal with them. The election of a new pope in 1978 promised nothing but trouble for the Kremlin. A CIA memorandum, *The Impact of a Polish Pope on the USSR*, published on 19 October 1978, concluded that the event would arouse Polish nationalism, hinder Polish Communist Party efforts to impose social and political discipline, weaken Poland's ties to the USSR's Eastern European alliance structures, and draw Poland ineluctably westward. Unwelcome effects on other communist regimes in Eastern Europe and on communist parties in Western Europe were also discussed.

In Poland, Moscow's need was to find ways to defend a position against adverse pressures. Elsewhere, in places such as Ethiopia and Nicaragua, the issue was whether opportunities

justified Soviet assertiveness to gain new power positions. In Afghanistan, regime changes implied potential for increased Soviet influence and the addition of another communist-led country. An interagency memorandum done in September 1979 titled *Soviet Options in Afghanistan* described Moscow's sense of Soviet interests in that country as "now more ambitious" in the wake of political developments there and foresaw the possible introduction of airborne troops for the short-term purposes of safeguarding Soviet citizens and helping to maintain a pro-Soviet regime if control broke down in Kabul. Tough policy choices faced Moscow, the paper argued, and Soviet leaders were probably considering more serious direct combat intervention to salvage the USSR's increased stakes.

By the time Moscow actually sent troops into Afghanistan at the end of the year, other developments had changed the international scene. The dialogue with the United States had soured over a number of issues including the US "discovery" of a Soviet ground force unit in Cuba (which helped shelve the brand new SALT II accord) and, more importantly, a US-led NATO decision to deploy new missiles in Western Europe unless Moscow bargained away its own regional missile force, which was being upgraded. The situation in Poland continued to worsen, raising the prospect of another Soviet military intervention, and a new administration in Washington signaled its strong dislike of both the Soviet system and Soviet policies worldwide.

CIA's analysis in the initial years of President Ronald Reagan's administration portrayed Soviet behavior as a strong challenge to the United States. In the spring of 1981 a special estimate was commissioned that asserted Moscow was "deeply engaged" in supporting revolutionary violence globally as a basic tenet of Soviet policy and had no scruples in doing so (SNIE 11/2-81, *Soviet Support for International Terrorism and Revolutionary Violence* [May 1981]).⁴⁴ Some support was described as fairly direct, including that going to certain insurgencies and separatist groups as in El Salvador. Other support was indirect, rendered by states with which the USSR was in effect allied. This aspect of Soviet policy was low risk and low cost, the estimate contended, and it meant that Moscow would not cooperate with other countries in antiterrorism actions.

On the heels of the May 1981 special estimate came another estimate, this time a "memorandum to holders of NIE 11-4-78" on Soviet international behavior. Like the 1978 paper it connected the new, "more assertive Soviet international behavior" to a foundation of Soviet military power. But it went beyond the three-year-old paper in concluding that Moscow was now more willing to risk a military crisis with Washington (whose power, it asserted, Soviet leaders saw declining) in pursuit of its goals. A wide range of specific regional situations from the Iran-Iraq war and the Persian Gulf to Africa and Latin America were cited as potential areas where the USSR would work to expand opportunities for advancing its influence. The internal situation in the USSR was addressed in terms of deteriorating economic performance and potential social instability, and the impact of those factors on foreign policy was termed unpredictable. High military spending could be expected despite a likely worsening of the economy, the paper contended, and foreign policy and military requirements would dominate the leadership's policy calculations.

In August 1982, NIE 11/4-82, *The Soviet Challenge to US Security Interests*, took a fresh look at the same set of issues. Overall, it mentioned more potential limits on Soviet behavior but balanced those out in each case with judgments that leadership decisions would continue to support assertiveness abroad. It catalogued virtually all aspects of a continuing global challenge to the United States, drawing attention to the Third World as a less risky and therefore more likely area of possible confrontation. It claimed Soviet leaders did not see a "window of opportunity" because of Soviet strategic military strength, but it did not doubt that defense spending would

continue to grow at its historic rate of four percent a year at least through 1985. Interestingly, it down played Moscow's concern about the new administration's efforts to counteract Soviet expansionism and exploit Soviet vulnerabilities. As for a possible successor leadership in Moscow, it foresaw a greater willingness to exploit opportunities abroad in low-cost, low-risk areas.

By and large, the major analyses during this period emphasized Soviet plans and actions rather than Soviet perceptions of the plans and actions of others. An exception to this generalization occurred as consecutive leadership successions got under way in Moscow, President Reagan's rhetoric sharpened, the Soviets downed the Korean airliner KAL-007, NATO's first Euro-missiles became operational, and NATO conducted its "Able Archer" exercise. In May 1984, SNIE 11-10-84, *Implications of Recent Soviet Military-Political Activities*, explored Soviet activities that—it was feared—reflected belligerent intent or perhaps an "abnormal Soviet fear of conflict with the United States." It noted that Soviet propaganda attributed a heightened danger of war to US behavior and offered the opinion that it did not reflect "authentic" leadership fears of "imminent" conflict. The activities, which included such steps as large-scale military exercises, could be explained by individual circumstances and ordinary planning, the paper argued. It did acknowledge "Soviet perceptions of a mounting challenge from US foreign and defense policy," and an inability to know at that time "how the Soviets might have assessed recent US/NATO military exercises and reconnaissance operations." Beyond these references, it is unclear from the paper how much the author knew of US actions that were perhaps important in shaping Soviet perceptions. The Soviet "apprehensive outlook" over the longer term US arms buildup, however, was believed to increase the chances that Moscow would take riskier actions to neutralize the US challenge.

Gorbachev and Internal Reform

CIA's analysts, long used to leadership stability, indeed stasis, at the top in the USSR, were once again confronted by political change in the 1980s. A paper done in April 1982 looked to old-time stalwarts Andrei Kirilenko and Konstantin Chernenko as the likeliest successors to Brezhnev, but Yuri Andropov's move from heading the KGB security apparatus to the party secretariat immediately after the paper was published presaged the rise of a late-blooming oldster to the fore. His style and tone differed from Brezhnev's, and, as was noted in a June 1983 paper, his main policy initiative seemed to be an internal "discipline campaign." But Andropov needed to gain better control of the Politburo before moving to more substantive changes, and he was judged to "not yet have a comprehensive reform program in mind" for the economy.⁴⁵ His death came before the old guard was ready to let go, and so Chernenko was allowed a year at the top before his death finally induced the aging party leadership to give the chairmanship of their troubled corporation to the younger Mikhail Gorbachev.

We might note at this juncture that CIA's analysts of Soviet affairs began giving more attention in the 1980s to conditions of Soviet society that affected all the other objects of their study, i.e. the economy, the military, and politics at all levels. At the end of 1982 a research paper titled *Soviet Society in the 1980s: Problems and Prospects* assessed the depth and nature of quality of life problems, ethnic tensions, and dissent in the USSR. "Popular dissatisfaction and cynicism seem to be growing," the paper noted, and "the sharp slowdown in economic growth since the mid-1970s is the underlying problem that ties all these issues together and makes them potentially more troublesome for the regime." In April 1983, a National Intelligence Council

Memorandum, *Dimensions of Civil Unrest in the Soviet Union*, examined the available information from 1970 to 1982 on strikes, work stoppages, sabotage, demonstrations and riots, and even attempted political assassinations. It concluded that the incidents implied “a popular willingness to hold the regime more accountable for perceived shortcomings” and could lead to repression and reduced labor productivity. This in turn could mean, the paper went on, “a vicious cycle of greater potential domestic significance for the 1980s than the regime has had to cope with anytime in the past three decades.” In 1985, SOVA created a new branch to work on societal issues, demonstrating that CIA had gotten the message that increasing regime concerns about alcoholism, social discipline, corruption, and unrest meant CIA also had better pay more attention to Soviet social malaise and its implications. ⁴⁶

Gorbachev made no secret of the fact that these problems were central targets of his policies, and CIA picked up readily on his early moves. In the summer of 1985 an Intelligence Assessment titled *Gorbachev's Approach to Social Malaise: A Managed Revitalization* captured what analysts saw as a sort of discipline—plus strategy aimed at making the economy more productive. They cautioned that Gorbachev did not yet have an integrated, comprehensive program formed but was already brooking risks both with the bureaucracy he wanted to reform and with the populace whose expectations he was raising. In September another paper, *Gorbachev's Economic Agenda*, described his economic reforms as exactly what a leader would do if he had longer term serious change in mind but was realistically shooting for more modest, realizable goals in the near term. He “has put his finger on the very tasks the economy has never done well,” the analysis said in an approving tone, while still retaining significant central controls. Separate papers on Gorbachev’s anti-alcohol and openness campaigns intercepted his actions as reflecting a serious intent, but cautioned about the risks of possible unrest and the trickiness involved in trying to cure cynicism. ⁴⁷

Critical to Gorbachev’s reform actions, of course, was his political strength. An assessment in February 1986 titled *Rejuvenating the Soviet Party Apparatus* declared that he was counting on leadership style “in the classical Soviet manner”—rather than systemic reform—to accelerate economic growth and revitalize a damaged social fabric. Two intelligence assessments in April 1986 on the twenty-seventh party congress and new party program noted that Gorbachev’s progress to date seemingly was not as great as he had hoped. ⁴⁸ He had improved his power position via turnover of key officials, but enough Brezhnev-era holdovers remained to constrain his actions. The party program reflected a more sober view of the overall Soviet outlook than the Khrushchev-era 1961 program (discarded were the ideas of catching up with the West’s standard of living and of achieving much of a global advance) and an emphasis on the need for new policies to strengthen the economy (more stress on domestic issues, but without a defined specific plan of action). At the end of 1986, Boris Yeltsin’s reforming zeal as the new head of the Moscow party apparatus was taken as a sign of Gorbachev’s seriousness in going after “localism” in regions and in using the leverage that the Moscow party structure exercised on the central bureaucratic institutions located in the capital. ⁴⁹

By February 1987, in an Intelligence Assessment titled *Gorbachev's Domestic Challenge: The Looming Problems*, CIA characterized Gorbachev as having gotten off to a “strong start” in his first two years, but it made the basic point that the measures instituted thus far were “insufficient to achieve [his] goals,” which were said to be radical improvement of the domestic Soviet system and keeping up with the United States internationally. The logic of the situation, the paper argued, was that he must either accept results short of what he wants (in which case his political position might erode since it was tied to the success of his policies) or go for more controversial and difficult policies (in which case he would engender greater opposition to

himself politically). The analysis did not offer predictions or solutions but did lay out in some detail the policy dilemmas Gorbachev faced at that juncture.

Another paper, an April 1987 assessment titled *The January Plenum: Gorbachev Draws the Battlelines*, depicted the political struggle within the party. Gorbachev was pushing “democratization” and polarizing the party in a way that suggested a showdown could come soon, the paper contended. He had “no intention of limiting the party’s monopoly of political power or the top leadership’s authority within the party,” it stated, but his effort to energize the party in support of his policy goals was squeezing many officials between pressures coming from Gorbachev and his allies at the top, and grassroots pressures from below being encouraged by Gorbachev’s reform policies. The result of the January 1987 party meeting was Gorbachev’s acknowledgment that he had been giving the policy steering wheel perhaps “too sharp a turn” (a few of his proposals at this time were rejected, i.e., multiple candidates for party elections). The leadership as a whole, however, agreed to continue pursuing economic reform and some of the legal and other changes attendant to that goal.

One technique used occasionally by CIA to expand its awareness of factors affecting politics in the USSR was to invite outside experts to conferences to solicit their views. This was done in the Gorbachev period to see what impact the new information technologies might have on the USSR. A group of consultants offered views that were gathered in a conference report published in May 1987 titled *The USSR Confronts the Information Revolution*. The Soviets were seen as appreciative of the value of modern information technology to the West, but viewed it with a mixture of admiration and concern. Productivity gains and weapons effectiveness might be enhanced, but state control might be undermined also as Western propaganda penetrated deeper into Soviet society and Soviet citizens gained more access to independent information sources. In trying to reach suppositions useful to the US government, the conferees concluded that: “Soviet leaders will put a premium on maintaining political control” in dealing with the new information methods; and that in the 1990s the USSR might find itself even further behind the West and therefore might become even more reliant on military power to maintain influence in the world. This report and its conclusions are noted not as representative of CIA views or indeed any set of views other than those expressed at the conference, but simply to show one example of how implications of important developments were explored by CIA’s analysts in forums other than formal estimates or finished analytic products.

The June 1987 meeting of the Central Committee was seen by CIA’s analysts as a major political victory for Gorbachev.⁵⁰ What had been piecemeal reform was now packaged in a new, comprehensive approach designed to reduce rigid central controls over the economy. Yegor Ligachev’s power had been diluted with the appointment of new Politburo members and Gorbachev had more control over the policy agenda, but a continuing political struggle loomed, and the speeches at the plenum were said by one participant to have been “emotionally charged.”

Near the end of 1987, an estimate (NIE 11-18-87, *Whither Gorbachev: Soviet Policy and Politics in the 1990s* [November 1987]) pulled together the strands of Gorbachev’s first two and a half years of power and tried to project where he might go next. It declared forthrightly that it judged Gorbachev’s intent to be bold and visionary. He really wanted nothing less than to revitalize the USSR, the paper stated, and was “now convinced that he must make significant changes in the system, not just tinker at the margins.” This meant the continuation of replacing officials resisting change and revamping institutions, albeit somehow in a Leninist way. Foreign policy, the paper argued, was in for “profound” changes, with a de-emphasis on military intimidation as a policy instrument and a reduction in tension with the West so that growth in defense

spending could be constrained. Four scenarios ranging from democratic socialism to neo-Stalinism were discussed at length to spell out for policymakers what to watch for as unpredictable events played out. A final basic point, the paper stated, was that whatever course change took in the USSR, it would transpire largely as a result of internal forces with only indirect impact from outside influences.

In a striking dissent from this depiction of Gorbachev's aims and actions that was printed in the estimate's key judgments, the Director of the National Security Agency (NSA) presented a fundamentally different "alternative view."⁵¹ It is the revitalization of the party, not the society or system, that Gorbachev is after, he argued. The purge is the object of reform, not the other way around, he continued, and besides, what Gorbachev was doing was not only best understood in orthodox power-politics terms, he actually was not even as bold a reformer as Khrushchev had been. (The paper went further, arguing that the "potential" for change under Gorbachev was the most significant since the 1920s.) As for scenarios, he continued, Gorbachev will either unleash forces that will cause a KGB and party backlash or, more likely, fall back toward Brezhnevite immobility. His conclusion was that in either case, Soviet foreign policy would present a greater global challenge to the United States. This stands as one of the most straightforward expressions of a fundamentally differing viewpoint on Soviet politics and policy on the long record of estimates and demonstrates how, even for the much more open Soviet society of the 1980s, intelligence analysts could hold varying views of the basic motivations and direction of Soviet political affairs.

A similar viewpoint was expressed at about the same time by Robert M. Gates, then Deputy Director of Central Intelligence, in a memorandum dated 24 November 1987 and titled *Gorbachev's Gameplan: The Long View* (both the NIE and the memorandum were scene-setters for the December 1987 Gorbachev-Reagan summit meeting in Washington). Gates presented several major areas of continuity with the past in Soviet policy under Gorbachev (seeking détente, extraordinary military modernization, continued protection of Soviet client states, and weakening US alliances) so as to put changes being pursued under Gorbachev in proper perspective and support the conclusion that "it is hard to detect fundamental changes, currently or in prospect, in the way the Soviets govern at home or in their principal objectives abroad." After noting that previous hopes—that internal reform in the USSR would lead to changed Soviet behavior—had always been dashed, Gates implicitly cast his lot with the NIE's dissent (i.e., that Gorbachev was after power, not reform) by predicting that Gorbachev would "likely be in power long after his adversaries at home and abroad have moved off the world stage." In a speech given two months later to the Dallas World Affairs Council (the speech, titled "What Is Going On in The Soviet Union," delivered 19 January 1988), Gates explicitly said that the fundamental transformation of the Soviet Union at home and abroad was not the intention or expectation of Gorbachev or the ruling Communist Party, making it clear he viewed the changes being attempted as instruments of power politics, not genuine reform.

In 1988, papers examined various internal factors affecting Gorbachev's progress in reforming the USSR's politics and economy. In February 1988, a paper titled *USSR: Domestic Fallout From the Afghan War* asserted that dissatisfaction over the war had been growing within the Soviet elite, and cited corruption in the military induction process, health and drug use concerns, and more than a dozen major demonstrations against the war since mid-1984, involving especially non-Russians. All this was seen as harming Gorbachev's efforts to build a new social contract. Another factor of importance was Christianity, with Gorbachev depicted as attempting a less repressive strategy in dealing with believers. In light of the connection between Christianity and nationalism in the Baltics and Ukraine, a May 1988 paper warned, "the regime is playing with

fire” in seeking to accommodate this ideological rival.⁵² Gorbachev’s new struggle with the KGB, an organization that had backed him earlier, was documented in another paper that pointed out his desire to curb some of its power, as well as Viktor Chebrikov’s evident skepticism about aspects of reform, and also noted that Gorbachev remained dependent on the KGB to monitor the internal situation.⁵³

Throughout both 1987 and 1988, papers charted the new threat of nationalism and ethnic violence as riots in Kazakhstan and unrest in the Caucasus widened the impact of Gorbachev’s policies and opened up for him new areas of potential political vulnerability.⁵⁴ But a December 1988 Intelligence Assessment, *Gorbachev’s September Housecleaning: An Early Evaluation*, concluded that Gorbachev’s dramatic leadership shakeup that same year now enabled him and his allies to move more vigorously on all policy fronts. His position as both president and party head and his restructuring of political institutions had taken the traditional power role from the party secretariat and left him free to push his consumer-oriented plans at the expense of military spending. “New thinking” on national security and foreign policy was now more likely, the paper judged, involving a “more pragmatic, nonideological approach to foreign affairs” and “greater Soviet foreign policy activism, including bold—possibly unilateral—moves designed to generate international support for Soviet positions.”

In early 1989, a CIA paper took a look at changes Gorbachev was making in both legislative and executive branches of government and noted that they “could radically transform the Soviet political system.”⁵⁵ He did not, however, want opposition parties, CIA concluded. He still wanted the Communist Party to exercise policy leadership, providing the top-down pressures needed to guide the bottom-up participation he desired, and the Politburo remained a decisionmaking center he hoped to use to drive both party and government bureaucracies. Another paper examined the ways he was weakening the party apparatus’s grip on power in direct ways, cutting Central Committee staff in order to undercut the role it could play in managing the economy or opposing his reforms.⁵⁶ Yet another paper, however, pointed to the dangers of this approach, noting that the reduction in party control had not gone very far and that further disruptions would occur if it proceeded quickly. On balance, CIA’s cautious analysts estimated he would ease up his pressure temporarily rather than force a showdown in the near term with the party apparatus.⁵⁷

One SOVA research paper of July 1989 asked in its title a basic question that was bedeviling CIA’s analysts as they tried to help US policymakers in the new Bush administration: *Gorbachev’s Assault on the Social Contract: Can he Build a New Basis for Regime Legitimacy?* This paper continued the CIA’s effort to wrestle with the “volatile” social aspects of the Soviet scene, an issue that had been raised in the 1950s as Khrushchev had unleashed forces that he too did not fully control. It contended that Gorbachev had not realized when he started in 1985 that his political reforms would unleash popular demands that grew more quickly than his economic reforms could satisfy them. The paper chose not to predict ultimate success or failure for him, but did a good job, again, of describing the dilemma in which he found himself. Another paper, done in September 1989, also caught the flavor of CIA’s view of Gorbachev’s political position in its title, *Gorbachev’s Domestic Gambles and Instability in the USSR*. It may be said of CIA that it did not predict with exactitude that Gorbachev would fall, or when he would fall, but it must also be acknowledged that CIA documented many indications of the troubles he encountered (and engendered) and the seriousness of their danger to his political health.⁵⁸

By early 1990, CIA’s analysts had again concluded Gorbachev was in a box. A March 1990

Intelligence Assessment titled *Perestroika at the Crossroads* described reform in the USSR as “at a critical juncture.” Domestic concerns generally increasingly preoccupied the Soviet leadership, the paper stated, with basic problems such as a loss of control over society in general, a precipitous decline of the party, secessionist movements and interethnic strife, and continued economic deterioration. These problems threatened to overwhelm *Perestroika*, CIA warned, and Gorbachev had to choose between moving more decisively toward democracy and economic reform, or backtrack on both. In the past he had chosen to press ahead, the paper noted, and so it guessed that he might do so again. While this might result in success farther down the road, the paper estimated that in the near term, instability and conflict seemed likely to persist and possibly intensify. In the less likely case of serious retrenchment, use of force in a crackdown could, it was predicted, aggravate political and social tensions.

Through 1990, CIA’s analysts struggled to keep up with the pace of events, noting the emergence of a rival center of power to Gorbachev in the development of a party within the Russian federation as well as cracks within the CPSU itself and the growing challenge of nationalism, all centrifugal forces unleashed by Gorbachev’s own reforms.⁵⁹ A paper on the new legislature noted that, one year after its creation, it was far more independent than Gorbachev had expected. It was willing to revise leadership-backed bills, criticize nominees for top posts, and accelerate the decline of the CPSU. By 1994, the paper estimated, Gorbachev could lose his pliable majority.⁶⁰ Papers pointed to growing pressures for unrest in the USSR, including Central Asia, and growing difficulties in keeping the union together.⁶¹ By December 1990, an assessment pointed to steps Gorbachev was taking to be ready to act in more authoritarian ways to cope with the serious problems multiplying in the USSR.⁶² He was expanding the authority of the presidency and exhibiting greater resolve to try and preserve the union, the paper argued, including making it easier to exercise coercive emergency rule if necessary. Again, the dilemma he faced was easier to describe than the solution: “The logic of the path on which he had embarked increasingly imposes a choice between use of force, which he fears, or display of fecklessness, which further undermines his already low public esteem.” It now looked to CIA as if a nonviolent resolution of the secessionist problem was less likely, and Washington policymakers were warned that human rights violations by both the center and the republics might be in the offing.

In February 1991, a research paper titled *Organized Crime in the USSR: Its Growth and Impact*, summarized the main problems associated with what was by now a flourishing problem. Crimes involving extortion, embezzlement, gambling, prostitution, and drugs were corroding the system, the regime, and popular attitudes, the paper argued. The corrosion was more clearly seen at low and middle levels, but the public anger it generated affected support for Gorbachev, the new institutions he had set up, and reform itself. Another new feature of the political landscape by now was Russia as a major new separate political actor. A paper done in March 1991 titled *The Struggle Over Russia’s Future* described a debate between reformers and traditionalists that featured a critical struggle between a Yeltsin-led push for greater pluralism and powers for republics like Russia, and a Gorbachev-led center that had just used force in a crackdown in the Baltics. This center versus republics issue “has become all-important,” CIA’s analysts warned, citing one Soviet as saying that the center “is fighting for its life.” If a referendum approves a Russian Republic presidency, Yeltsin will win it and become an even more formidable challenge to Gorbachev, they contended, even if the reformers’ dependence on Yeltsin is itself “a potential weakness.”

An April 1991 Intelligence Assessment on the *Prospects for the Russian Democratic Reformers* saw Yeltsin’s likely win in the election of a Russian leader as a “watershed event,” leading to

intensified political conflict between the two men. Yeltsin's likely push for more radical economic reform and Russian sovereignty, however, would have to contend with both a frustrated public and a more hostile and aggressive center, the paper estimated. Also in April 1991, a SOVA paper titled *The Soviet Cauldron* examined the political dynamics and foresaw that a coup might occur and would probably fail. It also drew special attention to the nationality problems, seeing the desire for independence as a growing threat to the union. Another paper issued in June saw Yeltsin as a champion of a Russian democratic alternative to the authority of an imperial USSR; not an unprincipled opportunist, but a leader who had averted repression and now had to handle the Russian nationalism he had helped arouse. ⁶³

After the August 1991 failed coup, CIA's analysts saw a window of opportunity for Yeltsin. In an October 1991 Intelligence Assessment titled *The Politics of Russian Nationalism*, the nation-building democrats aligned with Yeltsin—who were willing to jettison the USSR—were seen as unalterably opposed by a coalition of conservative nationalists, who were hostile to democracy and a market economy and had backed the neo-Stalinists who had attempted the coup. Yeltsin would try to push his program since he was at his peak of popularity following the coup, but public fears about secessionism within the Russian federation and about the course of economic and social change could be used by those willing to push a more chauvinistic nationalism against Yeltsin's program. A special estimate done in the wake of the coup attempt judged flatly that “the USSR and its communist system are dead,” and estimated that a loose confederation of republics might form, but if so, under Yeltsin not Gorbachev. Disintegrative tendencies bore great danger for the West, it was argued, especially with respect to the security of nuclear weapons. ⁶⁴

In November 1991, a paper on social problems surrounding greater inequalities growing within the economy predicted more social and economic instabilities. Homelessness and unemployment would grow, undercutting any governmental stabilization efforts and posing serious obstacles to reformers whose still viable hopes for a rosier future had to survive “a long and difficult transitional period.” ⁶⁵ Another special estimate was done that month as well on disorder in the collapsing USSR. Even acts of terrorism were foreseen as possible, and the estimate judged that “no one knows whether the Yeltsin government can survive the winter.” ⁶⁶ Indeed, in 2001, ten years after CIA's analysts closed the book on their study of a communist USSR, these and additional kinds of internal tensions have remained an important target for ongoing analysis of Russia and other parts of the former Soviet Union.

Gorbachev's Impact on Foreign Policy

CIA's analysis of Soviet foreign policy early in the period of Gorbachev's leadership usually was stated in general and cautious terms, especially with respect to departures from the past attributed to Gorbachev. There was no lessening of foreign commitments, one paper stated, although the USSR's relationship with the United States, including reviving arms control talks, was seen as important to Gorbachev. A new estimate on Soviet support for international terrorism was issued in August 1986. It clung to the general line adopted five years earlier (one section was titled “Little Change Expected in Soviet Role”) and took the Soviet bloc to task for opposing and obstructing Western-led counterterrorism efforts. It took note of recent remarks by Gorbachev criticizing terrorism and hinting at cooperation in opposing it, while at the same time, dousing that conclusion with the complaint that the Soviet reaction to the US raid on

Libya showed that “the Gorbachev regime is quite like its predecessors when it comes to actions, as opposed to words.”⁶⁷ A paper on what Gorbachev’s programs meant for defense concluded that there was a “more heated competition” between civilian investment and military spending, but it judged that strategic military programs planned for the 1980s could move forward and that achieving a near-term arms control agreement was not critical to Gorbachev.⁶⁸

A special estimate done in September 1986 concluded that Gorbachev was trying to recreate a 1970s style *détente* with the United States to ease the arms burden on the Soviet economy and the US challenge internationally. Possible new Soviet willingness to reduce military programs and even to take unilateral steps such as “modest cuts” in military manpower were foreseen, and Gorbachev was judged to have the political strength to take such steps. But economic pressures were portrayed as insufficient to force fundamental concessions to the West, even though killing or constraining the Strategic Defense Initiative (SDI) was seen as a critical Soviet goal.⁶⁹ It was noted that “new thinking” in Soviet foreign policy had led to fewer ideological references in Soviet positions and new emphasis on “interdependence,” but security issues were depicted as unlikely to be the subject of major concessions from the Soviet side. Among other things, this led CIA to hold to the notion— in this paper and in another at the end of 1986 —that the Soviets would stay the course in Afghanistan and not withdraw unless they could preserve the nature of the regime there.⁷⁰

“In the next two years or so,” the September 1986 special estimate declared, “neither the domestic situation nor the foreign policy outlook of the regime obliges Gorbachev to compromise substantially on central arms control or security issues in dispute with the United States.” And if the United States does not give up its SDI, the paper estimated, Gorbachev would become more uncompromising over the next 30 months, preferring to wait out Reagan and deal with his successor than to come to the table and risk legitimizing Reagan’s Soviet policies.

In retrospect, these judgments could not have been more wrong. Both domestic and foreign considerations led Gorbachev to adopt paradigm-breaking policies, and they involved not just compromises, but unilateral moves intended to change the basic equations involved in both arms control and regional security matters.⁷¹ As for SDI, although Gorbachev was uncompromising in 1986, he came around to accepting important arms control deals before Reagan left office and despite continued US support for SDI. As for the evidence available in September 1986, however (well before Gorbachev’s book on *Perestroika* and a number of other indicators made clear how radical he was prepared to be), CIA had not yet seen enough to convince itself that new thinking in Moscow required new estimates in Washington.

CIA’s SOVA looked over the new faces among Gorbachev’s foreign affairs advisers and took note of their help to the Soviet leader in consolidating personal control over the USSR’s foreign policy decisionmaking. A paper issued in August 1987 contended that Gorbachev had fostered increased competition among Soviet institutions involved in foreign policy, set up new arms control staffs in both the foreign ministry and the party secretariat, thus stirring up new ideas for his consideration.⁷² Gorbachev’s foreign policy initiatives (“a dizzying array”) were said to be “derived more directly from his domestic goals” than was the case under Brezhnev. The time-worn approach of declaring that long-term objectives remained unchanged but that tactics were newly flexible was stated, but it seemed to hint that something more might be afoot. “As a result of these changes, many of the assumptions that were used in dealing with the Soviet Union in the past are no longer valid, and the West must be prepared for the unprecedented or

unexpected.” Unfortunately, the paper contained no further exploration of the implications of this important judgment.

In May 1988, NIE 11/12-9-88, *Soviet Policy Toward Eastern Europe under Gorbachev*, pointed out the increased potential for instability inherent in Gorbachev’s policies. The Eastern European regimes were problematic instruments for the kind of reform Gorbachev was pressing, the estimate warned, and popular upheaval in at least some countries was the most likely scenario among several examined. In the end, the paper assessed, force would be needed to control the situation, and the USSR would use force if necessary to retain the upper hand there.

A June 1988 Intelligence Assessment titled *Soviet National Security Policy: Responses to the Changing Military and Economic Environment* asserted that there was a real debate going on in Moscow over the size and composition of Soviet military forces. It summarized the main positions of political and military leaders and experts as they argued what Gorbachev’s new military policy of “reasonable sufficiency” should mean in practical policy terms. It brought to bear the writings of Soviet military theoreticians and leaders, in particular former General Staff chief Marshal Ogarkov, to the effect that nuclear forces are needed only to maintain the nuclear standoff, not to achieve superiority, and thus explained why the professional military could abide Gorbachev’s nuclear arms control positions. Although the paper judged that the evidence suggested a continuation of high but flat or only slowly growing defense spending, it put forward the idea that Gorbachev’s political power and interest in producing more civilian machinery as part of industrial modernization created “a good chance that Gorbachev will, by the end of the decade, turn to unilateral defense cuts.” In October 1988, a Foreign Broadcast Information Service analysis report titled *The USSR’s East Asian Policy: The Gorbachev Agenda* laid out Gorbachev’s emphasis on China and on de-emphasizing military instruments in foreign policy in an effort to reduce the US military presence in Asia. At that time, the paper pointed out, Japan remained an exception to generally improved Soviet ties to countries in the region.

In a sense, the dramatic opening of the end game of the Cold War was Gorbachev’s speech at the United Nations in December 1988, where he announced stunning unilateral reductions in Soviet military forces in Eastern Europe and invited the United States to join the USSR in cooperatively ending the Cold War.⁷³ The following month CIA published another paper on advisers helping Gorbachev on foreign policy matters.⁷⁴ It cited Gorbachev’s UN speech as evidence of his willingness “to challenge basic assumptions of the past,” and judged that, once carried out, the cuts he had announced “would virtually eliminate any Soviet capability to launch a short-warning attack against NATO.” It traced the evolution of Soviet statements about reasonable sufficiency and concluded that Gorbachev had aligned himself with some of the most radical thinkers in a wide-ranging internal debate.

CIA continued in early 1989 to try to make sense of Gorbachev’s now quite evident radicalism in foreign policy. In February 1989 a paper on US-Soviet relations asserted that Gorbachev’s foreign policies flowed directly from his domestic policies, but then noted that many domestic concerns—by now focused on ethnic turmoil, consumer unrest, and protection of his political flanks—might in fact distract him from attention to his US policy just as the new Bush administration took office. It contended that Soviet concerns about SDI were now lessened.⁷⁵ Another paper issued that month on Gorbachev’s overall foreign policy asserted that the Soviet leader had adopted an “unprecedented policy of global ‘tension reduction,’” and that while his conception could still be said to support traditional aims such as weakening US military presence abroad and decoupling Western Europe from America, he was weakening the ideological foundations of Soviet policy and fostering a longer term “normalization” approach.⁷⁶

In wrestling with how best to describe the key elements of the new Soviet thinking, the paper went to great pains to predict what it meant for Eastern Europe. On the one hand, it countenanced the notion that Moscow still hoped to preserve “in some form” the Soviet position there. On the other hand, the paper recognized that Soviet policy now circumscribed, “perhaps even rejected,” the Brezhnev doctrine and could “accelerate the decomposition of communist rule in Eastern Europe and weaken Soviet hegemony.” As had become the case for CIA analysis of Gorbachev’s domestic policies, the basic question of how much Gorbachev realized where his policies might lead was raised for foreign policy as well. At one point, the paper noted that, “He is undermining Marxism-Leninism as a mechanism of political control in the Soviet Union and Eastern Europe, whether he cares or not.” In what superficially looked like reverse mirror-imaging, the key message in the paper for US policymakers was a warning that “maintaining cohesion in US alliances and sustaining Western security...is the central challenge Soviet policy now poses for the United States.”

CIA reviewed Gorbachev’s policies around the world in another paper, this one issued in March 1989 and focused on Third World areas.⁷⁷ The primacy of domestic reform was asserted, policy had become more pragmatic and less ideological, and getting “a higher degree of security at a lower cost” seemed a key motive to CIA’s analysts. Gorbachev’s interest in resolving conflicts in areas such as Afghanistan, Angola, Nicaragua, and elsewhere was presented as a cost reduction measure, at least in part. Another motivation ascribed to Gorbachev, which would have fit a pre-1980s analysis just as well, was a desire to expand Moscow’s role as an actor on the international scene. This time, however, the warnings posted by the analysts mentioned that possible surprise, unilateral moves akin to those in the UN speech might be in the offing, for example, withdrawal from Cam Ranh Bay or of the ground forces brigade from Cuba. Also, some of the expansion of Moscow’s relations abroad involved decidedly nonclient states such as Saudi Arabia, Israel, and South Korea. As far as China was concerned, the USSR was seen as having achieved a more balanced position within the US-China-USSR triangle by the time Gorbachev visited Beijing in May 1989 to talk with Chinese leaders.⁷⁸

By 1990, after the Berlin wall had come down, the German question moved front and center. An analysis done in March 1990 asserted that “contradictions in Soviet thinking are apparent” on all the security-related issues connected with possible unification of Germany.⁷⁹ The basic Soviet desiderata seemed clear enough: assurances that Germany accepted postwar borders, restraints on German ability to threaten stability in Europe, and German security ties that did not favor the West. But what Moscow would really accept was not so clear. Neutrality would be a Soviet demand, the paper predicted, but more as a negotiating tool than a minimum condition. How to wrap up a final postwar treaty and fit Germany into a new European order were other key issues discussed. By June, CIA felt that Moscow “ultimately will concede some form of NATO affiliation for Germany,” and that Gorbachev realized reliance on existing collective security arrangements was a thin reed upon which to place much reliance in assuaging Soviet security concerns.⁸⁰ The Germans as well as events in general were moving too fast, and this unexpected pace complicated Gorbachev’s domestic agenda. In Asia, Moscow’s push to strengthen ties to South Korea and Japan was seen as stronger than its concern about its relations with North Korea or Vietnam. Improvement in the USSR’s relations with China was seen in Moscow as a success for Gorbachev. Through all these developments, economic considerations were seen as being of overriding importance.⁸¹

By 1991, with the Soviet position in Germany and Eastern Europe changed beyond anything imagined by CIA’s (and most other) analysts just a couple years earlier, CIA focused on possible scenarios for the unraveling situation inside the USSR. Each scenario had logical implications

for Moscow's foreign policies, although choosing which to fix on seemed less important than laying out possibilities for US policymakers to consider. An attempt was made in a mid-year estimate to be "more speculative, and less predictive" than previous estimates because of the large number of uncertainties at the time. It presented foreign policy implications for four possible USSR futures: chronic crisis, system change, regression, and fragmentation.⁸² By and large, the estimate foresaw more accommodating, nonthreatening policies, even for the "regression" scenario that envisioned efforts by Moscow to maintain Soviet military strength. The trickiest for the West to cope with was the "fragmentation" option because of its potential for refugees, wayward new states seeking help, and so on. In the analysts' opinion, whatever Russia or Russian-dominated state emerged "for a good many years...would be a far less influential actor on the world scene than today's Soviet Union...." And so the Gorbachev period moved to its dramatic conclusion at the end of 1991, bringing down Gorbachev, the USSR itself, and the final curtain on the Cold War.

Final Thoughts

The issue of whether CIA should have done a better job of foreseeing and foretelling the downfall of the USSR is the latest chapter in the longer story of how CIA's analysts coped with political change in the USSR throughout the Cold War.⁸³ The ONE assessment of 1950s estimates on Soviet affairs done in 1958 judged rather harshly that the estimators had not handled the post-Stalin changes very well (while complimenting them for stressing important continuities in Soviet policy). In general, declassified CIA analyses suggest that analysts in the 1980s did somewhat better in not allowing a mindset rooted in the past to dominate their thinking about domestic changes. The papers currently available show that CIA's analysts interpreted Gorbachev's words and actions as serious efforts to bring about real change in the USSR, that the analysts kept pace with changes as they occurred and thought through their possible implications, and that they understood after a while that the impact of Gorbachev's changes might turn out to be beyond his expectations, understanding, and control.⁸⁴

That said, the analyses describing Gorbachev's impact on Soviet foreign policy were less alive to the possibility of changes and the resultant implications. CIA consistently depicted Gorbachev's foreign policy changes as derivative of his domestic reform policy needs in the sense that he needed a "breathing space" internationally. Although this reasoning was valid up to a point, it seems in retrospect that Gorbachev's impulse to change Soviet foreign policy had its own basis in "new thinking" about international affairs that went beyond simply assisting the success of his economic reforms and that calculated Soviet interests in a novel way. CIA seemed content to wait for explicit announcements or even actions to confirm what might have been inferred earlier from writings and statements. SOVA's predictions of possible unilateral arms cuts stand as an example where foreign policy implications of theoretical thinking were foreseen, but CIA's description of the larger Gorbachev-led policies that altered the basic political and military equations in Europe and elsewhere awaited future confirming evidence.

Arguably, the indications of Gorbachev's radicalism in foreign policy unfolded more slowly than did those marking his internal reform efforts, and CIA's recognition of the respective changes followed suit. Thus, if the November 1987 estimate on *Whither Gorbachev?* could be said to mark the point at which CIA clearly stated Gorbachev meant big, visionary change domestically, then it was not until the February 1989 SOVA paper on *Gorbachev's Foreign Policy* (after the

pathbreaking Gorbachev UN speech of December 1988) that CIA said clearly that Gorbachev's foreign policy "has changed radically from that of his predecessors." To be sure, even this recognition of the scope of change was protected by an introductory paragraph claiming that Gorbachev's new ideas followed a broad strategy "in the Leninist tradition" of splitting enemies, weakening American global political influence, and so on.

CIA's caution, or conservative approach to statements regarding Soviet foreign policy, results partly from the perceived importance of these judgments for US policy (especially in estimates, which reflected the DCI's and the entire US Intelligence Community's views). They were believed to be so critical that they deserved special scrutiny and care. Here, as was noted in the 1958 ONE assessment, there seems to have been a bias in favor of not making analytic mistakes in the direction of being too "optimistic" about Soviet policy choices, probably in the conviction that this was the most prudent and therefore most responsible way to shape analysis for senior US policymakers. There seem also to have been two other related biases virtually built into CIA's work on Soviet foreign policy throughout the Cold War. The first bias was that it was more important to identify threats for US policymakers than opportunities. The other was that the military dimension of the Soviet threat—because it involved the vulnerability of the United States itself and the apocalyptic image of nuclear strikes—loomed over all other aspects of analysis on the USSR. The Agency's most basic mission was, and is, to warn of possible strategic threats to the United States. In concert with that mission CIA sometimes attempted to relate appreciations of Soviet military strength to Moscow's general foreign policy in ways that emphasized the military or assertive aspects of Soviet policy.

How special was CIA's political analysis of the USSR? Of the ten analyses on Soviet politics and foreign policy selected to be included in the volume of documents published in connection with the 9-10 March 2001 conference at Princeton University on *CIA's Analysis of the Soviet Union, 1947-1991*, only two were originally classified top secret, and it is clear that the classifications of all of them were driven mainly by the fact that they were CIA products, not by specific sources of information that needed protection. Thus, it was not that the CIA often had especially confidential or "insider" information to give value or cachet to its analytic products on Soviet politics, although there were instances where that was indeed the case. Rather, the value to the policymakers who read those products was that they were getting views from experts who had deeply immersed themselves in the subject and who were usually regarded as having no policy-driven axes to grind in forming their conclusions. (This did not prevent, of course, instances where policymakers distrusted CIA's analytic views because they thought they were not tough-minded enough, or conversely, too tough-minded.) In general, CIA's analysis of Soviet political affairs was less special than CIA's analysis of Soviet military and economic matters, which was based in part on information uniquely acquired and pulled together within the US Government. Thus, the views of academic or other nongovernmental Sovietologists on the USSR's politics and foreign policy could and did compete nicely with the CIA product, and such experts were often consulted to good advantage by US policymakers who had access to CIA's analysis.

CIA's analysis of Soviet politics and foreign policy throughout the Cold War profited from being performed in an environment where in-depth analysis was being done on Soviet economic, technical, and military matters. This allowed a fuller appreciation of the totality of factors that operated in the Soviet system and brought more realism into analysts' understanding of what was on the minds of Soviet political leaders. In the 1980s in particular, with all the main areas of Soviet analysis gathered in one office, the discussions of military spending, economic choices, social and economic problems and programs to deal with them probably led to better integration of those subjects with the evolving story of Gorbachev's reforms and where they

might lead than would otherwise have been the case.

The task faced by CIA's analysts of Soviet political affairs ended as it began, in an era of unusually intense change, both internationally and inside the USSR. Their challenge was no less than to understand and explain developments that were only imperfectly understood by the Soviet leaders themselves. Their record is well worth close study for its value both as history and as an opportunity to improve a central mission of CIA, and will hopefully be more fully disclosed for future scholarship. ⁸⁵

A panel moderated by Robert Jervis, Adlai E. Stevenson Professor of International Relations at Columbia University, discussed Douglas Garthoff's paper and provided its views on CIA's analysis of Soviet politics and foreign policy. The panelists were Fritz Ermarth, former Chairman of the National Intelligence Council, and Peter Reddaway, Professor of Political Science and International Affairs at George Washington University.

Fritz Ermarth began his remarks by singling out two National Intelligence Estimates—one dealing with Soviet external affairs and the other with Soviet internal matters—for discussion. The first one, published in 1978, was titled *Soviet Power in the Global Arena*. Ermarth, who was the drafter of the Estimate, indicated that the basic assumption behind the NIE was that the USSR was at the peak of its power. With that as a given, it addressed the question: What are the Soviets going to do with this power? The Estimate was significant, in his view, for two reasons. First, it influenced the thinking of the Carter Administration about the challenges posed by the Kremlin—Defense Secretary Harold Brown personally told Ermarth of its importance. Second, it conveyed the message that the Soviets were going to use their power in a “determined, energetic, but basically risk-averse way.” “They’re not going to go out looking for trouble, although there’s perhaps a higher risk than in the past that they’ll get into it inadvertently because of the strength that they feel.” Looking back, Ermarth opined that the Intelligence Community underestimated the limitations on Moscow’s ability to turn its military status into geopolitical status as well as the Kremlin’s penchant “to be dumb, therefore counterproductive, and therefore ineffective.” He cited Afghanistan and the SS-20 deployment as two examples of Moscow’s ability to shoot itself in the foot. ⁸⁶

The second NIE Ermarth singled out, *Domestic Stresses on the Soviet System*, was published in 1985. This estimate, according to Ermarth, was significant because it presented an exhaustive catalog of the dimensions of the crisis of the Soviet system. Briefed to President Ronald Reagan, in Ermarth’s view, it “kind of crystallized the emerging understanding” in Washington of the crisis that was confronting the Soviet leadership. It had a significant role in the transition of Reagan I (“Okay, we’re standing tall. You’re not going to push us around anymore. In fact, we’re going to challenge you ideologically, militarily, and economically.”) to Reagan II; that is, a willingness to do business with the USSR (“Now we’re going to get down to business.”).

In concluding his remarks, Ermarth described some “lessons to be learned” from the analysis of Soviet affairs. First, he argued that to do the job right the Agency must be given the money to do “deep” collection and “deep” analysis on a sustained basis. Second, there must be a system of checks and balances. CIA’s Directorate of Intelligence, the Department of State’s Bureau of Intelligence and Research, the Defense Intelligence Agency, and other agencies within the Intelligence Community must possess significant, independent analytic capabilities in order to provide balance, diversity, and a system of checks on the intelligence assessments and recommendations given to policymakers.

Peter Reddaway confined his remarks on the Agency’s political analysis to the period from

1968 to 1981. His hypothesis was that CIA's analysts "did not get quite right" the balance between the oft-stated belief of Soviet leaders that the correlation of forces in the world had shifted against capitalism versus the fears and anxieties of Soviet leaders about the weaknesses of the Soviet system that became more severe as the 1970s progressed. In Reddaway's view, Soviet leaders would always act in accordance with the anxious mindset, whereas CIA's analysis usually predicted that they would act in the "self-confident, potentially expansionist mindset."

Reddaway cited a number of examples to support his hypothesis that the leadership's response was based mostly on an anxiety mindset:

- In the area of ideology, Reddaway noted that throughout Brezhnev's 18-year reign no effort was made to produce a Communist Party Program to replace the program put forth by Nikita Khrushchev that had become a "horrible embarrassment." Instead of ideology, the regime, which became increasingly corrupt, turned to material goods as a way of satisfying popular desires of a population that was becoming increasingly skeptical of and cynical about ideology.
- In the economic sphere, the Soviet leadership concluded—based on the Czechoslovakia disaster of 1968—that economic reform in the USSR had to be avoided. As a substitute, the Soviet leadership became more dependent on the West for advanced machinery, grain and the like, something that in Reddaway's words "no superpower would allow itself to do."
- In the foreign policy arena, détente was essential to the Soviet leadership to gain access to Western machinery, grain, and credits, to make the West forget about Czechoslovakia, and to try to moderate Western military spending.

In Reddaway's view, these "negative anxieties" multiplied rapidly in the late 1970s and early 1980s. Détente unraveled—particularly with the Soviet invasion of Afghanistan that produced Western boycotts and alienated large parts of the Muslim world—the Solidarity movement took shape in Poland creating the horrendous specter of a communist regime being overthrown by a mass movement based on the working class, and dissent increased at home and had to be suppressed.

Reddaway concluded that CIA underestimated the cumulative impact of these domestic political weaknesses on Soviet leaders. Its analysts, in his view, did not pay enough attention to Soviet dependence on the West, and they overestimated the likelihood that Soviet leaders would act aggressively vis-à-vis the West in military matters.

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Footnotes:

[1] An essay about how CIG and CIA depicted Soviet policies during the 1946-50 period and copies of representative CIA analyses from the period are available in Woodrow J. Kuhns, ed., *Assessing the Soviet Threat: The Early Cold War Years* (Center for the Study of Intelligence, CIA, Washington, DC, 1997). A particular value of that volume's collection is that it contains current

intelligence items as well as longer research and estimative analyses and thus provides a basis for a more fine-grained discussion of, for example, Soviet policies in various regions of the world than is possible for the broader time period covered in this volume. In fall 1946, ORE's name was changed to Office of Reports and Estimates.

[2] The paper, dated 23 July 1946, was written in a few days time by a single analyst, Ludwell Montague, and was not coordinated with the heads of the US intelligence agencies. The DCI assured them that this had occurred because of time pressure and that he would normally seek coordination for such important products. As for its circumspection, it may have been lost on the paper's recipients in the White House. One study of this period states that "According to Clifford and Elsey, the Soviet Union sought world domination." See Melvyn P. Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford, CA: Stanford University Press, CA, 1992), p. 131.

[3] All three of these early major analyses can be found in Michael Warner, ed., *The CIA under Harry Truman: CIA Cold War Records* (History Staff, Center for the Study of Intelligence, CIA, Washington, DC, 1994).

[4] These words are taken from comments he sent to a conference held at CIA headquarters on 24 October 1997 on the subject covered in the Kuhns volume cited above.

[5] ORE 91-49, *Estimate of the Effects of the Soviet Possession of the Atomic Bomb upon the Security of the United States and upon the Probabilities of Direct Soviet Military Action* (6 April 1950). Excerpted in Kuhns, ed., *Assessing the Soviet Threat*, pp. 366-379.

[6] ORE 32-50, *The Effect of the Soviet Possession of Atomic Bombs on the Security of the United States* (9 June 1950). Reproduced in Warner, ed., *CIA under Truman*, pp. 327-333.

[7] These are described in more detail in Kuhns, *Assessing the Soviet Threat*.

[8] See ORE 17-50, *Soviet-Satellite Drive Against Western Influence in Eastern Europe* (2 June 1950).

[9] See ORE 8-50, *Evaluation of Soviet-Yugoslav Relations* (11 May 1950).

[10] See ORE 17-49, *The Strategic Importance of the Far East to the US and the USSR* (4 May 1949) and NIE-43, *The Strategic Importance of the Far East to the USSR* (13 November 1951).

[11] ORE 22-48, *Possibility of Direct Soviet Military Action During 1948* (2 April 1948) excerpted in Kuhns, *Assessing the Soviet Threat*, p. 187.

[12] These views are in Intelligence Memorandum No. 301, *Estimate of Soviet Intentions and Capabilities for Military Aggression* (30 June 1950). In fall 1950, when the issue of possible use of Chinese forces was the focus of intense interest in Washington, CIA in its current intelligence did not judge such use to be likely. See Kuhns, ed., *Assessing the Soviet Threat*, pp. 18-19.

[13] Intelligence Memorandum 323-SRC, *Soviet Preparations for Major Hostilities in 1950* (25 August 1950).

[14] The estimate was NIE-3, *Soviet Capabilities and Intentions* (15 November 1950), and the notion

—that the Soviet path to international change lay via war—brought into the main text of CIA's estimates (without dissent) what had been expressed only in the US Air Force dissent to the April 1950 paper about Soviet possession of atomic bombs, namely that "no major revolution is feasible without war."

[15] This information was supplied to the author in fall 2000 by James Hanrahan, a CIA veteran of this period and leader of this group. CAESAR 10A, a paper that summarizes the conclusions of the first nine CAESAR reports, was released by CIA to the National Archives and Records Administration in conjunction with the Princeton conference.

[16] One indicator of the dedication and intensity of the specialists in SRS is an urgent plea contained in an SRS think piece done just before the twenty-first party congress was to take place in 1961 to adopt the first new Communist Party of the Soviet Union (CPSU) program since 1919: "It is essential that all experts, whether in the intelligence, academic, or other public communities, gird themselves for a searching study of this program."

[17] CIA/SRS-5, *International Communism and Youth: The Challenge of the 1957 Moscow Festival* (6 June 1957).

[18] For an excellent treatment of the dangers of various kinds of conscious and unconscious bias in intelligence analysis, see Raymond L. Garthoff, "On Estimating and Imputing Intentions," *International Security*, Vol. 2, no. 4, (1978), pp. 22-32.

[19] NIE 10-2-54, *Communist Courses of Action in Asia Through mid-1955* (9 March 1954); NIE 11-4-54, *Soviet Capabilities and Probable Courses of Action Through mid-1959* (14 September 1954).

[20] NIE 11-4-58, *Main Trends in Soviet Capabilities and Policies, 1958-63* (23 December 1958).

[21] ONE, Memorandum for the Director, *An Appraisal of Soviet Intentions* (21 December 1961).

[22] NIE 12-56, *Probable Developments in the European Satellites Through 1960* (10 January 1956).

[23] SNIE 12-2-56, *Probable Developments in East Europe and Implications for Soviet Policy* (30 October 1956).

[24] SNIE 12-3-56, *Probable Developments in Soviet-Satellite Relations* (27 November 1956).

[25] NIE 11-4-57, *Main Trends in Soviet Capabilities and Policies 1957-1962* (12 November 1957).

[26] See Donald P. Steury, *On the Front Lines of the Cold War: Documents on the Intelligence War in Berlin, 1946 to 1961* (History Staff, Center for the Study of Intelligence, CIA, Washington, DC, 1999), for more detailed documentation and discussion of Berlin, including, but not limited to, the 1958-61 crisis period.

[27] An ONE staff memorandum dated 6 June 1960, *The Marshals and the Party: The Role of the Military in Current Soviet Politics*, delved deeply into the past to illuminate career experience connections between various political and military leaders.

[28] SNIE 100-6-60, *Probable Reactions to US Reconnaissance Satellite Programs* (9 August 1960).

[29] NIE 100-3-60, *Sino-Soviet Relations* (9 August 1960).

[30] SNIE 11-10-61, *Soviet Tactics in the Berlin Crisis* (24 August 1961).

[31] SNIE 11-10/1-61, *Soviet Tactics in the Berlin Crisis*, Supplement to SNIE 11-10-61 (5 October 1961).

[32] For some CIA analyses of the Cuban missile crisis, see Mary S. McAuliffe, ed., *CIA Documents on the Cuban Missile Crisis, 1962* (History Staff, CIA, Washington, DC, 1992).

[33] In the 1950s, the “11-4” NIEs were comprehensive and annual, addressing military capabilities and both domestic and foreign affairs, and were fitted into the NSC policy machinery of the Eisenhower administration. In the early 1960s, new series of separate estimates on strategic and conventional military capabilities were created (to handle the volume of data presented), and from the 1960s into the 1980s the “11-4” estimates, no longer annual, covered overall Soviet military or political-military policy with somewhat varying titles and areas of emphasis.

[34] NIE 11-65, *Soviet Politics After Khrushchev* (1 July 1965).

[35] NIE 11-7-66, *Main Trends in Soviet General Policies* (28 April 1966).

[36] The dead weight of bureaucracy in the USSR cropped up occasionally in CIA analysis. The best description may actually have been rendered a decade earlier by an SRS analyst who believed that Khrushchev’s 1957 industrial reorganization scheme was aimed at eradicating overcentralized bureaucratic structures: “During forty years of Bolshevism, Moscow had become what William Cobbett called London a century and a half ago, the great ‘Wen’...a web of administrative nerve lines converged on a vast ganglion of desks in the capital.”

[37] SNIE 11-16-70, *Soviet Attitudes Toward SALT* (19 February 1970).

[38] NIE 11-72, *Soviet Foreign Policies and the Outlook for Soviet-American Relations* (20 April 1972).

[39] Intelligence Monograph, *National Estimates: An Assessment of the Product and the Process* (Center for the Study of Intelligence, CIA, April 1977), TR/IM 77-03.

[40] NIEs continued to be done, but they were now directed by a group of “National Intelligence Officers” (NIOs)—one of whom was NIO for the USSR—appointed by the DCI. The group acquired a somewhat more regular shape as an office in 1979 when it became known as the National Intelligence Council (NIC), but it still did not have a drafting staff like ONE’s or a regular collegial review process. The NIC and NIOs exist today and report directly to the DCI.

[41] Just such a reorganization, replacing an inherited academic division of labor with sections reflecting regional theaters of operation, was carried out in 1943 within the Research and Analysis Branch of the Office of Strategic Services. One account records that the economists at first refused to serve with historians or political scientists and that the man in charge, William Langer, deserved a decoration for courage in “assaulting the academic fortifications.” See Barry M. Katz, *Foreign Intelligence: Research and Analysis in the Office of Strategic Services, 1942-1945* (Cambridge, MA: Harvard University Press, 1989), pp. 22, 102.

[42] The reorganization also created a new Office of Global Issues (dealing with narcotics, terrorism, etc.), which produced some papers on the USSR in the 1980s devoted to topics such as covert action, global presence, and foreign aid. For a discussion of how that office rather than SOVA was used in the 1980s to produce analysis regarding the “underside” of Soviet behavior, see Robert M. Gates, *From the Shadows: The Ultimate Insider's Story of Five Presidents and How They Won the Cold War* (New York: Simon & Schuster, 1996), pp. 200-208.

[43] Although CIA's Directorate of Intelligence had placed most of its Soviet affairs analysts (but not technical weapons specialists or those working in OGI) together under one office director, the several NIOs charged with examining different dimensions of the Soviet Union did their work in the more loosely knit NIC.

[44] This estimate stirred up quite a controversy inside and then outside CIA, including during the confirmation hearings for Robert M. Gates as DCI in 1991. See Raymond L. Garthoff, *The Great Transition: American-Soviet Relations and the End of the Cold War* (Washington, DC: The Brookings Institution, 1994), pp. 20-26, esp. footnote 47. For another useful account that notes how the episode entailed a breach between SOVA and the new DCI, William Casey, and led to more work on Soviet topics by OGI, see Gates, *From the Shadows*, pp. 200-208.

[45] The two Intelligence Assessments, both from SOVA, were *The Soviet Political Succession: Institutions, People, and Policies* (April 1982), and *Andropov's Political Position: The Importance of the June Plenum* (June 1983).

[46] Robert M. Gates describes the impact of a briefing on Soviet domestic stress points given by the head of the new branch to President Reagan in November 1985. See Gates, *From the Shadows*, pp. 343-344. Two papers laying out CIA's views of this topic were NIE 11-18-85, *Domestic Stresses on the Soviet System* (November 1985) and a SOVA research paper, *Domestic Stresses in the USSR* (April 1986).

[47] The two research papers were *Gorbachev's Campaign Against Alcohol* (April 1986) and *Debate over Openness in Soviet Propaganda and Culture* (August 1986).

[48] *The New CPSU Program: Charting the Soviet Future* and *The 27th CPSU Congress: Gorbachev's Unfinished Business*.

[49] *Gorbachev's War for Control of the Regional Party Apparatus: The Situation in Moscow* (December 1986).

[50] Intelligence Assessment, *The June Plenum and Supreme Soviet Session: Building Support for Economic Change* (September 1987).

[51] The NSA director was Lt. Gen. William Odom, USA, a close student of Soviet affairs. In remarks delivered at Princeton University on 10 March 2001 to the joint CIA-Princeton conference on *CIA's Analysis of the Soviet Union, 1947-1991*, former national security adviser Zbigniew Brzezinski recalled that Odom had written a prescient analysis in the late 1970s when he worked on NSC matters in the White House and foresaw that internal problems could bring about the collapse of the USSR by the end of the twentieth century.

[52] Executive Summary of DI Research Study, *Gorbachev Confronts the Challenge of Christianity*

(May 1988).

[53] Intelligence Assessment, *Gorbachev's Growing Confrontation With the KGB: A Coming Showdown?* (June 1988).

[54] See an Intelligence Assessment, *Kazakh Riots: Lessons for the Soviet Leadership* (June 1987), and a research paper, *Unrest in the Caucasus and the Challenge of Nationalism* (October 1988).

[55] Research paper, *Gorbachev's Reform of the State Institutions: Toward a Parliamentary System?* (March 1989).

[56] Research paper, *Gorbachev's Reorganization of the Party: Breaking the Stranglehold of the Apparatus* (June 1989).

[57] Research paper, *USSR: Redefining the Party's Role in the Economy* (August 1989).

[58] One of the senior policymakers for whom CIA analysts were writing was Robert M. Gates, their former boss in the 1980s as DDI and DDCI (and also for a time as NIO/USSR and NIC chairman) who had become deputy national security adviser to President George Bush. Gates had begun his CIA career in the late 1960s as an analyst of Soviet affairs and was known for generally conservative views on Soviet matters. At the White House, he was thought of as "generally more conservative than others in the administration regarding the Soviet Union," according to Philip Zelikow and Condoleezza Rice, *Germany Unified and Europe Transformed: A Study in Statecraft* (Cambridge, MA: Harvard University Press, 1995), p. 23. In his memoirs, Gates states that "Thanks to analysis and warnings from CIA, we at the White House began in the summer of 1989 to think about and prepare for a Soviet collapse." Instability was the chief danger, Gates thought, and in September 1989 he asked Condoleezza Rice to begin contingency planning "in very great secrecy." See Gates, *From the Shadows*, pp. 525-526.

[59] See *Spotlight on Perestroika* (April 1990).

[60] Intelligence Assessment, *The Supreme Soviet: Will It Be Supreme?* (July 1990).

[61] See research paper, *The Potential for Mass Unrest in Soviet Central Asia* (September 1990).

[62] Intelligence Assessment, *Gorbachev's November Maneuver* (December 1990).

[63] Intelligence Assessment, *Yeltsin's Political Objectives* (June 1991).

[64] SNIE 11-18.2-91, *Republics of the Former USSR: Outlook for Next Year* (September 1991).

[65] Intelligence Assessment, *Winners and Losers: Increasing Social Stratification in the Former Soviet Union* (November 1991).

[66] SNIE 11-18.3-91, *Civil Disorder in the Former USSR: Can It Be Managed?* (November 1991).

[67] NIE 11/2-86W, *The Soviet Bloc Role in International Terrorism and Revolutionary Violence* (August 1986).

[68] Intelligence Assessment, *Gorbachev's Modernization Program: Implications for Defense* (March

1986).

[69] SNIE 11-9-86, *Gorbachev's Policy Toward the United States, 1986-88* (September 1986). The Deputy Director for Intelligence of CIA, impressed with the evolution of Soviet military doctrine, took a more forward position than others in estimating that Moscow might be willing to consider reductions in nuclear arsenals on both sides.

[70] See research paper, *Soviet Policy Toward the Middle East* (date of information 5 December 1986).

[71] Gorbachev's foreign policy adviser Anatoly Chernyayev contends that Gorbachev "always considered every significant action or initiative from two perspectives—domestic and foreign." "It was always characteristic of Gorbachev's outlook from the outset to organically link domestic and foreign policies." See Anatoly S. Chernyayev, *My Six Years with Gorbachev*, trans. and ed. by Robert D. English and Elizabeth Tucker (University Park, PA: Pennsylvania State University Press, 2000), p. 192.

[72] Intelligence Assessment, *Gorbachev's New Foreign Policy Apparatus* (August 1987). Eduard Shevardnadze and Anatoly Chernyayev come in for little attention in this paper.

[73] A more complete story than is related here of how CIA covered the ensuing, final three years of the Gorbachev era—and of the USSR—is told in a CIA volume that contains a number of analyses from the period. See Benjamin B. Fischer, ed., *At Cold War's End: US Intelligence on the Soviet Union and Eastern Europe, 1989-1991* (Washington, DC: Center for the Study of Intelligence, CIA, 1999), pp. ix-xliv. That account draws relatively more heavily on national intelligence estimates than this one, though two key CIA Directorate of Intelligence analyses are included. Unfortunately, neither account makes use of CIA's current intelligence analysis.

[74] Intelligence Assessment, *The Changing Role of Civilian Advisers in Shaping Soviet National Security Policy* (January 1989).

[75] Intelligence Assessment, *Moscow's 1989 Agenda for US-Soviet Relations* (February 1989).

[76] Intelligence Assessment, *Gorbachev's Foreign Policy* (February 1989).

[77] Intelligence Assessment, *Trends in Soviet Policy in the Third World Under Gorbachev* (March 1989).

[78] Memorandum, *Sino-Soviet Relations: The Summit and Beyond* (9 May 1989).

[79] Intelligence Assessment, *USSR: Developing a Game Plan for Six-Power Meetings on German Unification* (March 1990).

[80] Intelligence Assessment, *Moscow's Push for a New European Order* (June 1990).

[81] Intelligence Assessment, *USSR-East Asia: Moscow Realigning Its Policy* (May 1990).

[82] NIE 11-18-91, *Implications of Alternative Soviet Futures* (June 1991).

[83] This controversy is a useful one if it helps analysts cope better in the future with questions

such as how change will come about in communist China, or more basically, if it illuminates the key questions analysts should focus on in trying to foresee how empires or regimes end or are transformed. The analytic tasks involved are formidable. By the late 1980s in the USSR, the changes under way were revolutionary, the course of events was contingent upon many factors, and even better “insider” knowledge of Gorbachev’s conceptual vision or tactical political planning at any juncture would not have afforded an analyst a sure map for preparing prescient national intelligence estimates for US policymakers.

[84] For two useful essays on how CIA covered the downfall of the USSR and for a helpful sampling of excerpts from CIA analytic papers, particularly for the Gorbachev period, see Kirsten Lundberg, *CIA and the Fall of the Soviet Empire: The Politics of “Getting It Right,”* Case Study C16-94-1251.0 for the Intelligence and Policy Project, John F. Kennedy School of Government, (Cambridge, MA: Harvard University Press, 1994); and Douglas J. MacEachin, *CIA Assessments of the Soviet Union: The Record Versus the Charges* (Washington, DC: Center for the Study of Intelligence, CIA, May 1996).

[85] CIA clearly recognizes the value of enhancing the public record on this subject. It has declassified material dealing with so recent a period as the last years of the USSR (far short of awaiting 25-year automatic declassification) and cosponsored conferences to allow scholars and others to discuss the material (at Texas A&M University in November 1999 and at Princeton University in March 2001). An excellent next step would be for CIA to review and release all remaining NIEs relating to the USSR (about 70 per cent already have been released) and publish a complete list of the titles of all such NIEs, including those which cannot for good reasons be released. Another helpful step would be for CIA to invite outside scholars to review the Agency’s entire analytic publication record on the USSR and to assist in the selection of additional analyses for declassification review and public release. (This approach was used in a limited way for the Princeton University conference of 2001.) For individual Cold War episodes of particular interest, regular daily and tailored policy support intelligence analyses as well as the research and estimative record should be reviewed and released. The overall goal should be to release, under a broad policy that retains as classified only material that would jeopardize current or future intelligence operations, the entire Cold War analysis record of CIA to enable scholars and the public to know more surely what CIA did or did not say on the full range of issues.

[86] An SS-20 is a Soviet intermediate range, road mobile, solid propellant MIRV capable ballistic missile.