Assessing Sustainability of Command Economies and Totalitarian Regimes: The Soviet Case

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By Andrew W. Marshall and Abram N. Shulsky

Andrew W. Marshall is an American foreign policy strategist who served as director of the U.S. Department of Defense's Office of Net Assessment from 1973 to 2015. Appointed to the position by President Richard Nixon, Marshall remained in office during all successive administrations until his retirement in 2015. **Abram N. Shulsky** is a Senior Fellow at the Hudson Institute in Washington, DC.

Abstract: *Throughout the Cold War, U.S. policymakers needed accurate assessments of Soviet economic reality and prospects. In the future, the United States will face adversaries with similarly opaque command (or mixed command and free market) economies; accurately assessing their size and health will remain important. The "default" method has been the development of complex quantitative methodologies which, despite their necessary reliance on poor quality and perhaps manipulated data, produce an output that appears "objective" and precise. This can be counteracted in part by focusing on the likely biases in the input date, as caused, for example, by the ulterior motives of those providing it. Furthermore, intelligence must constantly search for, and make use of, new sources of insights even if they are "subjective" and less precise in nature. In addition, the economics profession should focus on new sources for assessing non-market economies, especially since many of the sources will not involve classified information.*

In 1991, the late former Director of the Central Intelligence Agency Stansfield Turner, referring to his time in office (1977-1980), wrote that the CIA had underestimated the difficulties facing the Soviet Union. He wrote, "We should not gloss over the enormity of this failure to forecast the magnitude of the Soviet crisis."[1] As the Soviet Union entered its final years, many economists, both in the East and West, argued that we had overestimated systematically the size of the Soviet economy.[2] When communism was overthrown in Eastern Europe in 1989, and in the Soviet Union itself soon after, the vast economic disparity between the West and East was on display for all to see.

This question of the economic health and sustainability of the Soviet Union was of major importance for U.S. policymaking throughout the Cold War. A belief

[1] Stansfield Turner, "Intelligence for a New World Order," *Foreign Affairs,* Fall 1991, p. 162.
[2] See Henry S. Rowen and Charles Wolf, Jr., eds., *The Impoverished Superpower: Perestroika and the Soviet Military Burden* (San Francisco, CA: Institute of Contemporary Studies, 1990), ch. 1 and 2 for a comprehensive treatment of this point.

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that the Soviet economy was, despite any problems and difficulties from which it might be suffering, nevertheless growing more quickly than that of the United States fostered the view that the best we could hope for was co-existence and perhaps convergence of the two systems. The alternative possibility, that the Soviet economy suffered from serious and fundamental difficulties that could not be resolved readily allowed for a more optimistic view. The differing perspectives on Soviet economic health also affected the estimate of the Soviet defense burden (i.e., the share of the total GNP claimed by the military) and related sectors of the economy (e.g., civil defense.) These estimates were of great importance because they informed U.S. policy judgments about how the Soviets might react to various levels of U.S. defense spending.

More generally, the estimates affected the optimism or pessimism with which one regarded the long-term competition with the Soviet Union. Those who, like economist John Kenneth Galbraith, saw the Soviet Union as an essentially successful economic system, tended to believe that a slow "convergence" between it and capitalism was the best we could hope for. In particular, these experts tended to believe that no extra effort by the United States could better its relative position, since the Soviets would have no trouble matching it.[3]

At the other end of the spectrum, James Schlesinger (who served as Director of Central Intelligence and then Secretary of Defense in 1973-1975) believed that the size of the Soviet economy was being overestimated and that the Soviet defense burden was being significantly underestimated. Thus, he intended to discount the pessimistic view of the U.S. long-term prospects vis-à-vis the Soviet Union.

In the future, the United States likely will face adversaries with command (or mixed command and free market) economies about which reliable data may not be officially available. Thus, accurately assessing the size and health of such economies is likely to remain an important task for U.S. intelligence agencies moving forward—hence, the value of looking carefully at how well they performed this task in the past.

The question of the accuracy of U.S intelligence estimates of the Soviet economy was debated vigorously in the 1990s. Various participants in the debate emphasized that the CIA had been discussing the slow-down in Soviet economic growth rates since at least the mid-1960s (when the Soviet Union, under Premier Alexei Kosygin, introduced a set of "economic reform" measures).[4] Nevertheless,

[3] For example, in 1984, Galbraith warned against trying to "arm race" the Soviets: "By its nature, military production is an exercise in central planning. . . . In this competition we force upon them more of the planning in which they are manifestly experienced and we are forced to the central planning that no one suggests is our special forte." Evidently, he believed that the difference in overall size of the economies would not be significant in this regard. "Reflections," *The New Yorker*, Sept. 3, 1984, p. 61.

[4] See, for example, "CIA and the Fall of the Soviet Empire: The Politics of 'Getting It Right,'" a case study by Kirsten Lundberg for the Harvard Intelligence and Policy Project, Kennedy School of Government, Harvard University, 1994, https://www.cia.gov/library/readingroom/docs/DOC_0005302423.pdf; and Marc Trachtenberg, "Assessing Soviet Economic Performance during the Cold War: A Failure of Intelligence?" Stanford Center for International Security and Cooperation, Oct. 9, 2014,