

Assessing Soviet Economic Performance during the Cold War:

A Failure of Intelligence?

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The swift and peaceful collapse of the Communist order, first in eastern Europe and then in the Soviet Union itself, amazed people at the time. What had happened between 1989 and 1991 was obviously of extraordinary historical and political importance, and no one had expected the Soviet system to end the way it did. But why did it come as such a surprise? Shouldn't the experts in the West who had devoted their lives to the study of the Soviet Union have been able to see that such enormous changes were in the making?

Many observers felt that social scientists in general, and economists in particular, had failed, as Martin Malia put it, to understand “the deeper dynamics driving Soviet reality.” Their writings, in Malia's view, had suggested that the Soviet system was perfectly viable. They had mistakenly taken it for granted that the Soviet Union was “just another” modern society—that it was “as much a going concern as its ‘capitalist’ adversary.” Viewing things through that social scientific lens, Western scholars, Malia thought, had unable to see how serious the USSR's problems were; this was the main reason why so many of them had “been so wrong about so much for so long.”¹ Western economists in particular, he said, had been unable to see that the USSR had to deal with some very grave and perhaps even fatal problems; the more pessimistic line taken by some émigré Russian economists was generally, and mistakenly, dismissed out of hand. Mainstream economists in the West, he believed, had greatly overestimated Soviet economic performance; and if it had not been for that, political scientists, sociologists, and historians would scarcely have painted such a rosy picture of Soviet performance in the areas they studied.²

Malia was by no means the only scholar writing after the collapse of Soviet Union to argue along those lines. Vladimir Kontorovich, for example, claimed flatly that western specialists in this area had failed to “‘diagnose observable tendencies,’ such as the continued decline of economic growth rates.”³ According to Igor Birman, another émigré economist—and one much admired by Malia—it was “only in 1981, or

¹ Martin Malia, *The Soviet Tragedy: A History of Socialism in Russia, 1917-1991* (New York: Free Press, 1994) ([link](#)), pp. 5-9.

² Ibid., p. 362, and Martin Malia, “Out of the Rubble, What?” *Problems of Communism* 41, nos. 1-2 (January-April 1992) ([link](#)), pp. 96-97.

³ Vladimir Kontorovich, “Economists, Soviet Growth Slowdown and the Collapse,” *Europe-Asia Studies* 53, no. 5 (2001), p. 676 ([link](#)) The internal quotation, from a passage in a book by Joseph Schumpeter which Kontorovich had quoted from on p. 675.

maybe in 1982,” that people began “talking about problems within the Soviet economy.”⁴ Even today, many observers still take it for granted that the economics profession, and indeed scholars more generally, essentially missed what was going on in the USSR—a major failure, given the importance of the issue.⁵

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

Indeed, Moynihan felt, the CIA had done such a poor job in this area that he thought the Agency should be abolished. The CIA, in his view, had utterly failed to see how serious the USSR’s economic problems were, and he made that point over and over again. “For 40 years,” he wrote in 1990, “we have hugely overestimated both the size of the Soviet economy and its rate of growth. This in turn has persistently distorted our estimates of the Soviet threat—notably, in the 1980s when we turned ourselves into a debtor nation to pay for the arms to counter the threat of a nation whose home front, unbeknownst to us,

⁴ Igor Birman, “The Soviet Economy: Alternative Views,” *Survey* 29, no. 2 (Summer 1985), p. 113.

⁵ Note, for example, the characterization of the conventional wisdom among scholars even in the early 1990s in Stephen Brooks and William Wohlforth, “Economic Constraints and the End of the Cold War,” in William Wohlforth, ed., *Cold War Endgame: Oral History, Analysis, Debates* (University Park: Pennsylvania State University Press, 2003) ([link](#)), p. 275. Note also the works referred to in William Wohlforth and Randall Schweller, “Power Test: Evaluating Realism in Response to the End of the Cold War,” *Security Studies* 9, no. 3 (Spring 2000) ([link](#)), p. 86.

⁶ Daniel Patrick Moynihan, “Do We Still Need the C.I.A.?” *New York Times*, May 19, 1991 ([link](#)), p. 17.

was collapsing.”⁷ Moynihan boasted later that year that he had been able to see as early as 1979 that “Soviet economic growth was coming to a halt,” and that “the society as well as the economy was sick.” “But our intelligence community,” he said, “just couldn't believe this. They kept reporting that the economy was soaring!”⁸

In the public discussion, and to a certain extent even in the scholarly literature, such claims were treated as established fact. “As the Bay of Pigs was to intelligence operations,” the columnist William Safire wrote in the *New York Times* in 1990, “the extended misreading of the Soviet economic debacle is to intelligence evaluation.”⁹ According to a 1992 article in the *Wall Street Journal*, the CIA’s track record “on the really big developments” was “hit-or-miss at best,” with “the downward spiral of the Soviet economy” counting as one of the “more spectacular misses.”¹⁰ In 1994 a *Newsweek* columnist noted in passing that the CIA story was “one of repeated intelligence failures,” culminating in the “monumental miscalculation of the size of the Soviet economy, which the CIA judged to be three times as big as it really was.”¹¹ And in 1995 the *Washington Post* columnist Mary McGrory asked rhetorically whether any government department had “goofed up more than the Central Intelligence Agency?” “Their most egregious and expensive blunder about the Soviet economy we are still paying for.”¹² The same basic point was made by a former CIA officer, Melvin Goodman, in 1997; it was not until the mid-1980s, Goodman wrote, that the CIA “finally began to report lower growth rates for the economy.” The CIA, in his view, “completely misread the qualitative and comparative economic picture and provided no warning to policymakers of the dramatic economic decline of

⁷ Daniel Patrick Moynihan, “The Soviet Economy: Boy, Were We Wrong!” *Washington Post*, July 11, 1990 ([link](#)), p. A19.

⁸ Daniel Patrick Moynihan, “How America Blew It,” *Newsweek* 116, no. 24 (December 10, 1990) ([link](#)), p. 14. He was alluding to his article “Will Russia Blow Up?” published in the November 19, 1979, issue of *Newsweek* ([link](#)).

⁹ William Safire, “Intelligence Fiasco,” *New York Times*, April 27, 1990, p. A35 ([link](#)).

¹⁰ Marvin Ott, “Reform Task for Woolsey at the CIA,” *Wall Street Journal*, December 23, 1992 ([link](#)), p. A8.

¹¹ Jonathan Alter, “Not-So-Smart Intelligence,” *Newsweek* 123, no. 10 (March 7, 1994), p. 31 ([link](#)).

¹² Mary McGrory, “Spies Are Never Out in the Cold,” *Washington Post*, March 14, 1995, p. A2 ([link](#)).

the 1980s.”¹³ And some leading scholars also took the view that “CIA estimates dramatically underreported the severity of the decline that preceded Gorbachev and accelerated during his leadership.”¹⁴

It was not just the Americans, the argument ran, who had failed to understand what was going on in the USSR. The Soviets themselves, it was said, had “reason to be confident in their economy,” at least until around 1975; it was only later that “serious weaknesses” showed up.¹⁵ Part of the problem was that the leadership relied on inflated figures its own bureaucracy generated; it therefore had little sense for what was really going on. “For all one knows,” Walter Laqueur writes, “the Soviet leaders (certainly under Brezhnev) were as ignorant as the Sovietologists about the real state of the economy, because they were misled by their underlings, who, in turn, were misinformed by the local informants.”¹⁶ Or maybe the regime simply did not want to know the truth—that it was determined to turn a blind eye to the country’s problems and to pretend, even to itself, that nothing was really wrong.¹⁷

The goal here is to examine some of these arguments in the light of the massive body of evidence we now have bearing on the subject. This, of course, is not the first time these issues have been

¹³ Melvin Goodman, “Ending the CIA’s Cold War Legacy,” *Foreign Policy*, No. 106 (Spring, 1997) ([link](#)), p. 141.

¹⁴ Brooks and Wohlforth, “Economic Constraints,” p. 276 n.8 ([link](#)). As proof, they cite Kontorovich, “Economists, Soviet Growth Slowdown, and the Collapse” ([link](#)). But Kontorovich was not concerned with the reporting of the decline as it was happening or afterwards. He wanted to show instead that the predictions economists had made had turned out to be over-optimistic, and in making that point he took the CIA estimates as valid indicators of actual performance. Notes to his table 1, p. 679. As far as the predictions were concerned, he thought the CIA had done a better job than other analysts, and noted that most experts thought that the CIA was excessively pessimistic when it predicted a growth rate of only 2%: “most analysts,” one observer wrote at the time, “are highly skeptical that the slowdown will go that far.” The CIA, another scholar wrote, was depicting “Soviet economic prospects as more desperate, and Soviet policy choices as more dramatic, than most scholars consider plausible” (p. 691).

¹⁵ Richard N. Cooper, “Economic Aspects of the Cold War, 1962-1975,” in Melvyn Leffler and Odd Arne Westad, eds., *The Cambridge History of the Cold War 2* (Cambridge: Cambridge University Press, 2010), p. 50. See also William Wohlforth, “Realism and the End of the Cold War,” *International Security* 19, no. 3 (Winter 1994-95) ([link](#)), pp. 109-110 ([link](#)); Stephen Brooks and William Wohlforth, “Power, Globalization, and the End of the Cold War: Reevaluating a Landmark Case for Ideas,” *International Security* 25, no. 3 (Winter 2000-2001) ([link](#)), p. 28; “Z” [Martin Malia], “To the Stalin Mausoleum,” *Daedalus* 119, no. 1 (Winter 1990) ([link](#)), p. 322; Hal Brands, *What Good is Grand Strategy? Power and Purpose in American Statecraft from Harry S. Truman to George W. Bush* (Ithaca: Cornell University Press, 2014), p. 10; and Tim Weiner, *Legacy of Ashes: The History of the CIA* (New York: Doubleday, 2007), p. 417.

¹⁶ Walter Laqueur, *Fin de Siècle and Other Essays on America and Europe* (New Brunswick: Transaction, 1997) ([link](#)), p. 136. (Brezhnev was General Secretary from 1964 to his death in 1982.) Note also the foreword by Georgi Arbatov in Patrick Morgan and Keith Nelson, eds., *Re-viewing the Cold War: Domestic Factors and Foreign Policy in the East-West Confrontation* (Westport: Praeger, 2000), p. xiii. ([link](#)); and Christopher Andrew and Vasili Mitrokhin, *The World Was Going Our Way: The KGB and the Battle for the Third World* (New York: Basic Books, 2005), p. 23.

¹⁷ See, for example, Alexander Chubarov, *Russia’s Bitter Path to Modernity: A History of the Soviet and Post-Soviet Eras* (New York: Continuum, 2001), p. 149.

dealt with. A number of writers have defended the performance of western economists specializing in this area; Gertrude Schroeder's "Reflections on Economic Sovietology" (1995) is of particular interest in this context.¹⁸ There is, moreover, a certain body of work dealing with—and mainly defending—the CIA's work on the Soviet economy.¹⁹ But those studies of the CIA's performance focused mainly on the mid- and late 1980s. The focus here, however, will be on an earlier period: the period from the mid-1960s to about 1985. The goal is to give some feel for the sort of thinking that went into economic assessments, both on the part of the CIA analysts and their academic colleagues (who, it is important to note, were part of the same intellectual community); I want to show, in fact, how impressive that thinking was, and how early the key ideas took shape in those circles. But the aim here is not simply to set the record straight. The more basic goal is to provide a lens through which the history of the later Cold War can be viewed. For if both the Soviets and the western powers—as I will argue—understood how serious the USSR's economic problems were, then that was bound to have had a major impact on the sort of policy each side pursued. It follows that we need to keep the Soviet economic problem in mind—a lot more than we have—as we try to make sense of great power politics not just in the late 1980s but in the whole period from 1963 to 1991.

Measuring Soviet Economic Performance

Was it true, as many observers have claimed, that the academic economists had failed to see what was going on with the Soviet economy, that the CIA analysts had presented much too rosy a picture,

¹⁸ Gertrude Schroeder, "Reflections on Economic Sovietology," *Post-Soviet Affairs* 11, no. 3 (1995).

¹⁹ See David Kennedy, "Sunshine and Shadow: The CIA and the Soviet Economy," Kennedy School Case Study C16-91-1096.0 (Harvard University, Kennedy School of Government, 1991); Kirsten Lundberg, "The CIA and the Fall of the Soviet Empire: The Politics of Getting It Right," Kennedy School Case Study C16-94-12510 (Harvard University, Kennedy School of Government, 1994); Bruce Berkowitz and Jeffrey T. Richelson, "The CIA Vindicated: The Soviet Collapse Was Predicted," *The National Interest*, no. 41 (September 1995); Bruce D. Berkowitz, "U.S. Intelligence Estimates of the Soviet Collapse: Reality and Perception," *International Journal of Intelligence and Counterintelligence* 21, no. 2 (2008) ([link](#)); Douglas J. MacEachin, *CIA Assessments of the Soviet Union: The Record Versus the Charges* (Washington, DC: CIA Center for the Study of Intelligence, 1996) ([main study](#)) ([appendix](#)) ([bibliography](#)); Abraham Becker, "Intelligence Fiasco or Reasoned Accounting?: CIA Estimates of Soviet GNP," *Post-Soviet Affairs* 10, no. 4 (1994); and James Noren, "CIA's Analysis of the Soviet Economy," in Gerald Haines and Robert Leggett, eds., *Watching the Bear: Essays on CIA's Analysis of the Soviet Union* (Langley: CIA Center for the Study of Intelligence, 2003) ([link](#)). In 1991, a Congressional committee asked a panel of specialists to assess the CIA's work in this area. For its report, see James Millar et al., "An Evaluation of the CIA's Analysis of Soviet Economic Performance, 1970-1990," *Comparative Economic Studies* 35, no. 2 (summer 1993) ([link](#)).

and that the Soviet leadership itself did not really understand what was going on? If true, that conclusion would have a major bearing on how we should interpret the period. But is it in fact correct?

In a word the answer is no. There is, for example, no basis for the claim that western economists had failed to “‘diagnose observable tendencies,’ such as the continued decline of economic growth rates.”²⁰ Experts in this area had little trouble recognizing that the Soviet growth rate was falling. It was widely understood by the mid-1960s that the Soviet economy was growing less rapidly than in the past. As the CIA’s leading expert on the Soviet economy, Rush Greenslade, pointed out in 1966, “the slowdown of economic growth in the U.S.S.R. is now a well-known story,” and Abram Bergson, Professor of Economics at Harvard and the most prominent scholar working in this area, referred to it in a 1966 roundtable as a “very familiar fact.”²¹ That general point, moreover, was commonly noted in the press at the time. Even a casual reader of the *New York Times*, for example—someone who merely glanced at the headlines—could scarcely fail to note that the Soviet growth rate had declined. (See Table 1.) Subsequent calculations simply underscored the basic point here. The growth rate was worse in the early 1970s than it had been in the late 1960s; it was worse in the late 1970s than it had been in the first part of that decade; and in the early 1980s it was lower still. (See Table 2.) As one scholar put it in 1995 looking back on this whole period: “The Soviet economy seemed to be gradually running out of steam, being dragged to stagnation and decline by some inexorable underlying process.”²²

²⁰ Kontorovich, “Economists, Soviet Growth Slowdown and the Collapse,” [link](#), p. 676.

²¹ Rush Greenslade, “The Soviet Economic System in Transition,” in U.S. Congress, Joint Economic Committee, *New Directions in the Soviet Economy* (Washington: GPO, 1966), Part I, p. 4 [link](#), and Abram Bergson et al., “Soviet Economic Performance and Reform: Some Problems of Analysis and Prognosis (A Round-Table Discussion),” *Slavic Review* 25, no. 2 (June 1966) [link](#) [henceforth cited as “*Slavic Review* Roundtable”], p. 231.

²² Schroeder, “Reflections on Economic Sovietology,” p. 209.

Table 1: New York Times Articles Relating to Soviet Economic Performance, 1958-1985

- *“Allen Dulles Sees U.S. Peril in Soviet’s Economic Rise” (April 29, 1958) ([link](#))
- *“Soviet Closing Output Gap, Allen Dulles Warns U.S.” (November 14, 1959) ([link](#))
- “C.I.A. Forecasts Soviet Output Will Grow 80% in Next Decade” (June 23, 1960) ([link](#))
- “Doubling of Output by Soviet Indicated” (May 9, 1961) ([link](#))
- *“U.S. Will Cite Lag in Soviet Growth to Deter Credits” (January 9, 1964) ([link](#))
- “Communists’ Economic Challenge to West Wanes” (January 10, 1964) ([link](#))
- “Added Data Strengthen Belief in Slowdown of Soviet Growth” (March 22, 1964) ([link](#))
- “Communist Drive to Overtake West’s Industrial Output Lags” (May 3, 1964) ([link](#))
- “Slowdown Continues” (October 25, 1964) ([link](#))
- “Premier Says Soviet Economy is Beset by Lag in Production” (December 14, 1964) ([link](#))
- “U.S. Increasing Lead over Soviet” (January 17, 1965) ([link](#))
- “Soviet Economy Remains Sluggish” (January 16, 1970) ([link](#))
- *“Brezhnev Reports Wide Economic Ills, Asks Tight Control” (January 17, 1970) ([link](#))
- *“Brezhnev Urges Fresh Solutions to Economic Ills” (April 14, 1970) ([link](#))
- “C.I.A. in a Report to a Congressional Committee, Predicts an Economic Slowdown in Soviet Union” (August 9, 1977) ([link](#))
- “C.I.A. Sees Stagnation in Soviet” (May 31, 1983) ([link](#))
- *“Russian Economy Gives Andropov Huge Problems” (June 12, 1983) ([link](#))
- *“Andropov Assails Economic Failings of Soviet System” (December 29, 1983) ([link](#))
- *“Soviet Economic Stupor: Gorbachev Faces Daunting Task of Rousing Agriculture, Industry and the Bureaucracy” (March 15, 1985) ([link](#))

*Front-page articles are marked with an asterisk

Table 2: CIA Estimates of Average Annual National Income Growth Rates^a

	1951-55	1956-60	1961-65	1966-70	1971-75	1976-79	1981-85
USSR:							
1967 estimate	6.8	6.4	4.7				
1982 estimate	5.5	5.9	5.0	5.2	3.7	3.0	
1990 estimate	4.9	5.5	4.8	4.9	3.0	1.9 ^c	1.8
OECD:							
United States ^b	4.2	2.3	4.6	3.1	2.3	4.4	
Japan ^b	7.2	8.6	10.0	12.2	5.0	5.9	
France ^b	3.7	5.0	5.8	5.4	4.0	3.7	
West Germany ^b	9.2	6.5	5.0	4.4	2.1	4.0	
Total OECD ^b			5.2	4.8	3.1	4.0	

^a Gross National Product for USSR; Gross Domestic Product for OECD countries

^b From 1982 estimate

^c For 1976-80

Sources:

1967 estimate: Central Intelligence Agency, "Soviet Economic Problems and Prospects," NIE 11-5-67, May 25, 1967, pp. 3-4, CREST system ([link](#))

1982 estimate: Central Intelligence Agency, "USSR: Measures of Economic Growth and Development, 1950-80," December 1982 (prepared for the Joint Economic Committee), tables 1 and A-2, pp. 20 and 55 ([link](#))

1990 estimate: Central Intelligence Agency, "Measures of Soviet Gross National Product in 1982 Prices," November 1990 (prepared for the Joint Economic Committee) ([link](#)), table A-2, p. 58.

What about Moynihan's claim that the CIA had given the impression that the Soviet economy was growing a lot faster than America's and that the USSR might well out-produce the United States in the not-too-distant future? That certainly had been the CIA's view in the late 1950s. At that time, the Soviet economy seemed to be growing rapidly; the U.S. economy appeared sluggish in comparison. If that trend continued, the USSR might actually be able to overtake the United States not too far down the road. The Soviet leader, Nikita Khrushchev, predicted repeatedly that by around 1970 the USSR would catch up with and overtake the United States in per capita production, and in 1961 the goal of surpassing America by the end of the decade was even included in the official party program.²³ The political implications were clear: if the Soviet Union was able to out-produce the United States, the "correlation of forces" would shift, and the Communist side would soon have the upper hand in its conflict with the West.²⁴

In the United States Soviet boasts were by no means dismissed as mere propaganda. Eisenhower's CIA Director Allen Dulles sounded the alarm in a 1958 speech. The Soviet economy was expanding rapidly; the USSR seemed to be catching up with America. The United States was thus confronted with "the most serious challenge" it had ever had to face in time of peace. "If the Soviet industrial growth rate persists at 8 or 9 per cent per annum over the next decade, as is forecast," he told a Congressional committee the next year, "the gap between our two economies by 1970 will be dangerously narrowed unless our own industrial growth rate is substantially increased from the present pace." The *New York Times* praised Dulles for "brilliantly" warning the country "of the perils that threaten our survival." The paper agreed that "future Soviet growth to at least 1970 seems sure to be rapid," and that America's "margin

²³ See, for example, Gur Ofer, "Soviet Economic Growth: 1928-1985," *Journal of Economic Literature* 25, no. 4 (December 1987) ([link](#)), p. 1798; Zbigniew Brzezinski, *The Grand Failure: The Birth and Death of Communism in the Twentieth Century* (New York: Scribner, 1989), pp. 35, 53; and Geir Lundestad, *The Rise and Decline of the American "Empire": Power and its Limits in Comparative Perspective* (Oxford: Oxford University Press, 2012), p. 18. A July 1963 CIA document quoted Khrushchev as saying in 1961: "I am asked, 'Mr. Khrushchev, what do you think? In what year will you catch up with America?' - - My reply is: 'you can write down in your little notebook that we will overtake you in *per capita* industrial production by 1970.'" "Post-Mortem on 'Trends in the Soviet Economy (1950-63)," July 26, 1963, available through the CREST [CIA Records Search Tool] system ([link](#) to CREST main webpage) ([link](#) to document).

²⁴ See Gareth Porter, *Perils of Dominance: Imbalance of Power and the Road to War in Vietnam* (Berkeley: University of California Press, 2005) ([link](#)), p. 21.

of superiority over the Soviet Union” would be “narrowed dangerously” if the United States did not speed up its own growth rate.²⁵

Those concerns were widely shared within the American political class and the issue played a major and perhaps decisive role in the 1960 presidential election. Soviet output might be only 44 percent of America’s today, the Democratic candidate, Senator John F. Kennedy, pointed out in the first presidential debate. But the narrowing of that gap was posing a real threat to American security. Kennedy did not want to see the day when Soviet production was “60 percent of ours and 70 and 75 and 80 and 90 percent of ours, with all the force and power that it could bring to bear to cause our destruction.” America’s independence, indeed America’s survival, was at risk; the Eisenhower policy was too passive; a far more active policy was in order.²⁶ And the U.S. economy did revive after the change of administration, in part thanks to some modest expansionist policies that were put into effect during the Kennedy period. GDP grew by over 6 percent in 1962 and by over 4 percent in 1963, and this was no mere flash in the pan. The annual growth rate, according to current calculations, was twice as high in the four years after Kennedy took over (5.7%) as it had been during Eisenhower’s second term (2.8%).²⁷

The Soviet economy, on the other hand, had started to run into trouble. In January 1964, the CIA reported that the Soviet growth rate had dropped from between 6 and 10 percent in the 1950s “to less

²⁵ Allen Dulles speech to U.S. Chamber of Commerce, *New York Times*, April 29, 1958, p. 8 ([link](#)); “Allen Dulles Sees U.S. Peril in Soviet’s Economic Rise,” *New York Times*, April 29, 1958, p. 1 ([link](#)); “Soviet Closing Output Gap, Allen Dulles Warns U.S.,” *New York Times*, November 14, 1959 ([link](#)); and “Allen Dulles’ Warning,” *New York Times*, Nov. 16, 1959, p. 30 ([link](#)).

²⁶ Transcript of First Kennedy-Nixon debate, September 26, 1960 ([link](#)), pp. 73, 91-92. Even during the election campaign, the CIA was continuing to predict that the Soviet economy would grow rapidly in the 1960s. See Harry Schwartz, “CIA Forecasts Soviet Output Will Grow 80% in Next Decade,” *New York Times*, June 23, 1960, p. 36 ([link](#)). It was not just the Democrats who expressed concern. A number of leading Republicans, most notably New York Governor Nelson Rockefeller, also stressed the seriousness of the problem. There are a number of works that deal with the Soviet economic challenge as an issue in American domestic politics, but probably the best account is given in John Kestner’s dissertation, “Through the Looking Glass: American Perceptions of the Soviet Economy, 1941-1964” (University of Wisconsin, 1999) ([link](#)), chapters 5-7.

²⁷ See U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts Tables ([link](#)), section 1, table 1-1-1, line 1 and table 1-1-6, line 1. (For historical data, go to the table and then click the “modify” link and enter appropriate dates.)

than 2.5 percent in 1962 and 1963.”²⁸ That finding was considered extraordinarily important; the new president, Lyndon Johnson, sent a special delegation to Europe to brief the NATO allies on what had been learned.²⁹ To be sure, those exceptionally low growth rates could be attributed in large part to shortfalls in agriculture brought on by unusually bad weather, and Soviet performance did improve somewhat in subsequent years. But the rebound was limited. According to one estimate made at the time, the Soviet economy was growing at a rate of about 4 percent in the early 1960s, well below what had been predicted.³⁰ All of this, in fact, came as quite a surprise to the U.S. experts who followed these issues, both in the CIA and in academia. As one of them pointed out in 1966, most analysts had expected a certain slowdown in Soviet economic growth, “but the suddenness of the change, like a horse going lame, surprised many, including this writer.”³¹

Thus, while it is indeed true that both the CIA and, to a certain extent, the academic economists, took the view in the late 1950s and very early 1960s that the Soviets were quickly gaining on America in the “great economic race” (as Bergson called it), that view faded rapidly and a rather different picture took shape. The Soviet economy was still gaining on the United States, but more slowly than before. The ratio of Soviet to American GNP, according to a 1970 CIA estimate, increased from about 48% in 1961 to only about 51% in 1969.³² By the late 1970s, the tide seemed to have turned: the USSR now seemed to be losing ground. Soviet GNP, according to an estimate the CIA produced in 1984, was only 55% of America’s, down from 58% in 1975, and no greater than it had been in 1970. (See Figure 1.) And if one compared the two blocs, the picture was even clearer. In 1960, America and her allies were producing three times as much as the Warsaw

²⁸ Edwin Dale, “U.S. Will Cite Lag in Soviet Growth to Deter Credits,” *New York Times*, January 9, 1964, p. 1 ([link](#)). See also Rush Greenslade, “CIA Meets the Press,” *Studies in Intelligence*, vol. 31, no. 2 (Spring 1969) ([link](#)), and the January 9, 1964, press release cited in the Greenslade article, “Soviet Economic Problems Multiply,” CREST system ([link](#)).

²⁹ Noren, “CIA’s Analysis of the Soviet Economy,” p. 19 ([link](#)).

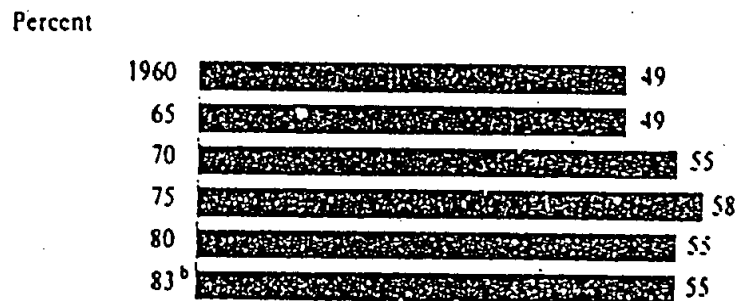
³⁰ Greenslade, “Soviet Economic System in Transition” ([link](#)), p. 4.

³¹ *Ibid.*, p. 5. Note also the reactions of a number of leading scholars to the CIA data disclosed in January 1964 in Harry Schwartz, “Some Experts Skeptical,” *New York Times*, January 9, 1964, p. 7 ([link](#)).

³² Computed from table 1 (slide 9) in CIA Office of Economic Research, “Soviet Economic Growth: Proposed Presentation to the Naval War College,” August 24, 1970, CREST system ([link](#)). For an earlier estimate, see CIA, “US and USSR: Comparisons of Size and Use of Gross National Product, 1955-64,” March 1966, CREST system ([link](#)), p. 23, table 2. This showed the Soviet economy growing at a rate of 4.6% in the period from 1961-64, as compared with a U.S. growth rate of 3.9% in that period.

Pact countries; in both 1970 and 1980, according to the CIA's calculations, the picture was basically the same.³³ Perhaps the precise ratio was off, but in this context it is mainly the trend that matters: in the CIA's view, America's economic lead was not being threatened by a rapid build-up of Soviet economic power.

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



^a Geometric mean of estimates based on Soviet and U.S. prices

^b Preliminary figures

Source: Reproduced from CIA Office of Soviet Analysis, "A Comparison of Soviet and US Gross National Products, 1960-83," August 1984, CREST system ([link](#)), p. iii. See also Noren, "CIA's Analysis of the Soviet Economy" ([link](#)), pp. 45-48

What finally are we to make of the claim that the CIA had grossly overestimated the size of the Soviet economy—that it had mistakenly portrayed it as being maybe three or four times as large as it really was? The CIA, it now seems, might well have overestimated Soviet GNP, but the estimates were not as bad as people like Moynihan had suggested.³⁴ The evidence supporting the claim that the CIA estimates were grossly inflated—that it had overestimated Soviet GNP by a factor of three or four (meaning that the US

³³ Noren, "CIA's Analysis of the Soviet Economy" ([link](#)) p. 48. See also Abram Bergson, "Development under Two Systems: Comparative Productivity Growth since 1950," *World Politics* 23, no. 4 (July 1971) ([link](#)) and Central Intelligence Agency (John Pitzer), "Gross National Product of the USSR 1950-80," in U.S. Congress, Joint Economic Committee, *USSR: Measures of Economic Growth and Development, 1950-80* (Washington: GPO, 1982), pp. 19-23 ([link](#)). See also Table 4 above.

³⁴ It needs to be borne in mind that all such estimates are necessarily based on a large number of assumptions, some rather arbitrary, and none of them should therefore be taken as representing objective reality. What I mean here is simply that calculations based on reasonable sets of assumptions might well yield lower estimates of Soviet national income than the CIA had come up with at the time.

economy was at least five times as big), or even that the USSR was just an “Upper Volta with nuclear weapons” as was sometimes said—is quite weak, if only because an Upper Volta could never have built the sort of military establishment the Soviet Union was able to create. Some of the critics seem to assume that because various Russian (and other) economists had come up with much lower estimates, that in itself shows that the CIA figures were unrealistically high.³⁵ But the mere fact that alternative estimates have been put forward obviously does not prove that the CIA figures were grossly inflated, especially since those alternative estimates, and the methods that produced them, have come in for their share of criticism.³⁶ One should also note that not every Russian scholar in the post-Soviet period took the view that the CIA estimates were deeply flawed: as Angus Maddison points out, V.M. Kudrov (who Maddison calls a “leading Soviet Americanologist”) thought the CIA had done a good job in this area.³⁷ Maddison himself, a highly respected authority on national income accounting, wrote in 1998 that the CIA “estimates of Soviet growth performance” were “the best documented and most reasonable estimates we have.”³⁸

Analyzing the Problem

The key issue here, however, is not really about numbers. It is much more about how good the qualitative assessments were—about whether, and if so when, analysts were able to see that the Soviet economy was in real trouble. Did economists, both in academia and in the CIA, take the view that there was nothing fundamentally wrong with the Soviet system? To the extent that they recognized that there were a major problems in this area, how were those problems understood? Did they interpret what they saw—the declining growth rate, most notably—in essentially conjunctural terms? Did they view the problems as resulting, for example, from bad weather, excessive military spending, changes in the international price of oil,

³⁵ The passage on p. 141 in Goodman, “Ending the CIA's Cold War Legacy” ([link](#)) is an egregious example.

³⁶ Schroeder, “Reflections on Economic Sovietology,” p. 206, and Abram Bergson, “The USSR before the Fall: How Poor and Why,” *Journal of Economic Perspectives* 5, no. 4 (Autumn 1991) ([link](#)), pp. 40-41. See also Kennedy, “Sunshine and Shadow,” p. 25.

³⁷ Angus Maddison, “Measuring the Performance of a Communist Command Economy: An Assessment of the CIA Estimates for the U.S.S.R.,” *Review of Income and Wealth*, series 44, no. 3 (September 1998) ([link](#)), p. 309.

³⁸ Maddison, “Measuring the Performance,” p. 322.

and so on—that is, the sort of thing that could easily change from year to year? Or did at least some of them, at some point, come to the conclusion that the USSR’s problems were deep-seated—that the fundamental problems were structural in nature and would therefore probably only worsen with time? Did they, in other words, develop the sort of theoretical framework that would enable them to see beneath the surface—a framework that would enable them, in a certain sense, to in effect see into the future?

The answer is that a powerful theoretical framework did develop, but it took a while for it to take root among economists working in this area. In the early 1960s, when the decline in the Soviet growth rate was first noticed, the fall-off was not interpreted in structural terms. U.S. officials instead attributed it mainly to increased military spending—that is, to a readily reversible factor. The CIA in particular, in a press release that same month, said that “much of the blame for recent reductions in the rate of growth falls on the sharp increase in Soviet defense spending, which between 1959 and 1963 increased by about a third,” and the Agency took much the same line in classified reports at the time.³⁹

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

³⁹ CIA press release, “Soviet Economic Problems Multiply,” January 9, 1964, CREST system ([link](#)), and CIA Special National Intelligence Estimate 11-5-64, “Soviet Economic Problems and Outlook,” January 8, 1964 ([link](#)), which claimed (p. 1) that the “demands of defense and space have greatly encumbered economic growth since 1958.” Many observers still argue that the economic problem had a good deal to do with high levels of military spending. See, for example, Brooks and Wohlforth, “Economic Constraints and the End of the Cold War” ([link](#)), p. 277. But some economists who have studied the issue have concluded that the role increased defense spending played in causing the economic slowdown of the 1980s was “so modest as to be unimportant.” See William Easterly and Stanley Fischer, “What We Can Learn from the Soviet Collapse,” *Finance and Development* 31, no. 4 (December 1994) ([link](#)), p. 3.

have had a positive impact on the overall growth rate, if common assumptions about higher productivity in the military sector of the economy were correct.⁴⁰

The data itself, moreover, cast doubt on the theory that increased military spending was the fundamental cause of the slowdown. It certainly had not resulted in a reduction in the share of GNP earmarked for investment. That share actually rose slightly from about 23% in the late 1950s to about 25% in the early 1960s and then to about 27% by 1969, and remained at that level or above through at least 1987, according to estimates released by the CIA in 1982 and 1990.⁴¹ On the other hand, according to a CIA document prepared in 1970, the share of GNP devoted to defense had actually decreased from a high of about 15% during the Korean War period down to about 13% in the mid-1950s and finally down to about 9% in 1960-61 (more or less remaining at that level for the rest of the decade). Looking at those latter figures, at least one CIA analyst had concluded that the idea that the burden of defense was to blame for the slowdown was something of a “bugaboo.”⁴² If the economy was growing rapidly when the military burden was high and the slowdown took place as the burden was being reduced, how could one blame defense spending for the decline in the growth rate?

⁴⁰ It was commonly argued in the specialized literature at the time that “military R & D and production benefit from the close, interest, and demanding supervision of the consumers of the product,” and that this “effective communication of users with producers is missing at all stages of civilian production.” Rush Greenslade, “The Many Burdens of Defense in the Soviet Union,” *Studies in Intelligence* 14, no. 2 (Fall 1970) ([link](#)), p. 10. See also William Odom, “The Riddle of Soviet Military Spending,” *Russia* 2 (1981), pp. 56-57.

⁴¹ CIA, “USSR: Measures of Economic Growth and Development, 1950-80,” Table A-11 (pp. 76-78) ([link](#)); “Measures of Soviet Gross National Product in 1982 Prices,” Table A-10 (pp. 82-83) ([link](#)).

⁴² “Soviet Economic Growth: Proposed Presentation to the Naval War College,” August 24, 1970, CREST system ([link](#)), table 9; and CIA Office of Economic Research, “The Soviet Economy: Proposed Briefing,” August 25, 1970, p. 5 (with chart), CREST system ([link](#)). More recent figures, although higher in absolute terms, show the same basic trend (albeit with a less dramatic decline): the defense burden was higher in the 1950s when the economy was vibrant than it was later on. See Noel Firth and James Noren, *Soviet Defense Spending: A History of CIA Estimates* (College Station: Texas A&M Press, 1998), pp. 129-30 (table 5.10); Noren, “CIA’s Analysis of the Soviet Economy,” p. 33 ([link](#)). The point is important because (as Noren notes in the passage just cited) people, and even scholars, had gotten a very different impression. To be sure, the CIA figures have been challenged; some scholars say the Soviet defense burden was much higher. Brooks and Wohlforth, for example, cite Mark Harrison’s “How Much Did the Soviets Really Spend on Defence? New Evidence from the Close of the Brezhnev Era,” PERSA working paper no. 24, University of Warwick Economics Department (2003) ([link](#)), to support their claim that the Soviets “devoted up to a third of their economic output to the generation of military power.” Stephen Brooks and William Wohlforth, *A World Out of Balance: International Relations and the Challenge of American Primacy* (Princeton: Princeton University Press: 2008), p. 55 ([link](#)). Harrison’s new evidence did seem to show that the Soviets were spending more on defense than people had thought; his main document suggested that the figure was equivalent to perhaps 24% of GNP. But Harrison, after reading various comments on his paper, came to the conclusion that the document (the “Konoplev Report”) was probably a forgery. See the postscript to the description of the original paper on Harrison’s website ([link](#)).

And indeed by the late 1960s the prevailing view among western analysts was that the real problem had deeper causes, and that the Soviet leaders were therefore going to have to make some very tough choices. Specialists like Bergson had previously assumed that the Soviets would be able to maintain a high growth rate because they, unlike their rivals in the West, could exercise “political control over the rate of investment.”⁴³ It was for that reason that in 1961 he had been cautiously optimistic around 1961 about the USSR’s economic prospects.⁴⁴ But he soon came to see that things were not so simple. It would be hard, he pointed out, for the Soviets to make sure that their capital stock continued to grow at even its present rate, since that would mean a constant rise in the share of national income devoted to investment. The share allocated to consumption, he thought, would have to decline correspondingly.⁴⁵ For if investment as a share of national income remained constant, investment and national income would grow at the same rate. Since in the long run the rate of growth of investment and the rate of growth of the capital stock would converge, sooner or later the capital stock would grow no more quickly than national income as a whole.⁴⁶ And yet it

⁴³ Bergson letter to the editor, *New York Times*, Oct. 16, 1960, p. E8 ([link](#)); and Abram Bergson, *The Real National Income of Soviet Russia Since 1928* (Cambridge: Harvard University Press, 1961), pp. 294-95. Bergson had made much the same point when testifying before a Congressional committee in 1956. See Kestner, “Through the Looking Glass” ([link](#)), p. 266.

⁴⁴ And I do mean *cautiously* optimistic: the key sentence in question reads like a parody of ultra-cautious academic prose. “In the coming years,” Bergson predicted toward the end of a major work he published in 1961, “the rate of growth of Soviet Russia’s output per worker may decline below its recent high level, but if so one hesitates to assume that the reduction will soon be very consequential.” “Khrushchev’s plans for the future,” he went on to say, “may often be overoptimistic, but they have some basis in fact.” Bergson, *Real National Income*, pp. 295, 298. Newspaper accounts, however, gave the impression that he had taken a more alarmist view. See Harry Schwartz, “Output of Soviet May Remain High: Study Shows It May Exceed U.S. Production by 1975,” *New York Times*, November 26, 1961, p. 15 ([link](#)); “Soviet Growth,” *Washington Post* editorial, December 16, 1961, p. A10 ([link](#)).

⁴⁵ Abram Bergson, “The Great Economic Race,” *Challenge* 11, no. 6 (March 1963) ([link](#)), p. 5; *Slavic Review* Roundtable ([link](#)), pp. 232, 237-38, and esp. 243; Abram Bergson, “Toward a New Growth Model,” *Problems of Communism* 22, no. 2 (March-April 1973) ([link](#)), p. 8. It is striking that Bergson did not refer to military spending in this context, even though it was fairly standard in discussions of this issue at the time to refer to consumption, investment and defense as the three main end-uses for the national product, with the implication that there was a three-way, and not just a two-way, competition for resources. This point was noted by Gur Ofer, who, in an article on Bergson, noted that Bergson at this time merely “mentioned only in passing the burden of defense,” and that while he later gave it more attention—he referred in this connection to an article Bergson published in 1981—the issue of military spending by and large “did not play a major role in Bergson’s analysis of the slowdown of Soviet economic growth.” Gur Ofer, “Abram Bergson: The Life of a Comparativist,” *Comparative Economic Systems* 47, no. 2 (2005) ([link](#)). For the passage in the 1981 article Ofer was referring to, see Abram Bergson, “Can the Soviet Slowdown Be Reversed?” *Challenge* 24, no. 5 (November/December 1981) ([link](#)), pp. 41-42.

⁴⁶ Bergson, “Toward a New Growth Model” ([link](#)), p. 4. This important article was a revised version of a paper Bergson had presented at a conference in Brussels in 1971. A shorter version was published in *Challenge* 17, no. 2 (May-June 1974) ([link](#)), and the whole article was republished in Bergson’s *Productivity and the Social System: The USSR and the West*

would have to if a high rate of economic growth were to be sustained simply by expanding the capital stock: given that the work force was growing less rapidly than the economy as a whole, the capital stock would have to expand more rapidly, since those two growth rates together (assuming no increase in productivity) essentially determined the growth rate for the economy as a whole.⁴⁷ The fact that, with a large and aging capital stock, an increasing amount of investment would have to go toward replacing worn-out plant and equipment simply compounded the problem.⁴⁸ All this, Bergson had come to feel, lay “at the very heart of the Russian problem.”⁴⁹

What this kind of analysis suggested was that the Soviets could not sustain a high rate of economic growth just by plowing more and more capital into the economy. If productivity did not rise substantially, the Soviet leadership would be confronted with major problems. Investment policy could not do the job on its own—a finding that perhaps had a special resonance, given the way western economists, led by people like Simon Kuznets and Robert Solow, had by this point come to understand the whole phenomenon of economic growth, and in particular the role that technological change played in the growth process.

The implications were clear. Investment policy on its own could not guarantee a high growth rate; if a high growth rate was to be sustained, capital and labor would have to become more productive.

(Cambridge: Harvard University Press, 1978). For the point about the convergence of the two growth rates, see the appendix.

⁴⁷ See, for example, Abram Bergson, “The Soviet Economic Slowdown,” *Challenge* 20, no. 6 (January-February 1978) ([link](#)), pp. 23-24. It was widely recognized that the two “reservoirs,” women and low-productivity rural labor, which the Soviets had traditionally drawn on as a source of industrial labor, had by the mid-1960s been largely depleted. An increasingly urbanized population, moreover, tended to have fewer children per family, in large part because of the unsatisfactory housing situation. According to projections provided to Congress in 1970 by Murray Feshbach, the leading expert in this area, the working age Soviet population was expected to grow by only about 1% a year from 1970 to 1990, significantly less than its previous growth rate. Calculated from Murray Feshbach, “Population,” table 4 (pp. 66-67), in U.S. Congress, Joint Economic Committee, *Economic Performance and the Military Burden in the Soviet Union* (Washington: GPO, 1970) ([link](#)), the source Bergson relied in for his population growth figures in his 1973 “Toward a New Growth Model” article.

⁴⁸ “The growing burden of attrition of the capital stock,” as Robert Campbell noted, “will also slow growth in productive capacity. In the early stages of growth, depreciation of the capital stock is relatively small compared to new additions. As the stock ages and becomes obsolete, depreciation increases as a share of increments, and net increments are squeezed further.” Robert Campbell, “The Economy,” in Robert Byrnes, ed., *After Brezhnev: Sources of Soviet Conduct in the 1980s* (Bloomington: Indiana University Press, 1983), p. 69.

⁴⁹ *Slavic Review* Roundtable ([link](#)), p. 243.

The productivity problem was thus of absolutely fundamental importance. And this was why findings about productivity were so important. Indeed, perhaps the most striking empirical fact to emerge from the study of the Soviet economy was that “total factor productivity”—a measure of the part of the growth of output not accounted for by growth in the factors of production, mainly labor and capital—was not increasing at anything like its earlier rate. A 1964 CIA study had revealed that the annual growth rate for factor productivity in industry had fallen from almost 5% in the late 1950s to only about 2% in the early 1960s.⁵⁰ Three years later another CIA study pointed out that the decline in the Soviet growth rate (from about 6.5% in the last half of the 1950s down to about 4.5% in the first half of the 1960s) could “be attributed primarily to the sharp drop in the rate of growth of productivity” in the economy as a whole (from 2.8% down to a mere 0.6% in the same period).⁵¹ And according to an important July 1977 CIA study, the growth rate had turned negative: factor productivity actually declined in the early 1970s.⁵² The basic trend here was clear to academic economists. Bergson, for example, in a major 1973 article, noted that total factor productivity had grown at an annual rate of 1.7% in the 1950-58 period; that rate had fallen to only 0.7% in the 1958-67 period.⁵³ These figures were well below what was normal in the western countries. (See Tables 3 and 4.)

⁵⁰ Noren, “CIA’s Analysis of the Soviet Economy” ([link](#)), p. 20.

⁵¹ “Soviet Economic Problems and Prospects,” NIE 11-5-67, May 25, 1967, pp. 3-4, CREST system ([link](#)).

⁵² “Soviet Economic Problems and Prospects,” July 1977, pp. 3, 10 ([link](#)).

⁵³ Bergson, “Towards a New Growth Model” ([link](#)), p. 3, table 1. More recent calculations show the same trend. See, for example, William Easterly and Stanley Fischer, “The Soviet Economic Decline,” *World Bank Economic Review* 9, no. 3 (September 1995) ([link](#)), p. 353; Ofer, “Soviet Economic Growth,” ([link](#)), p. 1778 (line 7); and Angus Maddison, *The World Economy in the 20th Century* (Paris: OECD, 1989), p. 100. “What was most striking after 1973,” Maddison writes, “was that total factor productivity became substantially negative, with labor productivity slowing down dramatically, and capital productivity very negative indeed.” Note also the data in Tables 3 and 4.

Table 3: Estimates of Average Annual Growth Rates of Total Factor Productivity for the Soviet Economy^a

	1951-55	1951-60	1956-60	1961-65	1961-70	1971-75	1971-80	1981-85
CIA 1967	2.7		2.8	0.6				
CIA 1977		1.2			0.8	-0.6		
Bergson (1973)		1.7 ^e			0.7 ^f			
Easterly and Fischer (1995)		2.8 ^a			0.8 ^b		0.1 ^c	-0.2 ^d

^afor 1950-59; ^bfor 1960-69; ^c for 1970-79; ^dfor 1980-87; ^efor 1950-58; ^f for 1958-67

Sources: CIA 1967: Central Intelligence Agency, "Soviet Economic Problems and Prospects," NIE 11-5-67, May 25, 1967, pp. 3-4, CREST system ([link](#)); CIA 1977: Central Intelligence Agency, "Soviet Economic Problems and Prospects," July 1977, p. 10, available through the CREST system ([link](#))--also released by the Joint Economic Committee ([link](#)); Bergson (1973): Abram Bergson, "Toward a New Growth Model," *Problems of Communism* 22, no. 2 (March-April 1973) ([link](#)), p. 3; Easterly and Fischer: William Easterly and Stanley Fischer, "The Soviet Economic Decline," *World Bank Economic Review* 9, no. 3 (September 1995) ([link](#)), table 4, p. 353.

Table 4: Comparative Average Annual Growth Rates of National Income and Total Factor Productivity (TFP)

	1950-62 ^a		1950-73 ^b	
	National Income ^c	TFP	GDP	TFP
USSR:	5.02 ^d		5.05	0.50
United States:	3.36	1.87	3.66	1.49
France:	4.70	3.71	5.13	3.69
West Germany:	7.26	4.47	5.92	4.14
Japan:			9.29	5.47
United Kingdom:	2.38	1.55	3.02	1.98
Average OECD:			5.40	3.35

^a From Simon Kuznets, *Economic Growth of Nations: Total Output and Production Structure* (Cambridge: Harvard University Press, 1971), p. 74, Table 9, Part B, columns 1 and 5, except for national income growth rate figure for USSR

^b From Angus Maddison, *The World Economy in the Twentieth Century* (Paris: OECD, 1989), p. 81, Table 6.10

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

^d Figure is for GNP, calculated from CIA, “Measures of Soviet Gross National Product in 1982 Prices,” Table A-1 (pp. 54-55) ([link](#)).

How was what one analyst referred to in 1966 as a “precipitous decline” in the rate at which productivity had been growing to be explained?⁵⁴ This issue lay at the heart of much of the work done on the Soviet economy from the mid-1960s on.⁵⁵ The answers were not obvious, but by the late 1960s, certain ideas bearing on the question were widely accepted. First, it was assumed (as basic economic theory would lead one to expect) that diminishing returns had set in as capital had become more abundant relative to labor.⁵⁶ Certainly the evidence showed very clearly, as Bergson put it, that the Soviets were “suffering from a rising capital-output ratio”—that is, it was taking more and more capital to produce a given unit of output.⁵⁷

A second major point was that by the mid-1960s all the low-hanging fruit had already been harvested—that easily exploitable resources had already been exploited (Khrushchev’s “virgin lands” program being a good example here), that relatively simple, and thus easily importable, foreign technologies had already been imported, and that as their economy had become more developed, the Soviets were no longer able to benefit as much from the “advantages of backwardness” as they had in the past (an argument developed most notably by Bergson’s Harvard colleague and friend Alexander Gerschenkron).⁵⁸ The western economies had been able to profit from the fact that they were all embedded in a vast international economic system, in which technology transfer was relatively easy, and in which the level of competition—and thus the spur to innovation—was relatively high. With their much more autarchic and bureaucratically-run economy, the Soviets could not benefit from that system to anything like the same extent. They might try hard to import western technology through both legal and illegal means, but as technology advanced the barriers to

⁵⁴ James Noren, “Soviet Industry Trends in Output, Inputs, and Productivity,” in U.S. Congress, Joint Economic Committee, *New Directions in the Soviet Economy*, Part II-A (Washington: GPO, 1966), p. 287 ([link](#)). See also Stanley Cohen, “Soviet Growth Retardation: Trends in Resource Availability and Efficiency,” *ibid.*, p. 102.

⁵⁵ For a brief survey of the early literature on this question, see Martin Weitzman, “Soviet Postwar Economic Growth and Capital-Labor Substitution,” *American Economic Review* 60, no. 4 (September 1970) ([link](#)), p. 678.

⁵⁶ See, for example, the *Slavic Review* Roundtable ([link](#)), pp. 238, 243; Weitzman, “Soviet Postwar Economic Growth,” p. 685; and Terence Byrne, “Recent Trends in the Soviet Economy,” in Joint Economic Committee, *Economic Performance and the Military Burden in the Soviet Union* ([link](#)), p. 5. The point is also emphasized in some post-Cold War accounts. See, for example, Easterly and Fischer, “What We Can Learn from the Soviet Collapse” ([link](#)), pp. 4-5.

⁵⁷ *Slavic Review* Roundtable ([link](#)), pp. 243-44.

⁵⁸ See Gerschenkron’s famous article, “Economic Backwardness in Historical Perspective,” in Bert F. Hoselitz, ed., *The Progress of Underdeveloped Areas* (Chicago: University of Chicago Press, 1952), and also his comment on Gregory Grossman’s article on “National Income” in Abram Bergson, ed., *Soviet Economic Growth: Conditions and Perspectives* (Evanston: Row, Peterson, 1953), p. 25.

technology transfer inherent in the Soviet system were bound to loom larger.⁵⁹ It was quite clear what those barriers were, as Joseph Berliner, a leading specialist in this area, pointed out in a 1973 essay. “The international flow of technological knowledge,” he wrote, “takes place through the movement of publications, products, and persons. The Soviets have relied most heavily on the first, less on the second, and least on the last. The effectiveness of technological transfer, however, is in the reverse order.” They therefore had not benefited, and by implication could not benefit, from technological advances to the same extent as their rivals in the West.⁶⁰

A third and somewhat related argument also focused on the fact that the Soviet economy was far more complex than it had been in the past. The assumption was that the well-known inefficiencies and rigidities of the Soviet system would cause more problems than they had in earlier years, when economic goals (such as vastly increased steel production) were relatively simple and the strategies for achieving them were more or less obvious. But by the 1960s it seemed that the planning system was increasingly overwhelmed by the growing complexity of the economy; an enormously complex modern economy could not be run efficiently in such a centralized way.⁶¹

What all this suggested was that the USSR’s economic problems could be expected to worsen unless the Soviet economy changed in fundamental ways. In the past a rapid increase in factor inputs—

⁵⁹ See John Prados, *How the Cold War Ended: Debating and Doing History* (Washington: Potomac Books, 2011) ([link](#)), pp. 165-67. See also U.S. Senate, Committee on Governmental Affairs, Permanent Subcommittee on Investigations, *Transfer of U.S. High Technology to the Soviet Union and Soviet Bloc Nations* ([link](#)), exhibit 1, CIA, “Soviet Acquisition of Western Technology,” April 1982 ([link](#)); and U.S. Department of Defense, “Soviet Acquisition of Militarily Significant Western Technology: An Update,” September 1985, DoD FOIA website ([link](#)).

⁶⁰ “Some International Aspects of Soviet Technological Progress,” *South Atlantic Quarterly* 72, no. 3 (1973), republished in Joseph Berliner, *Soviet Industry from Stalin to Gorbachev: Essays on Management and Innovation* (Ithaca: Cornell University Press, 1988), pp. 212-13.

⁶¹ See, for example, Bergson in the *Slavic Review* Roundtable ([link](#)), pp. 230-31; and Ofer, “Soviet Economic Growth” ([link](#)), p. 1815. This line of argument builds on important work done before World War II by Hayek and Mises, in part in the context of a famous debate with the “market socialists” Abba Lerner and Oskar Lange. People like Bergson cut their teeth intellectually, in large part, in grappling with these issues. See Friedrich von Hayek, “The Present State of the Debate,” in his *Collectivist Economic Planning* (London: Routledge, 1935) and Abram Bergson, “Socialist Economics,” in Howard Ellis, ed., *A Survey of Contemporary Economics* (Philadelphia: Blakeston, 1949), reprinted in Abram Bergson, *Essays in Normative Economics* (Cambridge: Harvard University Press, 1996). For discussions of the debate, see Agnar Sandmo, *Economics Evolving: A History of Economic Thought* (Princeton, Princeton University Press, 2011), chap. 14; Peter Boettke, *Calculation and Coordination: Essays on Socialism and Transitional Political Economy* (London: Routledge, 2011), chap. 3; and Donald Lavoie, *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered* (New York: Cambridge University Press, 1985).

essentially capital and labor—had been the main engine of growth, but it seemed now that that strategy had run its course. The old “extensive” growth model, as it was called, had to be replaced with a new “intensive” growth model, focused on improving productivity—either that, or the USSR’s economic problems would become even more serious.⁶² This was one of Bergson’s main points: his main article laying out these ideas was called “Toward a New Growth Model” and concluded with the observation that the traditional Soviet model “may not survive its dictatorial originator much longer.”⁶³ Other scholars went a bit further, willing as early as 1966 to actually use the word “crisis.”⁶⁴ Gregory Grossman, a professor of economics at Berkeley and a leading specialist in this area, was particularly prescient in this regard. In an extraordinary article published in 1962, Grossman argued that some of the most basic features of the Soviet economy—the absence of a market mechanism, the limited role that money played in economic life, and the limits on labor mobility—were increasingly counterproductive: they clashed with “some of the most fundamental requirements of a modern economy and society”:

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

The conclusion he drew was of fundamental importance: “In terms of the historical contrast with the West,” he said, “the wheel is set for another turn.”⁶⁵

The basic assumption here was that the absence of a market, or at least of market-like mechanisms, lay at the heart of the productivity problem; it followed that a solution would depend on economic decentralization. But would the Soviets be able make the transition—that is, would they be able to move toward a more efficient, and thus more decentralized, system? On the one hand, they certainly had an

⁶² This terminology was very common. See, for example, Ofer, “Soviet Economic Growth” ([link](#)), p. 1786, and the sources cited there.

⁶³ Bergson, “Toward a New Growth Model,” p. 9.

⁶⁴ See the *Slavic Review* Roundtable ([link](#)), pp. 233-36.

⁶⁵ Gregory Grossman, “The Structure and Organization of the Soviet Economy,” *Slavic Review* 21, no. 2 (June 1962), ([link](#)), p. 208.

enormous incentive to do so. For both domestic and foreign policy reasons, a vibrant economy was of fundamental importance. The Soviet government, as Bergson pointed out in 1966, had in the course of time become “committed to the notion that rapid growth was the success criterion for the system as a whole,” so the decline in the growth rate was “politically and ideologically very disturbing.”⁶⁶ The CIA economist Rush Greenslade made much the same point that same year. It was hard, he said, to see how the Soviets could accept “slower growth and give up hope” of catching up with the West. They had always justified the sacrifices their people had to make “as the necessary price of Utopia in the future.” To lower their sights now, to settle for just moderate growth, and to aim merely for a society that was “a pale and lagging imitation of Western life”—it was just hard to imagine how that could happen after all that had been said, given especially what the domestic political consequences might be.⁶⁷ It was also clear that a strong economy was needed to generate the resources to build a military establishment that would enable the USSR to hold its own against its rivals, or even to pursue more ambitious goals. And Soviet influence in the Third World depended, in part, on the ability of the Soviet Union to hold its system up as a model—as a system that could lead to rapid economic growth.

On the other hand, a thoroughgoing reinvigoration of the economy called for fairly radical economic reform, and it was clear that it would be extremely difficult for the Soviets to dismantle the command economy, and not just for ideological reasons. There were strong bureaucratic interests that were bound to oppose a far-reaching reform of that sort, even if the leadership wanted to move in that direction.⁶⁸ And it was far from obvious that it would even want to do so, given that partial marketization was problematic even for purely economic reasons: “co-existence between the command principle and the market mechanism would seem to be unstable and ephemeral,” so perhaps there was “no half-way house between a

⁶⁶ See the *Slavic Review* Roundtable ([link](#)), pp. 231-32.

⁶⁷ Greenslade, “Soviet Economic System in Transition” ([link](#)), pp. 8-9.

⁶⁸ John Hardt, Dimitri Gallik and Vladimir Treml, “Institutional Stagnation and Changing Economic Strategy in the Soviet Union,” in U.S. Congress, Joint Economic Committee, *New Directions in the Soviet Economy* (Washington: GPO, 1966), Part I, p. 62 ([link](#)); Grossman, “Structure and Organization” ([link](#)), p. 217; Gregory Grossman, “Notes for a Theory of the Command Economy,” *Soviet Studies* 15, no. 2 (October 1963) ([link](#)), p. 122.

market economy and a command economy.”⁶⁹ But the heart of the problem was political in nature: what was at stake here was “the whole centralized structure of the Soviet economy, the command economy itself, and ultimately, the location and distribution of power in the society.”⁷⁰ No one could tell where even partial marketization might lead, a point perhaps underscored by lessons drawn from what had happened in Czechoslovakia in 1968.⁷¹ Fear of the unknown—that is, of a possible unravelling of the system, political as well as economic, once the reform process had begun—could easily hold the Soviet leaders back.

And yet, as Grossman pointed out in 1963, the issue was not quite that simple. Partial marketization could not be entirely ruled out. Over time, he thought, the Soviet system might become more relaxed. An improvement in the international environment, “a greater sense of security and comfort due to material progress,” “the waning of the ideological *élan*,” “the *embourgeoisement* of the population, the growing expertise and self-confidence of the professionals,” and so on—might not such developments, he wondered, “lead to a more relaxed attitude toward resource mobilization and the enforcement of priorities?” In that case, “certain sectors might be separated out of the command pyramid and ‘marketized’; for example, agriculture (albeit still largely socialized) and construction (or some parts thereof).” “But then,” he went on to speculate, “such a hybrid structure might prove to be only a transitional stage, for the same political developments would probably make it more difficult to resist the lure of a thoroughgoing socialist market economy *à la yougoslave*.” “But we are now,” he concluded, “on very ‘iffy’ ground.”⁷²

⁶⁹ Grossman, “Notes for a Theory” ([link](#)), p. 119, paraphrasing an argument made by Peter Wiles.

⁷⁰ Grossman, “Structure and Organization” ([link](#)), p. 215.

⁷¹ See Malia, *Soviet Tragedy*, p. 360.

⁷² Grossman, “Notes for a Theory” ([link](#)), pp. 122-23. A decade later, however, in a review of Moshe Lewin’s *Political Undercurrents in Soviet Economic Debates*, Grossman seemed to argue that partial marketization was not a viable strategy. “Yet one may wonder,” he wrote, “whether the obstacles to effective marketization of the economy—and, therefore, also to socio-political liberalization—are to be found only in the leadership’s tenacious attachment to power. By this time equally important may be the tacit acknowledgment by both ruler and ruled of the public’s right to full employment, job security, and an easy pace of work, while its consumption levels must be steadily raised. This conjunction of imperatives virtually ensures the persistence of excess aggregate demand together with tight control of official retail prices. Under these conditions, a fledgling market mechanism may not have much chance against an entrenched command economy. Objectively, to use a favorite Soviet word, the masses may thus be on the side of the powerful and privileged in protecting the command economy from fatal attack. Again, the Czechoslovak experience is not without its lessons.” *Journal of Economic Literature* 14, no. 3 (September 1976), p. 915 ([link](#)). The fact that someone of Grossman’s intellectual stature found it hard to reach definitive conclusions in this area is a measure of how difficult this problem of partial marketization was, and yet the whole issue of whether gradual economic and political change was possible turned in large measure on how that question was to be answered. For a brief discussion of the scholarly debate on this issue, see

The point here is that the sort of analysis the economists had developed in the 1960s did not quite allow one to see with any certainty how things would change. Its main value was that it enabled one to understand the structure of the problem that the Soviets would face, and could thus serve as a framework for informed speculation about how things might develop. The fundamental question had to do with the core issue of stagnation or marketization. The command economy lay at the heart of the Soviet system, Greenslade pointed out in 1966, but it was “as clear as can be that no commands can cure the economic troubles of the U.S.S.R..” Yet the Soviets’ own justification for their system, and for all the sacrifices the Soviet people had been forced to make, was that it would produce material well-being in the future. It was hard to see how they could give up on that, but it was equally hard to see how they could give up on the command economy. One could see Soviets’ problem: their dilemma, Greenslade thought, was “that the causes of the slowdown and the party’s tangible *raison d’être* are rooted equally deep in the system.”⁷³ But no one could tell for sure how they would resolve it.

Assuming, moreover, that the Soviets were not able to liberalize their economy in any significant way and the economic slowdown continued, how were the resources they did have to be divided up between their three main uses, consumption, investment, and defense? The problem here was obvious. Increasing

Schroeder, “Economic Sovietology,” pp. 223-24. The scholarly literature on the semi-legal “second economy” is of particular interest in this context, since the “second economy” represents a form of partial marketization. For an early account, see Zev Katz, “Insights from Emigrés and Sociological Studies on the Soviet Economy,” U.S. Congress, Joint Economic Committee, *Soviet Economic Prospects for the Seventies* (Washington: GPO, 1973) ([link](#)), pp. 87-120. For more extensive studies of the subject, see the many works published by the Berkeley-Duke Project on the Second Economy in the USSR, headed by Vladimir Treml, Gregory Grossman, and Michael Alexeev ([link](#) to list of papers). Note in particular Gregory Grossman, “The ‘Second Economy’ of the USSR,” *Problems of Communism* 26, no. 5 (September-October 1977) ([link](#)), and idem, “Sub-Rosa Privatization and Marketization in the USSR,” *Annals of the American Academy of Political and Social Science* 507 (issue on “Privatizing and Marketizing Socialism”) (January 1990) ([link](#)). See also Steven L. Sampson, “The Second Economy of the Soviet Union and Eastern Europe,” *Annals of the American Academy of Political and Social Science* 493 (issue on “The Informal Economy”) (September 1987) ([link](#)) and the references cited there.

⁷³ Greenslade, “Soviet Economic System in Transition” ([link](#)), pp. 8-9. This theme was echoed in many writings and even some key leaders came to view the problem in these terms. Thus, for example, as one document pointed out, none of the USSR’s leaders “can suggest a new program of reform which would spur economic progress and at the same time preserve central political control. This is a central Soviet dilemma.” President Nixon highlighted those passages and wrote in the margin: “The critical point.” Kissinger to Nixon (drafted by Kissinger’s assistant Helmut Sonnenfeldt), February 2, 1970, FRUS 1969-74, 12:370 ([link](#)). See also Georges Pompidou *Le Noeud gordien* (Paris: Flammarion, 1974), p. 112, and Ronald Reagan, as quoted in Peter Schweizer, *Victory: The Reagan Administration’s Secret Strategy that Hastened the Collapse of the Soviet Union* (New York: Atlantic Monthly Press, 1994), p. xiv. Note finally Henry Kissinger, “Les fondements de la politique étrangère des Etats-Unis,” *Politique étrangère* 47, no. 4 (1982) ([link](#)), p. 922: “Le dilemme du communisme est qu’il semble impossible de faire marcher une économie moderne avec un système de planification totale alors que la survie d’un Etat communiste pourrait bien s’avérer impossible *sans* un tel système de planification!”

investment was one of the few things they could do to increase the growth rate, even if it was becoming less and less effective in that regard, but allocating a greater share of the national income to investment would mean that either defense or consumption or both would have to be cut. It was difficult to cut defense spending, given that the USSR was competing with a much richer and more technologically advanced group of powers (not to mention China). On the other hand, to cut back on what was going to the consumer might be difficult, in part because the whole basis of the regime's policy in the post-Stalin period was to change the relationship between state and society—to make sure that it rested not just on brute force and terror, but on at least a degree of consent; the regime's legitimacy in the eyes of the people, and to a certain extent in its own eyes as well, rested in large measure on its ability to deliver the goods and improve the material well-being of the population as a whole. And the consumer's interests also had to be taken into account for purely economic reasons. “The methods used for forced industrialization,” as a CIA analyst pointed out in 1970, were “increasingly ill-suited for the management of a complex, modern economy. The highly skilled, technical labor force now required is more motivated by incentives than by coercion. This means, in turn, that consumers can be no longer treated as residual claimants.”⁷⁴

It was thus taken for granted that the allocation problem would be of fundamental importance—that as the economy slowed down and the allocation problem began to bite, the Soviets would have to take the basic question of marketization more seriously. It thus seemed clear that the Soviet leadership was going to have to deal with some very hard problems. “I have the feeling,” Bergson said in a 1966 roundtable of economists devoted to this issue, “that it's going to be terribly difficult for the Russians to work out a solution for the problems they are dealing with.” Another economist in that roundtable, G. Warren Nutter, went a bit further. The Soviets, he thought, were “facing extremely difficult problems of choice as to which way they will move—to the point of whether they will fundamentally change their economic system.”⁷⁵ Again, no one could tell how they would resolve these issues, but given the seriousness of this set of problems, it was hard to think that things would just go on as they had. Perhaps gradual change was possible,

⁷⁴ “Soviet Economic Growth: Proposed Presentation to the Naval War College,” August 24, 1970, CREST system ([link](#)), p. 3.

⁷⁵ *Slavic Review* Roundtable ([link](#)), p. 235.

but it was also possible that Soviet society would not be able to evolve in that way. In that case, three analysts wrote in 1966, “if substantial changes do occur, they may occur rapidly and have far-reaching and immeasurable impacts on the whole fabric of society.” Even the modest reforms the Soviets seemed to be contemplating, might, if actually implemented, “take them well beyond the dimensions anticipated by those who have unleashed the forces of change. The end result may well be a second economic revolution comparable in scope and depth to that launched by Stalin in the thirties.”⁷⁶ Those words, of course, have a special resonance for us, given what actually happened during the Gorbachev period.

So while the analysis might not have enabled people to see with any precision how the USSR was going to develop, it did provide a certain window into the future—a hazy and uncertain window to be sure, but of real value nonetheless. What was particularly impressive was that this conceptual framework took hold very early on—in the mid- and late 1960s, that is, at a time when the Soviet growth rate still seemed quite respectable by western standards.⁷⁷ The economists had been able to see beneath the surface and give some feel for how serious the problems were which the Soviets would have to face, and for why those problems were likely to grow over time. It was certainly not the case that mainstream American economists took a rosy view of Soviet economic performance and Soviet economic prospects well into the 1980s (as people like Malia had claimed). They instead saw more quickly than anyone not just that the Soviets were facing major problems, but also why those problems were likely to worsen in the not-too-distant future.

The Widening Circle

The core analytical framework that had taken hold by the late 1960s remained intact for the remainder of the pre-Gorbachev period, but the picture that came across was increasingly bleak. Year after year, the basic picture was the same, but as it was painted in ever-darker hues: the Soviet economy was slowing down, and the slowdown was expected to continue in the years to come. An important July 1977

⁷⁶ Hardt, Gallik, and Treml, “Institutional Stagnation and Changing Economic Strategy in the Soviet Union” ([link](#)), p. 62.

⁷⁷ According to a 1982 CIA estimate, the Soviet economy was growing at the rate of 5.2% a year in the late 1960s. The U.S. growth rate for the same period was only 3.1%, and the growth rate for the whole OECD area was 4.8% CIA, “USSR: Measures of Economic Growth and Development, 1950-80,” Table 1 (p. 20) ([link](#)). See also Table 2.

CIA paper called “Soviet Economic Problems and Prospects” is a good case in point. The document began by noting that the Soviet economy faced “serious strains in the decade ahead”; the basic problems which had long been noted “were likely to intensify”; “a marked reduction in the rate of economic growth in the 1980s,” it concluded, down to between 2 and 3½ percent a year, seemed “almost inevitable.”⁷⁸ Similar views can be found in many other CIA documents from the period. The CIA Director in the late 1970s, Admiral Stansfield Turner, took the same line in testimony before Congress at the time.⁷⁹

These increasingly gloomy assessments were widely reported in the press. (See Table 1 above.) In the late 1970s, the basic message was that the Soviet leadership was going to have to deal with some very difficult problems. By the start of the 1980s, the situation was viewed as even more serious. The veteran *New York Times* correspondent Harrison Salisbury, for example, referred to “debilitating Soviet weaknesses” and to the “crushing problems” Soviet leaders now had to face in an important article published in the *New York Times Magazine* in February 1981, at the very beginning of the Reagan period; he concluded by talking about how the Soviets now had to “fight their way out of the quagmire into which failed Marxian precepts and their own rigid bureaucracy” had led them.⁸⁰ Ivan Selin, a former Pentagon official who for years had been deeply involved with Soviet affairs, expressed much the same view in a 1982 roundtable. The Soviets, he said, were “in a terribly difficult situation,” “probably the worst situation they’ve faced at least since the early 1950s”; “their prospects are pretty grim—at least out to the end of the century.”⁸¹ That same year Thomas Reed, formerly a consultant to the Reagan National Security Council and now a special assistant to the president, called the Soviet Union “an economic basket case”; the Soviet government, Reed said, could not “feed its own people”; “the potential for corruption and decay,” he added, had “mushroomed in the

⁷⁸ Central Intelligence Agency, “Soviet Economic Problems and Prospects,” July 1977, CREST system ([link](#)), pp. i, ii, v. This important paper was also released to the public by the Joint Economic Committee a month after it was prepared ([link](#)).

⁷⁹ For a whole series of excerpts from CIA documents and statements expressing similar views, see the “Excerpts from Cited References” in Douglas MacEachin’s monograph, “CIA Assessments of the Soviet Union: The Record Versus the Charges” ([link](#)).

⁸⁰ Harrison Salisbury, “The Russia Reagan Faces,” *New York Times*, February 1, 1981 ([link](#)), pp. SM8, 57.

⁸¹ U.S. Congress, Joint Economic Committee, Subcommittee on International Trade, Finance, and Security Economics, and Library of Congress, Congressional Reference Service, *Soviet Military Economic Relations: Proceedings of a Workshop on July 7 and 8, 1982* (Washington: GPO, 1983) ([link](#)), p. 270.

dank darkness of the Soviet dictatorship.”⁸² During the presidential transition at the end of 1980, the CIA analysts had in fact made it clear to President-elect Reagan that “the Soviets are really suffering,” that “these guys are in a lot of trouble.”⁸³ By the time the economist Marshall Goldman, associate director of Harvard’s Russian Research Center, published his book *U.S.S.R. in Crisis: The Failure of an Economic System* in 1983, the view that the Soviet Union was in deep trouble was quite common.⁸⁴ Indeed, Goldman noted in his preface that other scholars had come to the view implicit in the book’s title earlier than he had.⁸⁵ And a CIA document issued in early 1981 noted that the Soviet leadership’s apparent belief “that the decline in Soviet economic performance can be kept within manageable bounds without major policy change diverges from the perception of most Western observers, who foresee more severe consequences stemming from this business-as-usual attitude.”⁸⁶ The reference to “Western,” and not just American, observers is worth noting: many Europeans, such as the highly respected French journalist Michel Tatu, took much the same view.⁸⁷ The consensus by the beginning of the 1980s, in other words, was the economic problem was already quite serious and in the next few years would probably worsen.

⁸² Michael Getler, “Soviet Economy Called ‘Basket Case’: Presidential Aide Says U.S. Should Continue Pressures on Trade and Credit,” *Washington Post*, June 17, 1982 ([link](#)), p. A25. This is of particular interest, given the later view that CIA estimates were too rosy because the political leadership at the time refused to accept the view that the Soviets were in trouble. Note, for example, a comment by Michael Nacht, then dean of the Public Policy School at the University of Maryland, and a well-known expert in this area. “Frankly,” Nacht said in a 1992 interview, “the reporting of intelligence has been extremely politicized. In the Casey period, any kind of study showing the Soviet Union was an economic basket case would have been shelved. It didn’t comport with the overarching view of a communist threat.” Rodman Griffin, “The New CIA,” *CQ Researcher* 2, no. 46 (December 11, 1992) ([link](#)). Reagan himself, incidentally, also referred to the Soviet Union as an “ec. basket case” in a diary entry in November 1985. See David E. Hoffman, *The Dead Hand: The Untold Story of the Cold War Arms Race and Its Dangerous Legacy* (New York: Doubleday, 2009), p. 226 and p. 520 n.61.

⁸³ Kennedy, *Sunshine and Shadow*, p. 18.

⁸⁴ See, for example, Richard Pipes, “L’URSS en crise,” *Politique étrangère* 47, no. 4 (1982) ([link](#)); and Kissinger, “Les fondements de la politique étrangère des Etats-Unis” ([link](#)), esp. p. 920.

⁸⁵ “A few years ago,” he wrote, “Soviet prospects looked far more promising to me. When American Sovietologists painted a picture of the Soviet Union showing it on the verge of doom, if not collapse, I invariably responded that they were viewing something radically different from what I knew. Now I am not so sure.” Marshall Goldman, *U.S.S.R. in Crisis: The Failure of an Economic System* (New York: Norton, 1983), p. xii. The journalist Drew Middleton had pointed out a few years earlier that “some analysts” believed that “the Communist system is incapable of dealing with [the USSR’s economic and political] problems and that their growth could lead in time to disintegration of the Soviet Union.” Drew Middleton, “West Expects Soviet Might, And Ills, to Peak in Mid-80’s,” *New York Times*, June 29, 1979 ([link](#)), p. A6.

⁸⁶ CIA Office of Economic Research, “Soviet Perceptions of Economic Prospects,” March 1981, CREST system ([link](#)), p. iv.

⁸⁷ See Michel Tatu, “Les Relations Est-Ouest: Gérer la tension,” *Politique Étrangère* 46, no. 2 (1981) ([link](#)), esp. p. 288.

There was one new element that was incorporated into the analysis beginning in the late 1970s. For the first time, serious attention was now given to the social problems the Soviets had to deal with—alcoholism, corruption, absenteeism, and so on—and to the demographic indicators that indicated that Soviet society had taken a sharp turn for the worse.⁸⁸ The most important work in this area was done not by the CIA (which did not pay much attention to issues of this sort) but by the demographer Murray Feshbach.⁸⁹ Feshbach and his co-author Christopher Davis presented their most important findings in an article in the *Wall Street Journal* in 1978. “Unlike the rest of the industrialized world,” the article began, “the Soviet Union is experiencing a rising infant mortality rate and falling life expectancy.”⁹⁰ The evidence was outlined in some detail in a paper they released two years later, and Feshbach published a number of other articles on the subject in the early 1980s.⁹¹ Their findings were quite extraordinary. Infant mortality rate had “shot up by over 50%” in the 1970s; it was currently three times as high as it was in the United States.⁹² Life expectancy for males had fallen from 67 years in 1964 to about 62 years in 1982.⁹³ It seemed clear, moreover, that a leading cause for all this was what Feshbach called the “pandemic” of alcoholism in the USSR, a point

⁸⁸ On corruption: see Konstantin Simis, “The Machinery of Corruption in the Soviet Union,” *Survey* 23, no. 4 (Autumn, 1977-78); Konstantin Simis, *USSR—The Corrupt Society: The Secret World of Soviet Capitalism* (New York: Simon & Schuster, 1982); Ilya Zemtsov, *La Corruption en Union Soviétique* (Paris: Hachette, 1976); and CIA, “Soviet Elite Concerns about Popular Discontent and Official Corruption” (December 1982), CREST system ([link](#)). On crime: Valery Chalidze, *Criminal Russia: Essays on Crime in the Soviet Union* (New York: Random House, 1977), and Lydia S. Rosner, *Soviet Way of Crime: Beating the System in the Soviet Union and the U.S.A.* (South Hadley, Mass.: Bergin & Garvey Publishers, 1986). On alcoholism: Vladimir Treml, *Alcohol in the USSR: A Statistical Study* (Durham: Duke University Press, 1982), and Mark Schrad, *Vodka Politics* (New York: Oxford University Press, 2014) ([link](#)). On social issues in general, see Gail Lapidus, *After Brezhnev: The Sources of Soviet Conduct in the 1980s* (Bloomington: Indiana University Press, 1983), and idem, “Society under Strain,” *Washington Quarterly* 6, no. 2 (Spring 1983) ([link](#) to reprint).

⁸⁹ On Feshbach, see Cullen Murphy, “Watching the Russians,” *Atlantic Monthly*, February 1983, and Schrad, *Vodka Politics*, pp. 249-51. For the CIA’s neglect of social issues, see Lundberg, “CIA and the Fall of the Soviet Empire,” pp. 8, 12.

⁹⁰ Murray Feshbach and Christopher Davis, “Life Expectancy in the Soviet Union,” *Wall Street Journal*, June 20, 1978 ([link](#)), p. 20.

⁹¹ Christopher Davis and Murray Feshbach, *Rising Infant Mortality in the U.S.S.R. in the 1970's* (U.S. Commerce Department, Census Bureau, Foreign Demographic Analysis Division, International Population Reports, Series P-75, no. 74 (September 1980) ([link](#)). For background and a discussion of related work, see Christopher Davis, “Commentary: The Health Crisis in the USSR: Reflections on the Nicholas Eberstadt 1981 review of *Rising Infant Mortality in the USSR in the 1970s*,” *International Journal of Epidemiology* 35, no. 6 (December 2006), pp. 1400-1405 ([link](#)).

⁹² Murray Feshbach, “Health in Russia: Statistics and Reality,” *Wall Street Journal*, September 14, 1981 ([link](#)), p. 30; Spencer Rich, “Infant Mortality Soars in Russia, U.S. Study Finds,” *Washington Post*, June 26, 1980 ([link](#)), p. A1.

⁹³ David Satter, “Soviet Death Rates Rising, Report Says; Trend is Unique in the Developed World,” *Wall Street Journal*, October 18, 1982 ([link](#)), p. 38. See also Murray Feshbach, “Between the Lines of the 1979 Soviet Census,” *Population and Development Review* 8, no. 2 (June 1982), p. 351 ([link](#)).

developed in greater depth by Feshbach's sometime collaborator, the Duke economist Vladimir Tremml.⁹⁴ The infant mortality figures especially were considered a good indicator of the overall health of a society; it thus seemed that the general health of the Soviet population was deteriorating, and that the USSR's health care system was not able to cope with the problem. Recent studies had suggested, according to one leading analyst, Nick Eberstadt, writing in 1981, that the Soviet health care system had "deteriorated dramatically in the past 15 years"; "indeed," he added, "many believe its lapses may now have reached epidemic proportions."⁹⁵

All this was obviously of fundamental importance, and the press paid a good deal of attention to what these scholars were saying. The Feshbach-Davis study, for example, was the subject of a front-page article in the *Washington Post* when it came out in 1980.⁹⁶ Eberstadt published an important piece in the *New York Review of Books* in early 1981 discussing Davis and Feshbach's "startling report" and drawing out some of the implications. Looking at the "bits of information" they and others had supplied, Eberstadt asked: "What do these things say about alienation and depression, the desire of people to look after their health and to keep others alive?" For him, they suggested that "some virulent strain of anomie" was "running rampant," and that the Soviet social order was "in the midst of deadly decay." He referred to the "debilitation of the workforce" and the "demoralization which underlies it"; the 1960s and 1970s, he thought, had "proved devastating to Soviet society."⁹⁷ Another analyst was even blunter. "The health data," he was quoted as saying, "simply reflect that some things may be cracking up there."⁹⁸ Other observers interpreted Feshbach's

⁹⁴ Satter, "Soviet Death Rates Rising," p. 38, and Tremml, *Alcohol in the USSR*.

⁹⁵ Nick Eberstadt, "Ultimate Verdict on the Soviet Health System: Shorter Lives," *New York Times*, October 11, 1981 ([link](#)), p. E11.

⁹⁶ Rich, "Infant Mortality Soars in Russia," ([link](#)).

⁹⁷ Nick Eberstadt, "The Health Crisis in the Soviet Union," originally published in the *New York Review of Books*, February 19, 1981, and republished in Nick Eberstadt, *The Poverty of Communism* (New Brunswick: Transaction Books, 1988) ([link](#)). The quotations appear on pp. 12, 18-19, 25 of the book version.

⁹⁸ Daniel Greenberg, "Ivan's Declining Health," *Washington Post*, December 16, 1980 ([link](#)), p. A21.

findings in much the same way. They were, for example, an important basis for Moynihan’s argument in his 1979 *Newsweek* article that the USSR might “blow up.”⁹⁹

Other information pointed in the same general direction. Corruption, it was learned, had become pervasive; in 1978 a Soviet dissident, Konstantin Simis, published an important article on the subject in *Survey*, one of the main journals in the field.¹⁰⁰ Even Soviet leader Leonid Brezhnev’s own family was not beyond reproach in this regard—and Brezhnev’s hold on power at the end, in 1982, was so shaky that Yuri Andropov, the head of the KGB, was able with impunity to leak some very damaging information about Brezhnev’s daughter, her lover “Boris the Gypsy,” and a diamond scam they were involved with.¹⁰¹ Brezhnev himself, clinging to power despite his all-too-obvious physical and mental decline, seemed to personify all that was wrong with the system. Unable toward the end even to “utter a few phrases in public unless they were printed out for him,” and barely to stand up unaided, “he became a symbol,” as Dmitri Volkogonov writes, “of the entire decrepit leadership.”¹⁰²

For years the sense had been growing that the Soviet system was in decline. In 1967, the economist Joseph Berliner, visiting the USSR, was struck by the fact that the Soviet economists he spoke with now took a gloomy view of their country’s economic prospects—quite different from the “mood of

⁹⁹ See John Diamond, *The CIA and the Culture of Failure: U.S. Intelligence from the End of the Cold War to the Invasion of Iraq* (Stanford: Stanford University Press, 2008) ([link](#)), p. 32.

¹⁰⁰ Simis, “The Machinery of Corruption in the Soviet Union.”

¹⁰¹ Martin McCauley, *The Rise and Fall of the Soviet Union* (New York: Routledge, 2013), pp. 372, 382-83 ([link](#)); Robert Gates, *From the Shadows: The Ultimate Insider’s Story of Five Presidents and How They Won the Cold War* (New York: Simon & Schuster, 1996) ([link](#)), 185-86; John Burns, “2 Scandals Have All Moscow Abuzz,” *New York Times*, February 27, 1982 ([link](#)), p. 3. The message was that someone had to put an end to the rot, and that Andropov was the man to do it. The fact that he could leak the message while Brezhnev was still alive shows that he understood that there was real support in the Party for fundamental change, and he was appealing to those elements for support.

¹⁰² Dmitri Volkogonov, *Autopsy for an Empire: The Seven Leaders Who Built the Soviet Regime* (New York: Free Press, 1998) ([link](#)), p. 302; Stephen White, *Russia’s New Politics: The Management of a Postcommunist Society* (Cambridge: Cambridge University Press, 2000) ([link](#)), pp. 5, 294 n. 18. In the mid-1970s, Brezhnev suffered two strokes (one of which “left him clinically dead for a time,” and several heart attacks. “Incoherent from arteriosclerosis and tranquilizer overdoses,” in his last few years he “worked no more than two hours a day, and politburo meetings often lasted just twenty minutes,” and was able to remain in his position even after he “began drooling on himself in appearances on Soviet television.” Stephen Kotkin, *Armageddon Averted: The Soviet Collapse, 1970-2000* (New York: Oxford University Press, 2008) ([link](#)), pp. 49-50. See also Dimitri Simes, *After the Collapse: Russia Seeks Its Place as a Great Power* (New York: Simon and Schuster, 1999), p. 28 ([link](#)) ([link](#) to GoogleBooks version). This situation was quite clear at the time. “Underlying the stagnation,” Moshe Lewin writes, “—but also constituting its main symptom—was a deadlocked Politburo around a brain-dead Brezhnev: a humiliating impasse exhibited before the whole world.” Moshe Lewin, *The Soviet Century* (New York: Verso, 2005) ([link](#)), p. 261.

exuberance and of confidence in the vitality of the Soviet economic system” he had observed in another visit a decade earlier.¹⁰³ Other observers came away with similar impressions: one scholar, who had spent four years in the Soviet Union in the early and mid-1970s, published an article when he came back called “The ‘New Soviet Man’ Turns Pessimist.”¹⁰⁴ William Odom remembers “several chance conversations” he had while serving as assistant U.S. military attaché in Moscow in 1972-74: “middle-level bureaucrats and officers expressed deep concern over the state of the economy and the military burdens it carried.”¹⁰⁵ Some Europeans had come to see things in a similar light. Georges Pompidou, for example, just before his election to the French presidency in 1969, had already concluded that the Soviets had lost the economic competition with the West. He approvingly quoted Milovan Djilas, the former Yugoslav Communist leader, as saying that “as an ideology, Communism was in the process of falling apart, and as a society was in a state of unrest”; and he clearly shared Djilas’s view that “the political and social structure of the Soviet Union was radically inconsistent with modern ideas and contemporary realities.”¹⁰⁶

Some—but by no means all—journalists’ accounts gave much the same impression. In 1969, Anatole Shub, after serving as Moscow correspondent of the *Washington Post*, published a series of articles in that newspaper summing up what he had learned about the Soviet Union, and his views are of particular interest in this context. “The sense of suffocation and choking among the educated,” he wrote, “is matched by the sullenness and permanent irritability of the masses.”¹⁰⁷ The following year he published an article in

¹⁰³ Quoted in Alexander Dallin, “Causes of the Collapse of the USSR,” *Post-Soviet Affairs* 8, no. 4 (October-December 1992), p. 283.

¹⁰⁴ John Bushnell, “The New Soviet Man Turns Pessimist,” *Survey* 24, no. 2 (Spring 1979) ([link](#) to extract).

¹⁰⁵ William Odom, “The Sources of ‘New Thinking’ in Soviet Politics,” in Olav Njølstad, ed., *The Last Decade of the Cold War: From Conflict Escalation to Conflict Transformation* (London: Frank Cass, 2004) ([link](#)), p. 121.

¹⁰⁶ Pompidou, *Le Noeud gordien*, pp. 103, 111-15. This book was written mainly in the brief period after Pompidou was dismissed by de Gaulle as prime minister following the events of May 1968 and before he was elected to the presidency himself in 1969, and was published in 1974, the year he died in office. The idea that the Soviet economy was in trouble was a common theme in the published French and German diplomatic documents even for the 1960s. See, for example, Wilson-Erhard meeting, January 15, 1964, *Akten zur Auswärtigen Politik Bundesrepublik Deutschland* 1964, 1:50 (esp. n. 6); and de Gaulle-Heath meeting, November 22, 1965, *Documents diplomatiques français* [DDF], 1965, 2:624. Note also de Gaulle’s comments in a meeting with West German Chancellor Kiesinger, January 13, 1967, DDF 1967, 1:69; those remarks are of particular interest in the present context because of the link de Gaulle made between the sluggish Soviet economy and what he viewed as the now relatively moderate, status-quo-oriented Soviet foreign policy.

¹⁰⁷ Anatole Shub, “Soviet Leaders Reject Reform, Cast Future in a Stalinist Mold,” *Washington Post*, June 13, 1969 ([link](#)), p. A1.

Survey commenting on his friend Andrei Amalrik's famous essay "Will the USSR Survive until 1984?" which that journal had recently published. Nothing in the last six years, Shub said, including his two years in Moscow, had "significantly altered" his view that the Soviet regime was in a state of what Amalrik called "decrepitude," and that the great problem for the USSR's leaders, as well as for the population they ruled, was to find a way out "of the *cul de sac*" the Communists had created in Russia. He thought that as time passed and the regime became "more and more clearly anachronistic," the discontent would spread through the intelligentsia into the Party itself, and perhaps to some parts of the leadership. "A definite intellectual osmosis" between dissidents, "loyal but critical intellectuals, economic managers and Party officials," he wrote, had been going on for some time and was bound to continue; "the current Soviet economic crisis should, I would think, accelerate the process."¹⁰⁸

In the course of the 1970s more and more people came to see things this way—that is, they were coming to think not just that the economy was sluggish and that the USSR had to deal with a series of discrete but manageable problems, but rather that the whole system was in trouble. That conclusion had by no means been universally accepted. Even some experts as late as 1983 still took a relatively rosy view.¹⁰⁹ But among specialists, and to a certain extent in the educated public as a whole, by around 1980 a certain picture had come into focus. The prospects for the USSR appeared grim; the Soviet populace seemed increasingly disaffected. "Over the past several years, and especially over the past several months," a 1982 CIA document reported, "a number of Western observers in Moscow have detected in Soviet society an air of general depression and foreboding about the future."¹¹⁰ It seemed that even the Soviet leadership had lost faith in the system; the widespread corruption was one major sign of this. And if the leadership no longer took the ideology seriously, that was bound to have an effect on ordinary citizens. "Under Brezhnev,"

¹⁰⁸ Anatole Shub, " 'Will the USSR Survive . . . ?' A Personal Comment," *Survey*, no. 74/75 (Winter-Spring 1970), pp. 88, 92.

¹⁰⁹ See, for example, Stephen Cohen, "The Soviet System: Crisis or Stability?" in his *Sovieticus: American Perceptions and Soviet Realities* (New York: Norton, 1986); this article originally appeared in *The Nation* in August 1983. See also Hedrick Smith, *The Russians*, 2nd edition (New York: Times Books, 1983), pp. 555-58; note his later admission about how he had gotten it wrong there in Hedrick Smith, *The New Russians* (New York: Random House, 1990), pp. xv-xvi.

¹¹⁰ CIA Directorate of Intelligence, "Soviet Elite Concerns about Popular Discontent and Official Corruption," December 1982, CREST system ([link](#)), p. 1.

Volkogonov writes, “Communism was talked about from habit, though no one believed in it any longer”; as Anatoly Chernyaev, then an important official in the International Department of the Central Committee, noted in 1972, “our ideology is for internal consumption only.”¹¹¹ Brezhnev himself, according to David Remnick, “began privately calling Leninist ideology *tryakhomudiya*—a term of derision that might best be translated as ‘crapola.’”¹¹² Brezhnev sneered at officials who kept “going on about imperialism this, imperialism that.”¹¹³ People on the outside had little trouble seeing how hollow the ideology had become. The Soviet leader had himself become an object of ridicule. One joke, widely reported in the West, was particularly telling. It seems that Brezhnev’s mother, after a lapse of many years, came to visit her son in Moscow. As he showed off his sumptuous apartment, his fine clothes, his vast collection of luxury cars (Volkogonov says he had no fewer than eighty of them!), the old lady looked increasingly disconcerted. “What’s the matter, mom?” he asked. “Aren’t you pleased with my success?” “Well, of course I am, Leonid,” she replied. “There’s just one thing that worries me. What are you going to do when the Communists get back?”¹¹⁴

Did the Soviet leadership understand that it was going to have to deal with some very serious problems? It is often said that it was only at the very end of the Brezhnev period in the early 1980s that it came to see how serious the problem was, and that before that point it had the sense that things were going

¹¹¹ Volkogonov, *Autopsy for an Empire* ([link](#)), p. 318; Anatoly Chernyaev diary for 1972, entry for October 17, 1972 ([link](#)) (p. 33), translated and edited by Anna Melyakova and Svetlana Savranskaya; the diary for 1972 is linked to National Security Archive Electronic Briefing Book no. 279 (May 2012) ([link](#)). See also Vladislav Zubok, “The Soviet Union and Détente of the 1970s,” *Cold War History* 8, no. 4 (November 2008) ([link](#)), pp. 434-35.

¹¹² David Remnick, “Patriot Games,” *The New Yorker*, March 3, 2014, p. 31.

¹¹³ Chernyaev diary for 1974, entry for July 13, 1974 (p. 24), linked to National Security Archive electronic briefing book n. 430 ([link](#)). Brezhnev was referring to B.N. Ponomarev, head of the International Department of the Central Committee.

¹¹⁴ See Ben Lewis, *Hammer and Tickle: A Cultural History of Communism* (New York: Pegasus, 2010) ([link](#)); and Volkogonov, *Autopsy for an Empire* ([link](#)), pp. 302-303. McCauley, *Rise and Fall* ([link](#)), has many of the best jokes from the period. For Brezhnev’s automobile collection, see Volkogonov, *Autopsy for an Empire* ([link](#)), pp. 307. The view that the ideology was just a shell of its former self is, of course, by no means universally shared. Even so hard-core a realist as Wohlforth, writing in 1994, thought it was striking “how very late in the game” Soviet leaders clung to their “basic ideological faith.” Wohlforth, “Realism and the End of the Cold War” ([link](#)), p. 98. Mark Kramer, who probably is more familiar with the historical evidence from eastern sources than any other western scholar, takes a balanced view, but clearly believes ideology was more important than realist scholars are inclined to think. “The latest evidence,” he concludes in an important article on the subject, “suggests that Marxism-Leninism was far more than a charade or a smokescreen.” “It was an ideology,” he thinks, “that underlay and guided the Soviet regime,” and a certain emphasis on ideology in explaining Soviet foreign policy “seems largely warranted.” Mark Kramer, “Ideology and the Cold War,” *Review of International Studies* 25, no. 4 (October 1999) ([link](#)), pp. 574-75.

pretty well. But in reality Soviets leaders had long been aware of the fact that the Soviet economy was in trouble. “The top echelons of the Soviet leadership,” according to two scholars who have studied this issue, “had been getting confidential reports critical of the economy’s performance since at least the 1960s.”¹¹⁵ Another scholar refers to an important 1968 report laying out the problems; it had been prepared, at Prime Minister Alexei Kosygin’s request, by the economic section of the Soviet Academy of Sciences.¹¹⁶ Brezhnev himself discussed the situation at some length in Central Committee plenums in 1972 and 1973. Chernyaev, who gives an account of both speeches in the diary he kept at the time, came away from the 1973 discussion with “a gnawing feeling about the lack of prospects.” It was not that economic collapse was imminent; indeed, the assumption was that the system would probably endure. But the outlook was fairly dismal and it seemed that, given the existing structure, not much could be done about it. “Have we formed,” Chernyaev wondered, “some kind of inert, bureaucratic, ossified force of hopeless indifference (following the principle—just to survive a few more years), a force that will swallow anyone who tries something new?”¹¹⁷

The problems were in fact discussed quite openly. “Never has there been such widespread and frank discussion of the defects of the planning system,” Alec Nove, a leading specialist in this area, remarked in a talk he gave to the American Economic Association in May 1963. “To an ever greater extent,” Nove reported, “Soviet economists express the view that a new stage has been reached, that the old methods of planning cannot any more cope with the problems of an increasingly mature and sophisticated industrial system. The pages of *Pravda* and of the specialized press are filled with debates on radical reforms.”¹¹⁸ The

¹¹⁵ Michael Ellman and Vladimir Kontorovich, “The Collapse of the Soviet System and the Memoir Literature,” *Europe-Asia Studies* 49, no. 2 (March 1997) ([link](#)), p. 260. See also Woodrow Wilson Center, “U.S. Assessments of the Soviet and Post-Soviet Russian Economy: Lessons Learned and Not Learned,” Kennan Institute Occasional Paper 283 (Washington: Woodrow Wilson Center, 2002) ([link](#)), p. 14.

¹¹⁶ Lewin, *Soviet Century*, p. 261.

¹¹⁷ Chernyaev diary for 1972 ([link](#)), entry for December 31, 1972 (pp. 37-39), and Chernyaev diary for 1973 ([link](#)), entry for December 17, 1973 (pp. 74-77). The 1973 diary, translated by Anna Melyakova and edited by Svetlana Savranskaya, was published in English as a link to National Security Archive Electronic Briefing Book no. 430 ([link](#)) (May 2013). Note also Chernyaev’s postscript to the 1973 diary (p. 80), written in 2002. The economy, he wrote there, was not doing well, and indeed a period of “stagnation and irreversible decline” had begun; this was “starting to be felt, if not understood, by the ruling stratum”; and it “became clearer and clearer that ideology was falling victim to the hopeless economic stagnation.”

¹¹⁸ Alec Nove, “Prospects for Economic Growth in the U.S.S.R.,” *American Economic Review* 53, no. 2 (May, 1963) ([link](#)), p. 544.

political leadership frequently discussed these problems and its pronouncements were widely reported in the western press. A handful of headlines from the *New York Times* and the *Washington Post* from the period gives some feel for what was being said: “Premier Says Soviet Economy Is Beset by Lag in Production” (December 14, 1964); “Brezhnev Reports Wide Economic Ills, Asks Tight Control” (January 17, 1970); “Soviets Ponder Ailing Economy” (March 29, 1971); “’72 Growth Rate Lowest in 10 Years, Kosygin Says” (December 14, 1972). “Dissatisfaction of the Soviet leaders with the performance of the economy,” a CIA analyst reported in 1970, was evident not just in their speeches but “in a flood of press articles that urge better and more intensive work and announce new measures to alleviate specific difficulties.”¹¹⁹ The details that were reported in the Soviet press about the inefficiencies of the Soviet system in fact had a major impact on the thinking of western economists in the 1960s and beyond: “when we’re being told these things with increasing frankness and incisiveness,” one U.S. economist noted in 1966, “something sinks in.”¹²⁰

The interesting thing here is that the Soviets analyzed the problem in much the same way as U.S. economists did. The basic problem, according to the Americans, was that the “extensive” growth model had run its course and one had to shift to an “intensive” model and focus on making both capital and labor more productive. Some of the most talented Soviet economists took essentially the same line. The Academician V.S. Nemchinov, most notably, had argued as early as 1964 that a far-reaching liberalization of the economy was needed if the productivity problem was to be solved—and indeed if the whole economic system was not to break down.¹²¹ The idea that the centralized planning system might have made sense in an earlier period,

¹¹⁹ Byrne, “Recent Trends in the Soviet Economy” ([link](#)), p. 3.

¹²⁰ Alexander Erlich in *Slavic Review* Roundtable ([link](#)), pp. 244-45. See also Schroeder, “Reflections on Economic Sovietology,” p. 210.

¹²¹ For the key passages, see Lewin, *Soviet Century*, pp. 252, 260, and Moshe Lewin, *Political Undercurrents in Soviet Economic Debates: From Bukharin to the Modern Reformers* (Princeton: Princeton University Press, 1974), pp. 157, 177-79. See also Vladimir G. Treml, “The Politics of ‘Liberianism,’” *Soviet Studies* 19, no. 4 (April 1968) ([link](#)), esp. pp. 569-572; and idem, “Interaction of Economic Thought and Economic Policy in the Soviet Union,” *History of Political Economy* Spring 1, no. 1 (1969) ([link](#)), esp. pp. 207-216. The 1964 Nemchinov article is of particular interest, since Gorbachev “in a crucial speech on economic reform singled it out as the theoretical inspiration for the economic reforms of *perestroika*.” Pekka Sutela, *Economic Thought and Economic Reform in the Soviet Union* (Cambridge: Cambridge University Press, 1991), p. 62 ([link](#)). Nemchinov was by no means the only economist to call for fairly radical changes. V.V. Novozhilov and L.V. Kantorovich are also often mentioned in this context, and, as Bruce Parrott points out, the Academician N. N. Inozemtsev, head of a major Soviet research institute, also took a fairly radical line. In 1969, Inozemtsev “stressed the need to identify the ‘objectively progressive’ tendencies in the growth of capitalist productive forces which could be

but no longer suited the needs of a modern, complex economy, was quite common, and even made its way into the military journals.¹²²

Indeed, even top Soviet leaders expressed views of that sort. Prime Minister Alexei Kosygin himself, in a famous 1965 speech, outlined (in Vladimir Treml's words) "practically all the shortcomings and defects of the existing system." Productivity, Kosygin admitted, was growing less rapidly than in the past; making capital more productive was the "central problem" the country had to face. That meant that the present system had to be liberalized: existing forms of management were "no longer in conformity with modern technico-economical conditions"; "the rights of enterprises are cramped and their area of responsibility is insufficient." In making those arguments, as Treml points out, Kosygin was presenting ideas that had been developed by leading Soviet economists, and had been discussed thoroughly in the press.¹²³

And Soviet thinking, one should note, was also influenced by the writings of western analysts; major western studies were in fact translated into Russian and made available to researchers in this area.¹²⁴

emulated by the USSR"; Inozemtsev was later made a candidate member of the Central Committee. See Bruce Parrott, *Politics and Technology in the Soviet Union* (Cambridge: MIT Press, 1983), pp. 236-37, 248, 251-53. The notes of the economist Abel Aganbegyan's June 1965 talk to a group of editors in Leningrad, published in a *samizdat* journal and made available in the West, is another well-known document from the period bearing on this issue. See Abel Aganbegyan, "The Real State of the Economy," in Stephen Cohen, ed., *An End to Silence: Uncensored Opinion in the Soviet Union: From Roy Medvedev's Underground Magazine "Political Diary"* (New York: Norton, 1982), pp. 223-27; and also "L'Affaire Aganbegyan, Its Economic Revelations," CIA/RR EM 65-27, November 1965, cited in Julie Kerlin, "Military-Economic Estimating: A Positive View," *Studies in Intelligence* 10, no. 4 (Fall 1966) ([link](#)), p. 36. The rather radical ideas put forth by certain Soviet economists received a certain amount of attention in the West at the time. Note, for example, the references to Novozhilov and Kantorovich in Pompidou, *Noeud gordien*, p. 110.

¹²² See the passage from T. Bul'ba, "The Fundamental Question of the Economic Policy of the Communist Party of the Soviet Union," *Kommunist vooruzhennykh sil*, no. 10 (1973), p. 16, quoted and discussed in William Odom, "Who Controls Whom in Moscow," *Foreign Policy*, no. 19 (Summer 1975) ([link](#)), p. 114.

¹²³ Treml, "Economic Thought and Economic Policy" ([link](#)), p. 214; A.N. Kosygin speech to Central Committee Presidium, September 28, 1965, *Vital Speeches of the Day* 32, no. 4 (December 1, 1965) ([link](#)), pp. 116, 118. The chapter on "The Brezhnev Administration, 1969-1975" in Parrott, *Politics and Technology in the Soviet Union* is of particular interest in this context. See also Soviet leaders' remarks in plenary meeting of the CPSU Central Committee, December 1969, quoted in CIA Directorate of Intelligence, "Investment and Growth in the USSR," March 1970 ([link](#)), p. 2, in Gerald Haines and Robert Leggett, eds., *CIA's Analysis of the Soviet Union, 1947-1991* (CIA: Center for the Study of Intelligence, 2001) ([link](#)); and Lewin, *Political Undercurrents*, pp. 128-30. For more evidence on this general issue, see CIA, Office of Economic Research (M. Elizabeth Denton), "Soviet Perceptions of Economic Prospects," March 1981, pp. 1-2, 7 (and especially the Brezhnev remarks from 1970-71 quoted there), CREST system ([link](#)); this study was published in U.S. Congress, Joint Economic Committee, *Soviet Economy in the 1980s: Problems and Prospects* (Washington: GPO, 1983) ([link](#)), pp. 30-45.

¹²⁴ See Vladimir Treml, *Censorship, Access, and Influence: Western Sovietology in the Soviet Union* (Berkeley: University of California Press, 1999), pp. 1-46, and idem, "Western Analysis and the Soviet Policymaking Process" (with discussant comments), in Haines and Leggett, *Watching the Bear*, pp. 187-219 ([link](#)). The Czech economist Václav Klaus (and president of the Czech Republic from 2003 to 2013) reminisced about how it was possible under a Communist regime

Soviet economists, in fact, seemed to have a high regard for the work done by their American colleagues, and in particular by the CIA. The Academician Abel Aganbegyan, for example, noted in 1965 that the CIA had given “an absolutely accurate assessment of the situation in our economy.”¹²⁵ And Gennadii Zoteev, who worked in the Soviet planning agency in the 1980s, later said that it was “thanks primarily to Western literature on the Soviet economy” that he realized how “inflexible, sluggish, and inefficient” the planning system was.¹²⁶ Even Andropov, as General Secretary (in 1982-84), thought the CIA’s figures were more reliable than the statistics the Soviet system itself generated.¹²⁷

The problem, as Dimitri Simes pointed out in 1982, was not that the Soviets were “unaware of the sad state of their economy. They know very well how pitiful their economic situation is.” The problem, under Brezhnev at least, was that they could not bring themselves to do much about it. When you read the speeches given by Soviets leaders, Simes said, you are struck by how huge a gap there was “between the frankness with which they admit their shortcomings and the difficulties and the solutions which they’re willing to offer.” It was “almost pathetic” to see how incapable they were of rising to the challenge.¹²⁸ Chernyaev had come to much the same conclusion a decade earlier. He reported in his diary the reaction of one prominent figure in Soviet industry to Brezhnev’s December 1972 speech to the Central Committee plenum about the problem: “we’ve heard it all before more than once. The speeches get nicer and nicer, while things get worse and worse.” “He said all this out loud,” Chernyaev noted, in the crowd of Central

for young economists to read works like Friedrich von Hayek’s article “The Use of Knowledge in Society,” which came out in the *American Economic Review* in 1945. It was impossible to read periodicals like *Newsweek* or *The Wall Street Journal*, “but in the libraries of academic institutions we could get the *American Economic Review* and similar journals. They were sufficiently scientific and, therefore, incomprehensible for the communist censors.” Václav Klaus, “Hayek and My Life,” in Sandra Peart and David Levy, eds., *F.A. Hayek and the Modern Economy: Economic Organization and Activity* (New York: Palgrave Macmillan, 2013), pp. 230-31 ([link](#)).

¹²⁵ Aganbegyan, “The Real State of the Economy,” in Cohen, *An End to Silence*, p. 227.

¹²⁶ Gennadi Zoteev, “The View from Gosplan,” in Michael Ellman and Vladimir Kontorovich, eds., *Destruction of the Soviet Economic System: An Insiders’ History* (Armonk: Sharp, 1998), p. 87.

¹²⁷ According to then-former Director of Central Intelligence Robert Gates, the CIA “had clandestine reporting to the effect that even Andropov regarded our reporting on the Soviet economy as the best available to him.” Robert Gates, “U.S. Intelligence and the End of the Cold War,” November 19, 1999, CIA online speeches and testimony archive ([link](#)). Gates had made the same point in speech he had given while he was DCI seven years earlier. See Robert Toth, “CIA Defended on Assessing Soviets,” *Los Angeles Times*, May 21, 1992 ([link](#)).

¹²⁸ Dimitri Simes, in *Soviet Military Economic Relations* ([link](#)), p. 244.

Committee members, “but it didn’t turn a single head. The others must have been occupied with similar thoughts.”¹²⁹

Why Does It Matter?

Western Sovietology, Martin Malia charged in 1990, had “done nothing to prepare us for the surprises of the past four years.”¹³⁰ The CIA, according to Melvin Goodman in 1997, had “completely misread the qualitative and comparative economic picture” and had “provided no warning to policymakers of the dramatic economic decline of the 1980s.”¹³¹ It is quite clear from everything that has been said so far that such claims are not supported by the historical record, at least as far as the economists were concerned. To be sure, neither the CIA analysts nor the academics were able to predict that the Soviet system would collapse when it did; even in retrospect, it is hard to see how anyone could have foreseen how exactly events would run their course. But what the specialists in this area had been able to do was to create a framework for analysis—to give a good sense for what the major problems were, and to suggest that some very fundamental choices were going to have to be made. “The low growth rates we envision for the mid-1980s,” CIA Director Admiral Stansfield Turner told a Congressional committee in 1979, “could squeeze their resources to the point where something has to give.”¹³² But exactly what would give could not be predicted in advance—although Turner did think that fairly radical change was a real possibility. “By the mid-1980s,” he thought, “a new, well-established Politburo could be persuaded that more radical policies were necessary.”¹³³ But no one could really tell what the future would bring, and the Soviets themselves at this point probably did

¹²⁹ Chernyaev diary for 1972, entry for December 31, 1972 (p. 38) ([link](#)). See also the discussion in Parrott, *Politics and Technology*, pp. 239-40. According to information provided by a *samizdat* publication at the time, Parrott writes, “three Politburo members (Shelepin, Suslov, and Mazurov) circulated a private letter condemning” a speech Brezhnev had given in the December 1969 Central Committee Plenum discussing the problem “for producing ‘only hysteria’ without providing any solution to the difficulties it depicted.”

¹³⁰ “Z” [Martin Malia], “To the Stalin Mausoleum” ([link](#)), p. 297.

¹³¹ Goodman, “Ending the CIA’s Cold War Legacy” ([link](#)), p. 141.

¹³² U.S. Congress, Joint Economic Committee, *Allocation of Resources in the Soviet Union and China—1979*, part 5 (July 1979) (Washington: GPO, 1980) ([link](#)), p. 11.

¹³³ Joint Economic Committee, *Allocation of Resources in the Soviet Union and China, 1980* (Washington: GPO, 1980), pp. 113-15 ([link](#)).

not know how they would deal with their problems. One needs only to think of the Chinese experience to realize that things could have turned out very differently.¹³⁴

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

Consider, for example, Moynihan’s charge in 1990 that while *he* had been able to see in 1979 that Russia might blow up, in large part because Soviet economic growth was coming to a halt, “our intelligence community just couldn’t believe this. They kept reporting that the economy was soaring!” If the U.S. government had been able to see what he had seen, it would not have had to virtually bankrupt itself by engaging in a massive but utterly unnecessary military build-up, and could have just waited the Soviets out.¹³⁵ But in the 1979 article he was referring to, the economic data he cited was quite similar to the data the CIA was releasing at the time; indeed, one suspects that that was where Moynihan’s figures came from.¹³⁶ He had also predicted that the Soviets, as a power in decline (like Austria-Hungary in 1914, he said), would pursue an increasingly aggressive policy, and might try to seize the “oil fields of the Persian Gulf”: Soviet military power had “never been greater”; “the short run looks good, the long run bad. Therefore move.” But that argument scarcely suggested that a major U.S. military build-up was unwarranted.

¹³⁴ Note, in this context, Marshall Goldman, “Soviet Perceptions of Chinese Economic Reforms and the Implications for Reform in the U.S.S.R.,” *Journal of International Affairs* 39, no. 2 (Winter 1986) ([link](#)).

¹³⁵ Moynihan, “How America Blew It” ([link](#)), p. 14. For the 1979 article, see Daniel Patrick Moynihan, “Will Russia Blow Up?” *Newsweek*, November 19, 1979, p. 144 ([link](#)).

¹³⁶ Thus he referred in that 1979 article ([link](#)) to how the Soviet economy had been growing at “better than 6 percent in the 1950s,” but was “barely half that” in the 1970s, and he also noted that “productivity increases are about at zero.” Those figures are in line with CIA estimates at the time: in the important CIA paper “Soviet Economic Problems and Prospects,” released by the Joint Economic Committee in 1977 ([link](#)), the Soviet economy was said to be growing at a rate of 5.8% in the 1950s but only 3.7% in the first half of the 1970s (p. 2), and factor productivity was presented as actually declining slightly in that period (p. 10).

There was also a problem with Moynihan’s evidence, or really the lack of it. In his many writings and speeches dealing with the subject, he did not cite specific assessments the CIA had made at the time. As Bruce Berkowitz points out, he relied instead mainly on one very striking source: former CIA Director Turner’s admission, in a 1991 *Foreign Affairs* article, that no one in the Agency appeared to recognize how serious the USSR’s economic problem was. The CIA analysts, Turner suggested, had failed to see that the Soviets were suffering from a “growing, systemic, economic problem.” “Neither I nor the CIA’s analysts,” he wrote, “reached the conclusion that eventually something had to give.” His basic point was quite clear: “We should not gloss over the enormity of this failure to forecast the magnitude of the Soviet crisis.”¹³⁷ And yet the major CIA study on the subject released in August 1977, not long after Turner had taken the top job at the Agency, analyzed the issue in some detail: the “long-standing” economic problems, it said, were “likely to intensify”; solutions would not be “easy to find”; “a marked reduction in the rate of economic growth in the 1980s seems almost inevitable”; given the seriousness of the problem, Soviet leaders were very likely “to consider policies rejected in the past as too contentious or lacking in urgency.”¹³⁸ Turner himself, in Congressional testimony for four years in succession, took much the same line. The Soviet growth rate, he said, had fallen and the decline would continue; the economic outlook was “bleak”; Soviet leaders would try to “muddle through,” but that policy was not “tenable in the long run”; indeed, “the economic picture might look so dismal by the mid-1980s that the leadership might coalesce behind a more liberal set of policies.”¹³⁹ Indeed, in his first speech after assuming the directorship he said the Soviet economy was in trouble and predicted that the Soviet leadership was “going to be facing some very difficult periods.”¹⁴⁰ And as I noted a few paragraphs back, he himself had stated in 1979—and this almost word for word contradicts his claim in the *Foreign Affairs* article—that the “low growth rates we envision for the mid-1980s

¹³⁷ Stansfield Turner, “Intelligence for a New World Order,” *Foreign Affairs* 70, no. 4 (Fall 1991) ([link](#) to free version; [link](#) to HeinOnline facsimile), p. 162, and Berkowitz, “U.S. Intelligence Estimates of the Soviet Collapse” ([link](#)), pp. 244-45; a slightly different version of the Berkowitz article originally appeared in Francis Fukuyama, ed., *Blindside: How to Anticipate Forcing Events and Wild Cards in Global Politics* (Washington: Brookings, 2007).

¹³⁸ “Soviet Economic Problems and Prospects,” July 1977, CREST system ([link](#)) and JEC version ([link](#)). All the quotations come from the summary at the beginning of the report.

¹³⁹ Quoted in MacEachin, *CIA Assessments of the Soviet Union*, appendix ([link](#)). MacEachin gives extracts from Turner’s testimony to Congress in 1977, 1978, 1979 and 1980, all of which make the same basic point.

¹⁴⁰ “Soviet Economy Said Unwell,” *Washington Post*, August 6, 1977 ([link](#)).

could squeeze their resources to the point where something has to give.”¹⁴¹ All this was a matter of public record; it should have been easy to see how misleading Turner’s remarks in the *Foreign Affairs* article were, and indeed it should have been easy to see that Moynihan’s comment that the CIA had “kept reporting” that the Soviet economy was “soaring” was utterly baseless. Yet no one pointed these things out at the time; the press tended to take what Moynihan, and Turner, had said about a huge intelligence failure at face value.

This is but one case among many, and the general point here, about how little accountability there is in American foreign policy discourse, is certainly worth noting, not least because it relates to common ideas in the contemporary international relations literature about “audience costs,” the “open marketplace of ideas,” and so on. But the findings here are also important for a second reason: they shed light on the issue of whether social science can be of real value in practical political terms. Malia, of course, had argued that when it came to giving insight into the big issues, social science in general, and economics in particular, had not made much of a contribution. Other writers took much the same view. Even so careful a scholar as David Engerman, in his important book on America’s Soviet experts, saw economic Sovietology peaking in the early 1960s before going into a “steady decline that long preceded the Soviet Union’s.” The scholars in that field should have helped other Soviet experts understand what was going on with the USSR’s economy, but, according to Engerman, they failed to do so.¹⁴²

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

And there is a third reason this whole story matters: it throws a certain light on what was going on in the Soviet Union during the Brezhnev period. It was common, especially in the mid-1980s, to view the

¹⁴¹ Joint Economic Committee, *Allocation of Resources in the Soviet Union and China—1979*, part 5 (July 1979) ([link](#)), p. 11.

¹⁴² David Engerman, *Know Your Enemy: The Rise and Fall of America’s Soviet Experts* (New York: Oxford University Press, 2009), pp. 125-26 ([link](#)).

Brezhnev years as an “era of stagnation,” and it certainly seemed that the Soviet leadership could not bring itself to even consider fundamental changes in the basic structure of the system. But it is now clear that below the surface the sense was growing that things could not go on as they were indefinitely, and that sooner or later major decisions would have to be made. Gorbachev himself had come to that conclusion well before he became General Secretary; he kept his views mostly to himself, but he eventually opened up with others who had also reached fairly radical conclusions—with Alexander Yakovlev during a trip to Canada in May 1983 and with Eduard Shevardnadze in December 1984.¹⁴³ The conservative journalist Bernard Levin had predicted in 1977 that this was the way fundamental change would come—that people were coming into positions of power in the USSR who had “admitted the truth about their country to themselves” and had “vowed, also to themselves, to do something about it,” and that eventually they would “look at each other and realize that there is no longer any need for concealment of the truth in their hearts.” At that point, he wrote, the match would be lit.¹⁴⁴ And that seems to sum up in a nutshell what actually happened during the Gorbachev period.

Finally, the fourth and to my mind by far the most important reason why this story is of interest is that it provides us with a framework we can be of use today when we try to understand why international politics in the later Cold War period ran its course the way it did. The Soviet economic problem was bound to play a key role in shaping not just Soviet but also American foreign policy, and indeed is perhaps the most fundamental, and probably the most under-appreciated, factor that needs to be taken into account when one is trying to make sense of great power politics in the whole period from the early 1960s through the end of the Cold War. But this question is too important to be treated in passing here. It will therefore be the subject of a separate article, to be published in the next issue of this journal.

¹⁴³ Hoffman, *Dead Hand*, pp. 183-85. Gorbachev is quoted there (p. 187) as telling his wife “We can’t go on living like this” just before he became General Secretary in 1985.

¹⁴⁴ The original article appeared in the *Times* of London in September 1977. It was republished as Bernard Levin, “One Who Got It Right,” in the *National Interest* 31 (Spring 1993), pp. 64-65, and is quoted in Seymour Martin Lipset and Gyorgy Bence, “Anticipations of the Failure of Communism,” *Theory and Society* 23, no. 2 (April 1994) ([link](#)), pp. 200-210.

Appendix: The Long-Term Convergence of the Growth Rate for Investment with the Growth Rate for the Capital Stock

In his important 1973 article “Toward a New Growth Model,” Bergson noted that while “the rate of growth of investment is not at all the same thing as the rate of growth of the capital stock itself”—and that “indeed, the two might temporarily tend to diverge widely”—“in the course of time they must nevertheless tend to converge.” That point played a key role in his analysis in the article, but is it valid?

It turns out that it is quite easy to prove the point about convergence, which in turn suggests that the point was familiar to economists working in this area, and that people like Bergson were drawing on a body of theory which they did not feel they had to present explicitly. (Bergson himself, looking back, emphasized the point that his work always had a strong theoretical core.¹⁴⁵) Let me sketch the proof here.

Let r be the annual rate of increase in investment (which for simplicity we will treat as a constant) and let I_n be investment in period n . Then:

$$I_n = I_1(1+r)^{n-1}$$

Let K_n be the stock of capital at the end of period n , and let K_0 be the stock of capital at the beginning of period 1. Ignoring depreciation, also for the sake of simplicity—and including it would not change the basic point here—we would thus have, applying the rule for the sum of a geometric progression:

$$K_n = K_0 + \sum_{i=1}^n I_1(1+r)^{i-1} = K_0 + \frac{I_1}{r}((1+r)^n - 1)$$

Let s_n be the rate of increase of K in period n —that is, $s_n = I_n \div K_{n-1}$. From the first equation above, it follows that:

$$s_n = \frac{I_1(1+r)^{n-1}}{K_0 + \sum_{i=1}^{n-1} I_1(1+r)^{i-1}} = \frac{I_1(1+r)^{n-1}}{K_0 + \frac{I_1((1+r)^{n-1} - 1)}{r}}$$

Dividing both numerator and denominator by the numerator, and then multiplying both by r , we get:

$$s_n = \frac{r}{\frac{rK_0}{I_1(1+r)^{n-1}} + 1 - \frac{1}{(1+r)^{n-1}}}$$

As n approaches infinity, the first and last terms in the denominator approach zero, so s_n and r converge, confirming Bergson’s point.

¹⁴⁵ See Abram Bergson, “Recollections and Reflections of a Comparativist,” *American Economist* 31, no. 1 (Spring 1987) ([link](#)), pp. 4-5.