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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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ACTION

November 15, 1985

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: JACK F. MATLOCK

SUBJECT: Draft National Intelligence Estimate

The CIA has provided an advance draft of a National Intelligence Estimate concerning domestic stresses on the Soviet system (Tab I). Essentially it covers in greater detail the points Kay Oliver made in the meeting of CIA analysts with the President Wednesday. You may wish to glance through it for further details.

JL

John Lenczowski concurs.

RECOMMENDATION

That you review the attached draft NIE if time allows.

Approve _____ Disapprove _____

Attachment:

Tab I Draft NIE

ON-FILE NSC RELEASE INSTRUCTIONS APPLY

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Director of
Central
Intelligence

~~Secret~~

Domestic Stresses on the Soviet System

National Intelligence Estimate

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL

~~Secret~~

NIE 11-18-85
November 1985

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NIE 11-18-85

DOMESTIC STRESSES ON THE SOVIET SYSTEM

Information available as of 13 November 1985 was used in the preparation of this Estimate, which was approved on that date by the National Foreign Intelligence Board.

THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, the Federal Bureau of Investigation, and the intelligence organizations of the Departments of State, the Treasury, and Energy.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Director of Intelligence, Headquarters, Marine Corps

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SCOPE NOTE

An accumulation of domestic stresses has been visible to official and unofficial observers of the Soviet scene for many years. This National Intelligence Estimate is the Intelligence Community's first attempt to assess the impact of these internal Soviet problems. It also estimates the directions the new Gorbachev regime will take in addressing them, and their prospects for success. The time period on which this NIE focuses is the second half of the 1980s.

This Estimate rests in large part on a body of data and analysis that will be published separately by the Office of Soviet Analysis, CIA. The CIA study will record in detail the substance of intelligence reporting on Soviet elite perceptions of the USSR's internal disorders and the elite's mounting alarm over their political implications in recent years.

An estimate of this sort suffers from severe data problems, particularly the lack of statistics on social trends and pathologies, such as crime rates. Our analysis has also been encumbered by a lack of good social theory for describing the behavior of a society that is far from fitting the old "totalitarian model" but is still ruled by a regime that strives to fulfill many of that model's features. Nevertheless, this NIE constitutes a baseline for future collection and analysis on developments inside Soviet society that will merit frequent reexamination in the years ahead.

~~*This Scope Note is Secret*~~

KEY JUDGMENTS

The USSR is afflicted with a complex of domestic maladies that seriously worsened in the late 1970s and early 1980s. Their alleviation is one of the most significant and difficult challenges facing the Gorbachev regime.

By most contemporary standards, the Soviet Union is a very stable country. Over the next five years, and for the foreseeable future, the troubles of the society will not present a challenge to the system of political control that guarantees Kremlin rule, nor will they threaten the economy with collapse. But, during the rest of the 1980s and well beyond, the domestic affairs of the USSR will be dominated by the efforts of the regime to grapple with these manifold problems, which will also have an influence on Soviet foreign and national security behavior.

At the root of Soviet domestic ills are three tightly interconnected problems:

— A long-term slowdown in the economy caused by labor shortages, high natural-resource costs, and low factor productivity.

— A lethargic and parasitic party-state bureaucracy that has virtually ceased to be a mobilizing tool and has become a major obstacle to social and economic progress.

— An unmotivated labor force.

Both contributing to and resulting from these basic ills, the Soviet system has been further afflicted by:

— A moribund political leadership from the last years of Brezhnev until the accession of Gorbachev in 1985.

— Social pathologies including corruption by both officials and the population at large, rampant alcoholism, rising crime rates, and drug abuse.

— The spread of dissenting attitudes, including religious adherence, nationalistic resentments, and youth alienation, despite increased repression of overt political dissent in recent years.

— Isolated but numerous incidents of civil unrest and worker protests, often over food shortages and working conditions.

The material spur to these problems was the near stagnation of consumption levels in the late 1970s and early 1980s. More information

from the outside world contributed to popular disgruntlement. The underlying cause of most of these problems is the repressive nature of a political system that discourages initiative throughout the society on which economic and social progress depend, and that limits the private freedoms Soviet citizens desire.

The worsening of these problems and the failure of the top leadership to take credible action against them demoralized both the ruling elite and the population at large in recent years. Continuing measures begun under Andropov, the Gorbachev regime is trying to develop a comprehensive strategy to alleviate these problems by renewal of leading cadres, tightened social and bureaucratic discipline, and an economic growth program reliant on modernizing the technology base and reform of the management system.

Gorbachev has achieved an upswing in the mood of the Soviet elite and populace. But the prospects for his strategy over the next five years are mixed at best:

— We expect his measures to be activist, but essentially conservative, with heavy emphasis on disciplinary controls to balance what modest decentralizing reforms of the management bureaucracy he adopts.

— Although recent regime policies have boosted growth, the Gorbachev economic program is fraught with uncertainty and risk. It depends heavily on an initial stimulus to labor productivity, which could be undercut because welfare improvements are likely to be slow. The oil production turndown and uncertainties in agriculture are further threats.

— Many of the ills of the system are very deeply rooted in the nature of the economic system—widespread corruption and lack of incentives, for example—and in the political system—widespread attitudinal alienation. We do not expect Gorbachev to make much progress in correcting them over the next five years, despite strenuous measures.

— Many of Gorbachev's policies, such as cadre renewal, disciplinary measures, differentiated material incentives for workers and managers, and bureaucratic restructuring are likely to increase rather than decrease tensions in the society that result from anxiety and insecurity. The regime is, indeed, counting on such tensions to spur worker performance.

Powerful factors buttress the stability of the Soviet system, including pervasive political controls and the passive tolerance of the population at large. At the same time, those factors favoring stability are a continuing brake on the economic growth and social modernization goals of

the regime. Moreover, there is a growing tension between popular aspirations and the system's ability to satisfy them, and also tensions between the regime's growth and modernization goals, on the one hand, and centralized political control on the other. We do not exclude the possibility that at some unforeseeable future time these tensions could pose a serious threat to the stability of the system.

Economic and social problems do not make the USSR anything other than a powerful and acquisitive actor on the international scene. Gorbachev gives every indication of endorsing well-established Soviet goals for expanded power and influence. But slow growth, technological backwardness, and the surrounding complex of social ills do pose constraints on the USSR's achievement of international goals with ease:

— Because of them, the USSR is no longer an economic model for advanced or developing societies, which diminishes Soviet ideological appeal.

— Internal problems give Soviet leaders a sense of the vulnerability of their system to foreign influences and might, under some conditions, inhibit foreign military ventures that could stimulate internal unrest. These factors constrain foreign policy flexibility, although Afghanistan and other Third World ventures indicate that the USSR is much less constrained than the United States by domestic considerations.

— Technological backwardness constrains Soviet ability to compete in high-technology weapons development; and labor needs now clash more than ever with high levels of active military manpower.

In part because it appears a good way to advance established Soviet foreign policy goals, but also because he wants a breathing space to ease the task of managing Soviet internal problems, Gorbachev is urgently seeking a restoration of the detente enviroment of the early 1970s in East-West relations.[1] He is at present unwilling to pay a significant price for detente by accommodating Soviet behavior to US security interests. He will probably maintain this stance for several years while he determines how well his domestic and foreign policies are working. But if he fails to get either domestic revitalization or an international

[1] *There is an alternative view—held by the Director, Defense Intelligence Agency, and the Assistant Chief of Staff, Intelligence, Department of the Air Force—which holds that the Gorbachev regime regards the advancement of its foreign and strategic goals as the primary determinant of, and motivating factor behind, Soviet behavior in the international arena, not Soviet internal problems.*

breathing space on the cheap, he would most likely opt for tactical accommodation with the United States in order to gain the advantage of economic interaction with the West, facilitating both relief from domestic economic constraints and continued military modernization. At the same time, the Soviets would continue to pursue greater influence in the Third World and efforts to divide US alliances.

~~*This Key Judgments section is Secret*~~

DISCUSSION

1. The Soviet regime under its new leader, Mikhail S. Gorbachev, faces a knot of societal problems that embraces almost all aspects of Soviet life. Together they make the Soviet Union a far less healthy society than either its leadership or its population wishes it to be, and a parody of its official values of social progress, public welfare, and popular optimism. Most of these problems—from alcoholism to declining public health, from rampant corruption to abysmal worker productivity, from youth alienation to dissenting attitudes in the population—have deep social and political roots. They worsened considerably under conditions of economic slowdown that beset the system in the late 1970s and were exacerbated by the period of moribund political leadership preceding Gorbachev's accession.

2. The manifold illnesses of Soviet society are less traumatic than what the Soviet population suffered and the regime survived in the not-too-distant past: civil war, collectivization, purges, mass terror, and World War II. Yet they are also less tractable or transient than those intense stresses. The problems of the present are very much products of the system in its maturity and represent a definite running down of the capacity of the system to motivate constructive social behavior or to suppress some pervasive forms of antisocial behavior through coercion or persuasion.

3. To some extent these problems are the products of urbanization and modernization systematically sought by the regime over nearly 70 years, and of the high priority always placed by the regime on military power at the expense of other goals:

— Growing and unsatisfied consumer demand has been the natural consequence of overall Soviet economic development.

— The development of a more critically thinking population, less susceptible to previous forms of exhortation, is the product of mass education.

— A society more open to outside influences results from advances in communications and the greater international involvement of the USSR as a superpower.

But the Soviet system has found it increasingly difficult to manage many of the effects of these processes it has abetted.

4. Soviet societal problems are interrelated and exceptionally difficult to manage. For example, poor worker performance contributes to slowing economic growth, which fails to provide the incentives needed to improve performance. Therapeutic measures taken by the regime may well increase social stresses in costly ways before they pay off in increased growth and improved welfare. In the final analysis, the system itself is a large part of the problem because it discourages the creativity and initiative on which the progress of a modern technological society depends.

5. The new Gorbachev leadership is clearly determined to alleviate the system's societal problems through revitalization of the entire political elite, tightening of social discipline, sharp improvements in economic performance, and, more generally, restoration of belief by the population and the elite that the system works. A variety of sources indicate that Gorbachev has made considerable progress in imparting a sense of optimism to the elite and to some elements of the populace, at the price of an increased sense of insecurity among some. His efforts are more than a matter of seeking improved social conditions as one among several regime priorities. The new leadership perceives a troubled and underachieving society as a twofold threat to its most vital goals of projecting power abroad and maintaining control at home: first, unhealthy societal conditions are an obstacle to the growth and technological modernization on which the USSR depends to be the effective and ultimately preeminent superpower it seeks to be; second, they are a source of tensions that could, if not checked, jeopardize the stability of the internal system itself.

I. The Elements of Discontent

A. The Legacy of Moribund Political Leadership

6. The Brezhnev leadership fulfilled with a vengeance its mandate from the ruling elite to provide

"stability of cadres" after the terror of Stalin and the organizational turmoil of the Khrushchev years. Under its aegis the thousands of party and state functionaries who run the Soviet system came to enjoy virtually tenured positions. The principal effects of this condition were:

— Entrenched bureaucracies were relieved of pressures for innovation needed to improve economic performance and they undermined various institutional reforms that the Brezhnev leadership tried to apply to energize the economy.

— Throughout the system, leaders remaining in place or moving up at a leisurely pace found their technical and managerial competence for handling an increasingly complex economy out of date; but they were under no pressure to step aside.

— Careerism, cynicism, and selfish interests came almost openly to dominate the actual values of the ruling elite, undermining both their interest and their ability to motivate constructive behavior in the population.

— Corruption in the form of bribery and shady dealings on the underground economy, always endemic to Soviet officialdom, acquired epidemic proportions throughout the ruling elite, further undermining its capacity to pursue official goals.

— With low mobility in the leadership system and the ability of its members to secure education and positions for their children, the elite assumed some characteristics of a hereditary aristocratic class.

7. As a consequence of these phenomena, the party-state machinery was transformed from a mobilizational tool into an obstacle to progress on all fronts. By the late 1970s and early 1980s, on an ever wider scale, the very members of the privileged Soviet elite were expressing gloom and disgruntlement about the state of affairs of which they were so much the cause and the beneficiaries. The period of visibly enfeebled leadership at the top, from Brezhnev's late years through Chernenko, both symptomized and stimulated the pessimism of the ruling class. Indeed, its members became increasingly worried about the ability of the system to cope and to assure their own survival as its privileged element.

8. If Gorbachev has achieved anything in his very brief tenure so far, most reporting indicates that he has reversed this mood of elite concern about inertia at the top by both his energetic, businesslike style and his shakeups of top-level party and state personnel. This new degree of optimism coexists with uncertainty as to how well the Gorbachev regime will fare in addressing the system's problems.

B. The Economic Slowdown

9. The growth of the Soviet economy has been systematically decelerating since the 1950s as a consequence of dwindling supplies of new labor, the increasing cost of raw material inputs, and the constraints on factor productivity improvement imposed by the rigidities of the planning and management system. The average annual growth of Soviet GNP dropped from 5.3 percent in the late 1960s, to 3.7 percent in the early 1970s, to 2.6 percent in the late 1970s. Soviet GNP grew by only 1.6 percent per annum in Brezhnev's last years (1979-82). After reaching a low in 1979, GNP growth averaged 2.3 percent from 1980 to 1984. Growth in 1985 will probably be in the range of 2.5 to 3.0 percent. These recent improvements have been the result largely of disciplinary and incentive measures introduced under Andropov and Gorbachev. It remains to be seen whether the upturn in growth can be sustained.

10. Growth in consumption has been a principal casualty of the overall Soviet economic slowdown, with an enormous impact on the Soviet popular mood. Per capita consumption grew at 4.3 percent per annum in the late 1960s, 2.6 percent during the first half of the 1970s, 1.8 percent in the second half of the 1970s, and 1.2 percent in the first half of the 1980s. From the point of view of the Soviet consumer, accustomed to rapid improvements from an abysmal base in the first two decades after World War II, the Soviet economy looked stagnant. In fact, many Soviet citizens have had the impression that their standard of living deteriorated in this period:

— Soviet public health care has measurably deteriorated because of skimpy funding, sloppy performance, environmental problems, and growing alcohol abuse. In the USSR alone among industrial nations, life expectancy has declined during the past two decades, death rates (including infant mortality) have increased, and control of major

The Exceptional Sector:
The Soviet Military-Industrial Complex

During the past decade, while the rest of the Soviet economy was slowing down and social difficulties deepened, production by Soviet defense industry for the Soviet military saw a decline in growth rates. But the number of new weapon systems fielded reached historically high levels, and the pace of technological advance increased. The Soviet military-industrial complex, in short, remains the most creative sector of the Soviet system:

— During 1975-85, the USSR fielded about 200 major new or modernized military systems and procured about 300 billion rubles' worth of military hardware (worth $640 billion if procured in the United States using Defense Department practices).

— Through energetic domestic effort and legal and illegal foreign acquisition, the USSR scored major military technology advances in solid-propellant strategic missiles, surface-to-air and air-to-air missiles, long-range cruise missiles, fighters, bombers, transport aircraft, tanks, command-and-control systems, and reentry vehicles.

— Soviet military command structures and doctrines saw important changes, most evolutionary, but all displaying a high order of purposefulness and determination to solve military problems.

The Soviet military-industrial complex is the high-achievement sector of the Soviet system for a number of reasons:

— It is accorded top priority by the political leadership in access to resources and quality manpower, and given unusual flexibility to solve problems.

— It is served by an elaborate effort to acquire and apply foreign technology.

— The presence of a powerful, demanding customer, the Ministry of Defense, backed by central party and state organs, gives military-industrial management unique incentives to perform; their labor force enjoys unique incentives and rewards for work.

— Military discipline affords unique coercive tools throughout the armed forces and the military-industrial sector.

Nevertheless, the Soviet military-industrial complex is not isolated from the problems of the surrounding society:

— Military manpower and the workforce in defense industries suffer from the alcoholism, disease, corruption, and educational deficiencies that afflict the rest of the society.

— While much more effective and somewhat more efficient than the rest of the economy, the military-industrial complex absorbs vast resources directly and indirectly, constituting a heavy burden on other social goals.

— As military technologies become more complex and diffuse, Soviet military power is becoming more constrained by low technology levels in the society at large, a source of worry to Soviet military authorities.

communicable diseases has deteriorated dangerously. Palpably depressing the quality of life, adverse public health trends have also impinged negatively on demographic conditions and, hence, future labor supply.

— Despite continuing massive expenditures on construction and major improvements over the past three decades, the Soviet housing shortage remains critical, with deleterious effects on family life, birthrates, alcoholism, and crime.

— After rapid improvements in the 1960s and early 1970s, the food situation became particularly acute in the early 1980s. Per capita food consumption rose 2 percent annually in 1983-84. But unsatisfied demands for quality and variety of food, and the legendary difficulties of shopping for it, present a fairly stagnant picture to the Soviet consumer.

11. One consequence of the economic slowdown, in conjunction with the cadre policies of the Brezhnev regime, has been a reduction in upward social mobility. As a Soviet publication acknowledged, "the times for soaring careers are past." In general, the society has become much more stratified, with most locked into a particular category of privilege or deprivation. This phenomenon has told against motivation at all levels and contributed particularly to youth alienation.

C. Social Pathologies

12. Economic slowdown, rising expectations and demands on the part of the Soviet populace, and the general laxity of official controls over black-market activities have contributed greatly in recent years to behavior that the regime and the Soviet people regard as antisocial, despite their often enthusiastic participation in it:

— *Corruption* involving the underground or second economy has always been a major part of Soviet life, engaging officials and the society at large. In recent years it has grown substantially. Many citizens, high or low, meet the most basic needs for goods and services "*na levo*" (on the "left" or on the sly). Substantial illegal incomes are made by supplying them. To a considerable extent, corruption makes the system work and life more livable. But it also involves wholesale theft of time and goods from the state, and, quite as pernicious, a massive erosion of standards of honesty. Networks of speculators have been able to operate beyond the control of the system and exert some influence over it, at least on the local level.

— *Crime* appears to have risen in recent years—including violent crime and major robberies. Juvenile crime has become an especially serious problem. Soviet criminologists bemoan the growth of a criminal subculture. Rising crime levels and widespread recognition that corruption has undermined police effectiveness have tarnished the claim of the system to offer a high degree of personal security, although citizens still believe that crime in the West is even worse than in the USSR. The growth of Soviet forced labor facilities in the last decade probably indicates both higher crime rates and stricter law enforcement.

— *Alcohol abuse* has reached epidemic proportions in the USSR by the testimony of all sources, including Gorbachev, well beyond the bounds of the national habit often cited to explain it. Rooted in the boredom of a deprived social environment and official policies for siphoning off excess purchasing power, hard alcohol consumption evidently became the highest in the world on a per capita basis (this in a nation where the large Muslim minority populations drink little). It became a major contributor to declining public health, the growing instability of family life, the rising crime rate, and declining labor productivity throughout the economy.

— *Drug abuse*, although not nearly on the level of that in the United States, has become a mounting problem in the Soviet Union, as indicated in all reporting. Exposure of young soldiers to drug use in Afghanistan has been a recent contributor.

13. These pathologies manifest the general tendency of society at large to become less disciplined and of more areas of Soviet life to slip beyond direct regime regulation. Alcohol abuse and corruption, mainly theft of work time and goods for the second economy, are clearly the most serious of these challenges to Soviet official goals and controls. Gorbachev has moved forcefully to deal with the alcohol problem and has achieved some short-term positive results—less public drunkenness and drinking on the job. But long-term improvements require, in addition to punitive or "administrative" measures, the provision of substitute goods, services, or activities; they are not yet in evidence. The anticorruption campaigns of Andropov and Gorbachev have taken their toll of blatantly offending officials, but it is too early to tell how far these measures can go in checking a phenomenon endemic to Soviet life.

D. Dissent and Oppositionist Behavior

14. Discontent with the society among Soviet citizens manifests itself overwhelmingly in a retreat from official values and activities into private modes of belief and behavior that are largely apolitical, although they may be accompanied by conscious resentment of the system and genuinely antisocial actions, an ironically accurate label the regime applies to heavy drinking, for example. Yet there are dissident elements throughout the system, and some forms of politically or morally conscious modes of dissent appear to be on the rise:

— *Anti-Russian nationalism* and resentment of Muscovite rule are probably harbored by many non-Russians, who now make up a majority of the Soviet multinational empire. These attitudes

appear most virulent in the Baltic states, followed by the western Ukraine, Georgia, and Central Asia.[2] Disappointing economic conditions have apparently contributed to intensification of anti-Russian nationalist feeling. A combination of co-optation of local elites, economic development, and repression have long served to keep anti-Russian nationalism under control. Separatist elements can be found in all these areas, but they are at present politically insignificant. Not all national consciousness on the part of non-Russian minorities is anti-Soviet or even anti-Russian. Sometimes it is directed against other minorities, and Moscow exploits these national rivalries. For the system, the most troublesome manifestations of nationalism arise from in-system resistance to Moscow's goals with respect to labor movement, regional development, and education and language policy. Overall, we judge that ethnic self-consciousness and resentment of Russian dominance is steadily rising inside the USSR, along with the growth of the non-Russian population. Specific developments that have intensified this trend locally are the impacts of Poland's turmoil on the western Ukraine and the Baltic nationalities and of the war in Afghanistan on the peoples of Central Asia.

— ***Russian nationalism***, long a psychological mainstay of the system and audibly part of Gorbachev's outlook, has recently displayed a faintly discernible dissident character. For many Russians there is a search for values in Russia's past and traditions to replace a hollow official ideology. For some, there is a conscious belief that Communist rule has subverted Russia's values and despoiled its substance. In recent years one complaint of the Russian nationalists has been that non-Russian regions enjoy margins of prosperity at Russian expense. Most who would call themselves Russian nationalists are partisans of strong Russian rule from the Kremlin. They were vocally unhappy during the recent period of weak leadership. The need to take account of Russian nationalist attitudes limits regime flexibility in dealing with other nationalities. For the most part, however, the Soviet leadership has skillfully used Russian nationalism to defend its right to rule. For many Russians, Soviet power evokes a deep sense of national pride that the regime can exploit.

— ***Religion*** today constitutes the most widespread manifestation of rejection of the official values of the avowedly atheistic Soviet system. Adherence to Orthodox Christianity, Catholicism, Protestant denominations, and Islam is observably growing. Even the controlled Russian Orthodox Church occasionally manifests troublesome behavior for the regime at the grassroots level. Some religious believers are anti-Soviet activists, especially in the Baltic, the western Ukraine, and Central Asia. The leadership has cracked down vigorously on most dissident religious activity, and we expect this trend to continue. For most, religion is not dissent but largely an alternative source of values and inspiration, itself a substantial enough challenge to merit regime concern.

— ***Human rights and political dissent*** are more thoroughly suppressed in the USSR today than at any time since Stalin's death. Arrests, harassment, expulsions, exile, and emigration have all but eliminated the small but vocal human rights movements that marked the late 1960s and early 1970s, although in the Baltic states dissident activism inspired by nationalism and religion continues to be observed. Most Soviets are indifferent or mildly hostile to political dissenters. Distrust between the intelligentsia of Russia and its workers and peasants obstructs any congealing of popular discontent into political programs of the kind that Solidarity represented in Poland. Nevertheless, political dissent in the USSR has by no means been expunged. Those who gave moral support to the visible dissenters of the recent past are still there. Some have been demoralized by repression. But we have evidence that small numbers of dissidents have gone underground and become radicalized. Where in the past they were "constitutional" dissenters—that is, using moral example to make the system live by its

[2] *The Director, Bureau of Intelligence and Research, Department of State, believes that this text exaggerates the "anti-Russian" character of ethnic nationalism in Central Asia. While it is true that in the Baltic states and the western Ukraine local nationalists are openly anti-Russian and anti-Soviet and seek national independence, in Central Asia the situation is very different. There, the extremely limited* samizdat *evidence suggests that local nationalists have accepted most features of the Soviet system and at most seek greater autonomy within it. In large part this is because the Central Asian nationalists have no recent experience of political independence—unlike the Baltic states, which were separate states as late as 1940.*

own professed rules—some dissenters now are more prone to consider violent actions against the system. Some working-class youths are especially prone to this radicalization. Their numbers are probably very small, but their troublemaking potential in unsettled conditions may not be.

— *Civil unrest*—some 300 cases since 1970 of demonstrations, strikes, riots, and other protest disorders—has been reported by intelligence and other available sources, which inevitably understate the total. Our evidence indicates such incidents were a particular problem in the 1979-81 period when economic conditions were at a low point. We know of no episodes as large and prolonged as the food riots of 1962 in Novocherkassk, but some have been dramatic. In 1980, tens of thousands of workers struck in the Russian city of Tolyatti. According to a 1982 report, party members in Perm turned in their party cards in protest over food shortages. Most such occurrences arise from worker grievances over food supplies or working conditions. Some disorders have arisen over ethnic conflicts, and some have been related to the Afghanistan war. Where food or local conditions are at issue, the regime pacifies the protesters with emergency supplies and then arrests the ringleaders. These responses, plus pervasive police controls, have effectively squelched any tendency for such outbursts to proliferate and chain together into a serious challenge to the system. But every such incident is a jolt to the Moscow leadership.

15. Dissent is in no way out of control in the USSR. Dissenting behavior, involving some overt action, is at a low point because of the repressive measures applied during the late 1970s and 1980s, with the exception of participation in religious activities. But dissenting attitudes—that is, conscious adherence to moral, political, or social beliefs that the state opposes—are probably more widespread in the USSR today than at any time since Stalin's death. Inclusion of religion and anti-Russian nationalism in this broad definition probably means that dissenting attitudes are held by a majority of the Soviet population to one degree or another. At present they are not a direct challenge to regime controls, but a manifestation of popular alienation and, to some extent, an obstacle to regime goals.

E. The Shift in the Popular Mood

16. As a consequence of the developments summarized above, the mood of the Soviet population shifted in the late Brezhnev period. The optimism of early postwar decades gave way to a deep social malaise. Soviet society has become more dissatisfied, more demanding, and less pliable. These attitudes have been manifested in a number of widely reported and officially denounced phenomena:

— Worker morale fell, increasing labor productivity problems.

— The population is becoming increasingly materialistic, preoccupied with acquiring what good things of life are around, and infatuated with imported goods.

— More and more citizens are dropping out of public activities, and even official work, to pursue rewarding private activities from merely shopping to trafficking on the black market. Subcultures beyond the regime's purview have proliferated.

— As a class, Soviet youth are particularly alienated from the system. Significant minorities of them are prone to engage in various types of deviant and delinquent behavior—draft dodging, drifting, rejecting home and family life, and crime.

17. In the population at large, respect for and fear of the authority structure declined. The inclination to cheat or get around the system is pervasive, and little penalty is expected short of the most provocative behavior. This means that the political and psychological leverage of the regime over the population has declined.

18. Over the past decade morale problems within the Soviet elite have also increased, paralleling those within the society as a whole:

— Many elite members exhibit a lower sense of social purpose than in the past, a weaker commitment to serving public as opposed to their own private interests.

— The elite's vision of the Soviet future has become gloomier. Many middle- and lower-level officials fear that the economy is played out and became more apprehensive about the potential for popular unrest than at any time since the early years of Soviet power.

— Many elites during Brezhnev's final years and the brief tenures of Andropov and Chernenko came to see the Politburo as a geriatric group out of touch with reality and lacking any strategy or competence to deal with accumulating problems.

— Elite discipline eroded, as reflected in more open criticism of the leadership and system to foreigners, and an increase in defections to the West.

— Reporting available to us on attitudes within the KGB and the Soviet military—the ultimate custodians of coercive power in the system—indicates that these elites became particularly pessimistic and disgruntled about the Soviet scene in the early 1980s. The party leadership was undoubtedly aware of and concerned especially about these trends.

19. Arising in part from economic slowdown, these negative moods clearly had further negative impact on the condition of the economy.

— Shirking of work and responsibility throughout the labor force and the administrative bureaucracy.

— Counterproductively high labor turnover.

— Theft of worktime and state goods for private use.

— A labor force less pliable and fearful of coercion.

— A decline in the relevance of official institutions of all kinds for the real lives and behavior of people.

20. Although not new, these phenomena told particularly against labor productivity on which economic performance is increasingly dependent. Associated trends, such as declining health standards and low birth rates, worked against growth of the labor force. It is too early to tell how successful Gorbachev will be in counteracting these phenomena, but he has shown willingness to take forceful action in addressing them.

F. External Factors

21. Although more isolated from the outside world than any industrialized country, the USSR is far less isolated today than it was two decades ago. External influences clearly played a role in the downturn of the Soviet popular mood in the late 1970s and early 1980s:

— The very success of the USSR in asserting itself on the world scene, and the pride of the regime and much of the population in this achievement, had a tendency to bring the outside world into Soviet public consciousness in a variety of ways, such as officially sanctioned travel, importation of Western goods, and even the regime's own propaganda. However distorted in the official media, the contrast between Soviet and Western living conditions was increasingly obvious and important to Soviet citizens.

— Western radiobroadcasts to the USSR find increasingly attentive audiences in a more educated population. Western and East European television can be received by some populations in the Baltic, Byelorussian, and Ukrainian regions.

— Workers' assertiveness in Poland, while generally offensive to the Soviet population, conveyed the message that even these people, better off than Soviets on the average, could take action.

22. Changes in the Soviet population itself interacted with outside influences in propelling the downturn in popular morale. More urbanized, more educated, and more remote from the privations of the prewar and war years, the population tended increasingly to measure its situation and prospects against the achievements and expectations generated in the 1950s and 1960s, years of rapid progress and high hopes for the standard of living. Outside sources of information told about better conditions abroad and undermined regime credibility. They were particularly powerful in shaping the outlook of Soviet youth, deepening their alienation from official values.

II. Leadership Perceptions and Responses From Brezhnev to Gorbachev

23. Gorbachev represents a new order of commitment by the Soviet regime to face the social discontent besetting the system. The Brezhnev-Kosygin leadership tried, in a dilatory manner, to implement a limited reform in the management structure in the mid-1960s, and was thoroughly defeated by the sinecured bureaucracy. By the early 1970s Brezhnev was urging a shift from an "extensive" strategy (more capital and labor) to an "intensive" strategy (more productivity) for economic development, but did not follow through. By the late 1970s and early 1980s the Brezhnev regime recognized that economic problems were aggravating social problems, and that these problems could produce a social crisis with profound political implications for the system.

24. Although Politburo members are largely insulated from direct contact with the population, they have voluminous information about developments in Soviet society. Soviet leaders have publicly displayed awareness that popular discontent has grown stronger in recent years while regime instruments for maintaining social tranquillity and motivating the work force have

grown weaker. The Soviet leadership has appeared concerned primarily about the mutually reinforcing downward spiral of economic conditions and popular morale, but also sensitive to the possibile development of a threat to political control.

25. The Polish crisis of 1979-82 became an object lesson of major proportions. In Poland, many members of the Soviet elite—Andropov and Chernenko among them—saw a potential mirror of their own society. In addition, Soviet leaders have probably believed to some extent their own propaganda to the effect that the United States was seeking to undermine the Soviet system by breaking its economy in a renewed arms competition, use of economic sanctions, and increased subversive measures. More recently Soviet leaders have confronted growing public antipathy to the war in Afghanistan, which, while incapable of influencing their immediate policies on the war, interacts with other expressions of popular discontent.

26. Conflicts over the best strategy for dealing with the USSR's economic and social problems were clearly an issue in the politics of succession to the general-secretaryship from Brezhnev to Gorbachev, although personal and bureaucratic alignments within the top leadership played the decisive role.

27. In any case, a distinction emerged between a relatively passive Brezhnev-Chernenko stance and a more activist Andropov-Gorbachev stance on the crucial issues. Both points of view appeared to appreciate the gravity of the USSR's socioeconomic situation. Especially in Brezhnev's last years, Chernenko made clear his fear that economic stagnation and an incompetent management elite, "detached from the people," harbored the risk of a social crisis. The difference of perspective concerned what should be done and was rooted both in different appreciations of what the system could risk and what the various constituencies of the players demanded. The Brezhnev-Chernenko perspective was clearly more confident, or at least hopeful, that exhortation could improve the situation. It was plainly fearful that more direct attacks on the system's problems could endanger the two leaders' power bases in the party-state bureaucracy, but also possibly introduce new sources of instability into the system. The Brezhnev approach was to pacify elites by providing job security and tolerating corruption, and to permit the population an expansion of de facto freedom to pursue private interests in exchange for political quiescence.

28. There is good evidence, however, that the dominant trend within the leadership in recent years has been toward the more activist strategy exemplified by Andropov and Gorbachev. This point of view was particularly alarmed by the erosion of the party's moral authority and the consequent weakening of real central control throughout the society and the elite. Temporizing and evasions would only allow the problems to worsen, with more serious ultimate consequences for the regime.

29. As leadership concern about domestic problems increased during Brezhnev's last years, the Politburo began to experiment with new ways of managing them. From about 1979, elements of a more urgent approach began to emerge. Brezhnev's death gave impetus to major policy initiatives under Andropov, continued in a muted fashion by Gorbachev and others during the Chernenko interregnum, and resurfacing as the main line when Gorbachev became General Secretary in March 1985.

30. Despite many inconsistencies and waverings in Soviet domestic policy during the period since 1979—the products of controversy and uncertainty among Soviet leaders—there have been four central lines of policy:

— The leadership has moved to strengthen the social fabric and to tighten discipline across the board—by enforcing higher performance standards for workers and officials, moving to root out official corruption, strengthening law enforcement agencies, taking steps to limit Western influence on Soviet society, embarking on a stern campaign to curtail alcohol consumption (probably the most dramatic social innovation since de-Stalinization), increasing penalties for lapses in military discipline and tightening up on draft deferments, undertaking an educational reform intended to remold youth attitudes and bring more people into the work force at early ages, and bolstering the family as a base of social stability.

— The regime has attempted to shore up its persuasiveness and to combat popular cynicism by speaking more bluntly, working to improve the quality of domestic propaganda and information, by appearing more responsive to public opinion and consumer interests, and by more openly exploiting Russian nationalism as a prop of the system.

— Under Andropov and Gorbachev, the regime has attempted to enhance the image of the Politburo and to reinvigorate the political system by far-reaching cadre renewal moves, intended to bring

more able officials into leadership posts and to motivate others to perform better. The aim here has been to fortify the legitimacy of the system by attempting to be tougher on itself and thereby more effective.

— Major new programs for increasing the supply and improving the distribution of food and consumer goods have been launched.

31. Under Gorbachev the basic elements of a long-term strategy for revitalizing the economy have begun—but only barely—to emerge:

— First has come the so-called "human factors" element. Through cadre renewal, tighter discipline, and more persuasive exhortation—resting to a large extent on revived hopes for a better future in the population—Gorbachev aims to get an immediate boost to economic performance from raised productivity. The 1986-90 plan implies an ambitious average annual growth in GNP of about 3.5 percent a year for the rest of the decade.

— Gorbachev has ordered a major redirection of investment resources into the machine-building sector for the purpose of a massive (50 percent) retooling of industry by 1990. This strategic shift is intended to spur the modernization of the whole economy in the 1990s and beyond.

— Although he has so far spoken in only general terms, Gorbachev has placed reform of the economic management system squarely on the agenda. He has indicated that he will pursue the dual, and partly contradictory, goals of more effective central planning and increased autonomy at the enterprise level, all aimed at raising productivity and the pace of technological advance. He has also indicated a willingness to consider legalization of some small-scale private economic activity in the service sector, and a further expansion of private agricultural plots for city dwellers and workers.

— Eastern Europe has been told by Moscow that it must give more to the Soviet economy in consumer and capital goods, and get less from it in the way of subsidized delivery of raw materials and energy.

32. The resource allocation priorities signaled by the Gorbachev regime are largely consistent with past trends. The investment strategy calls for a shift of investment emphasis toward machine building, rather than a major increase in total allocations to investment at the expense of the other claimants on resources—consumption and defense. Ambitious goals for consumer goods have been announced and the population has been led to expect a brighter future, largely on the basis of its own work. Military programs in train and impending suggest no reduction in the relative share of defense spending and rates of growth near or perhaps slightly more rapid than in the recent past. Gorbachev's foreign policy and arms control initiatives appear aimed at averting the need for more rapid growth in defense spending than currently planned.

33. We believe that there is a good deal of uncertainty and risk in Gorbachev's strategy for spurring economic growth and shoring up social discipline, and we suspect he knows this. The success of his strategy depends most of all on the behavior of the wider ruling elite and the population of the USSR. The new faces, style, and promises of the Gorbachev leadership have produced an upsurge of hope and expectations throughout the Soviet system. But they have yet to be transformed into lasting improvements in social performance, and are susceptible to disillusionment.

III. Prospects for the Soviet System and Society

A. Leadership Strategies

34. Starting from where it is, the Gorbachev leadership has only one realistic direction in which to move in addressing the manifold economic and social problems of the system, that of a mixed strategy of cautious reforms on the economic front coupled with cadre renewal and tightened disciplinary controls to contain the effects of continuing social ills and the political spinoffs of any liberalizing steps Gorbachev may take in the economy.

35. The mixed, but essentially conservative, strategy that the Gorbachev regime pursues over the next five years will probably have the following elements:

— In the workplace, further intensification of disciplinary measures directed against officials and workers, with a considerable reduction of job security; in the party, enforcement of stricter standards of conduct and more demanding admissions criteria.

— Increased efforts through the party and other organizations to restore positive social values, such as honesty, self-sacrifice, patriotism, and sobriety; and sharply increased pressures against those with illegal incomes in the name of social justice.

— Cautious experimentation with legalized small-scale private enterprise in the service sector.

— Cautious reforms of the management system that reduce bureaucracy, simplify performance indicators, concentrate central planning on more strategic goals such as technological modernization, and make more use of pricing mechanisms in economic decisions; give more autonomy to factory management to set some enterprise targets, negotiate contracts, deploy labor resources, and possibly to engage in foreign trade; and give material incentives to managers and workers to increase productivity and technological innovation.

— Modest loosening of conditions for foreign participation in the Soviet economy.

— A mixed policy on the cultural-intellectual front that seeks to make the spiritual life of the elite and the populace more appealing, while vigilantly squelching anti-Soviet tendencies.

— Resource allocation policies largely as they are today with some tendency to give consumption a larger share if growth rates pick up on a sustained basis; more efforts to develop civilian spinoffs from military technologies.

36. We believe that the option of a wholesale conservative retrenchment in the direction of Stalinist modes of rule is not a realistic course for the present leadership, although some apparatchiks may hanker for such a reactionary course. Stalin ruled the elite with nearly absolute power. He controlled the society through tightly centralized bureaucratic controls and fear. Gorbachev is very unlikely to acquire Stalin-style powers over the elite, although he could become the most powerful General Secretary since Stalin. The Stalinist structure of the Soviet system remains intact; but Stalin-style controls over the population have seriously weakened and to reassert them in the old form would conflict directly with the avowed goals of growth and modernization in contemporary conditions. The neo-Stalinist option remains a possibility at a later date, however, should other domestic policies fail to improve social conditions, unleash increased turmoil in the society, and generate new insecurity in the ruling elite and the population to the point that retention of control overwhelms all other Kremlin goals.

37. Systemic liberalization is an option in theory. It could involve such steps as:

— Sharp reductions in the powers of central planners and management and the introduction of market mechanisms in large portions of the economy.

— A shift of resources from defense and heavy industry in the direction of consumption.

— Liberalization of cultural and intellectual life, and creation of new openings for real popular participation in political affairs of the country.

38. In practice this is not an option either, however much some elements of the society and elite might desire steps in this direction. First, those who hold political power would see such steps as essentially dismantling their capacity to rule and the privileges that stem from it. Second, they will persuasively argue that it would not work, that such a profound change to the system would not only disenfranchise the present ruling classes, but would produce political chaos, economic collapse, and possibly a revolution. Third, such a course would also create fears among ordinary Soviets about maintaining social order and personal security in a more liberal political and competitive economic environment.

39. Some steps along the lines of the liberal option might occur, however, not so much as a deliberate strategy of the present regime, but rather as responses to new pressures deriving from the achievements and failures of the much more conservative strategy it is likely to pursue. But any such steps are likely to be seen as very risky by any leaders who are products of the present Soviet system, and be very controversial.

40. More of the content of Gorbachev's domestic strategy will soon emerge in the proceedings of the 27th Congress, and it will continue to evolve thereafter. It will very probably bear the stamp of the outlook shared by him and his newly promoted colleagues: a belief that the system can be made to work on the basis of modest reforms, more discipline, and the skills of a more educated and pragmatic leadership cohort.

B. Responses of the System and Society

41. The evolution of the system and the society under the influence of Gorbachev's policies will be shaped by conflicting forces that will make a balance between controls and dynamism hard to strike.

42. Powerful features of the Soviet system guard against social problems and ameliorative measures getting out of hand and producing severe challenges to that system:

— A culture of profound political passivity throughout the society, coupled with a fear of turmoil

and insecurity on the part of both the intelligentsia and the population as a whole.

— The existence of a kind of "social contract" in which the regime has delivered personal and social security and a modicum of welfare in return for a modicum of work and general obedience.

— A pervasive system of government controls over what people do, know, and think.

43. These safeguards are also obstacles in some degree to the efforts of the regime to spur growth and modernization. Although eroded by heightened consumer expectations and reduced system performance, the "social contract" still inflicts drag on the Soviet system in the form of widespread belief among Soviets that they are owed a secure livelihood in return for indifferent work, a quality of life equal to their fellow citizens other than members of the elite, and an absence of risk in social affairs. Gorbachev has made it clear that people must work harder before—perhaps by some years, if we understand his plans correctly—they get welfare benefits. But the Soviet population has become much less ready to deliver current work effort in exchange for promises of future welfare. The control mechanisms are invested in a vast party, state, and police apparatus that constitutes a passive opposition to innovation needed for growth and modernization. Despite Gorbachev's pleas, this apparatus cannot be transformed quickly into a deft mobilizational tool from the virtually parasitic aristocracy it became in the last 20 years. All the new cadres must come out of that very system. The political passivity of the Soviet culture has a downside—the reluctance of people to take initiative in collective innovation from below, on which the modernization goals of the system clearly depend.

44. At the same time the strength of sources for change within the system, and their potential for unleashing turbulence that challenges the system, should not be overlooked:

— Ever since the revolution, the party leadership has been the principal engine of social change. Gorbachev plainly intends to rev it up if he can. There is enough left in the ideology, coupled with Russian nationalism, and a sense that the system's survival is on the line in the very long term, to inspire a determined quest for economic and social progress from the top, taking some controlled risks along the way. Large numbers of new leaders and managers are being promoted throughout the party and state structure. Even though they come out of the system, they have a potential for generating change by virtue of better education, pragmatism, and the desire to make their mark while they can.

— There is a lot of entrepreneurial talent in the diverse, increasingly educated, and urbanized population of the Soviet Union. The second economy is vivid testimony. The capacity for improvisation amidst prohibitive conditions is great, if incentives are provided.

— The population and the elite have already shown themselves tentatively responsive to the summons of the Gorbachev leadership for more discipline and better work.

— The scale of the economy and its accumulated slack give considerable room for near-term growth if the work force can be stimulated and possible adversities, such as an oil shortfall, can be avoided.

— The regime could provide the requisite economic and political conditions for Western capital and technology to become much more available and to provide the system a major boost.

45. For the regime, the downside of these factors, including its own capacity for innovation and leadership, is that they carry some risk of disrupting the control and stabilizing mechanisms of the system if policies fail or, perhaps, succeed too well. Gorbachev's promises and exhortations could increase popular disgruntlement if consumption levels do not improve. Even modest management reforms are likely to involve some redistribution of political power in local Soviet affairs and perhaps among central organizations, which could unleash political conflict. The industrial modernization strategy could produce bottlenecks in other parts of the economy. Disciplinary pressures and cadre rejuvenation policies will heighten tension and insecurity within the elite, as they are supposed to; but there could be politically consequential backlashes. Wage differentiation and, possibly, the threat of unemployment used to motivate workers could easily break the "social contract" and excite class frictions. A large-scale influx of Western capital and technology, especially if accompanied by foreign experts and managers, could produce unwanted external influences on the bureaucracy and in the population.

C. Outlook

46. By most contemporary standards, the Soviet Union is a very stable country. Over the next five

years, and for the foreseeable future, the troubles of the society will not present a challenge to the system of political control that guarantees Kremlin rule, nor will they threaten the economy with collapse. But during the rest of the 1980s and well beyond, the domestic affairs of the USSR will be dominated by the efforts of the regime to grapple with these manifold problems, which will also have an influence on Soviet foreign and national security behavior.

47. Gorbachev has imparted a sense of movement to the system that has had some positive effects on many citizens and officials. His campaign to rejuvenate and energize the Soviet ruling establishment, especially the party and state bureaucracies, is already well advanced and will make further progress over the next several years. Generational turnover in the elite is giving the system a new image of pragmatism, competence, energy, toughness, and somewhat greater openness—the same image that Gorbachev is trying to cultivate personally. He may well be able to achieve an improvement in economic growth rates, at least for a while. If growth does in fact accelerate, this could help stabilize some of the system's social problems.

48. Considerable uncertainty about economic performance over the next five years, nonetheless, faces the Gorbachev regime. Gorbachev's strategy depends heavily on getting a productivity boost out of "human factors"—that is, increased discipline and motivation in management and the work force. The returns on his new investment strategy for technological retooling of industry cannot be realized until the 1990s, even if they are successful, which is uncertain. In the meantime, this strategy heightens the danger of bottlenecks with which the system is already beset. For example, there is at least an even chance that falling oil production will cut into domestic and East European supplies, causing severe disruptions beyond the inevitable shortfalls in hard currency earnings the oil downturn now portends. Gorbachev also needs good weather. A couple of bad harvests could return the Soviet food situation to the poor conditions of the early 1980s.

49. In the longer run, amelioration of those social problems that are most tightly hinged to the economy and consumption levels depends on the ability of the regime to implement management reforms that promote the introduction of new technology throughout the economy. We believe the Gorbachev regime will move cautiously on management reforms, seeking to minimize political opposition and avoid structural disruptions. Its ability to find the right combination of measures to increase enterprise initiative and worker motivation while preserving the essentials of central planning is uncertain, however. It will find borne out what many in the elite already know: namely, that the things the regime can decide on—such as management structure, planning levers and indicators, and price mechanisms—are not only very hard to implement in practice, but are only part of the larger obstacles to technological modernization and growth. Psychological obstacles to collective innovation and risk taking, deeply rooted in Soviet culture, will continue to inhibit technological modernization for years to come, no matter how effective the Gorbachev leadership is.

50. Some of the social problems of the system, such as the closed-class quality of the ruling elite, spreading attitudinal dissent in the form of religious adherence and anti-Russian nationalism, and youth alienation, are not rooted primarily in economic conditions. They lie in the nature of the political system, in the spiritual void left by ideology and fading memories of a hard but heroic past, and most basically in the lack of political participation that educated populations tend to demand in developing countries. The depth and longevity of these social problems are such that the regime is unlikely to make serious headway in easing them for the next five years. Rather, they are likely to fester and some actually get worse. While they are unlikely to get out of hand, the probability is fairly high that more incidents of civil unrest, such as strikes and worker protests will occur in the USSR even if the economy improves, simply from the uneven impact of improvements.

51. The course Gorbachev seems most likely to follow will probably, at least in the short run, increase rather than decrease tensions inside the system—among economic administrators, the population at large, and the party itself. Managers and workers will be under greater pressure. Uncertainties about such matters as job security, performance measures, lines of authority, and standards of permissibility will increase. Cadre renewal will be accompanied by increased insecurity and tensions within the party-state elite. Gorbachev will try to achieve both improved system performance and more of what he is calling social justice by rewarding strong achievers in the system, penalizing poor performers, and punishing entrepreneurs operating outside the system. These very measures, however, will increase anxiety among all people in the system and resentment by those who stand to lose. As the regime seeks to define its policies in the years ahead, it will inevitably create a somewhat more fluid environment for the intelligentsia that will test

the boundaries of official tolerance regarding cultural, economic, and even political issues. Setting new limits will spark controversies and heighten tensions with the intelligentsia. It is precisely these tensions that the leadership is counting on to move the system out of its lethargy, and the leadership expects to control them. But its ability to manage all the side effects is not certain.

52. The Soviet system of rule is optimized for maintaining tight central control over political and economic life. While this system served to drive the country through forced-draft industrialization in the era of steel and coal, it is highly unsuited to achieving the desired pace of technological advances throughout the economy under modern conditions. Unless the system is reformed in fundamental ways, it will hamper the growth its leaders seek because it stifles the innovation on which technolgical and social progress depends. But the liberalization that would permit and encourage innovation on the scale the system seeks would be unacceptable to the regime because it would inevitably entail reductions in centralized political power.

53. This is the essential dilemma of the Soviet system. How the Soviet leadership will manage this dilemma in the long term is unclear to us and to the Soviets themselves. We believe there is a fundamental and growing tension between popular aspirations and the system's ability to satisfy them. There is also growing tension between the regime's goals for growth and modernization, on the one hand, and the maintenance of central controls, on the other. We cannot foresee the time when it could happen, but we do not exclude the possibility that these tensions could eventually confront the regime with challenges that it cannot effectively contain without systemic change and the risks to control that would accompany such change.

IV. Implications for the United States

54. The Soviet Union is a powerful and acquisitive actor on the international scene, using an assertive diplomacy backed by a combination of military power, propaganda, and subversive tactics to advance its interests. Its ruling elite, now and for the foreseeable future, sees its mission in history, its security, and its legitimacy in maximizing its ability to control political life within and outside Soviet borders. The domestic problems of the USSR are unlikely to alter this quality of the Soviet system and the international appetites that spring from it.

55. The nature of the Soviet system gives it strategic persistence and the potential for tactical flexibility in foreign affairs. Increasingly, however, the domestic problems of the system pose some significant constraints on its ability to satisfy its international aspirations with ease:

— Domestic realities have long since undermined the appeal of the Soviet Union as a model for emulation by either advanced or developing societies, and make it very unlikely this instrument of influence will be restored to Moscow.

— The Soviet "model" for export today is really a formula for a self-appointed dictatorial elite to seize and maintain political power, armed with Leninist tactics and Soviet weapons, and operating in readymade conditions of social turmoil. Soviet use of this tool is not directly constrained by the USSR's domestic troubles. But those troubles may, in some situations, heighten the political dangers involved for the Kremlin if it has to back a distant Leninist revolution by threatening confrontation with the United States or by entering sustained, costly military conflict. The danger is that foreign adventures that are seen by the population to jeopardize national security or cost too much could undermine rather than add to the legitimacy of Kremlin rule. The war in Afghanistan shows, so far, that Moscow can manage this danger. But Soviet popular unhappiness with this war is slowly growing.

— Soviet domestic problems have heightened the regime's sense of vulnerability to various foreign influences. In the future, this perception will act as a significant constraint on Moscow's acceptance of conditions for improved East-West relations that involve opening up Soviet society to greater foreign influence. This will tend to reduce Soviet diplomatic leverage to the extent that Western bargaining partners make demands enlarging the degree of contact between the Soviet population and the outside world. The sense of domestic vulnerability will also sustain an edge of pugnacity and defensiveness on the part of Soviet leaders when human rights and related societal issues are broached. We do not believe, however, that their perception of a troubled internal order will itself propel Soviet leaders in the direction of risky foreign adventures they would not otherwise contemplate. Rather, it will tend to persuade them that a successful foreign policy at low risk is ever more important to their internal credibility.

— Soviet domestic problems are a constraint on Soviet capabilities for military technological competition with the West, especially with respect to mass production of high-technology items. Focused weapons technology efforts at home and acquisition of foreign technology by legal and illegal means will continue to support a formidable military-technological performance by the USSR in most areas of weaponry. But these efforts are unlikely to keep Soviet military technology fully competitive if the United States and its allies sustain a high level of commitment to military technology advance in such areas as SDI, Stealth, improved nonnuclear munitions, and battle management capability, which challenge Soviet forces and doctrines severely. To compete effectively in all these areas requires broader modernization of the Soviet economy and technology base, but achieving that modernization probably precludes substantial acceleration of Soviet defense efforts in the near term.

— The Soviet economy needs more and better labor. Economic and demographic conditions now clash with historic levels of military manpower in the USSR. The principal effect here could be that the Gorbachev regime may be interested in ways to reduce standing military manpower levels somewhat as it searches for economic growth recipes.

56. The most immediate implication of domestic conditions for Soviet foreign policy is that they have sharply heightened the desire of the Gorbachev regime to achieve some restoration of the atmosphere of detente seen in the early 1970s.[3] Gorbachev's predecessors from Lenin on, at one time or another, sought a breathing space on international fronts to help them manage domestic problems while still advancing Soviet international power. Like them, Gorbachev wants some breathing space. As the Soviets see it, restoration of such a detente atmosphere in East-West relations, by reducing US challenges, would ease the Soviet task of balancing defense, investment, and consumption priorities, while still allowing Moscow to pursue established foreign policy goals such as weakening US alliances and expanding Soviet influence in the Third World. For now the Soviets do not appear willing to pay any price for this detente that entails altering their own behavior and goals on security issues of importance to the United States. Gorbachev wants his breathing space on the cheap. He is likely to maintain this stance until he determines whether his domestic strategies and foreign policies are working. This may take several years.

57. But, if he fails to get either domestic revitalization or an international breathing space on the cheap, Gorbachev would most likely opt for tactical accommodation with the United States in order to gain the advantage of economic interaction with the West, facilitating both relief from domestic economic constraints and continued military modernization. At the same time, the Soviets would continue to pursue greater influence in the Third World and efforts to divide US alliances.

[3] *There is an alternative view—held by the Director, Defense Intelligence Agency, and the Assistant Chief of Staff, Intelligence, Department of the Air Force—which holds that the Gorbachev regime regards the advancement of its foreign and strategic goals as the primary determinant of, and motivating factor behind, Soviet behavior in the international arena, not Soviet internal problems.*

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