

Pool 5/13/99

CIA's Flawed Soviet Estimates

Judging from James Noren's letter ["Inflated Figures," May 1], which was a response to my letter of April 14 ["When the CIA 'Snows' Its Own Directors"], Mr. Noren—who was head of the Defense and Economics Issues Group in the CIA's Office of Soviet Analysis from 1985 to 1989—is not familiar with the CIA's accounts of Soviet gross national product (GNP) published in 1990 by the Joint Economic Committee. Identifiable military outlays in those accounts declined from less than 15 percent to about 6 percent of Soviet GNP.

When the CIA doubled its estimates of Soviet military outlays for 1970 from 24 billion to about 45 billion rubles, the military's share rose from about 6 percent to about 12 percent of GNP. When the CIA nearly doubled its estimates again for 1982, the military's share rose from less than 10 percent to about 15 percent of Soviet GNP. In both cases the CIA's revised estimates matched my "inflated figures." However, by the CIA's own admission, it cannot locate most such expenditures in its GNP accounts.

The "evidence in the CIA's files" shows that Soviet military outlays more than tripled between 1970 and

1985, but Mr. Noren says the real increase was only one-third, or 70 percent allowing for inflation. However, in 1990 the CIA said Soviet military prices were "subsidized," not inflated.

Around 1959 Mr. Noren fabricated the myth of inflation in Soviet military prices. The CIA repudiated that story in 1975, reinvented it in 1978, only to repudiate it again in 1990. In 1995 Mr. Noren has invented the myth for the third time. Which CIA do you believe?

The CIA's own acronym for its Soviet military expenditure cost model was "SCAM," which depended on very expensive U.S. satellite systems for much of its data. My estimate that SCAM wasted \$5 billion to \$10 billion underestimating Soviet military outlays is conservative.

Mikhail Gorbachev's "new" and "true" military budget for 1989 was less than 10 percent of GNP. Other Soviet officials and economists reported the burden was in the 23 percent to 28 percent range. Gen. Vladimir Lobov, former chief of staff of the Soviet armed forces, said the military's share amounted to some 60 percent of the Soviet budget when the CIA was at less than 25 percent. Does Mr. Noren wish to say that the data in the agency's files prove Gen. Lobov wrong?

In 1993 a Soviet intelligence officer said that only two people in the West, Igor Birman and me, understood the "monstrous degree of militarization of the Soviet economy," and even we underestimated it. Actually, there was a third, Prof. Steven Rosefielde, but no one from the CIA made the cut.

Appropriation of "additional 'billions' for U.S. defense programs" (Mr. Noren's words) began under President Carter. In real terms, President Reagan's defense budgets soon fell behind Mr. Carter's projections. However, the renaissance in U.S. national security policy financed by those budgets contributed to the demise of the Soviet empire in 1991.

Mr. Noren credits me with far more influence than I had, but if I made any contribution to ending the Cold War, I am proud of it.

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Capitulation to Terror

Am I the only one, or is all this talk of congressional hearings about Waco a