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that all four-and-a-half billion people in the world would die if they would queue up to take one lick each from a twelve-foot-square slab of the most virulent botulism poison available, so no nation need spend more on defense than the cost of culturing such a slab.

The cross-elasticities of substitution involved when an aggressor plans in advance how to neutralize his adversary's potential power to launch missiles unfortunately find themselves governed by equations a little more complicated than those assumed by the critics of overkill.

In 1988 the present "best-case" Russian assumption is that, in an all-out first-strike nuclear war, the Soviets might kill up to half of the present 240 million U.S. citizens, while losing less than the 20 million Russians who died during Hitler's war (from which Russia recovered very quickly). This does not mean that Russian decision-makers are eager for a nuclear war. They know (a) the estimate is subject to a huge margin of error; and (b) any missile that did get through would likely be targeted on the places where the decision-makers live. The decision-makers themselves are among the "mere" 20 million Russians who would probably be killed. But it is here that the argument about a "window of opportunity" arises.

Because he was an entirely honest man, President Carter abandoned his belief in the mutually-assured-destruction or MAD doctrine once he understood the devastating criticisms of it that arrived on the Oval Office's desk. The Reagan administration continued the increase in sophisticated military spending which Carter started after 1978-9, although this has not closed the gap behind the Russians as was first forecast. But we know from another intercepted message that one Soviet marshal was recently (June 1988) minuting: "It is clear to both the U.S. and the Soviet Union that we Russians are likely to win any nuclear war tomorrow, so the Americans would run away from any early threat of one. After about 1992-5 they may be reporting to themselves that we in Moscow must fear that the Soviet Union might likely lose

any nuclear war. So the Americans will be more willing after 1992–5 to stir uprisings in areas such as Poland or even the Ukraine. If we decide to push the area of global conflict several thousand miles from the state borders of the Soviet Union, we should make our move before 1992 at the latest.” It seems that this was another vote for Lermontov.

1988 Report: Soviet Domestic Rulers

The entire domestic Soviet privilegentsia is in a state of escalating neurosis. The social and economic system is breaking down in the Soviet homeland as well as in Poland, East Germany, Czechoslovakia, Hungary, Rumania and Bulgaria. For each country the computers chant, “Emergency erupting, emergency erupting, emergency erupting.”

The riots may start in the Soviet colonies like Poland and North Korea first, but they could then explode across the entire urban and rural Soviet Union which is tinder dry. The local privilegentsia will not want to put down these insurrections by bringing in Soviet conscript soldiers carrying guns, because the guns might then be turned against themselves. They may not even want Soviet conscripts to be sent into the colonies because there is a growing probability that the insurrections in countries like Poland might succeed and the abashed Soviet conscripts might then return to Mother Russia carrying both guns and ideas.

The discontent across Russia is not due to starvation or even falling real incomes. Revolutions do not break out at moments of greater misery, but when people see that they are not getting richer and freer at the pace and with the evenness of rewards which they could reasonably expect. The period immediately before 1913 was one of fast increase in Tsarist Russia’s real gross national product, but the fruits of advance were not coming through to non-aristocrats as smoothly as in Kaiser Wilhelm’s neighboring imperial Germany. The period immediately before 1789 was one of advance in real income for most Frenchmen, but neighboring

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Britain was handling its industrial revolution in more egalitarian and efficient fashion. Pre-1789 France's GNP growth and income-distribution compare interestingly with those in the Soviet Union right now.

The main aim of Soviet economic policy during the 1980s has been to raise wages faster than the supply of goods, but to try to check the resultant inflationary pressure by price controls and state management of the distribution system. Since this means there is no direct link between increased demand for anything and increased production of it, desperate shortages have appeared, especially of the goods that are most wanted. Higher supplies of these are then diverted to the special shops from which only the *privilegentsia* are allowed to buy. Ordinary people either have to start standing in line outside the ordinary shops at 5 a.m. on a cold Siberian morning, or else they buy the goods they really want at black market prices—either from corrupt warehouses or from the *privilegentsia* who have already bought them cheaply and at leisure in their own shops. This is an infuriating system for ordinary Ivan.

At various places in the planning mechanism sit *apparatchiks* whose job is to allocate raw materials to factories which are requisitioning for them. These *apparatchiks* get their main job satisfaction from saying "no" to factories which want more materials because there is a high demand for their products. Similar officials distribute supplies of finished goods to particular areas and retail outlets. If they distribute them "fairly" (that is, equally) between areas, they cause chaos, with long lines outside shops in the more affluent towns. These are eventually fed by re-exports from the poorer towns where some Georgian or Leningrad entrepreneur has found that he can buy the goods from overstocked shops at near the official price. If (which is more usual) the *apparatchiks* distribute the goods corruptly, by selling them to the highest bidder in whichever area has the biggest black market price, then the system works more smoothly, but it still causes resentment.

There is not nowadays a shortage in the Soviet Union of the absolute essentials of life, but the grain crop has consistently been too low to feed the cattle herds, so there is a shortage and rationing of meat. The ration varies from area to area, and in some places one stands in line for hours without ever being able to buy meat (and then resorts to buying it at black market prices from those who have stuffed themselves with surplus at the *privilegentsia's* shops).

This year's poor grain crop in the Soviet Union has as usual been attributed to what Michael Novak has called the country's 71st successive year of unusually bad weather, but the real reason is that younger people have fled the farms to escape what Marx called the idiocy of village life. The old people left on the farms could not work hard if they wanted to, and most do not want to because of the disincentives built into their pattern of earnings.

A Russian peasant pays 0 per cent income tax on anything he sells on the black market from his private plot, but he pays the equivalent of 100 per cent income tax on any work he does garnering the grain crop on the state farm. He just gets a wage from the state farm, which nowadays tends to be paid whether he turns up for work or not. He once had an incentive to turn up because a bonus is paid if production exceeds the state farm's quota, but nowadays in crops like grain it never does.

Unsurprisingly, private plots produce 40 per cent by value of Russia's food, even though they take up only 3 per cent of the agricultural land. There are other reasons why the Soviet Union state farms are underproducing. One state fruit farm did gather a good fruit crop recently, but was unable to ship it to market before it rotted. The farm was not allocated sufficient nails to close the packing cases.

There are supposed to be controls to prevent young people from flocking away from Soviet farms towards the towns, but these are breaking down. Permits to live even in Moscow are easily purchasable on the black market, and the price of these is at present falling because the secret police are no

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longer harassing those who sell them, unless they are bought by young Asian Russians, against whom Moscow policemen are racist.

During the 1960s and 70s the top men in the Soviet Union thought that Asian Russians were among their most loyal Uncle Toms. Soviet Uzbeks were richer than most Afghans or Pakistanis across the border, though not richer than Asians in the oil lands. Comfortable whites in the south-eastern United States thought the same about black people in the early 1950s when the southland claimed it was carrying through "the first enlightened industrial revolution in history." Britons in the 1950s enthused about the first generation West Indian and Pakistani immigrants ("marvellous chaps, a lower crime rate than among the British working class as a whole"). But the children and nephews of those Uncle Toms in both countries were building up resentment at their disadvantaged status in society. In the 1960s and 70s they exploded.

The same thing is happening in the Soviet Union now. Because disillusioned European Russians dropped their birth rate so dramatically twenty years ago, a large number of the fifteen- to twenty-year-olds who are flocking off the farms in 1988 are ex-rural Asians. They are streaming into the towns as drug-ridden illegal migrants, sometimes as deserters and draft dodgers from the army, sometimes as drug-carrying muggers into Moscow. They are hungry for Moscow girls, especially since the strange revival of the Muslim religion in Soviet Asia has caused girls to be locked up back home. They come from regions where the opium poppy grows. The police are trying to ship them back to Asia, while at the same time allowing white youngsters to stay in the towns without permits. A sort of pass law for Asians is operating in Moscow and Leningrad not unlike that in Johannesburg, and pass laws lead to civil war.

In industry, as in agriculture, bonuses are paid to Soviet workers only if they exceed their production targets. Some industries, like the coal mines, never come near those targets, so with the rise in black market prices after 1980 coal miners'

real earnings went down. Some coal miners therefore went on strike. The Soviet authorities reacted in a very Soviet way, shipping the strike leaders off to lunatic asylums but giving the rest of the strikers large wage raises.

The large wage raises were not matched by the distribution of more consumer goods to the coal mining areas. With more money chasing the same volume of goods, shortages grew. As shortages grew, more goods were diverted to the *privilegentsia's* shops—and then sold secondhand out of them by the *privilegentsia* at ever higher black market prices. The higher-paid miners are now worse off than before the wage rises, and there have been some rioting and looting of the *privilegentsia's* shops. There is also sabotage in the mines. State property is nobody's property, and is being vandalized.

What is the likely reaction of the domestic-policy apparatchiks to this? Our impression is that they are very frightened men. The entire Soviet *privilegentsia* is rife with mistrust and fear.

It is difficult to say whether this will incline them to a Lermontov strategy. We know that some of the dimmer Soviet economic planners are saying, "We should seize Saudi Arabia from the feudalists, so as to add its oil wealth to our Soviet system," without understanding that economics does not work in that mercantilist way. Other domestic apparatchiks would accept a plunge by the Soviet Union into "popular little distant wars" as a useful diversion—but the emphasis would be on "distant." They do not want anybody except their own families to be carrying guns nearer home. The domestic apparatchiks are in a state of collapsed morale.

These reports were handed to the President-Elect of the United States in December 1988. They worried him sick, until he received the Borovsky Letter.