

# The Political Forum

*A review of social and political trends and events  
impacting the world's financial markets*

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### What Makes Gorbachev Run?

Mark L. Melcher

It is becoming apparent that my job has been made infinitely more complicated by Mikhail Gorbachev. In my five years here, my political predictions have been based on the actions of one of the most consistent and predictable of American presidents and the reactions of a Congress so devoid of imaginative leadership that the only chance for mistakenly prognosticating their actions was to occasionally believe they would show some good sense and integrity.

Well, raise high the roof-beam, carpenters, yonder comes Gorbachev, who has the potential as no other foreigner in U.S. peacetime history to alter the domestic and foreign policy direction of our nation. And I, like everyone else, don't know exactly what the hell he's up to.

In pondering this dilemma, I have decided I must develop a theory on what's happening within the Soviet Union upon which to base future predictions about U.S. policy, and to follow this hypothesis until events dictate that it needs modification. Here, then, is how I see it.

I begin with the premise that the problems facing the Soviet Union are significantly, indeed enormously, worse than even the most pessimistic estimates appearing in the public press.

What Gorbachev is attempting is phenomenal and the people he is steamrolling are no pushovers. I believe he could never have convinced the other Soviet party leaders and the nation's military and security agencies to go along with such a remarkable and sweeping agenda unless an extraordinary and undeniable crisis loomed in the foreseeable future. The threat of not following his lead must have been much more than simply requiring the Soviet people to continue standing in food lines.

I reject out of hand the probability that he's doing all this out of the goodness of his KGB heart. I also don't think it's all simply an elaborate ruse to lull the West into disarmament, although I figure the possibility that the West may do such a thing is part of Gorbachev's sales pitch to the more recalcitrant members of his government.

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Now I certainly don't know exactly what Gorbachev sees in the crystal ball that so frightens him. But, I think we have to go beyond the run-of-the-mill lay press disaster stories associated with Soviet agricultural endeavors and their industrial base, distribution network and yes, even budget deficits and inflation. These problems are endemic to Soviet Communism, and while they are certainly part of the nightmare Gorbachev sees in the crystal ball, they are clearly not all of it.

I believe the picture began to form for Gorbachev following the April 1986 nuclear disaster at Chernobyl. Soviet experts with whom I have spoken believe the extensive investigation following Chernobyl opened Gorbachev's eyes to the fact that the Kremlin didn't have the foggiest notion about what was truly happening within the bureaucracies that rule the day-to-day operations of its vast empire.

Not only did Gorbachev learn that the bureaucrats at Chernobyl had been lying to the Kremlin about safety conditions at their plant, but he learned that this behavior obtained at all of the nation's other nuclear facilities. Indeed, he found that Soviet bureaucrats have, since the days of the Stalin purges, systematically lied to the Kremlin big shots about how bad things are, finding that to do otherwise was to risk disfavor or worse.

These Soviet experts believe, in fact, that Gorbachev implemented glasnost, following Chernobyl, because he felt the only way he would ever get the full truth about the state of affairs within the Soviet economy was to begin a public dialogue to give people confidence that they could openly speak their minds about the inefficiencies and problems they encounter in their daily lives and in the work place. They believe the recent push to guarantee a new level of legal protection and human rights within the Soviet Union was aimed at convincing these same people that the risks of speaking out had diminished substantially.

Gorbachev, according to these experts, couldn't hope to reform the mess he found without better information than he was getting from those involved. And he couldn't risk continuing to run a huge nuclear power network as long as everyone working in that network continued to insist everything was fine.

If this sounds farfetched, one has only to recall President Nixon's lament that the most frustrating circumstance he encountered upon becoming president was finding out how little control he had over the U.S. bureaucracy. And, if the news reports are right, the Soviet bureaucracy makes ours look like a paragon of responsiveness.

Having begun a dialogue with the folks closest to the situation (i.e. the nation's working stiffs), Gorbachev was, I believe, astounded not only with magnitude of the problems facing the nation, but most of all, with the almost unbelievable costs that would be involved in redressing them.

Now here again, I don't pretend to know specifics. But, let's look at the United States and draw some comparisons. Last week, I outlined some unbudgeted expenses facing the United States. What emerged was a picture of the immense costs of doing things today and the large number of things that need to be done just to keep a modern society plugging along.

For instance, that list included an estimated \$120 billion for "badly needed modernization" of key government computer and telecommunications systems; \$20 billion to repair the

"deteriorating stock" of public housing; up to \$50 billion to assist our growing number of elderly with their long-term housing and health needs; \$50 billion to repair deficient bridges; and another \$315 billion just to maintain our highways in 1983 condition through the year 2000. And the list goes on.

The Soviets don't face exactly comparable demands. From all accounts, their problems are worse, much worse. In order for the Soviets to build and maintain a modern society, they don't need to streamline existing computer systems, they need to put brand new ones in place; they don't need to repair their infrastructure, they need to build one; they don't need to simply repair public housing, they need to build millions of new units; and they don't need to upgrade the medical care offered to their growing elderly population, they need to build virtually from scratch an entirely new system of health care delivery.

And they desperately need to build, buy, and do a host of other things that we take for granted here. Examples abound.

● Soviet economist Nikolai Shmelev recently told an informal East-West conference that the Soviets lose 60 percent or more of the food they produce due to waste and lack of transportation.

● In a recent lengthy article on the Soviet Airline Aeroflot, the *Washington Post* noted that the navigation and communications gear on a typical Soviet jet contains the old style vacuum tubes and looks like "something from a 1950s-vintage aircraft."

And then there's Chernobyl. I think the West will never know the full extent of the nightmare Gorbachev found when he looked behind the scenes at Chernobyl. What we do know is that, according to the U.S. Council for Energy Awareness, the Soviets have 32 other existing Light Water Cooled Graphite Moderated Reactors like the one at Chernobyl. The U.S. has none of this type; they are considered too dangerous. The Soviet's have 11 nuclear power plants over 20 years old. The U.S. has two. Nuclear experts say age is a key factor in estimating safety and environmental risks at nuclear power plants.

We also know that nuclear nightmares are as frightening in the morning as they were during the night, and absolutely must be addressed. Planes can fly with vacuum tube communications gear and food can rot as long as a little finds its way to the table. But nuclear problems eventually must be addressed. And the cost involved is astronomical.

According to the General Accounting Office, it will cost the United States up to \$130 billion to clean up and modernize the Department of Energy's aging and environmentally hazardous nuclear weapons production complex. In addition, DOD faces some \$11 billion to \$14 billion of additional costs to clean up the hazardous waste pollution identified at over 5,000 sites on military facilities across the nation. If that's our situation with only the military nuclear installations, what, one wonders, do the Soviets face?

My guess is that Gorbachev is looking at hundreds of billions of dollars of expenses that are not simply desirable, but which are absolutely necessary just to maintain order within his empire and prevent unthinkable disasters. And he doesn't have any money. And therein, in my opinion, lies the key to his current actions. Not just a few bucks, a little time, and a bruised ego should he

fail; but big, big bucks, a lot of time, and the possibility that if he fails the Soviet Union is in the deepest kind of trouble a nation can face, the kind that has led other nations in history to seek military solutions.

If I'm right, what does it mean? Well, the good news is that Gorbachev is serious about reform, has no choice but to continue down the path he's set, and that such dastardly motives as breaking the NATO alliance are probably secondary to gaining the funds to address desperate problems at home. In other words, his initiatives are not just a public relations trick.

The bad news is that if the situation within the Soviet Union is significantly more desperate than the West understands, then the Soviet Union could become extremely dangerous if Gorbachev's approach to the nation's problems fails. The Soviet Union, after all, controls an enormously powerful military machine, and its leadership is ruthless enough to use this power, if there is no other option, to save the nation from drowning in its own waste and inefficiency.

Back to the good news, I don't think the United States and its NATO allies will make the kind of significant cuts in defense expenditures that would make us patsies to the Soviets should they decide a few years from now that a military option is the only way out.

For one thing, major cuts in U.S. defense spending (by major, I mean in the \$40 to \$50 billion a year range) would absolutely require a major rethinking of the nation's defense plans, and such an extraordinary effort would involve up to two years of discussions and meetings with allies all over the globe.

We may make \$10 billion or so in cuts in the fiscal 1990 defense budget beyond that which we would have made absent Gorbachev. But, greater cuts than that will require more than talk on Gorbachev's part and a lot of talk on ours.

I also don't think we need to worry tremendously about the on-going loans to the Soviets by our allies. So far, the Soviet Union has managed to garner something in the area of \$10 billion in new credits from Western banks. That's a drop in the bucket to what they need. I believe the day may eventually come when significant U.S. defense savings can be applied to our own great domestic peace-time demands. But, I think we'll have to wait for the following three things to occur first.

- We become more confident than we are today that Gorbachev will retain power.
- We become more confident that the path upon which he has set the Soviet Union will succeed in providing enough hope to the nation to prevent more desperate measures becoming viable.
- We see tangible evidence that the Soviets are reducing their considerable military might enough so that a military option on their part becomes less viable in the event that Gorbachev fails.

So, for now, the talks will go on between our allies and us, and between our allies, the Soviets, and us. And while these discussions will be grounds for the first long-term optimistic worldwide

outlook since 1934, the world will remain a very dangerous place in the meantime, possibly more dangerous than we realize.

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**In April, 2006, Michail Gorbachev said the following in speech marking the 20<sup>th</sup> anniversary of Chernobyl.**

The nuclear meltdown at Chernobyl 20 years ago this month, even more than my launch of perestroika, was perhaps the real cause of the collapse of the Soviet Union five years later. Indeed, the Chernobyl catastrophe was a historic turning point: there was the era before the disaster, and there is the very different era that has followed . . . The Chernobyl disaster, more than anything else, opened the possibility of much greater freedom of expression, to the point that the system as we knew it could no longer continue. It made absolutely clear how important it was to continue the policy of glasnost, and I must say that I started to think about time in terms of pre-Chernobyl and post-Chernobyl. . . The price of the Chernobyl catastrophe was overwhelming, not only in human terms, but also economically.