Some intelligence historians have complained that diplomatic historians do not take their field seriously. They are convinced that intelligence history is the “missing dimension” of international history not just because important pieces of evidence remain secret, but also because of a methodologically conservative outlook in the historical establishment that does not take intelligence seriously.¹ Here, one can insert the thought that intelligence historians have not always been the best advocates of their own cause. Some of them have acted like members of the entertainment industry, telling salacious tales of derring-do and forgetting to offer interpretations of the events they purport to study. Their own frivolity has helped to explain why intelligence history is sometimes taken less seriously than it might be.

Fortunately, there are exceptions to this tendency, and Paul Maddrell is one of them. Don’t expect too many stories about honey traps from Dr Maddrell. With a Ph.D. from Cambridge University, he teaches international relations at Aberystwyth University, one of the leading centers for the serious study of intelligence. He has published, in addition to a number of articles, a scholarly book, *Spying on Science: Western Intelligence in Divided Germany, 1945-1961* (Oxford: Oxford University Press, 2006). The task he sets himself in the article under review does not lend itself to the anecdotal approach and

¹ The U.K. Foreign Office’s Sir Alexander Cadogan appears to have coined the phrase: Christopher Andrew and David Dilks, eds., *The Missing Dimension: Governments and Intelligence Communities in the Twentieth Century* (Basingstoke: Macmillan, 1984), pp. 1, 250n1. An intelligence scholar at King’s College London has argued that in light of more recent documentary releases the phrase, “now several decades old, would be difficult to justify today”: Michael S. Goodman, “The United Kingdom” in *Routledge Companion to Intelligence Studies*, eds. Robert Dover and others (London: Routledge, 2014), 135.
invites a seriousness of purpose that Maddrell duly offers. For his subject is economic espionage.

Maddrell notes that it is well known that the Central Intelligence Agency (CIA) and its international partners took an interest in East Germany’s economy. But there has been a scarcity of evidence “about what intelligence they collected, how they collected it, and what influence it had on their governments’ policy” (81). He sets out to remedy what he depicts as the “missing dimension” of the record of western policy toward East Germany, economic intelligence (77).

His method is to draw on the records of the East German Ministry of State Security (Stasi), made available to scholars by the parliament of (recently unified) Germany in 1991. This source documents the arrest and activities of U.S. and other spies who came to the attention of the Stasi. In obedience to Section 32 of the 1991 law, the names of the spies are redacted, giving a strangely disembodied feel to what Maddrell has to say. But, Maddrell argues, the records are free from ideological bias and a reliable guide to what information the western powers sought to obtain about the East German economy.

Maddrell depicts the later 1940s and the 1950s as the “golden age” of western spying on the East German economy (81). From 1961, there was a decline. The construction of the Berlin Wall in that year gave the Stasi a mechanism for greater control. It gradually eliminated all western spy networks in East Germany, turning some of the spies and using double agents to penetrate its West German counterpart, the Federal Intelligence Service or BND.

The loss of reliable information caused West Germany to rely on East German official statistics to judge the state of that country’s economy. These were, however, unreliable, as the communist authorities wanted to present their economy in a rosy light, and skewed the figures. Maddrell dismisses speculation that Chancellor Helmut Kohl’s West German government accepted East German data for opportunist political reasons (such as a reluctance to frighten voters with the idea that West Germany would have to pour assistance into its neighbor’s economy), emphasizing instead intelligence failure. His argument is that this intelligence failure helps to explain why the collapse of communism in 1989 took the West by surprise.

Twenty-three pages into his article, Maddrell rolls out his Stasi evidence. This might seem rather late, and only six pages are devoted to the evidence itself. However, if he had started earlier, his account would have looked like a procession of nameless ghosts floating down a meaningless evidential path. That this is not so is because the author has devoted pages 76-98 to an interpretive introduction, enabling the reader to understand the significance of the Stasi documents when they are introduced later on. On page 78, for example, he explains why economic espionage was important. It was an indicator of military capability. It could lay bare communist policymakers’ intentions. It could identify ways in which tactics of economic sabotage against communist economies might be
effective. Economic espionage could also help with the process of joint estimating, considering the relative strengths of East and West.

Much of the introductory section is devoted to estimates of the Soviet economy. This is partly because there is a body of literature to be discussed, a fact that in itself indicates the degree to which East Germany has been relatively neglected.

Maddrell observes that in the 1950s, “the CIA’s estimates demonstrated that the Soviet economy had achieved high rates of growth.” This was in spite of various embargo policies unilaterally imposed by the United States (86). The agency suggested that any imposition of further embargoes would provoke the Soviet authorities into enforcing additional clampdowns without achieving a positive outcome.

The author is right to emphasize economic sabotage. With varying success, it has played an extensive role in clandestine U.S. policy across the globe. But there is another aspect of the CIA’s Soviet economic estimates that Maddrell has not looked into, or at least does not expound. For 1950s defenders of the capitalist American way such as Fortune magazine, it was axiomatic that communism could not deliver economic growth. For defense-spending boosters – the army, navy and airforce with their business partners tried to outbid one another – the reverse was axiomatic: the Soviet Union was spending extra millions on tanks, warships, planes, warheads, and missiles, and could afford it. They insisted that the U.S. therefore needed an increase in defense spending.

CIA director Allen Dulles knew that President Dwight D. Eisenhower did not want to be pressured into higher military expenditure. But CIA estimates (the outcome of sophisticated calculations, as the communists’ price-fixing meant the ruble was no indicator of economic value) confirmed the Soviet economy was going through a boom. In an address at Atlantic City in March 1959, Dulles conceded that the Soviet economy had grown at triple the rate of America’s over the last five years. But, possibly influenced by the MIT economic historian Walt W. Rostow who was already advising the government, he scribbled in parenthesis on his lecture notes the phrase “lower base.” Developing countries – India, Brazil, China as well as the Soviet Union – achieve what Rostow dubbed ‘takeoff’ under the right economic circumstances, but then (as in the case of China today) begin to slow down. The Soviet expansion was not a threat in the 1950s

---


because the Soviet economy was small, and the rate of expansion doomed to slow down in due course. To the credit of Dulles and colleagues like Richard Bissell, they were able, through their delivery of sober estimates, to give credibility to Eisenhower’s determination not to surrender to what the President famously called the ‘military industrial complex.’

Had Maddrell included that additional analysis in his article, it would, in fact, have boosted his conclusion that U.S. economic intelligence was good in the 1960s, and less reliable in the 1980s. However, circumstances existed in the 1980s that perhaps modify the force of his conclusion. He notes that in the later 1980s some CIA (as well as West German) analysts overestimated East Germany’s economic performance “by a wide margin” (90). In a decade when U.S. intelligence became politicized, overestimation of communist strength was far from unusual, as it encouraged Congress to pay for the Strategic Defense Initiative (‘Star Wars’). The Defense Intelligence Agency took a lead here, but a case can also be made for the non-believers. According to this argument, the latter knew that economies east of the Iron Curtain were crumbling, and wanted an intelligence-supported U.S.-led escalation in the arms race to provoke unaffordable communist expenditures as a final act of economic sabotage. Exaggeration of communist strength was a cynical means to that sincerely desired end. Intelligence rarely takes place in a political void, and certainly not in 1980s America.5

Maddrell’s thesis about the West’s non-perception of East German economic weakness in the 1980s does not embrace the whole of this contextual landscape, but is nevertheless a welcome contribution to discourse about why the collapse of communism caught the West napping.

Rhodri Jeffreys-Jones is Emeritus Professor of History at the University of Edinburgh, and Honorary President of the Scottish Association for the Study of America. His most recent books are In Spies We Trust: The Story of Western Intelligence (Oxford: Oxford University Press, 2013), The American Left: Its Impact on Politics and Society since 1900 (Edinburgh: Edinburgh University Press, 2013), and, as joint editor with Andrew Lownie, North American Spies: New Revisionist Essays (London: Thistle Publishers, 2013).

© 2014 H-Net: Humanities and Social Sciences Online

future national security affairs advisor was already in touch with Dulles, see Peter Grose, Gentleman Spy: The Life of Allen Dulles (Boston, Houghton Mifflin, 1994), 450.
