

Post-Soviet Lessons for a Post-American Century

(PART ONE OF THREE)

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Introduction

June 1, 2005 0900 PST (FTW) A decade and a half ago the world went from bipolar to unipolar, because one of the poles fell apart: The S.U. is no more. The other pole – symmetrically named the U.S. – has not fallen apart – yet, but there are ominous rumblings on the horizon. The collapse of the United States seems about as unlikely now as the collapse of the Soviet Union seemed in 1985. The experience of the first collapse may be instructive to those who wish to survive the second.

Reasonable people would never argue that that the two poles were exactly symmetrical; along with significant similarities, there were equally significant differences, both of which are valuable in predicting how the second half of the clay-footed superpower giant that once bestrode the planet will fare once it too falls apart.

I have wanted to write this article for almost a decade now. Until recently, however, few people would have taken it seriously. After all, who could have doubted that the world economic powerhouse that is the United States, having recently won the Cold War and the Gulf War, would continue, triumphantly, into the bright future of superhighways, supersonic jets, and interplanetary colonies?

But more recently the number of doubters has started to climb steadily. The U.S. is desperately dependent on the availability of cheap, plentiful oil and natural gas, and addicted to economic growth. Once oil and gas become expensive (as they already have) and in ever-shorter supply (a matter of one or two years at most), economic growth will stop, and the U.S. economy will collapse.

Many may still scoff at this cheerless prognosis, but this article should find a few readers anyway. In October 2004, when I started working on it, an Internet search for "peak oil" and "economic collapse" yielded about 16,300 documents; by April of 2005 that number climbed to 4,220,000. This is a dramatic change in public opinion only, because what is known on the subject now is more or less what was known a decade or so ago, when there was exactly one Web site devoted to the subject: Jay Hanson's Dieoff.org. This sea

change in public opinion is not restricted to the Internet, but is visible in the mainstream and the specialist press as well. Thus, the lack of attention paid to the subject over the decades resulted not from ignorance, but from denial: although the basic theory that is used to model and predict resource depletion has been well understood since the 1960s, most people prefer to remain in denial.

Denial

Although this is a bit off the subject of Soviet collapse and what it may teach us about our own, I can't resist saying a few words about denial, for it is such an interesting subject. I also hope that it will help some of you to go beyond denial, this being a helpful step towards understanding what I am going to say here.

Now that a lot of the predictions are coming true more or less on schedule, and it is becoming increasingly difficult to ignore the steady climb of energy prices and the dire warnings from energy experts of every stripe, outright denial is being gradually replaced with subtler forms of denial, which center around avoiding any serious, down-to-earth discussion of the likely actual consequences of peak oil, and of the ways one might cope with them.

Instead, there is much discussion of policy: what "we" should do. The "we" in question is presumably some embodiment of the great American Can-Do Spirit: a brilliantly organized consortium of government agencies, leading universities and research centers, and major corporations, all working together toward the goal of providing plentiful, clean, environmentally safe energy, to fuel another century of economic expansion. Welcome to the sideshow at the end of the universe!

One often hears that "We could get this done, if only we wanted to." Most often one hears this from non-specialists, sometimes from economists, and hardly ever from scientists or engineers. A few back-of-the-envelope calculations are generally enough to suggest otherwise, but here logic runs up against faith in the Goddess of Technology: that she will provide. On her altar are assembled various ritualistic objects used to summon the Can-Do Spirit: a photovoltaic cell, a fuel cell, a vial of ethanol, and a vial of bio-diesel. Off to the side of the altar is a Pandora's box packed with coal, tar sand, oceanic hydrates, and plutonium: if the Goddess gets angry, it's curtains for life on Earth.

But let us look beyond mere faith, and focus on something slightly more rational instead. This "we," this highly organized, high-powered problem-solving entity, is quickly running out of energy, and once it does, it will not be so high-powered any more. I would like to humbly suggest that any long-term plan it attempts to undertake is doomed, simply because crisis conditions will make long-term planning, along with large, ambitious projects, impossible. Thus, I would suggest against waiting around for some miracle device to put under the hood of every SUV and in the basement of every McMansion, so that all can live happily ever after in this suburban dream, which is looking more and more like a nightmare in any case.

The next circle of denial revolves around what must inevitably come to pass if the Goddess of Technology were to fail us: a series of wars over ever more scarce resources. Paul Roberts, who is very well informed on the subject of peak oil, has this to say: "what desperate states have always done when resources turn scarce... [is] fight for them." [MotherJones.com, 11/12 2004] Let us not argue that this has never happened, but did it ever amount to anything more than a futile gesture of desperation? Wars take resources, and, when resources are already scarce, fighting wars over resources becomes a lethal exercise in futility. Those with more resources would be expected to win. I am not arguing that wars over resources will not occur. I am suggesting that they will be futile, and that victory in these conflicts will be barely distinguishable from defeat. I would also like to suggest that these conflicts would be self-limiting: modern warfare uses up prodigious amounts of energy, and if the conflicts are over oil and gas installations, then they will get blown up, as has happened repeatedly in Iraq. This will result in less energy being available and, consequently, less warfare.

Take, for example, the last two US involvements in Iraq. In each case, as a result of US actions, Iraqi oil production decreased. It now appears that the whole strategy is a failure. Supporting Saddam, then fighting Saddam, then imposing sanctions on Saddam, then finally overthrowing him, has left Iraqi oil fields so badly damaged that the "ultimate recoverable" estimate for Iraqi oil is now down to 10-12% of what was once thought to be underground (according to the New York Times).

Some people are even suggesting a war over resources with a nuclear endgame. On this point, I am optimistic. As Robert McNamara once thought, nuclear weapons are too difficult to use. And although he has done a great deal of work to make them easier to use, with the introduction of small, tactical, battlefield nukes and the like, and despite recently renewed interest in nuclear "bunker busters," they still make a bit of a mess, and are hard to work into any sort of a sensible strategy that would reliably lead to an increased supply of energy. Noting that conventional weapons have not been effective in this area, it is unclear why nuclear weapons would produce better results.

But these are all details; the point I really want to make is that proposing resource wars, even as a worst-case scenario, is still a form of denial. The implicit assumption is this: if all else fails, we will go to war; we will win; the oil will flow again, and we will be back to business as usual in no time. Again, I would suggest against waiting around for the success of a global police action to redirect the lion's share of the dwindling world oil supplies toward the United States.

Outside this last circle of denial lies a vast wilderness called the Collapse of Western Civilization, roamed by the Four Horsemen of the Apocalypse, or so some people will have you believe. Here we find not denial but escapism: a hankering for a grand finale, a heroic final chapter. Civilizations do collapse – this is one of the best-known facts about them – but as anyone who has read *The Decline and Fall of the Roman Empire* will tell you, the process can take many centuries.

What tends to collapse rather suddenly is the economy. Economies, too, are known to collapse, and do so with far greater regularity than civilizations. An economy does not collapse into a black hole from which no light can escape. Instead, something else happens: society begins to spontaneously reconfigure itself, establish new relationships, and evolve new rules, in order to find a point of equilibrium at a lower rate of resource expenditure.

Note that the exercise carries a high human cost: without an economy, many people suddenly find themselves as helpless as newborn babes. Many of them die, sooner than they would otherwise: some would call this a "die-off." There is a part of the population that is most vulnerable: the young, the old, and the infirm; the foolish and the suicidal. There is also another part of the population that can survive indefinitely on insects and tree bark. Most people fall somewhere in between.

Economic collapse gives rise to new, smaller and poorer economies. That pattern has been repeated many times, so we can reason inductively about similarities and differences between a collapse that has already occurred and one that is about to occur. Unlike astrophysicists, who can confidently predict whether a given star will collapse into a neutron star or a black hole based on measurements and calculations, we have to work with general observations and anecdotal evidence. However, I hope that my thought experiment will allow me to guess correctly at the general shape of the new economy, and arrive at survival strategies that may be of use to individuals and small communities.

The Collapse of the Soviet Union – an Overview

What happens when a modern economy collapses, and the complex society it supports disintegrates? A look at a country that has recently undergone such an experience can be most educational. We are lucky enough to have such an example in the Soviet Union. I spent about six months living, traveling, and doing business in Russia during the perestroika period and immediately afterward, and was fascinated by the transformation I witnessed.

The specifics are different, of course. The Soviet problems seem to have been largely organizational rather than physical in nature, although the fact that the Soviet Union collapsed just 3 years after reaching peak oil production is hardly a coincidence. The ultimate cause of Soviet Union's spontaneous collapse remains shrouded in mystery. Was it Ronald Reagan's Star Wars? Or was it Raisa Gorbachev's American Express card? It is possible to fake a missile defense shield; but it is not so easy to fake a Herod's department store. The arguments go back and forth. One contemporary theory would have it that the Soviet elite scuttled the whole program when they decided that Soviet Socialism was not going to make them rich. (It remains unclear why it should have taken the Soviet elite 70 years to come to this startlingly obvious conclusion).

A slightly more commonsense explanation is this: during the pre-perestroika "stagnation" period, due to the chronic underperformance of the economy, coupled with record levels of military expenditure, trade deficit, and foreign debt, it became increasingly difficult for

the average Russian middle-class family of three, with both parents working, to make ends meet. (Now, isn't that beginning to sound familiar?) Of course, the government bureaucrats were not too concerned about the plight of the people. But the people found ways to survive by circumventing government controls in a myriad of ways, preventing the government from getting the results it needed to keep the system going. Therefore, the system had to be reformed. When this became the consensus view, reformers lined up to try and reform the system. Alas, the system could not be reformed. Instead of adapting, it fell apart.

Russia was able to bounce back economically because it remains fairly rich in oil and very rich in natural gas, and will probably continue in relative prosperity for at least a few more decades. In North America, on the other hand, oil production peaked in the early 1970s and has been in decline ever since, while natural gas production is now set to fall off a production cliff. Yet energy demand continues to rise far above what the continent can supply, making such a spontaneous recovery unlikely. When I say that Russia bounced back, I am not trying to understate the human cost of the Soviet collapse, or the lopsidedness and the economic disparities of the re-born Russian economy. But I am suggesting that where Russia bounced back because it was not fully spent, the United States will be more fully spent, and less capable of bouncing back.

But such "big picture" differences are not so interesting. It is the micro-scale similarities that offer interesting practical lessons on how small groups of individuals can successfully cope with economic and social collapse. And that is where the post-Soviet experience offers a multitude of useful lessons.

Returning to Russia

I first flew back to Leningrad, which was soon to be rechristened St. Petersburg, in the summer of 1989, about a year after Gorbachev freed the last batch of political prisoners, my uncle among them, who had been locked up by General Secretary Andropov's final, senile attempt at clenching an iron fist. For the first time it became possible for Soviet escapees to go back and visit. More than a decade had passed since I left, but the place was much as I remembered it: bustling streets full of Volgas and Ladas, Communist slogans on the roofs of towering buildings lit up in neon, long lines in shops.

About the only thing new was a bustle of activity around a newly organized Cooperative movement. A newly hatched entrepreneurial class was busy complaining that their cooperatives were only allowed to sell to the government, at government prices, while hatching ingenious schemes to skim something off the top through barter arrangements. Most were going bankrupt. It did not turn out to be a successful business model for them or for the government, which was, as it turned out, also on its last legs.

I went back a year later, and found a place I did not quite recognize. First of all, it smelled different: the smog was gone. The factories had largely shut down, there was very little traffic, and the fresh air smelled wonderful! The stores were largely empty and

often closed. There were very few gas stations open, and the ones that were open had lines that stretched for many blocks. There was a ten-liter limit on gasoline purchases.

Since there was nothing better for us to do, my friends and I decided to take a road trip, to visit the ancient Russian cities of Pskov and Novgorod, taking in the surrounding countryside along the way. For this, we had to obtain fuel. It was hard to come by. It was available on the black market, but no one felt particularly inclined to let go of something so valuable in exchange for something so useless as money. Soviet money ceased to have value, since there was so little that could be bought with it, and people still felt skittish around foreign currency.

Luckily, there was a limited supply of another sort of currency available to us. It was close to the end of Gorbachev's ill-fated anti-alcoholism campaign, during which vodka was rationed. There was a death in my family, for which we received a funeral's worth of vodka coupons, which we of course redeemed right away. What was left of the vodka was placed in the trunk of the trusty old Lada, and off we went. Each half-liter bottle of vodka was exchanged for ten liters of gasoline, giving vodka far greater effective energy density than rocket fuel.

There is a lesson here: when faced with a collapsing economy, one should stop thinking of wealth in terms of money. Access to actual physical resources and assets, as well as intangibles such as connections and relationships, quickly becomes much more valuable than mere cash.

Two years later, I was back again, this time in the dead of winter. I was traveling on business through Minsk, St. Petersburg and Moscow. My mission was to see whether any of the former Soviet defense industry could be converted to civilian use. The business part of the trip was a total fiasco and a complete waste of time, just as one would expect. In other ways, it was quite educational.

Minsk seemed like a city rudely awakened from hibernation. During the short daylight hours, the streets were full of people, who just stood around, as if wondering what to do next. The same feeling pervaded the executive offices, where people I used to think of as the representatives of the "evil empire" sat around under dusty portraits of Lenin bemoaning their fate. No one had any answers.

The only beam of sunshine came from a smarmy New York lawyer who hung around the place trying to organize a state lottery. He was almost the only man with a plan. (The director of a research institute which was formerly charged with explosion-welding parts for nuclear fusion reactor vessels, or some such thing, also had a plan: he wanted to build summer cottages.) I wrapped up my business early and caught a night train to St. Petersburg. On the train, a comfortable old sleeper car, I shared a compartment with a young, newly retired army doctor, who showed me his fat roll of hundred-dollar bills and

told me all about the local diamond trade. We split a bottle of cognac and snoozed off. It was a pleasant trip.

St. Petersburg was a shock. There was a sense of despair that hung in the winter air. There were old women standing around in spontaneous open-air flea markets trying to sell toys that probably belonged to their grandchildren, to buy something to eat. Middle-class people could be seen digging around in the trash. Everyone's savings were wiped out by hyperinflation. I arrived with a large stack of one-dollar bills. Everything was one dollar, or a thousand rubles, which was about five times the average monthly salary. I handed out lots of these silly thousand-ruble notes: "Here, I just want to make sure you have enough." People would recoil in shock: "That's a lot of money!" "No, it isn't. Be sure to spend it right away." However, all the lights were on, there was heat in many of the homes, and the trains ran on time.

My business itinerary involved a trip to the countryside to tour and to have meetings at some scientific facility. The phone lines to the place were down, and so I decided to just jump on a train and go there. The only train left at 7 am. I showed up around 6, thinking I could find breakfast at the station. The station was dark and locked. Across the street, there was a store selling coffee, with a line that wrapped around the block. There was also an old woman in front of the store, selling buns from a tray. I offered her a thousand-ruble note. "Don't throw your money around!" she said. I offered to buy her entire tray. "What are the other people going to eat?" she asked. I went and stood in line for the cashier, presented my thousand-ruble note, got a pile of useless change and a receipt, presented the receipt at the counter, collected a glass of warm brown liquid, drank it, returned the glass, paid the old woman, got my sweet bun, and thanked her very much. It was a lesson in civility.

Three years later, I was back again, and the economy had clearly started to recover, at least to the extent that goods were available to those who had money, but enterprises were continuing to shut down, and most people were still clearly suffering. There were new, private stores, which had tight security, and which sold imported goods for foreign currency. Very few people could afford to shop at these stores. There were also open air markets in many city squares, at which most of the shopping was done. Many kinds of goods were dispensed from locked metal booths, quite a few of which belonged to the Chechen mafia: one shoved a large pile of paper money through a hole and was handed back the item.

There were sporadic difficulties with the money supply. I recall standing around waiting for banks to open in order to cash my traveler's checks. The banks were closed because they were fresh out of money; they were all waiting for cash to be delivered. Once in a while, a bank manager would come out and make an announcement: the money is on its way, no need to worry.

There was a great divide between those who were unemployed, underemployed, or working in the old economy, and the new merchant class. For those working for the old state-owned enterprises – schools, hospitals, the railways, the telephone exchanges, and what remained of the rest of the Soviet economy - it was lean times. Salaries were paid sporadically, or not at all. Even when people got their money, it was barely enough to subsist on.

But the worst of it was clearly over. A new economic reality had taken hold. A large segment of the population saw its standard of living reduced, sometimes permanently. It took the economy ten years to get back to its pre-collapse level, and the recovery was uneven. Alongside the *nouveau riche*, there were many whose income would never recover. Those who could not become part of the new economy, especially the pensioners, but also many others, who had benefited from the now defunct socialist state, could barely eke out a living.

This thumbnail sketch of my experiences in Russia is intended to convey a general sense of what I had witnessed. But it is the details of what I have observed that I hope will be of value to those who see an economic collapse looming ahead, and want to plan, in order to survive it.

Similarities between the Superpowers

Some would find a direct comparison between the United States and the Soviet Union incongruous, if not downright insulting. After all, what grounds are there to compare a failed Communist empire to the world's largest economy? Others might find it humorous that the loser might have advice for the winner in what they might see as an ideological conflict. Since the differences between the two appear glaring to most, let me just indicate some similarities, which I hope you will find are no less obvious.

The Soviet Union and the United States are each either the winner or the first runner-up in the following categories: the space race, the arms race, the jails race, the hated evil empire race, the squandering of natural resources race, and the bankruptcy race. In some of these categories, the United States is, shall we say, a late bloomer, setting new records even after its rival was forced to forfeit. Both believed, with giddy zeal, in science, technology, and progress, right up until the Chernobyl disaster occurred. After that, there was only one true believer left.

They are the two post-World War II industrial empires that attempted to impose their ideologies on the rest of the world: democracy and capitalism versus socialism and central planning. Both had some successes: while the United States reveled in growth and prosperity, the Soviet Union achieved universal literacy, universal health care, far less social inequality, and a guaranteed - albeit lower - standard of living for all citizens. The state-controlled media took pains to make sure that most people didn't realize just how much lower it was: "Those happy Russians don't know how badly they live," Simone Signoret said after a visit.

Both empires made a big mess of quite a few other countries, each one financing and directly taking part in bloody conflicts around the world in order to impose its ideology, and to thwart the other. Both made quite a big mess of their own country, setting world records for the percentage of population held in jails (South Africa was a contender at one point). In this last category, the U.S. is now a runaway success, supporting a burgeoning, partially privatized prison-industrial complex (a great source of near-slave wage labor).

While the United States used to have far more goodwill around the world than the Soviet Union, the “evil empire” gap has narrowed since the Soviet Union disappeared from the scene. Now, in many countries around the world, including Western countries like Sweden, the United States ranks as a bigger threat to peace than Iran or North Korea. In the hated-empire race, the United States is now beginning to look like the champion. Nobody likes a loser, but especially if the loser is a failed superpower. Nobody had any pity for the poor defunct Soviet Union; and nobody will have any pity for poor defunct America either .

The bankruptcy race is particularly interesting. Prior to its collapse, the Soviet Union was taking on foreign debt at a rate that could not be sustained. The combination of low world oil prices and a peak in Soviet oil production sealed its fate. Later, the Russian Federation, which inherited the Soviet foreign debt, was forced to default on its obligations, precipitating a financial crisis. Russia's finances later improved, primarily due to rising oil prices, along with rising oil exports. At this point, Russia is eager to wipe out the remaining Soviet debt as quickly as possible, and over the past few years the Russian rouble has done just a bit better than the U.S. dollar.

The United States is now facing a current account deficit that cannot be sustained, a falling currency, and an energy crisis, all at once. It is now the world's largest debtor nation, and most people do not see how it can avoid defaulting on its debt. According to a lot of analysts, it is technically bankrupt, and is being propped up by foreign reserve banks, which hold a lot of dollar-denominated assets, and, for the time being, want to protect the value of their reserves. This game can only go on for so long. Thus, while the Soviet Union deserves honorable mention for going bankrupt first, the gold in this category (pun intended) will undoubtedly go to the United States, for the largest default ever.

There are many other similarities as well. Women received the right to education and a career in Russia earlier than in the U.S. Russian and American families are in similarly sad shape, with high divorce rates and many out-of-wedlock births, although the chronic shortage of housing in Russia did force many families to stick it out, with mixed results. Both countries have been experiencing chronic depopulation of farming districts. In Russia, family farms were decimated during collectivization, along with agricultural output; in the U.S., a variety of other forces produced a similar result with regard to rural population, but without any loss of production. Both countries replaced family farms with unsustainable, ecologically disastrous industrial agribusiness, addicted to fossil fuels. The American ones work better, as long as energy is cheap, and, after that, probably not at all.

The similarities are too numerous to mention. I hope that what I outlined above is enough to signal a key fact: that these are, or were, the antipodes of the same industrial, technological civilization.

[Several months ago, Dmitry Orlov suggested writing an essay for www.survivingpeakoil.com relating how the people of Russia survived the collapse of the Soviet Union. I heartily welcomed the idea, and that was the last I heard from Dmitry for some time. I had just about given up on the article when it finally did appear a few weeks ago. In reading through this article, I quickly ascertained that Dmitry had far exceeded his goal. It was clear that this article deserved a larger readership than I could give it at survivingpeakoil.com. As science editor at From The Wilderness, I passed this article on to Mike and Jamey, and they readily agreed that it should be published by FTW.]

Through his comparison and contrast of the Former Soviet Union to the U.S., Dmitry provides us with one of the most penetrating analyses of post-peak that I have read. This article is packed with original insights derived from personal experience. The picture which Dmitry paints is unsettling, but it is far better than jumping feet first into darkness. The impending breakdown of the US and world economies is here clarified to the point that you can begin to prepare for this eventuality. And this article gives some of the most practical suggestions on how to prepare. I gained a great deal from this article, and I would like to personally thank Dmitry for sharing it.

Before presenting the article, perhaps we should emphasize one major difference between the collapse of the Soviet Union and the dissolution which now confronts us. Russia was able to survive the collapse and stage a comeback because it was largely a political and economic collapse. Russia still had a rich resource base, and most importantly vast energy reserves. Moreover, it was a regional collapse; there was a healthy world outside of Russia to which it could turn for aid, albeit at an exploitive price. Following the global peak of oil and the worldwide, irreversible decline in energy production, there will be little left on which to stage a comeback. Any economy which is dependent on hydrocarbon energy will be slowly constricted. Dmitry mentions this in his article, but it bears repeating. In this sense, the collapse of the Soviet Union could be viewed as a dress rehearsal for what is to come. — DAP, FTW Science Editor]