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THE ECONOMIC ASPECTS OF NATIONAL POWER

10 March 1952

1427

CONTENTS

	<u>Page</u>
SPEAKER--Colonel B. D. Rindlaub, USA, Chief of the Economic Potential Branch, ICAF.....	1
GENERAL DISCUSSION.....	14

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RESTRICTED

RESTRICTED

1429

THE ECONOMIC ASPECTS OF NATIONAL POWER

10 March 1952

COLONEL RINDLAUB: This morning we are going to start out a new branch course of the college curriculum. The Economic Potential Course takes up, in addition to economic potential, the subjects of economic warfare, economic intelligence, and international economic relations.

I hope we didn't throw you completely with the curriculum book. I know it is a thick one. But after we have the conferences this afternoon and tomorrow at eleven, I don't think you will have any difficulty knowing what the course is all about.

We don't claim that the course is an easy one, because it isn't. But all of us in the branch feel that it is an extremely interesting one, interesting to the point of fascination, almost; and we hope that you will all feel that way about the course after you get into it.

Most of you will be working on problems which have never been solved, and that definitely puts the course on the postgraduate level. You have heard speakers say that nobody was studying this business of economic potential. I think you heard a speaker a couple of weeks ago say that. Actually there are lots of people studying it. It is of the greatest concern to the governments of many nations today.

You have had some little introduction to parts of it in the lectures which you heard last week from this platform and from the War College platform on Friday afternoon. I think after you get into it, you will realize why the speaker shied away so quickly from the subject that he was assigned to talk on.

This course in economic potential is one of the two wind-up courses of the Economic Mobilization Course here, of your whole year's course. It is one of the two courses in which you will be considering, using, and applying all of the things which you have learned in your earlier units of the course. It summarizes everything you have had before from the international angle, in much the same manner as the Economic Mobilization Course, which comes at the end of the year, summarizes it on the domestic or national side.

I am not going to take time this morning to talk about the administrative conduct of the course. You have all had your curriculum book; and, with further explanation, I think that side of it will become clear to you. However, I do want to take just a moment to

RESTRICTED

RESTRICTED

1430

identify the members of the Economic Potential Branch. I think you already know them. I am sure you have met them on various jobs during the year. But you may not identify to which branch these various individuals belong.

The regular members of the branch are Captain Alexander--Alec, will you stand up?--Colonel Monroe T. Smartt, Colonel Bernard Waterman, and Colonel John Wing. In addition, Dr. Andy Kress, from the Procurement Branch, is going to help us out and give us some much-needed assistance in some of his specialties. In addition to that, he will be the instructor for one of the large committees.

We also have with the branch in a consultant capacity during the period of the course Dr. Charles Quigley, from Georgetown University. We are very glad to have him with us. His work will be mostly to help the students in their studies in the Soviet area.

Now, let us get back to economic potential. This morning I am going to give a bit of introduction to that subject. My talk is going to come the closest in relation to strategy of any subject which you study at the Industrial College. I am going to talk about things which form the basis for military strategy.

A strategic plan is useless as a guide for combat forces unless there is a productive capacity of the country and a manpower reserve to support that plan. The armed forces are dependent, you all know, upon the quantities of supplies, equipment, and personnel which can be furnished from the civilian economy. It has been centuries since armed forces were really on their own.

But everything which the civilian economy produces is not available to the armed forces. The civilian economy has to be sustained, that is, the civilian has to be sustained if any production at all is to result.

While it is always essential that we understand the power potential of our own Nation, it is also vital that we understand the power potential of any enemy nation or bloc of nations. We are really interested in the comparative powers of blocs of nations, not the powers of single nations.

If we are to understand the power of nations, the only logical way to go about it is to separate this power into elements; then look over all of these elements and separate from the various elements a base upon which we can start to build. We want to dig out a base which doesn't change too rapidly, a base which will allow us to analyze first the elements of the base and then add other elements and see how they affect the base elements. In the Economic Potential Course we are going no

RESTRICTED

RESTRICTED

1431

further than setting up this base, but we are going to consider the effect of other elements upon these base elements.

I like to think of national power as an axe, wielded by a powerful hand. Within this axe, the handle and the hand, are all of the elements which compose national power.

Chart 1, An Axe, following page.--As you can see, the armed forces might be considered as the cutting edge of this axe. They are only a small part but they are a vital part. But the cutting edge of the axe is useless without the weight of those things which make up the head of the axe and carry the cutting edge into whatever material it strikes. The head of the axe itself is useless without the handle, for it is the handle which allows manipulation of the axe. And without the hand, of course, the axe lies unused.

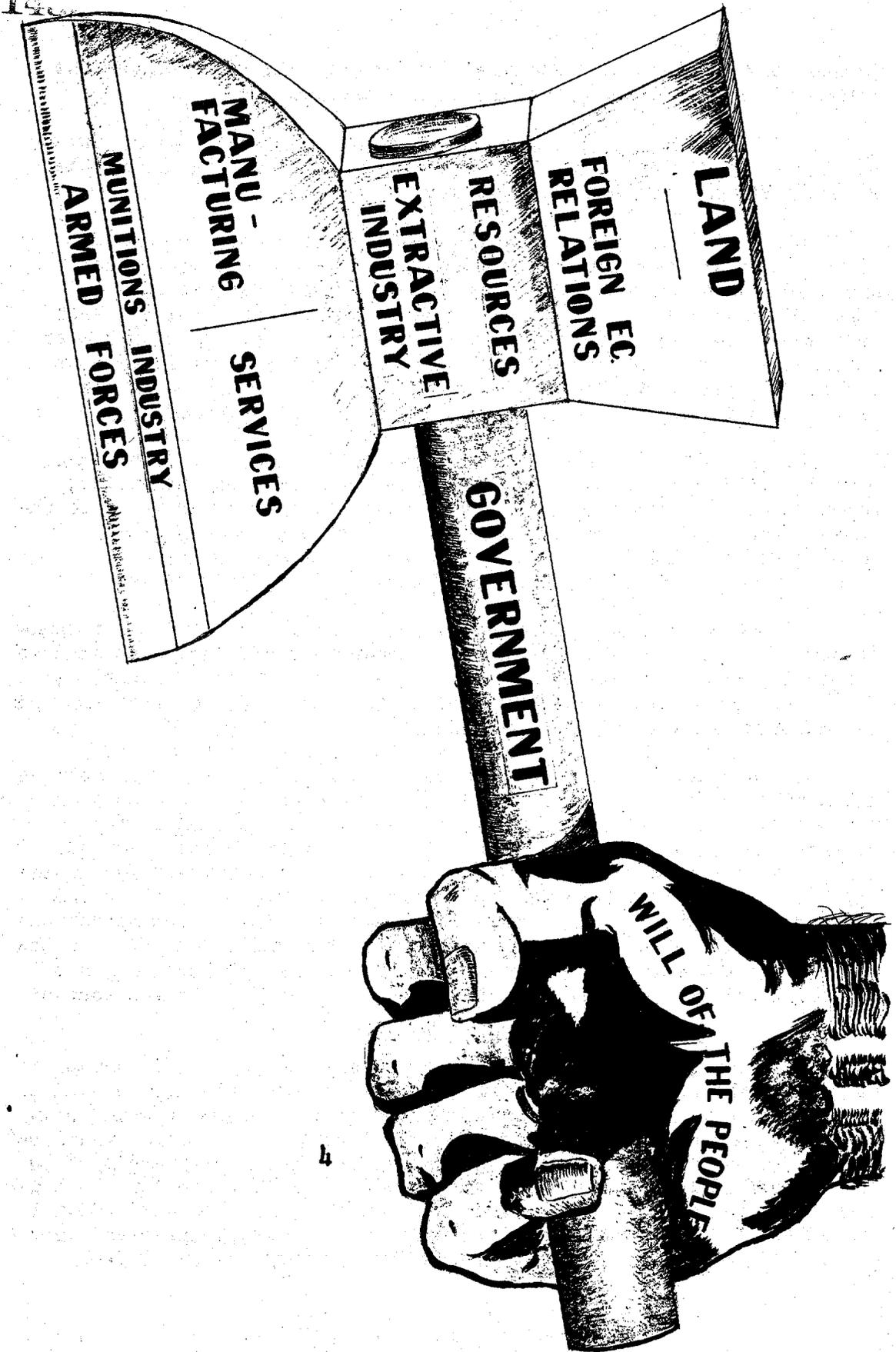
Let us see what makes up the weight behind the head of the axe. Directly behind the armed forces we have the munitions industries, those industries which produce items unique to the requirements of the armed forces. These are the industries which must be expanded a hundredfold in time of war. They are the industries which grow through the conversion of our normal manufacturing industries.

And behind the munitions industries we have two groups--the manufacturing industries and the service industries. If we are to analyze national power, we must find out what these two groups of industries do, what they produce, how fast they can be expanded, how fast they can be converted in a total war situation.

The manufacturing industries, as you all know, are the industries which take raw materials and convert them into end items, end items required by both the armed forces and the civilian economy. The service industries are those industries which furnish the power and which make the wheels of the factory go; the transportation facilities which carry the raw materials from their sources to the factory and the end items from the factory to the consumer; and the communications industry which allows communication between the different parts of the Nation--the doctors, the wholesalers, the lawyers, the brokers, and all these other many, many agencies which give service to the rest of the Nation.

If we are going to understand completely the power of a nation, we must find out what the structure of these industries is, what kinds of things the manufacturing industries produce. Do they produce heavy goods in the main or are they limited to light items, such as textiles? Are they a mass production type of industry? Is industry equipped to lay out and plan new plants for mass production? How rapidly can these industries be converted to wartime production in time of war? What is the status of the technological development of these industries? How efficiently do they produce? How rapidly can they be expanded--by

CHART I



RESTRICTED

1433

taking on additional shifts? And, for the service industries, how rapidly can their services be expanded? All of those things we must study and we must know if we are to understand the potential power of a nation in time of total war.

Of course, behind these manufacturing and service industries, and furnishing to the manufacturing industries the raw materials which the manufacturing industries use in their production of end items, are the extractive industries: those industries which take from the surface of the ground and under the surface of the ground the raw materials which the manufacturing industries need; the agricultural industry, both subsistence and industrial; and the mining and petroleum industries. How fast can these industries be expanded in time of war? Can they rapidly make use of submarginal sources of ore, sources of ore which are not economical to dig out in peacetime? All of those considerations must be examined.

Then, behind the extractive industries and enabling them to function are the material resources of the country. And together with the material resources, of course, we have the human resources--both of these must be considered very carefully.

Taking first the material resources, we must examine what material resources we have. What are our potential capacities for producing if we expand our extractive industries? Where are we short of materials?

We have heard plenty about the fact that we are short of materials. There is no nation in the world today which is entirely self-sufficient. Every nation has to go outside its borders to get some of those things which are required by a modern manufacturing industry. And this is more nearly true than ever when you get in the field of munitions production. Here we have to know exactly what our resources are and where we are short.

On the manpower resources side, we have to know the size of our total population and the size of our labor force; then, even more important, the size of our labor pool (that is, the people not in the labor force at the present time but who can be utilized in time of war to expand the labor force).

In addition, we have to know the obstacles to conversion of that labor force to wartime industry, how much the labor force is going to resist shifting from one part of the country to another, changing the type of job. We have to know the skills within the labor force in order to estimate what it can do if total war comes.

Next we have an element which is very important because it allows us to make up for our shortages of raw materials, that is, our foreign

RESTRICTED

RESTRICTED

1504
economic relations. They are becoming more and more important all the time. I am not going to discuss them now for we have a lecture and a conference on them tomorrow.

Behind all of the things which I have talked about in the head of the axe we have the land itself, the very base for our whole economy. And here we must examine its size, shape, surface configuration, climate, and soil. It is obvious that a long, narrow country like Chile, bisected longitudinally by a mountain range, is not going to be able to transport things internally and unify itself nearly as easily as a relatively flat country like France. And, so far as shape goes, France is more or less compact. Chile, being long and narrow, is at a disadvantage in many ways.

The physical and chemical characteristics of the soil itself affect the ability to produce agricultural items and the ability of a country to feed its population and become, at least in so far as food goes, self-sufficient. Climate has a great effect not only on agricultural and timber production, but also, in the past, it has had a considerable effect on the very strength and vigor of the population of nations.

I think that is enough talk about the head of the axe. You can see that the major part of that head is not the armed forces. It is the things behind the armed forces and the way those things can be utilized for their direct support.

I said the head of the axe was useless without the handle. By the handle I mean the Government. When I talk about government, I do not mean the form of government. For the purposes of this analysis, it is immaterial whether a government be socialistic, totalitarian, communistic, or democratic. What we are after is the effectiveness of the Government in a cold, logical way. In all of this analysis we must divorce ourselves completely from any ideological, traditional, or emotional feeling. It is a very difficult thing to do. We all know what we think of as the best type of government. We all know what we think of as the way the Government should gain the support of the people. But for the purposes of this analysis we are not interested in that. We are interested in the effectiveness of the Government in handling national and international political, psychological, and economic questions, in the ability of the Government to gain the involuntary or the voluntary support of its people, through incentive, patriotism, control, or even through fear and terror. We must make a very careful study and analysis of this effectiveness of the Government if we are to understand the power potential of a nation.

And last, as I said, without the hand the axe lies unused; the hand is the will of the people. And here we get into one of the most difficult of all the aspects of this study of national power.

RESTRICTED

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How far will the people of the United States in time of total war¹⁴³⁵ accept lowered standards of living and at the same time maintain a maximum of productive effort? How far will the people of other nations in the world actively support their governments, voluntarily or involuntarily, when it comes to a showdown?

It is only through a detailed study and a careful study of the history, the ideological and psychological concepts, the traditions, and of all of the other factors which affect and influence the population that we can get any insight at all into this will of the people to support a government.

I think I have covered the elements of power; you can see that it is quite a complex study. It is not one which is susceptible to numerical answers. There are too many intangible factors tied up with it all the way through.

The other logical way to approach a complete analysis, as I said before, is for us to separate some base on which we can start to build. We want to separate a base which is not affected rapidly by political factors, by the equipment and state of training of the armed forces, by the size of the armed forces themselves, which is not affected by current strategy, for that may change rapidly. The logical thing to do then is to separate the economic elements, for most of these do not change rapidly, and use these as a base for the further development of any study of national power. The economic elements are as follows:

1. Physical geography.
2. Population.
3. Natural resources.
4. Production facilities.
5. Foreign economic relations.

If we look over these elements carefully, we find that we can separate the five elements which I have listed here. These are: physical geography--the size, shape, terrain, climate, and soil of the country; population--its size, convertibility, and skills; natural resources--what materials do we have? What materials can we have in time of total war? Where are we short of materials? What critical materials do we need that cannot be gotten without going outside our borders? Our production facilities--that term does not quite express what we want to express, so we are searching for another term. By production facilities we don't mean only the physical plant which exists; but, we mean to include within that term the characteristics of our industry, its convertibility, its expansibility, its technical

RESTRICTED

1436

status, and all of those other things which affect the ultimate production in time of war. Then, last, our foreign economic relations--as I said before--allow us to make arrangements by which we can bring into our country all of the critical raw materials lacking in a total war situation.

The study of economic potential is really a new study. It has only been in the past decade that people have begun to realize that a knowledge of a country's productive power was essential to a determination of strategy. And timewise the Industrial College is pretty far ahead, as a matter of fact, it is ahead of most government agencies, in the over-all consideration of this subject. It has for many years been studied here. Today other government agencies are, increasingly, entering this field. Of course they are getting into the game in details and with scientific approaches that are not possible here.

Now, let us see what we are really talking about. If we are going to find out the total power of a nation, the power of a nation in time of war, the power of a nation to support the armed forces, the first thing we want to do is to find out the total productive capacity of the nation.

I said that part of the productive capacity had to go to sustain the civilians, and it is a large part. So our next step, then, is to determine what part of the productive capacity must go to the civilians. Then, if we subtract what goes to the civilians from the total, we have left the productive capacity that is available for the support of the armed forces.

Chart 2, Economic Potential, following page.--The total productive capacity of a nation in a total war situation we call the "economic potential" of a nation. I purposely didn't define it before. That part which is left for the support of the armed forces in a total war situation we call the "economic potential for war" of a nation.

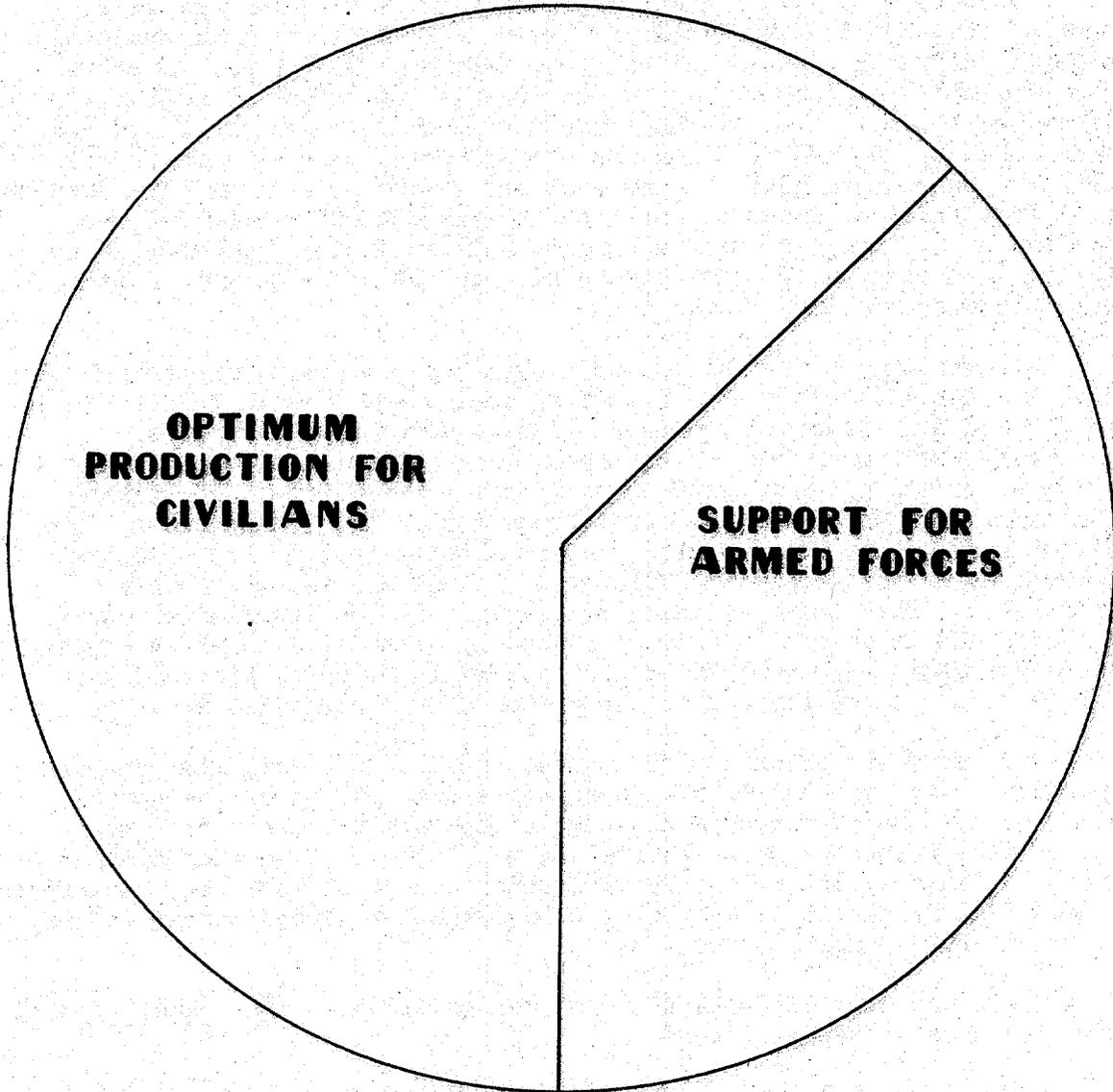
It sounds easy. But, what happens when we get into a war situation? Many speakers used to talk always about a minimum production for civilians as what we want. Let us see what happens if we consider only this minimum production.

The production by civilians is dependent upon the incentives which the civilian population has to produce, isn't it? As you reduce those incentives, you are going to reduce your total capacity to produce, or your total economic potential. You are reducing those incentives by taking more from the civilians and giving it to the military.

As you take more from the civilians and give it to the military, it appears that your support for the armed forces is going to increase. But it is going to increase only if your total circle does not decrease.

RESTRICTED

ECONOMIC POTENTIAL



RESTRICTED

1438

Now, you are decreasing your total circle as you take away things from the civilian economy, as you reduce the incentives of the civilians to produce. So a point is going to be reached somewhere, sometime, in this process of taking away from the civilians where the reduction in the total economic potential of the country, due to that taking away from the civilians, is going to exceed the gain which you make in support of the armed forces.

There is really an optimum production for civilians that we are looking for, and that we should determine, if we are to plan national strategy correctly, and if we are to determine the economic potential for war, which is the maximum we can have in any total war situation. It is not a question of grinding the civilians down as low as you can grind them to get the most for the armed forces, because that is not the way you are going to get the most for the armed forces. The Government must balance things so that you have an optimum production for civilians. Of course, that is an extremely intangible and indefinite thing. The best thing, the only thing, you can do is to get an estimate, as close an idea as you can.

Even on this matter of economic potential, a great many economists have in the past felt that a numerical comparison between nations could be arrived at. Some of them have tried to use things like gross national product, or the percentage of the population engaged in agriculture, or the production of certain basic commodities; and, taking that small number of things, have compared them and ground out a nice set of figures and come up with a chart showing that in the past the comparison of the economies followed a definite curve, which they calculated. They then extended that curve into the indefinite future and asserted in effect that by going up the vertical axis which represents any year--1950 or 1970 or what you will--we could pick off the future relationship between the economies of the countries treated.

Most students of this problem today feel that a definite numerical approach to the problem of the comparative measurement of the potentials of nations or blocs of nations is entirely unrealistic; I am wholly in agreement with that conclusion. There are too many complexities and too many intangible factors which can completely warp definite statistical predictions, even if the historical analyses of data could be considered roughly correct.

There are many pitfalls that you can get into in this game. I will give you just a couple of them.

Last spring I heard a rather high-powered lecturer, who said that he had data which proved very definitely that the production of the Russian laborer was one-eighth of the production of the laborer in the United States. That didn't quite jibe with most of the figures

RESTRICTED

RESTRICTED

1439

that I had seen in other places, so I spent a good part of quite a few days trying to find out where he had gotten his information; I couldn't find it.

Then, one day I happened to look at some things that were under the cover of my blotter and noticed a little release from the Department of Labor that I had all the time; a release that showed the working time in hours that laborers in different countries of the world had to work in order to purchase a number of common food items making up a breadbasket. That was fine so far as it went. It obviously was the background for this speaker's talk. It showed that the Russian laborer had to work about 7.9-odd times as long as the American to buy this breadbasket.

But if you think about it, you can see that this comparison is only good if the price structure--because the Department had arrived at it through a consideration of prices--of the two countries was exactly the same. It was good only if the length of time which each laborer worked per week, per month, or per year was exactly the same in both countries.

Obviously, we know that the price structures in the United States and in Russia are not the same. In the United States, at least for some agricultural items, it is largely determined by supply and demand. In Russia the price structure is entirely artificial; it bears very little relation to ordinary economic forces. Furthermore, we know that the Russian laborer does work longer per day, per month, or per year than the American laborer.

To take another example, national income is often pointed out as an indicator. But before the Second World War, China had about the same national income as the United Kingdom. Does anybody think that China had the economic potential of the United Kingdom? Of course not. The difference of populations is so great, and the absorption of the production of the country within the country itself is so great, that there is really no comparison.

I could go ahead and give you example after example, but I am not going to take up time with them this morning. I think I have given enough to indicate to you that there are lots of pitfalls in picking out specific things. You just have to consider everything to try to get an absolute measurement of the economic potential of any country.

But really it is not the economic potentials of single countries that we are after. We are after the much less difficult comparative measurements of the economic potentials of two or more countries or blocs of countries. What we are really after today is a comparison between the economic potential of the Soviet bloc as against the western nations. And that makes it easier. We can, by a study of all of the

RESTRICTED

1440

background elements, get an approximate idea of what the relative economic potentials are. If you stop to think about it, we must have that approximate if we are going to have any logical national strategy at all.

But, even if we have the potential at some date in the future, estimated as of today, that still isn't our whole problem. Wars don't stop and start in a day. As you know, it takes maybe two, two and a half, or three years to get the industry of a large nation rolling. So if we are making a complete study, we have to study not only what things are going to be at a certain date in the future, but we have to also discover the trend in all these elements, what is happening in all of these parts of the economy that we are analyzing, as the years go by. And there are quite a few things that we can look at that will give us a fair idea of what may happen to the productive capacity of a country, as the years go on. I will run over a few of them very briefly.

You remember back in the Manpower Course you saw the manpower pyramid or population tree, as the demographers call it. It is perfectly obvious that if there is an unusually large bump on the male side in the teenage and primary school bracket, it means that, as this bump gets up into the labor force, you are going to have a very considerable and unusual expansion in the size of the labor force. Other things allowing those people to be employed, you are going to have an increase in the potential productive capacity of the country.

If you see in a state or a nation that it is intensively increasing the numbers of lower technical schools, that it is training day by day more and more skilled and semiskilled workers, then you can fairly estimate that there is going to be an increase in the productive capacity of the nation.

We will now look at the gross national product of a nation, the total capacity of the nation to produce--I don't mean to get into economic terms here too much. We use the word "economic" here in the college for almost everything. Perhaps that is unfortunate. But I think we have heard enough to understand that the gross national product is simply a monetary measure of the total productive capacity of a nation and broken down does indicate the structure of the industry in the nation.

If we see that one nation is putting a relatively large proportion of its gross national product into investment goods, into the building of factories, plants, dams for power, and all such other types of things, then we know that country is going to have the ability to produce much more rapidly when those facilities are completed. And if we are considering a nation somewhat like ours has been in the past,

RESTRICTED

RESTRICTED

1491

one which spent a great part of its productive capacity upon the creation of luxury items, only a small part of its production going into capital goods, comparatively speaking, we see that one nation is spending a larger proportion than others on these luxury goods; then, it looks very much as though the nation which is spending most on luxury goods is not going to increase its productive capacity in the future as rapidly as the nation which is creating capital goods.

There are many other things like that you can look at. For instance, there are trade agreements. If a nation has just entered into a long-term trade agreement which is very favorable in so far as international economic relations are concerned, then that probably means the nation will be able to get new resources easier and cheaper than it could before and will tend to increase its productive capacity in the future.

Similarly, if one of these nations should discover a large deposit of some raw material which is greatly needed by its industry, that indicates again that, in the future, when the deposit is developed, there will probably be an increase in the productive capacity of the nation.

We have to look over all of these elements which make changes in the growth of the productive capacity of a nation if we are to measure the economic potential, and the economic potential for war, of one nation against another.

I have gone over the elements which make up the total power of a nation. I have run over the elements which we separate and call the base elements. It is those elements which you will be most concerned with in your course for the next six weeks--that is, most of you.

But I do want you to consider and remember that those elements by themselves, even considering that we have the contributory elements which affect them--the military equipment as a pool or as a stockpile of productive resources, and so forth--you haven't the whole answer until you consider the things which may completely throw all your analysis of those particular elements completely out of kilter. They are those things which are concerned with the will of the people, at least in the western nations. Let us limit it to the western nations when we talk about will, because you may trip me up very easily on this matter of will when you talk about Russia.

Remember that there is one factor which may overshadow your study of all of the elements which you consider in this Economic Potential Course, and that is the will of the people. It is only by a thorough consideration of all of these psychological, ideological, and traditional factors which influence people that you can come up with anything approximating a reasoned result in your studies here. The axe lies unused without a hand to wield it.

RESTRICTED

1442

GENERAL HOLMAN: May I ask the first question? Your conclusion dealing with the will of the people was very clearly and expertly expressed, I think. On the other side of the ledger, though--and I don't think we should ever forget it--is the will not to do, what people will refuse to do under certain conditions. You might even call that the won't of the people. You might be willing to develop that just a little bit.

COLONEL RINDLAUB: That is the big question in the determination of what is the optimum production for the civilian population. How far will you and will your wife accept in time of total war the controls which make it necessary for her to give up almost all of the luxuries which she now has, give up the use of her freezer if some part breaks, to give up the use of the television when a tube goes out, to give up the use of her electric sewing machine when something breaks on it or it may be that you just can't get needles? How far is the worker going to go along with continuing to work when he is getting pretty good wages, but he can't spend them on anything? How much is the worker going to produce if you put in a program of enforced savings and skim off his excess buying power that way? Is he going to continue to work and continue to support the Government as actively as he did before you start to apply these controls, regulations, and things which result in this reduction of his standard of living?

And I don't think we ought to fool ourselves for a minute on this standard of living business. You have heard from this platform that if we get into a total war situation, our standard of living, our percentage of the total productive capacity available for the civilians, is not going to be anywhere near what it was during the last war. In the last war it increased actually all during the war. If we get into a total war situation the next time, it is going to go pretty close down to rock bottom. I think most students of the problem believe that at the present time. So one of the key things which has to be determined in all of this study is at what point the civilian is going to stop actively supporting the objectives of his government.

QUESTION: I think you put the shoe on the wrong foot. I think we have to worry more about how much the military can take in terms of a long-time war. If we have to have another experience like the Anglo beachhead or the air raids over Berlin, where we had to limit the number of combat flights to 25 in one theater as compared to 70 in the other, I think we would have to be looking a little closer to what the military people can take, not what the American people can take. I am just wondering if you have considered that approach.

COLONEL RINDLAUB: I am not quite sure that I am clear what you are getting at.

QUESTION: In talking about the will of the people and the won't, I wonder if we are not worried more about what the civilian's will and

RESTRICTED

RESTRICTED

won't are as compared with the military will and won't in case we did have a long, hard war to fight.

COLONEL RINDLAUB: I don't know whether you can say that we are worried more about one than the other. I don't think the people in general are worried about what the military will do in case of a show-down. However, in this particular study in which we are involved, we are not considering the military.

Let us make this clear. We are not considering the training and the equipment of our armed forces. We are not considering how they are going to act. We are not dealing with military strategy. We are interested in the size of the military forces only in one way really, and that is the size of the military forces in being as a pool of personnel which has already been converted from its civilian occupations to the military. We are interested in the equipment of the armed forces, the equipment in being, not with the type of equipment or the effectiveness of the equipment, but merely the equipment in the hands of the armed forces as a stockpile of productive capacity, because that, of course, has an effect on your potential economic capabilities.

I am not trying not to answer your question. But who can say which is most important? That is one subject we are not considering as a part of this course. That doesn't come into our study.

QUESTION: In your axe diagram where do you fit the medium of exchange, the money, the financial condition of the country, taking as a warning example France right now?

COLONEL RINDLAUB: Money as such does not fit in at all. Your details of the currency arrangements we actually don't consider at all. Isn't your worry over money entirely a worry over the confidence of the people in their governmental structure, in the effectiveness of the Government? If you have the confidence of the people in the effectiveness of their Government, then that automatically enables the Government to handle the financial burden of carrying on a total war without anything else. The arrangement under which you handle the monetary side in time of total war--I am not talking about time of peace, but only about time of total war--is all dependent upon the confidence that the people have in the effectiveness, in the judgment and wisdom, of their Government.

COMMENT: It appears to me that most of this discussion has been geared or aimed at the democracies or true socialism or true communism. It appears to me that in a totalitarian nation your hand and handle would be reversed in your diagram.

COLONEL RINDLAUB: All right. You can very well say that, I think. You have to substitute another word for "will." If you are talking

RESTRICTED

1444

about the Russian side, "will" is not the correct word; I think I hedged when I said that and said "will of the people of the western nations." It is the hand of the involuntary support of the population because of fear, terror, or other measures that have to be substituted for "will" on the other side. Now, one of the big problems is: Is it as effective a substitute?

QUESTION: I assume that the only purpose of arriving at the economic potential of various countries is to compare the two. If you are going to compare two or more, the normal way is to have some common measuring stick; and the usual measuring stick is a monetary measuring stick--dollars or something like that. But I don't see in this case how a measurement of the economic potential of one country in dollars is any comparison with the economic potential of another country in dollars. One may have an entirely different economy which may produce a lot of heavy goods, whereas the other is producing a lot of light goods. Their dollar value may be the same, but it certainly doesn't mean that they have the same economic potential. So what measuring stick are you going to use in approaching this comparison?

COLONEL RINDLAUB: You have very nicely, and better than I could, set out a large part of the problem that this committee is considering. That is exactly the type of thing that it is going to consider. Do you use physical quantities? Do you use some international monetary unit?

You are absolutely right. That is one of the big problems of this whole affair. It is one of the most difficult aspects of this whole subject. How are you going to reduce the productive capacity of the different nations to some basis which makes them really comparable?

QUESTION: I am wondering what the practical application is of this study of economic potential. Suppose, for example, that we compared the United States with the Russian economic potential, and we conclude that our economic potential is greater than Russia's. Suppose that Russia studies it and reaches the same conclusions. It is not going to deter either of us from following our objectives which we have determined entirely apart from any study of economic potential. Where is the practical application of that?

COLONEL RINDLAUB: The practical application is in the determination of your national strategy itself. If you think that the potential economic power of one group of nations is much greater than the potential power of another group of nations, then the nation with the greatest power potential in the future is more apt to base its strategy on a long-term war. It can more readily rely upon what will happen over a period of years during a war. Whereas the one with the smaller potential productive capacity has to figure on cleaning up a war right away or knock out the potential productive capacity of the other nation.

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1543

Now, that is a very limited answer, I know; but that is the most apparent application, I think, to national strategy. It does have a great effect on national strategy.

GENERAL HOLMAN: Economic potential sounds like it is on the plus side of the ledger--on what you have. But these studies also show very important shortages, deficiencies which, if properly understood and exploited from the other side, it is a pretty good thing to know about. It is those weak links in the chain which I think it is very important for anybody to know about.

COMMENT: I wonder if perhaps undue emphasis is not being placed on the effect of the civilian will to produce. It seems to me that what is really going to affect production is what kind of war we are going to be forced into, whether it is going to be by another Pearl Harbor or whether we are going to be finally needled into an aggressive war ourselves.

COLONEL RINDLAUB: You are entirely right. I deliberately stayed away from that, for this reason: That when we set up a base for our economic potential, we want to set up a base which is not affected by strategy or by any specific location of the field of operations.

Now, the instant you start to get beyond that elementary base and start bringing in the enemy's strategy, what the enemy is going to do, and base your economic potential study on that, then you are not setting up a broad base. You are setting up something which is only applicable to a specific situation. That is why I tried to stay away from that element.

COMMENT: I am not entirely satisfied with that answer, Colonel. It seems to me that in order to know our economic potential, we must know our strategy--what sort of war we are going to fight and how the enemy is going to fight a war. Are we going to have the biggest Army, Navy, and Air Force? When we meet on the field of battle, are we going to meet the enemy's strength, or are we going to meet his weakness? I think our economic potential depends on the kind of war we are going to fight.

COLONEL RINDLAUB: That is a little bit like the question of the chicken and the egg. Are you going to determine our national strategy and then figure out our economic potential on that basis; determine our national power from that strategy? Or, are you going to set up a base on which you can determine logically the national strategy? Which one are you going to take first? I prefer taking up my economic base which will give me some logical method of developing national strategy. That is a matter of preference, maybe.

COMMENT: Along that same line, it seems to me that the will of the people is pretty much the crux of this whole deal. If we are going to

compare the will of the American people with that of the Russians as of today, there has to be some factor on which to base the comparison. Otherwise we are going to be comparing the will of the people at the time of an all-out war situation and we will have to be assuming what that will is, because if a war is declared, the will of the American people can be altered in twenty-four hours, depending on what sort of war it is--whether a bomb is dropped on Washington or whether we hit Moscow first.

COLONEL RINDLAUB: We are certainly dealing at the present time with what is an art and not a science. There is no getting away from that. We are not going to get any exact answers on what the will of the people is going to be. We are going to have to work on assumptions of what it will be in a total war situation. It is going to be a situation that this country has never yet seen; that is what we are expecting if war comes.

Now, you may say that we don't have any data to base our conclusions on. Well, we don't so far as definite things and historical things are concerned. But we do know something about how the American people react. We do know something about how the Russian people react in various situations. That is why I said it is necessary to study the history of the people--their ideological concepts, their traditional concepts, their political concepts.

COMMENT: My point is that I think we have to make the best assumption we can as to what kind of war it is going to be at the time we make our evaluation of the economic potential.

COLONEL RINDLAUB: No. I don't think so. If you figure on a total war situation, there are not too many alternative possibilities. You can call it an assumption if you want to; call it a considered guess--I don't care what you call it. But you will have to develop somewhere in the back of your mind some thought as to what the reaction of the people of the United States and of the other nations is going to be if a total war situation develops.

This is a point that can be argued for months; I know, because we have done it. I don't care whether you call it an educated guess or not but it is something that you have to make, based upon your best knowledge of all the things about a people that you can dig out.

Now, we are not expecting during this course that you are going to dig deeply into the background of all the peoples in the world. Of course there isn't time for that. This course, we hope, will give you some broad understanding of the principles which are tied up in all those things. And we hope that some of you may get some ideas that no one else has on how this thing should be approached. There is a wide field for original effort here; there is nobody who is too sure about what is being done or should be done.

(21 May 1952--350)S/ijk