COUNTERING THE SOVIET CHALLENGE

15 May 1959

CONTENTS

Page

INTRODUCTION--Dr. Marlin S. Reichley, Educational Adviser and Director of Instruction, Industrial College of the Armed Forces 1

SPEAKER--Mr. Leo Cherne, Executive Director, Research Institute of America 1

GENERAL DISCUSSION 18

NOTICE

This is a transcript of material presented to the resident students at the Industrial College of the Armed Forces. Members of the College may quote it only in student reports or publications for use within the College. Other persons may not quote or extract for publication, reproduce, or otherwise copy this material without specific permission from the author and from the Commandant, ICAF, in each case.

Publication No. L59-145

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

Mr. Leo Cherne, Executive Director of the Research Institute of America, was born on 8 September 1912 in New York City. He is a graduate of New York University and Georgetown University School of Foreign Service. He was awarded an honorary degree of Doctor of Law from Parsons College in June 1951. He was admitted to the New York State bar in 1934, and served as executive secretary, Tax Research Institute of America, 1936-1939; and has been Executive Director of the Research Institute of America since 1939. He served as lecturer at the U. S. Military Academy, Army Industrial College, New School of Social Research and member of the faculty, School of Foreign Service, Georgetown University. He has served on the Board of Directors, International Rescue Committee since 1953; and is director of the American Arbitration Association and director and vice president of Freedom House. Among his many publications are: "Adjusting Your Business to War," "Your Business Goes to War," and "The Rest of Your Life," and has contributed articles on business and international politics to many of the country's leading magazines. This is his ninth lecture at the College.

COUNTERING THE SOVIET CHALLENGE

15 May 1959

DR. REICHLEY: General Mundy, Gentlemen: Today we have not only the final formal lecture of the Plans and Readiness Unit but also for the school year. As the culmination of the year's lecture series, I think that it is only fitting and proper that the subject of the talk be "Countering the Soviet Challenge." For the past 10 months we have been studying and evaluating the political, the economic, the military, and the psychological posture of the United States, the free world, and the Soviet bloc. Now you are developing the policies, programs, and organizations required to counter the Soviet challenge under conditions of general, limited, and cold war.

To present this final lecture we have called on a most capable and interesting speaker--Mr. Leo Cherne, Executive Director of the Research Institute of America. Mr. Cherne has been a member of our guest faculty for many, many years. He is thoroughly conversant with the security problems facing not only our nation but also the free world. He is both a distinguished lecturer and author, having written many books and many magazine articles. He is an outstanding TV panelist. He has always been in the forefront of the fight to preserve and maintain the dignity of man and to fight oppression throughout the world. As an aside I might also add that he has received worldwide distinction as a sculptor. So all in all, I feel certain that this morning we shall hear a most profitable lecture on how to counter the Soviet challenge.

It gives me great pleasure to welcome back and introduce to this class Mr. Leo Cherne.

MR. CHERNE: Thank you, Dr. Reichley.

General, Gentlemen: The only place I would prefer making these remarks at the moment would be at a private meeting of the Western representatives at the present Foreign Ministers Conference. In fact, there is a very substantial question in my mind whether there is any great purpose in addressing myself to the subject I have undertaken to discuss with you. There is very great purpose in addressing yourself to this subject with the foreign ministers, including our own.

As we sit and examine the problem and the strategic and tactical means of meeting the problem, I have an acute awareness that much

that all of us in this room would agree as urgent in countering Soviet strategy will, in fact, be conceded by the representatives of the West at the Foreign Ministers Conference, and more particularly at the subsequent summit meeting. In fact, my depression flows from the conviction that the present meeting and the one which is to come are formalities, designed to put a decent and confusing face on concessions which have already been agreed to.

I am persuaded that the prime purpose of the Soviet Union in fomenting the Berlin crisis last November was to achieve several objectives by whatever means possible: first, to achieve for itself maximum sovereignty over the captive European states, including East Germany. Continued uncertainty about the reliability of those states is intolerable to the Soviet Union, quite understandably.

A secondary objective is to achieve a division among the Western nations, and thereby a reduction in the potency of the military power of the unified Western European nations and the United States.

Is my sense of depression purely subjective, born of a congenital pessimism? Well, it would have been, or it could so be labeled, were it not for the fact that a rereading of Khrushchev's ultimatum, made last November, indicates quite clearly what it is he wants. And a rereading of the news of the last five months indicates how much it is we have already conceded.

You will recall: he made the particular point that in West Berlin there were, as he expressed it, certain espionage organizations which make life miserable for the peaceful German People's Republic. There is no doubt that these organizations, committed to freedom, do make life miserable for the rulers of East Berlin and the Soviet Zone of Germany. And so, there is reason for depression when we learn--through the usual two inches of space in the "New York Times" with no mention elsewhere--that out of the blue one of the most potent of these organizations, the Fighting Group Against Inhumanity--the American translation of its German title--quite suddenly has closed its doors. What this means is that the American sources of financial support for the organization have suddenly dried up.

Also I found it quite shocking that prior to negotiation, prior to the need to make concession out of the blue the United States reestablished diplomatic relations with Bulgaria. We have had no such relationship for the last nine years. This is a fascinating action for the United States

Government to take without, as I said, any apparent specific reason. But what may not be apparent is nevertheless real--that the recognition of Bulgaria came some few days after Macmillan met with the President of the United States and a couple of weeks after Macmillan met with Khrushchev.

But I suppose depression should yield to reassurance; and I have the reassurance of Selwyn Lloyd, Britain's Foreign Minister as reported in the "New York Times" on 5 May under the headline: "Lloyd says gains in talks can turn tide of cold war. He sees chance of real coexistence. Holds Soviet is flexible." And then he is quoted: "Appeasement truly means giving away something that matters out of weakness or out of fear. We are not afraid and we are not weak."

He did not say, "We are not giving away anything that matters." He said, "We are not weak. We are not afraid" and appeasement only occurs when you give something away that matters out of those two considerations.

In our struggle with the Soviets, the key element, which is in the forefront now at the Foreign Ministers' Conference and at the upcoming summit meeting, is, as I have indicated, the urgent Soviet need to make its own empire secure. They must seek to end the insecurity which daily affects their control of the captive European nations.

The key defect in our strategy, in our entire position as represented in the proposals which have been and will be made at the two meetings, is that there is nothing in current United States policy and posture or NATO action which in any way threatens the Soviet slave empire. There are no counterthrusts available for even the most limited use in answering Soviet aggressive moves.

In short, we have permitted ourselves to be placed in the position where it is possible for the Soviet Union, by the "orchestration of conflict," as Colonel Robert Kiner calls it, by "protracted conflict," as Strausz-Hupe calls it, to produce repeated, reviving crises, each one designed to weaken and threaten a point of significant major importance in the defense of the West. And there is nowhere a counterpart possibility, of rendering the Soviet Union equally anxious, insecure, uncertain, vulnerable and consequently equally subject to Western policy.

Any action by the West which enlarges the Soviet Union's ability to rely more completely on permanent control of the satellite states not

only sacrifices millions of people to whom we are committed by faith, freedom, and treaty, but also frees the Soviets to embark on new adventures risking only the unlikely danger of atomic war or the not necessarily unwelcomed possibility of local war.

Taiwan, Southeast Asia, the Middle East, and Berlin are only illustrations of the widened range of aggression available to a Soviet world which is freed of concern about its own empire. If liberation is a slogan and not a policy, it vanishes, of course, with the first test. This is what happened in the critical opportunities of recent years because it was a slogan, a hastily conceived phrase, valuable for political purposes internally but with no substance, no muscle, no bone, no tissues. And, of course, it vanished on 17 June 1953, in Berlin; it vanished in Poznan; and it was buried in Budapest--a hollow phrase.

But liberation, as a genuine commitment of the free world--and this does not mean an urgent insistence by the free world that it immediately or even ever move on into areas susceptible to liberation--liberation, as a commitment, is both the most effective deterrent to the Soviets and the most economical method of resistance available to the burdened treasuries of the West. It is the most promising for the future--a future in which peace and freedom may yet, for the first time, be realized. And without it I must, in all honesty, say that I literally see nothing in present prospect or present purpose which promises either peace or freedom--nothing. I merely see varying formulas designed somewhat to impede Soviet achievements.

Consequently it is useful to examine the dilemma we face, because only by examining it can we conceive the intelligent response. As I say these things I recognize that there is likely no thought which will be original to you. There are very few new thoughts anywhere. There is a great deal of new action--action unused, untried--but not new thoughts.

In a public assessment of the problem some six weeks ago, Allen Dulles said that which is commonplace here and yet requires repetition because all else is based on it--"As long as the principles of international communism motivate the regimes in Moscow and Peiping, we must expect that their single purpose will be the liquidation of our form of society and the emergence of a Sovietized world order."

Now, either that is true or it is not. And if it is, then by definition, disengagement, relaxation--Selwyn Lloyd's phrases--real coexistence, Soviet flexibility are all illusions designed to serve that Soviet purpose.

Mr. Dulles proceeded to examine an area in which we happen to be particularly weak. "During the past seven years, through 1958, Soviet industry has grown at the rate of 9.5 percent." He said, "This is our reconstruction and deflation of Soviet data."

There is one word in this that makes me shudder--"This is our deflation of Soviet data." In other words, 9.5 percent annual growth is a deflated, hard, conservative figure of Soviet growth. He continues: "Our own growth rate for the seven years through 1957 has been 3.6 percent."

It is difficult for an American, even one carrying high responsibility in Government, not to offer the American some comfort, which is why the American figures end at 1957. Had they included 1958, the 3.6 percent unhappily would have been little more than 2 percent average for the years involved. With lower standards of living and consumer goods, they plough back almost 30 percent into capital investment. We are content with 17 to 20 percent.

Now, of course they're not ahead in everything. They turned out 1 auto for every 50 of ours last year. Wonderful! yet, they turned out 4 times as many machine tools as we last year. Are they worse off or better off with only 1 out of 50 autos compared to ours? I suspect on the basis of every criterion involved in countering the Soviet Union, the Soviet Union must benefit from the fact that their automobile production for private consumption is one-fiftieth of ours.

And then, to complete my quote from Mr. Dulles: "Khrushchev forecasts that our future industrial growth will be only 2 percent a year. If this is true, the United States will be virtually committing economic suicide."

Now for a couple of projections which we have made at the Research Institute and in which I think you will be vitally interested.

If the Soviet rate of growth, which has been running at 9.5 percent deflated, drops to 8 percent annually, and ours, which has been averaging 2.5 percent, jumps to 4 percent annually, Soviet production will be more than 66 percent of ours in 1970 and will be 90 percent of ours before 1980. Now, there are two big "if's." The two big "if's" in this calculation are a significant decline in Soviet production and an increase in ours we have not yet achieved over any period of years.

However, let's assume the Soviet rate of increase remains essentially what it is today and ours jumps to 4 percent. In other words, I'd like to load it a little bit for us. And I am also including in this the improbability of the Soviet Union maintaining their present rate. In the year 1971 the Soviet Union will begin to overtake us. In 1972 they will have significantly overtaken us. By 1980 our production will be 63 percent of Soviet production. Bear in mind the hypotheses. We jump to 4 percent; they remain just about where they are in rate of annual growth.

May I point out in addition that this does not include China, this does not include the satellite states, this does not include East Germany; and on our side it does not include Western Europe. This is the United States versus the Soviet Union.

What keeps us from achieving the result which we clearly all wish? Let me outline some of the contradictions, some of the dilemmas that must be resolved in the successful formulation of a national policy designed to counter Soviet strategy and preserve a free United States and a free world.

First--and these are not in any particular order of importance--we are engaged in a war that only our adversary is wholly committed to fight; and we still don't fully realize that in this area the old adage that it takes two to make a quarrel doesn't apply.

Here it need not be emphasized, but in the balance of the country it must, that our nation is engaged in a military, political, subversive, economic war to the death with the Soviet power-bloc. Nor need I here point out that the economic aspects of this war cannot be separated from the strategy of total war. But the important point is that the American people, and many of their leaders, still are not aware of that simple truth.

Not only are the economic aspects of this war not detachable from total strategy, from the political, the military, the ambiguous aggressions against which we contend, but each of those other strategies are themselves supported or neglected, sustained or permitted to wither away, to the degree in which economic substance is provided for them.

Second, as a free people, we are hammering out vital economic and political policies in a marketplace of inadequately expressed aims, defective leadership, a largely uninformed electorate, and self-seeking political and economic pressure groups.

This, of course, is one of the basic problems of a democracy. Yet, as in any war, we can only plan and fight well if we know our war aims, and if each of the instruments of a complex society plays its interrelated role in the achievement of those aims. For the Soviet this is no particular problem. For them the answer is simple, and they make no bones about it. They are a colonial, imperialist power, seeking by world domination to perpetuate their power, and to profit by exploiting the people they bring under their influence.

A prophetic quotation, from Alex De Tocqueville, in the year 1835, in the volume "Democracy in America":

"Foreign politics demand scarcely any of those qualities which are peculiar to a democracy; they require, on the contrary, the perfect use of almost all those in which it is deficient. Democracy is favorable to the increase of the internal resources of a state; it diffuses wealth and comfort etc.; . . . all of these are advantages which have only an indirect influence over the relations which one people bear to another. But a democracy can only with great difficulty regulate the details of an important undertaking, persevere in a fixed design, and work out its execution in spite of serious obstacles. It cannot combine its measures with secrecy or await their consequences with patience."

Written in 1835!

Now, what are our war aims? Are we simply trying to outdo the Soviets? Are we trying just to pile up higher totals in export statistics? Many speeches read that way. To build more cars? graduate more engineers? produce more hours of television entertainment? or even larger percentages of growth in GNP? That doesn't do it. I talked previously about the rate of growth, but the rate of growth itself is a very deceptive figure. A rate of growth in national product in which the giant share of that growth is for fins built on fins, built on cars, or for third television sets, the third one for the maid's room--no maid, but got to have a maid's room--growth in GNP in those directions used to be called "conspicuous consumption." In today's dilemma I would be more inclined to call it "consumptive consumption"--the disease of a comfortable society.

Now, our leaders and our people know that the Western system of free democracies is superior to the Eastern totalitarian system. We know that free, prosperous, well-fed, and well-informed people will choose the Western system if they are given half a chance to make that choice, if in a real sense that choice is ever really freely available.

There's an awful lot of stuff spoken about people choosing our system if given a chance. We know just as surely that poor, ill-fed, and ill-informed people are more likely to choose the Soviet camp as a short cut to the higher standard of living they so badly want.

But the picture is much more complicated than that. There has been a vastly oversimplified assumption that poor peoples are more likely to go Communist, and more prosperous and developed countries more likely to remain free. Nonsense! France and Italy have come so perilously close during recent years to a Communist course chosen by a free electorate as to lead us to question this easy conviction. And if indeed India were to fall firmly within the Communist bloc, starvation and population pressure would be a less consequential factor than the skill of the Communist Party of India in misleading and using a handful of intellectuals, a preponderance of India's college graduates, an elite who are not among the poor and illiterate, to serve their purposes. If India is to remain free, the horrible adjacent reality of Tibet will do what the United States Information Agency and all of our policy and gifts to India have thus far been unable to do; and it has nothing to do with the poverty, the acute serious sickness of the Indian people.

Similarly, in the present troubled Caribbean in many respects the most prosperous island by far, Cuba, is in greater jeopardy of significant Communist danger than the dreadfully impoverished, famine-stricken illiterates of Haiti. And to demonstrate this further, if communism wholly captures Cuba--and it is well on its way now--the irony is that it will have come in on the coattails of Castro, the Messiah of the middle class of Cuba, opposed by the working class of Cuba, who were to the last minute loyal to the labor unions, which were held lock, stock, and barrel in Batista's chest.

This is not to deny the urgent importance of the economic environment. It is merely to urge that that importance not be misread, and that we recognize that Communists, not poverty, make communism. Communists, not poverty, are the backbone of Soviet imperialism. And intellectuals, not illiterates, are the vehicle by which the bridge is crossed to the land of terror.

There is, however, one genuinely new element. I have already partially alluded to it. Both the Soviet and Chinese plans--boasts as well as successes--in the area of economic growth and achievement will increasingly provide their own buildup in attraction to those who seek a quick path to what is thought of as progress.

Unhappily, this is not hollow boasting by the Soviets. Though we didn't believe it once, we know now that a slave society can produce not only tremendous quantities of the capital goods needed by a garrison state, but nuclear weapons, Nobel Prize-winning scientific research, Sputniks, and the many other military and scientific achievements which are yet destined to startle us and the world. Unfortunately, what the people and leaders of Indonesia, Burma, Iraq, and many other countries seem not to know--or, more frightening, not even to be concerned about--is that the Soviet Union is a slave empire, and that its strength is based on the subjugation of peoples like themselves.

And in the tragically short time left to get this message--that there's no economic or political shortcut to peace and plenty--across to the people of the world, we are, instead, quibbling and quarreling among ourselves. And thank God once more for a major blunder in the Soviet Empire--Tibet. I shudder to think what the history would have been since 1945 if the Soviet Empire had not in critical moments made the gift to us of classic error. The Marshall plan, Tito, Korea, Tibet; and the greatest of all, which we, unfortunately, took no advantage of--Budapest.

Third, we have been attempting to protect and serve each separate agricultural, industrial, and financial piece of the jigsaw that is our national economy and fight and win a worldwide economic war at the same time--and that just isn't possible.

As just one example of this problem, let me cite the lead and zinc import quotas put into effect last year. That step, taken to protect the price level for domestic producers at the expense of the rest of the world, was taken at precisely the moment when we were being asked by our friends in the free world to join in talks leading to the stabilization of world commodity prices.

Now, let's stop for a moment and look at the effects of such an order. This is not economic theory we're dealing with here; this is life and death for friends we can't afford to lose. When lead and zinc imports were cut by 20 percent, seriously affecting Australia, Bolivia, Canada, Mexico, Peru, and South Africa, one of the things that happened immediately was that 12,000 Peruvians were made unemployed. In addition, many thousands of other workers in industries such as railways, shipping, retail trade, and so on have either been thrown out of work or put on short hours. The estimated loss of $20 million or more in export income yearly will mean that Peru must cut her imports--largely

of industrial machinery and equipment and largely bought from us--and during a period when our position in Latin America has been aggravated significantly.

Then, to add the crowning touch of insult to this very real injury, we did a thoughtless thing, but not a small thing. To the worldwide basketball championships in Lima we sent, not our top college team, not even any of our college teams; we sent a pick-up team thrown together, I believe, by the Third Air Force. To the Peruvians, who are rabid basketball fans, sending anything but the best was a direct slap; and don't think it wasn't headline news throughout Latin America. Is it any wonder that when a Soviet trade mission arrives in a country like Peru, bearing flowers, speaking the native dialects, observing local customs, and dribbling a basketball, they receive a warmer reception than would otherwise seem possible in an intensely Catholic country?

With moves like these we are further undercutting whatever goodwill the commodity-producing countries of the world may still feel for us.

I have used a very small illustration of what in fact is a very big problem. Our national policy of participating in and encouraging technical, cultural, scientific, and other exchanges with the Soviet Union, our President's emphasized confidence in the impact of the people-to-people technique, have some merit. They have some merit provided we use it. But the merit may prove meager indeed if we find ourselves repeatedly in competition with the Soviet Union in which our participation is voluntary, hit-or-miss, untrained, unfinanced, and too frequently uninspired and inadequate.

Now, I am one of those who thought that our exhibit in Brussels last year at the World's Fair was remarkably able. I thought it was miraculously so, as one who knows something of the acute budget problems which afflicted the people who hastily threw together the American exhibit. But the cultural contest in Brussels was an important battlefield. The Soviet Union neither calculated cost nor asked for cooperative voluntary participation when it sent the world-famous Bolshoi Ballet, the Moiseyev Dancers, circuses, troups, singers. The budget for American entertainers was almost nonexistent. Nine out of ten Broadway and Hollywood stars and their agents refused to participate on a charity basis. And there were inadequate funds to even mount, present, and house adequately those, like Harry Belafonte, who voluntarily gave of their talent.

There are elements in this warfare to which the traditional aspects of a market society will just not prove an adequate response, and they are by no means the least important aspects of the struggle we face. It is not by accident that for the first time in the entire Christian era in very recent years the most widely distributed book in the world is no longer the Bible. The number one book in translations throughout the world is the translation of Lenin. The number two book is Stalin. The number three book is the Bible now.

The first American author on the list is in 17th place--Jack London. The reason he's in 17th place is because the Soviet Union translates Jack London's "Iron Heel" to demonstrate what the United States is really like. That book was written some 40 years ago. James Fenimore Cooper, Mark Twain, and Pearl Buck are down somewhere in the thirties; and Lincoln, Jackson, Jefferson, and Hamilton are not even in the running.

I have nothing but the deepest sympathy for agencies like the United States Information Agency, which must struggle valiantly to counter massive Soviet efforts, costing well in excess of $1 billion annually, on an American budget of little more than $100 million.

Fourth, we are appalled at the high cost of government, when the fact is that absolutely nothing can reduce that cost with safety in our lifetime. What's more likely, actually, is that the cost will go higher, and that the Federal tax burden can never be lower than it is today.

If we are to carry on a full-scale military, political, and economic war, on a long-term commitment, the Administration must be bold enough to ask and fight for, and Congress must be farseeing enough to grant, sufficient funds to do the job. It's almost embarrassing to mention the amounts of money that are involved here when we've become used to talking about billions upon billions of spending or national income. Right now it would be a tremendous advance for Congress to appropriate even $1 billion for a new Development Loan Fund. And this would not be money spent; this would be a revolving fund. Incidentally, how much mileage do we get out of a program which has to be enacted annually? How much reliability is there abroad when they know as vividly as do the agencies here the annual contest which goes into the question of how much will next year be appropriated, if any?

Now, I'm not suggesting, incidentally, that every dollar of our foreign aid funds has been wisely spent. I'm not suggesting that the

separate pieces in this package are in proper balance. I am, however, emphatically persuaded that the areas covered cannot be effectively performed within the budgetary limits which any Administration thinks it possible to ask the American people presently to pay. I am suggesting that there is no possibility of getting the proper results from this program unless the program is put on a semipermanent, if not permanent, basis.

Fifth, we are an international power; yet we still carry the weight of the lag, both cultural and economic, that flows from our having so long been an isolated, self-sufficient, and self-satisfied nation.

There is a tremendous job still to be done in educating the American people and the American business and labor communities to the importance of world trade and world economic health to our own economy, and its importance to the war we are fighting. I know it comes as a startling surprise to most people, for example, to learn that as much as 10 percent of our durable goods output is for export, and that this provides the margin between profit and loss for many companies. In one sense, in fact, foreign trade is our most important industry. About 4.5 million people are directly employed in one aspect or another of foreign trade--more than in any other single American industry, including motors and steel.

Now, the economics of even minor industries in international trade have an important impact only rarely understood. For example, America's motion picture industry is not one of its giant industries, but there are few observers abroad who do not believe that this industry is one of the vital reasons we are doing as badly as we do. On the world scene this industry is a major voice, good and bad, shaping not only the world's view of America, but also the views of our friends and neighbors and of our enemies. Only a handful of people within the industry ever talk about the fact that no American motion picture company can afford to make a film with an articulate anti-Communist theme. The absence of such films persuades some people that subversion is at work in Hollywood, as indeed it is on some levels. But the most subverting fact is purely economic.

It is a truism in the industry that almost all successful films today, except for a handful of giant best sellers, like that big pageant, "The Ten Commandments," can only break even, can only meet their costs, from revenues paid by audiences in the United States--at best, that is. The additional amount, the profit, is and for a number of years has been

provided by the earnings grossed in foreign countries. An anti-Communist film might go big here. It will never be exhibited in Europe. No motion picture tycoon sets out to make a film with the hope of breaking even. It's just as simple as that. Hollywood is not a notable center of either morality or spine, let alone financial sacrifices. Who, then, in this country has the budget to put anywhere from $3 to $7 million into a Technicolor Cinemascope anti-Communist film? The United States Information Agency?

There are, however, ample funds to make a film like "The Journey," which, if you haven't seen it, I urge you to see, It stars Yul Brynner and Deborah Kerr, and brings together, as the commercial says, "the man and the woman in a moment of truth." The only problem is, the man is a Russian officer in Hungary during the revolution, and the woman is an English woman trying to help a Freedom Fighter to escape. The most important thing that happens in the film becomes the question of whether the Russian major and the English woman will finally consummate their obvious interest in each other. Less than two and a half years after the Hungarian revolution, it so humanizes and glorifies the Russian soldiers and makes the Hungarian Freedom Fighters sinister, purposeless people with whom the audience cannot identify, and makes the family of a young American diplomat selfish, unpleasant, and unfeeling.

Ignorance of the importance of economics as a cold war weapon is appalling. Recently, for example, a large Wall Street brokerage house put out an expensively gotten-up book on "The Russian Economic Threat." The climactic chapter, entitled "Meeting the Threat,"--the same title as my talk this morning--turned out to be a list of stock tips--companies whose business was not likely to be badly hurt by the new aggressive Soviet trade offensive.

Sixth, we have an acute shortage of diplomatic, managerial, and technical skills at a time when all three are very badly needed for our efforts at home and abroad. To conduct this economic, political, psychological, and military war we must recruit, train, and put into action a skilled technical and diplomatic force of foreign economic officers. Though there's been a big improvement in recent years, our foreign service is still being used too much as a reward for campaign contributors and a haven for defeated politicians. And even this statement has no meaning because among those who are campaign contributors are some people who have the most interest in the survival of our society. That's why they contribute to campaigns.

A trained foreign service means more than trained diplomats, though we certainly need more of those. We have to make foreign service more attractive for economists, agricultural experts, engineers, public health specialists--people with all the many skills that are needed. Right now it is estimated, the Soviet Union has twice as many skilled teams operating in the underdeveloped countries as we have. From personal experience I know that we have many dedicated and capable people in our posts abroad, and that the book "The Ugly American" is a clumsy, dishonest, distorted caricature. I am curious about the purposes it was designed to serve. But the recruiting officers had largely no alternative in many places, and we still have too many who are incompetent, insensitive, incongruous relics of a system we can no longer afford.

To direct this field force, and to plan strategy for the campaigns of this economic warfare, it seems to me that we need something like a Board of Economic Warfare--by whatever name you want to call it and wherever you want to put it when you finally address yourself to this question in your closing paper. At present it's amazing how many different Federal agencies get involved in our worldwide economic activities. Even within the State Department alone there are a host of agencies, without mentioning the Department of Agriculture, the Department of Commerce, the Tariff Commission, and the Strategic Materials Board; not to mention Congress itself and its many committees, which frequently become directly involved in setting and administering policy in these areas. And in this manner we are supposed to wage economic warfare?

Seventh, we are mere children in psychological warfare and the psychological aspects of economic warfare; yet this is fast becoming one of the most important factors in the larger struggle.

Strangely enough, some of America's leaders recognized long before the Russians did that economic tools, properly used, were a valuable cold war weapon. In Turkey, Greece, Iran, Italy, and a host of other countries we were able to use relatively limited economic aid funds in the first few years after World War II to keep those countries from falling into the Soviet orbit. In more recent years our aid has been equally indispensable in assisting such vital nations as Vietnam, such critical areas as Berlin.

The Soviets, in contrast, came into this strategy of using world economic warfare on a major scale very late in the game. For one

thing, the Stalinist neurosis of isolation and suspicion of other countries was an effective deterrent. More important, the Russians needed time and money to rebuild their war-devastated country and develop a nuclear potential at the same time. In the last three years, however, the Soviets have moved into this field with a vengeance, and they've been running rings around us in certain areas.

However, in the area of pinpointed, psychologically guided and oriented aid, and in the accompanying aspect of psychological warfare, we must bear in mind that we are here dealing with an area in which the Soviet Union has long been master; that it is at the very essence of the warfare which was first set into motion by one of the most brilliant and diabolic men of our time--Lenin. And in this area we're the victims of the most curious self-serving assumptions that are little more than pacifying beatitudes, such as "The truth will out," "People will seek to be free," "Atheist communism will be resisted by religious nations." Whatever merit of truth there may be in these exists only to the extent that there are trained, competent people to give the contest reasonably equal chance, to give the truth equal meaning with falsehood. But the availability of such trained, competent people is for all practical purposes either accidental or nonexistent except as they are already employed within the State Department, the Central Intelligence Agency, or the Armed Forces.

There is no free world academy, such as has been proposed and which I highly endorse, in existence to train the business people, the technicians, the agricultural experts, doctors, and public health officers, let alone to increase the capacity for the sophistication of our worst enemy, the American tourist. And the exchange groups, which are an inevitable process of today's stage of the cold war, are untrained, unused, and more often than not, ineffective if not actually damaging.

And yet this motley assortment is pitted against doctors, scientists, peasant leaders, union agitators, technicians, road builders, and a variety of occupations and professions in the Soviet Union who are indoctrinated, who are taught the techniques of political and psychological warfare, who are taught the languages by which to set into motion their knowledge throughout the world. And then, of course, subsequently they are intimately tied to both Communist parties and embassies of the Soviet and satellite countries, who direct their people, finance their army of specialists, and reap the benefits of their harvest of discontent and disaffection.

Eighth, we are the leading proponents of the advantages of free enterprise; yet we make pitifully little use of American business enterprise in certain tactical areas of our world economic programs.

Immediate steps can and should be taken to encourage the investment of private American capital in particular overseas areas. Every task group that has studied this problem, and the problem of the underdeveloped countries, has concluded that their prime need is for risk capital, invested in viable enterprises. Our Government most probably can't, and certainly shouldn't, undertake to do this job alone.

The chief problem is, naturally, that the opportunities for private capital abroad aren't always as attractive as the alternative domestic investments. To equalize this, the tax laws can and should be adjusted to provide an extra incentive for profitmaking foreign investments.

Ninth, we are a noncolonial, anti-imperialist nation, seeking to sustain the positions of our colonial, imperialist allies. In the past there was reason to preserve at least some of the colonial systems, on the theory that their end would leave an economic and political vacuum. But today there is a constructive alternative to the colonial system available, in the various regional economic groupings. It is time that we put the full weight of our influence and leadership behind the formation of more of these large regional economic organizations, similar to the European Common Market Group.

In areas such as Latin America, the South Pacific, and the Near East, such multination free market areas will be the fastest and surest way to promote the growth of local industry and trade, and the will to resist the blandishments of the Soviet bloc.

There is no doubt that these common markets will present problems for the American businessman. Compared with domestic competitors, he'll be at a tariff disadvantage, even though the actual tariff he pays will probably be lower than it now is. But American companies interested in staying in the European Market, for example, are already taking steps to protect their positions. They are setting up subsidiaries, or entering into joint-venture arrangements with European businesses. Either way, the result, as it would be in other common market areas, is increased private American business investment, which is to be desired for its own sake.

Tenth and finally, we are both a moral and a self-righteous people, and we don't always realize that these are not the same thing.

If we are to succeed in our economic objectives, if we are to succeed in countering the Soviet Union, if we are to succeed in the vast area of the world which is under tremendous political and emotional strain, in which the most unreasonable, unreasoning, and natural disease of all spreads like wildfire--an uncritical wish for independence--we ought to be a little more hesitant to apply the word "neutral" as an epithet. I'm as guilty as anyone else. We established the world's record for neutrality in this country. Only now do I have belated sympathy for what England must have felt in those years between 1800 and 1917. If we are to succeed, we must drop our stiff-necked, moralistic attitude toward the other peoples of the world.

To take a very small example of what I mean by this unfortunate tendency to view everything as black or white: a leading American diplomat should never have been quoted, as he was a while ago, as saying that the religious nations of the world are all on our side. This must have seemed a calculated affront to the deeply religious Moslems of Indonesia, to name just one national group whose sympathies we haven't so far been able to enlist.

Under this heading, too, come such things as the congressional demands that all economic aid funds must be used only for privately owned enterprises, not state-owned "socialistic" projects. You can be sure that the Soviet Union could not care less who owns or operates the facilities they provide as long as the Soviet Union gets the full credit and the results for which it introduced the funds in the first place.

Now, these are roughly 10 problems, and 10 is a nice round number. But there are many more contradictions that must be resolved before we can be content with our national objectives and before we can be content that we have a policy that has a reasonable prospect of countering the Soviet Union. To mention just a few:

At a time when ignorance is worse than sinful, we know even less about the cultures, customs, and languages of the people of the world than does the notoriously xenophobic Soviet Union. There are still too many of us who can't understand how Chinese women could possibly cramp and bind their feet so painfully in these little packages; and they can't understand what kind of dismal cruelty could possibly obsess American men to permit their wives to do the same to a much more tender part of their bodies or abdomens.

We are a predominantly white, Protestant culture in a world that is now, and will be increasingly, nonwhite and non-Christian.

We have no realistic program--no one has--to deal with the fantastic population explosion in the world, which we ourselves have largely created with American science and medicine.

We have no sense of national history, or of destiny. Our time span is the fiscal year. Our enemy's time span is the period until victory.

Most tragic of all, history has shown that we can fight well and win, but usually only when we have first lost. And we don't know yet that in this war there is much that we have already lost. And ultimate victory becomes more, not less, difficult with the passage of time. Yet we must not lose! Nor need we if we apply our resources, our intelligence, our will, and some capacity for discipline, mobilized by leadership adequate to the undertaking, to counter effectively Soviet imperialism.

CAPTAIN SCHOENI: Mr. Cherne is now ready for your questions.

QUESTION: If you were asked to state your objectives in this cold war and set a time frame to them, how would you answer such a question?

MR. CHERNE: Let me try the first part first without the time frame and see if I can attach the time element subsequently.

My first objective would be to develop a policy--I would hope that it would be strategic, but failing that possibility, at least tactical--designed to introduce an element of insecurity for the Soviet Union, based upon other than the existence of nuclear weapons, persuaded that without such tactical or strategic possibilities we must inescapably be victims of their nuclear blackmail and their possibilities of making us feel insecure.

That leads me to the second. My second objective or undertaking would be to pursue those policies actually designed to restore some measure of significant freedom, and, if possible, real sovereignty, to the Central European states.

Third, accompanying both of those must, of course, be a policy which is capable of keeping together those allies essential to our retaining present military strength and the possibility of its growth.

In time span let me tackle those first. Those are immediate. If I were to be asked how long it would take to achieve the result of liberation of the Central European areas, I could not hazard a guess. I could only say that the efforts, the identification of our undertaking with that objective, are immediate, as are the other two linked with it.

Next, to do whatever is possible to increase Soviet insecurity, discomfort, displeasure, concern about the marriage bed which it shares with Communist China. Now, here largely we do not need to do the work. I think China does it quite handsomely. There is the opportunity for us, however, to accentuate the negative. This I suspect we don't do quite as much as we could. I believe that the fundamental, long-term incompatibility of Soviet China and Soviet Russia, largely based on population pressure, offers to the West the possibility of the first really fundamental change in Soviet design upon the world.

As a subsidiary aspect--and I recognize here that I echo that which is already State Department concern, but is not adequately the concern of the American people--we must one way or another very sharply increase the quality and quantity of our effort directed toward Latin America.

I have left out only one proposal which I believe to be significant. It is in my opinion urgent, though at significantly greater cost, that the United States increase its military strength in conventional weapons, including its foot soldier strength. I believe we are subject to nuclear blackmail precisely because nuclear war is the only war available to us. It is not the only war available to the Soviet Union.

I believe too that the possibilities of achieving any kind of policed, meaningful disarmament agreement with the Soviet Union does not exist and cannot exist until such point as the Soviet Union finds us and them in parity in other than nuclear weapons.

There has been no particular logic adhered to in terms of timetable. I would do this yesterday. I would do this yesterday in two ways--not only the buildup, which requires executive leadership and

congressional support, but I am unhappy that there hasn't been an increase in American forces overseas of significant, highly publicized character since last November, as a prelude to the Foreign Ministers' and summit meetings.

QUESTION: Sir, I was interested in your remarks concerning our affluent society here at home. In the light of those remarks, what do you consider our economic purpose should be? In other words, what do we do about these fins on fins that you were talking about? Do we retreat to a certain level of austerity and then maintain it? Just what should our economic purpose be? Which way should we point, in other words, our gross national product?

MR. CHERNE: I can't modify De Tocqueville's wisdom. I don't think it is possible for a government, no matter how vigorous, in a free society to determine the direction of civilian economic goals. I do believe a government can almost totally point the direction of its military and security goals. I believe it to be the prime obligation upon our economic strength that we maintain security.

If we are in fact to do that, that automatically must include a significant increase in austerity in the United States. It cannot be done within today's budgetary limits unless within those budgetary limits a number of social welfare programs are scrapped, and even they are not of vast magnitude. The very act of Government's leadership and insistence in these directions is the Government's contribution to reorienting the civilians' preoccupation with pleasure.

It is my judgment, incidentally, that a free society, and ours notably, has a very tenacious though shallow idealistic streak--a search for purpose. But this search for purpose is just not mobilized in the American community at all. It is my judgment that there is a very real reservoir of strength in the American community, if leadership were to call into play the action of the community for its survival and freedom. And this is not just guesswork. Like a number of others, I tried to examine what it is that could lead to such fantastic performance as the American people provided on the visit of Castro. What Castro appealed to was this curious shallow but tenacious idealism in the American people.

I believe that while the Government's function can only be directed to those areas which are properly Government's today, the effect of doing so will be seriously to shake the civilian climate in which much else occurs.

Now, that doesn't automatically guarantee that next year's Cadillac will not have a set of fins which results in the back end of the car flying while the front hugs the ground. But I suspect it will be less likely to occur. It is true that the American is uneasy with this thing. He's buying it and he's uneasy with it at the same time. But I would take advantage of that degree of unease which exists. The European car manufacturers certainly are.

QUESTION: You mentioned the word "liberation" as a slogan--and having been in effect only that--and also made in passing the statement that we could do more without armed intervention. Whether you want to use Hungary as an exact example or not, would you give us in some general terms what your ideas are as to how that term could have more meaning?

MR. CHERNE: I'm going to use Hungary as an exact example, for two reasons--first of all, because it was the most important of the developments that have occurred; secondly, because I was there and in some personal position therefore to add some small amount of personal insight.

One of the things that surprised me, which I observed uniformly there, was that there was no Hungarian expectation of American troops. There is a great deal of American guilt that we didn't somehow or other send American troops. There was no Hungarian expectation. There was Hungarian expectation that the United Nations would somehow be involved. That there was.

Now, to take the events as they occurred, here's what I would have done: First of all, unfortunately, this did occur in a Presidential campaign period--one month before an election. I don't know how you accomplish this, but, nevertheless, it would seem to me that just native American good sense should have brought this about. I regret very deeply that President Eisenhower and Adlai Stevenson--though the President more than Adlai Stevension in that circumstance--volunteered the information that American troops would not be involved under any circumstances. I don't believe in volunteering relief to the Soviet Union, psychological or otherwise.

Secondly, we did volunteer very significant actual relief to the Soviet Union. We did move troops back from the NATO frontiers, where they were entitled to be. I would have done exactly the opposite. I would not have moved a single soldier outside of the area in which he

was entitled to be. I would have moved a great many more into that area and in that direction, as the American response to Soviet nuclear blackmail at that time upon the Western European countries.

Next, I would have exactly reversed the action we took in Suez and Hungary. We were very quick, energetic, forceful in Suez. We insisted that the United Nations immediately move. We insisted that the United Nations personnel hotfoot it to the Suez. We stalled in Hungary.

I believe the following two actions would have had a profound effect. There were seven days in which the Soviet Union was paralyzed. In fact, there is no question in my mind that the Soviet Union did not have any intention to come back to Hungary; that they were rattled and rattled badly until we gave them the assurance.

I would have had massed American planes, and companion Western European government planes, with red crosses painted on their bellies and sides, carry relief supplies to Budapest, without reference to whether in fact they were needed--medical, food, clothing--anything at all to serve an apparently legitimate purpose, a humanitarian gesture. I would have clogged up every available airfield in Hungary with the relief planes--ambitious distribution of humanitarian help.

Secondly, I would have urged Dag Hammarskold to hotfoot it to Budapest and take with him 50 members of his staff, to see what was going on. I do not believe the Soviet Union would have moved back if there were Western government planes and U. N. personnel on hand in Budapest.

Now, to be cautious--because everything I've said is "iffy"--it may well be that even with this, the Soviet Union would have moved back in. But I really am quite certain that would not have been the case. In any event, it would have slowed the Soviet march back in, providing a further interval of paralysis and inactivity. We cannot calculate what else would have happened elsewhere in the satellite states given an additional week, especially had there been no certainty that the West would not act. And this certainty, unfortunately, we volunteered. We volunteered it by statement and we volunteered it through widely publicized troop movements away from Hungary.

Incidentally, if we had reversed the course of action taken in the two places, and applied the Hungarian policy to Suez, I am not at all sure that the entire shape of our present disaster would not have been profoundly different.

Now, here, of course, I must also criticize some of our allies. Perhaps the greatest disaster of all is that Suez occurred so quickly after Hungary occurred. It is this which destroyed our ability to act as much as anything. And it is here that allies ought to act like allies and with some sense of common objective. And Hungary was so much more important in fundamental terms, in my judgment, than what it was thought at that moment in Suez, especially since that could have been postponed.

CAPTAIN SCHOENI: Unfortunately, our time has run out. I know there are many more questions that all of us would like to ask of Mr. Cherne. I know that words cannot express how much our thoughts have been stimulated and how much all of us have enjoyed this lecture.

On behalf of the Commandant and all of us, I want to thank you very much, Mr. Cherne, for a very inspiring talk.

(23 July 1959--4,150)B/en/msr