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INDUSTRIAL COLLEGE OF THE
ARMED FORCES

THE NEW ERA IN AMERICAN CHALLENGE

Mr. Leo Cherne

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Reviewed by: Dr. Marlin S. Reichley

Date: 9 January 1961

INDUSTRIAL COLLEGE OF THE ARMED FORCES

WASHINGTON, D. C.

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17 November 1960

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Reporter: Ralph W. Bennett

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17 November 1960

DR. REICHLEY: Good evening, ladies and gentlemen. Welcome to the Industrial College of the Armed Forces.

This evening we are having the first of two night lectures that are planned for this school year. These lectures are a part of our regular curriculum, but we are scheduling them in the evening to afford the wives an opportunity to participate in the more profitable, interesting, and serious activities of the College. We feel this is only fair, for the men realize the vital role you ladies play in our lives, and we would like to share with you this little experience and other experiences whenever possible. So we extend a special welcome to the ladies, for we want you to feel this is your night here.

In the question period which follows the lecture, as moderator I am going to give priority to questions by ladies. If I do not see a lady's hand in the air, I am not color blind; I am going to call out "the lady in the green" or "the lady in the red dress." So you had better all have a question ready.

In addition, at this moment I would like to announce, in the name of General Mundy, a follow-through on his remarks to you at one of your recent wives' club's meetings; and that is that the building is wide open. We would like you to prevail on your husbands to take a tour of the building, see our cafeteria, the athletic room, the seminar rooms,

the office in which he works, the conference rooms, and so on. So please do take advantage of it. I think every bulb in the building is lit at the present time.

I also wish to extend a special and warm welcome to our other guests, particularly those from our sister college, the National War College. We are pleased to have you with us this evening.

Now, before I introduce our speaker and subject, and particularly again for the benefit of the wives, I would like to briefly review some of the most important highlights of the present academic year. This also permits me to demonstrate one of the tools that we have to operate here at the college. You notice how closely we judge the position. I assure you this comes only from experience.

First unquestionably the highlight of this academic year, and the highlight of the history of the Industrial College of the Armed Forces, was the dedication of this new building by the President of the United States this September. (picture of President on screen)

Secondly--and I am sure this is the second most important event--and, after all, you must put the event after the President being here--was an event known as the Little World Series. And these words are chosen very carefully. After many days of serious and furious discussion, and some physical activity, a final score was arrived at--National War College 28 errors, Industrial College of the Armed Forces 27 errors. In this instance the low score wins. As a result of the result of the World Series, the Eisenhower Trophy was returned to this illustrious

academic hall. (picture of trophy)

Third, I am sure that by this time your husbands have warned you that we take numerous field trips, which includes both CONUS and international trips. Preparations for these trips are both mental and physical; and our initiation to this event I am sure will not soon be forgotten. This is the first of the shop series. (Slide)

Fourth, it would be completely misleading if I didn't quickly point out that we also have many serious, intellectual, and productive discussions on extremely important matters. (slide) This will illustrate what I mean.

Now, in all seriousness, I believe we have gotten off to a wonderful start this academic year, and that we can look forward to a most interesting and most productive, rewarding academic year.

The subject of our lecture this evening is "The New Era in American Challenge." I don't believe it at all necessary to amplify the importance and timeliness of this topic. This last week we elected a new President-elect; and I know that we are all anxious to hear an analysis on how all Americans can work together to achieve the ends under his leadership that this country desires.

Since you have read the biography of the speaker, I won't go into any great detail, but will emphasize that his experience and knowledge and background give him a most interesting capability to analyze and emphasize the major facets of the far struggle that faces the United States today. Mr. Cherne is an outstanding author, lecturer, a political and

economic analyst. I am sure that you have seen him many times on TV programs and heard him on radio.

To add to his renown--and he may not want me to mention this, but I am, because, knowing him so well, I feel this is a really outstanding accomplishment--he has received world-wide and national recognition as a sculptor. If any of you visit downtown stores--Brentano's and so on-- you can buy replicas of quite a number of his works.

Consequently, it gives me great pleasure to introduce the Executive Director of the Research Institute of America, Mr. Leo Cherne.

MR. CHERNE: General Mundy, Ladies and Gentlemen, Dr. Reichley: I don't know how my pleasure could possiby have been increased beyond that which is provided by having a warm friend say the kind things that Dr. Reichley did about me. And because the friendship is now one of a number of years duration, as it has been for me, with the Industrial College, we all recognize the inescapable crop of exaggeration which has become the normal courtesy on occasions of this kind.

I've got, if I'm not to incur General Mundy's criticism and your penetrating examination, to make sure that my tendency to exaggerate in response does not carry over into the comments I will more seriously address to you, because, quite frankly, I think our dilemma is sufficiently serious reason for anxiety not to warrant any exaggeration.

There is only one hesitancy I have in addressing myself to you on the area of the new era in American challenge--really two reasons for hesitation. First, it's one of the unhappy consequences of our life in

America that a few people who are informed invariably find themselves talking to a few people who are informed; and I feel myself the more ignorant of the two parties in this circumstance, because I doubt seriously that I can add much to your understanding of the challenge which confronts America. And in that respect I'm talking to the wrong audience. You are in that serious aspect of American life not America. You are an elite and informed, deeply educated part of America.

The second reason for hesitation is because it does seem a shame to spoil an evening of this character talking about difficulties--difficulties of any kind. The Industrial College of the Armed Forces, as is true of anything associated with national security, is not by definition an attractive organization. It's an important organization. It's an urgent organization. It has contributed incredibly and consistently to national safety; and it has done so now for two generations. But it is not an attractive organization, except on a rare occasion of this kind. And the presence of the wives of those associated at the present time with the College makes this indeed momentarily a most attractive organization, and it's a shame to spoil it by dwelling on problems which confront the nation.

And yet we have no alternative. There isn't even a day's headlines that give us much security. And the particularly pointed ones of this morning, which make reference to the fact that some of you at least are going to be separated from others of you in an effort to conserve the foreign trade hard dollar reserve of the United States.

This was brought home very vividly to me two nights ago, when

I addressed the first class at West Point; and I had heard very little of the speculation about cutting down the number of dependents of overseas forces; and one of the young men, first classmen, rose and said: "The Wall Street Journal of November 7th"--he knew the date, he knew the paper. This clipping obviously had burned itself into his intelligence--"referred to the possibility of a cut in the number of families of servicemen who will be permitted to live overseas." He asked what I thought about it and whether in fact I thought it would occur.

I shouldn't advertise my poor gift of prophecy, because I immediately proceeded, first of all, to say that I really had heard nothing about it before, it didn't seem altogether likely to me that it would occur; and I could see the vast sigh of relief sweep through Thayer Hall.

But I saw something else. I saw in that relief and in the anxiety or the importance with which that question was asked something that does now today give me very real reason for pause. I am aware that those men will at the close of this year make a decision. Their services will or will not be, at their choice, made available to the defense of our country. I wish I knew what percentage of that group will be altering a choice that it would otherwise make because of the decision which was articulated yesterday.

And I would like to begin on perhaps the most serious of any note that I can strike and to suggest that we are not, in my opinion, going to meet an economic challenge in the crisis which confronts us, we are not going to meet a military challenge, or a political challenge, or a

psychological challenge, by addressing ourselves to that particular challenge as though it were isolated in a world and in a context and with a discipline all its own.

Nor are we going to meet any of these challenges by addressing ourselves, as powerful as we are, to the solution of them as a nation alone. The interrelationship to date between that which is economic and that which is political, military, psychological is so inextricable that my deepest fears are directed to those who as economists will believe that they can achieve a solution to an economic problem in isolation of the other aspects with which that problem is involved.

And I would urge, therefore, because of the interrelationship not only of the disciplines involved in the problem, but the interrelationship of the nations affected in the process of the solution, that there be established a supreme strategy agency for the free world allies, with ability particularly to introduce maximum cooperative efforts in all of the areas of nonmilitary conflict.

This would function along the lines of the wartime joint effort which brought victory in World War II. Such an agency would enlist the cooperation of both Government and private enterprise groups in each of the free nations. And victory would not be the process of anarchy solely as the result of the energy or lack of it, wisdom or lack of it, of a multitude of agencies and individuals, companies and governments, all meaning well but moving inescapably in a thousand separate directions.

The United States, I am afraid, in this new era and with this

challenge, then, time is no longer great before it. The United States will not solve its economic problems, domestic or international, until it recognizes that it must approach these problems as one member, though a most important one, of a free world community engaged in a total economic, political, and ideological struggle with the Soviet-dominated part of the world.

For example, we do not simply have a balance of payments problem, nor even an international economic problem. We face instead the gigantic task of rationalizing our economic, military, and political relations with our free world allies. And for this reason, steps taken to defend the dollar, when confronted solely with a view, and a logical view, of the defense of the dollar, may actually do more harm to that solitary objective, or to our total position, than they may do good.

Isolated steps that are taken in defense of the dollar may indeed seem to prove to those that have an anxiety that is exaggerated, of the stability of that dollar, or the magnitude of our gold reserve, may seem to them to prove that the United States Government has itself a diminished confidence in the dollar.

I am disheartened in fact by what appears, at least initially, to be a rather impressive response which the Soviet Union achieved by announcing a new hard ruble two days ago; and in the process a new hard ruble worth more than the old ruble in gold convertible currency. Now, what is it that disheartens me? What disheartens me is the further demonstration that economic nonsense may in fact achieve political success,

because there's not a bit of truth in the Soviet assertions about their hard ruble. This is plain, straight, old-fashioned devaluation of an inflated currency; and in the process the amount of gold per kopek has been lessened, not increased.

But what is the psychological impact? Thus far at least not what one would expect in the face of national evidence of lessened confidence in its own currency. I use this only as an illustration that a political attack on an economic problem may in a curious and difficult world sometimes have greater potency than the most honest economic attack on an economic problem that has political consequences.

The President's decision to reduce military dependents overseas will, without question, slightly ease the monetary aspects of the drain on our dollar. But several prices not yet calculated will be paid. The obvious one is troop morale. But the far less obvious one, and much more important incidentally, in my judgment, the effect of lower troop morale upon the host country in which those men function and reside. And this is one of the indispensable elements in national strength which is involved.

I am not suggesting for a moment that a decision as important as this could have been made without contemplation, and, indeed, serious study of consequences, including those I suggest. But I am suggesting that in the process of that serious study there was close to a deification of the economic discipline for the solution of an economic problem. And no one should know better than the economist how far from omnipotent

he is when he confronts problems which are fundamentally military, political, and psychological. And the problem of gold, the problem of dollar balances, is infinitely more political than it is economic.

Only total cooperation of free nations can deal with all aspects of the problem and match, and indeed far exceed, the total efforts of disciplined Communists throughout the world. This is not easy to achieve, but there is no real alternative. There just isn't.

Part of the new era in the American challenge is the fact that we are confronting national objectives, let alone international objectives, we are confronting national objectives which are in real conflict with each other. I use again only for illustration the sequence of six steps which were taken for the purpose on conservingoverseas dollar reserves--the drain on our money. It is clear that an action taken to reduce those expenditures meets one need, but at what cost?

I was as interested in the President's press conference as I was in the order itself. One of the men of the press--I think, Mr. Bellaire of the New York Times--addressed a question to him which asked whether there had been any thought given to place any impediments before the very substantial amount of tourist travel and purchases overseas. Those were, of course, two separate questions. The President replied, yes, but he feels very emphatically against any reduction in this portion of American expenditure, because of the urgency of the people-to-people beneficent relations which flow from this expenditure of dollars.

I am afraid my own view of the American tourist and his beneficial

effects upon American stature is rather less than that of the President. And I reflect as well, I am sure, in this process that I, the congenital pessimist, am inclined to reach a different evaluation than the President, whose courage and whose stature have endowed him also with reason for optimism, which I have in lesser stature never felt.

But I see a multitude of reasons for placing certain financial impediments before American tourists. I doubt that there will be any serious restraint upon the travel involved, but I do not doubt at all that a tax upon each tourist will produce a very seizeable piece of American revenue. In short, we will gain in one of two ways. If they don't go, dollars will be saved. If they do, dollars are earned.

The United States Government accords a $600 exemption to tourists. I have used, I think, every last dollar of that exemtion on probably every last moment of every trip I have ever taken. I am not eager to forego it. But I am also a glowing specimen in American life that is of far greater consequence than some of the things we are talking about.

This is solely by accident. I hadn't planned this. Just out of curiosity, this suit is English. This tie is French. This belt is Italian. These shoes are Italian. This watch is Swiss, bought in Hong Kong. But that isn't the distressing element. The one that will prove really consequential in these immediately forward years is the fact that an increasing percentage of American capital is invested overseas in this which is competing with us. This is the consequential element; and this, if I may suggest, may involve a great deal more courage than any

American President that I see upon the horizon in time for the emergency that is with us now, because, believe me, this is not an easy one. I would not relish the opportunity to advise in this area.

Now, the hazards of individual action, especially when matched by almost total national ignorance, are gargantuan. Here at least I know that what I say will have the complete agreement of General Mundy, because we happen to share completely the deep feeling of the most urgent need for larger community understanding of the magnitude of the problem and the actions that must be taken.

Now, we have gone through a campaign, and a national campaign for the Presidency is not America's most inspiring educational moment. And, unfortunately, with the threat of television as an instrument for campaigning, whatever educational process was played by the previous campaigns--and they did--tends to lessen with the impact of an instrument which is designed to give the appearance of conveying information, but actually serves to lessen the quantity of information actually conveyed. As a matter of fact, I sympathize with two extremely able men who must go through the incredible contortions that both went through to keep from saying the multitude of things that they believed in and never once expressed. And this is true of both.

But in the course of these wrestlings that passed for the exchange of ideas, or the expression of differences, a perfect illustration of confusion of a nation is involved in the reference to what it is we ought to do about Cuba. One candidate suggested that the United States assist

the exiles of Cuba, as well as those in opposition to the present Castro government. His opponent expressed his horror at any possibility of even thinking in these terms, when in fact much more effective would be the action we had taken, which was to quarantine Cuba, illustrating that a similar quarantine brought about the downfall of the gov-ernment in Guatamala.

Now, every part of this two-sided minuet was sheer fantasy, as I suspect all of you know. Number one, the suggestion that we help those who are trying to overthrow Castro is a fairly stupid suggestion in the light of the knowledge that that's exactly what we have been doing. And both men know it. And they share the same briefings from the same agencies. It would be debatable whether we're doing it correctly. It would be debatable whether we're doing it enough. It would be debatable whether the United States Government should direct these operations or merely provide them with their substance. There are many debatable areas that are really involved in what is going on today, and about which there is the most anguishing outcry from those who are leading the opposition to the Castro government in New York, Miami, or inside Havana. But there is no debate on whether or not the United States should aid these people.

To which we turn now from this piece of fantasy to the piece of fantasy of, Why do that when you can bring the government down by quaran-tining it? Well, when I was a youngster, quarantine meant a sign on the door that read "Smallpox"; and that was the last you saw of anyone

in that house or apartment until there was no more smallpox.

Well, here is what the quarantine of Cuba has done: The trade of Canada with Cuba has increased at an alarming percentage from the very moment of the date of the so-called quarantine. And, incidentally, the trade of some American business has increased too. I am unhappily aware of a situation in which three very eminent Cuban chemists, working at a very important plant in Cuba, decided to defect because they were the only ones who knew a process which provided a catalyst essential to the particular activity which they were involved in, and they defected, leaving Cuba lost for both the professional talent and the particular catalyst chemical. And Cuba was lost for 48 hours. The chemical was provided by a company in the United States, shipped to Canada, and from Canada to Cuba. That's quarantine.

And that's why I suggest that the apparently solitary answers that are not examined in the complexity of the relationships of those answers to the reality, the reality being other nations with whom we are involved, called our allies, other problems with which we are involved--military, political, psychological--that it is very difficult any longer to treat a problem in isolation in the field of national security.

And it's one of the reasons I do not envy the task which confronts Senator Kennedy, who must reconcile the provision of full employment, the providing of economic growth of perhaps a 4 percent level, the introduction of social welfare, of which one element is absolutely indispensable to national strength, and that element is education--just plain, adequate

American education, emphasizing excellence and adequate to both the population and national needs, technically and professionally, in the years immediately before us.

And then there are the peripheral, the gingerbread, items, such as medical aid to the aged. I'm not suggesting that they're not awfully important to those who need them, but they're not awfully important to the nation in its search for survival.

And then these must be reconciled with no higher taxes, because you can't raise taxes in a period of recession and try to achieve economic growth. And he's going to take office in the midst of a recession. In fact, he will in all probabily introduce the request for a tax cut for a one-year period of time, which means the promise of a balanced budget is gone. Well, let's not kid ourselves now. There was no possibility of a balanced budget if either candidate had won in the fiscal year 1961-1962. What we are talking about is the magnitude of the imbalance of the budget.

And now reconcile these with a two to three billion dollar minimum increase in military expenditure, with a one to two billion dollar minimum increase in foreign aid, except that how can you increase foreign aid when we are now talking of cutting down the imbalance of trade. But, of course, we can, by tying those purchases to American goods.

But we've been through that. How did we happen to get here? For some very good reasons. The object of foreign aid is to accomplish certain purposes in the country being aided; and we did learn that in those

years when those dollars were tied to American Baldwin locomotives that it was pretty silly to compel India to buy one locomotive when the same number of dollars could buy three elsewhere.

Which means we serve to kid ourselves. We will have to spend three times the amount of dollar aid in some cases, in some places, to be able to buy some things. And I'm not suggesting that we shouldn't do so. But I am saying, we ought to know what it is we're doing and why.

And all of this runs counter to the urgent immediate need to correct some part of a 4 billion dollar adverse trade balance, except that let's keep things in some perspective. National safety, military and psychological victory, defeat of the Soviet Union or of its central objectives, are not automatically related to healthy trade balances.

I recall a nation that went bankrupt in 1934. We all knew it did. That's why many didn't worry about Adolph Hitler. He couldn't possibly. They didn't have the resources, they didn't have the money, they didn't have the gold. They were broke. I remember how vivid was the proof of German bankruptcy. They may very well have indeed been bankrupt, but they did destroy a good part of the world before they were themselves destroyed.

Now, I'd like a Price Waterhouse examination of the Soviet books at this moment. I don't think it would reveal an extremely competent producing audit. But I don't honestly think that they are that much seriously impeded in their race toward what they hope will be victory by what Price Waterhouse would find on their books.

And if any nation were an actual fiscal impossibility, that nation is China today. I don't get much comfort from it. I may be off. Perhaps I shouldn't feel the sense of anxiety that I do. Taiwan is infinitely more fiscally sound than is Red China. But I just have the lurking, continuous suspicion that the greater danger is Red China; and that somehow or other, fiscally sound or not, the forces of Chiang Kai-shek are not really going to shape much of Asia for freedom or not.

And what this all in my judgment brings us to is, I think, the realization that we have been playing with a phantasy. We have been bedeviled now for some time with a phrase, which was selected by the Soviet Union and a strategy which was in their interest--peaceful coexistence. We are still engaged, in my opinion--and, as you can see, it's a highly prejudiced and quite arrogant opinion on some things--we are engaged in a wholly unnecessary debilitating and harmful search for unilateral disarmament.

The greatest danger I see for the United States are the hopes and wishes of the United States. The Soviet campaign for peaceful coexistence is essentially a campaign of psychological warfare against us and against the instruments of strength essential to survival in the non-Communist world. That's what it has been, and that's what it is, pure and simple.

Now, to the extent that the Soviet Union has moved toward the objectives which she seeks--and she has moved, unhappily toward some of them--Berlin has been eroded progressively each week of the last nine--

and I haven't seen much evidence of western irritation. I know something of the mood of the mayor of Berlin at this moment, and I can tell you, it is not at all cheerful. And that mood is one of the assets or liabilities in the struggle in which we're involved, because it is the mood of the people of Berlin. And there has been no point since the days of the Berlin blockade in which the people of Berlin have been as depressed as they are at present. And not chimerically. Depressed by the reality of the piecemeal erosion which has taken place within recent weeks.

We are dealing fundamentally with psychological warfare. We are dealing with the elements of strength and purpose, of national will and national design and desire. So much of the debate in America has concentrated on the actual physical strength of our physical capability.

I have no doubt that that physical capability requires strengthening in certain places. But I doubt very seriously that the strengthening of that physical capability will produce strength. I believe it to be essential. But power without the will to use it is not power. Strength without the resolve to use it is not strength. National stature without national will is pleasant national comfort. It is not national strength.

We have the awesome responsibility, all of us, of providing the measure of leadership available to us to help create that national will. And the incoming President of the United States faces the incredible responsibility of trying to produce, as only executive leadership can, national purpose. .

National purpose can't be debated by writers, penning articles for

Life Magazine. The only thing they really will serve to do will be to decide whether or not "Life" or "Look" that week has greater circulation. Debates of national purpose are meaningful when national leadership is applied to national purpose.

Now, the campaign period was no time for deliberate assessment of where we stand in relation to the Soviet Union; and the nation, I'm afraid, was left confused as to where we actually do stand in relation to the Soviet Union. It's going to be somebody's responsibility to tell the people of the nation what the Central Intelligence Agency's assessment is of where we stand in relation to the Soviet Union.

There is not very much room for comfort in that assessment. After discounting the exaggerated moanings about our own economic strength--and it's a great deal greater than many today think it is--after discounting the substantial inflation of Soviet growth figures--and they have been inflated, they count some things three and four times--and there are one or two things that we count a couple of times too--and after discounting even the most important statistical fact, namely, the low point at which the Soviet economic thrust began, we nevertheless face a modern society uneven in its output, moving quite a bit more rapidly than we are.

And take no false comfort in the fact that the Soviet economy is half the size of ours. That's all it is. But that half is used, as completely as a jail can be, to serve national purposes. It's the weapon of a garrison state applied, with minor exceptions, solely to the purpose of defeating

us and subjugating the world.

Unlike its Premier, the Soviet Union has no fat, no conspicuous consumption, no significant waste except the terrible waste that is part of the process of a bureaucracy of a totalitarian society. And that is substantial waste. But by and large, the Soviet Union is lean and hungry, envious, and determined to overtake us, not in cars or color television, but in the attributes that make for power, that overcome the weak, that swamp the confused, and paralyze the well fed.

The new era in American challenge is an awesome era. It's also going to be the most exciting interval of five years, four, six--a small number of years at any rate--the most exciting that any of us, I think, have ever lived through. This I believe to be one of the wisest and most heartening things that Richard Nixon said in the course of the campaign, because this reassurance was real reassurance, solidly based, provided we have some sense of the challenge we face and as a nation move toward it.

In any event, we are at the end of an era. Of this there is no question. It will end on January 20, 1961. The days of the great and aged figures of World War II are now coming to their close. Churchill has all but left the stage. Unless Adenauer has truly discovered immortality, his 84 years are late and rest heavy indeed. And his sudden burst of energy in his discovery that one can get Khrushchev to stop calling you names if one smiles at him, his German discovery at Camp David will, I suspect, bring him no greater comfort than it brought us. Charles

De Gaulle has performed a miracle for a man near seventy, and there are probably not many tricks left in his bag of surprises. The fact is that he performed a miracle even prevailing as long as he has, because he had no tricks in his bag of surprises to start with; and this is the greatest miracle of all.

This in fact is what is leadership. And in having said that there are no tricks left, that kind of leadership may yet come up with still another phantom, another invention, another French way of avoiding reality and imposing its curious will in the process of shaping reality.

Yes; these are the aging and aged figures of the great war. Khrushchev's blustering blubber already looks back to the shadow of the well-dressed and quietly determined, advancing, younger organization men, like Kozlov and Suzlov, with whom he now shares power. It is our judgment at the Research Institute that Khrushchev is no longer the undisputed, solitary No. 1 man. He has an awful lot of time on his hands for a man who runs a government. He is in my judgment the Castro of the Soviet Union. Other men take care of the store. He takes care of the shoes and the microphone.

But let's not take false comfort. These men will be no easier for us to handle, but they will be different. They will be different.

Mao Tse-tung--well, he can't be too far from a place where one hundred flowers bloom; and I wouldn't discourage his departure.

And, most critical of all, an American President will be 44 years old when he enters the White House; and only to the attractive women in

this room does that seem old.

Yes; we are entering a new era. Clear, unqualified, unequivocal, unchallenged American power no longer exists. No era suddenly occurs. This has been true for some time.

The world is very, very much with us. When the history of these last eight years is written, this in fact, in my judgment, will be the great contribution of President Eisenhower: He really completed a very difficult, almost impossible undertaking. He brought America finally into the world. And in my judgment, only a Republican President could have done so; and very likely only he of Republican Presidents would have sought to do so. And this he did.

Well, we're in that world. Now it's the task of the next President to see that we prevail in it. This is the job not yet done, and this is the heart of the challenge in the new era we enter.

For this reason, it is with a great sense of debt that I received your invitation, because, as I said at first, I am saying these things to those who know better of what I speak than I do. And I say these, then, in tribute to you and your wives, because of the energy and the intelligence which your being part of the Industrial College already makes so evident. And you deserve this tribute.

I am particularly grateful and happy because I did think that this, the twenty-second year since I first lectured at the Industrial College, would be one year when I would not, because I was supposed to be with you on the opening day of your first lectures in this magnificent building,

which I have seen in the process of being built and looked forward to being part of opening. But some surgeons decided to do the worst thing anyone can do to a lecturer. They cut my throat, quite literally. And an associate of mine came and joined you in those opening days in my place.

And so it is with really particular pleasure and deepest affection and my warmest wishes to you that I say these words of challenge, and of compliment to you and your energy, and particularly to the great importance of your work. It is with that particular pleasure that I join you tonight. Thank you.

DR. REICHLEY: We are ready for questions.

QUESTION: I don't understand very much about economics, but with all this concern about our servicemen spending so much money abroad, why do we import so many foreign products, particularly so many foreign cars?

MR. CHERNE: I'm not sure that I understand very much about economics myself. We have bought foreign cars, as I did the things I'm wearing. In the case of the foreign cars, we have bought them because, first of all, we have been in the process of reducing our trade barriers against the importation of foreign products. We have done that as part of the process of becoming what has been known as a good neighbor and achieving certain political and also economic ends in exchange for reciprocal or multilateral reductions of tariff barriers.

By and large, I have the feeling that in the years since the end of

the great war our reductions have been rather more generous than those of our neighbors, as they should have been during much of that period. They had a process of building up to do. We had all the chips. If we wanted to play poker, we had to redistribute part of the wealth, which we did. We did it extremely generously. The world has never really seen anything quite like the generosity of American behavior in the years since 1945.

But then there were other reasons. Our own sense of taste, and our own incredible involvement with ostentation finally impelled an industry to the point where it was no longer producing the kind of merchandise which certain significant parts of the American community wanted, and the foreign manufacturer was. This is the big reason for the foreign cars. A smaller car, a more tasteful car, and perhaps, most important of all, there's a certain segment of the American community that has gotten tired of things which are built to become obsolete, and who have more and more wanted something like, well, if they can afford it, the radiator of the Rolls Royce, that is the same now as it was thirty years ago, except that they have changed the letters "R. R." from red to black in deference to the owner of the company, who died.

Then there are other reasons. The fact is that we are, in our wealth and in the process of our economic freedom, we don't compete altogether well with other countries which have very much lower wage rates and often as well other lower manufacturing costs, with the result that there is practically no American company that could make a profit

out of selling nails, even though we have the largest steel industry in the world. It's cheaper to buy those nails from Japan. Or barbed wire, or wire of any kind. And American companies are making more money buying them from Japan than they would be if they were making them here.

So those are the primary reasons.

Incidentally, less foreign cars are being sold this year than have been sold in the United States any year within the last five. That curve is not going downward.

QUESTION: Isn't there some compensation from the products that we are subsidizing? For instance, a manufacturer of cars in another country--wouldn't that be made partly with American capital?

MR. CHERNE: Oh, yes. The question is, Are we not in some way at least partially compensated that the manufacturer of cars here that foreign country may be using at least partially American capital? Well, it may be all American capital, not only partial.

As a matter of fact, those of you who read the Times--I refer to the New York Times only because I recall seeing the story there within the last two or three days--increasing anxiety in several European countries about the fact that American manufacturers are insisting on becoming the overwhelming, if not exclusive, source of the capital in certain European countries. And if I were they, I would be anxious too.

The answer to the question is Yes. America is earning profits

from those operations overseas. But this is the complicated question I referred to before. Is that profit as desirable, and does it come back to us in the form of hard dollars, as if we were selling goods overseas? Now, that's not an easy question. I'm just raising the question.

QUESTION: This isn't a question in economics. Why is it that this strategy agency that you are suggesting isn't in the United Nations? Isn't that what the United Nations is for? Is there a conflict there?

MR. CHERNE: Well, I would say that they are not in conflict. The one thing that the United Nations is not is a supreme strategy agency designed to help keep the free world alive. That is not what it's for. The United Nations is for the purpose of helping to prevent wars among the nations or between the blocs.

Now, the plain fact is that the United Nations is not especially useful in preventing war between the United States and the Soviet Union; that it was designed from the very first not to be useful in that direction. It is very useful in preventing or in ending wars between two small nations. And that's a sizeable contribution, because a war between small nations can in a fairly short time become a war between two large nations.

Now, the limit of the United Nations, quite realistically, is a small limit; and I have described it. We have seen the United Nations change under our very eyes right now. And be prepared for it. We're going to have to live with it.

The United Nations was predominantly a U.S.-oriented or a West-

oriented agency, even though it has had a good deal more neutralism on occasion or Soviet sympathetic attitude on occasion than we would have wanted. But the fundamental orientation was pro-western.

Well, we may congratulate ourselves on the number of lickings the Soviet Union took at the recent session of the Assembly. I wouldn't take any great comfort in it. In my judgment, the Soviet Union won at the recent session of the Assembly. It hasn't collected its check yet, but it did the job it set out to do. It set out to change that balance of strength in the United Nations and to alter its votes. And I have watched with particular care the votes of the last couple of weeks; and those votes of the last couple of weeks are not the votes that were the ones for which we took comfort previously.

Now, that's a long answer. I come back to the strategy agency. Bear in mind that the United Nations not only does not prevent but actually contemplates the existence of regional military organizations. The United Nations has no military power of its own. NATO is such a regional military organization. So that militarily there is not that same kind of urgent need for collaborative strategy.

But there is no counterpart to NATO in the nonmilitary conflict area. And even the military men in this room will, I think, tend to agree with me that the big part of the iceberg that is underneath is not military; that we see only the small part that is military; that the giant size of this struggle is nonmilitary. And it is on this that the economic warfare, psychological, political and all other nonmilitary conflict

activities, in my opinion, require the same kind of joint diplomacy that is involved in NATO at the next session.

QUESTION: Would you mind telling us if there is anything that our government could do to help overthrow Castro without getting us into trouble?

MR. CHERNE: I don't mind a bit.

If I were involved with this undertaking, I would not make the mistake we made in Guatemala. We are making it. The mistake we made in Guatemala was not in assisting, but in doing. I think it is urgent that Castro be overthrown--by Cubans, as he is going to be. There is no question about it. He will be overthrown by Cubans. Those Cubans need help and should receive it.

But they should not, in my judgment, be told how to do it. They

should not be given their marching orders, walking instructions, road maps; nor should blinders be put on them. This is deeply resented by the very men who will be the government that succeeds Castro. It is also widely resented throughout Latin America.

We achieved our objective in Guatamala. Our bands were gone when we were finished. But we paid a heavy price for Guatamala; and, in my opinion, not quite necessary. Nor need it be this time.

There are places where American military strength can be used directly. Such a place was indicated this afternoon, I was informed here, in the explicit use of American naval forces in the waters which divide Cuba and Nicaragua. This was a very appropriate use of American military power on international waters. There is nothing phony, indirect, distorted; and there is nothing which robs anyone's national pride in that purpose. That's number one.

Number two. We sometimes fail to do the cheapest, simplest, and in some cases most potent things of all. There are now approximately 55,000 Cuban refugees in this country, who came here to escape Castro and who are not Batista followers. In short, they are democratic human refugees.

Now, each one of these people has to pay a $25 fee and fill out a number of forms in order to even register himself with the immigration authorities. Just count up 55,000 by 25 dollars and pick out a voluntary private organization that has the resources just to help these people regularize their immigration status. By regularize I don't mean become

citizens. I mean become not illegal people.

I can speak for one agency--the only agency which thus far ever took this job--the International Rescue Committee. We raised an appeal for a million dollars from the American people. It will take more than $25,000 just to assist the registration of a small portion of this group, let alone all the other things that need to be done, because these people, when they leave, leave with absolutely nothing except what they are wearing. Do you know how much we have raised in the course of four months? Twenty-two thousand dollars.

The heads of American industry are quite well aware of our existence and of our needs. So are agencies of government which could assist, as they do in Miami other activities.

Now, this is a consistent weakness of the United States. We do not ever seem alert that the exile is the most potent political force available to us. He is the cheapest and most valiant soldier. And he is indispensable tomorrow, particularly in a place like Cuba, because Castro will be gone before the end of 1961. The real question is, What then? So there are 50,000 Cubans who can be so embittered against the United States because they are living in a stinking mess in Miami right now.

And only belatedly Voorhees was sent down by President Eisenhower--a few months late--and I must also say that I suspect that not too much will happen as a result of that visit.

Now, that's the second kind of thing you can do.

Third, and this all comes from the recommendation that I made before. There is no American action against Cuba by itself that is really politically meaningful, even if it succeeds in destroying Castro. It is of the most urgent importance, where a Cuban is concerned, that the Organization of American States participate in whatever is done. We can't have Canada on one flight and Mexico on the other, each for very different reasons shooting holes in whatever it is we are doing. It just cannot be permitted. Which means that you can't jump in an emergency and expect to reap the benefits that would have come from ten or fifteen years of painstaking work, building the fences of the Organization of American States. Nor can we tolerate congressional madness in the process.

To illustrate: There was not a Latin American nation that was ready to take action against Cuba unless they were shown that the United States really means what it says when it says democracy or freedom and uses as a test, "Let's see what you about Truhillo." And you recall that the OAS took its first action with our agreement against Trujillo.

And then what happened? The President asked congressional authority to cut the Dominican sugar quota. Well, that was that. Not in Congress, but there are a lot of people who think genuinely that they can persuade the American people that Trujillo closely resembles a combination between George Washington and Abraham Lincoln. I don't think he is. But it doesn't make much difference what I think. There are many people anyway in Latin America who think that he is, and that does make a difference. And Congressman Cooley notwithstand-

ing, in this kind of struggle for survival, this kind of insanity cannot really be long tolerated. It's part of national suicide.

Well, that's the answer, and only a very partial one, with my apologies. There is much intelligent and humane and wise that can be done in relation to Cuba, even if nothing that I have said is part of that wisdom.

DR. REICHLEY: Leo, and ladies and gentlemen, as you know, our sessions here run to an hour and a half in each period. We have reached that time. We started a little late, so we ran a little over nine thirty.

First I want to tell you ladies how thankful we are that you came tonight. We hope that you enjoyed it as much as we enjoyed having you.

Leo, one can say a lot of words and sometimes the more said, the less they mean. So I'm going to say, on behalf of all of us, thank you very much for a most interesting talk.

MR. CHERNE: Having expressed my appreciation and gratitude to all of you, I do want to single you out, Dr. Reichley, for gratitude, as the Senior Educational Adviser of this incredible institution, and as the man who carries the responsibility not only tonight, but in carrying it symbolically for the whole College, manifests how much responsibility you carry in the normal course of a year here at the Industrial College. I know that I reflect--in fact, I don't think there's any harm in my saying--that that these words, which I've long felt on my own account, were in this instance stimulated by General Mundy, and I'm delighted to say them.

In conclusion let me express to you, and through you symbolically to General Mundy and to the College, my gratitude and my admiration for your fine institution.

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