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AMERICA'S PROBLEMS, PRESENT & FUTURE

A Lecture delivered by
Mr. Bernard M. Baruch
at the Naval War College
May 24, 1951

Never was this country faced with such grave danger. Yet we seem to be devoting more of our energies to fighting among ourselves than to fighting the enemy. The truly terrible danger that could overwhelm us is being largely overlooked.

I do not want to belittle, ignore or dismiss the genuine issues involved in the "Great Debate"—such questions as what is the best strategy for America to pursue? What are the rights and responsibilities of Congress in matters of war in an era in which there is no peace? What must be the relationship between the civilian and military authorities?

Through the whole of this "Great Debate" runs one false assumption—i. e., that these controversies confront us with the choice of action we must make.

Actually our choice has been—and remains—to be militarily strong or militarily weak. Whether we attempt to make peace or prepare for war, there will be much lacking as long as we are militarily weak.

Whoever the General is in command in Korea, will he have the military power necessary to make and enforce peace in that tragic land?

Mr. Baruch, elder statesman, financier and philanthropist, was Chairman of the War Industries Board in World War I. During World War II, he served as adviser to President Roosevelt and War Mobilization Director James H. Byrnes.

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The divisions being sent to Europe represent little more than a token of the mighty defensive effort we and our allies have still to make.

We are even too weak militarily today to be either isolationists or internationalists.

Were we forced to stand alone in the world, without allies, we obviously would have to rearm with the utmost speed and to the utmost of our capacity. And if we are to hold our allies together, we must also make ourselves strong in time, or nation after nation will be overrun until we are left alone—truly isolated.

In short, everything depends on the speed with which we mobilize the strength that is ours. Speed of mobilization should be our first concern.

In foreign affairs, it is imperative to keep your eye constantly on the main threat of war. That threat rises out of one awful fact—the Soviets have (been permitted to obtain) a terrifying jump in military readiness. Until that lag between Soviet armament and Western rearmament is overcome, the threat of war will be constant. The foundation for a lasting structure of peace will be missing.

Until our mobilization is quickened, I doubt that any discussion of foreign affairs can make much sense. For example, in recent months there has been much agitation for re-examining our foreign policy. Of course that should be done. The waging of peace should be constantly in the process of re-appraisal and adjustment to meet changing conditions. But upon what is this re-examination to be based? Upon our present military weakness? Or upon the strength we know is ours but which we have failed to bring into being?

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Some contend that we should not undertake more abroad than is justified by our military power. This contention ignores the realities of both American and Soviet power.

The Soviet system is one of immediate military readiness, with millions under arms, constantly threatening to overrun other nations. Behind that formidable array how strong is the economy already strained and backward in many respects? How thin is the margin upon which she can draw, with her low living standards and the forced enslavement of so many millions of people there. The Soviet system, in short, is a mobilized military power greatly out of proportion to the supporting economic and spiritual strength.

In contrast, the American system is one of an enormous economic and spiritual potential, vastly out of proportion to our immediate military strength. At the peak of the last war we produced more munitions of all kinds than the rest of the world combined, while mounting enormous amphibious offensives across both oceans at the same time.

Right now nearly all our available military strength is strained just to hold Korea.

Which measure of American power are we to employ in determining whether we are over-extended in our commitments? The tiny forces so far mustered? Or the military power greater than any in history which was demonstrated to the world about six years ago?

And which measure of Soviet power is to be used? The seemingly formidable fist being shaken at defenseless neighbors? Or the frightened, purging hands suppressing the discontent and hungers of the Russian and satellite peoples?

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As long as there is no war the Soviets can menace all the countries bordering on their satellites in both hemispheres, for no one can say at which front the Soviet forces will be hurled. Once war breaks out, then all the many miles of frightened frontier across which the Soviets now threaten to erupt become so many miles of frontier through which Russia can be attacked.

Never under-estimate one's enemy. True. But let us not underestimate the strength of the free world.

Let us not lose sight of the fact that our danger is less a reflection of Soviet military strength than of American military weakness.

Who is to say how much of the world the free peoples can hold until their power has been mobilized? Were we to cut our commitments recklessly to fit our present feeble military measure, we might invite the Soviets to seize territories which they, themselves, do not believe they can hold.

This is hardly the time for retreat, when our power still lies *unused*. This is the time to hold, until we can rebuild the arsenal of democracy which we forged during the last war—and junked *so hastily* before the peace was won.

May I emphasize, though, that I do not believe in dribbling away our resources along innumerable futile fronts. For almost five years I have called for a global strategy, under which all our many commitments would be viewed as parts of the one whole, with a clear distinction between holding actions and those areas where we were determined to press through to decision. With each succeeding month, that global strategy becomes more necessary. With each succeeding month the lack of such strategy becomes more costly.

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Since the war's end, we have staggered from crisis to crisis without facing up to what the total peace-making would require? Almost, it would seem, we have refused to look further than the next step immediately ahead. Because we lacked an over-all, thought-through strategy, opportunities for strengthening the peace have been lost. The actions we have taken have dragged behind the need.

The course of events in Korea has demonstrated anew the danger of treating each crisis that arises as a separate problem, without calculating its repercussions upon the whole of our policy. The bickering among our allies, the dismissal of General MacArthur, the widening disunity on foreign affairs here at home—the futile, petty political approach on inflation—these and other difficulties all are in large part ugly reflections of a lack of an overall, global, strategy.

To formulate this strategy, there should be a central peace-making agency, composed of men with no other business but to think, work and plan how to win the struggle for peace. This General Staff for Peace could be brought into existence by expanding the present National Security Council. Such a revitalized Security Council, with its membership broadened to include men of outstanding stature, and working under the direction of the President, could be given the task of re-examining the whole of our foreign policy. The recommendations of such a body, I believe, would command the support of Congress and restore the public confidence.

Still, no global strategy devised by any group will be worth more than the weight of our mobilization. Our peril is not that we are over-extended in our foreign commitments in relation to our armed forces. Our peril is that we are over-extended in relation

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to the absence of denials and controls here at home, in the clamor of pressure groups for petty advantage, in swollen profits, in taxes that are too low and prices that are too high.

We are over-extended abroad because we have not yet extended ourselves at home.

Under our present mobilization program, according to official announcements, 1953 will find us with the capacity to produce 35,000 tanks and 50,000 airplanes a year.

Moreover, according to official announcements, prime emphasis is being placed upon providing the "capacity" for military production, with much actual production of munitions being held back. We are to be ready to produce these weapons "on short notice."

At the outset of the last war, whole nations were conquered for want of a few of the tanks, planes and other weapons which we and other democracies had "on order". I hope the tragedy of "too little and too late" is not repeated because we and our allies lack the weapons which were to have been produced "on short notice."

Perhaps we will have all the time we need. Let us at least be clear that we are committing ourselves to a fearful gamble.

Is that gamble necessary? Think that question through. Some risk, of course, is unavoidable. No matter what is done, some danger of war will remain. But one has only to look around the country to see how much more could be done, if the will for swifter action existed. When I weigh the terrible possible consequences of a failure to mobilize in time, against the petty comforts and petty profits being clung to, I cannot help but conclude

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that the sights of our mobilization program have been set too low and too distant.

We should not wait until the fire has broken out before producing the fire-fighting equipment. Sizable reserves of all crucial weapons, far in excess of any troop requirements presently foreseen, should be produced and accumulated now.

There need be no fear that these weapons will become obsolete. The Soviets have accumulated vast stocks of weapons, at a terrible cost to the Russian people. The free peoples should have their stocks of weapons to offset what the Soviets already have. Done properly the cost will not be ruinous.

Such a stockpile of weapons is a prime essential for America's regaining the initiative. With such weapons we would be able to render swift and possibly decisive assistance to any nation menaced by aggression. We would be able to take instant advantage of any opportunity that might arise for arming some ally. We would be prepared were events to compel an abrupt increase in our own armed forces, since men can be recruited more rapidly than munitions.

Today our foreign policy is bogged down because of military weakness. A ready supply of weapons would restore mobility to our foreign policy.

Even if these weapons were never used, their production would be worth while as insurance. How much of our productive capacity might be destroyed in an initial blitz attack upon this country, or through sabotage? How priceless would be weapons already on hand, even if not of the latest design.

I make no pretense of knowing the Kremlin's intentions. I

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do know there can be no basis for peace in our world until the gap between Soviet armament and our defenses is plugged. The longer our mobilization drags, the greater the ultimate effort which we will have to make. Time permits Russia to press her own armaments production and to perfect her own atomic weapons.

The wisest course, it seems to me, would be to mobilize all-out, losing no time and sparing no necessary effort until we balance Russia's rearmament. Having done that, we could then relax somewhat, provided we continued to pace ourselves in relation to Soviet military power and the threat of war. Only in terms of such a balance could we talk possible peace or disarmament.

What do I mean by all-out mobilization?

It does not mean drafting millions of men into the service before they are needed. Nor does it mean curtailing less essential civilian activities needlessly, where the manpower, materials or other resources which are released cannot be used. A proper mobilization program is always a balanced one.

What all-out mobilization does mean is organizing the nation so that all military demands—whatever their size and however they change—can be met with the least possible delay and with the minimum essential needs of the civilians safeguarded. This requires an all-embracing system of priorities directing all our resources of men, money and materials—so they make the maximum contribution to defense. First things must be made to come first through the entire economy.

All-out mobilization also means drawing a firm line against inflation and profiteering. To do that, the experience of the last two wars taught, action has to be taken quickly, at the very outset of the emergency. By imposing a general ceiling across the

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entire economy, over all prices, wages, rents, profits and other costs, the equilibrium between the various segments of the economy which existed before the emergency began is preserved. Machinery is set up to correct inequities and where the needs of defense production demand it.

Along with such across-the-economy controls must go higher taxes and other financial controls; the elimination of profiteering; increased production of more essential things at the expense of what is less essential; the power to ration scarce civilian essentials where necessary; the postponement of all less essential works; the reduction of unnecessary expenditures; conservation of scarce resources; vigorous development of substitutes for things in short supply; control of all exports and imports; and an organized self-restraint among the people—the enlightened self-discipline to accept the denials which winning the peace entails.

These principles of mobilization evolved out of our experience in the first world war. When the second world war broke out, they were disregarded. We were supposed to be fighting “a different kind of war”. But the mobilization authorities soon found themselves forced to return to the plan of mobilization they had discarded. Unfortunately, a terrible price was paid for that delay.

When the Korean emergency began last summer, the same cry arose, “this is a different kind of crisis.” Again, time has forced a return to the old mobilization principles. Again, the neglect and delay have cost us dearly.

Because of the inflation since the Korean war, the real value of every defense dollar has been cut by a fifth to a third and more—needlessly. Rising prices have virtually wiped out the increase in taxes that was levied, and those now contemplated. While the people have been paying higher taxes, they have had their incomes

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cut further by rising living costs. The value of their savings is being cheapened.

I have studied the arguments of those who oppose all-out mobilization controls. It seems to me, they make two fundamental errors.

First, they tend to confuse the size of the program with the kind of controls which are needed. A partial mobilization, it is contended, requires only partial piecemeal controls.

Actually, though, a partial mobilization requires the same full set of controls as does a total mobilization; increased taxes, money and credit controls; priorities to increase production of the more essential and to reduce the production of less essential; price, rent and wage ceilings, and so on across the entire economy.

The frame of any mobilization program must be a balanced control of the whole economy, with adjustments permitted as defense needs dictate. With the whole economy under balanced control, it becomes possible to adjust to any size military program, to tighten less essential civilian activity where and when needed, or to increase such activity if conditions permit. Without a balanced control of the economy as a whole, whatever is undertaken, even a relatively small effort, shoots dislocations and maladjustments throughout the economy, aggravating the inflationary dangers.

The first rule of mobilization is to bring the economy under control as quickly as possible, before things have gotten out of hand, as they have now. Once the economy has been allowed to run loose, the whole mobilization process becomes in large part a frantic struggle to recapture the equilibrium which should never have been lost.

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The second basic error made by those who oppose all-out mobilization controls is a failure to appreciate that preventing inflation under mobilization conditions differs vastly from peacetime inflationary problems.

Under a normal peacetime economy, it is proper to take the position that the basic cause of inflation is too much money. It is wise to insist that action be directed not only at so-called "symptoms"—prices—but at the cause—the pumping out of new money.

But, under mobilization conditions, we cannot eliminate the basic cause of inflation—expenditures for defense. Every effort should be made to reduce less essential expenditures and to raise taxes to pay as much of the cost of war as possible. Still, regardless of what fiscal controls are adopted, mobilization will steadily increase government spending.

If inflation and its evil twin, profiteering, are to be curbed, higher taxes and other financial measures must be a part of a total system of controls, reaching across the entire economy.

To increase taxes greatly without drawing a line of stabilization through the entire economy is to invite still further inflation. As long as prices are left uncontrolled, those called upon to pay higher taxes will attempt to pass on the burden to others in the form of higher prices. The pressures for ever higher wages will mount. With them will come a rise in all costs, in all prices.

As higher wages and higher prices cut into the value of every defense tax dollar, additional taxes must be levied. The spiral can be an endless one, endless, that is, save in disaster.

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Price and wage controls are also indispensable for the proper functioning of a priority system.

Priority means giving to one before another. When this happens the man who has been displaced will seek to replace his position. If the total supply is not sufficient to go around, he will bid a higher price for what he wants. Uncontrolled prices and uncontrolled wages encourage manufacturers of less essential civilian items to compete with more essential producers for scarce labor and scarce materials.

The inflationary dangers that rise out of mobilization are not all the result of simply too much money. The needs of mobilization upset the normal peace-time relationships of supply and demand. Because you do not have the time to wait for supply and demand to adjust themselves, the government must step in with mobilization controls, until time is given to the law of supply and demand, with increased production, to function.

I should stress one other reason why mobilization requires all-out controls, since in some ways it is the most important reason of all. That is the problem of insuring equal sacrifice for all. Imagine, if you will, what would happen in this country if our young men were drafted under a system of obvious favoritism, which permitted rich men to buy substitutes; or those with political pull to dodge their duty. Similarly we invite havoc and disunity if economic mobilization is to permit some to profiteer while millions undergo cruel hardship; if a manufacturer's prices are controlled but the wages he must pay are left free to rise; if wages are frozen while food prices mount daily.

The program I have always advocated, of imposing a general ceiling over all prices, all wages, all rents, all other costs, across the entire economy, as of a certain date, with machinery to adjust

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injustices, has the immense advantage of demonstrably treating all segments of society alike.

The processes of mobilization are not pleasant. Naturally the desire runs strong to put it off as long as possible. But if we do not mobilize all-out at once while it may still be possible to prevent a third world war, we will have to mobilize later, when the price will be higher.

The test we face is not America's alone. The whole free world is on trial. Among the nations of Western Europe there are sufficient resources, both of people and industry, to raise an adequate defense against Soviet aggression. What has been lacking has been the will to translate those resources into military readiness. I appreciate how harsh has been the suffering of these people. But the Soviet government, whose people suffered even greater devastation, has ruthlessly put military power ahead of improving living standards. Those who would remain free men dare not do less in defense of peace than the dictators have done in preparation for war.

This is not the time for haggling either among ourselves or with our Allies. Under the North Atlantic Pact all of the signing nations have obligated themselves to form a common defense. Providing for this common defense is not something America alone can do. But ours is the responsibility of leadership. Let us set an example of courage and determination. Then call upon others to match our efforts.

Let us—

1. Achieve unity at home behind a global strategy which recaptures the initiative in the peacemaking from the enemy.

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2. Support that strategy by mobilizing all-out until we have balanced Russia's rearming, losing no time in accumulating sizable reserves of all crucial munitions.
3. Stop inflation and profiteering now.
4. Think through the terms on which we would feel it safe to settle with Russia.
5. Put our defense establishment on a sustaining basis, which requires Universal Military Training, so we can see the peace-making through. Whatever the possible settlement, we still will have to stand guard with ceaseless vigilance.