University of Central Florida
STARS

STARS

PRISM: Political & Rights Issues & Social Movements

1-1-1959

Labor and the cold war

Stewart Meacham

Find similar works at: https://stars.library.ucf.edu/prism University of Central Florida Libraries http://library.ucf.edu

This Book is brought to you for free and open access by STARS. It has been accepted for inclusion in PRISM: Political & Rights Issues & Social Movements by an authorized administrator of STARS. For more information, please contact STARS@ucf.edu.

Recommended Citation

Meacham, Stewart, "Labor and the cold war" (1959). *PRISM: Political & Rights Issues & Social Movements*. 522.

https://stars.library.ucf.edu/prism/522



LABOR and the COLD WAR

by
STEWART MEACHAM

AUTHOR'S ACKNOWLEDGMENT

Friends in the labor movement as well as colleagues on the staff of the American Friends Service Committee have been kind enough to read the manuscript of this pamphlet. I have profited greatly from their comments and criticism, but full responsibility for the finished product is mine alone. It represents my own views and not necessarily those of friends nor of the Peace Education Program of the American Friends Service Committee.

September, 1959

Stewart Meacham

LABOR and the COLD WAR

by STEWART MEACHAM

Published as an educational service by

PEACE EDUCATION PROGRAM

AMERICAN FRIENDS SERVICE COMMITTEE

160 North 15th St., Philadelphia 2, Pa.

CONTENTS

Introduction
I. The Cold War and the Domestic Economy
II. The Cold War and National Security
III. The Cold War and World Economic Development 23
IV. What Can Be Done?
Bibliography

INTRODUCTION

During the last 12 years the United States and the Soviet Union have been engaged in cold war. Cold war is the term adopted shortly after World War II to describe the intense hostile rivalry which burst into life between the United States and the Soviet Union immediately after they had gained military victory over Germany and Japan. Each blames the other for starting the cold war. Each blames the other for continuing it. Each has sought to win the advantage over the other in it. Meanwhile the cold war goes on, with each side offering to call a halt only on terms which it knows the other will not accept.

It is not the purpose of this pamphlet to determine which side bears the major responsibility for starting the cold war, nor even for continuing it. Each side has its "war party" and each side its "peace party." To assess credit or blame accurately is difficult, for we are all involved in the history of our times, and it is not easy to be objective and detached.

But this does not mean that we must live in a state of suspended judgment until a reliable history of this period has been written. The crises of these times will not wait. It is a duty and a necessity to take stock of ourselves now and to see whether the course which we are following is getting us where we want to go. It is the purpose of this pamphlet to assess, the results of 12 years of cold war with the interests and the purposes, the principles and aspirations, of organized labor particularly in mind. During the last 75 years the rise of the American labor movement has been a momentous fact. Labor has fought for a share in the rising national prosperity. Labor has won the legal right to organize and to bargain collectively. Labor's days of struggle have led to periods of substantial growth and massive institutional development.

Today America is a world power and must play a role of responsibility in world affairs. A great deal depends upon the spirit and the character of that participation. As in domestic affairs, so in the foreign policies of our nation, the conscience and the wisest understanding of our true interests as a people must speak out of the mind and heart of America's democratic institutions, including the trade unions.

These are some of the questions with which we shall deal:

- 1. Has the cause of labor been strengthened by the cold war?
- 2. Has the cold war strengthened our domestic economy?
- 3. Has the cold war strengthened us as a nation and made us more secure?
- 4. Has the cold war aided our efforts to promote world economic development?
- 5. Should labor support a new foreign policy?

These questions are certain to excite controversy and debate. But that is all the more reason why the issues must be discussed. Our world is too volatile and the price of error is too high to take anything for granted. Noble intentions are not a safeguard. It is the results that count, and after 12 years of cold war it is time for us to take stock.

THE COLD WAR AND THE DOMESTIC ECONOMY

Has the cold war strengthened our domestic economy? Has the well-being of labor been advanced here at home?

During the New Deal days of the 1930's, the role of the government in industrial relations was radically altered, and the right of the working people to join, form, and assist unions, and to bargain collectively through agents of their own choosing was established in law. Industry could no longer use industrial spies nor engage in acts of intimidation and discrimination against union members. New legislation and new administrative agencies assured workers of legal protection against unfair labor practices. The rule of the ballot box began to supplant the rule of tooth and claw in industrial life. Working people were granted the right of group representation which other elements in society had long enjoyed.

The forward motion of the New Deal was brought to a sharp halt when World War II swept over the United States at Pearl Harbor. As President Roosevelt put it, Dr. New Deal stepped aside in favor of Dr. Win-the-War. Tax concessions and profit guarantees were granted to industry in order to assure armaments production. Government boards took control of the market place and the bargaining table in setting prices, wages, and the other conditions of economic life. Under the pressure of winning the war labor was accorded the form, and at times the fact, of unprecedented opportunity and power. Union leaders headed important government bureaus, plants which had resisted unionism for years signed contracts, employers accepted labor participation in productivity and manpower decisions which had long been the exclusive prerogatives of management.

Many labor leaders thought that with the end of the war a return to Dr. New Deal would occur and the gains of the war years would be carried over into the peacetime economy. They expected the advance of democracy in industry to take up where it had left off when war began. They also thought that a return to a peacetime economy would quickly follow Japanese surrender. But instead of an economy of peace we have had an economy of cold war. Peacetime expenditures on arms have set new records. Emergency war measures have become normal peacetime practices. For more than 12 years the cold war has been the largest single economic fact of our lives. We are spending better than 70 per cent of our entire national budget on arms and armies, past, present, and future. A tenth of all the goods and services we produce are goods and services directly involved in military preparations. A much larger percentage is indirectly involved.

THE ECONOMIC CHARACTERISTICS OF THE GARRISON STATE

Much of the misunderstanding of the economic impact of the cold war period is due to the enormous changes which have taken place in weaponry and in the roles of the United States and the Soviet Union in world affairs.

Many Americans still think of the post-World War II period in post-World War I terms. An article by the management consultant, Peter F. Drucker, in the January-March 1959 issue of <u>The General Electric Defense Quarterly</u> seeks to correct this. He says that the following aspects of modern armaments production are the "new realities" of defense organization:

- a. The specialized nature of present defense production. In World War I 80 per cent or more of the material equipment of armies consisted of standard peacetime goods produced in ordinary peacetime factories. Today, according to Drucker, 90 per cent of the material needs of the military consists of special-purpose equipment which cannot be produced except in special facilities, built for specific military purposes and usable for little else.
- b. New defense technology is based on the very rapid obsolescence of existing weapons. Today a new weapon is likely to be obsolete by the time it reaches the production stage. Military strength rests not on the capacity to produce mountains of weapons that already exist, but on the ability to design and plan the production of weapons which do not yet exist.
- c. Military production has become permanent rather than temporary, and normal rather than emergency. The present military structure requires permanent diversion in peacetime of a large share of the country's productive resources to military production.

NEW ECONOMIC REALITIES CONFRONTING LABOR

These "new realities" play a large and significant role in the economy as a whole.

Industry is relying more heavily on government military business than it ever has before in the time of peace. The sheer volume of military business is staggering. Since the end of World War II, U. S. military expenditures have exceeded \$450 billion. At the present time these expenditures are over \$45 billion each year. According to former Secretary for Air, Thomas K. Finletter, the air force has become "the world's biggest business." Its assets are larger than the combined resources of General Motors, A. T. & T., Standard Oil of New Jersey, General Electric, and U. S. Steel. The total value of the property of the Department of Defense throughout the world is estimated at approximately \$150 billion. Never before have governmental expenditures in peacetime approached present outlays for arms. According to Prof. J. K. Galbraith, "Even at their post-war low in fiscal 1948, military outlays were greater than all federal spending in the pump-priming days of the New Deal."

In 1951 the United Nations Economic Survey of Europe predicted that the defense expenditures of the Soviet Union and the United States taken together would soon equal or even exceed the aggregate national incomes of all the underdeveloped countries of the world. In 1957 a study document prepared under the direction of a special committee of the U.S. Senate estimated that the living standards of the underdeveloped areas of Asia (excluding China), the Near East, and Africa could be raised three or four per cent each year with an outlay of \$3 billion of outside capital annually. The United States is spending 15 times that amount each year on arms.

These enormous outlays represent a major source of business for key industries and industrial areas of the United States. In a year-end report on the aircraft industry, President Dewitt C. Ramsey, of the Aircraft Industries Association, said on December 26, 1955, that the aircraft industry had become the nation's second largest employer with an average work force of 750,000. The report went on to say that between 85 and 90 per cent of the industry's business was derived from military contracts.

Defense business is concentrated. The big companies get the lion's share. A report of the Senate Armed Services Committee in October, 1955, listed the 100 largest defense contractors for the period from July, 1950, through the end of 1954. These 100 companies received 63.3 per cent of the total defense business awarded by the Defense Department, a total of \$62,767,600,000. Heading the list was General Motors with a total of \$6.66 billion. General Electric came fourth with \$4.33 billion. General Dynamics had \$3.5 billion, American Telephone and Telegraph Company had \$2.25 billion, Chrysler Corporation had \$2.1 billion, and Ford Motor Company had \$2.08 billion. Of the first 17 companies on the list, 11 were aircraft companies with a total of \$33.5 billion distributed among them. The second largest aircraft participant, United Aircraft Corporation, reported in March, 1958, that it finished 1957 with nearly \$2 billion in unfilled government orders as compared with \$2.3 billion for the previous year.

These companies consume much of the country's basic metals and electronic equipment. They and their suppliers represent the core of U.S. industrial life. The vast proliferation of service and subsidiary occupations and activities which make up the bulk of American commercial life are directly dependent upon the economic health of these industrial giants. The degree to which a typical company is dependent in turn, upon military contracts is indicated by an article in Fortune of February, 1959, in which President Frank Pace of General Dynamics is quoted as saying that the vast industrial complex over which he presides relies on government military contracts for 90 per cent of its entire production.

These giant enterprises do not fail to influence the people whom they employ and the communities in which their operations are located. As they rely on military contracts for their business and commercial life blood, they commit communities and entire regional areas to a dependence upon armaments production. Such cities as Seattle, Wash., Wichita, Kan., and Schenectady, N. Y., and such areas as Southern Michigan and Southern California would become economic disaster areas if peace suddenly "broke out" and a rapid and unplanned reduction of armaments production followed.

In his analysis of modern weapons production, Peter Drucker warns against encouraging "the growth of a substantial number of businesses which have no other business than defense production," and allowing "the development of defense production regions in which defense business is the mainstay of the regional economy." But he does not tell us how this is to be avoided (indeed, we are already in the midst of it) since he assumes that the dynamics of cold war will continue to operate during the next decade as they have during the one just ending.

This new dependence of the national peacetime economy upon military expenditures has had its effect upon the nature of the management and control of basic industries. The changes brought about are of the greatest importance to the wage earners who comprise the membership of the powerful trade unions in steel, aircraft, automobile, electronics, communications, and oil.

A most significant development, which has as yet received only slight attention from Congress or the press has to do with the wide influx of high ranking military men into the upper echelons of the management structure of defense industries. Care has not been taken to camouflage efforts of some armaments companies to recruit retiring admirals and generals. North American Aviation, Inc., for instance, a company which stood in sixth place on the list of 100 largest defense contractors referred to above, having had \$3.6 billion in military orders over a three and a half year period, once ran an advertisement in The Wall Street Journal offering a job as "military advisor" to an officer "with the rank of Air Force colonel, Navy captain, or higher." The ad specified that "experience on the joint staff of the Joint Chiefs of Staff is desirable." A North American official subsequently testified before a congressional committee that 70 high ranking officers replied to the ad.

The list of former military men of high rank who since retirement have been employed by companies engaged in war production is both long and distinguished. Among them are:

General Omar N. Bradley, Bulova Watch Lieutenant General Levin H. Campbell, International Harvester General Lucius D. Clay, Continental Can Lieutenant General Leslie Groves, Sperry Rand General Douglas MacArthur, Sperry Rand Major General Joseph T. McNarney, General Dynamics Lieutenant General Ira C., Eaker, Hughes Tool General Jacob L. Devers, Fairchild Engine and Airplane Admiral Ben Morrell, Jones & Laughlin Steel Major General Edward M. Power, Curtiss Wright General Walter Bedell Smith, American Machine and Foundry General B. W. Chidlaw, Thompson Products General Matthew B. Ridgway, Mellon Research Rear Admiral Lawrence B. Richardson, General Dynamics Rear Admiral Malcolm B. Schoeffel, General Precision Equipment Admiral Robert Carney, Westinghouse Electric Major General Harry C. Ingles, Radio Corporation of America Major General Frederick M. Hopkins, Cleveland Pneumatic Tool General A. C. Wedemeyer, Rheem Manufacturing Lieutenant General Clarence S. Irvine, Avco Manufacturing

The above list includes the commanding general of the allied ground forces in Europe, a former chief of ordnance, a former military governor in Germany, the former head of the Manhattan Project which produced the first A-bombs, the allied commander-in-chief in the Pacific theater, a former under-secretary of state, a former commander of U. N. forces in

the Korean War, a former chief of naval operations, a former chief signal officer of the army, and a former air force deputy chief of staff.

At a recent hearing of the House Armed Services Subcommittee, Senator Paul H. Douglas testified that a study conducted by him revealed that 769 retired military men with the rank of colonel or higher are on the payrolls of 88 corporations getting military orders from the government. According to Senator Douglas the companies carrying these 769 former officers on their payrolls get three-fourths of the government's military procurement business. Senator Douglas's list was admittedly incomplete since he did not succeed in getting the names of ex-officers employed by General Motors, Pan American Airways, and the Standard Oil Companies of New Jersey and of California.

Many of the larger armaments producers employ whole batteries of former military men including ex-generals and ex-admirals. Lockheed Aircraft has 20 ex-admirals and 2 ex-generals, General Dynamics has 17 ex-admirals and 7 ex-generals, Westinghouse Airbrake has 39 former officers, General Electric has 35, Westinghouse Electric has 33, Boeing Aircraft has 30, General Tire has 28, and North American Aviation has 27. These officers draw their government pensions in addition to their industrial salaries. Men of five-star rank are kept on full military pay of about \$20,000 per year and get their industrial salaries as well. In some instances salaries exceed \$100,000 per year.

The role of these ex-military men in the upper echelons of giant armaments companies has become a matter of public concern since very few military contracts are awarded on a competitive basis, and most of them do not specify a fixed price, but are "cost-plus." This means that the pressure is off a contractor to keep costs down, for the higher the costs go the higher will be the yield from guaranteed "cost-plus" profit margins. In January, 1956, Chairman Carl Vinson of the House Armed Services Committee disclosed that from January, 1953, to June, 1955, 94 per cent of the \$36.33 billion in defense contracts were negotiated secretly rather than awarded by competitive bidding. Senator Douglas stated on the floor of the Senate on July 1, 1957, that the percentage of negotiated contracts was 92 per cent for the period from January 1 through September 30, 1956. More recent estimates have placed the current dollar volume of negotiated contracts at 86 per cent of the total defense expenditures. These same estimates place the cost-plus fee contracts at 94 per cent of the total.

This influx of high-ranking military men into the ranks of industrial management at a time when vast streams of public money are being poured into the treasuries of the companies over which they preside ought to be examined. The public interest is involved, especially since the government's representatives in defense contract negotiations are usually men of the Pentagon who will also one day retire and become available for high salaried jobs in private industry. Even with the most rigid standards of personal integrity, this situation would create conflict of interest problems.

Brief hearings have been held by a subcommittee of the House Armed Services Committee inquiring into the relationships between ex-generals

and ex-admirals of industry and the Pentagon procurement officers with whom their companies deal.

Such an esteemed figure as General Omar N. Bradley, himself an industrial board chairman with a \$75,000 yearly salary from private industry, in addition to his \$20,000 military pay, testified that he had never attempted to obtain a contract from the Defense Department, but he thought that remedial legislation probably was needed to cover cases where "a high sense of ethics" is not being observed. Vice-Admiral Hyman G. Rickover, the Navy's nuclear power expert, went further. He stated that he had been subjected to pressure by retired military officers seeking military contracts for private companies. At the insistence of the subcommittee chairman, Rep. F. Edward Hebert, Rickover supplied names which were kept secret. He did not specify publicly the kinds of pressure applied.

A high official of Martin Aircraft Company told the subcommittee how his company has flown high military officers to a country club in the Bahamas for week-end parties at company expense. He said that these trips brought Martin officials into "closer relationships" with military officers, and he said that "all business is done on close personal contacts."

Actually it would be strange if under the circumstances there were not cases of failure, as General Bradley put it, to observe "a high sense of ethics." The rewards are astronomical and the personal risk is non-existent. At the famous court-martial of Col. John Nickerson, growing out of his charges that the Defense Department is riddled with lobbyists, he testified that "high-ranking officers of the Air Force, including general officers, got to thinking about retirement and a job as head of missile research with Lockheed or some other firm....Eighty-five per cent of the aircraft sales are with the government. These firms put pressure on Secretary Wilson through the joint chiefs of staff, through Congress, and through direct contacts by representatives of the aircraft industry with all levels of the Pentagon."

The day after Col. Nickerson gave this sensational testimony he was taken off the witness stand and the court-martial was abruptly brought to an end.

A fuller and no doubt a more balanced picture of the relationship between the Pentagon and defense contractors is supplied by the previously mentioned Fortune article on General Dynamics. It carried the eyebrowraising title "General Dynamics vs. the USSR." According to this article, General Dynamics Company, under the leadership of its president, Frank Pace, Jr., has in five years seen its stock soar in value from \$40 a share to five times as much, considering splits and dividends. Eighty-five per cent of its business is military. Its largest division is Convair which has produced the Atlas missile, the B-58 supersonic jet bomber, the F-106 jet interceptor plane, and is working now on Wizard, an anti-missile missile.

Frank Pace, himself a Pentagon product, having been Secretary of the Army under President Truman, presides over an industrial empire which has 54 retired military officers on its payroll including 17 ex-admirals and 7 ex-generals.

The interesting and revealing things is <u>Fortune's</u> description of the operational relationship between General Dynamics and the military wing of the government. No longer does the government go to industry and place orders for certain types of weapons. The whole science of weaponry today is so technological that the military really has only a foggy idea of what weapons it may need. Left to their own resources, the generals and the admirals would probably continue to order more of what they already have and hope for the best.

General Dynamics' alternative to this horse-and-buggy approach is to tackle the problem of military weapons needs from the ground up. They start with a thorough analysis of all technological and operational factors and develop entire weapons systems in a single, coordinated effort. This requires a small army of researchers and scientists employed by the company. Of General Dynamics' 92,000 employees, 22,000 are in engineering, scientific, and technical categories.

This weapons system approach involves three main steps:

- General Dynamics decides what kind of weapons systems the government needs.
- (2) It educates Pentagon representatives so that they may understand what their future needs will be.
- (3) It accepts the Pentagon's contract to develop and produce the new weapons systems which their research staffs have conceptualized.

General Dynamics' John Naish, in charge of the Convair Division, is quoted as saying regarding the development of the B-58 supersonic bomber, "First we had to dream it up, then sell it, then operate a Poor Man's State Department to get the cooperation of other contractors."

The weapons system approach requires basic and applied research not only intechnology but also in the entire field of military operations. Enemy capabilities must be studied and analyzed, future wars must be visualized, and new methods must be developed to fight them. Bright young men are employed to make theoretical analyses of problems raised by possible wars of different types, from all-out holocausts to limited wars, brush-fire wars, and on-again off-again wars of the Quemoy type. At the same time the physical and psychological human capacity to stand up to the stress and strain of supersonic speeds, and gravity-free outer space travel, is tested.

This type of sociological and psychological research produces concepts about wars and weapons which determine the nature of the weapons systems around which American industry and American foreign policy are now organized. Fairly understood, the relationship between the men of the Pentagon and those ex-generals and ex-admirals who now hold positions of high responsibility in the munitions firms, takes on quite a different character from the two-dimensional picture suggested merely by listing the names of ex-officers working in industry, and describing profits from "costplus," negotiated contracts, and large salaries. Those things are merely incidentals. The fact is that the nature of modern weapons production is

such that even if all the ex-generals worked incognito, without pay, and had no contact with their former Pentagon colleagues, the Pentagon officials responsible for armaments procurement would still be forced to rely on companies like General Dynamics, not only for their weapons, but also for knowledge of what kind of weapons they need, how much they will cost, and how long it will take to get them. The military tie binding the men on both sides of the table in contract negotiations sessions may wrongfully influence, in some instances, the allocation of a contract or the amount the government must pay. But the more alarming fact is that the pressures of today's highly technological arms race have taken the initiative and the power to make the crucial decisions out of the hands of responsible government officials and placed it in the hands of technicians, planners, and scientists employed by vast industrial empires and charged with responsibility for their employers' interests. It is their job to dream up new weapons systems and persuade the military that the future of their military profession, as well as the country, depends upon buying what they have dreamed up. They prosper personally and professionally, and their employers become industrial giants only if these weapons system scientists have lively imaginations. Thus both the military men and their industrial counterparts acquire a vested interest in ever larger defense expenditures, ever more intricate and costly weapons systems, and ever larger weapons-producing industrial combines. Without continuing growth and expansion, the dynamic new industrial weapons companies could not develop and produce the deadly and ever more elaborate weapons systems which their research specialists are hired to formulate. And without such formulations the high brass of the Pentagon would soon lose confidence in their own profession. War today is a staggeringly futile and self-defeating business. Once our weapons development were halted, sanity would assert itself and pressures for a roll-back of armaments would become overwhelming. Only by a constant process of scrapping what has been produced and pressing on to produce something better (that is, more lethal) can the military illusion be maintained among the generals and admirals (to say nothing of the population as a whole) that a military solution to our problems of security and survival is still possible in this nuclear-missile age.

For companies like General Dynamics, and for the generals and the admirals on both sides of the contract negotiations table, secrecy, international tension, and a volatile weapons technology are the three pillars on which their whole existence rests. So long as cold war fears are high, so long as official secrecy forbids full revelation of the facts surrounding the expenditure of vast sums on what the military and weapons manufacturers privately agree is worth spending money on, so long as yesterday's failures and successes alike can be swept into the dustbin of weapons obsolescence, just so long can our garrison state economy churn its merry way. This can go on so long as the devices which the weapons manufacturers are producing do not get put to actual use. When that happens it will be the end.

The garrison state economy is a weapons centered economy. Research, development, and manufacture of weapons is the central dynamic that drives our largest industrial combines around which all the other segments of the economy are clustered, and upon which the health and growth of the rest of the economy has come to depend. Weapons manufacturers do business in ways that have little similarity to the normal conditions of peacetime commerce.

- a. The bulk of their business is with a single customer possessed of an inexhaustible purse.
- b. There is a nearly complete identity of interest between themselves and agents of the customer with whom they do business; neither could get along without the other.
- c. They are not held to tight standards of quality and performance of product, but rather to a limitless capacity to think up new things to build.
- d. Though they have easier access to the public purse than has ever been known before in our history, they make no accounting which the public and its elected representatives can understand and evaluate.

There is little wonder that the stock market takes a nose dive every time there is the slightest threat of disarmament and peace. Their whole multibillion dollar house of cards is threatened by every peaceful breeze.

Automation, which could be a healthy development and a great boon to working people, is introduced rapidly and without necessary social controls. Even if the world were at peace and the arms race had never happened, modern technology would be producing new ways to manufacture more goods with less expenditure of human effort. Developments in the field of electronics mean that the machines of industry can now be operated, corrected in their performance, and supplied with the parts and materials they need, without large armies of human machine tenders but by electronic controls which, under the surveillance of a few trained technicians, operate more efficiently and at far higher speeds than the eye, mind, and hand of a person. The development of the vast new productive capacities which this makes possible has enormous potential for the well-being of mankind. In a stable society, organized and balanced to permit all segments of the society to have a fair share in the benefits of technology, automation would result in shorter hours of work, higher wages, more leisure time, and a broad extension of opportunities for educational and cultural development in an atmosphere of economic security. We could be knocking on the door of man's ancient dream of peace and plenty. The necessary productive capacities are at hand and they are being developed rapidly.

The realities of cold war, however, are quite different from the possibilities of a peacetime economy. Though automation is being developed at a rapid pace, the benefits to labor are strangely lacking. Indeed, instead of benefit, there is injury. Jobs in basic industry are shrinking, even though production remains stable or goes up.

In December, 1958, automobile output was only four per cent less than it had been in December, 1956, but there were 20 per cent fewer automobile workers employed. Between 1957 and 1958 telephones of the Bell System in the United States increased 2.5 million, and there was a 4.4 per cent increase in local phone calls and a 5.3 per cent rise in long distance calls. During the same period Bell System employment fell by 67,713, or 8.5 per cent below the 1957 figure.

During the 1958 recession steel production sagged to less than 50 per cent of capacity. There was widespread unemployment in the steel centers. Then, during the first six months of 1959, steel production rose rapidly as the industry and its customers stockpiled steel in anticipation of a midyear steel strike. Even so, employment in April, 1959, was 35,000 less than in the previous high production period of 1955, and it was even less than in the depression year of 1937, when steel production was less than half the 1959 level. During the 20 years 1939 - 1959 steel output per manhour rose 87 per cent. This spectacular rise in productivity, plus an extensive post-World War II development of new steel plants, has provided the steel industry with production capacity substantially in excess of the steel requirements of the economy. In early 1959 the steel industry began an all-out push to produce and accumulate steel stockpiles in anticipation of a mid-year strike. During the next six months enough steel was produced to last the American economy for ten months of what promises to be a boom year.

According to a recent survey conducted by The Wall Street Journal (as this is written the strike is in its seventh week) even the automobile industry reported enough steel in hand to last through two months of new model production this fall. Still more recently the same newspaper, on August 26, 1959, reported that warehouse inventories of steel had been only slightly affected by six weeks of strike. Stocks had fallen from 3,700,000 tons to 3,125,000 tons. This meant that the steel-using industries had not yet had to look beyond their own stockpiles for industrial steel.

What is true for the steel, automobile, and communications industries is true for industry as a whole. Since 1951 production of durable goods has increased by 27 per cent, while the number of workers employed in this production has dropped by more than half a million. No less an authority than <u>Dun's Review</u> said in July, 1959, "Current output exceeds that of five years ago, although the number of production workers in manufacturing is down from 1954."

The effect of this rising productivity and excess plant construction on the bargaining power of labor is obvious. Unemployment and partial employment, for example, has become chronic in the steel industry, except for those short bursts of speed when an accumulation is being made to use as a weapon against labor at bargaining time.

Public subsidy of private industrial expansion through tax concessions. The rapid and uncontrolled introduction of automation into American industrial life has been made possible by the public funds which the cold war has made available to private industry in the form of tax concessions on the rate of depreciation in value of new plants. Without going into the technicalities, it is sufficient to point out that in December, 1956, a staff report of the Joint Committee on Internal Revenue described the rapid depreciation tax schemes as "a form of special government assistance to private manufacturers, or, bluntly, a subsidy." As early as 1951 the Dawson Committee reported that rapid tax depreciation was "the biggest bonanza that ever came down the government pike." And in December, 1958, The Wall Street Journal reported that the rapid depreciation laws of 1954 were "acting as a great new source of capital funds."

In May, 1957, former Secretary of the Treasury George Humphrey testified before the Senate Finance Committee that up to that time tax depreciation certificates had been issued for 22,000 construction and development projects of private industry costing \$39 billion. More than \$5 billion in withheld taxes was allowed. To make up for the loss of revenue caused by these withholdings, Secretary Humphrey estimated that the government would eventually pay \$3 billion in interest costs.

A case in point is the great Fairless steel mill at Morrisville, Pa. According to a speech on the floor of the House of Representatives by Congressman Michael J. Kirwan, tax depreciation allowances on this one plant totaled \$450 million. This plant is probably the most modern steel producing facility on earth. It has added substantially to the excess steel producing capacity of the steel industry of the United States, a capacity which is now being used to teach the steel workers and their union a lesson in the economics of cold war.

These schemes were originally adopted as Dr. Win-the-War measures, through which government secured the full cooperation of industry in war production during the early days of World War II. In 1950, when the Korean war started, this subsidy program was revived, and it was carried over into the post-Korean war period by legislation passed in 1954 by the 83rd Congress. This legislation allowed depreciation provisions to apply not only to defense industries, but also to non-defense industries.

Though these tax subsidy "war babies" are justified on the ground that new plants for private industry are necessary to keep America militarily strong, they have been used and are now being used to weaken labor's position. No matter what else may be shown by the steel strike of 1959, it cannot be denied that the steel industry's capacity to make all the steel our economy can use and yet stay shut down for months on end, is demonstrated convincingly. Industry can hold no heavier whip over those whom it employs. Industry would not have had this whip except for the tax concessions justified first by hot war and then by cold war.

The administered price. Much was said during the 1958 recession about the phenomenon of the administered price whereby prices are set not by competition, but by affixing a profit margin over costs and pricing the individual items accordingly. This discussion still continues. Some deny that there is such a thing as administered price. Others say that it is nothing new. Some say it is economically desirable and others yearn for the free market place where prices follow consumer demand.

Senator Estes Kefauver, Chairman of the Senate Subcommittee on Antitrust and Monopoly, has reported convincing evidence regarding administered price practices and the effect on labor both in time of depression and in time of boom. Kefauver describes the administered price practices as a "restrictionist policy of modern big businessmen under which price increases are made in the face of falling demand and substantial excess capacity." He comments, "A price policy which puts more money in the pockets of the producers while at the same time further depressing an already reduced level of demand and employment does not have much to commend it."

As examples of how the policy works in practice, Senator Kefauver has cited the following:

- (1) Inflated profits. In July, 1957, an adjustment in steel wages was followed by price increases of steel. The wage boosts amounted to \$2.50 or \$3.00 per ton of finished steel. The price increase was \$6.00 a ton, more than twice the amount needed to cover increase wage costs. Actually, other factors, such as the falling price of steel scrap on a declining market, were more than enough to offset the cost of the wage increases to the steel companies. But prices were boosted anyway, with the result that steel industry net profits per ton hit an all-time high of \$17.91 for 1957. This was an increase of \$3.45 per ton over the previous year and it touched off other price rises throughout the economy.
- (2) The elimination of price competition. When U. S. Steel raised its prices in 1957 nearly all the other steel producers did the same thing by exactly the same amount. This was explained by the industry as "meeting competition." At one point in the hearings conducted by the Subcommittee, Senator Kefauver asked Mr. Roger Blough, Chairman of the Board of U. S. Steel, "Mr. Blough, do you regard it as true competition when another company matches your price to a thousandth of a cent per pound, or you match some other company's price to a thousandth of a cent per pound? Wouldn't it be more competitive if there were at least some difference in these prices?"

Mr. Blough replied, "My concept is that a price that matches another price is a competitive price. If you don't accept that concept, then, of course, you don't accept it."

(3) Price rises in the face of falling demand. Senator Kefauver says that the administered price industries work it both ways. If demand increases, they raise prices because of the "pressure" of demand on supply. If demand lags, "they raise prices because costs have risen, as overhead costs are spread over a smaller number of units." He cites the statement of the retiring president of the American Paper & Pulp Association in February, 1959, who said, "The nation's paper makers will be forced to raise prices if operations continue to lag."

Since lagging demand means declining production and rising unemployment, a policy of administered prices means that profits continue to go up as the buying power of the wage earners and those on fixed incomes shrink. According to the August 19, 1959, fact-finding report of Labor Secretary Mitchell on the steel strike of 1959, the wage-employee labor cost per ton of steel dropped from \$47 in 1958 to \$44 in 1959, while the realized price per ton rose from \$171 to \$173 during the same period. Meanwhile, profits in all of industry were reaching new highs. According to The Wall Street Journal, the corporate profits for the second quarter of 1959 achieved "the largest gain for any three months, compared with a year earlier, since this newspaper began compiling records for several hundred companies, quarter by quarter." An analysis of 428 companies showed second quarter profits in 1959 jumping 75.6 per cent over the previous year. Leading participants in this profit-taking bonanza were automobiles with a 300

per cent increase in profits, steel with 163 per cent, mining and metals with 123 per cent, railroads with 148 per cent, chemicals with 74 per cent, and rubber with 64.5 per cent. Meanwhile, the situation of the unemployed was far less rosy. From a recession figure of 5.1 millions unemployed in April, 1958, the figure had dropped to 3.6 millions in April, 1959. This was still 900,000 higher than the pre-recession figure of 2.7 millions unemployed in April, 1957.

Industry is able to free itself from the controls of the market place and write its own price ticket to the extent that there is concentration of industrial control, and access to huge resources insulated from the exigencies of the free market. The coldwar has accelerated monopolistic tendencies and has supplied vast, market-free, financial resources, as we have seen above.

It is precisely in the industrial sectors where the cold war has its most direct ties that the institution of the administered price is most deeply entrenched. Gardiner Means, the father of the theory of the administered price, has charted U. S. price trends by industry from 1953 to 1957. During this period the industries which are still relatively remote from defense business, such as textiles, farm produce, lumber and wood, hides and leather, and processed foods, were competitive and reacted to the rise or decline in demand. Prices in the mixed industries, where there is more centralization but still no strong military influence, such as fuel and power, furniture, and chemicals, went up, but less than ten per cent. Prices in the armaments producing sectors of the economy, including metal products, machinery, automobiles, aircraft, missiles, etc., soared nearly 20 per cent. This was in the teeth of a general market trend of lower consumer demand. It could only have happened if the industries involved were heavily engaged in highly lucrative business which was far removed from the effects of the open market on prices. That precisely is the situation of the large armaments producers, for it is they who get the bulk of the secretly negotiated cost-plus defense contracts with their guaranteed high profits. The tens of billions in defense contracts which are concentrated in the hands of the large aircraft, electronic, shipbuilding and vehicle combines each year are the backbone of the economic power that permits the power elite of modern industry to raise prices as demand falls, and to ride out each new recession confident that new weapons contracts, and new dreams of super weapons on their drawing boards will stimulate ever larger defense appropriations.

THE NEW POWER RELATIONSHIPS OF COLD WAR ECONOMICS.

Labor has its modern dream of an automated heaven where the old hobo song about the big rock candy mountain will be realized in terms of a four-day or even a three-day week, with everyone able to own his own home, car, and boat, send his kids to college, and retire while still young on a pension of \$400 a month. There is nothing wrong with this dream. It is good. We ought to have it. The productivity of modern industry, and the potentials just ahead bring such dreams into the realm of possibility for all people everywhere. But the possible is not going to become probable so long as the realities of economic power which are generated by the cold war divert the attention of the people from their hopes to their fears and

rob them of the capacity to realize what their own abilities place within reach.

The labor movement in the past has made substantial contribution to the realization of the dreams of working people. The sweat shops of the clothing and garment industry have been transformed by unions. The goon squad practices of the automobile and rubber industries have been replaced by collective bargaining. The terror imposed on coal miners and steel workers by the private industrial police of 40 years ago is now a nearly forgotten chapter of history. These changes came because unions achieved power and used it in a responsible way. Today also there cannot be changes unless there is a new acquisition of power by the people and a responsible use of it in the interest of humanity. Automation may be an instrument but it will not be used for the good of society automatically.

The cold war has placed enormous economic power in the hands of a small number of scientists, engineers, industrialists, and military men who collaborate in private about how billions of dollars shall be spent on weapons. Labor has little or no part in their deliberations. It may be a prestige factor for a labor leader to be taken on a highly confidential tour of restricted weapons testing areas. But the basic decisions affecting the economy are being made without labor being consulted.

The cold war has placed a large excess plant capacity in the hands of private industry, and given industry power over labor in collective bargaining matters. To accept the conditions of the cold war is to accept the system that creates the new power situation.

In 1958 a tragic accident took the lives of two civilian mechanics at a Nike missile base in New Jersey. The widow of one explained why her husband had requested a transfer from repairing automobiles to modifying Nikes, saying, "We thought there would be more security in missiles because they seemed to be the coming thing." In the big missiles tool-up of 1959 the entire labor movement, and indeed our entire economy, is acting in the same way, and faces the same tragic possibility.

In many ways the cold war has served unions well. Their institutional and financial situation is strong. They have more members than ever before. Strikes and bargaining may drag out, but usually there is no threat of strike-breaking and no doubt about the end result, give or take a little.

But so far as participation in basic economic and political decisions is concerned, the cold war has dealt the unions out rather than in. Today we are told that we must make every sacrifice to catch up with Russia in missiles or to keep pace with her nuclear development. But it is not clear who will be asked to sacrifice what. The unions are supposed to sacrifice their wage increases. The fixed income people are supposed to tighten their belts in the face of administered price increases. The farmers are urged to sacrifice their parity protections. But what of the industrial giants and the weapons systems makers? Will they sacrifice the cost-plus features of their contracts? Will they forego their tax concessions? Will their directors and managers apply wage and salary restraint to themselves? Will they abandon their collaboration on prices and profits? Let us be realistic. Not so long as they can help it; and, thanks to the power relationships of cold war, they can help it.

THE COLD WAR AND NATIONAL SECURITY

It is a tribute to the people of organized labor and to their leaders that, generally speaking, individual or group interest is not the controlling factor in deciding conduct or policy where issues of national security are at stake. Even though it be true that the cold war works to the disadvantage of labor, if it is also true that acceptance of the conditions of cold war is a requirement of loyal and patriotic citizenship, there can be little doubt what most working people and most unions would do. They would accept it. Indeed, that is precisely what they have done for the past 12 years and that is what they are doing today.

But has the cold war actually strengthened us as a nation and made us more secure? That has been our declared purpose from the start of the cold war. We have felt that our interests have been threatened by the Soviet Union, and we have been told that we must wage the cold war to achieve a position of strength so that we could deal with her effectively and peacefully. The cold war has been our bid to win peace through strength. That has been our purpose. But how has it worked out? Has the cold war made us strong?

If weapons bring military security, we should be the most secure people of all time. If we had had in 1941 the weapons we have today, World War II could have been won in a week. At the end of World War II we had block-buster bombs which exploded with the power of ten tons of TNT. Today a single H-bomb is two million times as powerful as one of those World War II monsters, and we have them stockpiled in massive quantities.

At the end of World War II our submarines had practically wiped out enemy shipping. Our submarine fleet was made up of conventional craft which had to surface at night to recharge their batteries. They fired torpedoes only slightly improved over the World War I brand. Today our nuclear submarines can stay submerged for weeks at a stretch, and they soon will fire missiles with nuclear warheads. In future war not only surface ships, but cities hundreds of miles from the sea will be easy submarine targets. This will be true both of Russian and American cities, but Russian cities are far from the oceans, while most of ours are on or near the sea.

At the end of World War II massive fleets of long range bombers could carry thousands of tons of explosives a thousand miles and drop them on the helpless cities of the enemy. Scores of cities were wiped out. Today the speed and range of these great ships have been doubled and trebled, and we are now moving into the period when even the fastest and most powerful bombers will be obsolete because intercontinental ballistic missiles capable of speeds of 18,000 mph will be on their launching pads, ready to be fired at targets six or eight thousand miles away. These ICBM's will carry H-bombs, each one of which has greater explosive power than all of the bombs exploded in all of the wars from the beginning of time down through the end of World War II! In another world war we must expect that nations will die.

Our weapons strength is enlarged by military pacts and alliances with more than 40 countries which provide us with military bases located in a vast global arc encircling the communist countries, giving us the means of attacking strategic targets quickly and from many directions.

In short, we have the weapons to destroy anything we want to, and to do it quickly. Still we are not secure. Instead, as our military strength has grown we have become less and less secure.

These are the reasons:

- 1. The Problem of Soviet Power. The Soviet Union also has vastly destructive weapons. Her bombs are as big as ours. Her bomber fleets are as fast and powerful as ours. Her long range missiles are more powerful than ours and she reportedly is months or years ahead of us in quantity missile production. Her submarine fleet is larger than ours, the largest ever built. Missile experts say that even with a maximum effort it would take us five years to catch up with Russia in missile production and development, and they are not able to guarantee that we can do it even then, for Russia may continue to move ahead as rapidly as we do.
- 2. The Nth Power Problem. Soon, unless there is a universal ban on nuclear tests, instead of three countries possessing nuclear weapons, many nations will have them. According to a recent report, 12 countries not now possessing nuclear weapons will be able to produce their own within five years. This will greatly increase the danger of war. International control of armaments and nuclear tests will become nearly impossible. The danger of irresponsible provocation will increase. Tottering governments always are tempted to risk desperate adventures and ours is a time of tottering governments.
- 3. War by Accident or Mistake. As missile weapons are developed and deployed around the earth the danger of war being touched off by accident or mistake will increase. Obscure soldiers in remote places will be required to read their radar screens accurately and decide in minutes whether to launch their missiles or hold fire. Time will be all-important. Attacking missiles will reach their targets in a matter of minutes. Wild geese, meteors, or orbiting space vehicles can be mistaken for attacking missiles. Men under the strain and tension of having to make hair-trigger judgments may suffer nervous collapse. A single mistake, a single lapse of judgment by a missile launching control post can ignite the flames of total nuclear war.
- 4. Suitcase Bombs and Sneak Attack. Nuclear scientists have declared that "suit case missiles" may already be "planted" in the cities and the industrial areas of the world. Highly portable "suit case" bombs have been developed which explode with the force of thousands of tons of TNT. An intransigent dictator of a small nation, with little to gain from peace and little to lose from chaos, could plant a bomb and start a war. A routine smuggling operation and a secondhand truck is all the organization and equipment he would need. It could be done in such a way as to leave the victim country guessing as to the true identity of the culprit. War could come without anyone knowing who had started it. But that would not make the initial blow any less terrible nor the ensuing war any less devastating.

5. The Danger of Nuclear Tests. Even the developing and testing of nuclear weapons is a hazard to world health both now and for generations to come. Every nuclear explosion creates radioactive fallout. Some of the radioactive materials are short-lived, but some remain active for months or years. One of the most dangerous is strontium 90 with a half-life (the length of time it takes for half of its strength to rot away) of 28 years. Strontium 90 is like calcium. It is taken up through the soil into the grasses that cows eat or it settles on the blades of grass after it has been washed down out of the sky by rain or snow. It gets into the milk and when the milk is drunk the strontium 90, like calcium, is taken into the bones and is accumulated and stored there, remaining radioactive for years. Before the first nuclear explosion there was no strontium 90 in our atmosphere, soil, or seas. Today, thanks to nuclear explosions, everyone on earth has it stored in his bones. Children are affected more than adults because their bones are growing. Just as they require more calcium than adults, so their bodies store more strontium 90 than the bones of adults do.

Strontium 90 can cause leukemia and other forms of cancer. No one is quite sure just how much strontium 90 it takes in a given instance to cause leukemia, nor can any particular case be identified as to the cause. Only a small proportion of all leukemia is thought to be caused by nuclear fall-out radiation. But leading scientists meeting at Pugwash, Nova Scotia, estimated in the summer of 1957 that the tests up to then would probably cause 100,000 leukemia and cancer deaths before the radioactive materials which had been released into the atmosphere would have rotted away. This represents only a small fraction of a per cent of all the deaths due to cancer that will occur during the next several generations. But as Prof. Harrison Brown of the California Institute of Technology has said, "We would not dream of lining thousands of people against a wall and shooting them down in order to test a new machine gun. But this in effect is what the U.S., the U.S.S.R., and the U.K. do when we test these fantastic new weapons."

Nuclear tests not only injure the present generation but also damage babies yet unborn. Some of the rays caused by nuclear tests reach the gonads and affect the genetic materials which are essential to human reproduction. Genetic mutations (changes in the reproduction cells) occur as a result. These mutations are usually harmful, causing either injury or death. Even when genetic damage is slight, it is passed on from one generation to the next, producing an accumulation of life damage through many generations.

There is general agreement that the percentage of births affected by genetic damage from fallout radiation so far is slight. But the same scientists who estimated that the nuclear tests conducted up to the summer of 1957 would cause 100,000 cases of leukemia, predicted a like number of deaths eventually from harmful genetic mutations caused by those same nuclear explosions. Since that time our government has conducted extensive tests, both in the South Pacific and in Nevada, and Britain and the Soviet Union have engaged in somewhat fewer tests. These tests of 1957 and 1958 have doubled the load of radioactive materials in the stratosphere. This means that even more deaths from leukemia and genetic injury will occur than was predicted at Pugwash two years ago.

Indeed, as scientific knowledge is extended the warning of nuclear fall-out dangers becomes more and more ominous. For instance, it was learned in 1958 that each nuclear explosion (even including the so-called "clean" H-bombs) releases carbon 14, a dangerous radioactive material which attacks the chemical bonds of human cells. At first this danger was minimized by the AEC and other supporters of nuclear tests. Today it is widely accepted as one of the most hazardous of the byproducts of nuclear explosions. And in 1959 it was admitted by the AEC that radioactive materials released by nuclear explosions return to the earth much faster than had been thought. This means that the soil, vegetation, and animal life of our world (that includes all of us) receive a heavier and a more varied radioactive attack from the materials thrown off by nuclear explosions than previous calculations indicated.

Thus we live under two nuclear perils: swift destruction of all life on earth from total nuclear war (there are some scientists employed by the armed forces who claim it will not be all life but only one half or one fourth!), and the slow radioactive contamination of the atmosphere from continued and extended nuclear tests.

However, two reassurances are offered by those who still believe that we must continue pursuit of the cold war arms race. First, they say that wars can be limited to restricted areas and confined to the use of non-nuclear weapons and to smaller nuclear weapons. Second, they say that the way to assure peace is to maintain a balance of power great enough to deter any aggressor.

Let us examine both of these reassurances.

1. The Doctrine of Limited War

There is no question that limited wars do occur in the atomic age. Not every war blossoms into total war. Since World War II there have been limited wars, or wars that did not become unlimited, in Korea, Guatemala, Greece, Hungary, Egypt, Algeria, Oman, Kashmir, Vietnam, Burma, Malaya, Indonesia, Cuba, China, Iraq, Lebanon, and the Formosa Straits. In most of these no dangerous threat of total war developed. But in several there were days and weeks of great tension when almost anything could have happened. This was true in Korea in 1950 and 1951, in Vietnam in 1954, in the Formosa Straits in 1955 and again in 1958, in Hungary and Egypt in the fall of 1956, and in Iraq and Lebanon in the late summer of 1958.

In any one of these conflicts a single rash step by an over-eager soldier or a political or military leader could have touched off World War III. General MacArthur wanted to attack China in 1951 but was restrained. Suppose he had not been? Vice-President Nixon openly toyed with armed intervention in Vietnam in 1954 but his suggestion was vetoed. Suppose he had had his way? High military advisors urged punitive measures against China in 1954, but President Eisenhower heeded more prudent voices. Suppose he had been ill at the time? Britain, France, and Israel stopped short and pulled back from Egypt in 1956 when they were confronted by demands from President Eisenhower and Mr. Khrushchev. Suppose they had plunged ahead?

If Syngman Rhee had had nuclear weapons in 1951 the chances are he would have used them. If Chiang Kai-shek had them today, he might do the same. How can anyone say that if we play the limited war game, limited war will never become unlimited? No one can give such guarantees.

It simply is not enough to show that limited wars happen. When total war means total destruction it is necessary also to show that no limited war will become unlimited. That is an assurance that the advocates of preparations for limited war are unable to give. They fall back on talk about calculated risks, but they do not tell us how they can calculate risks which involve powers of destruction beyond calculation, and hatreds and ambitions which, once released, quickly go beyond control. The hazards of destruction become even less calculable as nuclear weapons and missiles are stockpiled at distant bases on the territories of foreign governments, many of which are frustrated, unstable, and given to noisy sword rattling as a cover-up for their own inadequacies.

2. Peace through Deterrence

As a corollary to hopes that wars can be kept limited there is the hope that aggressors can be restrained through the deterrent power of threatened retaliation. This means that we must protect ourselves from attack by giving the potential aggressor the absolute assurance that he will be destroyed if he starts anything. But what if the enemy hits us so hard in the first blow that we cannot hit back? According to the analysis of the study of the National Planning Association, 1970 Without Arms Control, "the 'push-button for the dead man's hand' sort of device is likely to receive careful attention. Such a device could be set off by blast, heat, explosion, or radiation levels." In other words, we would place our missiles in underground launching sites where they would be relatively immune to enemy attack. Then, using automatic triggers which would not require a live man's hand to set them off, we would live in the confident knowledge that if the enemy at one blow wiped out our cities and killed us all, we would still have our revenge even after we were dead, for our missiles would be set flying toward his cities as soon as the heat, the blast, or the radiation levels from his bombs reached the triggering point. Revenge really is not the word. We would not set up this machinery hoping for posthumous revenge, but in order that the enemy would be completely convinced that he would be signing his own death warrant if he attacked us, regardless of the success of his initial blow.

Surely if anything would deter an aggressor, this would be it. But will it? Perhaps it would deter some aggressors and not deter others. Let us take an example. Suppose we had our "dead man's hand" deterrence perfected and Russia had hers. We would each be deterring each other. If either fired H-bombs against the other both would die. But suppose some discontented satellite or ally, or some erratically led neutral country decided that the world would be a better place without either Russia or the United States. What would keep such a country from smuggling a few H-bombs of the suitcase variety into strategic areas where they could be fired? Then both the United States and the Soviet Union would automatically start killing each other off. The "dead man's hand" would pull the trigger while men were still alive. The chances are, of course, that the

radiation caused by such a massive exchange of obliteration weapons would kill everyone, including the inhabitants of the country that started it. But that would not be certain, and even if it were, what might deter our enemies might not deter our friends, among whom there are some not noted for their reliability and devotion to the cause of democracy and freedom.

Today we have not yet reached the point of absolute threat of massive retaliation. But we are in a transition stage of progress toward it, and this itself is an exposed and provocative situation. Russia may not be so far ahead of us in missiles today that she could knock us out without receiving heavy blows in return. But she soon may be far enough ahead to expect to somehow survive a short, sharp war which would utterly destroy us. If she sees the situation in this light, thinking only in terms of the military meanings of security, what is the prudent thing for her to do? Should she strike and take her chances, knowing that delay may permit us to catch up and possibly go out in front of her? Or should she wait and hope that the future will not reduce us both to the helpless condition of the totally armed and the totally deterred? What would we do if we had her in such a situation of disadvantage? We once had her in something of that situation when, at the beginning of the cold war, we had the A-bomb and she did not. But we do not have her there now. If we should get significantly ahead of her again, would we dare run the risk a second time of letting her try to catch up?

The above paragraph is written not for the purpose of saying what either we or the Russians would do in a given situation, but to point up the volatile nature of the cold war and to show that there is as much in our arms race to provoke attack as to deter it.

A stable balance of power may well be a deterrent. But what we have is something else. We have an unstable balance of terror combined with constantly fluctuating relationships of power. This is dangerous in the extreme.

To go back to our first question, has the cold war strengthened us and made us more secure? According to some definitions it may have strengthened us. We can do far more damage today than we could 12 years ago. But we are far less secure. Twelve years ago Russia was not capable of destroying us. Today, probably she is. Twelve years ago we enjoyed exclusive possession of nuclear weapons. Today Russia has them too, and she has missiles to deliver them which are several years ahead of ours. Twelve years ago a massive attack upon our shores, either from the sea or the air was unthinkable. Today Russia has, or is about to have, long range missiles and missile launching submarines capable of deep penetrating attack on all our major cities. In short, the cold war has not strengthened us. It has not made us more secure. We are in greater peril than when the cold war began, and all the billions spent have produced arms which expose us and all humanity to perils greater than history has ever seen before.

The primary concern of organized labor in national security is not a special or class matter, but a concern which working people share with the rest of the population. Labor must always be willing to submerge her

special interests where the national interest requires it. Labor has supported foreign policy during the cold war and has supported national leadership in its efforts to achieve a position of strength. But patriotism does not require support of a course which has been tried and has failed. It is not loyal to remain silent as we move inexorably toward final disaster. It is good citizenship to dissent boldly when continued assent means destruction.

The missiles which the working men and women of the United States and the Soviet Union are manufacturing today will soon be stored in handy stockpiles or poised on launching pads. When they are fired they will streak through outer space at 18,000 miles per hour. Their targets will be the cities and the industrial areas where the working men and women do their jobs, live their lives, and provide their children with whatever security life in this century is able to offer.

History tells us that arms races end in war, that huge stores of deadly weapons are finally used. Yet this could be a time of greater security than man has ever known. The cold war has done more than produce weapons of mass destruction. By pouring many hundreds of billions of dollars into arms it has denied to the people of the earth a chance to enjoy what, after many centuries of human effort, mankind at last has learned to produce.

There is no security in cold war, but only ever greater hazard. When workers are told to sacrifice their economic powers for the sake of the security the cold war can bring to the nation, they are really being asked to sacrifice their own interests in the pursuit of a course which has led us ever deeper into areas of deadly peril.

THE COLD WAR AND WORLD ECONOMIC DEVELOPMENT

Has the cold war strengthened our efforts to promote world economic development? Americans are like millionaires surrounded by slums. There is a relationship between economic well-being and political stability. We cannot have political stability if we grow richer while our neighbors go hungry. The best safeguard against dictatorship is prosperity and democracy. Communism is really three things. It is a power system. It is an idea. And it is a system of organizing the productive capacities of people. People who are submerged in poverty and see no hope in their situation turn to communism, not because they want to lose their freedom but because they know nothing about freedom. They have never had it. They are not interested in the freedom to go hungry. From the very beginning of the cold war we have spent money and skill helping underdeveloped countries learn to help themselves. The aim has been to provide an economic base for freedom and democracy.

The need is great. The billion or more people who live in Southern Asia, Africa, and Latin America have an average per capita income of less than \$80 per year. In many of these lands there are vast differences in income. A Saudi Arabian prince gets millions from oil revenues but his nomad tribal kinsman will have nothing. An Indian merchant, manufacturer, or ex-maharajah may enjoy an income running into hundreds of thousands of rupees but the average Indian industrial worker earns between 30½ and 65½ a day, depending on the place and the kind of work. And there is an astronomical gap between the income of an African tribesman and a prosperous European settler.

Poverty, illiteracy, malnutrition, and disease go together. In much of Asia and the Middle East illiteracy runs 80 percent or higher. The minimum daily food requirement to maintain health and decency is 2500 calories, but in the underdeveloped countries the average person gets only 2000 calories or less. In some countries, such as India and China, the population as a whole has hovered at the borderline between mild malnutrition and actual starvation for generations.

Life expectancy in the United States is about 70 years but in the under-developed countries it averages about 30 years at birth. The availability of doctors and the skill and training ρ f doctors varies widely. In the United States there is a doctor for every 750 people. In India the ratio is one to 6000 people. In some countries the situation is even worse.

These conditions had remained very much the same for a hundred years prior to the end of World War II when there began to develop a stirring and a discontent. During the past 12 years most of Asia has won political independence. Africa is now in the midst of political revolution and counter-revolution. In Latin America the dictators are being unceremoniously tossed out of their armed nests. Nationalism is running like a tide through the Middle East.

The people of all of these lands want two things. They want a better life, and they want respect.

Economically their new governments' common problem is to accumulate capital goods (plants, roads, factories, mines, transportation and harbor facilities, etc.) and to achieve a system of production and distribution which will hold the loyalty of, and give work incentive to, the people.

The effect of China on the rest of Asia is not to be discounted, nor should we forget that our strong support of Chiang Kai-shek in the cold war provides the Chinese Communist leaders with a convenient "hate" symbol to use in stimulating their people to ever greater efforts. People who have lived under the economic and political dominance of foreigners for more than a century, suddenly find they can move ahead despite strong foreign opposition. What could stimulate them more? While we huff and puff to keep Chiang Kai-shek in power on Taiwan, the communist leaders of China use our cold war efforts to strengthen themselves. If jiu-jitsu is turning the strength of the opponent against himself, this is political jiu-jitsu.

Elsewhere we have been persuaded by cold war rivalries to put military aid far ahead of economic aid. During the first 11 years following the end of World War II we provided aid totaling 57 billion dollars to other countries. Half of that amount (\$28,400,000,000) went to help war-ravaged industrial countries restore their industrial and economic life. Thirty-two per cent (\$18,000,000,000) went for military equipment which we distributed among the 40 odd nations with which we have had military pacts. Of the remaining 18 per cent, \$3,500,000,000 went for relief to refugees and other war victims, \$3,800,000,000 provided economic assistance to main defense-support countries*, including Korea, Formosa, and Indo-China, and the remaining \$3,300,000,000 (six per cent of the total) was distributed as economic assistance among 75 underdeveloped countries with a total population of 1, 150, 000, 000 people. \$53,700,000,000 on wars, past, present, and future, and \$3,300,000,000 on non-defense economic aid; that is how our aid program has been apportioned. The people of the underdeveloped countries not holding military alliances with the United States got, on the average, 26¢ each per year. Our per capita aid to the people of the defense support countries was seven times as much.

This policy of heavy emphasis on guns and bases, while the economic needs of the people are neglected unless there is military alignment, has had the following results:

- 1. Our actions have spoken louder than our words. People of other lands simply do not believe us when we claim our aid has "no strings attached."
- 2. For the sake of military pacts we have supported dictators who have used our trade and aid to suppress rather than encourage democratic governments and, incidentally, to keep themselves in power.
- * Defense support countries (12 at present) receive extra economic help to buttress their political and economic stability in the interest of undergirding their military pacts with the United States.

Examples include:

(a) Saudi Arabia. Here a handful of wealthy sheiks reap enormous wealth from U. S. oil, trade, and aid while the people live in poverty. The price of slaves in Saudi Arabia has gone up as oil revenues have mounted during the past ten years. When a strike occurred in Saudi Arabia at an American-owned oil refinery in 1953, it was ruthlessly suppressed. Martial law was declared because the workers were said to be demanding wage increases. According to a press report of the International Confederation of Free Trade Unions: "500 workers were imprisoned, 80 of whom were poisoned with scorpions and subjected to burning, pulling out of nails, and other forms of torture."

Two years later our government was discovered to be shipping tanks to Saudi Arabia. When friends of Israel protested, the U. S. State Department explained that the tanks were not to be used against Israel but to maintain "internal security." It was not explained how the use of tanks for this purpose would serve democracy. It is not surprising that the oil sheiks of the Arabian desert would need tanks to protect themselves against their people. But it is a sad commentary on the cold war when the United States uses it as an excuse for acting as an arsenal of this brand of "desert democracy."

- (b) Korea. According to the cliches of the cold war, the mantle of the "free world" is draped around Syngman Rhee. We fought a "limited" war and spent billions of dollars to protect freedom and democracy in Korea, but all we have accomplished is to keep Rhee in power. Rhee has proved to be tyrannical and ruthless. He suppresses newspapers which disagree with him. He uses his police force to bully the legislature into passing laws which wipe out civil rights. He openly threatens war against North Korea. And his strong-arm led trade unions are instruments to control industrial workers rather than represent their interests.
- (c) Franco's Rule of Spain. Internal unrest and opposition to Franco has grown during the past decade but he has managed to maintain power with the help of U. S. military aid. At the end of World War II we wanted no part of Franco, but our desire for military bases changed things. Today he is our ally in the cold war. His methods of control have not changed. Newspapers are still suppressed. Freedom of worship is still denied. Political dissent is driven underground. Trade union rights do not exist. Anyone who protests is jailed.
- (d) The list could be extended to include Chiang Kai-shek, the now departed Bao Dai, and such Latin American dictators and ex-dictators as Batista and Trujillo, to say nothing of the last vestiges of colonial rule to which our European allies cling in Africa.

In all of these our cold war commitments have driven us to side with the forces of dying tyranny rather than with the hopes of those who sacrifice for a brighter day.

3. Because some countries have refused to enter military pacts with us, we have let democracy flounder in crisis areas. The prime example

is India. India represents the last major democratic opportunity in Asia. If she abandons democracy there will be no place else of size and importance in Asia to give it a try. Yet instead of extending all-out aid to her economic development we have been carping and niggardly because she refused to join our ring of military alliances. Meanwhile countries that have given up on democracy, or have never tried it, get all the dollars they want.

During the three years 1954-56 U.S. aid went to the following countries as indicated:

Country*	Population (millions)	Total economic aid (million \$)**	Aid received per capita per annum
India	387.1	\$199.5	\$.17
South Korea	21.5	595.2	9.29
Formosa	8.9	216.4	8.10
Pakistan	82.4	221.7	2.69

^{*} South Korea, Formosa, and Pakistan have military pacts with the U.S. India does not.

- 4. Military pacts with one country have stimulated military expenditures in neighboring countries where every cent is needed for economic development. Again with India, half of her budget goes for arms. She justifies this on the ground that the arms we supply Pakistan threaten her. We may deplore this reasoning but the fact remains that U. S. arms to Pakistan mean fewer tractors, factories, and irrigation projects for India. It is no validation of India's fears to point out that they are characteristic of the arms race atmosphere, and in fairness she deserves credit for her persistent refusal to accept a cold war alignment.
- 5. Cold war rivalries for markets and economic penetration between the two world giants, the United States and the Soviet Union, set economic competition at a level which the underveloped countries cannot possibly meet. Until the newly independent countries are able to develop industrially, they will need tariff and other protections against the competitive power of the Western industrial countries. Such protections will not be possible in an atmosphere of cutthroat economic competition between the United States and the Soviet Union. The more the Soviet Union challenges us in foreign trade the less willing we shall be to permit Asian goods to compete on the American market.

The cold war has been a period of economic difficulty for the underdeveloped countries. India has had to cut back on her development plans. Most of the new governments of Southern Asia have turned from representative leadership to military strong men in an effort to maintain national unity in a period of growing economic crisis. In Latin America the wide-

^{**} These figures do not include military aid.

spread discontent with our cold war economic policies has found expression in such ugly incidents as mob assaults on the American vice-president.

The cold war has magnified rather than solved the economic difficulties of the underdeveloped areas of the world. Only in China are there reports of rapid and confident progress. Our emphasis on spears rather than plowshares, on building military bases rather than combating hunger and poverty, has caused confidence in America to dwindle, and despair to mount over our failure to come to grips with the real issues. The people of those lands do not want preachments about freedom, nor military equipment and bases, but food, clothing, work, and a better life. They are willing to work for it but they need intelligent help.

Has the cold war strengthened our efforts to promote world economic development? The answer is that it has not. It has diverted foreign aid into unproductive and wasteful channels. Economic aid to underdeveloped countries has been the cow's tail and military aggrandizement has been the cow. The reach of working people of Asia and Africa for a better life and human dignity has exceeded their grasp. Thwarted by petty strong men and military governors kept in power by U. S. supplied arms, they are beginning to despair of finding a democratic answer for their economic problems.

The trade unions of America are expressing dismay at the quantity of consumer goods on the American market which were manufactured in other lands by workers paid starvation wages. What can be done to halt the competition of sweat shop goods from overseas? Talk of quota systems and higher tariffs is self-defeating. The very countries against which such measures would need to be most stringently applied are the same countries which we cannot afford to offend for reasons of cold war military alliances. Even if restrictions could be made effective they would be shortsighted and ultimately disastrous, for the world of privilege cannot be hedged off from the world of need. The only real answer is an all-out attack on the conditions which produce the sweat shops in the first place, a renewal of that spirit which opposes all special privilege and accepts the challenge of identification with the needs, the aspirations, and the rising expectations of working people everywhere.

In the realm of foreign policy we need to ask ourselves how such a spirit can find expression in concrete policy. Can the trade unions become means whereby the ideals of brotherhood and justice may be applied to policies of trade, aid, and cultural exchange among the nations?

IV

WHAT CAN BE DONE?

It is not the purpose of this pamphlet to offer pat answers but rather to raise a warning about continued reliance on military solutions for economic and social problems both at home and abroad. We hold that no solution can be found which ignores the following facts:

- 1. The first need is for the trade unions and the working people to face the fact that the cold war has not worked out. Democracy has not been strengthened, neither has the Soviet Union nor China been contained. A position of strength has not been achieved. We are in greater danger than we were when the cold war started. And there is no indication that this situation will change. It will grow worse if the cold war continues.
- 2. The second fact which must be faced is that nearly a billion people are governed by communist regimes and this situation shows no sign of changing anytime soon. Indeed, if the follies of cold war are persisted in much longer the number of communist governments probably will increase.
- 3. Third, the real test of democracy today is not whether we can make mountains of destructive weapons but whether the people of Asia, Africa, and Latin America can find the road toward a better life within a framework of democracy. If not, all of the weapons in the world will not save democracy. If they can and do, democracy will have a place in the world's future, and the world will have a future.
- 4. Fourth, threats, hostility, and cold war drive communist countries into tight alliances and stimulate their repressive tendencies. In that they are not unlike us. But relaxation of tensions can offer opportunities. After all, no state, no matter how hard it tries, can ever be completely monolithic. The Soviet Union has tried to crush religion but crowds of people still openly attend services of worship. It has tried to crush critical thought, but there is still a Pasternak. It has tried to adhere to a rigid doctrine but it has been driven to make revisions and changes. What has changed already can be changed still further.
- 5. Fifth, this is not the first time that vast ideological warfare has been waged, yet people have been able to compose their differences and live in the world with each other. Today there are no holy wars between Christians and Islam, though once each considered it good in the eyes of God to kill the other. There is not such vast difference between East and West today that we must resort to mass suicide.
- 6. Last, any course we take will involve risks. There is no foolproof way to disarm, but neither is there a foolproof way to pursue an arms race. There is no foolproof way to stop nuclear tests, but neither is there any safe way to continue them. There are no foolproof, built-in guarantees that if we trust Russia our trust will not be betrayed. But neither is there any likelihood that we shall avoid disaster if we are unwilling to run a few risks for the sake of peace.

A cold war which drags out and becomes chronic may provide briefly a precarious base for wage increases, but it destroys labor's dream of a peaceful and productive world, and thereby strikes a heavy blow at the greatest treasure labor has, the treasure of an ultimate ideal.

We have come too far toward disaster to save ourselves by half measures. The hope that we can keep on building more missiles and more bombs and, at the same time, winthe cold war on the economic front is a false hope and will betray us as every other cold war hope has betrayed us. The only way out is to turn from cold war and start building a prosperous, democratic world.

At the beginning of this pamphlet we asked whether labor should support a new foreign policy.

The old foreign policy has failed the American people and it has failed the people of organized labor in the following particulars:

- 1. It has delivered power over the economy into the hands of the Pentagon and those who make the decisions in the larger corporations.
- 2. It has projected us into rapid technological change without adequate social controls.
- 3. It has crippled both labor and the consumer in the exercise of their rightful economic powers in the market place.
 - 4. It has exposed the people of the world to radioactive poison.
- 5. It has magnified the destructive powers of war and brought war perilously close.
- 6. It has delivered us into the embrace of irresponsible allies, and alienated our natural friends.
- 7. It has stimulated the harsh tendencies of the communist countries and silenced voices of moderation.
- 8. It has diverted funds and energy from the constructive tasks of world development into military build-ups which are irrelevant to the needs of the underdeveloped lands.
 - 9. It has degraded our moral purposes.

If enormous sums of money and effort go into means of mass annihilation, we may say it serves democracy, but actually it does not. Democracy becomes corrupted as human life becomes cheap. Everything comes under the shadow of destruction and fear. Humanity loses its confidence in its own purposes and even in its own chance to survive. It is not a mere coincidence that the crusading spirit and idealism of the New Deal period began to drain out of the union movement as the economy began to shift over and adapt to the requirements of war. Now the ethics, the immorality, and the cynicism spawned by the cold war have lowered the morale and also the power of the trade unions.

The cold war is a burden on the back of labor. Unions will resume their rightful place of leadership in American life only as instruments of justice in a world of peace.

BIBLIOGRAPHY

BOOKS

- American Labor in Midpassage, by Bert Cochran. New York, Monthly Review Press, 1959. 196 pp. \$3.50
- Causes of World War III, The, by C. Wright Mills. New York, Simon & Schuster, 1958. 172 pp. paperback, \$1.50
- Crisis of American Labor, by Sidney Lens. New York, Sagamore Press, 1959. 318 pp. \$6.00
- Empire of Oil, by Harvey O'Connor. New York, Monthly Review Press, 1955. 372 pp. \$5.00
- International Economy, An, by Gunnar Myrdal. New York, Harper & Brothers, 1956. 381 pp. \$6.50
- No More War!, by Linus Pauling. New York, Dodd, Mead and Co., 1958. 254 pp. \$3.50
- Nuclear Weapons and Foreign Policy, by Henry Kissinger. New York, Harper & Brothers, 1957. 455 pp. \$5.00
- Power Elite, The, by C. Wright Mills. New York, Oxford University Press, 1956. 423 pp. \$6.00
- Rich Lands and Poor, by Gunnar Myrdal. New York, Harper & Brothers, 1958. 168 pp. \$3.00
- West in Crisis, The, by James Warburg. New York, Doubleday & Co., 1959. 192 pp. paperback, \$1.50
- World Without War, by J. D. Bernal. New York, Monthly Review Press, 1959. 308 pp. \$5.00

PAMPHLETS

- Economic Power and the Free Society, by A. A. Berle, Jr. The Fund for the Republic, 60 East 42nd St., New York 17, N. Y., 1957. 20 pp. 15¢
- 1970 Without Arms Control, by NPA Special Project Committee on Security Through Arms Control. Planning Pamphlet 104. National Planning Association, 1606 New Hampshire Ave., N. W., Washington 9, D. C., 1958. 72 pp. \$1.25
- Questions on Disarmament and Your Job. Friends Committee on National Legislation, 245 2nd St., N. E., Washington 2, D. C., 1958. 16 pp. 10¢
- Some Current Facts on the Extent of the Military Establishment in the United States. Background Study on Disarmament No. 2. Friends Committee on National Legislation, 245 2nd St., N. E. Washington 2, D. C., 1958. 17 pp. 20¢

- Speak Truth to Power, A Quaker Search for an Alternative to Violence.

 American Friends Service Committee, 20 South 12th St., Philadelphia
 7, Pa. 71 pp. 25¢
- Where Your Tax Dollar Goes. Washington Newsletter No. 182, November, 1958. Friends Committee on National Legislation, 245 2nd St., N. E., Washington 2, D. C. 4 pp. 10¢

ARTICLES

- "Arithmetic of Defense Spending, The," by Louie Tarshis in The Nation, March 28, 1959.
- "Automation's Many Implications," by Wm. A. Faunce in <u>I.U.D.Digest</u> (Industrial Union Department, AFL-CIO), Spring, 1959.
- "Coming White Collar Crisis," in I.U.D. Digest, Summer, 1959.
- "Conversion: The Magnitude of the Task," by A. S. Goldberger in The Nation, March 28, 1959.
- "Corporate Tax Paradox," in Economic Trends, December, 1958.
- "Debate on Administered Prices," by Edwin L. Dale, Jr. in The New York Times, March 22, 1959.
- "Defense Organization: New Realities and Old Concepts," by Peter F.

 Drucker in The General Electric Defense Quarterly, January-March,
 1959.
- "General Dynamics vs. the USSR," by R. Sheehan in Fortune, February, 1959.
- "Growing Missile Gap, The," by Thomas R. Phillips in The Reporter, January, 1959.
- "Growing Power of the Military, The," by John Swomley in The Progressive, January, 1959.
- "Job Resolution in Telephones," by Joseph A. Beirne in I.U.D. Digest, Summer, 1959.
- "Manipulated Price Rise, The," by Estes Kefauver in The Nation, June 28, 1958.
- "Rapid Amortization for Electric Utilities," in Economic Trends, May, 1959.
- "Real Monopoly Danger," in I. U. D. Digest, Summer, 1959.
- "White Collar Explosion," by Reece McGee in The Nation, February 7, 1959.
- "White Collar Labor," by Bernard Karsh in The Nation, January 31, 1959.

Order additional copies from nearest AFSC office:

AUSTIN 3, Texas 705 N. Lamar Blvd. NEW YORK 3 (N.Y.C. area only) 218 East 18th Street

CAMBRIDGE 38, Massachusetts P. O. Box 247 PASADENA, California 825 East Union Street P.O. Box 991

CHICAGO 7, Illinois 300 West Congress Parkway PHILADELPHIA 2, Pennsylvania 1500 Race Street

DAYTON 6, Ohio 915 Salem Avenue

PORTLAND 15, Oregon 4312 S.E. Stark Street

DES MOINES 12, Iowa 4211 Grand Avenue SAN FRANCISCO 21, California 2160 Lake St.

P. O. Box 1307

SEATTLE 5, Washington 3959 15th Avenue, N.E.