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ADDRESS BY
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BEFORE THE ECONOMIC CLUB OF NEW YORK
WALDORF-ASTORIA, NEW YORK
WEDNESDAY, JANUARY 22, 1975

It is my pleasure to be here with you this evening to address this session of the Economic Club of New York. I shall offer to you, in the face of all the discouraging financial and economic indicators, still another somber thought: However great the difficulties which preoccupy us in the economic realm, the problems facing this nation are deeper, broader, and more enduring than the painful and immediate problems reflected in those indicators.

For this reason it is my intention to speak to you this evening, first, of America's role in the world and, then, of the relationship of our defense posture to that role. In the entire post war period the steady expansion of trade and investment and the more or less steady growth of the international economy, notably outside the self-contained economies of the Communist nations, have been intimately related to the power and to the stabilizing force represented by the United States. To a degree, not as yet fully analyzed, loss of confidence in the underlying structure of the world economy is associated with the questioning, among other things, of America's role and America's power.

In the years since World War II the United States has acquired and has had thrust upon her a set of international responsibilities -- responsibilities of a type that she rarely sought and never desired, for our initial impulse in those earlier days was to withdraw, to demobilize, to embrace the welcome relief embodied in the later phrase "come home America."

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Instead we accepted a mission shaped in the crucible of forces, primarily political and military, but nonetheless possessing deep ramifications for international economics. This mission fell to the one nation in the world capable of sustaining it. In the post-war it was shaped by such dramatic events as the engulfment of Eastern Europe by the Soviet Union, the threat of the political and economic disintegration of Western Europe, the problem of Japanese recovery and reintegration into the world economy, and the decolonization of much of the underdeveloped world. Since we seem to live in an anti-historical period, and suffer from a widespread, though unarticulated, illusion that goals and satisfactions can be selected freely with casual disregard for the forces of history, I should like to record that the United States responded magnificently to these challenges. Her response represented an awesome historic accomplishment.

In these post Vietnam years with the discontents -- one might say the national dyspepsia -- induced by the conflict in Southeast Asia, there has developed a revisionist critique of America's historic role. The critique seeks to convey at root that American power and purposes have been a destabilizing force in the world, marked by overweening pride, the imperialist impulse, cold war passion, and a growing list of alleged blunders.

For my part it is a portrait I do not recognize and cannot accept. Mistakes, undoubtedly, -- but in the great sweep of history it can, I believe, be said -- never has there been an era of greater security, of such limited conflict, of economic growth, of trade expansion. And, may I add, of civil liberties more generally widespread than ever before. All of this took place under the aegis of American power. No great nation in the history of mankind has used its strength with greater forbearance or its resources with greater generosity. It established an epoch of security in which growth occurred -- and many of our difficulties both national and international are a consequence of this growth and expansion. Overall it is a record of which we can all be proud.

Pax Americana is the term frequently attached to this historic epoch. I suspect that, if the international structure grows more fragile, its attributes will be regarded with nostalgia even by its present critics. It fostered a unique period of order and stability. Since we are now moving into a period of potential instability, reflected in distortion and disequilibrium of the international payments mechanisms, the tensions in the Middle East and the apparently growing enfeeblement of several European states, we should recognize that in no inconsiderable measure these instabilities are traceable to an erosion of belief in American power and purposes. I trust that we shall also keep in mind that while criticism of America's role has come from idealism, so also the very exercise of American power has reflected that same idealism.

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Since the post-World War II era the United States has accepted twin roles serving both as the mainstay of an association of free nations and as the maintainer of a worldwide military balance. In the latter capacity the United States has provided that margin of military power serving to preclude the attainment of military preponderance in the Eastern Hemisphere by the other superpower. To the extent that we hope that the prevailing international structure does not turn adversely to the interests of the United States and to other free states, the United States will be obliged to continue to serve in that capacity. Thus the question naturally arises: What is happening to the military balance?

There will be those among you, I suspect, who have accepted such terms as swollen, bloated, and inflated as applied to the Defense budget. Inflated, to be sure, in the correct meaning that the Department of Defense, like all other institutions, is a victim of the erosion of purchasing power. Swollen and bloated, by contrast, would seem to be in direct conflict with the known facts. Let me review some of those facts.

In the next fiscal year, as a consequence of Congressional cuts and inflation, DOD expenditures will represent about 5% of capacity output -- the lowest point since the pre-Korean demobilization. As a "burden" on the economy the DOD has been cut almost in half since the Vietnam high; it has been cut by 30% as compared to the pre-Vietnam period. As a percentage of total government spending, including state and local, defense expenditures come to 16%, the lowest point since before Pearl Harbor, for whatever comfort that may provide. The United States now has under arms about 1% of the nation's population, a percentage no higher than that reached in the pellmell demobilization after World War II -- with the then lower population base. Military manpower has been reduced by 600,000 men as compared to pre-Vietnam.

Since FY 1968 the Army has been cut almost precisely in half. It still remains above the manpower levels reached in the halcyon days of Louis Johnson, but, compared to pre-Vietnam, it has been cut by almost 200,000 men.

In the forthcoming fiscal year the U.S. Navy will dip below 500 ships in the active fleet, a level lower than at any time since 1939 -- two years before Pearl Harbor. As compared to pre-Vietnamese years, the Navy has been cut almost in half. One must recall that a considerable portion of the Navy's ships were built in the World War II period. It is now thirty years since the close of World War II and those ships are rapidly going out of service. To be sure, Navy ships today have greater per unit capability than a decade ago. However, the steady shrinkage in force structure must be reviewed in terms of the military balance, and the Soviets have not exactly been standing still.

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Each year the Soviets have increased their real expenditures -- in constant rubles -- by 3 to 5%. Whatever the appeal of a reduced military posture stemming from detente, so frequently preached in this country, Soviet military expenditures -- in detente as before -- continue to rise. The Soviets continue to state quite categorically that peaceful coexistence is a consequence of the expansion of Soviet military power.

Today, according to the latest CIA dollar projections, which I believe to be understated if anything, the Soviet Union is outspending the United States on defense by 20% -- 25% if pensions are dropped out. In every meaningful category of defense expenditures the Soviets outspend the United States. Calculated in U.S. prices the USSR now outspends us by 25% in procurement, 20% in overall research and development, 20% in general purpose forces, and 60% in strategic nuclear offensive forces. Since 1960 the Soviet Union has expanded its military manpower from 3 million men to 4 million men under arms. It has increased its deployments in the Far East and in Eastern Europe. It is now embarking on a major and costly expansion of its strategic nuclear capabilities.

It is evident that a continuation of the trends that I have outlined would lead to Soviet military preponderance in the Eastern Hemisphere -- and the disintegration of the system of mutual security that the United States has long supported. What this trend signifies, if we should allow it to continue, is that a major underpinning of postwar stability will have been eliminated.

This may appear to be of little moment to the many who have enjoyed the luxury of security under the aegis of American power. While I cannot pretend to state with any precision what the consequences would be of the Soviet Union becoming and being perceived as preeminent in military power, I doubt that once it has occurred, that we in the United States would find ourselves at ease with the results. The consequences for our friends and allies located in the Eastern Hemisphere would be far more traumatic. How this would affect the delicate ties of interdependence, the existing patterns of trade and investment, the expansion of contacts and associations as well as economic opportunities that have characterized the postwar era, is a matter on which I shall leave to you to speculate.

Maintenance of a worldwide military equilibrium is essential to the American society as we know it today. An equilibrium of force is as vital in undergirding detente -- as it is indispensable in a period of tension. If we are to abandon the maintenance of a worldwide military balance, it should be done consciously with full understanding of the long-term consequences, rather than unconsciously because of generalized discontent or the neglect of the consequences of inflation.

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A continuation of the present trends implies the upsetting of the military equilibrium. We would then have little opportunity to ponder the advantages of "come home America;" it would be a fait accompli. Unless we are prepared to defend portions of the world lying outside of North America, we shall soon find ourselves with nothing else but North America to defend.

Under those circumstances, make no mistake about it, the portion of national effort going to defense would increase dramatically rather than diminish. In my judgment we would be faced with something more like a closed economy -- and, even worse, a closed society. In such an environment we could gradually acquire, as anxiety mounted, some of the trappings of the garrison state.

Consequently, I believe that we have no satisfactory alternative but to continue to maintain the forces necessary to sustain a worldwide military balance. The burden is substantial, but I offer no apologies. This country is up to bearing that burden.

If we are sensible, there is no turning back. The age of interdependence is upon us; the age of major American responsibility is still with us; the age in which withdrawal was a serious option is, for better or worse, behind us. All this was recognized during the postwar American awakening to that mission of worldwide responsibility, so clearly stated by Senator Vandenberg in 1949:

"Much as we might crave the easier way of lesser responsibility, we are denied the privilege. We cannot turn back the clock. We cannot sail by the old and easier charts. That has been determined for us by the march of events. We have no choice as to whether we shall play a great part in the world. We have to play that part. We have to play it in sheer defense of our own self-interest. All that we can decide is whether we shall play it well or ill."

If we are responsible and if we recognize our responsibilities, there is no alternative. No other nation has the power to fill the role that has become the American destiny. Let me repeat, what I have said on other occasions: If the United States drops the torch, there is no one else to pick it up.

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