

The U.S. and Soviet economies under the MAD strategic doctrine

by Christopher White

The continued impact of the economic policies associated with Jimmy Carter and Paul Volcker has reduced the United States to the status of a global second-level power armed with the weaponry of a superpower.

This assertion is true in comparing present U.S. economic performance with what was achieved in the past. It is also true in comparing U.S. productive capacity with the other world superpower, the Soviet Union. The United States is in grave danger of losing the economic might that gave content to the nation's status and responsibilities as a global political and military superpower pre-eminent.

The terrifying reality is that the question must now be faced, "How much longer can United States global political power be maintained, under conditions of continuing erosion of the country's economic power?" For if present policies are continued, the eclipse of U.S. world power is assured.

Under the combined influence of the strategic doctrine of Mutually Assured Destruction, and the lunacy associated with the radical monetarism of the followers of Adam Smith—in the KGB-controlled Heritage Foundation, for example—a gap potentially more ominous in its import than even the missile gap of the early 1960s has developed between the United States and the Soviet Union. It is the gap in basic or heavy industry.

No matter how much idle chatter is heard, or how fanatically the perception is cultivated, to the effect that the country is in some kind of miraculous recovery, the truth is exactly the reverse, because those who *do* so idly chatter, or cultivate the appropriate perception, do not know what they are talking about. The United States has forgotten how to produce, and is destroying its national productive capacity. The Russians are not.

The charts in the accompanying insert-poster compare the production of raw steel, and the capital goods manufactured from raw steel, in the United States and Soviet Union from 1972 to 1982. This series encapsulates the national security problem as a whole. It is impossible to run a modern economy without steel. It is impossible to maintain a national defense without steel. Without steel a nation cannot produce

pipe and tube, forgings, cast wheels and axles, excavating machines, bulldozers, railroad locomotives, and so forth.

In this area, comparison between the two countries is self-explanatory. The United States is fast becoming a second-rate power.

Which 'empire' is crumbling?

Did alarm bells start going off over this, and over the correlated collapse in employment of the skilled workers associated with this branch of heavy industry? No, they did not. There may be some grumbling, and even discontent, among production managers and engineers, and among logistics and preparedness commands in the military, but on this subject the silence of the grave has been maintained, to the delight of the cultist doctrinaires and accountants who brought it about.

On the one hand are heard the advocates of the technetronic or post-industrial society. Under Carter they ruled, through James Schlesinger and Zbigniew Brzezinski. Under Reagan, their influence has been maintained, even in the military. They and their followers argue that the United States does not need a steel industry, that steel production, and the associated branches of heavy industry, are a 10th century relic, unnecessary as we move into the next millenium.

Some go further down the path of insanity, to prattle that the Russians are doomed as a power, precisely because they insist on maintaining such out-moded productive capacity. For these cultists the destruction of the Russian empire is assured because they insist on maintaining industrial production. They are so blinded by their own delusions that they overlook the simple fact that it is the United States which has become the "crumbling empire."

This insanity is strictly the outgrowth of the Pugwash doctrine of Mutually Assured Destruction. Since the period 1957-63, the partisans of this doctrine, following Bertrand Russell and Leo Szilard, have insisted that the existence of thermonuclear-tipped intercontinental missiles have made warfare certain suicide for whichever of the great powers initiates such.

For them, war thus became impossible. But if war was impossible, then the in-depth logistical and industrial capabilities which backed war-fighting capabilities were also unnecessary. Standing armies were unnecessary, functioning navies were unnecessary. Steel and steel-workers, machine-tools and machine-tool producers, were a thing of the past, and could be consigned to the garbage heap for recycling along with the political system of the nation state, and the heat-powered machine that had produced them. The Soviet Union never accepted the doctrine for its own practice, only for the United States.

Find an associate of Robert McNamara and his crowd, or McGeorge Bundy, continuing in U.S. government service, no matter what the branch, and you'll also find a proponent of this insanity. In economic policy, this will be an agent of Soviet influence. Opponents of the policy as such, and even its consequences, are disarmed, because they do not know what they are talking about. U.S. economic policy has become the leading weapon in the Soviet strategic arsenal.

The steel example

For example, the fanatical perception is that we are in a recovery which extends to steel. After all, production has risen from the 1982 bottom to over 90 million tons of raw steel in 1984, hasn't it? The magic of the marketplace is working, isn't it?

Who is heard asking, 90 million tons of what, and how exactly did we produce it? This, while charitably assuming that the industry, which predicted 67 million tons of production for 1984 in March of that year, actually did produce over 90 million tons.

Half of the steel the United States produces is recycled scrap. 30% of the total is produced in small, so-called mini-mills in electric arc furnace mode. The industry claims, coherently with the fanatical perception, that they produced 90 million tons on a capacity of 130 million tons. Meanwhile, remaining Basic Oxygen process steel capacity is down to 80 million tons capacity, and produces only 50 million tons. Somehow, we lost 50 million tons of steel-making capacity, and the Russians in 1982 were outproducing us by 80 million tons a year.

What the dupes of Adam Smith and his followers call the recovery accelerated a fundamental transformation in U.S. basic industry, starting with steel production and extending through all ancillary branches of production. This went unnoticed by officialdom, or was swept under the rug, by its advocates.

The United States reduced its capacity to produce raw steel, imported ingots and slab steel from such countries as Mexico and Brazil for finishing, built up its capacity to melt down the defective products of the automobile industry, cushions and all, and continued to claim it had a steel industry.

Now we produce automobiles from imported parts to be eventually melted down as scrap for our steel industry. By 1982, the Russians were producing more than twice our out-

put of raw steel, seven times our output of steel for railroads, ten times our output of wheels and axles, eight times our production of tractors, twenty times the number of excavating machines, five times the bulldozers.

More broadly, the nations of the Comecon system out-produced both the United States and its European allies by about 5 million tons per year in raw steel. The same Comecon countries produced 12% more welded tubing, 38% more seamless tubing, three times the forgings, four times the steel wheels and axles, and twice the amount of steel for railroad construction.

By 1982, steel production in the western economies was being cut back under the impact of the Davignon Plan. It was argued that there was too much steel capacity to supply available demand. By 1984 and 1985, blast furnaces, inside and outside the United States, were being blown up and dismantled. The Soviet Union, and its alliance partners, continued to grow modestly at the indicated levels above the Western partners capacities.

The case for steel, and the industrial commodities that are produced from steel, exemplifies the argument to be made as a whole.

Lunacy in economic policy

The most powerful strategic weapon commanded by the policy planners of the Soviet empire, is the lunacy in economic policy making which governs in the western nations, led by the United States. This lunacy has plunged the world into a Third Great Depression of the century, all the while lauding the "economic recovery" that did not happen. Among its foreseeable consequences is the emergence of a new Soviet world empire out of the rubble of the formerly powerful nations of the West.

In 1964, the United States, and its alliance partners in Western Europe and Asia (Japan and South Korea), made up 26% of the world population of 2.5 billion without China. The same allied nations provided employment for 46% of the total of 225 million industrial workers worldwide, and produced 47% of the world's energy supply of 41 thousand trillion kilocalories per annum. Against this, Russia and the nations of the Comecon had 15% of the world population, 25% of the world's industrial workers, and produced 24% of the world's energy.

By 1981-82, the population of the United States and its allies had declined to less than 17% of the world total, of 3.5 billion, without China. The industrial workers employed within the economies of the Western nations had fallen to 37.6% of the world total of 333 million. The energy produced within the same Western nations had fallen also, to less than 38% of the world total production of 80 thousand trillion kilocalories in the year.

The population of the Soviet Union and its satellites also fell as a percentage of the world population as a whole, to 12.5%. The same countries increased their share of the world's industrial workforce, to nearly 27%, and increased their share

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of the world's energy production to over 25%.

It should then be clear that the problem is not that the Soviets are building up so relentlessly, though they are, but that the West, as the gap in steel production indicates, is collapsing itself, pulled down by the United States. And has deprived the nations of the developing sector, the uncounted "balance" in these figures, of participating in economic development. Such is also reflected in the charts which compare energy production and consumption, and the industrial workforces of the two nations.

The United States has permitted its industrial workforce to stagnate in number, while degrading the technological content of employment. In this case, the Russians have expanded industrial employment faster than the growth of the population as a whole. The United States, even though stagnating, continues to lead the world in energy and electricity production. But only one-third of the total of either energy or electricity production is consumed by industry. One-third of the rest is consumed by that growing portion of the workforce which is not productively employed, and which, opposite to the Russians, has been permitted to grow at rates exceeding the growth of the population as a whole.

If the United States and its allies were to reinstitute employment policies comparable to those which prevailed in the 1940s and 1950s, the productive capacities and potentials of the Western nations would still be unchallengeable. The energy resources would still be available to power such a transformation.

Then the argument is made that the Russians are in collapse because they cannot produce consumer goods. The charts which show numbers of refrigerators, televisions, and even automobiles show otherwise. Food production, not shown here, would not counter the point. The quality of these products, and indeed of the capital goods production, for example, tractors, may well be much lower than would be tolerated in the West, and especially in the United States. But so what? Those who are concerned about air-conditioned comfort in automobiles, and remote control of 90-channel cable televisions, ignored what was happening to the economy and world around them in the first place.

Such elements of consumption, thanks to the insane recovery, are in any case imported. The U.S. does not produce

them itself, but depends on foreign skills and foreign capacities, for its consumption requirements. Without productive capacity one cannot produce even consumer goods.

This is the consequence of decisions made especially in 1982, when, gutlessly, the current administration left Paul Volcker to continue the work of destruction he had unleashed under Jimmy Carter, and the fraudulent recovery was launched on the basis of "free trade" and the "magic of the marketplace."

The "free-traders" and the "magicians" overlooked the fact that the goods they buy and sell, speculate in, and demand debt service on, do have to be produced somewhere. That "somewhere" is no longer the United States. They bubbled the dollar to suck in the production of others, to compensate for capabilities which no longer existed in the United States. Then they claimed that United States might had been restored. All the while the United States became weaker than ever before.

Economic might is not measured in monetary volume of goods traded, or bubbles of debt supported by a declining volume of physical production capacity. Those who think this way have undermined national security with their delusions, no matter how bullish on America they claim to be. A national economy cannot function, or be defended, on the basis of hucksters' swindles from Wall Street.

To expand productive capacity is to increase the ratio of goods-producing operatives to overhead employment costs, to increase, and cheapen through technological advance, the per-capita and per-hectare supply of energy to workers productively employed, the labor force as a whole, and the population as a whole.

The continuation of the policies of Jimmy Carter and Paul Volcker does the exact opposite, and results in the immiseration of the United States and its allies. Soviet efforts to decouple the allies are assisted by the destructive aspects of U.S. policy itself.

And if those efforts were to succeed? A Soviet Union exercising imperial sway over U.S. allies in Europe and Asia would command 40% of the world's population, without China directly, 54% of the world's goods-producing labor force, 38% of the world's energy production, and 46% of the world's energy consumption. The United States would be left alone with 7.4% of the world population, 11% of the world's goods-producing workers, about 24% of world energy production, and 28% of energy consumption. The United States would be far weaker than the Soviets were in the 1950s. Soviet policy is directed to that end, whether the proponents of MAD wish to believe it or not.

To the extent the United States is governed by a perception of a recovery that never happened, the success of Soviet objectives is assured. What is required is a change in policy, away from trading in the production of others, and back to fostering the productive capacities of the nation and its allies, closing the dangerous "basic industry" gap. Until that happens, the United States will remain a crumbling colossus with feet of clay.