Slouching Towards Utopia?:
An Economic History of the Long Twentieth Century

XV. The Cold War

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15.1. Origins of the Cold War

15.1.1. After WWII

The pre-World War I order of growth and (largely) peace had been destroyed, according to John Maynard Keynes, by "the projects and politics of militarism and imperialism, of racial and cultural rivalries, of monopolies, restrictions, and exclusion, which were to play the serpent to this paradise…" After WWII these serpents were still out there slithering. They then took huge and nightmarish shape in the form of the American-Soviet Cold War.

Yet, paradoxically, the Cold War did not block or hobble human progress toward prosperity and utopia. Rather, the Cold War accelerated it. It kept other sources of conflict from themselves hobbling and blocking growth and progress.

15.1.2. The Cold War Came as a Surprise

There was not supposed to be a Cold War.

Marxist theory—at least that branch of Marxist theory that became the cultic revealed religion guiding at least the official pronouncements of the governments ruling from behind Stalin and Mao's Iron and Bamboo Curtains—was very clear on what was to come. Capitalism, in Lenin's view, needed imperialism. Imperialism produced militarization with its enormous demand for weapons and

colonies that offered captive markets. These were essential to preserve near-full employment, and so stave off the catastrophic economic crises—like the Great Depression—that would otherwise produce communist revolution. But imperialism also produced war. Thus capitalism was staving off revolution from economic catastrophe by courting revolution through political-military catastrophe.

As Lenin's successors saw it, the capitalist-imperialist powers had successfully delayed revolution from the late 1890s though imperialism and militarism, but had then fallen into the catastrophe of World War I. And that brought Lenin to power in Russia, and the creation of the first really existing socialist country: the U.S.S.R. The revolution had thus greatly marched forward because of and in the aftermath of World War I.

As Lenin's successors saw it, the capitalists had then after World War I concluded that representative institutions were no longer compatible with their continued rule, hence they swung their support behind fascists: Mussolini in Italy, Hitler in Germany, Franco in Spain, Petain in France, Tojo in Japan. But this did not remove the need for imperialism and militarism, but rather sharpened it. The second great imperialist war, World War II, had been worse than the first. That had led to the really existing socialist world's expansion to the Elbe and the Adriatic.

Lenin's successors saw, after the post-WWII consolidation, five tasks:

1. Build up militarily to defend the territories of really existing socialism, because the fascist-militarist-capitalists might well try once again to destroy world socialism militarily—there were American generals who had wanted to start World War III the day after World War II had ended, there was at least one ex-president who thought that the U.S. had fought on the wrong side in World War II, and the U.S. had advanced scientific weapons of unbearable power.

2. Extend the really existing socialist order to the new territories.

3. Build up economically to create truly human societies, both to realize the promise of socialism and to demonstrate to peoples in the capitalist world how good life could be.\

4. Stand ready to assist socialist movements in capitalist countries when they decided they were strong enough to attempt a revolution.

5. Lie low.

If they accomplished those tasks, then the logic of imperialist-militarist-capitalism would start to work again. The capitalist powers would clash again, in another catastrophic world war. And provided the really existing socialist block could keep its head down and survive, in the aftermath it would expand again. That was the Soviet Union's strategy: defend, rebuild, and wait, for history was on their side. Waging a cold war was not the strategy.

And on the other side of what was to become the Iron Curtain, there was little appetite for confrontation. Isolationist currents in America were not as strong as they had been after World War I, but they were strong. Western Europe was exhausted. Britain was seeking to find a role, rather than wishing to roll back really-existing socialism. A U.S. General Patton might muse about taking his 3rd Army's tanks and driving to Moscow, but that was far beyond the pale for any sane and most other North Atlantic politicians. Militarism to send millions of young men to die at the front while civilians died under bombing was in bad odor.

West of what was to become the Iron Curtain, really-existing socialism was not very attractive. Cadres had been decimated at the start of World War II by the Stalin-Hitler pact. And really-existing socialism became more unattractive the more closely outsiders were able to scrutinize it. Pus it ran into the buzzsaw of nationalism. It became more and more clear that allegiance to really-existing socialism required submission to or absorption into the latest incarnation of Russian Empire.

15.1.3. The Korean War

Stalin, however, had a taste for snatching up territory when he thought it could be taken cheaply—starting with the suppression of the Mensheviks in Georgia at the end of the Russian Civil War. But after World War II Stalin curbed his appetite. He did not impose a really-existing socialist government on Finland, but let it remain democratic as long as it was disarmed and joined no potentially anti-Soviet alliances—and as long as its government was riddled with Soviet agents. He cut off support to the communist party in Greece—largely. He counseled Mao to join a coalition with Chiang Kai-shek (the Cantonese romanization of Jiang Jieshi) and wait.

But in 1948 Stalin could not resist snatching up Czechslovakia in a coup d'etat. And Mao ignored Stalin, defeated Chiang Kai-shek, and chased him and his Guomindang to Taiwan. No doubt Stalin heard whispers that he was being overly

cautious, and had lost his nerve as a result of the shocks of World War II. The U.S. government had plans to wage a cold war—boosting defense spending to 10% of national income and deploying U.S. armies as tripwires and more-than-tripwires all across the globe. But those plans remained fantasies for unimaginable contingencies—until the Korean War.

In 1950 the strongman Kim Il Sung, whom Stalin had installed in North Korea at the end of World War II when the Russians occupied the north off the country above and the Americans occupied the south below the 38th parallel, begged him for tanks and support to take over the south. There were then no U.S. garrisons in the south. The U.S. had declined to send troops to support Chiang Kai-shek—it had sent weapons, but had stopped when it realized that the most effective way to arm Mao's People's Liberation Army was to ship weapons of the Guomindang. Moreover, the U.S. was for decolonization—the British out of India, the Dutch out of Indonesia. While the U.S. was happy to provide logistical support to the French war against the communist Vietminh in southeast Asia, it wanted the French to promise independence rather than further colonial rule as the endpoint. U.S. strategic thinking was that in Asia it should use air and sea rather than land power as its weapons.

In June 1950 Stalin let slip the dog of war that was Kim Il Sung and his Soviet-trained and supplied army. The Korean War began, as the U.S. surprised Kim Jong Il, Stalin, Mao, and itself by rallying the United Nations to send an army, largely provided by the United States but formally a force of the United Nations as an organization, to defend the order that had been established in the American zone of occupation that was to become South Korea—and perhaps create a single unified Korean nation as well.

Fighting raged all across the Korean peninsula, from near the Yalu River in the north to the port of Pusan in the south. South Koreans and North Koreans fought on land; Americans fought on land, in the sea, and in the air; Chinese fought on land; Russians fought in the air (with 350 planes shot down). In three years, somewhere between one and two million Korean civilians died, 5% to 10% of the population; perhaps 400000 South Koreans were abducted from their homes and taken to North Korea; and the military dead and missing were, roughly: 500000 Chinese, 300000 North Koreans, 150000 South Koreans, 50000 Americans, 1000 British, 1000 Turkish, 500 Canadian, 400 Australian, 300 Russian, 250 French, 200 Greek, 150 Columbian, 130 Thai, 120 Ethiopian, 120 Dutch, 100 Belgian, 90 Filipino, 30 South African, 30 New Zealand, 3 Norwegian, 2 Luxembourgese, and

1 Indian soldier. The U.S. Air Force dropped half a million tons of bombs during the war—that is 40 pounds of bomb for every North Korean then alive.

The United States did not use its nuclear weapons—it was a war, but it was a limited war. U.S. theater of operations commander Douglas MacArthur asked for their use at the end of 1950 when Chinese People's Liberation Army attacks forced the United Nations' army to retreat from near the Yalu River back to south of Seoul. The Pentagon and U.S. President Harry Truman refused. Starting in March 1951, with the battlefront stabilized near the 38th parallel that had divided North and South Korea before the war, the Pentagon and Truman began to seek a ceasefire and a return to the *status quo ante bellum*—to the state of things before the war—leaving neither victor nor vanquished.

On March 5, 1953, Soviet Dictator Josef Stalin died of a stroke. Stalin's heirs decided that the Korean War was pointless and should end. Mao's negotiators accepted the United Nations's prisoner-of-war position. 10000 of 15000 Chinese prisoners of war decided not to return to China 5000 of 70000 North Korean prisoners of war decided not to return to North Korea. 327 South Korean prisoners of war decided to stay in North Korea, as did 21 Americans and 1 Briton. (18 of the 22 eventually returned to the western bloc.)

And so the still-current state of things—with North Korea under the autocratic rule of the current Kim dynasty, which presided over one of the worst famines of the post-World War II period, and with South Korea independent and now a rich industrial power and a democracy—began.

But the Korean War was important not just for Korea. The Korean War was one of those butterfly wing flaps that changed the world, for it turned the United States and its national security apparatus onto a new path, one with five times the previous level of annual spending and a truly global reach.

15.2. Consequences

15.2.1. Spending to Fight the Cold War

In the aftermath of the Korean War the United States took up a new role.

To start with, western Germany looked analogous to Korea—a country divided by what had originally been intended to he a military occupation boundary but had

become permanent. That it could not be snatched up cheaply was not wholly reassuring, because Stalin had also exhibited a certain degree of bad judgment: in addition to allowing Kim Il Sung to launch the Korean War, there was the unsuccessful attack on Finland in 1939, and there was mother of all miscalculations, the belief that the way to deal with Hitler was to become his ally and then watch Nazi Germany and the western democracies exhaust themselves in trench warfare. Perhaps Stalin's successors would exhibit a similar appetite for conquest on the cheap, and a similar weak grasp of geopolitical realities.

Thus by the middle of the 1950s there was a full U.S. army—corps, divisions, airwings, and the standard enormous logistical tail—sitting in West Germany waiting for Stalin's successors to attempt in Germany what Stalin, Mao, and Kim Il Sung had attempted in Korea: the reunification by force of a country that had been divided in the armistice that ended World War II. Stalin's successors were largely unknown: the only solid thing about them was that they had flourished under Stalin and shot a couple of their own number in the struggle that followed Stalin's death.

What had before June 1950 been the fantasies of national security staffers and planners became reality. They pushed U.S. national security spending up to 10% of national income after the Korean War had come to an end provided a strong floor to demand and employment in the United States as well.

A good deal of this spending was for the U.S. to project its Cold War military power far beyond its borders. U.S. bases and troops found themselves permanently deployed on every continent save Antarctica. Roughly three-quarters of a percent of U.S. national product in the mid 1950s was "net military transactions"—expenditures abroad by the U.S. army which generated no dollar inflow. In Europe, the increase in net U.S. military transactions did much to offset the winding-down of the Marshall Plan: the forces of the Supreme Allied Commander, Europe, of the North Atlantic Treaty Organization thus provided one more secure source of demand for European production during Europe's booms in the 1950s and 1960s.

15.2.2. Waging the Cold War

15.2.2.1. Nuclear Threat

Nuclear forces that U.S. planners regarded as perhaps inadequate to deter a Russian nuclear strike or conventional-force invasion of western Europe struck Russian planners as dangerously close to the forces the U.S. would need to wage and win a nuclear devastation or conventional occupation of Russia. And all Russian planners remembered the burning of Moscow by the Crimean Tartars in

1571, the occupation of Moscow by the Poles in 1610, the invasion by the Swedes in 1709, the occupation of Moscow by the French in 1812, the German-dictated Peace of Brest-Litovsk in 1918, and Hitler's invasion in 1941. From 1956 on the formal policy of the Soviet Union was "peaceful coexistence". The Russians would, of course, continue to support just revolts against colonialism and capitalism. But war between the superpowers? Off the table. The U.S. and the U.S.S.R. would coexist. Really existing socialism would triumph in the end, of course. But its triumph would be by example, not by military force.

From the other side of the hill, the U.S. policy became one of "massive retaliation": "contain[ing] the mighty landpower of the communist world… by be[ing] willing and able to respond vigorously at places and with means of its own choosing". This policy, pointedly, did not take a nuclear-weapon response to a conventional provocation off the table, and did not restrict retaliation and deterrence to the particular theater of conflict.

15.2.2.3. Peaceful Coexistence

But the keyword, I believe, is "contain": the U.S. and indeed the western NATO alliance policy for the Cold War was one of *containment*. As U.S. diplomat George Kennan put it, the right strategy was one of "holding the line and hoping for the best", for since "ideology convinces the rulers of Russia that truth is on their side and they they can therefore afford to wait", it was the case that "Soviet pressure… can be contained by the adroit and vigilant application of counter-force at a series of constantly shifting geographical and political points".

And there was more: "the issue of Soviet-American relations is in essence a test of the overall worth of the United States as a nation among nations". Thus:

> The thoughtful observer of Russian-American relations will find no cause for complaint in the Kremlin's challenge to American society. He will rather experience a certain gratitude to a Providence which, by providing the American people with this implacable challenge, has made their entire security as a nation dependent on their pulling themselves together and accepting the responsibilities of moral and political leadership that history plainly intended them to bear…

If only the United States could, Kennan believed, truly be a City Upon a Hill. If only it could, as John Winthrop had preached back in 1630: "follow the counsel of Micah, to do justly, to love mercy, to walk humbly with our God" so that "he shall make us a praise and glory that men shall say of succeeding plantations, 'may the

Lord make it like that of New England'…"—then the U.S. and the western NATO alliance would have nothing to fear from the Cold War.

15.2.2.4. "We Will Be the Ones Who Will Dig Your Grave"

The Americans who ran foreign policy overwhelmingly agreed. The only possible exception was the 1969-1976 National Security Advisor and then Secretary of State, Henry Kissinger, and his erratic boss, President Richard Nixon. Kissinger's international-relations professor colleague Stanley Hoffman believed that "Henry, in his melancholy, seems to walk with the spirit of Spengler at his side"; and Admiral Elmo Zumwalt said that Kissinger talked to him about how America was part of a civilization that had seen its best days and needed to accommodate the rising power of Russia, which was a Peloponnesian War-era "Sparta to our Athens".

But others saw no reason to panic. Deterrence would control the nuclear threat. And the Kremlin was run by colorless apparatchiks who liked their standard of living and position.

Soviet paramount leader Nikita Khrushchev also saw no reason to panic, and every reason to wait for the verdict of history. "Whether you like it or not, history is on our side. We will bury you." He said in 1956. Probably the Russian "Мы вас похороним" meant: "we will be the ones who will dig your grave" or "we will outlast you". Later on Khrushchev clarified: "I once said, 'We will bury you', and I got into trouble with it. Of course we will not bury you with a shovel. Your own working class will bury you." Russia had lost 27 million people killed and starved in World War II. Nobody in it wanted World War III.

15.2.3. A Stable Non-Utopia

The new post-World War II world was not utopia. It stood for the first time under the shadow of nuclear war, and the MAD strategies nuclear weapons strategists embraced—"MAD" both as an acronym for "mutual assured destruction" and "insane".

And the world was not free from other snakes in the garden. For example, the same letter in which President Dwight Eisenhower admonishes his brother Edgar for imagining that his administration could or should roll back the New Deal and upset the social-democratic mixed-economy Keynesian order, Eisenhower boasted about how under his administration the CIA had led the coup that had entrenched

Mohammed Reza Pahlavi as shah and dictator in Iran and so kept the Middle East oil states from going commie—as the Truman administration would have allowed it to do, and so largely removed the greatest "threat that has in recent years overhung the free world".

It is true that British Prime Minister Clement Attlee and American President Harry S Truman had nixed CIA, MI6, and Anglo-Iranian Oil Company demands for a coup. But British Prime Minister Winston Churchill and American President Dwight Eisenhower's judgments that Iranian Prime Minister Mohammed Mosadegh's oil nationalizations and political tugs-of-war with shah and parliament were not normal politics but the prelude to a communist takeover as had happened in 1948 in Czechoslovakia—that judgment is at the very least highly contestable.

15.3. Implications

15.3.1. Nations for Which the Cold War Was an Opportunity

For leaders and would-be leaders of both independent and colonized nations and nations-to-be during the first post-World War II generation, the Cold War was, more often than not, a blessing. Leaders could press the United States to encourage Britain and France to accelerate decolonization. Before independence, they could observe that if decolonization was delayed, the Russians and the Chinese would use the grievances justly felt by the colonized to build support for insurgencies that would add that nation to the Communist Bloc. After independence, they could declare themselves "nonaligned", as the movement started at the Bandung Conference in Indonesia by then-Indonesian strongman Sukarno and then-Indian Prime Minister Nehru was called. Nonaligned nations could then call for bids of support from both sides in the Cold War. The more important the Cold War, the more both sides would be willing to spend to support a nonaligned government trying to decide what its political and economic system should be.

15.3.2. Nations for Which the Cold War Became a Threat

On the other hand, the hotter the Cold War, the more likely it was that a government or a popular movement trying to steer its own course would be pulled up short by the choke-chain of one of the superpowers, and people would die. Yugoslavia and Finland managed to pursue their own paths—but the Red Army stepped in to enforce the party line and discipline in East Germany in 1953, in Hungary in 1956, in Czechoslovakia in 1968, Afghanistan in 1978. The U.S.

sponsored coups or sent troops to overthrow governments into Iran and Guatemala in 1954, Cuba in 1961, Cuba in 1973, the Dominican Republic Nicaragua in 1981, Grenada in 1983. Plus there were the cases where the Cold War turned genuinely hot: Korea (5 million dead), Vietnam (2.5 million dead), Ethiopia (1.5 million dead), Angola (500000 dead), and more.

And there were governments that attacked their societies: somewhere between 100,000 and 500,000 of Indonesia's hundred million were murdered in 1965 in The Year of Living Dangerously. Strongman Suharto used an attempted communist coup as a pretext to sideline previous strongman Sukarno and then slaughter everyone in Indonesia whom anyone said might be a communist. The Khmer Rouge in 1975-9 killed two of Cambodia's 8 million people for no reason whatsoever—and still China and the U.S. backed the Khmer Rouge against the Cambodian government the Vietnamese installed in 1979. And there were many, many more.

15.3.3. Teetering on the Edge of Armageddon

Even more, the world teetered on the edge of thermonuclear war during the Cuban Missile Crisis of 1962. Russian paramount leader Nikita Khrushchev was somewhat surprised by the bellicose reaction of American President John F. Kennedy to Russia's deployment in Cuba of missiles like those the U.S. had previously deployed in Turkey next to Russia's border. In the end the U.S. promised not to overthrow Cuban communist dictator Fidel Castro by force. Russia withdrew its missiles from Cuba. The U.S. withdrew its missiles from Turkey. Note that Russia was the reasonable one willing to sacrifice "face", for both agreed to keep the U.S. withdrawal a secret so as not to create a "Kennedy backed down" campaign issue that the Republicans could use against the Democrats in the 1962 and then 1964 elections. A lot of grossly misleading histories were written by and based on bad-faith reports from Kennedy administration insiders over the two decades before that secret was revealed.

There were other teeters.

In 1960 the moonrise was mistaken by a NATO radar for a nuclear attack—and the U.S. went on high alert even though Russian paramount leader was in New York at the United Nations at the time. In 1967 NORAD thought a solar flare was Soviet radar jamming, and nearly launched its bombers. In 1979 the loading of a training scenario onto an operational computer led NORAD to call the White House, claiming that the U.S.S.R. had launched 250 missiles against the United States, and

that the president had only between 3 and 7 minutes to decide whether to retaliate. In 1983 Lieutenant Colonel Stanislav Petrov refused to classify an early warning system missile sighting report as an attack, and dismissed it as an error. And in 1995 Russian President Boris Yeltsin opened his nuclear weapons control briefcase when the launch of a Norwegian northern lights-studying rocket was interpreted as an attack.

In 1983 the Red Air Force mistook an off-course Korean airliner carrying 100 people for one of the U.S. RC-135 spy planes that routinely violated Russian air space to test the competence of Russia's air defenders and shot it down; Red Air Force pilot Gennady Osipovich continued to believe he shot down a spy plane.

In 1988 the U.S. Navy cruiser Vincennes—at the time in Iranian territorial waters without Iran's permission—shot down on on-course Iranian airliner carrying 290 people.

It could have gone very badly indeed.

15.4. Winning the Cold War

15.4.1. Who Were the Victors?

In one sense, Nikita Surgeyevitch Khrushchev was a winner in the Cold War. In 1959 he wrote:

> Peaceful coexistence does not mean merely living side by side... with the constantly remaining threat of [war] breaking out in the future. Peaceful coexistence can and should develop into peaceful competition for the purpose of satisfying man's needs in the best possible way.... Let us try out in practice whose system is better, let us compete without war. This is much better than competing in who will produce more arms and who will smash whom. We stand and always will stand for such competition as will help to raise the well-being of the people to a higher level.... We may argue, we may disagree with one another. The main thing is to keep to the positions of ideological struggle, without resorting to arms in order to prove that one is right.... Ultimately that system will be victorious on the globe which will offer the nations greater opportunities for improving their material and spiritual life...

Khruschchev would have been surprised that, by 1990, it was clear even to his successors sitting in the Kremlin that really-existing socialism was a dead end for

humanity. But that was the conclusion people reached. The Cold War was kept from becoming hot. Th Cold War ended sort of the way Khrushchev had hoped: with one system offering clearly greater opportunities for improving material and spiritual life.

15.4.2. Who Were the Statesman?

The Cold War could have ended otherwise. People could and did make a difference. Those who made the most different were, I think, those who (a) kept the Cold War from getting hot, (b) persuaded many who wanted to keep fighting it that it was over, and (c) worked hardest to make the social democratic western alliance its best self. Here is my list of the ten outside the Iron Curtain who I think did most to make it so:

Harry Dexter White: Treasury Assistant Secretary who was the major force behind the Bretton Woods Conference and the institutional reconstruction of the post-World War II world economy. He accepted enough of John Maynard Keynes's proposals to lay the groundwork for the greatest generation of economic growth the world has ever seen. It was the extraordinary prosperity set in motion by the Bretton Woods' System and institutions--the "Thirty Glorious Years"--that demonstrated that political democracy and the mixed economy could deliver and distribute economic prosperity.

George Kennan: Author of the "containment" strategy that won the Cold War. Argued--correctly--that World War III could be avoided if the Western Alliance made clear its determination to "contain" the Soviet Union and World Communism, and that the internal contradictions of the Soviet Union would lead it to evolve into something much less dangerous than Stalin's tyranny.

George Marshall: Architect of victory in World War II. Post-World War II Secretary of State who proposed the Marshall Plan, another key step in the economic and institutional reconstruction of Western Europe after World War II.

Arthur Vandenberg: Leading Republican Senator from Michigan who made foreign policy truly bipartisan for a few years. Without Vandenberg, it is doubtful that Truman, Marshall, Acheson, and company would have been able to muster enough Congressional support to do their work.

Paul Hoffman: Chief Marshall Plan administrator. The man who did the most to turn the Marshall Plan from a good idea to an effective aid program.

Dean Acheson: Principal architect of the post-World War II Western Alliance. That Britain, France, West Germany, Italy, and the United States reached broad consensus on how to wage Cold War is more due to Dean Acheson's diplomatic skill than to any single other person.

Harry S Truman: The President who decided that the U.S. had to remain engaged overseas--had to fight the Cold War--and that the proper way to fight the Cold War was to adopt Kennan's proposed policy of containment. His strategic choices were, by and large, very good ones.

Dwight D. Eisenhower: As first commander-in-chief of NATO, played an indispensable role in turning the alliance into a reality. His performance as President was less satisfactory: too many empty words about "rolling back" the Iron Curtain, too much of a willingness to try to skimp on the defense budget by adopting "massive retaliation" as a policy, too much trust in the erratic John Foster Dulles.

Gerald Ford: In the end, the thing that played the biggest role in the rise of the dissident movement behind the Iron Curtain was Gerald Ford's convincing the Soviet Union to sign the Helsinki Accords. The Soviet Union thought that it had gained worldwide recognition of Stalin's land grabs. But what it had actually done was to commit itself and its allies to at least pretending to observe norms of civil and political liberties. And as the Communist Parties of the East Bloc forgot that in the last analysis they were tyrants seated on thrones of skulls, this Helsinki commitment emboldened their opponents and their governments' failures to observe it undermined their own morale.

George Shultz: Convinced Ronald Reagan—correctly—that Mikhail Gorbachev's "perestroika" and "glasnost" were serious attempts at reform and liberalization, and needed to be taken seriously. Without Shultz, it is unlikely that Gorbachev would have met with any sort of encouragement from the United States--and unlikely that Gorbachev would have been able to remain in power long enough to make his attempts at reform irreversible.

All honor to them—and to their peers on the other side of the hill.