

# FRIEDBERG'S

## COMMODITY & CURRENCY COMMENTS

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5th May 1980

### DID THE PATIENT DIE A NATURAL DEATH ... ?

There is little doubt that we have entered the ugliest part of the Recession. The doubts focus on whether the Fed went overboard and produced an overkill.

Let us reassure you. The Fed did not produce an overkill because it did not go overboard but the economy slumped nonetheless. As explained in our January issue, the economy had been sustained by an unanticipated rate of inflation; instead of rising at an 8% per annum rate, prices jumped at a 13-18% annual rate. The false boom conditions were masking serious pockets of weakness, among them housing and autos. As to the Fed, suffice it to tick the following numbers: a) adjusted bank reserves grew at a 10.1% annual rate from mid-Feb. to mid-April, a period of 'great stringency' as compared to the year over year growth rate of 7.8%; b) from March '79 to March '80, bank credit grew at an 11.4% rate of growth, hardly a sign of credit unavailability; c) not once since Nov '78 have total bank investments turned negative on a year-over-year basis - could it be that banks had no trouble in creating credit when and if needed?; d) despite growing risks and frequent defaults, margins on Eurodollar syndicated loans continued to fall throughout 1979 and early 1980, coming down to the irreducible rock-bottom level of  $\frac{1}{2}$ % over LIBOR - a sign of plentiful availability of loanable funds; etc..

One thing is clear: the Fed has introduced a tangled web of reserve requirements and regulations that can only have one result, namely, the increase in the domestic lending spread. The absurdity of seeing CD's trade at 12 $\frac{1}{2}$ % and prime at 18 $\frac{1}{2}$ % is a result of the increased cost of doing business (non-interest bearing reserves) and an attempt to catch up on deteriorated margin because of the increased cost of doing business. The culprit is the Fed. The losers are; a) the domestic money market, as banking continues to move offshore; b) the borrowers who must pay absurd premiums above market rates of interest (little wonder that while bank loans slump, commercial paper o/s rises to new highs); c) the depositors, who must now contend with discounts on prevailing market rates aside from suffering from such mundane ailments as negative interest rates and taxes; d) the economy, for its loss of efficiency.

On the question of the depth of the present recession, we can only hope that the majority view is right. Growing worldwide illiquidity (already discussed at length in previous issues) coupled with the spread of protectionism may deepen and extend this recession well beyond anyone's guess. Round one of what may turn out to be a full fledged trade war was won last Friday by U.S. Steel; the International Trade Commission, a quasi-judicial body found a 'reasonable indication' that the domestic steel industry had been injured by low-priced imports coming from France, W-Germany, Belgium, Luxemburg, The Netherlands, Italy and Britain. The Commerce Department is now encharged with determining by late summer whether, in fact, steel is actually being 'dumped' in the U.S. and the extent of the 'dumping margin'. Retaliatory action and pressure is expected from America's trading partners in weeks and months ahead.

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In conformity with the spirit of our Age of Discounting (Now), market rates of interest have plummeted at an incredible speed. In five short weeks, three-month Treasury Bills traded down from 16.5% to 9.3%, Federal Funds from 20% to 12½%, three-months Eurodollar from 19% to 14% and so on. Even more difficult to believe, long term Treasury Securities from 12.47% ( weekly average) to 10%. The magnitude of these declines is comparable to those recorded in 1974/75, except that six years ago the market took as much as six months to arrive at similar levels.

Regardless of the ultimate severity of the present recession, the collapse of yields must take a breather, particularly at the long end of the market where returns of 10% are anticipating a 40% drop in the inflation rate from present levels, to be maintained there for twenty-five years !

Furthermore, the spectacular easing of rates has begun to have a pronounced effect in foreign exchange markets where the dollar has lost considerable ground in the past few weeks. From here on, interest rates may be operating under a foreign exchange constraint, a factor that was clearly absent in late 1974 and early 1975.

STRATEGY:

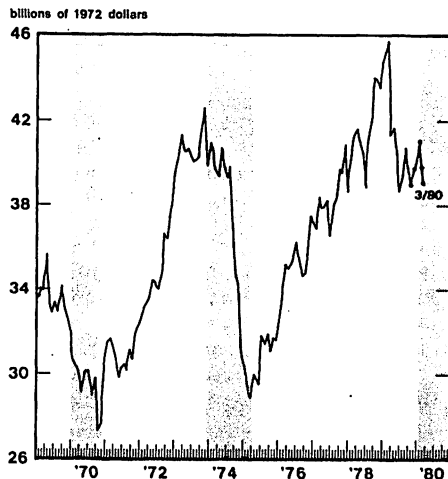
- a) Begin immediately a scale up selling program of U.S. Treasury Bonds, placing stops at 85.00 basis June, close only.
- b) Cover short positions in DM, SF and Japanese Yen ( the latter triggered already as per 41.40 stop) at market.
- c) Add to previous established long BP positions ( as per suggestion last month of re-entry long side on a move above 2.21).
- d) Maintain short positions in CD\$, lowering stops to 84.50 basis spot.

Threesigns of a deepening recession, notice that the turning points pre-dated considerably Mr. Volcker's get-tough policy.

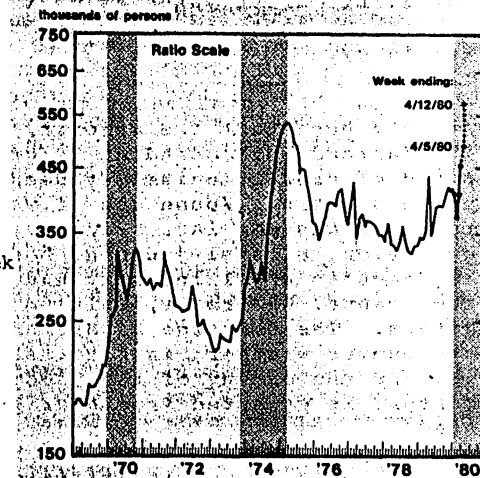
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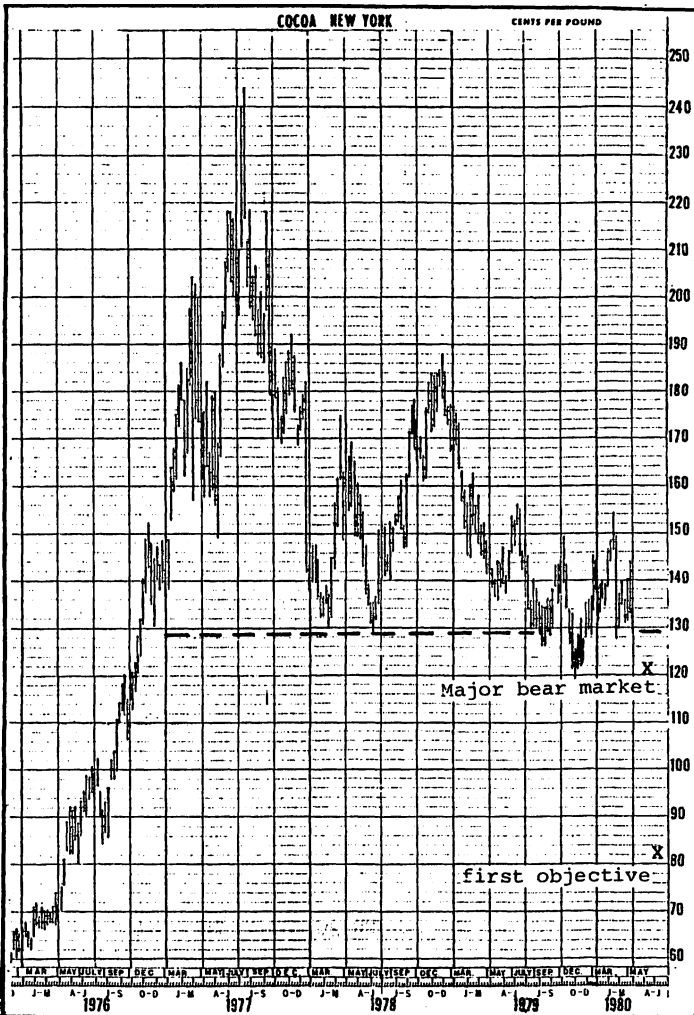
**DURABLE GOODS NEW ORDERS**



**INITIAL UNEMPLOYMENT INSURANCE CLAIMS**



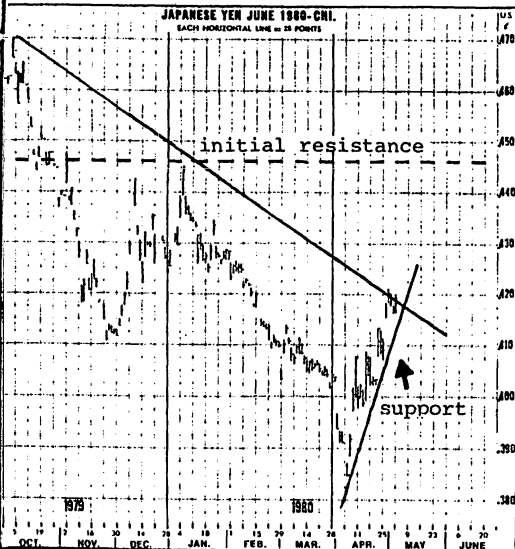
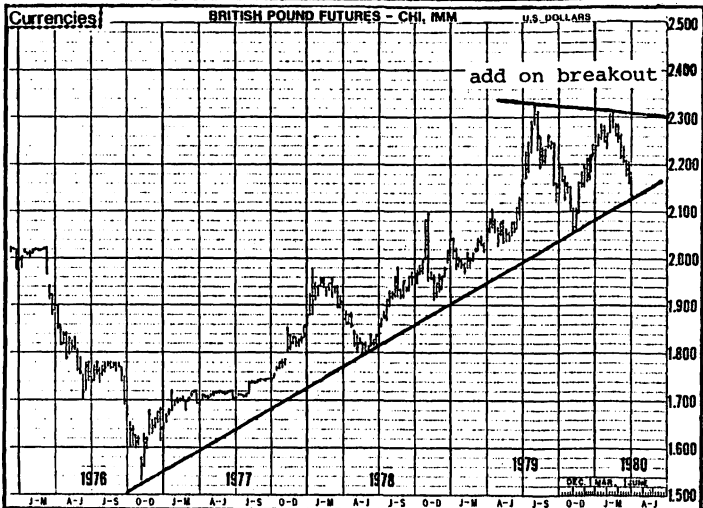
Economic Week

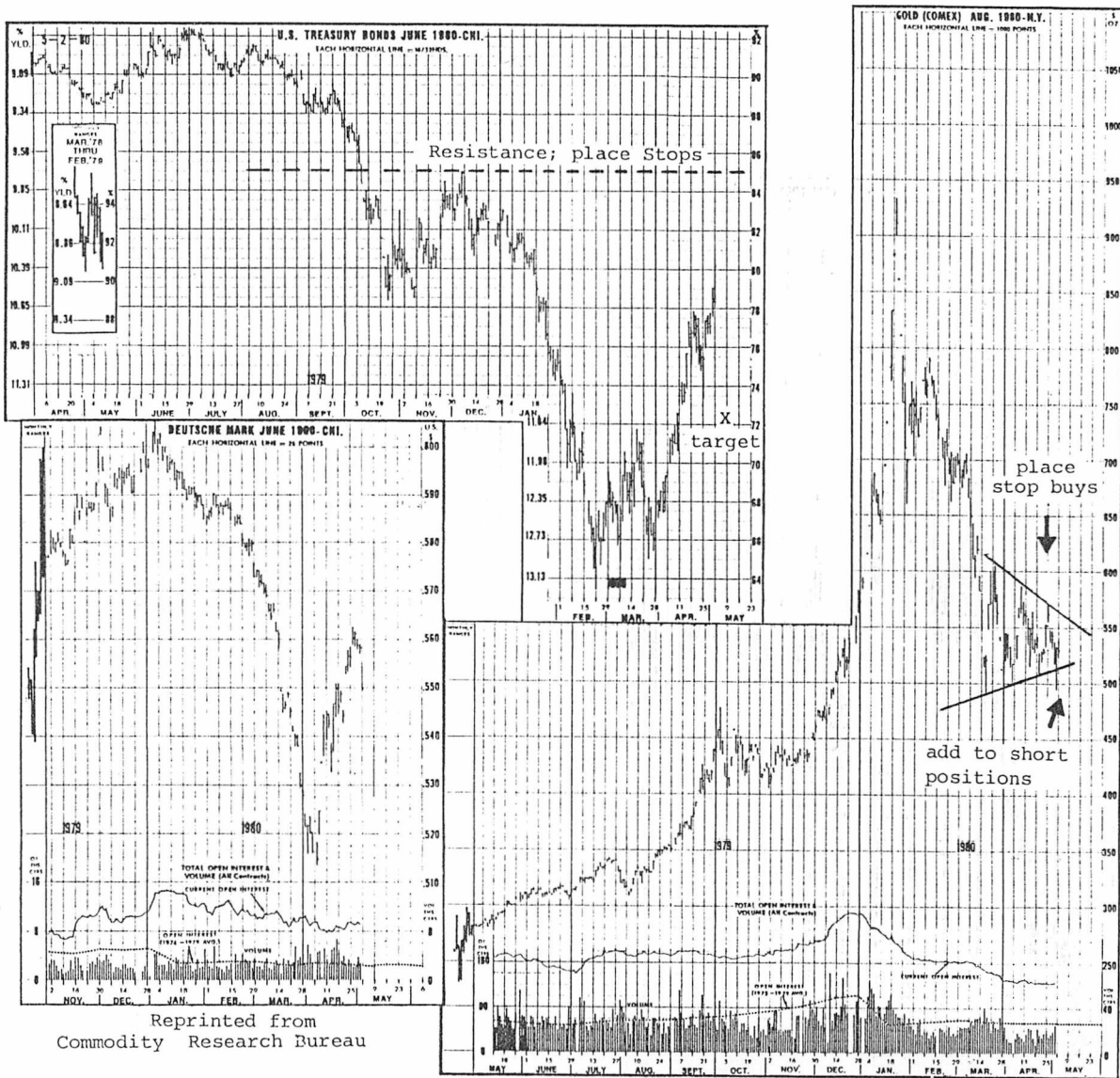


GNMA	Settle	Yield
Jun	80-00	11.115
Sep	80-11	11.052
Dec	80-18	11.012
Mar '81	80-17	11.017
Jun	80-12	11.046
Sep	80-07	11.075
Dec	79-31	11.121
Mar '82	79-24	11.161
Jun	79-17	11.202
Sep	79-10	11.243
Dec	79-03	11.284

TREASURY BONDS		
Jun	80-18	10.315
Sep	80-30	10.262
Dec	81-05	10.231
Mar '81	81-05	10.231
Jun	81-01	10.249
Sep	80-29	10.266
Dec	80-25	10.284
Mar '82	80-21	10.301
Jun	80-17	10.319
Sep	80-13	10.337
Dec '82	80-09	10.354

TREASURY BILLS		
June	90.28	9.72
Sep	90.82	9.18
Dec	91.17	8.83
Mar '81	91.20	8.71
Jun	91.26	8.74
Sep	91.24	8.76
Dec	91.14	8.86
Mar '82	91.15	8.85





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PRECIOUS METALS

Despite an international political situation which has grown increasingly combustible since last writing, precious metals have shown a downward bias. At the same time, attempts to crack the critical 480.00 mark basis June gold, have met with surprising support. The action thus occasions the question: is gold being accumulated at or simply bargain-hunted at current levels.

Looking at gold from a strictly economic point-of-view also leaves the writer inconclusive. On one hand the yellow metal is possessed of the properties of a commodity and will thus suffer in a recessionary environment. Seventy percent of production ( in 1979; 725 tonnes), is utilized by jewelry fabrication and jewelry demand is a function of income elasticity. As a store of value, gold is sought after in anticipation of dollar depreciation against other goods or currencies and, as argued in our introductory comments, another round of dollar weakness is presently being engineered by the Federal Reserve which is providing ample reserves to the banking system.

The chart picture shows that 1) gold has violated major support and uptrend lines in its fall from 872.00 2) the market is currently trading within a downward sloping, flat bottomed triangle which, despite the aforementioned support, has a decidedly bearish aspect. We must conclude the market is telling us that of the two economic factors discussed here, it is the former which will hold precedence. We thus remain consistently bearish in expectation of another break in values to our target of 375.00 basis Spot. Lower stops to 551.00. basis June.

A word on the Hunt drama .

The affair comes at an opportune time for fans of the television program Dallas. who would otherwise have been confined to watching reruns this summer. To market observers who have not quite managed to decipher the plot we provide the following synopsis: Messrs. Hunt via their Placid Oil Company will receive the princely sum of \$1.1 bln. through the munificence of Mr. Volcker. Such generosity -which speculators will note, with a certain justifiable twinge of jealousy, was not accorded them after taking one of the worst baths in market history is offered so as to allow for the orderly disposal of the meager 63.0 mln. ounces of silver that the placid Texans presently "own or control".

To those who, with good reason, would like to imagine themselves credit-worthy to the tune of \$1.1 bln. we ask the sobering question: would you like to pay prime plus one percent interest on such a sum? Answer: not for long. Another argument for the bears.

### COPPER

Today's announcement that Ford's and G.M.'s late April car sales declined by 47.4% and 34.0% over last year was typical of the bearish news that has been dealt to this market. In the past month nonetheless, while serving to inhibit rallies, the economic gloom has not actively pressured futures inasmuch as the end-March lows of 88.00 have thus far held. The buildup in exchange warehouse stocks in London and New York has stabilized since mid-March at approx. 117.5 thous. tonnes and 149.0 thous. tonnes respectively. Participants now look ahead to end-June labour negotiations and attempt to gauge the depth of the recession.

Remain short lowering stops to 94.00 on close only.

### SUGAR

The expiration of the May 1980 position saw a majority of the 2,627 delivered contracts taken by a large trade house. Because deliverable physicals are frequently afloat at different locations around the world, operators seeking sugar generally regard delivery on futures as a method of last resort to effect possession. That so large a position was taken indicates the relative lack of immediate availability. With the 1979/80 world deficit now estimated at 7.0 million tonnes, countries which in most years are exporters have become importers. The discount on nearby positions has tended to shrink accordingly. Taken together, it is safe to conclude that near-term fundamentals are bullish and, though largely known at this late stage of the crop year, may not be discounted at current prices because of the distortions caused by speculation.

The drawdown in year-end stocks resulting from the year's deficit will be to 23.5 mln tonnes. This is not a dangerous level, but it focusses attention on the market's expectations of next year's crop. Thus far, projections are sketchy with only beet acreage indicated within reasonable parameters. Private forecasters however have opined deficits between 4.0 and 7.0 mln. tonnes; it is noteworthy that opinions of next year's balance have deteriorated over time. A 7.0 mln. tonne shortfall would draw year-end stocks to 17.5 mln tonnes or 18.6% of next year's projected consumption of 94.0 mln tonnes. Such a figure is dangerously low.

The technical picture is decidedly bullish. In the speculative washout of February/March sugar held its long-term uptrend. As of this writing the near July option has managed a life of contract high close and has only the March '80 high of 29.75 to best before breaking all resistance. That the current action is not a simple speculative play is indicated by the open commitments which have not mushroomed since declining the present 65,000 odd positions from 110,000 in early February. Conclusion: Only our own enthusiasm tempers us. We are presently long; we would add on a firm close above 30.00 basis July. A less risk prone alternative is to purchase call options in London which are offered at £22/tonne for August, or approximately \$2,500.

# The Danger Is Defeat, Not Destruction

Anonymous

If the Soviet Union were to inflict a nuclear first strike upon the United States, well over 90 percent of the American people would read about the attack in their newspapers, or hear about it on radio or TV. Only a small percentage of Americans would see, hear, or feel any effects of the attack, and considerably less than 1 percent of us would become casualties. This is not wishful thinking, but rather a sober, detailed appraisal of the effects of the Soviet nuclear weapons which exist or are being built, if they were used according to the military strategy which the Soviet Union has been teaching to its forces since the beginning of the nuclear era. Soviet weapons are made especially to destroy American weapons — to defeat America while killing very few Americans and leaving our economy intact. Simply put, the Soviet Union is not out to destroy us, but to defeat us. We can take no comfort in this, because the Soviets have made tremendous strides toward being able to achieve this goal, and because, after being defeated by the Soviets, most Americans might wish that Armageddon had come instead.

All of this, of course, is contrary to the picture of nuclear war which has been propagated by most American politicians, academics, and publicists for a generation. According to their view, nuclear war would be a spasmodic exchange. Both the U.S. and the U.S.S.R. would shoot everything they had at each other's centers of population, literally bombing each other back into the Stone Age, or worse. Neither country could or would take any care, before or during the conflict, about limiting damage to itself. Each would strive only to annihilate the other even as it was being annihilated itself. As song writer Tom Lehrer once put it, "We will all go together when we go." This very popular and reassuring view is shared by people as different in their political preferences as George McGovern and Barry Goldwater.

The popular American picture of nuclear war has always been utter nonsense. Nonetheless, the technological advances of recent years have made it even more criminally stupid. First, the military capacity of the two sides has never been equal. During the 1950's, had we gone to war with the Soviets, nearly all our bombers would have gotten through to Soviet targets, while very few Soviet ones would have made it to our borders. During the early 1960's, our missiles, inaccurate as they were, could have knocked out the Soviets' few missiles, which were then located on soft pads well known to our satellites. During the remainder of the 1960's, when both we and the Soviets placed our missiles in hardened silos or submarines, there was some reason to believe that we and the Soviets were equally targeting each others' population. But it was not so. We targeted industries, while the Soviets targeted our air and naval bases. But we had a bigger force. Had we gone to war in the late 1960's, we would have lost most of our military power, while the Soviet Union would have lost a fourth of its population and less than half of its industry. Since the early 1970's, it has been beyond dispute that the Soviet Union has a superior ICBM force built for one primary mission: destroying American missiles in their silos. (Roger D. Speed, Strategic Deterrence in the 1980's [Stanford: Hoover Institution, 1979].) By so doing the Soviet Union can diminish the United States' ability to strike back with its population-killing weapons. So, to sum up, at different times either side has had finite military ability to defeat the other and protect itself. Second, and most im-

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*Employed in a highly sensitive position in Washington, the author remains anonymous. This article first appeared in Remnant Review, P.O. Box 35547, Phoenix, Arizona 85069. Editor Gary North put his reputation on the line by publishing the article, assuring readers that the author is reliable, a scholar with a Ph.D. in political science, and he has published in prestigious journals. He is regarded as one of the most informed conservatives in the field of European politics. He now devotes his skills full time to studying Soviet military strategy.*

*Although Col. E.C. Harwood, Director of the American Institute for Economic Research, feels that money-credit mismanagement is a serious danger to the U.S. he says that the risk described in this article is the more imminent of the two.*

*Harry Schultz, publisher of The International Harry Schultz Letter, when commenting on this article for his clients, in all parts of the world, claimed this was the most important article he has ever written in a lifetime of publication. He told his readers that the matter is so important to their future that it makes mere trivia of such things as stocks, interest rates, margin, bank accounts and forecasts about various markets.*

*Schultz truly fears that we will not be in a position to enjoy our capital gains or even to have basic freedom of movement if we don't resolve this problem very quickly. He refers to a set of circumstances that points irrefutably to a Russian controlled world within 2-4 years.*

*A recent defector to the West, Igor Glagolev a key member of the Kremlin policy-makers for many years, warned that Russia's strategy for world domination has been stepped up since 1976 and that Russia is determined to take South Africa and to get the full benefit of its tremendous mineral wealth and strategic port facilities. At present he does not know which is the highest priority, moving into the Persian Gulf and taking its oil or getting control of South Africa's mineral wealth.*

*It should not be forgotten that the Russians have, directly or indirectly, killed more than 150-million people and they are still killing people in different parts of the world today, right this very moment as you read this article.*

*If we value our existence we must urge our leaders to abandon our "Keep hoping for the best" policy and to lead instead of being led.*

*We must show the Russians that one wrong step into South Africa or the Persian Gulf will bring full retaliation from the U.S. in the form of Nuclear War, and nothing short of that. The U.S. must implement a crash program for new tactical weaponry NOW as it might be too late by mid 1980.*

portant, the American image of nuclear war as Armageddon is false because while American planners, beginning with Robert McNamara, have disapproved of destroying enemy weapons, and have not attempted to design plans which might allow the U.S. to survive a nuclear war, the men in charge of the Soviet military establishment have never waived from the view that wars have winners and losers and that the job of the Soviet military is to protect the Soviet Union by smashing the enemy's weapons.

Thus while American policies have aimed at producing dead Russians while leaving intact Soviet strategic weapons, the Soviet Union has never targeted our population. (Fritz Earmarth, "Contrasts in American and Soviet Strategic Thought," International Security [Spring, 1978].) As a result of our misperception, we have been worrying needlessly about being burned to a crisp, or about dying of radiation sickness (a la the movie "On the Beach"). We have worried ourselves so irrationally about a far-fetched danger that we have rendered ourselves incapable of doing anything about the present danger — the Soviet Union's growing ability to defeat us and to do to us what it has done to other peoples it has conquered.

## The Soviet Force

At the time of the Cuban missile crisis in 1962, the Soviets had less than ten SS-6 intercontinental missiles capable of striking the United States. These lumbering giants were aimed at U.S. Air Force bases. They were dangerous above all to the people who had to pump fuel into them. Today, Soviet missiles capable of reaching the United States number at least 2,400 modern types. (All figures for strategic deployments are taken from the book edited by Paul Nitze, The Fateful Ends and Shades of SALT [New York: Crane Russak & Co., 1979].) We must say "at least" because we

place their megaton within about one-tenth of a mile of the target — close enough to be quite sure of killing it. (Performance data for Soviet and American missiles are from Jane's Weapon Systems, 1978-79.) The SS-18's alone can go a long way toward disarming the United States.

The Soviet Union either has deployed or is now deploying 600 SS-17's and SS-19's. These missiles carry four and six warheads respectively. Though not quite so accurate as the 18's, these twenty-five hundred megaton size warheads could kill "hard targets." But they could also be used to destroy "soft" military targets such as air bases, or be kept in reserve to threaten cities. In addition, there are almost 600 SS-11's, each carrying one megaton. The Soviet Union has also deployed some 900 missiles aboard submarines. Almost half of these are longer range than anything aboard American ones, and about two hundred of these carry multiple warheads. By the early 1980's, the latter's number will rise to about 500. The Soviet submarine force should be expected to have over two thousand warheads, each of which would yield between 500 kilotons and one megaton. Such warheads, however, are only accurate to within a half mile. Therefore they can be used to attack air bases or to threaten cities.

The Soviet heavy bomber force is small — less than 150 operational Bears and Bisons. Yet it can easily be augmented by 200 Backfire medium to long-range bombers, or even by cargo aircraft. The reason is simple: Soviet aircraft seeking to drop bombs on the United States need not use speed, low altitude, or deception to counteract American air defenses, because none exist. They have been dismantled over the past two decades. Even civilian cargo planes could be used to bomb the United States!

The Soviet Union, on the other hand, has deployed 6,500 air-defense radars, 10,000 interceptor missiles, and 2,600 interceptor aircraft. It practices air-defense constantly. It has also built four huge phased-array radars which can be the core of a nationwide defense against ballistic missiles. The other components of such a defense already exist. The Soviet Union has but to mass produce them — which, for all we know, it may be doing — in order to have a respectable defense. To back up its active defenses, the Soviet Union has an expanding civil defense, featuring hard shelters for about one-fourth of the urban population, protection for vital industries, and sheltered food supplies.

## American Forces

The backbone of the American force is the Polaris-Poseidon fleet. These 41 submarines carry 16 missiles each — a total of 656 missiles, which can carry some 5,000-5,400 nuclear warheads. About half of this force — some 2,500 warheads — is at sea at any given time. Most of it could survive any Soviet attack. But the Polaris-Poseidon warheads are curious weapons. They yield only 40 kilotons each, and are accurate to about four-tenths of a mile. Thus they are optimal for attacking soft targets, such as residential areas. They are less useful for military targets, and totally useless against "hard" targets. This is by design. As Poseidon was being perfected, Secretary of Defense Robert McNamara rejected plans to fit it with three big, accurate warheads, on the grounds that the ability to strike "hard targets" was against America's strategic policy.

That policy, simply put, is to deter war by threatening to kill Soviet civilians in a second strike. According to that policy, any weapon

really have no idea just how many missiles the Soviet Union has built and stored, ready for use. The Soviets have always refused to let us examine their facilities for producing missiles, while the United States' vaunted intelligence satellites simply cannot look through roofs, or darkness, or clouds. Nor can they overhear anything that is not broadcast in the clear. Nevertheless, at the beginning of the SALT negotiations 10 years ago, the United States agreed to believe officially that the Soviets had only as many missiles as they had silos in the ground and in launcher tubes on submarines. Thus the SALT treaties have not limited the production of missiles, but only the deployment of things which American intelligence systems can count — silos and submarines. At any rate, regardless of the missiles they might have hidden, 2,400 is the number of missiles and bombers the Soviets have openly deployed.

At least 326 of these missiles are SS-18's. These carry ten independently targeted warheads, each of which has a yield of about one megaton — one million tons of TNT. (This is a highly tentative estimate, because the United States really does not understand how Soviets build nuclear weapons.) These 3,000+ Soviet warheads carry more explosive power than the entire American missile force put together. These warheads by themselves are also sufficient to cover every American "hard target" twice over. They would have to, because prudent planners assign two warheads to critically important targets — such as missile silos and "command and control" points — which have been armored to resist nuclear explosions. The United States has less than 1,500 such sites overall, each able to resist pressures of 1,000 lbs. per square inch. (Figures for hardness of American and Soviet silos are reported in Counterforce Issues published by the Congressional Budget Office, 1978.) The SS-18's warheads are accurate enough to

which can destroy missile silos makes war more likely because it gives its owners several militarily rational options — including a first strike. The objective of nuclear strategy, according to people such as Robert McNamara and the Carter Administration, is to make war wholly irrational for all concerned. The Poseidon, with its many, small, inaccurate warheads, is certainly an irrational weapon.

The 1,000 Minuteman II's and III's re spread in silos at the following Air Force bases: Grand Forks, North Dakota; Malmstrom, Montana; Whiteman, Missouri; Warren, Wyoming; Minot, North Dakota; and Ellsworth, South Dakota. Fifty-four Titan II's are located at Davis-Monthan AFB, Arizona, and Little Rock AFB, Arkansas. Even the best of these, the 550 Minuteman III's have but slight chances against Soviet silos and military communications centers "hardened" to some 2,500 pounds per square inch. These missiles, then, can best be used against industrial targets and relatively soft military ones. But, since the Soviets have weapons capable of destroying them on the ground, these missiles may do nothing more in wartime than "soak up" Soviet warheads.

The American bomber force is old. Its mainstay, the B-52, was designed during the Truman Administration. President Carter cancelled production of its successor, the B-1. The B-52's in service now are older than the pilots who fly them. Some 300 B-52's are flyable. Each carries about four bombs. In the future, they may carry cruise missiles. One-third of the B-52's are on ground alert at some 25 bases. If the Soviet Union attacked these bases with submarine-launched missiles, and also barged the bombers' escape corridors, not many would survive to try their luck against Soviet air defenses.

American defenses are practically non-existent. The old Distant Early Warning (DEW) line of arctic radars is obsolete. Anyone with a terrain map of Northern Canada can figure out the holes in it. Once a Soviet pilot gets through that, he can be confident of flying to his destination undetected. Even if he were detected, little could be done. The United States has only 300 old F-106 interceptors, and no surface-to-air missiles deployed to defend the country. The United States has developed excellent technology by which to defend against ballistic missiles, but has renounced its use. According to American strategic doctrine, safety lies in mutual vulnerability. So far do American officials adhere to this doctrine, that the United States is wholly without civil defense. There are practically no blast shelters in the United States, and certainly no strategic storage of food.

### How Strategic Forces May Be Used

It is clear that the biggest difference between the Soviet and the American force — bigger than the differences in hardware — concerns the purposes for which the weapons may be used. Soviet military writings refer to deterrence quite differently from American ones. Whereas American Defense intellectuals see the weapons as scarecrows by which to ward off attack on American cities, the Soviets see them as tools by which to achieve their ends. Thus, for them, deterrence is an offensive concept: that is, to keep the Americans from thwarting Soviet purposes. For them, deterrence is achieved by the ability to win the war. (J. Douglas and A. Hoerber, *Soviet Strategy for Nuclear War* [Stanford: Hoover Institution, 1979].)

The Soviets expect that the United States would be deterred from doing anything serious to stop the ultimate triumph of the Marxist "Socialist Commonwealth" by the following prospect. If pressed too far, the Soviet Union could launch its force of SS-18's and therewith destroy nearly all American land-based missiles and bombers. At the same time, Soviet ships or aircraft

would mine the harbors where half of the American Polaris-Poseidon submarines lay. This would put the submarines out of action, and keep them where they could be destroyed at will by ICBMs, quite without killing Americans. Reduced to some 2,500 40 kiloton warheads, what could the United States do? The U.S.S.R. would still have about 7,000 warheads — all invulnerable. If the United States chose to strike back, it could not thereby reduce the threat to itself. At this point, the United States would have suffered militarily, but in no other way. The 3,000 Soviet megatons which would already have exploded over places such as Davis-Monthan Air Force Base, Arizona and Warren Air Force Base, Wyoming, would have killed less than a quarter-million Americans — 5 years' traffic fatalities. Nearly all of the casualties would have been military personnel or their dependents. But if, at this point, an American President ordered a strike at Soviet cities, he would risk point, negotiated surrender would make far more sense. Moreover, even if the President of the United States, or several submarine crews acting on their own, were to launch Polaris-Poseidon on the Soviet Union, they could do relatively little damage. The Soviet civil defense system would have been on alert. The key industries would have shut down, "hardened" their machinery, and sheltered their workers. The rest of the urban population, the non-essentials, would have been placed in lesser shelters or sent to outlying areas. Finally, the incoming American warheads would probably be met by some kind of antiballistic missile system. (It is doubtful the Soviets would initiate such an attack until their plans for missile defense were well along.) That fraction of the American warheads which arrived — probably far less than 100 — would knock down a lot of buildings. (T. K. Jones and Scott Thompson, "Central War and Civil Defense," *Orbis* [Fall, 1978].) The future would belong to the Soviet Union.

This scenario could occur any time after 1981, when the Soviets will have completed deployment of their fourth-generation ICBM strike force. But because persons knowledgeable in military affairs know it could, the Soviet Union may not need to carry out an actual strike. In recent years American leaders have said loudly and often that military power no longer matters in world affairs. (Gen. Dan Graham, *Shall America Be Defended?* [New Rochelle, New York: Arlington House, 1979].) They have been whistling in the dark. More people's fates have been affected by military victories and defeats since 1960 than during World War II. During these years India has beaten Pakistan twice, Israel has beaten Arab coalitions twice, North Vietnam, with Soviet help, has beaten the United States, Soviet clients have triumphed in Cuba, Nicaragua, Algeria, Angola, Mozambique, Guinea, Ethiopia, Afghanistan, Iran, Laos, and Cambodia. They narrowly failed in Zaire and Indonesia. Soviet clients or sympathizers have also waged inconclusive wars or have attempted coups d'etat in nearly every country of Africa, Asia, and Latin America. The Soviet Union has repeatedly vowed support for such enterprises, and has made clear that their success depends on the growth of Soviet power. Certainly the fear of greater Soviet involvement kept the United States from winning in Vietnam. That fear has helped to convince American policymakers not to help America's beleaguered friends in places like Iran. In 1973, the threat of Soviet intervention into the Middle East led the United States to stop Israel from consuming its victory against Soviet-supplied Arab armies which had attacked her on her highest holiday. The same prospect frightened the United States into submitting to virtual expropriation of its oil production equipment in the Middle East,

and the quadrupling of the price of oil.

As the Soviet Union's arsenal becomes more fearsome, it will become more reasonable for the Soviet Union's friends around the world to be bolder, and it will be more reasonable for the United States and its friends to do more and to suffer more to avoid antagonizing the Soviets.

### The Retreat of Our Allies

The incentives for friendship with the United States can only drop. Consider Europe, which is tied to us by bonds of kinship, culture, and interest. What would happen if, in 1982, the Soviet Union (or East Germany) quickly seized just a couple of square miles of farmland on the German border on some transparent pretext? One thing is certain not to happen. The United States would surely not launch nuclear strikes against Soviet cities. That would serve no rational purpose whatever. Would NATO then attack to take back those few square miles? Given that the Soviet Union can muster on the central front 21,000 tanks to NATO's 7,000, over 4,000 aircraft to NATO's approximately 2,000, as well as almost two soldiers for each of NATO's, a NATO attack would make no sense. Of course the Soviets would call for negotiations. No doubt NATO would attend.

What would Europe have to gain by taking an intransigent attitude toward the Soviet Union? Such an attitude would get Europe nothing but military trouble, which the United States could not alleviate. The United States could not help to defend Europe because the United States could not protect itself. American ground and air forces in Europe could not stop a Soviet advance. But if American strategic weapons were used against Soviet forces in Europe, the Soviet Union could well afford to unleash a disarming strike upon the United States. Knowledge of this — not the small amount of force used to take the small border area — would quickly detach Europe from the United States. This end could be accomplished quickly with even less direct expenditure of force. The Soviets could stage a coup d'etat or other military action against Saudi Arabia. The PLO would gladly lend itself to such a venture. Would American risk World War III (which American planners have made sure the United States will lose) for the sake of the Saudi Royal Family? But with Saudi Arabia — the world's largest exporter of oil — in anti-imperialists' hands, the Soviet Union would be in a position to approach Europe with the offer to facilitate their oil supplies at stable prices — if only Europe would slip out of its relationship between the United States and the Soviet Union in the early to mid-1980's, the Europeans would have to be heroes to refuse the Soviet's offer.

The decisive defeat of the United States in the world — a defeat which would leave no doubt in anyone's mind who ruled the world — could be accomplished even more easily, given the "cover" of decisive nuclear superiority. On Oct. 1, 1979, the pro-Soviet government of Panama becomes legally sovereign over the whole Panama Canal Zone. Anytime thereafter it can abrogate the treaties which preserve a residual role for the United States. Then it can ask the Soviet Union to send troops to help protect the Canal from the United States. Of course the United States would enjoy local military superiority. But, given the Soviets' ability to carry out a disarming nuclear strike on the United States, and the latter's inability to disarm the Soviet Union, would the United States actually risk killing Russian soldiers? It would be more reasonable to absorb the loss of the Canal, and of the last shreds of American influence in the world.

Such losses could not help but jar the United States into realizing that strategic inferiority to the Soviet Union can only lead to enslavement. But surely, by the mid-1980's, this realization would come too late. Surely the United States would begin to build the weapons it should have built during the 1960's and 1970's. But how would the United States respond to a Soviet declaration that the continuation of such an American build-up would be regarded as an act of war, for which the United States would bear full responsibility? If the United States chose to disregard the warning, the Soviets could look forward to losing their supremacy in a few years. Why should they not use it while they had it?

Subjugation of the United States would open new and more violent chapters in the history of the world. We can but speculate beyond the first one, the outlines of which are clear. The Soviet Union and its victorious coalition will still be hungry. Moreover, they are possessed of an ideology which tells them that the wealth of the formerly free world consists of goods somehow stolen from them. The rape of the United States would be swift. Russians have never been very farsighted in the husbanding of golden geese. The history of postwar Eastern Europe indicates the Soviets would set unrealistic reparations quotas and try to squeeze blood from stones. They would attempt to rid the economy of "parasitic" occupations — and to rid the earth of "useless mouths." All would be made even harsher by the inevitable campaigns against religion, the family, and other ancestral enemies of Communism. Those given power would be the most reliable. Reliability would be proved by harshness. Unfortunately, this is not speculation, but dreary experience. The history of Soviet rule consists of little else.

### The Possibilities for Defense

The United States is not doomed to defeat. The Soviets have not built their nuclear forces by peculiar genius. The United States possesses technology to build weapons of the same kind that are even better. More important, the United States possesses the technology to build weapons of altogether different kinds, weapons which are likely to safeguard both our freedoms and our lives. Of course to build these things at all we would have to change the way our officials have been thinking about war and weapons. Much would happen, however, if the American people transmitted one simple message to their officials: "We want to survive any war with our freedoms intact."

With such a mandate, the next President of the United States would begin by ordering the U.S. Air Force to remove the Minuteman II's and III's from their silos, to place them inside their factory canisters, and to keep them on the move aboard trucks, whence they could be launched. (See *Aviation Week and Space Technology* [19 June, 1979].) This would remove the Soviet Union's ability to target and destroy these missiles. With that gone, the Soviet Union would lose a large part of the military incentive for a first strike.

Second, the President would order the abolition of the system by which the United States has acquired weapons since 1963. Before 1963 it took about 6 years to translate an idea into a weapons system. Now it takes about 15 years. This system has reduced the U.S. armed forces to one of the worst-equipped forces in the world. If we proceed as we have been, the MX missile, our first counterforce weapon, won't be fully developed until 1990. That will be years after the Soviets will have achieved a counterforce capability against the United States. 1990 is too late. With the WWII purchase

system in effect, the United States could quickly build a mobile heavy missile, capable of taking out enemy silos. If we went about it on a crash basis, we could have the missile moving on American roads by 1983. Even more quickly, the United States could change the warheads on the Poseidon — reducing their number, and making them accurate weapon killers instead of terror bombs. A mere 1,200 big, accurate warheads aboard our submarines would do more to defend us than the 5,000+ little, inaccurate ones we now have. Once these weapons were in hand, our targeting strategy could stop aiming at producing dead Russians, and could begin to concern itself with protecting Americans. With the weapons we have in 1979, even a massive change in American targeting doctrine could not hope to reduce the threat to the United States. We simply need new weapons.

More important still, the United States could take advantage of new advances in the technology of anti-missile missiles and radars. These are especially efficient for defending mobile missiles deceptively based. The anti-missile missile need only shoot down the warheads which are actually heading for the right targets. A National network of interceptor missiles for the defense of our population is expensive, but possible. Just as possible but less expensive is a defense against ballistic missiles based on laser stations in space. (See Sen. Malcolm Wallop, "The Emerging Possibilities for Defense," Strategic Review [Fall, 1979].) This is not a Buck Rogers system. The technology for it is well known in the United States. Lasers are not objects of speculation, as are particle beams. Megawatt-size lasers are weapons of today. With every passing year, technology is making it even more possible for defensive forces to seize the advantage over offensive ones.

**Conclusion**

By 1982 at the latest, the United States will enter the most dangerous period in its history. In order to avoid the risk of disastrous defeat, the United States must begin to take action now, and surely cannot afford to put off certain crash programs beyond the first days of a new Administration. These crash programs should: take our Minutemen out of their holes and fit them with counterforce warheads, fit Polaris-Poseidon with counterforce warheads, build a truly mobile MX, unhampered by Rube-Goldberg basing schemes, the B-1 bomber, antimissile missiles, and space-based lasers. The country may not be able to complete these programs in time. But it can try.

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