

Ike & Hayek

BY

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Eisenhower's warning about the "military-industrial complex" marked an era when the American right feared militarism could bankrupt the country and plunge it into socialism.

Review of William I. Hitchcock's *The Age of Eisenhower: America and the World in the 1950s* (Simon & Schuster, 2018).

In the 1950s, a new manufacturing industry emerged in the United States, with a freshly coined name — "aerospace" — and a full complement of trade publications, such as *Missiles and Rockets* and *Aviation Week*. Like magazines at the doctor's office, these journals were left lying around the White House, where one day they caught the eye of Malcolm Moos, a political scientist and Eisenhower speechwriter. Moos was troubled by the marketing of mass destruction, and the president, too, was "angered by the excesses, both in text and advertising, of the aerospace-electronics press."

A seed was planted that would eventually become Eisenhower's 1961 farewell address, in which the former supreme commander of Allied Forces in Europe expressed his grave concerns about something new in American life, "a permanent armaments industry of vast proportions."

Eisenhower's military-industrial-complex speech is remembered well today, for obvious reasons. It was hardly news when Trump announced he would nominate Boeing executive Patrick Shanahan as secretary of defense, only to replace him at the last minute with Mark Esper, a top Raytheon lobbyist. And the military-industrial complex is perhaps the most thoroughly bipartisan of all our institutions: just ask Jeh Johnson, erstwhile Obama homeland security secretary, now on the board of Lockheed Martin and winner of the 2018 Ronald Reagan Peace Through Strength

Award. As familiar as Eisenhower's phrasing is, it is difficult to imagine living in a country where a politician could speak the way he did.

A new biography of Eisenhower by William I. Hitchcock, *The Age of Eisenhower*, provides an opportunity to revisit that pivotal moment when Americans first realized they were living with a permanent, peacetime military-industrial complex.

These days, commentators often emphasize the extent to which Eisenhower — the first Republican president since Herbert Hoover — governed within the lines drawn by the New Deal. When people to the left of center make this point, it has a clear political purpose: even Eisenhower was okay with high marginal tax rates; why are conservatives today so afraid of them?

The claim also has a basis in history: especially compared with his intraparty rivals like Ohio senator Robert A. Taft, Eisenhower accepted the fundamental premise of social insurance, or, in his words, that “the individual citizen must have safeguards against personal disaster inflicted by forces beyond his control.” This meant things like Social Security, farm price supports, and unemployment insurance, and Eisenhower's support did cement these elements of the New Deal as a consensual part of American political reality.

But this view can also obscure the extent to which Eisenhower remained within older Republican traditions, a conservatism that was nowhere clearer than his approach to fiscal policy. If the core of the Keynesian revolution in economic policy was the creative use of government deficits to promote growth and employment, then Eisenhower was decidedly Thermidorian. And, boring as budgets may be, the fundamental import of that stance was less about balance sheets than about power — namely the preservation of private organization of investment and employment against the threat of state management. Though generally admiring, Hitchcock's biography offers a welcome reminder that Eisenhower would not, in fact, find the Bernie Sanders platform congenial.

In public and in private, in the years leading up to his election, Ike sounded more like Friedrich Hayek: complaining that liberals “work unceasingly and devotedly in the promotion of ideas which, if adopted in our country, would merely advance us one more step toward total socialism, just beyond which lies total dictatorship,” and warning that “In the name of ‘social security’ we are placing more and more responsibility upon the central government — and this means that an ever growing bureaucracy is taking an ever greater power over our daily lives.”

According to Hitchcock's account, Eisenhower entered politics only after endless rounds of golf with the 1 percent: “From 1948 on, Eisenhower developed a posse of wealthy, politically active Republican friends who had made their fortunes in manufacturing, oil, finance, and publishing,” friends who “set out to coax him into the political world” by offering “access to the private, elite

world of Republican grandees.” Hitchcock dutifully notes that the country clubs they frequented — including Eisenhower’s beloved Augusta — were segregated, before allowing himself imagery like, “In the evening, back at the lodge, a fleet of black servants in starched white coats quietly offered visitors Havanas from burnished humidors.”

Eisenhower would bring men like these with him to the White House, where his cabinet would be jocularly described as “nine millionaires and a plumber”; the plumber was labor secretary Martin Durkin, who lasted only nine months and doesn’t earn a single mention in Hitchcock’s five hundred pages.

In the proverbial smoke-filled rooms, Eisenhower and his friends considered the many threats to the system that had served them so well. Within the Republican Party lurked an Old Guard led by Taft, Eisenhower’s chief rival for the GOP nomination in 1952. Often hailing from the Midwest and aligned with labor-intensive and domestically oriented firms, these business nationalists harried the Truman administration as it pursued its various projects of overseas alliance, rearmament, trade promotion, and foreign aid. To corporate internationalists in both parties, failure to secure an orderly world economy would result in wars and depression, chaos that would ultimately undermine the basis of domestic free enterprise.

As Lucius D. Clay, former US military governor of Germany turned Continental Can Company executive, wrote to Eisenhower in 1951, “We cannot let the isolationists gain control of government if we are to endure as a free people over the years.”

But internationalist Republicans also feared an interventionist cure worse than the isolationist disease. The expense of fighting a Korea-style conventional war any time the communists threatened a small nation might be so vast as to crowd out free enterprise and require direct controls on man power, prices, and materials. As treasury secretary George M. Humphrey told the National Security Council: “The money and resources required by the great security programs which had been developed since Korea to the present time simply could not be borne by the United States unless we adopted essentially totalitarian methods.” Some other way would have to be found of guaranteeing both security and solvency.

Eisenhower’s attempt to square this circle came to be known as the New Look. The basic approach was straightforward: turn the Pentagon over to General Motors (GM) head Charles E. Wilson and his deputies, and turn them loose on the budget. It was in his confirmation hearings that Wilson supposedly said that “what is good for General Motors is good for America,” but despite gm’s record as a leading defense contractor, this particular product of the military-industrial revolving door was focused on keeping appropriations under control.

If you wanted to balance the budget without massive tax increases, you had to cut where the money was — and almost 70 percent of federal outlays in 1954 were for defense. The most alarming form of thrift was a new emphasis on nuclear deterrence: cheaper to stockpile capital-intensive megabombs than hemorrhage dollars on conventional deployments. As for norms, Ike told his diary, “We have come to the conclusion that the atom bomb has to be treated just as another weapon in the arsenal.” Another fateful economizing practice was Eisenhower’s (and his CIA head Allen Dulles’s) enthusiasm for covert operations: better to spend a million dollars on a coup in Iran than \$30 billion on a ground war like Korea.

Clearly, Eisenhower was not somehow opposed to military spending per se, or even to military spending on a scale few Americans had anticipated before 1950. Hitchcock correctly notes that while “Eisenhower allocated fewer dollars to defense than Truman did at the height of the Korean War,” even without a shooting war, Ike’s “annual defense budgets were still more than three times what Truman’s administration had spent in 1950, before Korea.” The basic argument about rearmament had been settled: the farewell speech was not a call for the dismantling of the military-industrial complex but an admonition to keep an eye on it.

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Indeed, Eisenhower had contributed to it, even before his presidency. Hitchcock has dug up an interesting report from 1930 in which Eisenhower draws the lesson from World War I: “When great nations resort to armed conflict today, the readiness of each to meet promptly the needs of its

armed forces in munitions, and of its civilian population in the necessities of life, may prove to be a decisive factor in the contest.” In 1946, he would call for “long range military planning [that] can be done only in the light of predicted developments in science and technology,” and in the run-up to 1950 he argued for higher budgets than Truman wanted.

What did make Eisenhower distinctive was that he believed defense spending had to be constrained by budgetary concerns, rather than allowing (real or alleged) defense needs to override other interests. He worried more about the deficit than perhaps any subsequent president, save Bill Clinton (who called himself an Eisenhower Republican anyway). The result of this fiscal reticence was an economic performance that belies our image of a 1950s golden age.

The end of the Korean War ushered in a mild recession, the first of three that would mar the Eisenhower record. For a few years after 1954, the economy expanded impressively on the basis of civilian demand in iconic postwar sectors like auto and housing. Then, in the middle of 1957, things came apart: an impending debt ceiling limit prompted a sharp cut in defense orders, just as a business investment boom crested and crashed amid concerns about excess capacity. This would become the deepest recession since 1938, a national trauma compounded by the Soviet launch of Sputnik in October 1957.

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The weaknesses in the Eisenhower record shaped the emerging ideology of the Democratic opposition around John F. Kennedy. In critiquing Ike’s acceptance of both a constrained defense budget and economic stagnation, savvy liberals saw the chance to kill two birds with one intercontinental ballistic missile: they could discredit hidebound fiscal superstitions at the same time as they recaptured the national security issue they had been weak on since “losing China” in 1949. Kennedy could warn about the missile gap in the same breath as he warned that the Russians were posting faster economic growth rates, then connect the two by claiming that Eisenhower’s budget-mindedness was what stood in the way of closing the missile gap.

Most of the time, the argument was left to rest here: the New Economics showed how we could afford the defense we needed. But sometimes the argument went further, as when candidate Kennedy told a crowd at a Bell Aero-space factory, “I think we can use defense contracts to strengthen the economy as well as strengthen the country.”

The difference in approach was clear when it came to Vietnam. When Eisenhower considered intervening to help the French at Dien Bien Phu in 1954, his treasury secretary asked, “Can we

afford to get into such a war?” The question was rhetorical. When Lyndon B. Johnson asked his economic advisers the same question, they wrote back: “On a coldly objective analysis, the over-all effects are most likely to be favorable to our prosperity,” because slack remained in the economy, deficit notwithstanding.

Eventually, the lessons were absorbed by Republicans as well. In 1960, economist Arthur Burns advised Richard Nixon that the coming election would be decided by the recession, and “urgently recommended that two steps be taken immediately: by loosening up credit and, where justifiable, by increasing spending for national security.” Eisenhower, worried about the deficit and (increasingly urgently) the strength of the dollar, refused, a decision for which Nixon blamed his own defeat in 1960.

As defense secretary Melvin Laird recounted, Nixon didn’t mess things up when he got another chance: “Every effort was made to create an economic boom for the 1972 election. The Defense Department, for example, bought a two-year supply of toilet paper. “We ordered enough trucks to meet our expected needs for the next several years.” Reagan appointees like Caspar Weinberger would unabashedly talk up the employment effects of defense hikes, while economic advisers would emphasize the existence of idle capacity available to work up defense orders without threatening inflation.

This shift in Republican policy (and a corresponding, less dramatic shift among Democrats toward defense skepticism) has been widely noted but still awaits a full study. Yet surely part of the explanation lies in the fading of the concerns Eisenhower once entertained. He worried that defense spending would overwhelm the economy, extinguishing private control in favor of state planning.

This was a reasonable worry in the 1950s, when defense claimed upward of 10 percent of GDP. But the growth of the economy in the succeeding decades meant that even Reagan’s budgets — record-breaking in absolute terms — represented only 6 percent of GDP (today, the figure is even lower). Ironically, since Eisenhower’s presidency was characterized by relatively stagnant growth, it was this swelling of the national product that ultimately made Republicans comfortable with large defense budgets.

Today, with flagging growth rates and a rising China, policymakers may find it hard to sustain their militarism without one day provoking distributional conflicts of a kind we haven’t seen since the Eisenhower era.

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