

A History of Hudson Institute



Thinking About the
Unthinkable **The**
Year 2000 *Can We*
Win in Vietnam? **The**
Emerging Japanese
Superstate **Things to**
Come *The Next 200*
Years **Our Children's**
Crippled Future **The**
Japanese Challenge
The Coming Boom
Workforce 2000 *The*
Future of Germany
Global Food Progress
1991 Trial After
Triumph *The DeValuing*
of America *The Rise and*
Fall of Gorbachev



A History of Hudson Institute



By Neil Pickett

About the cover: *(Left)* Herman Kahn, Hudson's founder. *(Center)* In its first three decades, Hudson Institute researchers have written a number of influential books that have predicted everything from Japan's rise as an economic superpower to problems with American education. *(Right)* The Herman Kahn Center in Indianapolis, Hudson's headquarters.

About the title page photo: Herman Kahn and a guest on the grounds of Hudson's Croton-on-Hudson estate in New York.

The Hudson Institute is a private, not-for-profit research organization founded in 1961 by the late Herman Kahn. Hudson analyzes and makes recommendations about public policy for business and government executives, as well as for the public at large. It does not advocate an express ideology or political position. However, more than thirty years of work on the most important issues of the day has forged a viewpoint that embodies skepticism about the conventional wisdom, optimism about solving problems, a commitment to free institutions and individual responsibility, an appreciation of the crucial role of technology in achieving progress, and an abiding respect for the importance of values, culture, and religion in human affairs.

Since 1984, Hudson has been headquartered in Indianapolis, Indiana. It also maintains offices in Washington, D.C.; Montreal, Canada; and Brussels, Belgium.

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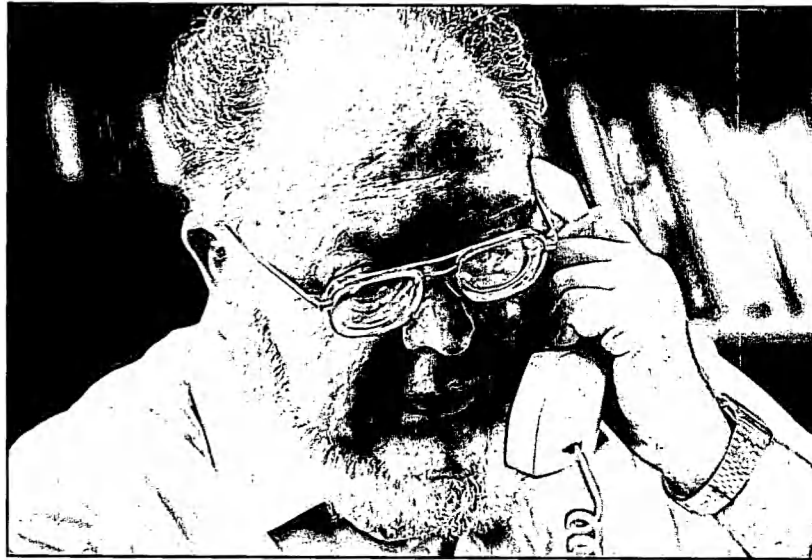
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*Above: Hudson
Institute
founder
Herman Kahn.*

A History of Hudson Institute

1961-1992

Introduction

The story of Hudson Institute is the story of Herman Kahn, the institution he created and fashioned in his own, larger-than-life image, and the legacy he left his successors. During his lifetime, Kahn was the dominant spirit of Hudson Institute. His genius and vision shaped Hudson's research agenda for twenty years and made it one of the most interesting, provocative, and important research organizations in the country. But Kahn never thought of Hudson as a one-man show, dependent on him for its ideas or survival. In fact, at Hudson he created a process of intellectual exchange and competition that encouraged others to develop and expand on their own ideas. He also borrowed freely from his Hudson colleagues, expanding, sharpening, and refining their ideas and then adopting them himself.

The author acknowledges the contribution of Mark Smith, whose unpublished paper "A Short History of Hudson Institute, 1961-1972" provided an invaluable reference point for this history.

Hudson Institute

Kahn wanted and expected Hudson to be unique. For a long time, Hudson was unique because of Kahn and the talented people he attracted to work with him. His willingness to think broadly and boldly, to challenge conventional wisdom, and to recognize the value of intuition and common sense in solving public policy problems enabled Hudson to produce studies, reports, and books that have made significant contributions to the public interest by providing a perspective and an analytical approach not found elsewhere.

Since Kahn's death, the challenge for Hudson has been to preserve its uniqueness at a time of increased competition in the marketplace of ideas, and without his irreplaceable genius. Hudson has sought to meet this challenge by maintaining a first-rate staff and by remaining committed to the mission and research approach of Kahn and his original colleagues. Hudson remains optimistic about the future of America and the world, hard-headed about their problems, and always interested in the issues no one has thought about yet. It remains skeptical of the accepted wisdom; independent of parties, ideologies, and benefactors; and committed to bringing together smart people from all walks of life to think, argue, and learn. It pays respectful attention to the role of science and technology in fostering human progress, as well as the importance of values, culture, and religion in human affairs.

*Below:
Herman
Kahn, Donald
Brennan, and
Max Singer*

Unconventional times require unconventional thinking, and, as this brief history attempts to show, the history of Hudson Institute is, above all, a history of unconventional thinking applied, in the public interest, to the most significant problems and challenges facing America and the world.



The Origins of the Institute

Hudson Institute was incorporated as a research organization under New York State charter on July 20, 1961, by Herman Kahn, Max Singer, and Oscar M. Ruebhausen. The institute's origins extend back to the summer of 1960. Donald G. Brennan, a mathematician at the Massachusetts Institute of Technology, organized a "summer study" on arms control under the auspices of the American Academy of Arts and Sciences. Brennan invited Herman Kahn, a RAND Corporation analyst who had gained national prominence earlier that year with the publication of his first book, *On Thermonuclear War*. Kahn was to help Brennan develop a series of war and peace "games" for the program. Brennan also invited Max Singer, a young government lawyer interested in national security affairs. Kahn and Singer got on well, and Kahn persuaded Singer to join him at RAND to work on a seminar on the national and international security environment.

Kahn and RAND were close to a parting of the ways, however. Kahn had become increasingly uncomfortable with the organization's bureaucratic structure and constraints. Also, in Max Singer's words, Kahn "wanted to open his own grocery store." With Singer's help, Kahn planned a new organization with different goals and priorities. They wanted it to be dominated by the research staff and unhindered by the excessive administration typical of large research organizations, to focus on public-policy issues rather than technological problem-solving, and to participate actively in public discussions of critical national and international security issues.

Herman Kahn was then one of the country's leading defense intellectuals — certainly its most notorious. During his years at RAND, Kahn, whose academic training was in physics and mathematics, had progressed from nuclear-weapons design to a broad array of military-strategy projects. His briefings on nuclear war and U.S. national security policy were legendary in the defense community. In 1959-60, while at Princeton University, he adapted the transcripts of these briefings into his first and probably most famous book, *On Thermonuclear War*.

It created a sensation. In 1960, detailed examinations of the conduct and consequences of nuclear war were performed only under tight secrecy by small groups of senior military officers and civilian defense consultants. Suddenly, Kahn's book had confronted the public with the realities of the hydrogen-bomb era — with a cool, dispassionate clarity that offended the many people who considered nuclear war "unthinkable."

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Thinking About the Unthinkable

By Herman Kahn, 1962, Horizon Press

In our times, thermonuclear war may seem unthinkable, immoral, insane, hideous, or highly unlikely, but it is not impossible. To act intelligently we must learn as much as we can about the risks. We may thereby be better able to avoid nuclear war. We may even be able to avoid the crises that bring us to the brink of war. But despite our efforts we may some day come face to face with a blunt choice between surrender or war. We may even have war thrust upon us without being given any kind of a choice. We must appreciate these possibilities. We cannot wish them away. Nor should we overestimate and assume the worst is inevitable. This leads only to defeatism, inadequate preparations (because they seem useless), and pressures toward either preventive war or undue accommodation.

On Thermonuclear War was widely read and hotly debated. Even some critics of nuclear deterrence appreciated Kahn's effort to think through the possibilities of nuclear conflict. Harvard Professor H. Stuart Hughes, a leading advocate of unilateral disarmament, wrote, "I think one can say without qualification that Kahn has written one of the great works of our time. Its title sounds like a plagiarism of Clausewitz's *On War*, and if Kahn aspires to be the master military strategist of the mid-20th Century, I can think of no better claimant." On the other hand, John Newman, writing in *Scientific American*, asked, "Is there really a Herman Kahn? It's hard to believe. . . . No one could write like this, no one could think like this. Perhaps the whole thing is a staff hoax in bad taste."

The attention generated by his book made Kahn the subject of satire as well as controversy. For example, he was caricatured by film director Stanley Kubrick in *Dr. Strangelove*. In fact, Kahn and Kubrick were friends, and Kahn claimed that Kubrick took some of the movie's dialogue directly from *On Thermonuclear War*. Kahn once said that he had enjoyed the movie and viewed the title character as "part Henry Kissinger, part myself, with a touch of Werner von Braun."

Taking the Big Picture

The job of setting up the new organization fell primarily to Max Singer, then just short of his thirtieth birthday. Kahn and Singer felt that the institute should not be located in Washington, D.C., where it would be caught up in short-term political crises.

They wanted a location convenient to government offices but “outside the cable traffic.” John Menke, an old friend of Kahn, offered them the temporary rent-free use of a vacant building on his company’s property in Westchester County. Kahn decided that there were adequate prospects of financial support for the new institute from government agencies and private sources. In particular, because of his role as a leading expert on and advocate of civil defense preparations, he anticipated substantial contract work from the Office of Civil Defense.

Singer developed a novel structure for the institute, including the selection of a group of leading intellectuals, academics, and business leaders as “members” who would elect a Board of Trustees to oversee the institute’s operations. Members would be the institute’s equivalent of shareholders. As Singer recalls, Hudson was to have a small, working Board of Trustees, and a larger group of distinguished people would be affiliated with the institute and its work without being responsible for it. The selection of members, Singer notes, was to show what Hudson stood for and that it was a “serious” organization. Original members included leading intellectuals such as Raymond Aron, Daniel Bell, Freeman Dyson, Henry Kissinger, Max Lerner, Hans Morgenthau, and Edwin O. Reischauer.

To conduct the work of the new institute, Kahn and Singer recruited an interdisciplinary research staff. To Kahn, normal academic credentials were far less important than real knowledge and the ability to look at issues in unusual ways — combining intuition with logical rigor. Frank Armbruster, one of the first researchers hired by Hudson, recalls, “They hired people for what they were worth, not for their credentials.” Hudson’s early research staff was an eclectic group: physicists, mathematicians, political analysts, lawyers, even an engineer; only three had doctorates, and some had not graduated from college. Like Kahn, they were intellectual mavericks. In a 1968 interview, Kahn said, “There is a very good reason why they’re at Hudson. They’re very good, but they could never have gotten to be an Under Secretary or Secretary in government or the department chairman at some university, and there’s a reason for that: they’re impossible . . . but they’re also extremely interesting.” Kahn believed that narrow training created intellectual blinders that could prevent a specialist from seeing the “big picture.” Kahn used to tell audiences jokingly that “our big picture is bigger than your big picture.”

Kahn’s drive to combine knowledge and direct experience caused him to seek anecdotal information wherever he might find it. His taxicab rides, for example, became careful and detailed interrogations of the unsuspecting drivers, as Kahn sought a perspective he could not get from his colleagues or the

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business and military leaders to whom he frequently lectured. This belief in the value of anecdotal information often led Kahn down intellectual roads at variance with the current wisdom. Such skepticism frequently placed the institute in a watchdog role — always looking for a novel perspective on the issues of the day. As Kahn noted in the late 1960s, “We are very much in the business of telling our contractors things they don’t want to hear. . . . We like to bite the hand that feeds us.”

Hudson’s first research project, supported by a \$100,000 grant from the Martin Corporation (later Martin-Marietta Corp.), investigated “The American National Interest in International Order.” The deliberately broad topic enabled Hudson researchers to explore a wide range of issues and thereby develop ideas for future project support. This project also benefited Kahn personally: He applied the research to his second book on nuclear-war issues. In part an answer to the critics of *On Thernuclear War*, this book — appropriately titled *Thinking About the Unthinkable* — argued that the best way to avoid nuclear war was to study how such a war might start and be fought. “To act intelligently,” he wrote, “we must learn as much as we can about the risks. We may thereby be better able to avoid nuclear war.” Kahn also argued that the rules of warfare would not necessarily be suspended in the nuclear age: Nuclear war might come in various sizes and shapes, depending on political and personal factors.

Hudson also received significant funding from the Office of Civil Defense, eventually being selected to carry out the majority of the office’s fundamental policy studies of the early 1960s. In 1965, one-quarter of Hudson’s operating budget came from that office. In this research, Hudson used a relatively new methodology, the *scenario*, to assess how various civil defense programs and postures would affect crisis situations. Scenarios were, in Kahn’s words, “hypothetical sequences of events constructed for the purpose of focusing attention on causal processes and decision points.” The use of scenarios became a hallmark of Hudson’s research.

Another major research project undertaken in Hudson’s early days was a study of the changing international security environment. This was sponsored by a continuing contract from the Advanced Research Project Agency of the Department of Defense (ARPA), awarded in early 1962 and renewed annually through 1972. Kahn and his colleagues explored changes in international economics and politics that would affect the national security of the United States. On this project, Kahn first recognized the significance of Japanese economic development, a theme he would develop more fully in subsequent work.

A common policy thrust emerged from Hudson's early work for ARPA and the Office of Civil Defense: a strong preference for military postures and strategies that were primarily defensive. Unlike the conventional wisdom of the time, Hudson's analyses emphasized the advantages of both active and passive defenses and argued that a defense-oriented world would be inherently more stable than a world of unlimited offenses.

Expanding Hudson's Research Focus

In 1962, Hudson moved to a seven-building, 21-acre former sanitarium in Croton-on-Hudson, New York. Donald Brennan had become Hudson's first president but resigned two years later to return to his own research. In 1964, Max Singer became Hudson's second president, a position he held until 1973.

In Hudson's early years, management was remarkably consensual. Former Hudson president Gail Potter remembers the process of hiring a new researcher: "Candidates were asked to give a briefing to members of the staff, who would then caucus and tell Kahn whether they thought that the person should be hired. Ever famous for his 'cat naps,' Kahn often appeared to nod off in the middle of these briefings. In one memorable instance, the candidate noticed him sleeping and paused, asking, 'Do you think I should wait until Mr. Kahn wakes up?' Herman snorted and said, 'That won't happen until you give me a reason to do so.'"

At this time, Hudson initiated a series of lecture-seminars involving leading military and civilian policymakers, business

Below: Frank Armbruster and William Brown meet with Herman Kahn (back to camera).



At RAND,
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executives, journalists, and academics. During the 1960s, prominent Congressmen, Department of Defense officials, Pentagon generals, and members of the foreign diplomatic corps attended. Although talks by other Hudson researchers often consumed most of the seminar time, the star of the show was usually Herman Kahn, who had long been known to talk almost indefinitely about subjects of interest to him. At RAND, Kahn had regularly conducted three-day seminars at which he was the only speaker.

A 1968 *New York Times Sunday Magazine* article offered a superb description of Kahn's lecture style:

Possessed of three computerlike capacities — accurate and elephantine memory, random access to accumulated information, and instantaneous retrieval, Kahn in a public performance can reach into his prodigious repertoire for a series of appropriate “routines” — explanations, arguments, responses, dramatizations or anecdotes that he has developed in previous lectures and conversations. He feels no qualms about using the same material over and over. . . . Even if he has a lectern, Kahn prefers to perambulate across his stage, punctuating his points by pumping his thick right hand and pausing only to take a whale of a breath. Since he perspires easily he likes to remove his jacket to reveal a short-sleeved white shirt and workingman's arms. When he uses slides and stalks in front of the two screens in a semi-darkened room, words flash across his shirt and broad forehead, escalating Kahn into a self-contained mixed-media display. He invariably opens with a joke and his deliveries are so deft that he rarely fails his material. He laughs generously at his own witticisms.

During the institute's first four years, Hudson's research focused exclusively on problems relating to national security and international order. That began to change when Robert Panero, a construction engineer who had worked with Kahn on civil-defense studies in the 1950s, joined the Hudson staff. By most accounts, Panero was, after Kahn, the most colorful personality at the institute. With great intellectual audacity and personal charm, Panero moved comfortably in international circles and brought to economic development projects a rare combination of broad vision, energy, and a respect for the use of technology appropriate to a project's economic and social setting.

In 1965, Panero directed a project for the government of Colombia exploring a dramatic idea for the country's future economic development. The study focused on Colombia's

A History of Hudson Institute



*Above:
Herman Kahn
and Robert
Panero*

Choco Valley, a low-lying area that lay between two mountain ranges and contained two major river systems. The region showed considerable potential for a water transportation system from the Atlantic to the Pacific. Panero's ambitious — some might say outrageous — plan called for construction of a low earth dam near the mouth of each river, to supply inexpensive electric power to the region and create lakes that, when connected by a series of short canals and locks, would provide ocean-to-ocean passage between the Caribbean to the north and the Pacific to the south. Although the President of Colombia announced his commitment to carry it out, the project never progressed beyond the conceptualization stage.

Panero's group developed an unusual and original method for quickly gathering information and ideas about an area. The team would conduct "overflights" of the region, crisscrossing the area in a small plane flying low enough to provide a good view of the local environment. The plane would land frequently, often at quite remote sites, so that the research team could conduct interviews with the local citizenry. Hudson's economic development researchers used this technique in almost all of their subsequent work, including projects in Algeria, Thailand, France, and New York City's Welfare Island.

Gail Potter remembers that these economic development initiatives diversified the institute's income and launched it on a nearly decade-long series of projects, conferences, and meetings all over the world. These conferences were conducted in several languages, often quite confusingly: The foreign interpreters simply could not keep up with Herman Kahn's fast-

A British journalist who interviewed Kahn for the BBC later wrote, “I understood not a word.”

flowing stream of insights. Indeed, as Potter notes fondly, it soon became clear that Herman Kahn would require translation from English to English — he spoke so rapidly and in such garbled sentences as to be almost indecipherable, even by native English speakers. A British journalist who interviewed Kahn for the BBC later wrote, “I understood not a word.”

In the 1970s, Herman Kahn and Hudson Institute expanded the range of topics they explored, and this set the agenda for future research on issues varying from national security to education to the broad issues of mankind’s long-term prospects for economic growth and prosperity. The next sections explore Hudson’s work on some of the key policy issues of the day.

National Security and International Relations

Most of Hudson’s research work in the mid-to-late 1960s focused on military issues. With the Vietnam War raging, the Advanced Research Projects Agency asked Hudson to analyze the conflict from a counterinsurgency perspective. Hudson’s conclusions were in profound disagreement with the U.S. government’s strategy for waging the war. In fact, on one of his many trips to Saigon, Kahn told an assembled group of military brass, “There are six or seven acceptable ways to win this war, two or three unacceptable ways, and only one way to lose it, and you’ve found it.” Hudson analysts argued that Vietnam should not be treated as a conventional military engagement but rather as a law-and-order problem requiring a primary role for the police and an emphasis on defensive tactics. Hudson’s report criticized the U.S. military’s use of offensive operations (“search-and-destroy” missions) against the guerrillas and its poor intelligence on enemy capabilities and locations.

The U.S. involvement in Vietnam split the Hudson research staff into camps favoring and opposing the war. This internal debate was made public in the 1968 book *Can We Win in Vietnam?* This widely read and favorably reviewed book included contributions from Frank Armbruster, Raymond Gastil, Kahn, William Pfaff, and Edmund Stillman. Pfaff and Stillman argued that the U.S. should withdraw from Vietnam before its involvement damaged its interests elsewhere in the world and jeopardized America’s own moral and social fabric. Armbruster, Gastil, and Kahn argued that the war could be won and that the U.S. would lose credibility if it abandoned its long-time ally South Vietnam.

Meanwhile, Hudson became involved in another national-defense debate: the controversy over anti-ballistic missile (ABM) defense systems. *Why ABM?* (1969) expressed the institute’s strong support for the deployment of ABM systems for the



defense of U.S. population centers and strategic nuclear missile sites. The book was edited by Hudson staff members William Schneider, who later served as an Under Secretary of State, and Johan Holst, who has served as Norway's defense minister, and contained essays by Don Brennan, Herman Kahn, and others in support of ABM systems. Many of the arguments in *Why ABM?* re-emerged in the early 1980s after President Reagan's announcement of the Strategic Defense Initiative. *Why ABM?* included a prescient warning about the dangers of nuclear proliferation and the risks of remaining vulnerable to nuclear attack from countries other than the Soviet Union.

*Above:
Alexander M.
Haig, Herman
Kahn, and
Daniel C.
Searle*

After a severe drop in defense contracts in 1970, work for the Department of Defense and related agencies expanded again as the détente between the two superpowers began to break down and the Soviet Union continued its unrelenting defense buildup, especially of its strategic nuclear forces. Hudson defense projects returned to their early roots, exploring scenarios for the possible outbreak of war with the Soviet Union, assessing the changing balance of power, and recommending changes in the U.S. strategic-force posture.

Hudson's defense research and writings of the middle-to-late 1970s strongly influenced the national-defense debate. Hudson researchers such as Don Brennan and Colin Gray highlighted the growing vulnerability of U.S. strategic forces when the Soviet Union — unlike the U.S. — was rapidly modernizing its nuclear capabilities. Hudson studies criticized arms-control agreements such as SALT II, arguing that they gave the Soviets significant advantages while impeding U.S. exploitation of its technological superiority. Hudson's work influenced many advisors to future president Ronald Reagan, and, when Reagan gained

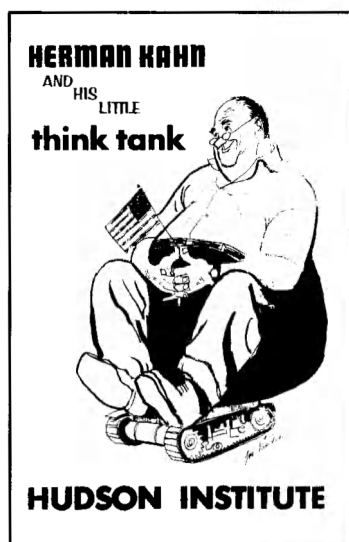
office, Hudson analysts provided valuable policy advice to his administration.

Hudson's national-security research of the late 1980s and early '90s reflected the dramatic political and military changes of the time. This research, directed by General William E. Odom, focused on the changing nature of American strategic policy in the post-Cold War era and the effectiveness of foreign aid for economic development in Third World countries. Among the many studies he led were assessments of national security policy in Northeast Asia and the future of the Russian military. General Odom also wrote the Hudson book *Trial After Triumph: East Asia After the Cold War*.

Hudson soon progressed from assessing the Communist world to working actively for change there.

In 1990, the collapse of the Soviet Union created opportunities for Hudson to help former Communist-bloc nations adopt market-based economies. Early that year, for example, Hudson assembled an international group of distinguished advisors and Western and Hungarian economic experts to draft a blueprint for Hungary's transition to a market economy. The plan was endorsed by both major political parties in Hungary and was published by Hudson as *Hungary: In Transformation to Freedom and Prosperity* (1990). In 1992, the project received a major grant from the Hungarian-American Enterprise Fund to continue advising the Hungarian government on economic restructuring.

Also in 1990, Hudson sponsored the first international conference on the im-



Above:
Vietnam War
protesters
lampooned
"Herman
Kahn and his
little think
tank."

plications of German unification, exploring the economic, political, and security consequences of a powerful, unified Germany. Hudson published the proceedings as *The Future of Germany* (1990), two days before the country was officially unified.

That same year, the prime ministers of Latvia, Lithuania, and Estonia invited Hudson to undertake for the three Baltic states a project similar to Hudson's work for Hungary, and Hudson created the International Baltic Economic Commission (IBEC) to oversee Western and Baltic experts' studies of the legal, financial, and regulatory policies needed to foster the transition to free markets in the Baltics. This project assumed added importance when Latvia, Lithuania, and Estonia unexpectedly gained their independence after the August 1991

Soviet coup attempt. IBEC's recommendations were presented in a major conference in Indianapolis attended by the prime ministers of the newly independent Baltic nations. Vice President Dan Quayle delivered the opening address.

Visions of the Future

Since the early '70s, Hudson studies had predicted the decline of the two superpowers and the rise of a "multipolar" international order — correctly, as it turned out. Hudson's explorations of worldwide trends have often been remarkably prescient. In 1967, Kahn was invited by the American Academy of Arts and Sciences to join a scholarly commission on the year 2000. Kahn accepted the invitation and offered to have Hudson conduct the basic research work; he was eager to broaden the institute's research base and reputation. The academy agreed.

Kahn and Anthony Wiener, a lawyer and social scientist who had joined Hudson in its first week of operation, assembled material on demographic, economic, and technological trends

into a framework for speculating about the year 2000. Many of this study's forecasts were remarkably accurate, and it explores themes to which Herman Kahn would return repeatedly in his subsequent books on the future: a strong belief in the likelihood of continued, successful global economic development; relative optimism about mankind's ability to cope with the challenges of change and technological progress; and an early recognition of Japan's growing economic prowess and that of Asia as a whole.

Hudson's report was so well received that Kahn and Wiener decided to publish it in book form as soon as possible, without making revisions to "popularize" the technically written report. Despite its somewhat arcane prose style, *The Year 2000* became an immediate bestseller: More than 80,000 hardcover copies were sold. The book sold especially well in Japan. It was also well received by the business community, which found the long-range perspective and scenario methodology quite useful in corporate planning.



Above: Max Singer, Walter Stern, and Gail Potter at Hudson's 15th anniversary celebration

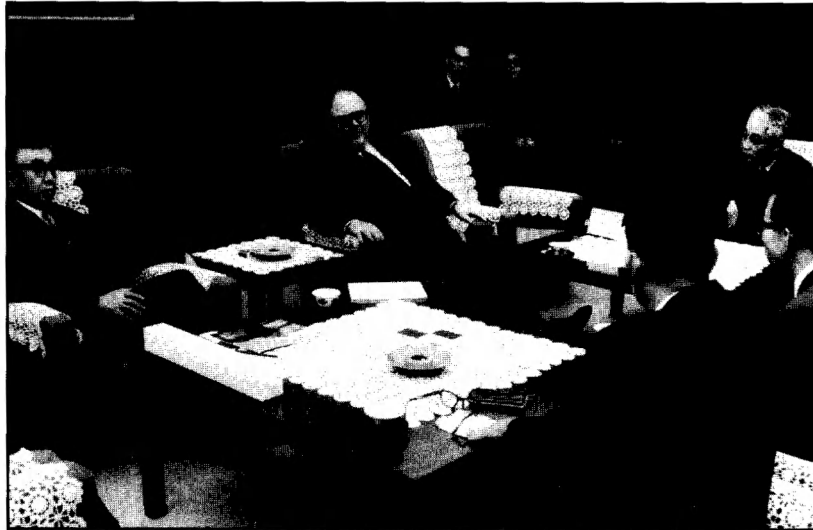


Above:
Herman Kahn,
Donald
Rumsfeld, and
President
Gerald Ford

The success of *The Year 2000* uncovered a large, untapped market for information about the future “corporate environment.” To serve this demand, Hudson established its Corporate Environment Program (CEP). The CEP actually began as a research project entitled “The Future of the Corporation and the Corporate Environment,” launched in 1970 and supported by contributions from nearly 100 major multinational corporations such as Banco Nacional de Mexico, Coca-Cola, Ford Motor Company, General Electric, Gulf & Western, Mitsubishi, Royal Dutch Shell, Time, Volvo, and Xerox. The initial Corporate Environment study took almost four years. Hudson researchers produced scores of essays, papers, and chartbooks on a variety of economic, political, and social issues and trends. In addition, Hudson organized meetings and seminars in the U.S., Europe, and Japan, attended by representatives from the contributing corporations. These seminars, conferences, and publications continued after the initial research report was completed.

Membership in the CEP fluctuated during the 1970s, with new companies joining and others dropping out. The great variety of corporate clients and their varied needs made it difficult to satisfy everyone, however. To provide better service for the European members, Stillman and Pfaff established a Hudson office in Paris, France.

Although they worked cooperatively with Hudson’s main office, Stillman and Pfaff naturally tended toward subjects of interest to the European business community. Combining that interest with Hudson’s orientation toward the future, they quickly produced books on the future of France (*L’envol de la France*, 1973) and Great Britain (*The United Kingdom*, 1974). Hudson’s European office developed an increasingly



independent identity and eventually became a separate research organization.

Hudson opened an office in Montreal in 1976, directed by a young economist named Marie-Josée Drouin, who later became a Hudson trustee. This office performed research for CEP clients, other Canadian corporations, and the government of Canada. Books by Drouin studied the futures of Canada (*Canada Has a Future*, 1978) and Quebec (*Quebec 1985*, 1980).

By the late 1970s, the number of companies participating in the Corporate Environment Program had declined significantly, largely because long-range corporate planning had fallen out of favor. The CEP had proven successful beyond all expectations, however, providing the institute with an important source of private revenue that compensated for increasing fluctuations in the availability and size of government contracts. It also financed an expansion of Hudson's research program into a wide range of domestic and international economic, political, and social-policy issues.

*Above:
Herman Kahn
meets with
Japanese
businessmen.*

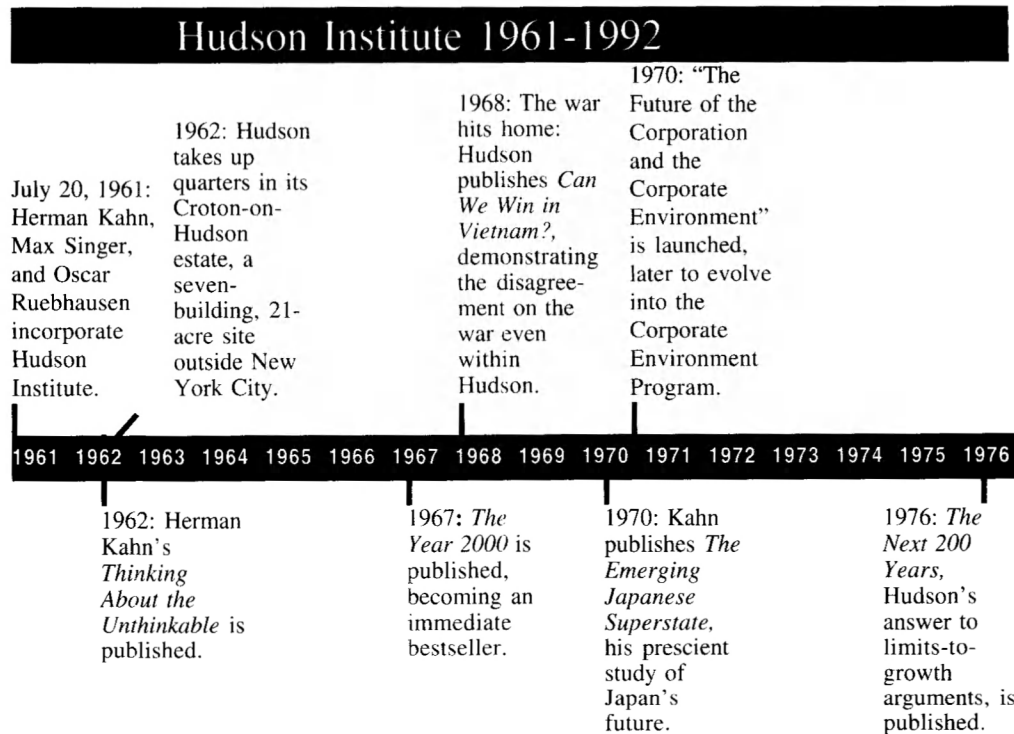
Japan and the Asia-Pacific Region

The Corporate Environment Program led to the opening of a Hudson office in Tokyo. Hudson's Japan office remained in operation throughout the 1970s, managed first by long-time Hudson researcher Garrett Scalera and then by Thomas Pepper, a former correspondent for *The Baltimore Sun* and *The Economist*. The future of the Asia-Pacific region was a central focus of the CEP, continuing Herman Kahn's longstanding interest in the area. After studying Japan's considerable economic success

Kahn was convinced of the “inevitability” of Japan’s future economic power and influence.

during the 1960s, Kahn had become convinced of the “inevitability” of Japan’s future economic power and influence and documented this forecast in *The Emerging Japanese Superstate* (1970). He carefully chose the term “superstate” rather than “superpower” because he was unsure whether Japan would be willing or able to convert its growing economic and technological might into global political and military influence.

The Emerging Japanese Superstate is an extraordinary book, predicting with great accuracy the enormous challenge Japan’s growing economic and technological prowess would pose to the West. Kahn knew in 1970 that trade friction between Japan and the U.S. would threaten the “special relationship” between the two countries that was and still is vital to the maintenance of peace, stability, and prosperity in Asia. He knew that Western Europe would have an even more difficult time than the U.S. in coping with Japan’s economic challenge and would be even more willing to raise protectionist barriers to Japanese exports. He knew that Japan would set up manufacturing facilities throughout East Asia to take advantage of its low labor costs and would peacefully dominate the region as envi-

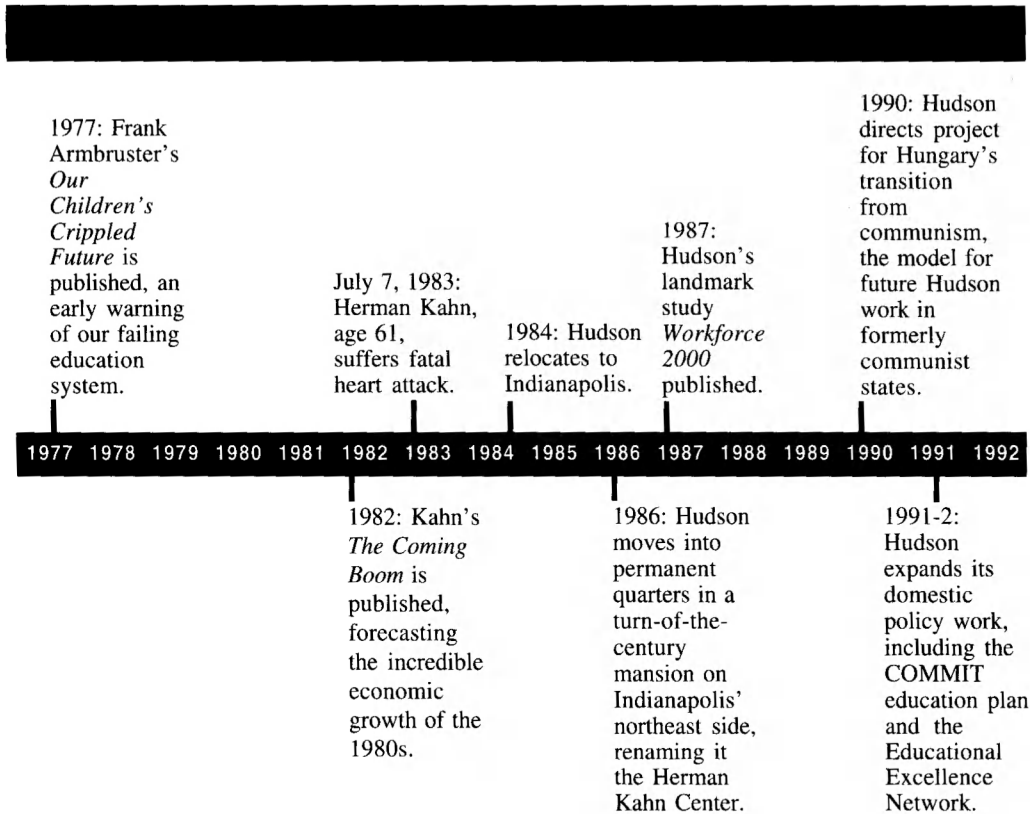


sioned in their wartime goal of a “Greater East Asia Co-Prosperity Sphere.”

Kahn and Hudson continued to provide insights into Japan. *The Japanese Challenge*, written by Kahn with Thomas Pepper in 1979, contained Kahn’s assessment of Japanese economic development in the aftermath of the 1973 “oil shock.” The book’s most important policy recommendation was a call, some 15 years before it became an issue in U.S.-Japanese trade negotiations, for a major Japanese infrastructure-investment program to improve Japanese living standards and help the country obtain more economic growth from domestic sources.

In 1985, Hudson published its third major book on Japan and the Japanese economy. *The Competition: Dealing with Japan* was based on a government-sponsored study of Japanese industrial-development policies and was written by Thomas Pepper, Merit Janow, and Jimmy Wheeler. The book traced the evolution of Japan’s industrial policies and the changing structure of its financial system and argued that, despite prevalent myths to the contrary, the Japanese government had decreased its influence over and subsidies to Japanese companies. The

Kahn and Hudson continued to provide insights into Japan.



Herman
Kahn and
his Hudson
colleagues
were
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by the
public's
acceptance
of *The
Limits to
Growth*
and other
such
“dooms-
day”
reports.

book forecast a short-term increase in economic and political tension between the U.S. and Japan over trade policy but projected that the bilateral relationship would become more cooperative as the two economies became more integrated.

Kahn and Hudson also studied other parts of Asia, especially South Korea and Singapore. In 1980, Kahn and Pepper published *Will She Be Right?*, a study of Australia's future which argued that, despite Australia's enormous natural resources, the country would fall behind the dynamic Asian economies and that the Australian standard of living — then among the most comfortable in the world — would stagnate or decline unless policies to encourage economic growth were adopted.

Hudson has continued its research on Asian economic, political, and security issues in the '90s, publishing books, monographs, and papers on Asian affairs, including studies of U.S. trade relations with Taiwan; the future of the Association of Southeast Asian Nations (ASEAN); the foreign and defense policies of Indonesia, the People's Republic of China, and India; and the Asia-Pacific Economic Community (APEC).

The Case for Optimism

The 1973 Arab-Israeli War and the accompanying Arab oil embargo profoundly affected the intellectual milieu of the 1970s, and, not surprisingly, Hudson Institute as well. The embargo and consequent “oil shock” seemed to nullify the economic optimism and growth of the 1960s. It became increasingly fashionable to foresee a gloomy era of shortages and limits, in which people would struggle for shares of a stagnant or diminishing global economic pie.

The most notable of these forecasts was provided by the Club of Rome, an organization of international business leaders and academics, in its widely read report *The Limits to Growth* (1974). Based on complex computer models, the report warned of impending shortages of food and other raw materials and sharply criticized the advanced industrial countries' overconsumption of such “finite” resources. Many of its predictions were accepted as gospel by public and private-sector decision makers; French President Valéry Giscard-d'Estaing said, “We can see that practically all of these curves are leading us to disaster.” Herman Kahn and his Hudson colleagues were dismayed by the public's acceptance of *The Limits to Growth* and other such “doomsday” reports, however. Hudson's ongoing research had convinced them that the doomsayers were wrong and that a public rebuttal to their arguments was necessary.

The Next 200 Years

By Herman Kahn, William Brown, and Leon Martel,
1976. Quill

Americans are going to be enormously wealthy, so they must learn how to spend their wealth without becoming satiated, disappointed or fashionably antimaterialistic. They have to learn to take certain everyday affairs seriously (without becoming obsessed with them) in order to avoid boredom, and to compensate for the fact that they no longer have life and death struggles to engage their emotions.

. . . Perhaps such a life sounds unbearably petty, but this is the result of not having to fight barbarians, Nazis, famine or disease or to conquer the frontier. Conflicts like these may have added flavor to life, but most people have always claimed that they would rather not have to fight for survival. . . . Americans must be like the Athenians, who loved gymnastics. If there was a war, they performed gymnastics to stay fit in order to fight. If there was peace, they had more time for gymnastics. Unfortunately, Americans tend to be more like the Spartans and Romans, who got into shape to fight anticipated wars, but tended toward sloth in peacetime and prosperity. We must learn the virtues of family life and conversation and social interaction with our friends. Epicurean (in both the Greek and the modern sense) values will be vital to many if Americans are to spend their leisure time at home without killing everyone in sight because of overfamiliarity and boredom.

Boldly
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*The Next
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bilities
and
promise
of the
future.

That rebuttal was *The Next 200 Years* (1976) by Kahn, William Brown, and Leon Martel. The book was a great commercial success. It argued persuasively and in nontechnical language that sustained worldwide economic growth would not beget ecological calamity, Malthusian food or resource shortages, class conflicts, or increases in economic inequality. Instead, the book created “a scenario for a ‘growth’ world that leads to prosperity and plenty.” It argued that global resources — from food to fuel to raw materials — could be increased through exploration, technological advancement, and the application of market forces, which make scarce products more expensive and thereby hasten the search for additional sources of supply, encourage efficiency, and promote the development of alternative products. Boldly refuting the “gloom and doom” of mid-1970s conventional wisdom, *The Next 200 Years* asserted the possibilities and promise of the future.

Kahn
observed
that the
most
likely
limits to
growth
would be
social
rather than
physical,
as
society's
values
began to
shift
toward
preserving
wealth
rather than
creating it.

The Next 200 Years reflects a concept Kahn developed, the "Great Transition," which described the historical process by which sustained economic growth began and spread throughout the world for the first time in history. The "Great Transition" held that "two hundred years ago, almost everywhere human beings were comparatively few, poor, and at the mercy of the forces of nature, and two hundred years from now, we expect, almost everywhere they will be numerous, rich, and in control of the forces of nature."

Kahn developed this concept more fully in his next major book about the future. *World Economic Development* (1978) is a dense, difficult book but contains perhaps the most complete and thorough articulation of Kahn's ideas about cultural influences on economic growth and the impact of wealth on attitudes toward economic growth and technological progress. Kahn argued that economic growth would not be limited to the wealthy nations of the West and Japan but would spread throughout the world and enrich all of mankind. Kahn also observed that the most likely limits to growth would be social rather than physical, as society's values began to shift toward preserving wealth rather than creating it. Kahn understood that such a change in values was "natural and inevitable" as societies became rich, but he worried that these values were being adopted prematurely and would further impoverish the large part of the world's population that was not rich enough to stop making economic growth a basic priority.

By this time, the late 1970s, inflation and interest rates had pushed the "misery index" to an all-time high. With his typical disregard for the conventional wisdom, however, Kahn wrote a book contending that the 1980s would bring a resurgence of American economic and political strength. *The Coming Boom*, finished and published in 1982 during the country's worst postwar recession, was uncannily accurate. Kahn contended that the U.S. was ready to lead the world out of the stagflation and "malaise" of the previous decade, and that Ronald Reagan was the kind of leader the nation needed, because of his pro-growth policy agenda and, just as importantly, his optimism, commitment to principles, and ability to speak directly to the American public over the heads of the elites who had become so pessimistic about America, its future, and its role in the world. *The Coming Boom* was a major commercial success.

In another effort to combat undue pessimism, in 1981 Hudson researchers examined the treatment of the future in the most widely used junior-high and high-school social studies textbooks. This review showed that students were receiving an excessively negative view of the future, with much of the material based on limits-to-growth arguments. To balance these

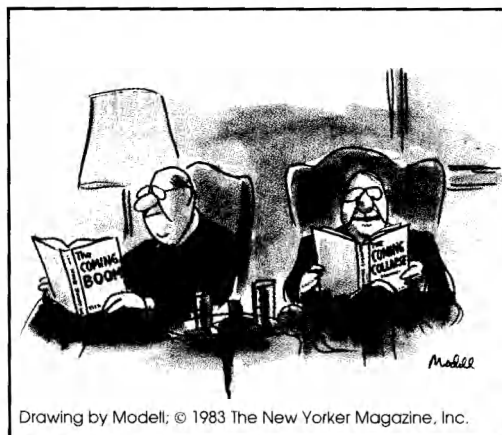
denigrations of the value of worldwide economic growth, Hudson launched its "Visions of the Future" program in 1982. Working with curriculum specialists at Arizona State University, Hudson developed a textbook, training materials, a teacher-background course, teachers' workshops, and other materials that presented a balanced and realistic assessment of future trends and the critical issues facing mankind. Program director Dr. Herbert London, a Hudson adjunct fellow, examined schools' treatments of futures issues in *Why Are They Lying to Our Children?* (1983). London later became a member of Hudson's Board of Trustees.

In 1985, Hudson's Europe and the World study, directed by former U.S. Secretary of State Alexander Haig, produced publications and major conferences in Indianapolis and Paris, France. The study and conferences rejected the "Europessimism" then in vogue and argued for cautious optimism about the Atlantic Alliance and Western Europe's economic future.

In 1989, Hudson opened its Center for Global Food Issues as an independent forum on global food and agricultural policies. Directed by Dennis Avery, this effort continued Hudson's tradition of presenting reasoned, data-based alternatives to the persistent "limits-to-growth" arguments that population growth is outstripping the world's food-production capacity. The center has examined issues in global agricultural trade, arguing strongly for an end to massive subsidies of agricultural products in the European Community and the United States, and has pointed out the serious environmental damage caused by subsidized agriculture. Hudson published Avery's *Global Food Progress 1991*, a book about recent developments in agricultural technology and the capability of global food supplies to feed the world's growing population.

Energy, the Environment, and Public Health

How to promote human progress while preserving the environment has been another major focus of Hudson research. From work begun in 1971 with the MITRE Corporation, Hudson



Drawing by Modell; © 1983 The New Yorker Magazine, Inc.

Above: "The Coming Boom — The Coming Collapse": skepticism about skepticism about the conventional wisdom

Hudson's
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nized that
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developed an energy-policy research program for government and private-sector clients. Although this program probably overemphasized the value of synthetic fuels as insurance against volatility of foreign oil supplies, Hudson's record on energy policy has been extremely good — much better than those of the many major oil companies that predicted well into the 1980s that oil prices would continue to increase, often sharply.

Led by Kahn and William Brown, Hudson's researchers recognized that the "oil crisis" was not the result of a physical shortage of oil but rather a temporarily successful effort by OPEC to increase the price of the commodity they controlled. As Kahn and Brown noted, however, "one effect of this action was to increase the rate at which new energy came onto the market and to decrease the rate at which energy was used — that is, OPEC's moves actually decreased the possibility of future energy shortages." They argued that market forces would prevent OPEC from sustaining high prices for its oil. Indeed, as Kahn and Brown later noted in a pair of prescient articles for *Fortune*, OPEC had merely exploited panic buying and hoarding in the West in the wake of the Arab oil boycott of 1973 and the Iranian revolution of 1979. As they predicted, once storage tanks and pipelines became full, oil prices stabilized and then fell. After the Iranian revolution, Kahn and Brown correctly continued their contrarian assessments of OPEC's weakness and the revival of market forces in the industry.

In the early '80s, Brown and Armbruster examined the scientific evidence surrounding claims that industrial pollution was causing acid rain that was damaging forests in Canada and the Northeastern United States. Their study concluded that the existing evidence failed to establish a causal link between pollution and acid rain and found that acid rain caused little damage. These highly controversial findings were later confirmed by a multiyear \$600 million scientific review mandated by Congress.

In 1990, Hudson published a major study of the growth of the AIDS epidemic through the year 2000 and its likely effects on the American health-care system, economy, and society. *The Catastrophe Ahead*, by William Johnston and Kevin Hopkins, presented the case for a new public policy emphasizing widespread voluntary testing for the HIV virus that causes AIDS. Although their forecast overestimated the size of the epidemic, it did correctly anticipate the intrusion of the disease into the heterosexual population and its rapid spread in urban and minority populations — when many experts were arguing strongly to the contrary.

In 1991, Hudson researchers returned to the subject of energy policy with the help of an advisory committee of

distinguished energy experts. Hudson researchers prepared a “white paper” on energy and the environment to correct many myths that had arisen in the aftermath of the Gulf War and during the Congressional debate over the Bush Administration’s proposed “national energy strategy” legislation. Hudson’s report found no impending oil “crisis,” although it did express concern about a different source of energy — electricity — and the ability of the current supply system to meet increasing peak demands. The report concluded that although clean coal and natural-gas-fired electrical plants could meet these increasing needs over the next several decades, in the long run the U.S. would have to revive its use of nuclear power.

Education, Employment, and Social Policy

During the early ’70s, Hudson expanded its work in domestic policy with the help of several major contracts from the Nixon Administration’s Office of Economic Opportunity. Hudson researchers investigated a wide range of social issues, including poverty, employment, housing, revenue sharing, social security, and crime. The most important of these projects was in education policy, where Hudson examined the effectiveness of American primary and secondary education. The study found that students in grades 4 through 12 had demonstrated a massive drop in basic skills achievement since the mid-1960s.

Frank Armbruster documented these startling conclusions in *Our Children’s Crippled Future* (1977). More than six years before the U.S. Department of Education’s report *A Nation at Risk* launched the national education-reform movement, Armbruster warned that the nation’s schools were failing to provide America’s children an adequate education and that spending more money would not solve the problem. “The output over this past decade of spectacular increases in spending,” Armbruster wrote, “has been anything but impressive. An examination of the results of academic achievement tests shows an almost unrelenting fall in pupil academic ability during the second half of the 1960s and the first half of the 1970s.”

By the early ’80s, it was clear that these trends were not reversing. In 1985, therefore, in response to a growing national need for innovative policies to prepare young Americans for the future world of work, Hudson created a Center for Education and Employment Policy to explore the relationship between education, training, and work. A prestigious Board of Councilors, chaired by U.S. Senators Dan Quayle of Indiana and Charles Robb of Virginia, advised the center and oversaw its work.

The most important product of this project was *Workforce 2000* (1987), based on a multiyear study of the future of work and

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workers in America, begun in 1985 under a grant from the Department of Labor. A study team led by Senior Research Fellow William Johnston developed baseline data on the key demographic changes in the U.S. labor force, created scenarios for the U.S. economy's response to changes such as the shift to service employment and increased international competition, and recommended policies for dealing with the "gap" between the increasing skill requirements of the economy and the skills weakness of younger workers. Perhaps the most important issue *Workforce 2000* raised was this mismatch between the jobs and workers of the future.

Workforce 2000 was among the most widely read and influential studies Hudson ever produced. The book has sold more than 60,000 copies, and the U.S. Labor Department and corporations throughout the country have used its forecast and assessments in their human-resources policy planning.

Hudson's Center for Education and Employment Policy also produced studies on the future of vocational education in the State of Indiana, welfare dependency, pension policies, and future trends in the federal civil-service work force. Nationally respected education-policy expert Denis Doyle joined the center's staff as a Senior Fellow in 1986 and contributed to studies of the futures of the states of Michigan and Oklahoma.

Doyle also wrote a major book on education reform with David Kearns, then Chairman of the Xerox Corporation. *Winning the Brain Race* (1988) proposed a market approach in which schools compete with each other for faculty and "customers" (parents and students) and the resulting market forces encourage higher educational quality, greater diversity in teaching methods and curricular coverage, and increased public respect for teachers. Arguments for a radical restructuring of the nation's public-education system drove Hudson's growing body of work on education policy. Over the next three years, Hudson researchers explored opportunities created by advances in information technology and designed education-restructuring plans incorporating school autonomy and market-based competition.

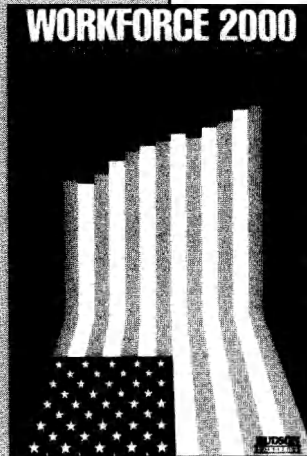
The most significant of these efforts was a statewide school-restructuring plan developed by Hudson researchers for a group of chief executives from Indiana's largest companies, who were dissatisfied with the quality of the graduates being produced by the state's schools. The result was a comprehensive plan involving parental choice, autonomous schools, high academic standards, regular student assessments, and early childhood programs to make youngsters "ready to learn." The plan has served as a model for other states and communities seeking to effect radical change in their school systems.

Workforce 2000

By William B. Johnston and Arnold H. Packer, 1987.
Hudson Institute

Education and training are the primary systems by which the human capital of a nation is preserved and increased. The speed and efficiency with which these education systems transmit knowledge governs the rate at which human capital can be developed. Even more than such closely watched indicators as the rate of investment in plant and equipment, human capital formation plays a direct role in how fast the economy can grow.

If the economy is to grow rapidly and American companies are to reassert their world leadership, the educational standards that have been established in the nation's schools must be raised dramatically. Put simply, students must go to school longer, study more, and pass more difficult tests covering more advanced subject matter. There is no excuse for vocational programs that "warehouse" students who perform poorly in academic subjects or for diplomas that register nothing more than years of school attendance.



Further enhancing the institute's reputation and visibility in education policy, in 1992 Hudson assumed operation of the Education Excellence Network (EEN), which had been sponsored by Vanderbilt University. Established by former assistant education secretary Chester E. Finn, Jr., and then-Columbia University professor Diane Ravitch, EEN provides subscribers with information about developments in education reform.

A Time of Crises

Just as Hudson's research focus was established early in the institute's history, so, unfortunately, were some financial problems. As on several previous occasions, Hudson's financial condition became extremely tenuous by the end of the 1970s. Hudson had no permanent endowment and had gone into debt. Also, government contracts had become harder to get, payments were often delayed, and the CEP was winding down. The institute was sometimes sustained by speaking fees Kahn re-

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ceived for seminars conducted before corporate audiences around the world, and by emergency contributions from generous members of the Board of Trustees.

Hudson's financial woes were exacerbated by an inability to generate unrestricted financial support, a problem caused in part by Kahn's distaste for asking for money. As Gail Potter recalls, Kahn's fundraising foibles were often as striking as his intellectual insights. In 1976, for example, two Hudson trustees agreed to host a small dinner to which they would each bring six wealthy guests who understood in advance that they would be asked to pledge significant financial support. The event was meticulously planned and rehearsed, and Kahn's speech was sharp, entertaining, and succinct. The time came for the request for support, and the presiding trustee asked Kahn, "How can we help you? What do you want from this group?" Kahn paused for several seconds and then held out his arms and answered, "Love and devotion."

Unfortunately, love and devotion were not enough to keep Hudson going. In the late 1970s, as the institute's financial condition worsened, Kahn and the trustees seriously considered merging the institute with a university or another research organization. Kahn could not accept the possibility of Hudson losing its independence, however, and the idea was dropped.

In 1979, Kahn met Tom Bell, a public affairs and public policy consultant. Bell, a Tennessee native who had served as Chief of Staff for Senator William Brock, arranged a Hudson study of tax and budget issues with the U.S. Chamber of

The Coming Boom

By Herman Kahn, 1982, Touchstone

In the area of technology, the United States has the potential of being a lot more than first among equals. Part of this involves the use of technology and affluence to live well and to achieve a desirable "quality" of life, as well as a high standard of living. . . . Many opportunities are open to an affluent and technological society, opportunities which will continue to expand not only because of innovations and advances, but also because of the elimination of many recent restrictive conditions to innovation and application such as stagflation, adverse government regulation, and the "new emphases" of the New Class — all of which made it difficult to exploit much of the available technological potential in the late 1960s and the 1970s.

Commerce. Kahn asked Bell to help Hudson attract new financial support, and Bell agreed to sound out some of his clients and contacts in Washington. Over the next two years, Kahn was increasingly impressed by Bell's talent and savvy, and in 1982 he asked him to become Hudson's president.

Working closely with Kahn, Bell set out to revitalize the institute. General Alexander Haig, who had recently resigned as U.S. Secretary of State, joined Hudson as a senior fellow, member of the Board of Trustees, and, later, chairman of Hudson's newly established research program on Western Europe, "Europe and the World." Bell also brought several new members to the Hudson Board of Trustees, including former Delaware Governor Pete du Pont. Finally, and perhaps most importantly, Bell organized Hudson's proposal in a Navy competition to oversee the Center for Naval Analyses (CNA), a federal contract research center sponsored by the Navy but operationally independent from it.

In an October 1982 *New York Times* feature on Hudson Institute, Herman Kahn was quoted as saying, "I will die in the year 2001 and not before. I would be very, very annoyed if I go before then. I want to see how it all turns out." Sadly, Kahn was not as prescient about his own future as he had been about that of mankind. On July 7, 1983, Kahn suffered a massive heart attack and died almost instantly. He was 61 years old. Memorial services were held in New York and Washington, D.C.; Kahn's many friends and admirers paid tribute to and reminisced about this great genius who was also a kind, funny, wonderful human being.

Ironically, after Kahn's death Hudson's fortunes continued to improve. Several major new contracts eased the financial strain and provided encouragement to a staff still shaken by the loss of their leader. Although Kahn's death had raised the question of whether Hudson should close permanently, Tom Bell, the Board of Trustees, and Hudson's senior staff felt that the most fitting tribute would be to keep alive the organization he had worked so hard to build and sustain.

A few months later, Hudson won the competition to oversee the Center for Naval Analyses. Hudson's proposal had contained the innovative idea of using most of the management fee to conduct research and studies of "long-term interest to the Navy." The award thus provided Hudson important new revenue and an opportunity to design, implement, and staff an ongoing program of national-security research. Hudson oversaw the center until it was made independent in 1990, at Hudson's initiative.

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A Home in the Heartland

The CNA contract helped stabilize Hudson's finances, but it soon became clear that the institute's long-term success depended on its relocation to a community more supportive of the organization and its mission. In an age of easy jet travel and advanced information technology, easy access to the nation's capital without its "crisis" atmosphere could be found in a number of American cities. In the spring of 1984, the Hudson



*Above: Cellist
Yo-Yo Ma
with Pete du
Pont and Tom
Bell*

Board of Trustees officially accepted an offer from community leaders in Indianapolis, receiving pledges of financial support from the Lilly Endowment (an Indianapolis-based foundation) and a number of major corporations based in the city, as

well as pledges of cooperation from Indiana University and Purdue University.

Hudson began doing business in Indianapolis from offices on the campus of Indiana University-Purdue University at Indianapolis (IUPUI) on October 1, 1984. The city gave Hudson a warm and generous reception and made the staff feel quite welcome. Many New York-based staff members moved to Indianapolis, and key researchers who were unable or unwilling to move were allowed to work at their homes in New York and commute to Indianapolis when necessary. Other staff positions were filled through recruitment and hiring from the local community.

On November 15, 1985, Hudson held a benefit concert to celebrate its first anniversary in Indianapolis. Acclaimed conductor Charles Dutoit (husband of Marie-Josée Drouin) and cellist Yo-Yo Ma performed an all-Dvorak program with the Indianapolis Symphony Orchestra. The music was selected as a tribute to Herman Kahn, who was especially fond of the composer and the two pieces chosen for the celebration. The concert was an artistic and financial success and showed the strong support Hudson had earned from the leaders of its new headquarters community.

A few months later, Hudson and Indianapolis had another reason to celebrate. Although Hudson had maintained excellent relations with its hosts at IUPUI, space restrictions and a desire to have a more independent presence in the city had prompted Tom Bell to seek a permanent headquarters for the institute. In 1986, Bell found the perfect location — a turn-of-the-century mansion on the city's northeast side, built by a prominent Indianapolis family. The Stoughton Fletcher Mansion, also known as Laurel Hall, had been a private estate, a Catholic girls school, and the clubhouse of a condominium complex. (For a history of the Fletcher Mansion, see *The Herman Kahn Center of the Hudson Institute*, by Kate Lenkowsky, published in 1991 by Hudson Institute.)

With funds generously provided by Hudson's Board of Trustees, members, and corporate and individual friends of the institute, the Fletcher mansion was purchased, renovated, and renamed the Herman Kahn Center in honor of Hudson's founder.

A Resurgence of Influence

Having reestablished Hudson's financial stability, strengthened its research program, and managed its relocation to Indianapolis, Tom Bell chose to seek new challenges in the private sector in 1987. Before leaving, however, he recruited a talented and respected successor. Mitchell E. Daniels, Jr., Assistant to President Reagan for Intergovernmental and Political Affairs, was eager to return to his home town after many years in Washington, D.C. Daniels had served as administrative assistant to Indiana Senator Richard Lugar and had also worked for Lugar when the latter served as mayor of Indianapolis in the early 1970s.

Mitch Daniels brought a unique combination of local and national credentials to the job, and during his tenure he used them to further improve Hudson's financial and intellectual standing. In his three years as president, Hudson eliminated its short-term debt and compiled a positive fund balance. Daniels increased Hudson's national fundraising base, in part by organizing an annual "National Policy Forum" in Washington, D.C., at which Hudson researchers made presentations and the institute bestowed an award, named for American hero James H. "Jimmy" Doolittle, to a distinguished individual for his or her contributions to American national security. Recipients of the award have included former Deputy Defense Secretary and Hewlett-Packard Corporation Chairman David Packard, former Defense Secretary James Schlesinger, and President Ronald Reagan.

In 1986,
Tom Bell
found the
perfect
location —
a turn-of-
the-century
mansion
on the
city's
northeast
side.



*Above:
Mitchell E.
Daniels, Jr.
(left) and
Leslie
Lenkowsky
(right) with
Vice President
Dan Quayle at
Hudson's
second
National
Policy Forum
in Washing-
ton, D.C.*

Daniels also recruited several talented researchers to the Hudson senior staff. Dr. George A. "Jay" Keyworth, II, a nuclear physicist who had served as Science Advisor to President Ronald Reagan, initiated Hudson studies of the potential impact of rapid changes in information technologies on American national security and competitiveness. Keyworth and another new senior fellow, George Gilder, wrote a series of papers, speeches, and articles on the implications of the digital-technology revolution and the coming merger of the computer and telecommunications industries. This work remains a major component of Hudson's research program.

Daniels also recruited retired Army Lieutenant General William E. Odom, former director of the National Security Agency and noted expert on the Soviet military, who became Hudson's Director of National Security Studies; Dr. Mark Blitz, former Associate Director of the U.S. Information Agency and professor of political philosophy at Harvard and the University of Pennsylvania; Elliott Abrams, former Assistant Secretary of State for Latin and Inter-American Affairs; Dennis Avery, previously the U.S. State Department's senior expert on global agricultural and food policy; and Alan Reynolds, a widely published economist and financial writer.

In the spring of 1990, Daniels accepted the position of Vice President for Corporate Affairs at Eli Lilly & Co., the Indianapolis-based pharmaceutical manufacturer. After a national search, Hudson's Board of Trustees selected Dr. Leslie Lenkowsky, a nationally respected expert on

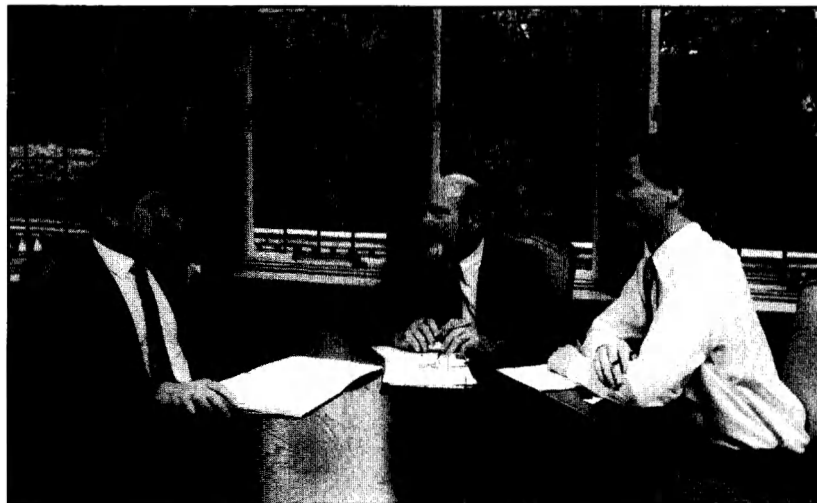
social-welfare and education policies, to be the institute's next president. Lenkowsky had earned his Ph.D. at Harvard under Daniel Patrick Moynihan and served as research director of the Smith Richardson Foundation, deputy director of the U.S. Information Agency, and president of the Institute for Educational Affairs.

Building on the foundation left by his predecessors, Lenkowsky has further strengthened Hudson Institute both financially and programmatically. He has broadened the institute's financial base by increasing support from national foundations and increasing fundraising and marketing efforts throughout the Midwest. In a major step toward insuring Hudson's future, Lenkowsky initiated Hudson's first capital campaign, to create an endowment that would provide a regular source of income not tied to contract requirements. The campaign was officially launched in June 1992.

Lenkowsky also achieved a substantial coup for the institute when he recruited former Education Secretary and national "drug czar" William Bennett in late 1990 as Hudson's first John M. Olin Fellow. While at Hudson, Bennett wrote a well-received book, *The De-Valuing of America*, which describes his experiences as a Cabinet official in two administrations and his views of the most pressing problems facing America. Bennett has also written numerous controversial and influential articles and editorials on the cultural origins of America's social and political crises. In addition, he has lectured widely and appeared frequently on local and national television and radio outlets, providing a thorough and sophisticated analysis of the "politically correct" but harmful ideas that drive much modern thinking. His vision of a traditional but prudently progressive American culture provided a welcome ballast to the often-grandiose dreams of the educational and cultural establishments.

Bennett's vision of a traditional but prudently progressive American culture provided a welcome ballast to the educational and cultural establishments.

The three decades since Herman Kahn, Max Singer, and Donald Brennan founded Hudson Institute have brought enormous changes in our world, our nation, and Hudson Institute. Too soon, Hudson lost the man whose genius and vision shaped its research program and led to so many of its most enduring ideas and contributions. The institute has moved to America's heartland, a place which, ironically, has been more faithful to the traditional values the New York-born, California-raised Kahn — and others at the institute — believed in so strongly and defended so fiercely. Although much has changed during the past thirty years, many of the basic issues have remained the



Above: Jimmy Wheeler, Richard Judy, and Robert Clough in the Herman Kahn Center's boardroom

same. Hudson has kept faith with the tradition established by Kahn and his colleagues — skepticism about conventional wisdom, belief in free markets and free institutions, and optimism about mankind's ability to solve its problems. As Herman Kahn might have predicted, these ideals, like the institute he helped found, have proven remarkably relevant and durable.

About the Author

As Director of Program Management, Neil Pickett is responsible for the administration of the research program of Hudson Institute. Mr. Pickett has also served as a member of Hudson's senior professional staff, specializing in national security and other public policy issues. For two years, Mr. Pickett worked as research assistant to Herman Kahn. He has also worked as a journalist in Washington, D.C., for The New Republic and the National Law Journal.

Acknowledgments

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