

TO VI IN BOOK  
BY 10:30 A.M.

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Mickia + albs

THE CHALLENGE OF THE SOVIET ECONOMIC OFFENSIVE

world is confronted by a profound crisis, a crisis in which  
Today the cherished values of Western civilization are <sup>the</sup>

challenged as never before. <sup>hear</sup> We ~~get so used to~~ the word "crisis" repeated

again and again →

in the screaming headlines ~~which~~ about Berlin, Iraq or the Formosan

Strait <sup>so</sup> that we <sup>become numb and</sup> forget its deeper meaning. <sup>It</sup> is perfectly true that

there are many crises, but underlying all these specific challenges

<sup>fundamental</sup> is a ~~basic~~ crisis, ~~a crisis of Western civilization as~~ Some historians

and philosophers have <sup>now said that</sup> referred to ~~it as~~ <sup>our present generation is confronted with</sup> the greatest crisis ~~of~~ of modern times.

The profound and many-sided world crisis is the result of

three dynamic and interrelated realities, each of which <sup>is pregnant with</sup> presents

dangers and opportunities--

1) The challenge of modern technology ---

2) The challenge of the "revolution of rising expectations" ---

3) And the challenge of Communism itself.

1) The fantastic progress in technological development has

put mankind within reach of one of his greatest goals, the elimination

of poverty. But this same technology <sup>ironically,</sup> may be mankind's undoing. I

need not remind an audience like this of the potential destructiveness

of modern terror weapons made possible by ~~the~~ new energy and

means of transporting energy <sup>discovered by science. We should not blame science,</sup>  
~~In passing it is well to remember~~

but recognize that science is neither <sup>a</sup> savior nor <sup>a</sup> demon, but a source of power

which can be used for good or ill. <sup>basic</sup> The problem is political and moral, not technical.

2) We have heard a great deal of the "revolution of rising expectations" in the economically less developed and politically noncommitted countries of Asia and Africa. The destiny of these people who are striving for or celebrating their independence may determine the destiny of the world within the next generation or two. ~~Not~~ Not everyone in the free world has grasped the ~~importance~~ political and moral significance of the ferment in these vast areas, but <sup>we</sup> ~~you~~ can be sure the leaders of the Soviet Union have.

3) The third massive reality is the Communist challenge itself.

~~The Communist challenge~~ Modern technology and the upheaval in Asia

and Africa would themselves be sufficient cause for a world crisis.

But the crisis is compounded by the existence of an aggressive and

expansive political religion whose ultimate goal is world conquest.

The high priests of world Communism prefer to attain their goals

without nuclear war if possible. But they have not ruled out either

limited or total war if that seems necessary, or expedient.

We make a great mistake, perhaps a fatal mistake, if we think of the Communist challenge as exclusively a military challenge, or even primarily a military threat. The challenge of Communism is military to be sure, but it is also economic, ideological, political, and, in its deepest sense <sup>it is</sup> religious. I say <sup>distorted</sup> it is religious because the Communist view of ~~the~~ man and the world challenges the fundamental <sup>precepts</sup> ~~bases~~ of our Judeo-Christian value system.

Expanding  
The Soviet Economy ~~and its offensive~~

Today I want to confine my remarks to the Soviet economic offensive. But I want to do this <sup>within the framework</sup> ~~in the larger context~~ of the many-faceted Communist challenge and the larger world crisis.

It is one of the great ironies of American history that today we are being given a run for our money by the expanding and dynamic economy of a country which only a few short years ago we thought of as "backward." This is a spectacle as humorous as the <sup>fable</sup> ~~the~~ tortise and hare. Before Sputnik streaked across the heavens, we assumed that we were the biggest, the fastest-growing and ~~best~~ strongest economy in the history of mankind. And we were. We became smug and complacent. We refused to believe in increasing

signs of growth in Soviet technology and productive capacity.

The hare would win the race, paws down. We could stop for a

short siesta under under a sycamore tree and the poor ~~x~~ tortise,

weighted down by the <sup>hard shell</sup> ~~crust~~ of socialistic controls, wouldn't have a chance.

But while we slept, ~~especially during the depression of the past~~ ~~years~~ the turtle plodded on, unnoticed and unobserved. Then came

Sputnik I and subsequent <sup>achievements which proved beyond a shadow of</sup> ~~developments~~. We were shocked. We were <sup>not</sup> ~~sure~~ that momentarily stunned. But we still didn't ~~fully~~ <sup>that the U.S.R. had made</sup> awaken. It was <sup>giant tech-</sup> to the full reality. <sup>logical and</sup> economic <sup>strides.</sup> ~~in~~ <sup>since</sup> ~~after~~ Sputnik that we <sup>allowed ourselves the luxury of a</sup> ~~had our~~ <sup>to the full reality.</sup> ~~recession~~, and today we are still ~~in~~

not out of ~~it~~ in the woods.

Alas, the race is no longer a race between a tortise and a hare, but between two hares. But because of our hurt pride, our lack of a sense of urgency and our <sup>deficiency in</sup> ~~lack of~~ leadership, <sup>we are</sup> ~~we~~ still not running scared.

I would like to put a few facts on the record which if understood and taken to heart, will help us to run scared. <sup>and determined</sup> By scared I mean properly afraid, <sup>not hysterical</sup>. Here are the facts:

- 1) We have consistently underrated Soviet economic and industrial achievements. We have underrated their progress in atomic energy,

missiles, aircraft production and even in some areas of consumer production. The Sputniks and Lunik/<sup>should</sup> have shattered our rose-colored glasses, but even now there are people in Washington who <sup>calmly</sup> tell us that we are ahead in nuclear energy and the missile race. The Secretary of Defense has himself issued smooth and reassuring words to the American people, words which were characterized by one of our ~~best~~ most-respected columnists (Joseph Alsop) as "soothing syrup."

Now its true that the laymen, and this includes most members of Congress, do not know exactly where we stand in relation to the Soviet Union, in spite of <sup>Congressional</sup> hearings to determine just that. Sometimes the experts disagree. But isn't it the better part of wisdom and valor to overestimate Soviet economic and military strength than to underestimate it? Wouldn't it <sup>have</sup> ~~had~~ been better if the democratic nations would have slightly overestimated Hitler to than ~~be~~ vastly/underrate him?

2) The Soviet economy is growing at about <sup>three</sup> ~~four~~ times the rate of the U.S. economy. Although accurate statistics are hard to come by most economists believe that the Soviet economy is expanding at a rate of between 6 and 8 percent a year. In contrast the

at present is  
 American economy ~~is now~~ growing at a rate of less than 2 percent.

Since 1900 our economy, our Gross National Product (GNP) has grown an an average rate of 3% annually. From 1945 to 1952 it expanded at a rate of 5%. Since 1953 the rate has been about 2%.

Of course, the Soviet economy is not as big as ours. But *the fable*  
~~here's where the story of the tortise and hare~~ *is appropriate here too.*  
~~comes in again.~~

While the hare takes it easy and permits himself the luxuries of needless ressessions, the tortise transforms himself into a hare.

Economists tell me that for ~~for~~ a short time last year the combined steel production of the U.S.S.R. and Red China exceeded the steel production of the mighty United States. This fact alone should make us run scared.

### 3) The Soviet Union manages its economy to serve national goals.

The leaders in the Kremlin can slice the national income pie any way they wish, within the limits <sup>*of endurance*</sup> set by the longsuffering Soviet people.

This gives them a great advantage. They can plow back into the economy the capital necessary to guarantee the maximum ~~for~~ economic development consistent with domestic and foreign policy objectives.

They can channel scarce resources into high priority enterprises such as nuclear energy, missiles, steel, and certain industries producing items for export. They can curb consumer demand by promising

better food and larger apartments in the near future. They can <sup>get</sup> induce <sup>^</sup> ~~force~~ their people to produce guns with the promise that by the end of the present seven-year plan they will be producing both guns and butter.

A good share of Premier's eight-hour speech at the recent Party Congress in Moscow was devoted to explaining the goals of the 7-year plan, ~~and~~ <sup>he said, was to outproduce</sup> the overarching goal <sup>^</sup> of ~~out-producing~~ the United States of America by ~~1972~~ <sup>in the 1970s.</sup>

"How," you may ask, "has a totally and centrally planned economy been able to do so much? How could they have got where they are without the natural incentives of profit and reward in a free enterprise system like ours in America?" <sup>of</sup> The answer is that <sup>years ago the Soviet</sup> ~~they soon~~ <sup>^</sup>

leaders departed from the orthodox doctrines of Marxism, and ~~adopted~~ <sup>copied</sup> ~~the ideas of~~ incentive and productivity <sup>ideas and practices</sup> from the system they decried.

<sup>does really practice</sup> The Soviet Union ~~is~~ <sup>^</sup> ~~do not have~~ socialism or communism, but rather a system of State Capitalism. ~~(May want to refer at this point to~~

~~exchange with K on problem of incentive in Red Chinese Communes.~~ <sup>The</sup> <sup>is their</sup> <sup>^</sup> <sup>^</sup> ~~May not yet have learned this lesson.~~

The Soviet International Economic Offensive

We have referred to Soviet economic strength and the capacity of Soviet leaders to make the economy serve political purposes. Now let us turn specifically to the Communist international economic offensive in the areas of ~~and~~ trade, ~~and~~ aid and investment.

1) The Trade Offensive: Today there are ~~less~~ Soviet trade missions in many capitals of the world, including <sup>the</sup> ~~some~~ capitals <sup>of some</sup> ~~countries~~ which have never had any trade with the Soviet Union. These missions are quietly <sup>negotiating</sup> ~~hammering out~~ commercial trade agreements. The Soviet Union has surpluses with which to bargain. Even though ~~it~~ Russia is still poverty-stricken as far as consumer goods are concerned, she is willing to compete in the world market.

Recently I heard a startling story about a Boston importer who purchased some sample microscopes for high school and college use from the Soviet Union. They cost roughly one-fourth of what similar instruments in the United States cost and they were of a superior quality. Perhaps the U.S.S.R. was "dumping" them; that is, selling them at less than cost. Whether she was "dumping" them or selling them at an honest price, the problem is serious. We are presented

a tremendous challenge from a ~~country~~ "backward" country. Only a few years ago one of America's top Russian experts said that the Soviet Union couldn't even mass produce bicycles! She has not only mass produced bicycles, and microscopes, but MIG jets, bombers, and perhaps ~~that~~ she is now mass producing ICBMs.

We can expect the  ~~Soviet~~ Soviet trade offensive to increase in tempo and volume in the months and years ahead.

*and Investment*  
2) The Aid Offensive: The Soviet Union is an Ivan-come-lately

to foreign economic aid. The United States blazed the trail with the mighty Marshall Plan and subsequent programs of aid. And yet in this field in which we were pioneers we are being severely challenged. At the very time when many Americans are confused and unconvinced, when the very basis of economic aid is being challenged, the Soviet Union, according to all reports, is winning friends and influencing people through its aid offensive.

Apparently convinced that you "can't buy friends," the U.S.S.R. during the past three years has concentrated on ~~invest~~ capital investment as its major form of foreign aid. She has offered long-term, low-interest loans to the countries of the Middle East and Asia. ~~and~~ There are extensive Soviet economic aid projects in the

United Arab Republic and in seven South Asian countries-- India, Burma, Afghanistan, Ceylon, Indonesia, Nepal and Cambodia. The Soviets are helping to build a steel mill in India, bridges in Egypt, a cement plant in Afghanistan, a sugar factory in Ceylon, a tire factory in Indonesia and a hundred other projects designed to raise the living standards of these underdeveloped areas. In the past three years the Soviet Union has extended ~~at least~~ ~~the~~ ~~more~~ than \$1.5 billions in credits. Recently Mr. Khrushchev offered ~~the~~ President Nasser aid to build the high dam across the Nile-- the same type of aid which Mr. Bulles abruptly withdrew in 1955 and which many observers believe forced Nasser to seize the Suez canal.

The Soviet Union offers its development credits, and the necessary technicians, <sup>claims,</sup> ~~as~~ she <sup>says,</sup> without political strings attached. The offer is attractive, and we cannot blame politically uncommitted countries ~~to~~ for accepting it. In their great desire for economic development, they are reluctant to see the possible political implications of such generously-offered help. <sup>At the beginning of the Soviet program her</sup> ~~The~~ interest rates were better than <sup>needy countries</sup> they could get elsewhere. And there were no explicit political strings attached. Further, the Soviet Union <sup>seemed to</sup> ~~demonstrated~~ with <sup>her</sup> Sputniks that ~~it~~ she could make as much technical progress in 30 years as the United States

Some of the  
 did in 100 years. ~~It looks as though many~~ people in these areas ~~seem to~~  
 prefer <sup>to</sup> ~~rubber~~ diplomacy to dollar diplomacy.

~~Even if the acceptance of Soviet loans would lead to some  
 political influence, some of the leaders of these countries do not  
 look with fear on such a development. Perhaps they are convinced~~

H  
 The argument that a centrally planned, designed and controlled economy  
 is inevitably and inexorably more powerful and productive than a free  
 economy appeals to peoples who desire economic development, and who have  
 no experience with the political restrictions which go along with Soviet-  
 style planning. <sup>Recognizably,</sup> The Communist model is appealing. <sup>The fear of</sup> ~~And certainly~~ economic

~~penetration will be accompanied by ideological and political penetration.~~  
 is not real enough to offset the economic appeal. We must do more

### We Must Strengthen the American Economy

These sketchy facts about the strength and growth of the Soviet  
 economy and the success the Soviets have had in using <sup>trade and aid</sup> ~~economics as an~~  
 instrument<sup>y</sup> of their international objectives should help us to run scared.

But I am afraid that many of us know the facts without really understanding

them. We need a new sense of urgency <sup>if we are to</sup> to accept the economic challenge of

the Soviet Union <sup>to</sup> ~~for~~ our domestic economy, <sup>and</sup> ~~as well as for~~ <sup>to</sup> our international

economic ~~approach.~~ objectives.

First, I would like to suggest how we can and indeed must strengthen our <sup>domestic</sup> economy if we are to meet the challenge successfully.

Our problem is not primarily an economic problem, but a political problem and a moral problem. The economists may not always agree, but in general <sup>they</sup> ~~we~~ know how to increase productivity. The problem is whether we really want <sup>our economy to expand</sup> ~~to~~ and whether we are willing to take the risks involved.

To oversimplify the issue, and I suspect politicians must always oversimplify issues, I would say there are two competing philosophies about our <sup>national</sup> economy. <sup>II</sup> The one I would call George Humphreyism-- this philosophy holds that the greatest danger to the United States is inflation, perhaps <sup>a</sup> ~~even~~ <sup>danger</sup> greater than the threat of Communism <sup>itself</sup>. We must at all cost, according to the former Secretary of the Treasury, prevent inflation, even if it means cutting back in our rate of growth, even if it means about 3 and one-half millions of men unemployed and many others underemployed, even if it means that our industrial plants are working only to 75 or 80% capacity. Unemployment and underproduction are preferable to full employment and high production <sup>(according to this theory)</sup> if full employment and high production reduce the ~~value~~ value of the dollar.

Now every decent person is opposed to inflation-- either of the galloping or creeping variety-- but that isn't the whole picture. There is,

I believe, a convincing <sup>answer</sup> to George Humphreyism. Modesty forbids me to label the answer Hubert Humphreyism! Seriously, I have been convinced by those political leaders and economists who believe that the risks of high production with some inflation are not nearly as <sup>great as</sup> the risks of underproduction with a stable dollar. Why do I say this?

First, and most obvious, the U.S. population is growing ~~by 3% or~~ <sup>by</sup> 3,000,000 persons a year, and we need more than <sup>with</sup> our present 2% increase in productivity <sup>we can barely</sup> to ~~keep~~ stay where we are.

Second, if we are really going to take the Soviet economic <sup>offensive</sup> seriously, we must have sufficient production to keep up with her <sup>\_\_\_\_\_</sup> militarily, scientifically and every other way.

I believe we should aim for a 5% rate of growth, <sup>matching what</sup> such as we had from 1945 to 1952, ~~even if this means some inflation~~. Inflation is always serious, but it will not be catastrophic if productivity keeps ahead of it. Even if the dollar buys less than it did before, this is not too serious if people have more dollars, <sup>to spend.</sup> In short, purchasing power <sup>and inverting</sup> is the real issue. If a worker can buy more food, clothes and shelter ~~with cheaper dollars~~ with forty hours of labor (with <sup>59¢</sup> ~~cheaper~~ dollars) than he could with forty hours of labor (with 75¢ dollars), he is better off.

Productivity When productivity keeps ahead of inflation, the problem is

managable. The major problem affects those <sup>living</sup> on fixed dollar incomes.

Persons receiving old-age and survivors insurance will suffer in an inflationary period unless their benefits are increased. Just as some of the more progressive union contracts have <sup>provisions</sup> ~~escalator clauses~~ to assure that wages will be adjusted to rising costs of living, I believe that pensions, unemployment compensation payments and other fixed dollar incomes <sup>and should</sup> can be adjusted.

In short, I believe the risks of not increasing, I would say doubling, our present rate of economic expansion, are greater than the risks of not expanding.

The President's budget and budget message were <sup>obviously</sup> influenced by George Humphreyism. ~~and~~ I hope that the Democratic Congress will be instructed by a more dynamic and imaginative philosophy-- a philosophy which believes in the <sup>capacity</sup> ~~ability~~ of a free economy to be ~~more~~ productive without being destructively inflationary.

#### Toward A Dynamic Economic Offensive

*In the area of foreign economic policy*

The Administration, partly in response to the Soviet challenge, is taking some steps in the right direction, but the escalator of history

may be moving more rapidly in the other direction. We should build a stronger economy at home in order to do what necessity and prudence demand ~~that we do~~ abroad. Our highly productive economy, even in its present less-than-dynamic state, makes it possible for us to do more than the Administration wants us to do. ~~We~~ Our position of leadership of the free world places upon <sup>us</sup> a moral responsibility commensurate with our power and wealth.

I would like to suggest a three-point program <sup>for</sup> strengthening our present economic offensive in the world, a program designed to do what we are best qualified to do.

1) Increase the flow of trade with other countries: <sup>Most</sup> ~~the~~ economists agree that the free world would be strengthened by the lowering of trade barriers among nations. <sup>They also</sup> ~~Most economists~~ believe that the United States economy as a whole will benefit from freer trade, although they know that some industries will suffer. <sup>But as</sup> <sup>once</sup> ~~As~~ Adlai Stevenson put it: "We shall have to make the choice between relatively minor adjustments caused by increased imports or major adjustments caused by decreased exports."

of force influence. The Soviet hope and this ally

The United States is a wealthy nation. With only six per cent of the world's population, she produces over forty per cent of the world's goods and services. Yet our country is dependent on imports from all over the world. If these imports were to be completely cut off, our daily life would change drastically until adequate substitute for vital imports could be found. Our automobiles, telephones, radios, television sets, and a hundred other modern necessities would become useless when parts depending on imports would wear out. We would be threatened with mass unemployment. And our defense program would collapse.

Every automobile needs thirty-eight essential materials which are largely imported. Forty-eight imported products go into every telephone. Not a single pound of steel can be made without manganese; nine tenths of our supply of this vital ore is imported. We import *all* of our chromium and tin, ninety-nine per cent of our nickel, sixty-five per cent of our bauxite (essential to making aluminum), forty-two per cent of our copper, and so on. On an average day about 418,000 tons of imports, worth forty-two million dollars, arrive at American ports. Only about one eighth of these imports are finished manufactured products which can compete with American-made goods. At the present time our annual imports total more than eleven billion dollars.

Other countries need our products and we need theirs. We need to export in order to buy the necessary imports for our own economic health. A substantial loss of foreign markets could damage our entire economy. The United States cannot export unless other countries have dollars to buy our products. To

obtain dollars they must sell to us. Trade is a two-way street. If the traffic slows down on one side of the street, it will have to slow down on the other. A balanced and high-level flow of world trade makes for world-wide economic health. The interdependence of nations is nowhere more clearly apparent than in the economic realm.

Note: these are my words which I gladly provide. EWL

HA

get

This is not the place to discuss the technical details and procedures for increasing trade. I merely want to make the point that we must <sup>seize</sup> take every opportunity to move toward this desirable goal and to take <sup>appropriate</sup> ~~any necessary~~ governmental action to help those ~~who~~ industries which may suffer undue hardship <sup>because of increased imports.</sup>

I might say in passing that I believe ~~in~~ international trade, <sup>should</sup> be restricted to not only trade among the nations of the free world. I favor certain types of trade with the Communist bloc, ~~although~~ this will, of course, have to be undertaken with proper regard for legitimate security considerations.

2) Utilizing Our Agricultural <sup>abundance!</sup> Surpluses. One of the most vexing problems facing our country <sup>so-called</sup> are the agricultural surpluses resulting from <sup>abundance</sup> overproduction. This is a serious domestic problem which has far-reaching international implications. It is clearly to the advantage of the United States <sup>to use</sup> ~~to dispose of~~ stored up food and fibre before it becomes worthless. If we simply give it away to needy countries <sup>without regard for normal marketings or opportunities to benefit the recipient country as well as ourselves,</sup> we run the risk of upsetting world market prices which may ~~result~~ result in injury to the economies of other ~~countries~~ nations.

Even if we sell ~~it~~ <sup>our farm surpluses</sup> at the market price, and advance credit to purchase <sup>world</sup> them, we will be competing with other countries whose need for export

may be greater than ours. -- unless we find and use 'economic tools' for <sup>converting our food to useful purposes</sup>

That same, rather than detract from, our basic  
Foreign policy objectives. 18

There is no easy solution to this complex problem. We always  
<sup>ourselves</sup>  
have to ask three questions: "What is good for the American farmer?"

What is good for the U.S. economy? What will best serve our goals

of helping to strengthen our free world allies and the uncommitted

nations?" <sup>In answering these questions</sup>  
<sup>Here</sup> wise statesmanship must make difficult and discriminating

decisions which honor the legitimate claims of each competing interest.

I believe a way out can be found. I believe <sup>the utilization</sup>  
~~the support~~ <sup>public law 480</sup> program

under Public Law 480 can and should be extended and enlarged ~~to~~ <sup>so that</sup>

~~such a way that~~ our farm <sup>abundance</sup> supplies can serve the needy overseas without

hurting our closest allies. I will support efforts in this direction.

I regret to say that the Administration plans to spend \$14 million less

under Public Law 480 for fiscal 1960 than is being spent during the

current year.

3) A Five-Year Development Loan Program: In the foreign aid

picture I have supported the Marshall Plan, the Point Four program of

technical assistance and direct grants for economic and military aid.

I have supported <sup>U.S. participation in the</sup> ~~economic and~~ technical assistance <sup>programs</sup> of the United Nations.

~~But I firmly believe that the greatest opportunity for achieving~~

economic development in the politically uncommitted areas lies in a

greatly increased capital loan program.

I think each form of assistance has a proper role to play, ~~and~~ I would support an expanded program of technical ~~ass~~ aid under the Point 4 program. But I am firmly convinced that the greatest opportunity for achieving substantial economic development in the politically uncommitted areas lies in a greatly expanded capital loan program.

In the 19th century the London capital market provided vast sums of money for the development of economically "backward" countries, including the United States. Today, the United States is the largest single source of capital, and yet the proportion of our Gross National Product going into development abroad is far smaller than that of Great Britain a hundred years ago.

In the spring of 1957, when Congressional support for foreign aid was at its lowest ebb <sup>up to that time,</sup> ~~since the program had been launched,~~ the ~~report~~ of three distinguished research agencies ~~on the problem of~~ ~~economic aid~~ recommended that the United States put foreign aid on a long term basis/and that our government appropriate <sup>\$2</sup> ~~two~~ billions a <sub>1</sub> year for economic development. (The three research agencies were the Committee for Economic Development, a business-sponsored organization; the University of Chicago Research Center in Economic Development and

Cultural Change; and the Center for International Studies at MIT.)

~~not~~ *recommendation for a greatly increased aid program*  
 This was not a hair-brained scheme, but ~~a recommendation by ~~them~~~~  
 ^ *→ the product of some*

of the finest scholars in the country-- men who know the capacity of  
 the American economy and the requirements of leadership in a world  
 threatened by Communism. And, I might add, men who represent the  
 finest humanitarian traditions of *America* ~~these United States~~.  
 ^

With this type of backing, I do not hesitate to propose a  
 \$10 billion development loan program over a five-year period. We  
 spend \$40 billions a year on defense and ~~every cent is needed~~ perhaps  
 even this is not enough. Can we not invest 5% of this amount in the  
 future of Asia and Africa? I believe we can. I believe we should.

I believe the program should *consist* ~~be~~ largely in ~~the form of~~ long-term,  
 ^ *effectively*  
 low-interest loans which can compete *effectively* with what the Soviets are doing.

I believe that the projects for which loans are provided should be  
 thoroughly appraised by competent specialists so that the capital  
 will be well spent. We must take into account the absorptive capacity  
 of the recipient country. We must avoid waste and corruption.

*There will be risks, but*

^ The need is great. The challenge is inescapable. President

Truman's Point 4 idea was called "a bold new program." It was new,  
 but the majority in the Congress never permitted it to become bold.

Since then the urgency has increased.

The time for a "bold new program" is upon us. And I believe that

there are <sup>more and more members</sup> ~~an increasing number~~ of both houses who are willing to

match the challenge of our times with courage and boldness.

Walter Lippmann recently said something which every lawmaker and

every administrator would do well to ponder. He said if you want

public support for a Government program, make it big, bold and

imaginative-- appeal to the public's sense of responsibility and

willingness to sacrifice. In attempting to second guess the public, I am

convinced that <sup>political</sup> ~~their~~ leaders too often sell them short.

~~Before~~

Massive investment is essential, and much of the capital must come

from private sources. It cannot and should not come only from govern-

ments. In fact, governments should invest only when private sources

are unable or unwilling to meet the legitimate needs for development.

Private investors cannot afford to take large risks, Receiptant

countries should <sup>of course,</sup> do all within their power to make private investment

attractive, promising a reasonable return for the investor. I am glad

to say that India has recently taken several <sup>significant steps to</sup> ~~measures to guarantee~~

make private ~~capital~~ investment attractive. Any potential investor

should look into new opportunities in this, the pivotal nation in

Asia.

But it is not possible for an underdeveloped country to remove all risk to private investors. The countries needing aid most desperately often are the very ones where the risk is greatest.

It is in <sup>these</sup> cases of great need and risk, where both the economic and political stakes are high, that government loans are <sup>required. needed</sup> ~~called for.~~ <sup>the only live options.</sup>

And if the free world does not provide investment capital, we can be sure the Communist bloc will. It is unfortunate, but understandable, that the the fear of Communism may prompt us to do what ~~we~~ we should have done all along and what Great Britain in fact did in the 19th century.

### Conclusion

I want to conclude by applauding Mr. Douglas Dillon, the Under Secretary of State for Economic Affairs, for his leadership in the area of long-term investment loans. I support him. But I fear that he has not gone far enough. Perhaps he is afraid that the Congress will not <sup>support him.</sup> go along. Or, more likely, he may be afraid that the Secretary of State and the President will veto a more dynamic program.

Our nation and our people face a massive challenge today.

The economic, political, ideological and military offensive of a dedicated and determined foe confronts us at every turn. Can the American people respond to this challenge with courage and wisdom?

The answer is NO if we continue to sweep unpleasant facts under the rug of a complacent optimism. The answer is ~~no~~ NO if we are content with smooth words and soothing syrup from a man whose main task should be to jolt us from our lethargy. The answer is NO if we continue to prefer tail fins and mink-lined suburban nests to first-rate schools and a responsible, if costly, foreign policy.

But the answer need not be NO. I firmly believe that the American people have the moral resources and political wisdom to respond with courage and determination. I know we have the economic resources to do the job that needs to be done. We can do the job if we have leaders who lead, leaders who can impress us with the deeper meaning and urgency of the crisis. There is no substitute for leadership, leadership hard-headed enough to face the facts of life and warm-hearted enough to honor the cherished values of our Western religious heritage.

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