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CHALLENGE TO AMERICAN BUSINESS

Remarks of  
Senator Hubert H. Humphrey (D., Minn.)

Chamber of Commerce Luncheon  
Washington, D. C.  
April 27, 1959

I am grateful for this opportunity to address the business leaders of America and to discuss with you a problem that concerns me deeply.

I refer to a declaration of war Mr. Khrushchev has issued against us -- a declaration of economic war.

I need not remind you gentlemen of the all too painful fact of the American recession. I share your rejoicing that we are again on the upgrade; but none of us should ever forget that there is still far too much slack in our economy.

Millions are still jobless. Too many plants are working short work weeks. America is far from hitting on all cylinders.

As you may know, I have recently visited Russia, and I can tell you that the Soviets are pulling out all of the production stops, pressing hard against their full economic capacity, and making great sacrifices to increase that capacity.

Russia is a part of the world where optimism rivals that of America's boldest optimists.

Premier Khrushchev has said that he has declared economic war on us. His aim: to "catch up and surpass America."

The Soviet countryside is strewn with signs bearing these words.

Khrushchev is looking ahead 10 to 20 years. He is using the vast powers of Russia's state machinery to plan and program the great resources of his empire. He has called his first Seven Year Plan, "Russia's Offensive Opens," and under this plan he has programmed vast increases in the capacity of Russia's heavy industries.

By 1965, he aims at adding nearly 30 million tons of steel capacity; more than 100 million tons of oil production; nearly 300 billion kilowatt hours of electricity.

And while the emphasis is clearly on capital goods to add to Soviet military and economic power, there are also important planned increases in consumer goods. Meat production is to more than double by 1965; butter production, already almost equal to ours, is to increase by almost 400,000 tons. There are to be more shoes and clothes and the gadgets of life for the Russian people, who, you must remember, know nothing of the rich material life we live here.

We would be foolish indeed to discount these plans and programs, ambitious as they may seem. For the Soviets have made ambitious plans before -- and they have made them a reality.

Not only have they achieved economic goals; they have taken giant steps in science and technology as well.

The first man-made earth satellite bears a stamp, "Made in Russia."

The first artificial planet to be placed in our solar system likewise is labeled, "Made in Russia."

And to the struggling nations of the world, this label says more. It says, "Made in Russia -- only 40 years ago a primitive, uneducated, rural nation, a nation without science, without technology."

To the Indian or the Egyptian, the Burmese or the Syrian, Russia's meteoric rise from laggard to leader in the world of science and invention has the same

inspiration as the rags-to-riches rise of the self-made man of America.

If Russia can do it, they say, why can't we?

And so we would be ill advised to underestimate Russia's progress. More important, we would be foolish to ignore the potent effect of Russia's progress on the rest of the world.

Khrushchev's Seven Year Plan is not just an economic document; it is a political and psychological document, too. The Russians are using it as a major weapon of foreign policy, and they are getting an interested audience in all those teeming underdeveloped countries of Asia, the Middle East, Africa and even Latin America where people are searching desperately for an escape from a life of abject poverty.

Many leaders in India, Burma, Indonesia, Egypt, Iraq and elsewhere are fascinated with what is going on in Russia, and it is hardly surprising. These leaders are not blind to the hideous cost to humanity which the industrial revolution under communism has entailed; but they hope to avoid paying this cost.

At the same time, they know their people will have to make sacrifices if they are to grow in economic strength.

Before these people, the Russians flaunt their Seven Year Plan, and they get an interested audience.

For what alternative is offered in its place? What is the experience of the prosperous West that seems relevant to their dire problems?

What, they ask us, do you have to offer?

You and I know that we have plenty to offer. But have we been offering it? Have we been sharing our best qualities, our greatest talents as fully as we might have?

I do not think so -- and I would like to suggest a way in which American business and American businessmen can help export to other countries one of the most precious commodities we have: managerial know-how.

For it is this talent which has contributed so greatly to America's unprecedented wealth and standard of living.

We need to export this talent because the real determinant of a country's economic progress is people.

Certainly a country with vast natural resources can develop more readily than a country with no natural resources -- all other factors being the same. However, there are many examples of countries, like Indonesia, rich in natural resources, which suffer the pangs of abject poverty. Yet other countries, like Switzerland and Belgium, with extremely limited resources, have become highly industrialized and highly productive and their people enjoy high living standards.

Israel and Puerto Rico are dramatic examples of what can be done by energetic people with limited resources.

The key to economic progress is in the know-how, in the talents, in the abilities, in the training, in the experience of the people. But in most of the underdeveloped countries, especially those that have become newly-independent, there is a tragic lack of managers and operators -- people who know how to do things, how to get results, how to perform.

It is not that the people of these countries lack inherent ability. There is no country in the world where one cannot find outstanding individuals. The trouble is there are so very few of them.

Training and experience take time. The process of developing know-how is tragically slow.

Under our Point Four program and other public and private efforts, tens of thousands of loyal and dedicated Americans have been living and working as advisors and consultants and teachers overseas, trying to provide the technical assistance which the underdeveloped countries so desperately need.

To these soldiers in the front line of the war against poverty, we all owe a great debt of gratitude.

Where we have failed is in making available in substantial measure America's managerial talents -- America's capacity to do, to perform, to get things done.

The greatest reservoir of management talent in the entire world is in American industry. Our corporations have the men and women who know how to organize and get results -- how to operate and how to manage. Far too little of this talent has been made available to the underdeveloped countries.

Here lies the greatest challenge to American business in the war against poverty -- in the war for free enterprise.

As you well know, management is not produced by any simple formula. Managers and entrepreneurs are not created ready-made by our universities. No one knows better than you that there is no substitute for practical experience.

It isn't enough for us to send advisors and consultants and experts overseas. Yes, they are tremendously valuable and make a marked contribution, but even more important is the need to make available managerial talent. In this area, only American business can meet the challenge.

Will you meet the challenge -- and meet it in time?

Many have said that private investment abroad can do the entire job. A combination of American capital and American know-how through private investment is highly desirable and must be given every possible encouragement. But for the long-run good of the underdeveloped countries, is this enough?

The best way to encourage free enterprise is to help build local industries, not merely branches of American firms.

In the long run, the underdeveloped countries will become developed only if their own businesses grow and expand and become stronger.

Only American business can determine whether the United States will help the underdeveloped countries secure the management they need for rapid progress. It would be well if every American corporation were to think seriously how it can contribute to meeting this challenge.

We could achieve spectacular results if we could make available hundreds or thousands of management technician teams who would go abroad from two to five years under management contracts for the purpose of actually running locally owned business. Such a program could result in increasing output, in raising living standards, in brightening American prestige and in thwarting expansion of Communism.

Who can doubt that American business can beat the Communists in helping the underdeveloped countries -- if it is willing to make the effort?

By making the effort, I do not mean sending only retired people, and adventurous youngsters who have the zeal but not the experience and maturity to be effective. We must make available some of our best people in their most productive years, and they must stay on the scene long enough to show the local business community how to manage and how to run enterprises.

Simultaneously, people from the developing countries must be brought to America and given opportunities to work within our corporations, alongside good management personnel.

Our government can help induce individuals and companies to participate in such a program. We now provide tax exemption up to \$20,000 a year for Americans who are abroad 18 months or more. To lift this upper earnings limit, would be a small price to pay for the certain fruits of lending our managerial talents to those who need them most.

There are other ways our government might join hands with business in a joint endeavor. Government might make up the difference between what a local enterprise could pay an American executive and the salary he has been getting. Government might also provide technical assistance funds to dollar-starved countries to facilitate the exporting of executives.

Many countries might be induced to provide local tax exemption for such management teams so that there would be opportunities for large personal savings, thus affording attractive financial rewards.

Of course, in order for American corporations to induce their best people to take these assignments, the companies would have to protect seniority rights. But there is nothing novel about this. We did it for the men who went to fight in the "hot war" after Pearl Harbor. Why shouldn't we do the same for those who are willing to fight in the front lines of a war just as urgent and just as important to our survival: the cold war against Communism?

You should not overlook the possibility that your own management people might learn something from working abroad, and be all the more valuable when they return. After all, we do not have all the knowledge, and we can learn as well as teach.

What I am suggesting is that American business create its own Point Four program.

What I am suggesting is that American business get into the business of exporting free enterprise to other countries -- in the form of that greatest of American geniuses -- our managerial talent.

And I can think of no more fitting organization than your own to take the leadership in implementing this Point Four program for American business.

What I am suggesting makes good humanitarian sense -- and that alone is a good reason for undertaking it.

But it also makes good business sense, in the long run, for America.

You, as businessmen, know that good customers mean good business. Our own economy has grown in large measure because we have had expanded purchasing power and larger markets for our goods.

The same is true of the world markets. As we help underdeveloped countries to grow and prosper, they will become not competitors, but customers for American products.

Of course, there will be some added competition. But when world trade expands, America and her business community are bound to benefit. And our world trade will expand as the poor countries, with our help, grow more prosperous.

The matter of lending management to other countries will not be easy. There will be many headaches and heartaches and frustrations. But who here does not know that nothing worthwhile was ever won without sweat, hard work, and frustration?

The fight against poverty and against Communism is not going to be easy in any of its phases. But surely, in America, there are enough companies, and enough individuals, who will be willing to join in a crusade of commercial missionaries.

America must become recognized throughout the world as the leading force in this Twentieth Century war against poverty. This is a popular war. It is a moral war. It is a war that we can win.

And in winning that war for humanity, we increase the chances of winning peace and survival for ourselves, as well as for men and women and children everywhere.

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*Mr Dillman*  
*Mr Allen*  
*(Develop the M Fund)*

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Senator Hubert H. Humphrey  
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Soviet challenge to total  
Peace war!  
Production Challenge } - *Mr Canham*  
- *one weapon*

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Long term Aid

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What, they ask us, do you have to offer?

- Long term Ec. Aid.
- Trade - Regional
- F.O.D. Common
- Mkt

yes,

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4/26/59



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