

6/10/59

000988

THE CHALLENGE OF COMMUNIST ECONOMIC EXPANSION

The House of Representatives has completed its work on the Mutual Security Act and the Senate Foreign Relations Committee is now considering various amendments to the Act. This is an appropriate time to step back for a few minutes and attempt to look at our Mutual Security program and our entire foreign economic policy in its largest and deepest dimensions.

Much of the debate on economic aid has been carried on with a business-as-usual attitude. There are many people who do not seem to see the relevance of this debate to the larger international crisis we are involved in.

Ever since the end of World War II there has been an unending

series of international crises -- Berlin, Trieste, Korea, Quemoy, Indo-China, Suez, Baghdad, and again Berlin. In each of these crises were present the seeds of a possible nuclear war. But beneath these specific crises there is an even more serious underlying crisis -- a profound moral crisis within Western civilization itself.

Some philosophers of history are seriously asking whether Western civilization, and with it Western values, can survive its present time of troubles.

I am not that pessimistic. I believe both America and Western civilization have a future, even a great future. But

there is nothing automatic or predestined about it. We will have a future only if we pay the price of survival and leadership-- only if we understand the crisis we confront and respond with courage and imagination to the dangers and opportunities it presents.

The profound and many-sided crisis which shakes our world is the product of three dynamic and interrelated realities, each of which presents its own peculiar challenges, each of which tests a different facet of our character. I refer to the challenge of modern technology, the challenge of the revolution of rising expectations, and the challenge of world communism itself.

The fantastic achievements of modern science have put mankind within reach of one of its greatest goals, the elimination of stark poverty. But this same technology, ironically, may be mankind's undoing. The fundamental answer to the challenge of modern science cannot be found within science. The technological dilemma is basically a political and a moral question.

The revolution of rising expectations among the peoples of the economically less developed areas of Asia and Africa, and Latin America presents us with a whole new set of problems. The destiny of Asians and Africans who are striving for or celebrating their political independence may determine the destiny of the world for many generations.

The third massive reality in our present world crisis is the challenge of world communism itself. The crises of modern technology and political ferment in Asia and Africa are compounded by the existence of an aggressive and expansionist political religion whose ultimate goals is nothing less than world conquest. The high priests of world communism in Moscow and Peiping prefer to attain their messianic goals without a nuclear war. They want the fruits of a "successful" war without the sacrifices of war. ^{Yet} ~~Hence~~ they have not ruled out either limited war or total war, if either seems to them necessary or expedient.

The communist challenge is most immediately a military

challenge, but is more than a military challenge. We will make a great mistake, perhaps a fatal mistake, if we think of the communist threat in exclusively military terms. The challenge of communism is also political, economic, ideological, and, in the deepest sense, it is religious. I say it is religious because the communist upside-down view of man and the world is a direct challenge to the fundamental beliefs of our Judeo-Christian heritage *and of freedom everywhere.*

~~THE~~ SOVIET ECONOMIC INTENTIONS

Today I will address myself only to certain aspects of the Soviet economic challenge, the expanding Russian economy and the Communist economic offensive. Premier Nikita Khrushchev has repeatedly boasted that the Soviet Union would overtake the mighty United States and eventually win the world to communism by economic rather than military means. "We declare war upon you in the peaceful field of trade," said Khrushchev on November 22, 1957. "We will win over the United States. The threat to the

United States is not the ICBM, but in the field of peaceful production. We are relentless in this, and it will prove the superiority of our system." Mr. Khrushchev made the same point several times in my conversation with him last December.

This boast cannot be lightly dismissed as a megalomaniac dream of grandeur by a former Ukrainian coal miner, who by some grim destiny was propelled to the pinnacle of political power. The headlines in our newspapers, supported by quiet independent research, compel us to take Mr. Khrushchev seriously. It may indeed be true that the destiny of Western culture will be determined on the economic battlefield.

And on this battle field we might get licked.

000994

-5a-

A brief review of recent headlines suggests that
Russia is deadly serious about her economic offensive.

FINNISH CABINET FORCED TO RESIGN AS RUSSIANS
STALL TRADE PACT.

RUSSIAN TRADE MACHINERY AND EQUIPMENT FOR
BRAZILIAN COFFEE.

SOVIET UNION BUYS COMMODITY SURPLUSES FROM
KEY COUNTRIES.

RUSSIA CUTS WORLD METAL PRICES.

NASSER AND ARAB COUNTRIES ENTER LOAN AGREEMENTS
WITH RUSSIA AND CZECHOSLOVAKIA.

SOVIET SHIPS MILITARY EQUIPMENT TO GUINEA

000995

MOSCOW TO BUILD 78 MORE PLANTS FOR CHINESE REDS

MOSCOW OFFERS A 25 MILLION DOLLAR DRUG INDUSTRY TO INDIA

SOVIET SET TO FLOOD NORTHERN EUROPE WITH OIL

RUBLE ENVISIONED AS TOP CURRENCY BY 1965

Behind these headlines there is a carefully designed plan to win the world by economic penetration. Does this grand plan have any real chance of success? The answer to this question depends upon the capacity of the Soviet economy now and in the immediate future to support a sustained period of successful economic competition with the United States and other free world industrial powers in certain strategic areas. Let us examine the Soviet Union's economic capacity by reviewing briefly her current level of production, the rate of growth of her economy, and project these facts into the future.

It is important to remember two essential facts. First, Soviet production today is about 40 per cent as great as United States production. Second, at the present time the gross

000996

national product (GNP) of the Soviet Union is growing at a rate of six to eight per cent, or approximately three times as fast as the rate of growth in our economy.

Since her first Five Year Plan of 1928, Russia has developed rapidly from a predominantly agricultural country into the second greatest industrial power in the world. By 1950 the total Soviet output equalled one-third of our own for that year.

The Russian economy, by design and not by accident, has developed unevenly. Industrial production, especially heavy industry and military equipment, has been given priority over consumer goods and services. Russian output of cars, washing machines, and refrigerators, for example, ranges from two to four per cent of U. S. production of these goods. In contrast, the Russians devote a far higher proportion of their industrial output than we do to weapons production, which is their most efficient industry. By a strange irony of history the Marxist idealists have become exporters of the weapons of war.

000997

The output of some key products approaches our own production. Though lower in other fuels, Soviet coal output is about 70 per cent of ours. Steel production is about half that of this country. For a short time last year the combined steel production of the U.S.S.R. and Red China exceeded the steel output of the United States. Since annual additions to steel capacity are now running about equal in tonnage in the two countries, the output of steel mill equipment is estimated to be about the same. When we include all Communist controlled countries, the steel production of the Communist bloc has risen from 27.2 million metric tons in 1938 to 93.3 in 1958. The goal is 152 million tons in 1965. According to Allen Dulles, Director of the Central Intelligence Agency, Russia last year produced only one automobile to every ten produced by the United States, but in the same year she produced four machine tools for every one produced here. Machine tools are an important index of the capacity of an economy to produce finished goods.

In brief, Soviet production has expanded greatly. Although its over-all growth rate between 1928 and 1955 was not much higher

than our own, the Soviet economy since 1953 has been growing at a rate roughly three times that of the U. S. Since 1900 our GNP has grown at an average rate of three per cent annually. From 1945 to 1952, it expanded at a rate of five per cent. Since 1953 the rate has been about two per cent. *These facts are ominous.*

WHY THE SOVIET ECONOMY HAS GROWN

The Soviet economy is an administered economy, a forced-draft economy. Centralized political decisions determine the allocation of economic resources and the priorities of production. The ruling elite manages the economy to serve domestic political purposes and foreign policy objectives. The leaders in the Kremlin have the power to slice the national income pie any way they wish, within the limits set by hard economic facts and the patience of the long suffering Soviet people. They determine how much the population will be permitted to consume. Then they plow back into the economy the unconsumed resources in the form of capital necessary to guarantee the maximum economic development

consistent with their ambitious national objectives. They can channel scarce resources into top priority enterprises, such as nuclear energy, missiles, spacecraft, steel, and certain industries producing goods for export. They can curb consumer demand by promising more food and larger apartments in the future. They can get their people to produce guns without much butter with the promise that by the end of the ^{new} Seven Year Plan they will be producing both guns and butter.

The human price for Soviet economic growth has been staggering. Between 1926 and 1955, for example, 25 million peasants were ruthlessly shifted from agriculture to industry. The per capita consumption of the Russian people ^{today} is only one-fifth that of ours. The Seven Year Plan seeks to increase by specified amounts the volume of goods directed into the consumer sector.

In addition to its rich natural resources and large labor force, the Soviet economy has benefited greatly by borrowing Western technological advances. General Electric, for example,

built the first modern power generators for the Dnieper Dam, Ford designed the Gorky auto plant, and International Harvester set up the Stalingrad tractor facilities. Nearly all basic industries of the U.S.S.R. were modernized with the aid of the three top Western industrial powers. A large amount of American, British and German equipment is still used in many Soviet factories.

Another element which contributed to increased Russian productivity, an element largely overlooked in the West until Sputnik I went streaking across the heavens, is the high quality of Soviet education, especially technical education. Today Russia has 30 million pupils in 214,200 primary and secondary schools, and 2.1 million more attending 33 universities and 732 technical institutes. The quality of scientific training in the universities and technical institutes is high. Professor W. A. Nash who recently returned from a visit to Russian technical academic centers pointed out, for example, that "Laboratory equipment for both undergraduate

and graduate student instruction far surpasses that to be found in even the better equipped American universities."

("Soviet Research and Education," Industrial Laboratories,

Feb., 1959, p. 101.) The Soviet Union is second only to the

United States in overall science and technology, but as the

Sputniks and Lunik have demonstrated, she is well ahead of

American achievements in some specific areas.

THE SEVEN-YEAR PLAN AND THE FUTURE

Khrushchev's Seven Year Plan, adopted by the Twenty-First Party Congress last February 5 has been minimized in some Western quarters because the preceeding Five Year Plan was abandoned by Russia in 1957, less than a year after it was announced. The fact is that the preceeding plan was discarded, not because it was fundamentally unrealistic, but because the Polish and Hungarian revolts intervened, placing unanticipated strains on the Soviet economy. To placate discontent in Eastern Europe the U.S.S.R. had to pour hundres of millions of dollars worth of goods into that

area late in 1956 and throughout 1957. The possibility that similar difficulties within the Soviet bloc might impede the new Seven Year Plan cannot be wholly excluded, but the West *would* ~~should not~~ be foolish ^{indeed} ~~enough~~ to base its calculations on that contingency.

Although Khrushchev has put a new emphasis on consumer goods in his Seven Year Plan, which spans 1959 through 1965, the main stress is again on heavy industry--particularly oil and natural gas, metallurgy, chemical production, electrical power, and machinery. The Plan contains a very ambitious housing program, in response to the growing pressure for a decent living standard. It includes a relatively cautious agricultural schedule in contrast to the ambitious goals put forward previously by Khrushchev.

The Plan calls for an 80 per cent increase in industrial output by 1965. Heavy industry is slated for the lion's share,

an increase of 85 to 88 per cent. Consumer goods are to get a 62 to 65 percent increase over 1958.

EVALUATION OF THE 7-YEAR PLAN

These bold objectives must be taken seriously, but not necessarily at full face value for each specific target figure. Some Western experts suggest that these targets are over ambitious and cannot be fully realized. They estimate that 75 percent fulfillment is a more realistic expectation. Even if the goals fail by 25 percent, the production called for by 1965 is still 60 percent over current levels. It should be remembered that the U.S.S.R. is now well past the getting-started stage, and that the new Plan has the momentum of an advanced economic system and a modern industrial plant supported by a scientific and technological community and a skilled working force.

001004

-14a-

Furthermore, automation is just around the corner. It may be ironic, but automation may develop faster in the Soviet Union than in the United States, the land of its birth. Today in our country we still have more than three million unemployed, and from 15 to 20 percent of our productive capacity is not in use. In the U.S.S.R. there

is a shortage of labor. On top of this the Russians plan to shorten the work week to 35 hours while raising wages and lowering prices at the same time. These ambitious objectives can only be achieved by greatly increased productivity, and here is where automation comes in.

Buried in Khrushchev's seven-hour speech at the recent Twenty-First Party Congress was a hint as to how the Russians would accomplish their high economic goals. "Comrades," said Mr. Khrushchev, "the tasks of the Seven Year Plan can be met only by the broad introduction of new technology, complex mechanization and automation of production processes... Output of the machinery needed for this must be increased in the immediate future." With her labor shortage as an incentive, the Soviet Union may adopt automation faster than the United States.

In summary, the outlook is that by 1965 the Communist Bloc

will be far and away the largest economic power on the Eurasian land mass, greatly exceeding the combined output of Western Europe and Japan. Communist competition in world markets will involve an increasing range of commodities, including a wide variety of machines and important types of consumer goods. And an increasing volume of Soviet credit will probably be extended to politically vital areas of the world.

WE MUST SHED OUR ILLUSIONS

Lingering illusions about the state of technical and economic strength of the Soviet Union are too dangerous to entertain in an era where the destiny of mankind may be decided on the battlefield of production. Yet illusions persist. Most Americans, and this includes members of both the Executive and Legislative branches of our Government, have, at least until Sputnik I, consistently underrated Soviet industrial and economic achievements. We have underrated their progress in atomic energy, missiles, aircraft

production. We derided their ability to produce in some areas of consumer goods. It was only a few years ago that one of America's top Russian experts asserted that the Russians couldn't even mass produce bicycles. The simple fact is that the Soviets have demonstrated their capacity to mass produce many things more important than bicycles--cars, tractors, jet aircraft, and, alas, **Nuclear bombs and** missiles.

In spite of the ~~eloquent~~ facts, so clear that he who runs may read, highly-placed officials in the Administration assure us calmly that we are ahead in the nuclear energy and missile race.

A recent statement of the Secretary of Defense to this effect ~~were~~^{was} characterized by one of our most distinguished columnists, Joseph Alsop, as "soothing syrup."

Although it is not possible to determine with precision where we stand in relation to the Soviet Union, is it not the better part of wisdom and valor to err on the generous side in estimating

Russian economic and military strength than to underestimate it? Would it not have been better for the cause of peace and security if the democratic nations had slightly overestimated Hitler rather than vastly to have underrated him?

We should not, of course, go to the other extreme and look upon every Russian as ten feet tall. Some years ago the perceptive British observer of the American character, Denis Brogan, warned us against the "illusion of American omnipotence," the false view that held that since we as a nation were very powerful, we were all-powerful. Some Americans today are in danger of precisely the opposite error, the illusion of Russian omnipotence.

-18a-

Russia is powerful, but she is not all powerful. She is not destined by history, or some inscrutable fate, to rule the world or even to take over all of Europe or Asia.

We must avoid complacency on the one side and hysteria on the other. I am not an alarmist. But I believe in running scared when there is something substantial to be concerned about.

The Soviet Union's economic strength can be seen in a balanced and realistic perspective when we take into account certain political and economic problems she faces. One problem is her lopsided economy which allocates a ~~disproportionately~~ ^{disproportionately} large volume of production to heavy industry to the detriment of living standards. Can the Russians be expected to meet the heavy demands of the Seven Year Plan without the incentive of more consumer goods than they are presently getting? There are limits to human endurance, and Russian leaders must take this fact into account. I believe Paul Henri Spaak was right when he said that it is more difficult to provide all members of a society with a roof, shoes, and meat than it is to launch an earth satellite. But Khrushchev is a politician with uncanny wisdom and he has ordered an increase in consumer goods. In fact, he has recently bartered raw materials for certain consumer items.

Another problem has to do with the rigidities of Communist doctrine. The orthodox line against capitalist "evils," such as

the free market, and the bourgeois characteristics of individual incentive and personal integrity, will have to be substantially altered if the demanding Soviet economic goals are to be realized. There is considerable evidence to suggest that Messrs Khrushchev and Mikoyan appreciate certain strengths within the free economic systems of the West and are willing to sacrifice certain sacred communist cows on the altar of pragmatism. The questions we have to ask are these: Will this movement away from doctrinaire rigidity and toward pragmatic experimentalism go far enough to make full use of certain dynamic forces which are actively at work in our own economy? Is it possible for Russia to utilize the market mechanism as a major determinant of economic decision? Is it possible for the political elite to surrender sufficient power to the managerial elite so it can utilize effectively the human and natural resources for maximum production? These questions can be answered adequately only by unfolding events, but I believe Khrushchev and Mikoyan are shrewd enough to borrow generously

from the systems they denounce. Mikoyan has defined a modern Communist as one who has the zeal of a Bolshevik and the practicality of a capitalist.

Some observers of the Soviet scene believe that the demands of a modern technological society will almost inevitably have a moderating influence on the political structure of the Soviet Union. Professor Reinhold Niebuhr has pointed out that a high level of education, even technical education, is ultimately subversive of dictatorship. This is true because genuine learning always confronts the student with the great ideas of history, including the ideas of liberty, justice and brotherhood which have inspired men everywhere. When these ideas encounter the human spirit, there must be a human response. This response may be distorted by the twisted loyalties of the student or frustrated by external circumstances over which he has little control.

All tyrannies have imposed restrictions precisely for the purpose of muffling living ideas which appeal to the highest in

men. But even the most rigorous tyranny cannot forever prevent these ideas, and the deep loyalties associated with them, from taking root. Once they take root in enough people, we have the beginning of change, the beginning of hope, hope that will eventually be fulfilled when the time is ripe.

Khrushchev in his bid for power enlisted the support of the managerial elite and the intellectual elite in order to frustrate the military elite. In order to retain the support of the managerial elite he has had to make important economic concessions. In order to keep the intellectuals on his side he has granted long sought concessions to scientists, technicians, students, artists and writers. Today the intellectual community has a degree of freedom and relaxation from rigid party dogma and police control it has not experienced before.

Thus, there are mingled elements of fear and hope in Russia's intellectual and technological advance, and no one inside or outside the Soviet Union can sketch with precision the shape of the future.

The struggle is still open. There are tremendous assets on our side -- military, political, economic and moral. Today the United States and her allies are together stronger than the Communist Bloc. But we are living in a dynamic world, and the margins of our present superiority can be narrowed or surpassed if we do not respond to the challenge of the expanding Soviet economy. We cannot afford to be content with a rate of growth of approximately 2 per cent when the Soviet economy is growing two or three times as fast. We cannot afford to be content when more than 3 million men and women are idle and when almost one-fifth of our industrial potential lies

unused. The situation demands precisely the imaginative and courageous leadership which the present Administration lacks.

I am tempted to elaborate this point, but I must pass on to a brief consideration of the Soviet economic offensive in the international marketplace where the economic battle between world Communism and the West is being waged today.

THE SOVIET ECONOMIC OFFENSIVE

In the realm of economic competition, World War III has already started. Russia has made an open declaration of war upon us. And she has given teeth to this declaration by launching a far-reaching program of economic penetration abroad.

The two major weapons of the Russian ruble war are trade and aid. The battleground for this war is the entire world. But the present campaigns are being pushed mainly in certain selected strategic areas where the Soviet Union is seeking to gain a political foothold through the economic back door.

The United States by virtue of her great productivity, her global trade, and her political leadership of the free world is the chief adversary of the Soviet Union in the economic war.

While our instruments of foreign policy must also include trade and aid, our objectives are different from those of the Soviet Union. We trade for profit. Russia trades for power. We extend aid to help build an economic foundation for political stability in the recipient country. Russia extends aid ^{to} gain political _^ support by splitting traditional trade relations and by making the recipient country economically dependent upon the Communist bloc.

The Soviet Union is an Ivan-come-lately to the foreign aid idea, and even to extensive international trade. In contrast, the United States has long held a commanding position in world commerce and has had a large and successful economic aid effort extending from the Marshall Plan to the present Mutual Security

Program. Yet, as the record reads today, we have lost our undisputed leadership in the foreign aid sphere, just as we lost our nuclear monopoly in the military sphere some years ago.

CONCENTRATION OF SOVIET FOREIGN AID

Let us look briefly at the facts of the Communist economic offensive, first in the area of foreign aid. According to a recent State Department report, The Communist Economic Threat, the Soviet bloc countries since 1954 have concluded agreements with 18 of the less developed countries outside the Communist orbit. These agreements provide for the ~~ex~~ extension of an estimated \$2.4 billion in intermediate and long-term credits and grants for goods and services from the bloc. Within the Soviet aid program there is the curious notion that the foremost need of the less-developed areas is for weapons of destruction. Accordingly, nearly one-third of all assistance granted by the U.S.S.R. consists of credits for the purchase

of surplus Communist arms.

Of the total aid extended, approximately \$782 million consists of credits extended to Egypt, Syria, Iraq, Yemen, Indonesia and Afghanistan, for the purchase of Communist arms. The remaining \$1.7 billion is for economic purposes and includes \$163 million in credits to Yugoslavia, a Communist country that has not found security within the Communist bloc. (Communist China is the only bloc country making grants of any real consequence. It has provided \$61 million to Cambodia, Ceylon, Nepal, and Egypt.)

Although the Communist economic offensive recognizes no geographic limits, the lion's share of Moscow's largesse has been bestowed upon a few unaligned target countries where the political stakes are high. Yugoslavia, India, Afghanistan, Egypt, Syria, and Indonesia have received about 80 per cent of the bloc credits and grants. Clearly this has been an investment

in frustrating the development of the free world coalition. Iran, Turkey and Iceland are notable examples of countries allied with the West which have been the targets of repeated bloc offers. Each of these countries, two of which are members of NATO, have accepted limited economic aid.

The Soviet Union has concentrated its aid activities in a few major projects: a \$100 million in credit agreements with Afghanistan, Argentina and Indonesia; a \$132 million for a steel mill and another \$126 million in credit for India; \$98 million in credits for Yugoslavia; \$275 million for Egypt; and an estimated \$168 million for Syria. A fortnight ago the U.S.S.R. announced a new aid loan of \$137 million to Iraq.

Virtually all Soviet economic aid has been in the form of interest-bearing credits. In contrast, a large portion of American aid has been in the form of grants, although since the creation of the Development Loan Fund two years ago, most of our aid has also been in the form of credit.

United States credits have been a mixture of hard loans payable in dollars, such as those made by the Export-Import Bank, and soft loans repayable in local currency, such as those from the Development Loan Fund, but we are moving in the direction of easier credit to counter the Soviet offensive.

Soviet bloc loans have usually been repayable in convertible currency of in "normal export commodities" of the client country. The U.S.S.R. has had nothing comparable to the loans in local currency made by our Government from the sale of surplus food and fibre provided through Public Law 480.

In short, since 1955 Soviet bloc aid to 18 less-developed countries totalled \$1.7 billion compared with \$3.3 billion in U.S. grants and credits for the same countries in the same period. The two programs come into competition chiefly in Afghanistan, Burma, Ceylon, Cambodia, India, Indonesia and Nepal.

In her aid program the Soviet Union has pursued short-term political and propaganda effects, as opposed to the long-term

objectives of economic development. She has concentrated on certain key countries in which she hopes to neutralize or displace Western influence. She has been willing to underwrite some projects with little regard for their economic justification. The recently promised loan for a stadium in Jakarta is a case in point. Unlike the United States, the Soviets do not attempt to secure domestic reforms designed to insure the economic success of a project.

I am not suggesting that U. S. aid is given for purely humanitarian reasons, or implying that it should be. We, too, give military and economic aid to support our political purposes. But our political purposes do not call for the eventual domination of the recipient country. We do not seek to enhance our national security by means of a captive alliance. Nor are our projects chosen primarily for propaganda effect or for their mischief potential. We are genuinely interested in the economic development and political self-respect of the countries we aid.

Although the U.S.S.R. is winning friends and influencing people through its aid offensive, she, as of now, has by no means preempted the field. She has not been able to conceal her political motives. But the important fact is that she is moving ahead while we are continuing our program with a politics-as-usual attitude. We know that we have every reason to fear her new initiative, but we have not yet responded with a new initiative of our own.

THE SOVIET TRADE OFFENSIVE

I would like to mention briefly the second weapon in the Russian economic offensive—politically-controlled international trade before I say a word about the American response. Several years ago Premier Khrushchev bluntly told a group of visiting members of Congress: "We value trade least for economic reasons and most for political purposes." Last December he said to me that Russia trades for power. To make the point absolutely clear, Khrushchev told Walter

-2-

Lippman that economically speaking, "we Communists will cause you Americans more trouble each year."

With trade an openly avowed instrument of political warfare, Russia seeks to create in smaller and poorer countries an excessive economic dependence upon the Soviet Union. This is done in two ways. First, she supplies military and industrial equipment on a large enough scale that the recipient country at once becomes dependent upon her for technicians and spare parts. Second, she buys a substantial proportion of a major export from a small country, so the very economic stability of that country is dependent upon continued trade with the Soviet Union. Just last year, for example, the Russians forced an "unfriendly" cabinet in Finland to resign by threatening to renege on an almost-completed trade agreement for the purchase of Finish-made ships. *I was in Finland when this happened.*

In 1958 the United States exported \$18 billion worth of goods, compared with Russia's \$4.5 billion. In spite of this'

fact, the Soviet Union is now, and will increasingly become, a tough competitor in certain sectors of international commerce. This is true because of her increasing productivity at home, the use of her satellites for running interference, and her less than honorable trading practices. I hope to have an opportunity in the near future to address this chamber at greater length on the nature of the Soviet trade offensive and on some of its implications for the United States and the free world.

As I have said, I do not regard myself as an alarmist. Neither am I an ostrich with my head buried in a sand trap at Burning Tree. I agree with the London Economist which said

recently that "the Soviet economic offensive need cause deep concern, in the long run, only if the Western industrial economies fail to keep growing."

We are in a mighty struggle with world Communism which may last for decades. We are being tested on many fronts simultaneously -- the military front, the diplomatic front, the ideological front,

and the economic front. ~~Underneath these specific tests,~~ ^Tthe very fibre of our character is being challenged.

THE AMERICAN RESPONSE

The American people will be adequate to the challenge only if there is a new sense of urgency and a new sense of direction.

We cannot compete with a concerted and well-planned offensive with ^{springtime-} a ~~business-as-usual~~ attitude. Long-range planning is a necessity.

It is true that a free society cannot plan in the same way as a totalitarian society. But our remarkable performance in World War II and in the Korean War proves beyond ^{shadow of} a doubt that the [^] American people have the capacity to set economic, political and international goals and to plan effectively to meet them. This we have done, and we have done it without sacrificing the democratic values we hold dear.

Today we are not in a shooting war, and the sacrifices of that kind of war are happily not required. But we are in war, a strange cold war. Some sacrifices, and a great deal of planning,

will be required if our cause is to prevail in the world.

I would like to mention three areas where we must set new goals and develop new policies.

First, we must strengthen the American economy so we can take care of the needs of our expanding population and at the same time support an adequate defense program and foreign economic policy worthy of today's needs. We should not hesitate to take the measures required to attain a five percent rate of growth a year. To plan for less is to underestimate both our capacity and our needs. At the present time we are now growing at only about half this rate. We are a very rich country with the highest standard of living in human history, but there are still those among

us who suffer because of inadequate food, housing and medical care. Poverty in America, however little, is a scandal.

Second, we must strengthen our intellectual life. We need

-3-

better schools, not just to train better scientists and technicians, but to train better citizens and better persons. We need more scientists, but not at the expense of a lopsided educational system which overlooks the needs of the whole man. We must strengthen the humanities along with the physical sciences. Without a balance among science, art and morals, our culture will become twisted and brittle. We will be in danger of becoming ^{like} an ancient ^S Sparta, learned in the arts of war, but wanting in the arts of peace. Let us strive to be a modern Athens where wisdom is honored and moral values are cherished.

Third, we must develop a more imaginative foreign policy. We must get off of dead center and attempt to anticipate events rather than merely reacting to them. We must be strong, and our strength must be balanced so that we can deal effectively with all reasonable contingencies from brushfire wars to a general nuclear assault.

It is not enough to be prepared on the military front. A mass^{ive} war is already in progress on the economic front. We must

undertake new policies to counter the initiative of the Soviet state monopoly in trade. (I plan to make a floor statement on this subject in the near future.)

We should increase substantially our foreign aid program in all its aspects. I have joined with Senator Fulbright in sponsoring a series of amendments to the Mutual Security Bill designed to do precisely this. We are calling for a greater emphasis on economic aid to the peoples in the less developed and politically unaligned countries of Asia and the Middle East, without in any way curtailing the legitimate defense needs of our allies who are in positions of special danger. We should undertake a five-year commitment for the Development Loan Fund and this fund should be authorized to spend \$1.5 billion a year for that period. This money should be borrowed from the United States Treasury to which the long-term, low-interest development loans would be repaid. I also believe we should authorize the President to increase the allocation of U. S. economic aid and development funds to the U. N.

and other international agencies when they serve the purposes we have in mind.

Just as we must relate our great our great power to the security needs of the fre world, so we should relate our great wealth to the economic needs of Asia, Africa and Latin America. We need to perform in the twentieth century what the London capital market accomplished in the nineteenth century. In the last century Great Britain provided from her national income a substantially greater proportion for investment abroad than the United States is providing today. Perhaps the World Bank and the emerging International Development Association, with vigorous support from the United States, will be a relevant successor to the London capital market in stimulating economic growth in the less developed areas of the world.

To do the job that needs to be done in all these areas the serious problem of fragmentation in our policy-making procedures will have to be tackled. I have recently recommended the creation in the Congress of a Joint Committee on National Strategy to

include the chairman and ranking minority member of the major
committees of each house. This Joint Committee would not
usurp the functions of any of the present committees, but would
supplement them by endowing their work with a larger frame of
reference. I also believe the time has come to consider seriously
the creation in the Executive Branch of a permanent research and
policy-analyzing agency charged with the responsibility of
thinking about a comprehensive and long-range national strategy
which would embrace all essential factors of domestic and foreign
policy. This agency would relate the total capacities of the
American people -- military, economic, technical, intellectual and
moral -- to the responsibilities of international leadership which
history has thrust upon us.

And whatever we do we must do in concert with our close
allies. The Soviet Union is committed to the splitting of the
Free World alliance. If she succeeds in isolating us from our
friends her objective of world conquest may move within her grasp.

This is a time for courage, initiative and determination. All of us know we have the material resources to do what needs to be done. And I firmly believe the American people have the moral capacity to respond with sustained dedication and, if necessary, with sacrifice. What is lacking is leadership where leadership is needed most. The perils of aimless drifting and massive apathy have never been greater. There is no substitute for leadership--leadership wise enough to understand our common danger and imaginative enough to enlist the human and material resources to meet it.

1.10



Minnesota Historical Society

Copyright in this digital version belongs to the Minnesota Historical Society and its content may not be copied without the copyright holder's express written permission. Users may print, download, link to, or email content, however, for individual use.

To request permission for commercial or educational use, please contact the Minnesota Historical Society.



www.mnhs.org