Am's Authority in World

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Twenty-five years ago the United States was the world's preeminent power. Its economy was strong. Its military power was supreme. It spoke with authority and respect in the world.

Twenty-five years ago, the United States also had a policy, a policy based not upon narrow self-interest, but upon a broad perception of common interests and the possibilities and limitations of America's power in molding a stable and prosperous world.

The United States inspired, led and financed a new world order. Aggression was contained in Europe. Institutions of mutual defense, monetary regulation and trade were constructed with leadership, with generousity, with a vision, and with a concern for the development of nations outside the Western Alliance. Its purpose was not so much philanthropic, as to aid in the creation of free and independent nations capable of defending themselves from internal and external aggression.

It was a highly successful diplomacy, a diplomacy which merged American principle with self interest. It preserved the peace and triggered unparalled prosperity. It was all possible because the United States adopted a wise policy which enjoyed broad support at home, and because America's authority in the world made implementation of that policy possible.

The intervening history is hardly worth reciting, except it makes the point that the present helplessness of the United States is brought on by no design of fate, but by a succession of errors, -- an erosion of policy and a dissipation of power.

We have wasted our resources, ignorant of the changing economic fabric which made economic orthodoxy increasingly irrelevant. We depended on military might to gain our way in the world when economics was becoming the arbitor of power and influence. We squandered energy at home while the stranglehold of the sheiks tightened. And we gave away our food and paid farmers not to grow while the number of the world's hungry multiplied.

Under John Foster Dulles the U.S. constructed a world-wide network of entangling alliances. It sought to transpose the doctrine of containment, successful in Europe, to remote places where infrastructures did not exist for the support of free and prosperous societies. The successes in Europe invited foolish efforts and, inevitably, cruel disappointments. In 1956, after inviting the uprising in Hungary, the United States stood by while it was brutally supressed. In the first of many affronts to the sensitivities of historic allies the United States first acquiesed in the British-French invasion at Suez -- and then pulled out the rug. It slipped into the IndoChina morass, tilted to its CENTO ally, Pakistan in the Indo-Pakistani War. It began to confront its allies in Japan and Europe while it negotiated with its adversaries. It preached ideals of the American Revolution while it propped up repressive regimes in the Eastern Mediterrean. It continued its liaison with the ill-fated Solizar regime in Portugal, and undermined a democratically selected government in Latin America.

In the process, we ignored our friends and shattered their confidence in our concern for their welfare. In matters of monetary policy, detente, energy, nuclear fuel, export credits, agriculture and others, we took our own counsel, oblivious to the interests of others. And now the willingness of our allies to cooperate in matters of mutual concern has been shattered.

Diplomacy has become intensely personal and reactive. Personality is substituted for policy. Quickie summits, American largesse, grandiose pilgrimmages to world capitals and shuttle diplomacy take the place of a broad conception of America's place in the world.

Consultative agencies of the Executive and Legislative branches are ignored. The State Department has become a body for the implementation, no longer the formulation, of foreign policy. The personal stakes of U.S. leaders have become confused with national interests. The long-term interests of the United States are either unseen by men of small vision or subordinated to immediate necessities, including the ever-present need to stave off foreign policy failure.

In this context detente became a means instead of an end. The worthwhile objective of a relaxation of tensions with the Soviet Union and a climate within which agreement upon large political subjects might become possible, was subordinated to the ever present necessity to avoid embarrassment. And so questionable strategic arms concessions were made; a billion dollars in subsidized loans were granted; wheat reserves were sold to the Soviet Union at subsidized prices; and most recently in Helsinki the President placed his symbolic approval on Soviet hegemony over Eastern Europe.

Today the nation has no foreign policy except short-sighted accommodation bought with U.S. arms, cash, and grain reserves. It speaks in the world with little authority. It hides from reality in the United Nations refusing still to acknowledge the existence of the largest nation on earth. It has no conception of its own power and of the moral and intellectual leadership which it is capable of asserting. Instead of leading, it reacts, and then criticizes its allies when they go their own way, stunned by the absence of U.S. leadership.

The U.S. was the first to supply massive financial assistance to the Soviet Union in the name of detente. When Western Europe and Japan followed suit, the U.S. cried foul. The U.S. unilaterally cut the dollar loose from gold, and then became upset with Europe's reluctance to follow its lead in monetary negotiations. The U.S. was the first to begin aggressive sales of nuclear reactors around the world, and now bemoans nuclear proliferation. And after calling for a united stand among oil consuming countries but failing to deliver on an oil policy of its own, the U.S. wrings its hands as Europe and Japan seek their own accomodation with OPEC.

The consequences of America's dwindling authority are dangerous in the extreme. Communist powers, particularly the Soviet Union, are disciplined, purposeful, largely insulated from the economic distress of the world, and quite prepared to exploit weakness in the West. The Soviet grip on Eastern Europe tightens as the influence of the West declines. That the Soviet Union failed in Portugal, at least temporarily, was through no lack of effort on its part.

The danger is made plain by the recently disclosed Sinai accords. Once again the United States is reacting with no apparent strategy or design for the future. The purpose appears again to be what it has always been -- to buy a little time and stave off another foreign policy failure.

But the price is high. The dollar cost of aid to Israel and Egypt may reach $15 billion over the next five years. The U.S. assures Israel of future oil supplies, commits the U.S. to a military response in the event of future Middle East hostilities, promises to look favorably on Israeli shopping lists for sophisticated new weapons which can reach Arab cities with nuclear explosives, and promises Egypt that it will receive technical assistance for early warning systems and possibl military aid.

And so the arms race in the Middle East continues. The stakes get higher. We buy a little time. But time for what?

The step by step approach is valid if one step leads logically to another and the end result is a coherent and permanent settlement. But in these circumstances, if all we buy is a little time, the price is too high. More time bought on such terms will continue to disadvantage moderate elements on all sides, as patience continues to wear thin, and radicals gain the upper hand. Sadat grows increasingly isolated in the Arab world -- Rabin in Israel. And the potential for Soviet mischief expands.

The Administration is reacting from weakness, staving off failure, postponing tomorrow. From the Middle East to the Far East, from old alliances under strain to new relationships dimly perceived on the horizon, the U.S. is paying the price of weakness and lack of purpose.

A new American policy might best begin where the nation left off when last proved right by history.

It would begin with a great alliance of industrial democracies, a collective base for mutual security and action on such intricate and vital issues as trade, investment, multi-national corporations, commodity cartels, the developing nations, and many others, including that greatest threat of all to human existance, the proliferation of nuclear weapons capability.

It would begin with a new perception of America's strengths and the need to look after long-term interests.

And it would begin with a new appreciation of the opportunity America's strengths provide to lead the way toward a new world economic order and away from mutually destructive competition among the industrialized democracies. That competition - whether it is in artificial stimulants for export sales, or efforts to shift the burden of defense to others, or to cash in on the lucrative foreign nuclear reactor market, or to sell conventional arms to any and all comers, in all parts of the world - that competition accomplishes nothing but the subordination of common interests, political stability, and long-term prosperity to narrow, short-term, advantage.

The realization of America's potential for enlightened leadership requires reassessment of the sources of power in today's world. As we have come to understand by the tragedy in Indo-China and the actions of the world's oil producers, power does not all flow from the end of a gun.

It is a lesson we learned many years ago but one which we seem to have forgotten. It is a lesson not lost on OPEC. The U.S. rattles its sabres, but the oil weapon remains intact.

Long before the word "interdependence" became fashionable, the Marshall Plan created a web of interdependence throughout the war-torn countries of Western Europe. The foundation of that interdependence was economic. It produced unparalled prosperity and spawned a lasting legacy of mutual cooperation. Today rising expectations, the scarcity of resources, burgeoning populations, growing impatience for the bounty of industrialized society, and the infimitely more complex question of how to share the world's resources ⟶ fairly, responsibly, and without destroying creativity and enterprise - all these insure that economic leadership coupled with vision will shape the structure of the world in the last quarter of this century and beyond.

But economic leadership requires economic strength and a willingness and ability to marshall that strength in accordance with clearly perceived objectives. Today, however, America's economic strength is at an ebb, and its objectives throughout the world are without focus. One of the most striking examples is food.

The United States is the world's predominant supplier of food. Its dominance in agriculture exceeds by far the dominance enjoyed by any one oil producer in OPEC. 50 % of the wheat, 60 % of the corn, and 80 % of the soybeans available in world markets come from the United States. By contrast, the world's largest exporter of oil, Saudi Arabia, accounts for only 25 % of the world market. The world, in short, lives on American food far more than it runs on OPEC oil.

Yet the U.S. is without a coherent food policy, except one of selling to the highest bidder without regard for the consequences. The vast power and influence conferred by America's overwhelming dominance of the world's food supply go unused. Surges in foreign demand, or disappointing crops, produce periodic crises. They inflict devastating shocks on the economy, create grave uncertainty for our friends around the world, strain the already tight budgets of the poor countries, and move the world's inflationary spiral up another notch. Farmers may enjoy temporary gains when export demand is high, but eventually they, too, suffer, for inflation erodes their incomes as costs of production escalate. And as recent experience has shown, export sales which boost farm incomes one year can vanish just as quickly the next.

Two ~~government~~ Soviet grain deals in the last three years illustrate the point. In the years preceeding 1973, the U.S. pursued an aggressive policy of cutting back production and eliminating surpluses. This was in response to the chronic problem of surplus which has plagued U.S. farm policy for at least the last two decades.

In 1972, however, suddenly, and without warning, the Soviet Union secretly entered the U.S. grain markets to make up for its third major crop failure in fifteen years. The result was a doubling in grain prices, a 20% increase in food prices, and double digit inflation. In the following year, Soviet purchases were negligible, but now they have skyrocketed again.

And again we are caught without a policy. Our stocks are depleted. Belatedly, the President sends his representatives to Moscow to seek help in quieting the public outcry, but their preparation is nil, their mandate is unclear, and their bargaining power uncertain. U.S. food policy remains at the mercy of the speculators, the good graces of the Soviet Union, and self-appointed spokesmen for the public interest who use muscle power to change policies they oppose.

America's position as the preeminent producer of the world's food supply presents it with a unique opportunity. It presents it with an opportunity to harness the full potential of American agriculture to solve the world's growing food deficiency. It presents it with an opportunity to regain the authority and influence which are the handmaiden of a great economic power. It presents it with an opportunity once again to build structures of civilized behavior in an interdependent world. And it presents it with an opportunity to use America's influence to solve the critical problems of poverty, economic growth, and political turmoil throughout the world.

Now how do we do this?

To begin with we must understand that the problem has two fundamental dimensions. One is extreme short-term instability in supply, demand, and price. The other is a chronic and growing long-term dificiency in supply throughout the world. Unwillingness to attack the short-term problem makes solution of the long-term problem impossible.

The first step is a systematic and continuous food supply and demand monitoring system, such as the one I proposed with Senator Javits last year. Such a system would go a long way toward removing short-term uncertainty. It would measure throughout the year the magnitude of world-wide supply as the crop progresses and the magnitude of worldwide demand as buying intentions develop. This is an essential prerequisite to the formulation of a rational export policy.

Second, since one of the major causes of uncertainty is the unpredictability of Soviet demand, Soviet access to U.S. markets should be conditioned on disclosure of crop conditions and buying intentions. Presently, both are kept secret. The result is that the timing and size of Soviet purchases are unpredictable. Since the Soviet Union enjoys the advantages of a state trading monopoly and can deal in secret, it can corner the U.S. markets when the price is low, leaving other buyers with higher prices and deficiencies in supply.

Third, in order to reduce demand uncertainty still further and in order to provide a cushion against unpredictable surpluses, the U.S. should enter into bilateral agreements with its largest purchasers abroad, especially the Soviet Union. Such agreements would obligate the buyer to minimum purchases. At the same time it would establish maximum purchase levels which could be exceeded only with U.S. consent. Such agreements would also give the U.S. an opportunity to exercise significant bargaining power with respect to a commodity which only it can adequately supply.

In this regard, I welcome the President's long overdue effort to seek agreement with the Soviet Union, but I believe it essential that such agreements be short-term rather than long-term in nature. Otherwise, the U.S. could find itself locked into committments to the Soviet Union which would impair its obligations elsewhere in the event of serious shortfalls.

Fourth, in those circumstances where the amounts available for export are insufficient to meet foreign demand, we need a more refined system for allocating available supplies between domestic and foreign markets. Presently, we simply embargo shipments, terminate future contracts, or cut across existing contracts. But such devices are arbitrary and can inflict severe hardship on buyers and sellers alike. They also give an advantage to the buyer who happens to get into the market early.

Export license fees offer a better alternative. They are authorized under legislation which I obtained last year. Such fees would reduce the size of foreign demand and recapture for the U.S. the price premium which arises when exports are limited. The result would be a two tier price system, with a lower domestic price for U.S. consumers and a higher world price.

The revenues from the license fees would be recycled back into U.S. agriculture for increased production. They could also be recycled to the poor countries of the world to help them pay their food and fuel bills. The U.S. is seeking to pursuade oil producers to recycle petro-dollars into the developing countries. It could set an example by doing so with its own agri-dollars and in the bargain, foster the independence and growth which is essential to world stability.

Finally, in order to accommodate surges in foreign demand and disappointing crops at home or abroad, we need a system of reserves. Such a system can also be used to maximize production incentives for the farmer. Using the existing authority of the Commodity Credit Corporation, reserves could be accumulated and farmers could be assured of returns adequate to cover their costs in times of surplus. In times of shortage, reserves would be sold when prices reach pre-determined levels. The farmer and consumer would be assured of reasonably stable prices and the U.S. would have the wherewithal to meet its commitments to other countries.

Taken together, these proposals offer the United States an opportunity to regain control over one of its most vital resources. It is by no means the only area where change is long overdue. Nor does it reflect a desire to exercise control for the sake of extracting what the traffice will bear - as is the case with OPEC. But rather it is control for purposes of reasserting America's leadership in the world for the pursuit of intelligent and humane policies. The present chaos in world food markets and the absence of long-term provision for feeding the world's hungry can be laid at the door of the U.S. We cannot shun the responsibility and will not escape the consequences if we fail to restore order and a sense of purpose and vision.

Under present world conditions, such reflections on national wisdom and purpose may seem like an aberration. The experience of ten years has brought the United States low with a frightening rapidity -- but ten years does not disclose the real nature of the nation. It reveals mistakes, and ought to make us more confident of the underlying strength of the nation and of just how well we have in more normal times been governed. The potential for the future is the strength of the past. It has been eroded but it is not gone. The United States today is potentially what it was twenty-five years ago. It's human, natural and technological resources are unequalled.

It is still the best hope for leadership in the free world and still an inspiration for mankind.

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WHO WILL BAIL OUT THE UNITED STATES OF AMERICA?

The crisis of New York is more than financial: it is a crisis of leadership. Regardless of who is to blame - and there are many - we cannot walk away from New York. New York is a national responsibility. Whether that fact is faced squarely or not says a great deal about ourselves and our leaders.

This is not to excuse New York City. For years it has knowingly and inexcusably been living beyond its means. Fiscal management fell victim to politicians' promises. Payrolls exploded. Benefits ballooned to unheard of levels. Lucrative pension plans, which hid the true cost of public employment, forced people into retirement before middle age. Services which the rest of the country pays for were provided free.

Because the resources were not there to back up its misguided generosity, New York turned to borrowing to meet every conceivable need, regardless of whether there were revenues to back up those borrowings. Debts were secured by little more than the smoggy sky above, and when the bills came due, they were simply rolled over with more paper.

These practices are, and should be, condemned. Politicians, aided and abetted by banks and other sophisticated investors, are responsible for perhaps the greatest swindle of our history. The nation at large is, therefore, understandably skeptical about coming to the City's assistance now.

But a "bail-out" is not the real issue. Despite Presidential rhetoric, no one is proposing a bail-out for New York except the President and the reports of a gullible press. The fact is that once the City goes into bankruptcy, as the President proposes, Federal assistance is inevitable, as he recognizes. So the real question is whether assistance should come before default in order to avoid bankruptcy. To contend otherwise is disingenuous at best.

New York is insolvent and only a major restructuring of its debt and fundamental reform of its fiscal policies can restore its health. The question is how to achieve that objective quickly, with fairness, with the least disruption of essential services, and at the least cost to the country.

It may be that there is no alternative to bankruptcy. And in that event, revisions of the bankruptcy laws are in order. But default for a city like New York is so fraught with dangers and uncertainties that to refuse to consider alternatives betrays a bankruptcy of leadership more profound by far than New York's present plight.

Bankruptcy would mean litigation lasting years, possibly for a decade or more. All New York City's creditors - from the vendor who sold it pencils to the couple who invested in New York City bonds for retirement or to finance a college education - would be cast into the same basket as the New York City banks to fight it out over who gets what's left of New York City's assets.

Innocent and culpable, of modest and substantial means alike, would be put in the same shoes. Other governments across the nation could find their own borrowing costs rising as investors shun securities that carry a taint of risk, touching off more bankruptcies and higher taxes. And while bankruptcy proceeded, and perhaps for years thereafter, New York City would require Federal assistance, financial and otherwise, to supply essential services. Having once defaulted, New York City securities would be barred for purchase by fiduciaries in some thirty states.

Efforts to stave off default might not succeed, but if they did, they would eliminate the risks which a default by the nation's largest city entails. And it would cost nothing. While the risks of default are difficult to estimate, it can be safely said that the collapse of New York City, accompanied by the collapse of the nation's second largest state, could have serious political as well as economic implications both at home and abroad.

The bill which the Banking Committee has reported to the Senate offers an opportunity to avoid bankruptcy and to achieve fundamental reforms without cost if New York is unable to work out its problems on its own. The mechanism is a limited Federal guarantee of securities issued to meet current borrowing needs while New York puts its financial house in order. Any such guarantee would be accompanied by a first lien on city revenues and a pledge of all future revenue-sharing funds for the City and State. Thus, in the event the Federal government had to make good on any guaranteed security, repayment would be made in full.

Before any such guarantee could be issued, the City would be required to meet stringent conditions, including Federal approval of a detailed financial plan providing for a balanced budget within two years. In addition, the large institutional holders of existing New York securities would be required to swap those securities for lower interest long-term securities. This would place the burden for debt restructuring where it should be - on the sophisticated money lenders who, by meeting New York's insatiable credit demands long after the brink of disaster had been reached, perpetuated the fiction that New York City was sound. In addition, city pension costs, which have skyrocketed to unsupportable levels, would have to be reduced, and pension funds would have to be made available to meet the credit needs of the city.

All of these are minimum conditions. The Board established by the bill, headed by the Secretary of the Treasury, could impose such additional conditions as are necessary to put the city on a sound financial footing. And it could explore other changes in federal and local policy necessary to prevent a repetition of past mistakes. If voluntary reorganization failed to stave off default, then the bill would make assistance available to finance the delivery of essential city services on an emergency basis.

New York provides a lesson for us all. But that lesson will not be learned unless we face up to the causes. The crisis of New York provides an opportunity for other cities and states across the nation to re-examine their own behavior; it provides an opportunity for the Federal government to re-examine policies of its own which may have led New York down this path. The lessons of New York will be learned only if those responsible are unmasked and forced to bear the burden of rehabilitation.

The President's plan is a bail-out - and a cop-out. It shifts responsibility in the first instance for the hard decisions needed for reform to a judge with limited power, who would in effect assume many of the responsibilities of mayor. By putting the complex issues facing New York into the legal thicket of bankruptcy proceedings, the President's plan masks the political nature of the issues involved. It raises the spectre of prolonged uncertainty and social disintegration. In the long-run, New York could end up a semi-permanent ward of the Federal government. Before we conclude there is no alternative, responsible measures to prevent default should be pursued.

The President asked who will save the nation if it bails out New York? The real question is who will save the nation from itself if it tries to wash its hands of responsibility for New York and refuses to face up to the lessons.

It is ironic that an Administration which now seeks more than four billion dollars in new foreign aid and which has billions in government guaranteed foreign loans outstanding through the Export-Import Bank and otherwise, cannot take it upon itself to explore humane, rational, and costless solutions for New York. It is ironic, too, that an Administration which opposes judicial meddling in matters of education would turn over this pressing social and economic problem to a federal district judge. Such ironies are lost on those who play politics with human lives. It looks as if little has changed in the highest levels of government.