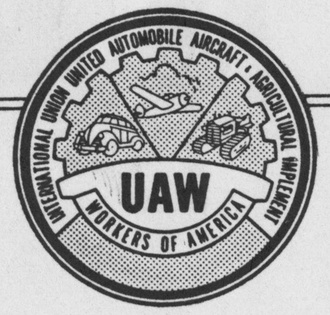
Inter-Office Communication



FEB 2 1961

February 2, 1961

To Walter Reuther

From Irving Bluestone

Subject

Dear Walter:

Attached is a memorandum from Professor Melman of Columbia University to President Kennedy concerning the vital problem of Disarmament vs. Arms Control. I believe you will find Professor Melman's comments and ideas of interest.

Professor Melman is currently in charge of a program subsidized by Columbia University which is investigating various facets of the economics of disarmament.

Some weeks ago, I suggested to Vic that the present administration should establish an agency attached to the Disarmament Commission, which would, simultaneously with the exploration of the path to world disarmament, pre-plan the blueprint for economic conversion to a peace-time economy.

Fraternally,

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JAN 13 1961

MEMORANDUM

SUBJECT: DISARMAMENT OR ARMS CONTROL?

To: Senator John F. Kennedy

From: Seymour Melman*

A new theory for the international arms race has been invented in the United States. It bears the equivocal tag "arms control."

One might think, from the ordinary meaning of the words, arms control, that this is some form of disarmament: the political-technical process of reversing the increasingly dangerous arms race. Actually, as world wide desire and hope for disarmament mounts, this new, essentially military plan, is being elaborated as an alternative policy to disarmament.

Arms control is a scheme for trying, by agreement, to equalize the major missile or other military capability of the Soviet Union and the United States, with the calculation that this would discourage each side from attacking the other and thus produce a condition of "stabilized deterrence."

* Associate Professor of Industrial and Management Engineering, Columbia University, Editor, Inspection for Disarmament (Columbia University Press, 1958).

This memorandum considers arms control and disarmament policies under four headings:

A. THE POLITICS OF MILITARY STRATEGIES, reviews the assumptions and effects of primary reliance on military methods for national political security.

B. ORIGINS OF ARMS CONTROL, summarizes the varied interests which converge in arms control policies.

C. ASPECTS OF ARMS CONTROL, examines the validity of promised stability and deterrence under this policy.

D. INSPECTED DISARMAMENT, evaluates these objectives and methods, especially in terms of their larger political effects.

A. THE POLITICS OF MILITARY STRATEGIES

1. A plan for "how to live with the bomb," arms control is the newest development in a doctrinal succession that purports to be hard-headed realism, while representing a most defeatist prognosis for American society. Disarmament is feared by many as a policy that would "leave the United States naked." The military strategists of the West have fallen into a deeply despairing estimate of Western political capability.

2. Lacking a competent political theory and a will to challenge the Soviet system by political and economic methods, many American strategists have fallen into a sense of political futility. Conservative political and military analysts have no coherent view on how to cope with the burgeoning Soviet political campaigns in Asia, Africa and now in South America. If acceptable political methods are not available to these men, then the extension of the Soviet system, must, in their view, be contained by military methods. Arms control is the latest of these military policies of containment.

3. During the past fifteen years the Soviet economic and political system has shown vigor and dynamism at home and abroad. Its expansion has been sustained even while the United States has had nuclear military monopoly, superiority, and parallel capability.

4. When the main political alternatives for industrial society are set forth, they show at once the political choice that is implied in the preference for disarmament as against arms control and other military plans.

The Soviet claim is that monolithic, authoritarian state control of society is the necessary condition for rapid economic growth. The alternative is that economic and general social development, at speed, are aided by multilateral, democratic, decision-making in society and in government.

5. Such alternatives are not perceived by men who themselves are avowedly apolitical or biased against democratic methods. Thus, American conservatives have been unable to represent the democratic alternative to the Soviet system. One crucial feature of the democratic way is multilateral decision-making in society. In industrial life, for example, this means the right of workers, and other employees, to form independent organizations, separate from the management and from government, and the use of these organizations as vehicles for their own decision-making, paralleling that of management.

6. Managers of major industrial firms are unable to make a political case for the principle of independent unionization of workers when they themselves participate in a sustained struggle to restrict or even eliminate such unionization. A year ago in Moscow this writer was advised by a visiting

American that "now that relations are getting better between Russia and the United States, perhaps we can learn something from them." "What do you mean by that?" I asked. He replied, "Maybe they can teach us how to take care of the unions." The conservative mentality in the United States, which views independent organization by workers, and resulting multilateral decision-making in economic life, as a threat to the decision power of management, is incapable of proposing precisely that development as a competing and more desirable alternative to the Soviet system of monolithic decision-making.

7. For the developing countries this matter is important. Economic development there must take place under conditions of major initiative through government. The Soviets have a theory of how to use government for such decision-making.

They proclaim that authoritarian, monolithic methods are necessary and inevitable. The democratic alternative must include the proposition that state initiative is perfectly satisfactory, but that the crucial difference lies in the existence of multilateral decision-making, the right of independent organization, in society, and accompanying democratic methods. The latter conditions afford the basis for political democracy.

8. In order to propose these conditions abroad, however, Americans must explicitly understand their political importance and must be prepared to welcome these conditions at home.

9. American conservatives, owing to their incapability of doing just this, have become too weak to cope with the problems of political and economic competition with the Soviet system. They have thrown in the sponge. They make a compensatory attempt to undo such political humiliation by emphasis on military power alone. Ironically, what parades as military realism is actually the politics of futility in estimating the competitive chance of democratic society. The men, so moved, have supported a variety of military doctrines. These include: surprise attack on the enemy; theories of balance of terror; and now -- stabilized deterrence (arms control).

10. The military-minded conservatives are driven to reliance on military methods and finally to reliance on military surprise attacks as possible ways of seizing initiative. Logically then, the same policy tendency includes estimates of what would happen to the United States under various forms of World War III. The gruesome statistical estimates of varying millions of casualties prepared by Herman Kahn of the Rand Corporation are the ultimate and logical development of the primary resort to military strategies, and a complete failure of confidence in political ways of competing with the Soviet system.

11. These same men, opponents of controlled disarmament, have no ideas for preventing the spread of nuclear armaments to the smaller countries and to China. They thus reveal themselves as ready to risk exposure of the United States and

the West to an uncontrollable situation--including world wars in which the United States could not possibly win and could not escape destruction.

12. The American theorists for the arms race are the defeatists for American society. Theirs is the council of despair for political victory. Their advice now includes World War III and mass suicide for this society. The lectures and writing of Herman Kahn set forth this theory in detail. Their wide dissemination, by lectures and in print has been a major factor in a political conditioning process: making Americans accustomed to a dehumanized mode of perception of themselves and their fate; making a tidy system out of social catastrophes; making it seem as though there is no way but that of conservative military strategy. (Kahn dismisses disarmament in less than one page.)

13. The danger for the United States is this: the continuing emphasis on the arms race, including its new form, arms control, drives us towards eventual war and towards eventual similarity to the totalitarianism that we abhor in the Soviet system. The arms race helps to confer a world victory to the Soviet system: in the economic sphere it does so by default; in the political sphere it hands over victories to totalitarian methods at home in the name of stemming them abroad. Disarmament, by contrast, requires as a pre-condition explicit coping with political and economic problems and includes within its methods a range of political effects that strengthen freedom in society at home and abroad.

14. The emphasis on military preparation, by its prolific using-up of materials and resources, becomes a cause of inability to accomplish the world-wide task of economic development that could forestall extension of the Soviet system.

15. Warfare has generally served political goals. Military deterrence schemes like arms control, however, show no promise of restraining the extension of the Soviet system when political and economic methods are used. A military deadlock is not necessarily a political deadlock. What use is then served by military strategies -- which include deterrence as well as plans for "first strike" surprise attacks on the enemy? Formal victory in a major nuclear war would include gross destruction of all the societies involved. In the absence of one triumphant functioning social system, military victory is without political meaning and indeed has no meaning at all.

16. The main available gain from present military strategy is an effort to "destroy communism" and to "get it over with" even at the price of our own destruction. Such a military adventure has merit to those who find unbearable the tension of a military deadlock in parallel with successful political extension of their system by the Soviets. Such unbearable tension and feelings of helplessness to forestall "humiliating crises" and political defeats by political methods are expressed by the strategists of the arms race in a strong suicidal policy, to destroy the communists even at the cost of their own lives

and the life of an entire society. This expression of weakness and implied defeat reveals the sterility of all arms race strategies.

17. The ultimate counsel of political despair by the militarists for American society is expressed in their proposition that, for this society, it is better to be dead than unfree. When this proposition is formulated for the society as a whole, this reflects the casting out of all optimism with regard to a successful political and economic contest versus the Soviets. A military contest to the death with predictable mutual destruction of entire societies is the counsel of these defeatists whose explicit advice is couched in words of military strategy and alleged realism. Theirs is the empty realism of failure and social suicide. Herman Kahn's On Thermonuclear War, (Princeton University Press, 1960) is the wrap-up of this sort of thinking.

18. The strategy of disarmament is a polar alternative to these negative prognoses. Disarmament assumes a will to live and a possibility for success in democratic ways of organizing a society both in industrialized and in developing countries. Disarmament involves a process of international commitment and mutual control that would strengthen the capability for operation of democratic institutions.

19. The last ditch opponents of disarmament, with their negative estimate of the efficiency of democratic institutions, oppose even the very first stages of a disarmament process with

insistence. This insistence comes directly from what they believe to be true -- that democratic institutions cannot compete for allegiance against the Soviet system. Democratic institutions, they feel, are doomed before a Soviet offensive. Therefore, a disarmament strategy that includes opposite assumptions, is, in their view, hopeless from the start. Therefore, they must not let it start. The firmness with which they oppose disarmament is the firmness with which they believe in the weakness of a political and economic democracy.

20. The militarists are the defeatists of democratic society. The pro-disarmament strategy assumes the strength of democracy and gives hope to freedom in society.

B. ORIGINS OF ARMS CONTROL

21. Till recently, the major theme in military doctrine carried the motif that in order to prevent a war, or to win it, or to carry out successful negotiation, a position of superior military strength was necessary. But this doctrine of superior strength and its allied political strategies became, for all practical purposes, obsolete when American (and Russian) generals could no longer advise their governments how to win a major war. With the development of multiple ways to deliver nuclear war-heads, the application of many technologies to military problems, the evolution of multiple weapon systems including those for chemical and biological warfare, the sustained superiority of any world power became virtually impossible. No longer could any one country depend on being ahead of the other in all these methods. And the ability to apply any one of them would be devastating.

22. The men who fathered the new doctrine, a vigorous, intelligent group of scientists, scholars, and military professionals, came to the idea of arms control for various reasons and with diverse approaches to it. Some have, as government advisors, and as weapons technologists, had important roles in the arms race and have become fearful that the race is going out of control. From this standpoint, the theory of

arms control reflects a crisis of conscience on the part of some military technologists. They know that the high-potency weapon systems which they designed would very well involve the world in a holocaust if used by deliberate decision or owing to failure in equipment or failures in human judgment under conditions of great tension. Professor J. Wiesner, of M.I.T. and member of the President's Science Advisory Committee has declared that "both the Soviet Union and the United States already own enough nuclear explosives and are fast getting the delivery capability to kill each other several times over."

23. Another approach is that of the political theorists, military operations researchers, and military contractors who have been looking for an idea with which to head off the insistent public pressures for disarmament. Advocacy of arms control appears to involve, in ordinary understanding, restraint upon the hazards of an unregulated arms race. For this group, arms control has the merit of supporting major military establishments, while also affording scope for their theories of rational war-gaming and deterrence. In the words of one of these Pentagon-supported researchers: of course, we couldn't work on disarmament, but arms control is all right.

24. A third tendency in arms control is represented by men who have tried to act within the United States government in advocating and implementing disarmament measures and found themselves repeatedly stymied by the Pentagon and the Atomic

Energy Commission. Mr. Saville Davis, managing editor of the Christian Science Monitor, has marshalled impressive evidence of the persistent Pentagon and Atomic Energy Commission opposition to disarmament moves. (Daedalus, Fall, 1960). Indeed, the imminence of successful negotiation has only excited more vigorous blocking moves from these sources on the assumption that Russians were not to be trusted under any circumstances. Out of weariness, some of these men decided it is futile to try to buck the military establishment. Therefore, it becomes essential to win them over. And, therefore, any important plans in the military area must meet the test of being saleable to the Pentagon. Arms control is regarded as a scheme that can be tailored to that requirement.

25. Finally, there are those who fear disarmament because it could leave the United States naked. For these men the military establishment is not only a shield and sword for and against military attack, but also a political shield. Military development thus displaces political analysis and action. Indeed, from this standpoint, without its military deterrent, the United States under disarmament would be politically helpless in the face of a world-wide Soviet political campaign. If the arms controllers have no explicit theory of society which they are prepared to match against Bolshevik doctrine, then a ready sword is their substitute for politics. And, if you can't have superior strength any more, then equal strength looks like the next best thing.

C. ASPECTS OF ARMS CONTROL

The crucial aspects of arms control concern the promised features of stability and deterrence.

26. A condition of military stability implies an ability to freeze military technologies and especially to freeze the will to create them. In order to stop the development of new weapons, major research and development facilities must be disbanded and their personnel put under an appropriate inspection system. At the same time there would have to be a relaxation of the fear-ridden mentality which, powered by distrust, now drives men to evolve new weapons. Arms control schemes, however, do not include the termination of military establishments with their technical staffs.

27. The arms control proposal furthermore assumes that military stability is predictable as a result of agreement upon the number of large missiles in the hands of each power. Such reasoning neglects the role of political factors which govern judgments on the adequacy of military preparation. The promise that possession of an equal number of weapons could stabilize an arms race also ignores the fear which impels the governments to develop new military technology. This distrust, which is basically a political factor, is not vitiated by agreements that are designed to restrict but not terminate the arms race. Accordingly, it is to be expected that military

technologies would continue to be developed, in the usual intermittent, unequal way of seeming to give advantage first to one side, then to the other.

28. The promise of the arms controllers for deterrence also needs examination. What would be deterred? Minimally, this would relate to major missile attack by one of the great powers upon the other. But, military doctrine already includes plans for the possibility of a "pre-emptive attack" should the other side be suspected of having ordered such a move. A military "first strike" would be a surprise attack calculated to destroy a sufficient number of the enemy's missiles and other weapons so that further military operations could be carried out to a victorious conclusion, despite tens or hundreds of millions killed in the greatest slaughter of all history. Equality in large missiles does not deter dangerous calculation and action for military advantage.

29. The arms control promise of stabilized deterrence also assumes that rational, calculated moves are and would be the ones to be made by governments. Two elements are ignored here: the limitations on rationality in political decision-making; and second, the possibilities of accidental war. Under conditions of recurring international tension, one of the grave dangers is that of wrongly estimating the opponents moves or intentions. Each side, equipped with an arsenal of strategies for outwitting the other, can readily

impute to the enemy the very modes of thought that he himself has developed. In addition to imputing the "wrong rationality" to the opponent, recurring crisis conditions are an invitation for national leaders to make altogether human errors of judgment.

30. War by accident could be a sustained probability even if the generals of the Soviet Union and the United States confronted each other with presumably balanced missile forces. Failures of material and failures in human judgment cannot be excluded, especially as warning and response systems become more intricate and require speedier action. This is the necessary view of the matter, since in a massive missile stalemate, even a single accident could be fatal for mankind.

31. Stabilized deterrence, because it is a narrow military doctrine, does not cope with the most important source of tension between the great powers: the violent political conflict which rages round the world. The existence of a stabilized deterrence agreement would not forestall, for example, the course of events in the Congo. In a subtle way, "National security," "stability" and "deterrence" have come to imply, to many people, political security, political stability, and political deterrence. This is self-deception.

32. Schemes for balancing military forces can be outflanked by political and economic methods. The new military strategy, arms control, can well become the political Maginot Line of

the West. Neither the survival of mankind nor of Western political democracy can be assured by Maginot Line methods. Political and economic problems and competition must be met on their own terms and not evaded by self-deceiving alignments of missile systems.* Similarly, the dangers in the military race itself must be met on their terms, by well-considered disarmament and inspection schemes. Primary reliance on technical strategems of rational deterrence marks an unacknowledged repudiation of confidence in a free society's capacity to compete successfully in the economic and political plane with communist totalitarianism, and to formulate and operate systems of workable disarmament and inspection.

33. In order to make their plans more acceptable to the Pentagon and to outdo the military professionals at their own game, arms controllers tend to assume a posture of working from science, mathematized logic and case-hardened military "realism." Their effort to be above politics, except as an adjunct to military strategy, has led the arms controllers to

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*For analysis of problems and conditions for meeting Soviet economic competition in the crucial sphere of machinery production, see: S. Melman, Report on the Productivity of Operations in the Machine Tool Industry in Western Europe, European Productivity Agency, Paris, Oct., 1959; "The Machinery Makers," The Listener, Nov. 26, 1959; "Russia--A Lathe every 15 Minutes," Mechanical Engineering, Oct., 1960.

support, by absence of dissent, prevailing official policies. These are, however, policies which have included a dangerous arms race and conservative weakness in representing the case for freedom in society internationally. Arms control supports political conservatism at home and abroad.

34. A stable deterrent system, say the arms controllers, is one "in which a surprise attack by one side cannot prevent retaliation by the other and is thus deterred." (J. Wiesner, Daedalus, Fall, 1960, p. 934.) Thus, with the U.S. and the U.S.S.R. each having, say 200 - 500 missiles, each government, under such a scheme, must convince the other that it is insane: that even if it were destroyed, all killed by surprise attack, the weapons' control systems (automatic bomb burst sensors, computers, etc.) would still insure retaliation upon the population of the attacking country.

35. It is crucial that the tidily rational reasoning required for stable-deterrence systems would be vastly complicated by the appearance of new nuclear powers and readiness to use multiple ways of delivering warheads, not just missiles. This altogether realistic possibility underscores the priority importance of the test-ban agreement, so that the numbers of nuclear powers should be restricted. But this inference is not made by the new military strategists.

36. Altogether, arms control, with its promise of stabilized

deterrence, is a continuation of the arms race, including its major hazards. Arms control does not cope with the factors which produce military and political instability.

D. INSPECTED DISARMAMENT

37. The policy of inspected disarmament has basically different objectives and methods from arms control. Inspected disarmament deals directly with the political factors that press for a continued arms race. By causing greater openness (freedom) in society and confidence in international political processes, inspected disarmament would reduce the intensity of the fearfully distrustful mentality, with its readiness to use science for destructive purposes.

38. The inspection process would reduce, directly and cumulatively, the technological capability for war making.

39. Disarmament policy also rests upon the condition that the political and economic problems of East-West competition can be handled successfully on their own terms. Reasonable handling of the economics of disarmament should make possible a major world economic program by the United States and its allies.

40. Disarmament under inspection is a cumulative political process. The cumulative effect consists of relieving world wide fear and tension, and inspiring genuine glimmerings of

hope that war could be eliminated. Thus, implementation of the first disarmament agreement would give confidence and capability for operating an international inspectorate, and adjudicating disputes, etc. This would modify the domestic and the international backgrounds for negotiating a second agreement. It is reasonable to assume that such effects are also understood or suspected by the hard-core groups that have an occupational or political stake in a continued arms race. Indeed, this helps to explain the feverish efforts to prevent a first move, the bomb test-ban, even though it does not effect existing military capabilities represented by weapons in hand (H. Bethe, Atlantic, August, 1960). The first move, however, would signal the possibility of a real disarmament process.

41. The test-ban agreement would limit the number of countries that have nuclear weapons. Without this elementary step in the disarmament process the then uncontrollable arms race can lead only to disaster for the West and all mankind.

42. The essential condition and promise of a disarmament strategy is that it offers an alternative mode of international relations. The United States government would have alternative ways to choose from in acting for political security. Today, the military strategy is the one that is seriously developed and used. If a new strategy works, then growing confidence in its methods and effects would encourage less reliance on military methods and more reliance on the essentially political

methods of an extending disarmament process.

43. By way of contrast, arms control schemes with their focus on military national security approaches detract from the development of an alternative strategy to the arms race: arms control continues the criteria of the arms race. Military assessments of armaments adequacy require generous allowances for the weapons and possible tactics of an enemy, plus margins for unpredictable contingencies. From the military security standpoint, this is altogether plausible. Accordingly, arms controllers would attempt to improve "the national security of the nations involved by adjusting at least some armament capabilities and uses to those 'actually' desirable in the light of the intentions, actions, and adjusted capabilities of other nations." (D. Brennan, Daedalus, Fall, 1960, p. 693). And so, the new arms controllers see themselves as managers of a world system of military balances, deciding for the great powers what is "actually desirable" militarily. These men, in effect, have given up all hope of eliminating the threat of war that hangs over the world.

44. Under a disarmament process, with its greater openness, domestically and internationally, the United States' political and economic systems would be put to the test of open competition, on these levels, with the Soviet system. This is why a general world political and economic strategy for strengthening free society is a pre-condition and essential accompaniment

of a disarmament policy. For this reason it is necessary to expose the profound political defeatism of all arms race strategies, including arms control.

45. Proponents of continued large-scale armaments hand over the political and economic initiative and victory to Soviet expansionism. They do this not only by diverting national wealth from other productive uses, but also by presenting the West to the rest of the world as being overwhelmingly concerned with armaments rather than human welfare.

46. It is important that the process of inspected disarmament would strengthen supra-national loyalties and the pro-peace and the pro-freedom segments of society within the Soviet Union and within the United States. There is evidence that there is a vast latent sympathy with a program of disarmament in both the U.S. and the U.S.S.R. which would be enormously encouraged by real moves toward this goal. While there is little evidence of other than private debate in the Soviet Union, the very fact that differences there parallel the U.S. discussion suggests that a working disarmament process would strike fertile political ground in the U.S.S.R.

47. The arms controllers substantially disregard the domestic and international implications of disarmament as a political process. Indeed, parts of the arms control group are altogether distrustful of such effects. For them, a sense of security requires a permanently fearful missile alert: a

combination of deep suspicion and robot-readiness to press the doomsday button.

48. Some arms-control schemes suggest considerable armaments reduction, down to an agreed number of big missiles. This may seem as though a stage of disarmament. For some arms controllers disarmament may be acceptable as an "ultimate" aim. But the operational plans rest upon theories of military systems, not of demilitarizing systems. Still, they allege that their particular military system of rationally equal missile strength would deter and also be stable. In order to accept the arms-controllers promise that the agreed conditions would deter and be stable, one must disregard the record of recent history. This includes: sustained instability in military systems within and among nations; political offensives that by-pass military bastions; and complication of the arms race by the spread to new areas. This is also an invitation to abandon reliance on an inspected disarmament process and its allied political methods.

49. Public debate in favor of disarmament invariably runs into the objection that no inspected disarmament system can be fool-proof and therefore is too dangerous to risk. However, what is sauce for the goose is sauce for the gander. If we ask: what assurance would any program for expanding armaments or arms control offer us that we would not be blown to smithereens, we discover that such assurance is totally

lacking. In fact the continuation of major armaments under whatever system, continuously brings not only the West but the entire world closer to certain destruction. The most that proponents of arms control can claim to offer us is a dubious short-range hope of avoiding immediate catastrophe by means of an attempt at stabilized deterrence. But no one has seriously advanced the claim that such a policy can have any long-term value in safeguarding this country or the world against a calculated or accidental nuclear holocaust. Such is the essential bankruptcy of the Western proponents of the continued arms race that they are willing to risk the basic hopes and existence of civilized Western society in the name of defending it.

50. The development of the policy called arms control, may be regarded as a partial response of conservative theorists to the strength of the disarmament idea. The weakness and dangers of the arms control doctrine are the weaknesses and dangers of the arms race, and of conservative thinking in the West. Moreover, the very category, arms control, has produced an unclear evasive understanding of what is involved.

This much is clear: arms control is a theory of armament and not of disarmament.

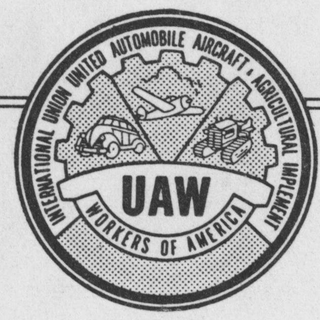
* * *

51. There is risk and uncertainty in every political policy. For each person in a free society, the choice of where to take one's chances are determined by one's values. If these include high worth of human life, a desire to develop man's potential for peaceful living, and a will to maintain and extend freedom in society, then the strategy of disarmament with allied political and economic efforts is a preferred course. If one's values include low worth of human life, confidence in man's destructive potential, and a selective preference for authoritarian relations in political life, then some variant of conservative military theory, including arms control is preferable.

52. The pity is that action choices are often made without awareness of the ends (values) being served.

December, 1960

Inter-Office Communication



JUL 24 1961

July 23, 1961

To W. P. Reuther

From Nat Weinberg

Subject Attached Business Week Article and Editorial

I am sure you will want to read very carefully the attached Business Week article and editorial on American policy in relation to the social and economic revolution now underway in the underdeveloped areas of the world.

The editorial, which is supported by the general trend of the article, seems to me to be absolutely frightening in the narrow and selfish view it reflects on the part of even such a sophistocated spokesman for American industry as Business Week. If this view prevails, it seems to me that the future of freedom in the world is dim indeed.

The editorial apparently expresses the view of Elliot Bell who serves with you on the President's Labor-Management Committee. It occurs to me that it might be useful if you raised the issue with him when you next see him.

Fraternally,

Nat

NW:cjp
cc: Vic Reuther
Irv Bluestone

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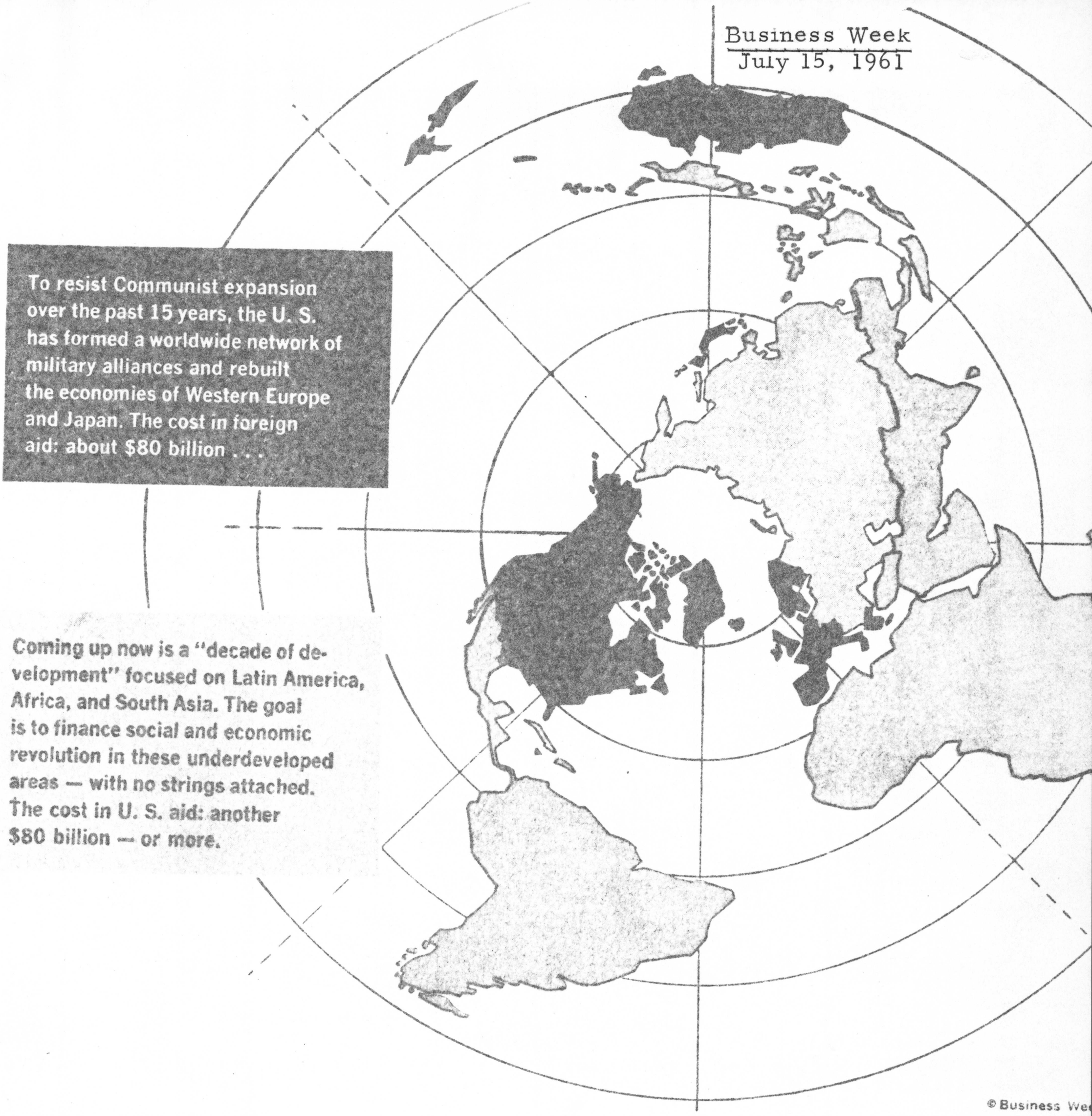

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BUSINESS ABROAD

Keeping out the Reds by revolution

Administration thinks it's only way to win against Communists, but businessmen and others see pitfalls, risk to Free World. Latin America points up the problems

In meeting the constant Communist threat to Europe, Asia, and the Middle East over the past 15 years, the U. S. had to take on a staggering load of financial and military commitments around the world (map). The European Recovery Program was followed by the Mutual Security Program, with a little "Point 4" technical assistance thrown in. After the NATO alliance in Western Europe came SEATO in Southeast Asia, and then CENTO in the Middle East.

U. S. involvement in all these costly arrangements, with the foreign aid bill running to $80-billion, was the price for our policy of containment and for our determined effort

to rebuild a capitalist economy for the Free World.

Now, largely in response to Communism's recent thrust into new areas—Africa and Latin America—the Kennedy Administration is widening this country's international commitments in a way that would have been inconceivable a few years ago.

To prevent the spread of Communism via the Cuba route and of anarchy on the Congo model, the Administration has committed itself to support the revolution of rising expectations that has been building up steadily over the past decade in South Asia, Africa, and Latin America.

Massive aid. We will join forces with this revolution, if Pres. Kennedy and Secy. of State Rusk have their way, by providing massive amounts of development aid, by sponsoring social and political change, by agreeing to new international commodity schemes, and by encouraging the general adoption of five-year or 10-year economic plans such as India's. The total cost in foreign aid over this decade could easily equal the $80-billion total over the past 15 years.

The new commitments are primarily economic and social—not military. Thus, they may appear today—with a new Berlin crisis staring us in the face—to be far less risky than the old ones. But our new involvement in world affairs could be more of a gamble than the old, and might even result in weakening rather than strengthening the Free World.

"Preclusive revolution." The Administration's aim, in effect, is to sponsor and finance in vast areas of Asia, Africa, and Latin America what might be called "preclusive revolution." That is an adaptation of the term—preclusive buying—that the Board of Economic Warfare used during the last war when it searched the world for vital war materials simply to keep them out of enemy hands.

Put the Administration's new goal on a broader, loftier level, and the purpose is analogous. The nations we will be helping, most of them already neutral, are not expected to be allies or to develop along capitalist lines. Under the new program, they can go their own non-Communist way.

Administration's view. The Administration is not describing its goal in quite these terms, of course. But it is using labels and phrases that tell the story pretty well. International Development Program is the name it gives to the over-all aid operation. Alliance for Progress the term for the Latin American part of it. Kennedy has designated the 1960s as the Decade of Development.

There's this ringing declaration about the emerging nations from one of Kennedy's recent speeches: "Their revolution is the greatest in human history. They seek an end to injustice, tyranny, and exploitation . . . and theirs is a revolution which we would support regardless of the 'cold war,' and regardless of which political or economic route they should choose to freedom."

In defending this largely uncharted venture in development economics, top White House and State Dept. officials argue that the U. S. has no alternative. Either we must succeed with the venture, especially in Latin America, or Communism will win the world. Adlai Stevenson, on returning from his recent tour of South America, declared that to succeed we must make as determined an effort as we would in the face of a military attack.

I. Business' qualms

One of the big questions, of course, is what impact all this will have on the U. S. economy and on the economic stability of the Free World's advanced industrial nations generally. By adding greatly to U. S. aid expenditures abroad, and to the U. S. budget deficit, the Administration can hardly avoid aggravating our balance-of-payments problem.

At the same time, a U. S. policy of sponsoring revolutionary change in the underdeveloped countries could well undermine the position of U. S. private investment in many areas. To a considerable degree, the revolution of rising expectations is a revolt against capitalism, or at least against the way it seems to operate in the underdeveloped nations.

"It took 15 years and many billions of U. S. government dollars to rebuild the capitalist world on the Bretton Woods pattern," says one critic. "The Administration will bring the system crashing down, if it isn't careful."

Growing opposition. In the business community there is growing opposition to the whole venture, not so much because our aid spending will go up as because the new goal doesn't seem to make sense.

The opposition comes even from consistent supporters of foreign aid and from executives who realize that U. S. companies will have to adjust their foreign operations to the nationalist ferment and socialist trend in such areas as Latin America. The average corporation executive with experience in foreign business doesn't go along with the warm endorsement the Committee for Economic Development has given Kennedy's Alliance for Progress.

Business is not backing this program, or foreign aid generally, as it did the Marshall Plan. Nor are businessmen willing to take jobs in the new unified aid agency Kennedy is setting up.

Contradictory. Most executives think that, in attempting to finance both economic development and social revolution in the underdeveloped nations, the U. S. will be pursuing contradictory objectives. Social reform involves a redistribution of income and tends to increase consumption expenditures at the cost of savings and investment, on which growth depends. This is especially true where population is rising rapidly, as it is in most underdeveloped nations, and there is a high ratio of dependents to producers.

II. Handicaps to growth

Certainly, the current environment for economic development is very different from that in which the industrialized Western countries entered the stage of rapid growth. If you take three important elements that have changed—population pressure, technology, and politics—you find that in only one case is the present environment more encouraging.

This is the fact that the **pool of technological knowledge is far greater** today. Much of this knowledge can be transferred from the advanced countries to accelerate development.

The **higher rate of population increase today is a definite handicap** (chart, page 59).

In the past (except for land-rich countries such as the U. S. and Russia) the increase has normally been less than 1.5% a year during the early stages of growth. In most underdeveloped nations today, population is growing at the rate of 2% to 3% a year. These nations also have a high ratio of dependents to producers—thus tending to consume all their output rather than devoting a sizable share to investment.

Then, in the political area, **the revolution of rising expectations, encouraged by modern communications, constantly adds to new popular wants.** These lead to diversion of resources for providing social security and higher consumption. Present-day nationalism also threatens to dry up foreign private investment—an important source of capital in the past.

Whatever the doubts of a few officials and the average businessman, the Administration is pretty well committed to its venture in pre-

clusive revolution. Only if Congress were to emasculate this year's request for $4.8-billion in economic and military aid, trimming it by a third or more, would Kennedy draw back. Even if he doesn't get the long-term borrowing authority he has requested, the President undoubtedly would go ahead, hoping to change Congress' mind next year.

III. Regional patterns

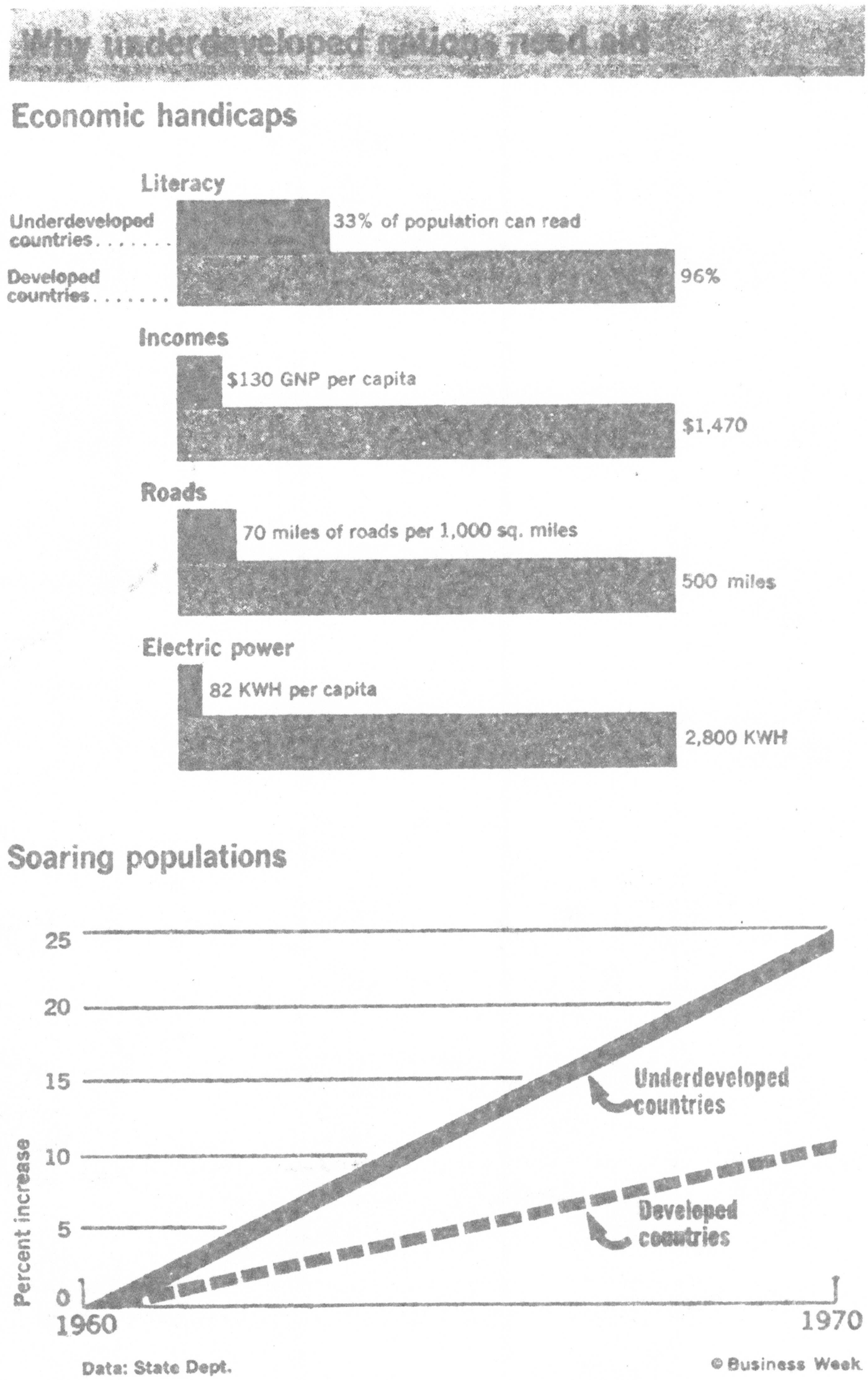
There can be no doubt at all about Washington's commitment to Latin America. It is as definite today as was our commitment to Europe in the fall of 1947, a few months after Secy. of State George C. Marshall made his offer to help European recovery. Already there is talk in Washington of making the Alliance for Progress a separate aid program.

The U. S. has taken the initiative in calling the Inter-American Economic Conference, which is to start Aug. 5 in Montevideo, with all the Latin American republics attending except Cuba and the Dominican Republic. At this meeting, either Pres. Kennedy (if he can attend) or Treasury Secy. Douglas Dillon will ask the Latin American nations to submit interim development programs and to agree to work out long-term economic plans on the Indian model.

The U. S., for its part, will become a member of a joint development planning organization and will be expected to cover the foreign exchange deficits involved in each country's plan. The new financial commitment will be in addition to the $500-million the U. S. already has promised for "social development" projects in land reform, housing, water supply, health, and education.

Asia and Africa. Our economic aid commitments to India and Pakistan are of long standing, and are becoming increasingly large. There, however, we share the burden with Western Europe on something like a 50-50 basis. For several years now, Washington has joined with Britain and West Germany, plus the World Bank, to cover India's annual exchange deficit, and more recently the same technique has been used with Pakistan. The U. S. also extends other forms of assistance to these two nations and others in Asia, especially by food shipments under the surplus food disposal program. Pakistan and several countries in Southeast Asia allied to the U. S. also get substantial military assistance.

Our aid commitments in Tropical Africa are so new that no clear pattern has been established as yet. It seems likely, though, that Western Europe (especially Britain and France) will carry the bulk of the aid burden on this continent.



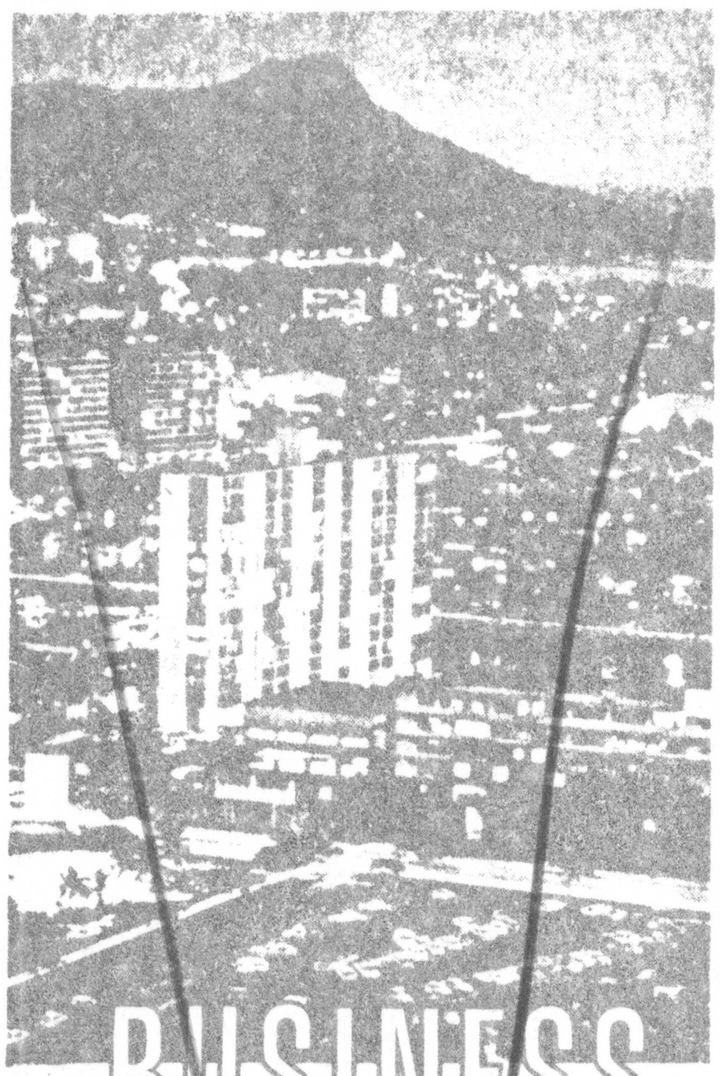
IV. A new world view

Despite the differences in the relative importance of our role in the three great areas, and the diversity of development problems to be met, Washington's approach is basically the same everywhere. It is stated rather explicitly in a recent State Dept. publication entitled Act for International Development. The approach contrasts sharply with the presentation of the development problem in former Pres. Truman's Point 4 statement of Jan. 20, 1949.

In between, of course, lie 12 years of turbulent change in the underdeveloped areas and of growing Soviet economic and military power. Over the past seven years, too, Moscow has developed its own economic aid program.

Truman's way. In Truman's 1949 statement, you find rather limited aims, and this combination of U. S. humanitarianism and economic self-interest:

"We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped



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Advisers who shaped Kennedy's foreign aid plan

Walt W. Rostow, White House aide, MIT theorist on economic growth

Max F. Millikan, director of MIT's Center of International Studies

Officials who will try to make plan work

Henry R. Labouisse, slated to run reorganized development aid agency

Robert F. Woodward, new Asst. Sec. of State for Latin America

areas . . . their poverty is a handicap and a threat both to them and more prosperous areas . . . democracy alone can supply the vitalizing force to stir the peoples of the world into triumphant action, not only against their human oppressors, but also . . . against their ancient enemies—hunger, misery, and despair."

New lingo. Today, Washington aid officials are talking the language of radical change, and using the new lingo of development economics. Here are some samples from the State Dept.'s new publication:

"Our program of economic and social growth in the Sixties should permit each nation to develop in its own image. . . ."

The emphasis now is on linking our aid to long-term plans for a country, not granting it on the earlier project-by-project basis. "Planning is basic to economic progress." One of our jobs is to help recipient nations undertake "development programing."

Men behind it. In part, the change has come in response to the present mood of most underdeveloped countries. You could call it an effort to match the U. S.' handling of foreign aid to the economic philosophy and political neutrality of most underdeveloped nations.

But the new approach also has been greatly influenced by the ideas of the group of MIT and Harvard professors on whom Kennedy has drawn heavily for advice. Probably

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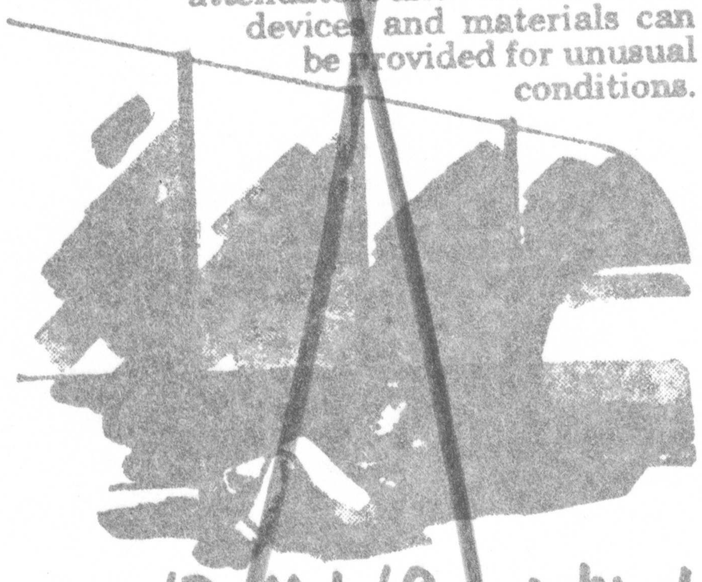

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the most important men in this group are Walt W. Rostow and Max F. Millikan of MIT, and Arthur Schlesinger, Jr., of Harvard. Rostow and Schlesinger now are White House advisers.

These men take quite a different view of the world of the 1960s from the one held by Eisenhower's advisers. They think we are moving away from a world largely polarized around the Atlantic community and the Communist bloc and into a multipolar or pluralistic world society. In the past, they argue, the U. S. has been too concerned with simply building military defenses against Communism. We must accept many variations of neutrality and social organization, they believe, in the third of the world that is now neither capitalist nor Communist.

V. Theories of growth

It was Rostow who developed the "take-off" theory that has such a vogue in Washington today, even with the President. In a book published last year, The Stages of Economic Growth, Rostow argues that all nations of the world fall within one of five stages of growth, with the underdeveloped nations currently falling in one of the first three stages.

Initially, there is the "traditional society," essentially poor and stagnant. Next comes the "transitional society," then the "take-off" into steady growth. The history of the advanced industrial countries indicates, says Rostow, that it takes 60 years after take-off for nations to move into the fourth stage, that of "maturity." (The fifth is the "age of high mass-consumption.")

The growth process, according to Rostow, is not automatic. It depends largely on the "quality of entrepreneurship" at any period. But the entrepreneurs can just as readily be government officials as businessmen.

Elaboration. Last month a new and more elaborate analysis of the development process—The Emerging Nations—appeared under the names of Millikan, Rostow, and six other scholars.

The U. S. task, according to this study, is to "help make the evolution to modernization successful enough that major groups will not struggle either to repress change entirely or to promote it by ruthless and extremist measures."

Communist lure. The authors concede, however, that Communism has a strong appeal in the underdeveloped countries. It offers such societies a political and social method that promises these things: a tight organization of those elements of the elite who wish to modernize the society; a domestic base of power capable of defeating enemies of modernization; a technique for mobilizing resources needed for rapid industrial growth; and security and discipline to men "cut adrift from the moorings of a traditional society."

Communism's greatest handicap, say the authors, is its failure to free itself from direct control by Moscow and Peking. Therefore, it often meets nationalist resistance.

Recent examples of this kind of resistance in the United Arab Republic and Guinea often are cited in Washington these days as evidence that the Communists don't necessarily succeed even in nations that seem to be engulfed by anti-Western feelings.

VI. Latin American test

When it comes to such a concrete and immediate question as carrying out the Alliance for Progress, the problems look staggering.

For the U. S. just to help finance the foreign exchange costs of Latin America's basic development needs in transportation, power, natural resources, agriculture, communications, and the like will in itself be a costly business. If you add to that the bill we may have to cover for housing, schools, health, and other forms of welfare implicit in a social revolution, the cost will mount further. Certainly it will not be possible for Latin American countries to raise through local taxation the funds needed for such welfare programs.

Thus the U. S. could be faced with the choice of financing a large share of these costs or seeing them financed through inflation.

What's needed. As to the U. S. share of the cost, here is the consensus of the economic experts advising the Administration:

To meet the minimum financial requirements of the projected revolution—and that's what the working papers for next month's Montevideo conference call for—you will need $3-billion a year for 10 years in public funds (most of it in development loans) from the U. S., Western Europe, and international institutions such as the World Bank. In addition, you would need at least $700-million a year in private foreign investment.

That amount of outside help theoretically would make possible an average 5% increase in gross national product per capita over the period—considered the minimum needed to give a sense of progress and well-being.

What's available. The U. S. up to

now has earmarked only $500-million in new money for the task. Even if Congress should grant Kennedy all of the long-term borrowing authority he has requested, Washington would have less than $2-billion a year for development in all of the underdeveloped Free World—and Latin America could not hope to get much more than half of that.

The World Bank, the International Development Assn., and the Export-Import Bank could contribute a few hundred million more. But on the most optimistic assumptions it appears now that less than half of the minimum public financing called for by the experts will be available.

Moreover, some financial experts in Washington believe it will take $6-billion a year in public funds, rather than $3-billion, to meet the cost of the Alliance for Progress.

VII. Skeptical voices

This sort of worry is reinforced by others.

Officials in the U.S. government, the World Bank, and the International Monetary Fund have struggled for a decade to persuade Latin American governments that fiscal and monetary stability is a necessary foundation for sound capital accumulation and growth. Now they are fearful that the U.S. emphasis on social reform will encourage Latin American governments to throw their new-found economic prudence to the winds.

There also is uneasiness in some quarters in Washington, as well as among businessmen, that the sort of social reform that Kennedy is stimulating in Latin America will tend to dry up private investment, both local and foreign. Yet the Administration claims to be counting heavily on this investment as a supplement to public capital.

Conflicts. The special historical relationship of the U.S. to Latin America is seen as another serious handicap for the U.S. in trying to take the leadership of the forces of economic and social revolution there. In effect, Latin America has been an economic dependency of the U.S. for nearly a century. In many places, the enemy of change and the scapegoat for failure is identified in the minds of the people with U.S. business domination.

Thus, in siding with the forces of revolutionary change, Washington may find itself lining up against the interests of U.S. investors in Latin America, at least as those interests currently are conceived by the investors. Some of Kennedy's aides readily concede that this will be a problem. But they are inclined to talk in terms of U.S. oil and mining companies voluntarily divesting themselves of, say, half their holdings, and bringing in local stockholders—including possibly state-owned corporations. You even hear talk of possible U.S. government compensation for certain U.S. enterprises that might be nationalized.

There also is considerable skepticism among U.S. experts on Latin America as to whether a peaceful social revolution, which involves not only huge capital outlays but tearing up and re-weaving the intimate social, political, and psychological fabric of societies, is a realistic objective if the main thrust of change must come from abroad.

VIII. Other ways to do it

Critics of the Administration program for Latin America aren't just putting up a blind opposition. They recognize the revolutionary ferment there, and admit that the U.S. has been slow to face up to it. Their big difference with the Administration is in the more conservative approach they advocate.

If you could get the critics together to formulate their views, here's about what they would recommend:

- Be more flexible and selective in backing economic programs in Latin America, so that most of our aid goes to those nations, such as Mexico and Argentina, that already are doing a good job of development.
- Encourage the growth of local capital markets rather than accept the inevitability of a growing government role in the financing of development.
- Finance as much housing as possible out of personal savings by pressing for the establishment of private savings and loan associations and FHA-type government institutions.
- Discourage nationalization of producing industries, and try to get Latin American governments to limit their direct participation in the economy to the supply of basic services.
- Transfer U.S. agricultural techniques as fast as possible, while encouraging the gradual adoption of more equitable land distribution.
- Stimulate foreign investment by having the World Bank, or some other international institution, offer a guarantee to foreign private investors—with the host government certifying each investment and agreeing to cover 50% of the guarantee.

Support. Such a program would not match popular demands in Latin America, nor the views of the aver-

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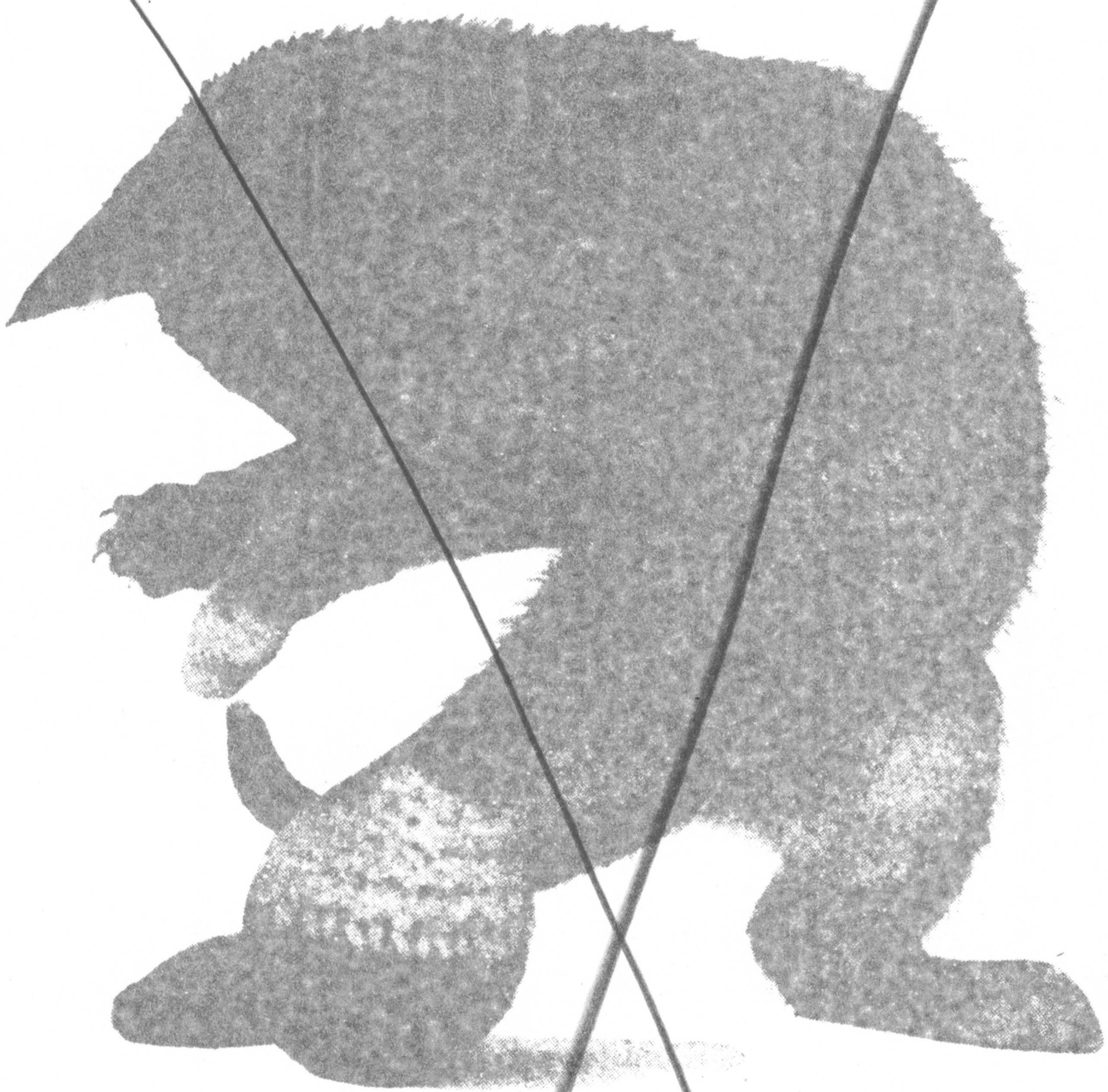

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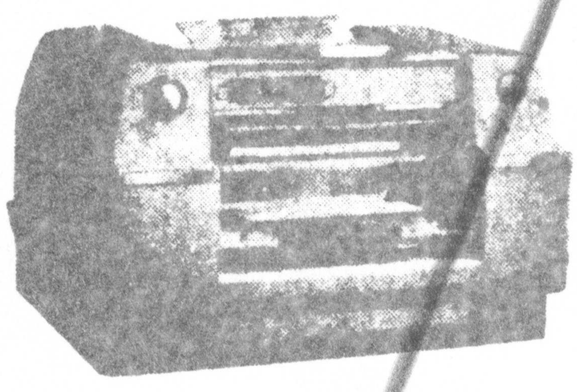

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age student or intellectual there. But it would be generally supported by business in Latin America, and by many government officials.

To be sure, it might not save every Latin American nation from Communist-sponsored revolution, nor spare the U. S. the painful task of intervening against such a revolution. But many of Kennedy's critics feel he wouldn't be on such a hook in Latin America today if he had followed through on the Cuban invasion and weakened the Communist virus in Latin America. These men argue that sooner or later we will have to be prepared to use force, at least in this hemisphere, to defend our system against Communist encroachment.

IX. Political strains

Actually, there's widespread feeling among informed businessmen today that Washington has become altogether too concerned about courting the good opinion of the underdeveloped countries. In following this course, these men feel, we run the risk of putting unnecessary strain on our relations with Western Europe—the one area in the world with the same basic interest as the U. S. in resisting the spread both of Soviet military control and the Communist economic system.

Even within the Administration there is some fear that we don't have the human and economic resources to defend our Free World allies—still under attack, as Berlin and Laos prove—and also midwife a revolution in the underdeveloped third of the world.

Any doubt about U. S. willingness and ability to go to the mat for exposed allies tends to encourage the Communists to more boldness. As one official puts it, "The more doubt there is about our willingness to honor our military commitments, the more likely we are to be called upon to honor them."

Europe's doubts. Some observers worry about the contradictions between Kennedy's policies in the underdeveloped areas and his goal of strengthening the Atlantic community. Most obvious is the possible political conflict between strengthening Atlantic cooperation on the one hand and backing the displacement of European political and economic influence in former dependent areas on the other. But the worry goes beyond that.

European governments, especially those of the big continental powers, are in a highly conservative state of mind. They are gloating over the new-found wealth and prosperity

they have achieved, partly by following the conservative U. S. financial advice they got during the 1950s. They are reluctant to dig very deep into their pockets to support what they regard as a quixotic U. S. effort to lead an economic and social revolution.

X. Resources and risks

You already can see the signs of U. S.-European strain in the International Monetary Fund.

For some time, the IMF has been pressing the Europeans to agree to strengthen the Fund's defenses against dangerous balance-of-payments swings. It would do this by extending to the Fund automatic rights to borrow from surplus countries such as West Germany and lend to deficit countries in times of balance-of-payments disequilibrium.

Bonn and Paris have been wary of this scheme on the ground that, in general, it would encourage financial irresponsibility. Specifically, they fear it might encourage the U. S. to lend more to underdeveloped countries than it could afford, and thus indirectly transfer German and French resources to those areas via the Fund.

Reluctant. The Fund is also studying the possibilities of helping the underdeveloped primary producing countries by making Fund resources more automatically available to offset balance-of-payments deficits caused by short-term commodity swings. This line of inquiry also tends to inflame European suspicions that the Fund may seek to funnel its resources to developing countries.

As a result, Paris and Bonn are digging in their heels on the proposal that they increase the Fund's resources, and they may block its adoption at the annual IMF meeting in September.

Fundamentals. Perhaps the most fundamental question being raised in this country as to the realism of Kennedy's approach to the world is this: In their present mood, can the American people be expected to make the sacrifices necessary to back up the new economic commitments the Administration is making abroad.

"At best," admits one experienced Washington official, "there is a large calculated risk involved in stirring up the revolutionary aspirations of the people. As Machiavelli noted six centuries ago, it requires great skill not to lose control of a popular revolution. This is all the more true today when professional Communist revolutionaries stand ready to take control of any revolutionary movement which gets going."

In business abroad BW

Stepup in Liberian iron ore production gives nation second major industry

The tiny African Republic of Liberia has been succeeding in easing its economic dependence on rubber.

This year, income from Liberian iron ore shipments will exceed rubber output for the first time. Iron ore exports in 1961, according to Liberian officials, will reach about 3.8-million tons with an approximate value of $40-million. Rubber production is expected to total about 100-million lb., worth $35-million.

By 1964, the government estimates that iron ore shipments will jump to 22-million tons, while rubber production will rise slightly over the present rate. The reason is that **three new mining facilities are slated to go into full production by that time.** One of these will be owned 50% by a West German combine called Ruhrwerke.

With this expanded production in the works, arrangements have been made to make Liberia **the largest single non-European ore supplier to West Germany** within the next five to 10 years. A group of five West German iron and steelmakers from the Ruhr will take 9-million tons annually from the African nation for the next 10 years.

In anticipation of these increased shipments, the **government of Liberia is forming its first merchant fleet.** The Liberian National Shipping Lines, Inc., owned 50-50 by Liberia and the Israeli Shipping Co., has ordered the construction of two 47,000-ton ore carriers.

U.S. exports of textile machinery shoot up; makers using trend as sales weapon here

U. S. textile machinery makers have markedly increased their sales abroad. Recent Commerce Dept. figures show that textile machinery exports for April, 1961, totaled 87% more than shipments in April, 1960.

An example is Roberts Co., a medium-sized producer in Sanford, N. C. Its overseas sales have jumped from 8% of total volume last year to an expected 15% for this year. The company predicts that foreign orders will make up 30% of its business in 1962.

A company official claims that increased productivity of his company's machines is partially responsible for the added business. Although a new spinning machine, for instance, may cost more than a foreign-made machine, it can produce about 50% more than those in most U. S. and foreign mills.

There's also been some price reduction, although industry spokesmen are chary about discussing it. Some cuts have been made possible by improved manufacturing; others to meet foreign competition.

Many orders and inquiries are coming from nations that are beginning to industrialize, largely with light industries such as textiles. Among them are India, Pakistan, Hong Kong, Mexico and Israel—nations that export textiles to the U. S. Textile imports take about 7% of the U. S. market.

This has caused U. S. textile producers to seek government protection through import quotas and higher tariffs. And it has kept textile machinery producers from publicizing their sales to foreign competitors of their domestic customers.

Now, however, **some textile machinery producers are using their business abroad as ammunition in the domestic textile industry.** Says one company official: "Six months ago, we wouldn't have breathed a hint that we were selling abroad. Now, we're making it known to show the domestic industry that it can compete with imports better by modernizing than by going protectionist."

Business Week
July 15, 1961

A program that tries to reach too far

Some four months ago, in his special message to Congress on foreign aid, Pres. Kennedy declared that his Administration was "launching a Decade of Development on which will depend, substantially, the kind of world in which we and our children will live."

Today the nature and magnitude of this commitment to the underdeveloped nations have become disturbingly clear. In an attempt to lead the revolution of rising expectations in Asia, Africa, and Latin America, the Administration plans to foster and finance social and economic changes of a radical nature, and to do so by encouraging the general adoption of economic development plans such as India's. The goal, in effect, is to promote what might be called "preclusive revolution" (page 56), thus to prevent the spread of Communism according to the Cuban pattern.

In theory, this may seem to be an admirable plan. But to many thoughtful people in this country and abroad it looks like a quixotic venture—one that could upset the economic stability of the U. S. and the other advanced nations without doing much to help the underdeveloped nations.

The costs

The cost of Kennedy's program in foreign aid alone is bound to be staggering. For the decade, it could easily come to $80-billion, equaling the amount this country spent from 1947 to 1960 on containing Communism in Europe and Asia and on restoring the capitalist economy of the Free World as a going concern.

By adding today to our aid expenditures abroad and our budget deficits at home, we would increase the danger of a new dollar crisis that would shake the West's financial system. There already is some fear of this in Western Europe, where conservative financial views—of the kind Washington pressed on European governments 10 years ago—now are in vogue.

Indeed, financial leaders of the Continent are leaning hard against the U. S. in the International Monetary Fund, threatening to block a U. S.-British plan to allow the IMF to borrow automatically from surplus countries such as West Germany and France and lend to deficit countries such as the U. S. and Britain.

Another disquieting prospect is the adverse impact on private investment that can be expected from the Administration's policy of actively sponsoring social reform in the emerging nations. This policy has become an especially prominent feature of the Alliance for Progress in Latin America. And already there are signs of nervousness among both U. S. and Latin American investors.

Social reform, if pushed too fast, is sure to lead to higher tax rates and wage rates, and often to outright harassment of business. If foreign private investment has become a convenient symbol of the foreign "domination" from which the emerging nations feel they must escape, Washington should be trying to counter this feeling, not encourage it.

If social reform is pushed to the point where it increases consumption at the expense of savings and investment, it could hamper economic growth rather than promote it.

Sense of proportion

In seeking to do so much in the underdeveloped nations, the Administration seems to have lost its sense of proportion. It may do no harm for Kennedy to say, as he did recently, that the revolution in the emerging nations is "the greatest in human history," and to suggest its identity with the American Revolution. It is quite another matter for the President to go on to say that we should help the emerging nations "regardless of which political or economic route they should choose to freedom." This is to condone, and promise support for, any kind of economic system—and any kind of foreign policy—that is adopted in these nations so long as their system isn't openly Communist and they don't actually join the Soviet bloc.

There are things we can and should do to help the underdeveloped countries, especially those in Latin America, to speed their economic development and reduce their poverty. In spite of the pressure on the dollar, we should be able to maintain our present level of combined economic and military aid expenditures. But clearly our aid should go to nations that can be expected to stay aligned to us economically, even if they choose political neutrality.

What we cannot afford is a policy of universal uplift or an approach to development that undermines private investment, sets totally impossible objectives, and encourages economic and political systems that are incompatible with our own.

It must be hoped that Congress will bring the Administration down to earth before it approves the new foreign aid bill. The amount of this year's request probably is not unreasonable. The trouble lies in the lack of common sense in the approach now being taken to the development problem and in the lack of proportion in the over-all goal.

Unemployment in Industrial Areas, Selected Periods in 1960 and 1961

State and Area	Month 1961	Total Unemployment 1/ Number (thousands)	Total Unemployment 1/ Percent of Labor Force	Area Classification July 1961	Area Classification November 1960	Area Classification July 1960 **
MICHIGAN*	July	296.0	9.9%	(9.%	(6.%	(6.%
Detroit	July	157.0	11.0%	E (11.9%	D(8.9%	D (8.9%
INDIANA*	June	125.1	6.8%			
Indianapolis	June	19.6	5.7	C	C	C
NEW YORK*	June	515.0	6.6%			
Buffalo	June	46.4	8.9	(9.0%	(6.%	(6.%
				E (11.9%	D(8.9%	D(8.9%
New York City	June	360.6	6.7	C(3.%	C	C
				(5.9%		
CALIFORNIA	May	457.0	7.0			
Los Angeles-Long Beach	May	205.9	7.0	(6.0%	(3.0%	(3.%
				D (8.9%	C(5.9%	C(5.9%
San Diego	June	27.5	8.0	(6.%	(6.%	(3.%
				D (8.9%	D(8.9%	C(5.9%
CONNECTICUT*	July	83.0	7.4			
Bridgeport	July	12.4	8.2	(6.%	(6.%	(3.%
				D (8.9%	D(8.9%	C(5.9%
Hartford	July	15.5	5.3	C	C	C
OHIO	May	289.0	7.3			
Akron	May	14.8	7.3	(6.%	(3.%	(3.%
				D (8.9%	C(5.9%	C(5.9%
Columbus	May	12.5	4.1	(3.%	(3.%	(1.5%
				C (5.9%	C(5.9%	B(2.9%
WISCONSIN	June	77.4*	4.7			
Milwaukee	May	26.5	5.1	6.%	3.%	1.5%
				8.9%	5.9%	2.9%

State and Area	Month 1961	Total Unemployment 1/ Number (thousands)	Total Unemployment 1/ Percent of Labor Force	Area Classification ** July 1961	Area Classification ** November 1960	Area Classification ** July 1960
MARYLAND	June	71.5	6.2			
Baltimore	June	48.3	6.4	✓ (6.% D (8.9%	(3.% C (5.9%	✓ (3.% C (5.9%
NEW JERSEY	May	185.2	7.4			
Jersey City	May	25.8	8.4	D	D	Not Classified
ILLINOIS	May	267.0	6.1			
Chicago	May	162.4	5.8	C	C	C
MINNESOTA	June	90.5	5.8			
Twin Cities	June	33.8	5.1	C	C	C
MISSOURI		n.a.	n.a.			
St. Louis	May	60.9	7.1	✓ (6.% D (8.9%	(3.% C (5.9%	✓ (3.% C (5.9%
Kansas City	May	31.6	7.1	✓ (6.% D (8.9%	(3.% C (5.9%	✓ (3.% C (5.9%
MASSACHUSETTS	June	140.9	6.4			
Boston	June	65.7	5.4	C	C	C
PENNSYLVANIA	June	472.0	9.9			
Philadelphia	June	131.2	7.0	✓ (6.% D (8.9%	(3.% C (5.9%	✓ (3.% C (5.9%
TEXAS*	June	230.4	6.1			
Dallas	June	26.9	5.5	C	C	C

1/ Not seasonally adjusted.
* Preliminary figures

**Group B	Relatively low unemployment	1.5 to 2.9% a/
Group C	Moderate unemployment	3.0 to 5.9% a/
Group D)	Relatively substantial unemployment	6.0 to 8.9% a/
Group E)		9.0 to 11.9% a/
Group F)		12.0% or more

a/ Ratio of unemployment to area's total work force.

SOURCE: State Employment Office Reports
Bureau of Employment Security

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Indianapolis	June	19.6	5.7	C	C	C
NEW YORK*	June	515.0	6.6			
Buffalo	June	46.4	8.9	✓ E	D	D
New York City	June	360.6	6.7	C	C – {3.7% 5.9%}	C
CALIFORNIA	May	457.0	7.0			
Los Angeles-Long Beach	May	205.9	7.0	✓ D	C	C
San Diego	June	27.5	8.0	D	D	C
CONNECTICUT*	July	83.0	7.4			
Bridgeport	July	12.4	8.2	✓ D	D	C
Hartford	July	15.5	5.3	C	C	C
OHIO	May	289.0	7.3			
Akron	May	14.8	7.3	✓ D	C	C
Columbus	May	12.5	4.1	C	C	B
WISCONSIN	June	77.4*	4.7			
Milwaukee	May	26.5	5.1	✓ D	C	B {1.5% 2.9%}
MARYLAND	June	71.5	6.2			
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NEW JERSEY	May	185.2	7.4			
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MINNESOTA	June	90.5	5.8			
Twin Cities	June	33.8	5.1	C	C	C
MISSOURI		n.a.	n.a.			
St. Louis	May	60.9	7.1	D	C	C
Kansas City	May	31.6	7.1	D	C	C
MASSACHUSETTS	June	140.9	6.4			
Boston	June	65.7	5.4	C	C	C
PENNSYLVANIA	June	472.0	9.9			
Philadelphia	June	131.2	7.0	D	C	C
TEXAS*	June	230.4	6.1			
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* Preliminary figures

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Group C	Moderate unemployment	3.0 to 5.9% a/
Group D)	Relatively	6.0 to 8.9% a/
Group E)	substantial	9.0 to 11.9% a/
Group F)	unemployment	12.0% or more

a/ Ratio of unemployment to area's total work force.

SOURCE: State Employment Office Reports
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a/ Ratio of unemployment to area's total work force.

SOURCE: State Employment Office Reports
Bureau of Employment Security

EXCERPTS FROM PREMIER KHRUSHCHEV'S ADDRESS
TO THE SOVIET PEOPLE

August 7, 1961

Program's Approval Seen

The prospects of the expansion of our entire national economy are magnificent. They are set forth in the draft of the new Program of the Communist party of the Soviet Union.

Our successes in economy, science and culture, our consistent peace-loving policy, have immeasurably raised the international prestige of the land of the Soviets, its influence on world developments.

Enemies Studying Program

Not only our friends but also the enemies of communism are studying and appraising the new program document of our party. They are powerless to hush it up, they cannot conceal the tremendous impression produced by the draft program of our party throughout the world.

Is it not remarkable that some United States Senators regard the draft program as "a serious challenge to the United States" and do not doubt that the Soviet Union can achieve the aims set in the draft program. They warn: "Do not underestimate the attractive power of the draft program." This is what the imperialist fear above everything else.

We are confident that the ideas of the new program will reach the minds and hearts of all people on earth.

The superiority of the Socialist economy over capitalist economy is now not only being proved by theoretical arguments. The material evidence of this is already distinct. The countries of the Socialist community are from year to year demonstrating their superiority in the rate of economic growth, in the development of scientific and technical thought, in the raising the living standards of the working people and in many other fields.

Even at the time when the capitalist countries were economically far ahead of the Soviet Union, we, Marxists-Leninists, were firmly confident of the boundless possibilities of the Socialist production system.

Even at the time of the civil war, when the country was fighting against economic dislocation and hunger cruelly gripped our people by the throat, Vladimir Ilyich Lenin's profound and unshakable faith in the superiority of the Socialist system enabled him to challenge capitalism to economic competition to advance the idea of peaceful coexistence between states with different social systems.

Those who are confident of the economic victory of their social system need not impose this system upon other peoples by force of arms.

This is way we tell the leaders of capitalist states, let the peoples, let history settle the issue which system, the Socialist or the capitalist, has greater vital power and is more progressive. The peoples will make their free choice and that system will prevail that will better satisfy human material and spiritual wants.

The Soviet Union, like the other Socialist countries, far from being interested in war, does its utmost to create unsurmountable obstacles to the unleashing of war by the imperialists. The communists have always regarded the struggle for peace as their paramount task. Our common convictions, demands and action program are set forth in the statement of the meeting of representatives of Communist and Workers parties held in Moscow last year.

EXCERPTS FROM PREMIER KHRUSHCHEV'S ADDRESS
TO THE SOVIET PEOPLE

August 7, 1961

It is noteworthy that industrial output in the two and a half years of the Seven-Year Plan period was as great as that of the entire fifth Five-Year Plan period (1951-1955).

(A)

SELECTED UNEMPLOYMENT DATA
July 1961 and July 1960

	July 1960	July 1961	Percent Increase
Total U.S. Unemployed:			
Number	4,017,000	5,140,000	28.0%
Percent of Labor Force (Seasonally Adjusted)	5.5%	6.9%	
Long-Term Unemployed:			
15 Weeks or more			
Number	834,000	1,634,000	95.9%
Percent of Total Unemployed	20.8%	31.8%	
27 Weeks or more			
Number	416,000	1,026,000	146.6%
Percent of Total Unemployed	10.4%	20.0%	
Substantial Labor Surplus Areas:			
Major	37	88	
Minor	116	230	
Total	153	318	

8-14-61