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INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D. C.

THE AMERICAN SCENE TODAY

Mr. Aaron Levenstein

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Reviewed by: Colonel Tom W. Sills, USA

Date: 3 October 1960

INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D. C.

1960-1961

THE AMERICAN SCENE TODAY

23 August 1960

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Reviewed By: Col Tom W. Sills, USA Date 30/8/1960

Reporter: R. W. Bennett

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Publication No. L61-6

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

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23 August 1960

COL. SILLS: General Mundy, Gentlemen: Yesterday we learned of the position which the United States has attained in the world in the area of science and technology. Today we turn our attention to the domestic scene, to examine our economic and moral strengths and weaknesses and relate them to our overall national security.

We read that personal income is at an all-time high, that most people are better off than ever before, and that there is an even rosier future ahead. Yet in the midst of all this plenty we hear rumblings that morally perhaps we are not as strong as we should be.

To give us his appraisal of our national attitude and national posture, we are happy to have with us today a distinguished lecturer and author, whose duties in the Research Institute of America require him to keep his finger on the pulse of the nation. He is eminently qualified to discuss with us "The American Scene Today."

I might add that our speaker comes to us today on short notice to pinch-hit for his boss, Mr. Leo Cherne, who had to undergo surgery last week. We are very glad to learn that Mr. Cherne will be home from the hospital today. His operation was a success.

It gives me great pleasure to present to you for his third lecture at the College Mr. Aaron Levenstein.

MR. LEVENSTEIN: General Mundy, Colonel Sills, and Gentlemen: Reference was just made to the fact that this was my third lecture at the

College. The last lecture was in 1950, as I was reminded early this morning. That would seem to indicate that it takes the College about ten years to recover from any talk of mine.

But it's always a privilege, though I regret it's so infrequent a privilege, to be here to speak on a subject that is generally one of tremendous importance. I do feel a sense of being burdened on this occasion, suffering, as I do, from two handicaps. First of all, I speak as a substitute for Leo Cherne. I can talk as long as he does, but without the wit and brilliance and wisdom that he brings to any lecture. The second disadvantage is that the subject that has been assigned to me is of such wide scope that I cannot possibly hope to cover it. I'm asked to talk on the American scene today, / ^{It's} part of the greatness of our country, ^{that} such a topic cannot possibly be covered in the course of one talk.

Moreover, we are involved, as we confront the American scene, with the realization that this is a fast-changing picture. It changes so fast that by the time the historian attempts to tell us where we've been, we're miles away from that point. So I've got to undertake as my first obligation in relation to this subject to stake out the boundaries of what I intend to cover; and I must be quite arbitrary about it, more or less the way Andy Jackson was when he decided where the White House was going to be. The architects and the engineers had been debating the subject for a long time and he finally lost patience with them. He went out and took his old hickory stick and arbitrarily he set it down at four different corners, and that became the location of the White House. That's why Pennsylvania Avenue

has to make two right angles before you can get over to the White House when you come up from the Capitol. It explains why everybody in the Senate who is looking to go from Capitol Hill to the White House knows that he has to follow a somewhat devious course.

I've got to stake out my boundaries with equal arbitrariness, and what I intend to do is to talk briefly, I hope--briefly, you hope--on the elements that are transient in the picture. And then I would like to get down to what I conceive to be the key problem, the fundamental area, that is affecting the nature and pattern of our American scene.

The transient picture finds us at the moment in a period of economic lull. A number of the experts use as a term to describe the present economic situation "semi-recession." What troubles them most is the spectacle of what's occurring in the steel industry, where we are engaged in using just a little more than half of our productive capacity.

Now, it's worth dwelling on this for a moment, because I believe it is indicative of the basic character of the American economy as we must view it in the present period. Our economy cannot guarantee constant development, constant forward motion, with an unbroken pace. It is the very nature of our economy that there must be ups and downs. Precisely the very force that makes for progress, which involves change, necessitates that periodically new forces should appear on the scene that interrupt a smooth progression.

If our steel industry today is producing less, the explanation is not difficult to come by; and it does not indicate that there is anything inher-

ently wrong in the operations of our economy. The facts are these: Our steel industry, when viewed as against the background of recent history, has gone through a number of abnormal situations. In 1958 we did have a period of general recession in the economy, which affected the steel industry. In 1959 you had the enormously costly steel strike. The only basis for a real comparison would be to look at the present figures, contrasting them with the figures in 1957. Since 1957 production in the United States generally has gone up 9 percent. Steel, however, by contrast with 1957, is down 18 percent. This, of course is not a situation to be welcomed. What is the explanation.

In the effort to find out why that is happening we begin to perceive some of the characteristics of our economy. One reason for it is that the nature of our steel markets has changed. The three top consumers of our steel production domestically were the automobile industry, construction, and then the industry which is concerned with the production of containers.

Well, in the case of the automobile, progress has brought us to the point where the American consumer, with what is perhaps a more wholesome return to good sense and a desire to get away from the kind of lavishness that was unwholesome in the past--the American automobile consumer is beginning to have a high regard for the compact automobile, which consumes less steel. In the case of construction, architectural progress, what to me at any rate is an improvement in the esthetic sense of the American people--the resort to galss and aluminum in modern construction. These too have

eaten into the amount of steel consumed by our market. In the case of containers, the development of plastics and all kinds of new packaging has again affected the operations of the steel industry. This is part of the general progress, the general change, that takes place as new tastes begin to assert themselves.

There is another factor which is likely to affect the economy, not only the steel industry, but the economy generally, in the course of the next two or three, maybe four, years. We are at a peculiar point in the development of the population curve in the United States. As a result of the depression in the 1930's, you had a decline in the birth rate; and consumption today is bound to be affected by the fact that you had a reduced birth rate during the 1930's.

The immediate effect is that you have a smaller degree of family formation. There are fewer new families being formed; and as a result of that, there is less demand for furniture and so on down the line. This, too, is a temporary trend. There will be a considerable expansion in family formation at the end of the next three or four years; and as a result of that we can expect a new lift in the economy.

But, as I said, these are transient elements in the picture. We need not be too concerned about these passing phenomena.

I want to talk about things ^{that} are much more substantial and much more lasting, that present us with very substantial challenges. In the course of the past few years very important changes have been occurring, gradually, almost unperceived--changes that cut deeper than the economic issue. They may begin with economic.

One of the things that's hard for us, our generation, is the fact that in our lifetime the pace of change has quickened; so that today we feel the need for more rapid adjustments than our parents and our grandfathers had to make to the circumstances of their lives. In our age things that were taken for granted in the past have now disappeared; but we have not yet had time to adjust to these new phenomena.

Let me point out that to me is of considerable consequence and one that is not generally appreciated--a factor which none of us at this moment can properly interpret. It will take time to see what the full impact of it is. But the fact is that one of the most fundamental motivations toward effort, toward work, toward creativeness has virtually ceased to exist for us in the United States, largely as a result of the fact that we are the most advanced economy in the world.

I am referring to the motivation of hunger. There was a time when people went out and worked because they knew that if they didn't work, they would starve. But hunger no longer exists as a substantial factor in the work relationships and in the economic relationships of our country. As a matter of fact, I think that while there are still pockets of hunger that can be found in the backwoods, nobody dies of starvation any more in this country.

The truth is that more of us die of overeating than die of malnutrition. We have had to develop a whole industry that is dedicated to the idea of taking the food value out of foods. In Europe, in Africa, in Asia they would have great difficulty in understanding why we will pay more for soft

drinks from which the calories have been eliminated. We have even developed a no-calorie thought industry. They call it T.V.

This is a very important change that I am referring to--the elimination of hunger as a motivation. What has become necessary now is that we develop new motivations to replace it.

As I say, none of us can at this moment in our history foretell what the consequences will be. The building of our country--and I'm not arguing, gentlemen, that we should return to a situation in which hunger becomes the dominant motivation--but the building of our strength was achieved as a result of the fact that that motivation existed in the past; and as the result of another phenomenon.

In the past, as men went out pursuing their own interest, an interest related to the need for avoiding the impact of starvation, as a result of the way that motivation operated in the past, men serving their own interest found that what they were doing was consonant with the national interest. Thus, if there were depression in the East decades ago when there was an open frontier in the West, a man would pull up stakes and move into the West, prodded by hunger to go forward. This contributed to the building of our country. This is what made it possible for the great network of railroads to span the continent. The national interest was served by the individuals pursuit of his own interest.

The question that arises for us now is whether a continued preoccupation with personal interest will remain consistent with the needs of the nation in a period when a frontier, an open physical frontier, no longer

exists, and when we are beset by challenges^{from} abroad at the hands of a totalitarian dictatorship that plans its enterprise with a view to achieving world domination. This, I believe, is the central question that confronts Americans at this moment.

And it comes after a long chain of events, reaching back over a considerable period of time--changes that have occurred with great rapidity, almost without our even solving the problems that arose by ourselves. There has been a kind of nightmarish quality about the events that have occurred just in our generation. You know the sort of thing that happens in a nightmare. You find yourself in a situation of difficulty, and then suddenly you're no longer in it, but you're confronted by a new kind of desperate circumstance.

A friend of mine, a psychiatrist, was telling me about one of his patients, a girl, who was going through psychoanalysis. In the course of her treatment he was analyzing her dreams and she recounted one that ran something in this fashion: She was walking down the street and a beautiful Cadillac pulled up alongside of her and a handsome young man behind the wheel invited her to step in. This being a dream, she was uninhibited and got in with him. He drove down the street, down into the suburbs, down a country lane, stopped beside a clump of bushes. By now she was getting frightened. He got out of the car, went around to the door on her side, grabbed her by the arm, and pulled her out. Now completely terrified, she said to him, "What are you going to do now?" and his answer was: "I don't know, lady. It's your dream, not mine."

We as a people find ourselves going through that kind of situation, because another thing has happened in our lifetime. A number of problems that accumulated from the past have not been resolved. They have been inherited by us along with the great good that we have inherited from the past. And while this is not a dream of our dreaming, we are responsible for the decisions that have to be made in relation to these events.

As we confront the kind of crises we see on the international scene, it is perfectly plain that much of what we face now is part of the grim legacy of the past. The crises in Africa--these are the results of mistakes that were made a hundred years ago and sixty years ago. But we are going to have to resolve them in our time.

Now, fortunately, a number of the domestic problems that wrench the country, that produce division and conflict, have been moving toward resolution and have been gotten out of the way. I think this is the happy thing about our history. The kinds of internal dissension that once confronted us with the possibility of disaster, that were in danger of producing a substantial weakening of our fiber--these have to a certain measure been resolved. It's almost as if there were the hand of a great dramatist writing the script.

There was a time when we had considerable internal dissension as between labor and management. I am not suggesting by any means that the problem has been solved; but the situation today is a much more wholesome one than we faced in the past. There are conflicts. There are areas, ^{must} ^{remain} there ~~are~~ inevitably ^A areas, of divided opinion. In a free competitive soc-

iety there are going to be adverse interests. And employees and management do have an area of conflict of interest when it becaom a question of dividing up the proceeds that are produced by the enterprise. There is bound to be a difference of opinion.

Years ago these differences of opinion could be resolved only by conflict. Even though we had this terrible steel strike last year, the fact remains that basically the grim issues, those that involve most conflicts, have become more susceptible of reasonable solution.

In the course of the development of labor-management relations in the United States, the most violent strikes, strikes that involved actual shootings and death, strikes which were fairly characteristic, revolved around the issue of the recognition of unions. That question was resolved by national legislation and by a change in temper of the American people. The issues of wages still remain, but even there there has been a deceleration in the kind of demands that are being made. We did for a period of time have conflict in the area of welfare funds. What you get is a progressive movement from issue to issue.

I think we do have an important issue coming up in labor-management relations in this ^{next} period. The issue, I think, will revolve around something that was raised, rather clumsily in my opinion, but raised nevertheless in the last steel strike. It's an issue which is being raised on the railroads. That's the question of featherbedding in working rules. We are beginning to face up now in our collective bargaining to the problem of employees giving a fuller measure of contribution in the performance

of their jobs.

This is not unrelated to the problem that I mentioned before--the elimination of the motivation of hunger from the operation of our economic life. But, as I say, I think that there is progress being made in that area.

For a long time our country was engaged in a tremendous debate on the subject of transforming itself into a welfare state, however you define that term. That issue has been pretty well resolved historically. In the current political campaign the political platforms of both parties are based on an acceptance not only of the welfare state as it already exists, but on an extension of it. So it is that at this very moment in the Senate, debate is going forward on extending the welfare state into a new area. The issue is not Should we provide for the care of the aged as their medical needs unfold? The only question is, What kind of program should the Government be involved in? Regardless of your views on these specific issues, in any historical sense it has become quite plain that the American people are no longer divided on that issue.

I think, too, we have been fortunate--and, again, it's not unrelated to the elimination of hunger--in American history in that the nature of the economic problem is beginning to shift. Fifteen years ago you could not talk about the economic picture without having to discuss the fears of mass unemployment in our economy. Unemployment has not been eliminated. We have unemployed today. They hover around the four million figure. They have reached as high as 5 percent of the working population. But in economic terms, in terms of the strength of our economy, four

million unemployed are not of great consequence. I know there would be four million people who would disagree with the statement I have just made; and, of course, they're right in any personal sense. But looking at enterprise as a going concern, we are not in grave danger. And there is little reason to believe that for the immediate future we are going to confront any problem of mass unemployment.

As a matter of fact, the economic questions have changed. We have economic problems, enormous ones. Because we still suffer from cultural lag and worry about the problems of the past, we tend to overlook the new ones that have developed. We're going to face an enormous problem in this country in relation to a very important raw material. I refer to the growing water shortage, the falling water table, the spreading desert. This is an economic problem that is capable of resolution in technological terms, but it will require a great deal of economic expenditure if we're to achieve the result that's needed.

New problems of that character are appearing. But what do we want? Egg in our beer? Of course we've got to have economic problems that affect the shape of the future. We will never have Utopia, which means that constantly we will have to be wrestling with phenomena of this kind.

We will face economic problems in another area. The economics of education have now become challenging to us. But I suggest, gentlemen, that the existence of problems of this kind, if they are recognized, is healthy for us, because they present us with the kind of challenge that makes it necessary for us to continue to be a creative people, functioning with a

view to strengthening our economic foundation for the purpose of assuring our defense against foreign aggression on the one hand, and also strengthening our economic foundation so that we can assure a continued rise in the standard of living of our people.

Now let me come to what I consider to be the central issue, the most difficult problem that confronts us as a people, stemming also from the fact that we are living in a period of revolutionary change, in which events have been overtaking us apparently with such great speed that we have not yet adjusted to a full evaluation of their significance for us.

We all know that there is a great deal of talk today about the need for a re-examination of our national purpose. I find as one of the straws in the wind that indicate that there is a wholesome breeze blowing that it's a good sign that the spokesmen for both political parties in this campaign are talking about the need for sacrifice. There's a great deal of promising that goes along with this call for sacrifice on the part of the American people; but there is a greater willingness to recognize that we're going to have to sacrifice, even though the term has not yet been defined. What do we mean by "sacrifice"?

Well, there are sacrifices of comfort, sacrifices of treasure, the payment of higher taxes. But I suspect that the hardest sacrifice we will have to make will be the sacrificing of notions to which we have clung for a long time--ideas that have seemed to us to be unshakeable in our scheme of values.

We are involved in a race, in a conflict. It takes no great wisdom

to recognize that our generation has been summoned by history to face up to the most terrible challenge; that the values that have developed and been held dear over centuries in the Judeo-Christian tradition are now being threatened as they have never been threatened before. And in our effort to preserve them we are called upon to muster our strength-- physical strength, a capacity to organize the resources we have--and also the devotion of character, to stand firm even at points where a great price is exacted from us.

This has been made mandatory for us by two basic phenomena in our time; and we cannot understand our domestic position, or our position vis-a-vis the world, unless we face up to the fact that whatever we do internally is going to be influenced by these developments that have occurred on the world scene.

First of all, we are confronted by an enormous rising tide of nationalism--a nationalism which finds expression in all kinds of aberrations precisely because it is asserting itself in primitive communities. You have the situation in Cuba, where a beatnik premier is engaging in all kinds of ridiculous antics that cannot possibly help his own people in the long run. This is a phenomenon of an aberrant nationalism close to our shores. The spectacle that we've been witnessing in the Congo these past few days or weeks is another illustration of how modern nationalism is asserting itself.

Along with that nationalism you find a phenomenon that did not exist in the years when modern nations like ourselves were asserting their nat-

tionalist interests. Today the nationalist movements are linked to what has been called "the revolution of rising expectations." The Congolese expected that the day after independence was granted, their economic problems would be solved. On the contrary, what happened was that/the departure of the Belgians, a too hasty departure, their economic problems were multiplied; and the standard of living in the Belgian Congo is bound to be reduced.

I had a chance to see it at close range last summer. The standard of living was quite low, though in the Belgian Congo the average ^{Bantu} native was much better off than in vast areas on the left of the capital. But a good deal has been lost as a result of the elimination of the managerial skills that the Belgians represented in the Congo. But while that has been happening, the expectations of the Congo people that overnight they would move into a more modern standard of living have complicated the problem of Belgium.

So this is the first phenomenon. The second is the enormous population explosion that has taken place everywhere throughout the world, but particularly in the under-developed areas. It's very difficult to grasp the magnitude of this development in human history. The population of the globe today is estimated at about two and a half billion. It took a long time for the human race to reach that number. Anthropologists date the lifetime of the human race differently. Some say we're half a million years old. Others say that the human race is a million years old. Personally, I feel a million years old and would incline to that view. I mean I feel that way

when I think about these problems.

Do you know how long it's going to take us to double this population, which it took us at least half a million years to achieve? There will be 5 billion souls on the surface of the earth in 40 years. That means that the world is confronted by an imperative--that we double our capacity to produce the goods that are necessary to sustain life.

One of the saddest elements on the world scene is the fact that in many of the under-developed areas, while economic progress is being made, the economies are being expanded, they are not expanding fast enough to keep pace with their growing population. That's the problem of India. They are producing more, but their population is growing faster than their capacity to produce, for a variety of reasons. Longevity has been increased. People live longer as the result of an introduction of a modicum of public sanitation, which they never had before. At the other end of the scale, more of the children who are born, survive.

The problem in Algeria, which is not at all affected by the political question as to who is going to run the country, whether it is France or whether it is the Algerians--the problem of Algeria is that you have a country with a population of about 8 million and resources that are capable of sustaining only 2 million. And the Algerian population is growing faster than the economy can grow.

This puts a tremendous burden on us, which we are not going to be able to avoid. And the issue that we as a nation face on the world scale, an issue which is going to be reflected in the decisions that we take that

affect our domestic economy, is this: This is the issue as the under-developed areas of the world define it. What economic system is capable of producing industrialization at the most rapid rate? Will it be a system of forced investment and forced labor, which is the Communist system? Or will it be a democratic system, a system of voluntary investment and voluntary labor? That's the fundamental question.

If we do not address ourselves to that question, we will have lost in the race for the uncommitted peoples of the world. And all our propaganda about freedom, about the right to publish what you want to and speak what you want to--these pale into insignificance as alongside this fundamental question: Can communism or can democracy be more efficient in producing industrialization?

I don't think the answer is an open-and-shut matter. I don't think that anybody can dare to say that it is inevitable that our democratic system will prove more effective. I think we can say that, given time, our system will be the least costly in terms of those values that are important, in terms of avoiding the violence and the brutalization that take place under a totalitarian planned economy. But the Communist system is based on the idea of sacrificing present generations in order to bring about rapid industrialization. I don't think that any of us can make a forecast at this point and say that our system is certain to win in the race.

On the other hand, I think we would be foolish if we refused to recognize the advantages that are at the present time in our hands. We start with a good number of advantages. There is a reservoir of good will,

in spite of everything that the Russian propaganda has been capable of achieving.

One of the things that stood out for me as I moved through Africa last year was how a good deal of the bread cast on the waters in the years gone by had come back to us. For decades American children in Sunday Schools have contributed nickels and dimes to the missions, with no thought of any political consequences. One of the most heartening things about Africa is that the present leaders of the nationalist movement in key areas are men who owe their education to American mission schools. Many of them had even been brought over here to the United States as students. Of course this was not the intent. Nobody was counting on political consequences.

You engage in conversation with the nationalist leaders. I recall in Kenya talking with Dr. Kiano, who is a bachelor of arts Antioch College, master of arts Stanford University, Ph. D. University of California. I asked him the question of what kind of constitutional structure he anticipated after Kenya became self-governing. He started to describe to me a system of a legislature and a judiciary and an executive and checks and balances. And I said that that sounded rather familiar to me, and he laughed and said: "Well, of course. But I don't believe in the British system of parliamentary supremacy. This is my Americanism coming out," as he put it.

There is this kind of reservoir of good will.

In the Union of South Africa, Chief Albert Latulu, who is a Zulu,

the head of the African National Congress, the last I heard was in jail following the Sharpville riot. Chief Latule was himself educated in an American Methodist mission school, and then was brought to the United States for higher education. He went back as a Methodist missionary himself, and headed the Imbote Mission. And as one who is familiar with American values, while he may have his disagreements, while he may be concerned about questions like Literalark, which I heard mentioned in many places in Africa, nevertheless there is as a result of the historical process of American good will a sympathy and an appreciation for the things we represent. This is a value which we can put to use.

But, of course, that kind of reservoir is not guaranteed. It can be dissipated. Last June, when this wierd character, the premier of the Congo Republic, Patrice Lumumba, was agitating up and down the length and breadth of the Congo, he came to a mission school and he talked to the children there. He told them to be good students, because if they were good students, he said, he would see to it that they were sent to college in the United States.

Well, since then Lumumba has been all over the lot. He has been ready to send some of them to Moscow for their education. Things change. Only a continued preoccupation on our part will make it possible for this reservoir of good will to be preserved and extended.

But I think there's something else you've got to recognize. There are many things that we can do that would tend to produce a diminution of that good will. Most of us are not aware of the impact that economic decis-

ions here have on peoples abroad. I was in the Union of South Africa and in Southern Rhodesia during the steel strike. I was surprised at the attention that was given to the developments in this area. These were front-page stories. Why? Because in countries that produce chrome, the steel strike had a very serious impact. American workingmen may not recognize that when they walk out of the steel mills here, we have an impact on the jobs of men working in mines in Africa.

In Uganda I heard complaints from ^{local native} government officials that American policy in relation to the international cotton market made it impossible for Uganda to balance her budget. In Salisbury in Southern Rhodesia you find this modern city, with huge skyscrapers, which are virtually unoccupied. On the street floor you have shops, stores, but there are no goods in them. The first floor of most of these buildings will be occupied. So will the top floor. On the roof you may have a completely modern restaurant. You can sit up there and have your meal and look out over the plains of Africa. Wonderful surroundings. But this is an unusual spectacle, because on the floors in between there are no occupants.

Why? Because ~~the~~ the bottom dropped out of the copper market and their economy overnight was blighted. Of course they look to us, by such programs as our stockpiling of copper, to buoy up their economy.

What we do has a very direct effect on the lives of these people.

I need not dwell on the subject of foreign aid. That too is now taken for granted. The American people no longer debate whether we should or should not pour large sums into foreign aid. But there are other questions

in that connection that we will have to confront fairly soon, because for the under-developed areas like Africa, foreign aid will not be enough. It is essential, but what will become vitally necessary in the course of the next decade is that we establish a policy in dealing with them--a policy which favors their exports. And this is a very difficult question.

They are primary producers. They turn out raw materials. What good will it do Ghana to carry out the Volta hydroelectric project, for which we are willing to put up money, and what good will it do them to build the aluminum refineries, unless there is a market to which they can send the aluminum that they produce? And similarly with Latin America. What good will it do them to receive foreign aid and be able to produce unless they are assured of a market? And the assurance of such a market is not an easy economic problem, because it means that there will be a very direct impact on our domestic industries.

All of these countries face a problem that we didn't face in our period of economic development, when we were getting ready for the takeoff of our economy, when we were passing through the period of capital formation which made it possible in succeeding decades for us to reach this high level of consumption that we now enjoy. The problem that these under-developed areas face is that they are in a situation in which the demands of the people are inconsistent with the kind of saving and the kind of self-denial that is necessary if capital industries are to be built up.

A demagogic regime which takes over power immediately on independence, which has promised all kinds of worldly goods immediately on

the declaration of independence, is not in a position to call upon the people to sacrifice. That is one reason why it's important that as transfers of power occur, a stable government should be set up, the kind of government that is capable of getting the people to work for a considerable period of time while capital is being developed. But it will also mean that as foreign capital comes in, we shall have to adopt specific policies that make it possible ultimately for some kind of transfer of ownership through a legitimate acquisition, unlike what's been happening in Cuba, but a legitimate, gradual transfer of foreign investments to local control. It means that we're going to have to favor a policy of loans wherever possible rather than direct investments. All kinds of decisions of that nature will be involved. I wish there were time to elaborate on them.

I would like to add one other thought. These problems, which are new in American history, are susceptible of resolution. We are going to have to face up to the need for adopting new kinds of decisions. I am not one of those who believe that in the immediate future the Russians are going to overtake our economy. That doesn't mean that I'm unconcerned about what's happening in the Russian economy. I do believe that their system of allocation, of allocating their ^{national} resources for the purposes of military strength--that policy I believe gives them the edge on us because of our failure to allocate a large enough percentage of our greater resources to national purposes.

And I return again to the question of whether or not we are capable of reconciling ourselves to an awareness in this period of time, reconciling

ourselves to the fact that it is not enough, as it was generations ago, for us to serve our personal needs in the conviction that they will, consonant with the national interest. A period has come in which we, fortunately standing at a high level in our standard of living, a period in which we will have to forego some of the things that we have enjoyed in the way of physical comfort. We will have to show a greater adaptability even in the acceptance of economic controls that are aimed at making it possible for us to carry out our mission in relation to the under-developed areas, controls over foreign trade that will have to be reflected in an impact on domestic industries.

Why? Because we are living in a period of crisis.

But again I'm an optimist. I believe that there is a function in history that is performed by crisis. Periodically history says: "The time has come to shake things up." Old wrongs, old mistakes, old inadequacies now have to be corrected. We must think freshly. We must think anew. History says we must make changes in the way we did things before. And only under the impact of crisis are we willing to look for new directions, new avenues, to which to extend human effort.

As I try to look over history it seems to me that the only occasion on which we had just such a period was at that time in the dim recesses of history when the human race had to come down from the trees under the pressure of a glacier moving down from the north. There was crisis. To resolve that crisis, man had to get out of the trees and move down into the low lands. And it was this which liberated his hands for creative

effort. He no longer needed them for locomotion. Now he could use them to make tools. Because he stood erect, it liberated his brain.

I believe that now, under the influence of a glacier that is moving out of the East, we stand at the point where we must take a new surge forward in the history of humanity. It calls for the application of intelligence and the application of spirit for these new problems.

Thank you gentlemen for your patience in listening.

COL. SILLS: Mr. Levenstein is ready for your questions.

QUESTION: Early in your talk you spoke of the problems that we have met and solved in one way or another, and our decision to accept and expand the welfare state. In the absence of hunger as a motivation due to our high standard of living, do you believe that this is the best solution?

MR. LEVENSTEIN: I don't believe that anything is the solution. I believe that in this whole area what you are confronted with is a series of adjustments which you make to the circumstances. What we have now is the result of the adjustments which we made to the economic problems that characterized the 1930's. And insofar as this is the historical fact, we've got to accept it. There's nothing we can do about it. There is no longer a question of right or wrong.

I think that the real problem is that we are in danger of continuing to debate the issues that have been resolved by history. And the fault in that would be that we would then fail to confront the issues that are present, the issues that are real. If we continue to debate the past, as Winston Churchill once said, we shall lose the future. And I think this is a closed

issue, and therefore there is no value for us in continuing to argue as to whether we ought to have a welfare state or not.

Of course we are still going to have administrative problems that relate to it. And the kind of issue that is being debated now in Congress I conceive of as being a purely administrative question--the extent to which we're going to have it--whether or not we're going to have medical care for the aged under a social security structure or going to have it as a system of voluntary contribution outside the social security framework. From the standpoint of history, that's a trivial problem.

Now, those who are involved in it have every right to be involved in it. You want to get as good an administrative answer as you can. But I certainly would not consider this to be a key issue in any historic sense in American history.

QUESTION: Earlier in your speech you made the comment that in addition to foreign aid we have a critical need to insure the establishment of some kind of markets for the productivity of the under-developed countries. It would seem to me that we have a big problem here, because our labor movement is currently committed to a variety of goals, one of them being increased wages and another being a concurrent reduction in working hours, ostensibly at the same time having greater productivity, which may be questionable. But certainly we know that this is resulting in increased prices for many of our exportable goods, and that in large measure we are pricing ourselves out of foreign competition. If on the other hand we're going to encourage the potential production of the under-developed

countries, how are we going to reconcile that threat to what we're currently doing here, when we are already pricing ourselves out of foreign competition? It seems to me that this may be a very critical problem.

MR. LEVENSTEIN: It is. It's a very critical problem. I think there is no minimizing the significance of the factors that you mentioned.

But here again I feel quite optimistic as to what the result is going to be. I have indicated that the area of conflict on the labor scene has shifted away from the old issues, like union recognition, the acceptance of collective bargaining, and so forth. It has moved now into the area of the problem of getting a larger measure of contribution from employees. There has been a deceleration in the demands for pay increases. It will still be an issue of contention across the collective bargaining table; but I think that as you look at it as a historical process, we can take comfort in the fact that the pace of demand is being reduced.

Now, with reference to the problem of our exports, I think it was two issues ago in Harpers Magazine there was a very significant article by Peter Johnson in which he tries to set up a series of standards by which we would have to be governed, a series of policies which would have to govern the operations of our enterprise in view of the facts that you talked about. This is the second article in a series of three very important articles. You might want to take a look at it, because it elaborates and in considerable detail/in precisely this fashion he points out that one of the fundamental concepts of policy that must be shared by labor and by management and by government is the preservation of our competitive

position, because without preserving our competitive position in the markets that we deal with abroad, to which we export our goods, we will not have the economic resources that we have had.

How do you achieve that? Here again I think that there are signs that indicate progress. There has been a growing tendency on the part of the leadership of the AFL-CIO to pull for the setting up of a permanent labor-management council that can direct itself to policy questions of this kind. The President has already taken steps in that direction.

I am hopeful that out of these discussions, such as we had last week--in fact, the AFL-CIO spelled out in some detail in a very important field the kind of framework within which a continuing labor-management conference could operate. So on the whole I'm hopeful.

However, I was addressing myself to the other side of the coin; namely, the duty that we have to accept imports from abroad, from the primary producers in the under-developed areas, which turn out raw materials, and in a certain sense not only financing their opportunity to produce through foreign aid, but shoring up the share of the world market that they can claim for the goods that they produce.

QUESTION: Mr. Levenstein, you talked about the population explosion. Would you care to comment on the cause and influence of the apparent stratified character^{and} nature of our population on our national economic strength?

MR. LEVENSTEIN: The most important factor is that we are at this point feeling the lull as a result of the decline in the birth rate during

the thirties.

I think that in the most practical terms the significance of that for the American economy is that we now have a smaller percentage of the population in that age bracket from which management personnel is generally derived; and that as a result we have a ^{real} shortage in the area of executive skills that we need. This is an immediate problem.

However, the trend is going to change. It is anticipated that our population will increase by, I think the figure is, 25 million in the course of the next 20 years, which means that we will have available to us increased manpower to call on for the performance of those functions that are vital to the growth of our economy.

It means also that we are going to have increased demand, which should bolster a growth in the economy. A rising population has ^{greater} demands for housing and so forth, which will stimulate production in the economy. So the long-range picture is very good in that respect.

Nevertheless, I would add this qualification: No matter what the absolute figures are from here on out we are going to face the need for a better allocation of our manpower. I refer to the question of allocation in relation to our race with the Soviet Union. The Soviet Union cannot hope to overtake us, in my judgment, within the next 20 years. Its one hope is that it can carry out a more effective allocation, in terms of its budget, for instance. It allocates to defense 20 percent of its gross national product. We allocate about 10 percent.

But even more important than that over the long run is the fact that

it allocates for national purposes a larger proportion of its scientific, technical, and specialized personnel than we do. Its engineers, its break-through scientists. It takes a larger proportion of the people that it has available and siphons them off into those channels.
to take

We are going to have a second look at our whole policy of manpower allocation. It may very well be that our economy is flexible enough so we'll devise the holding out of additional economic rewards which can bring about a greater flow of specialized personnel into government service, scientific and research service, and so on. But the present allocation is inadequate. However, with a growing population the urgency for allocation may be somewhat reduced. But I do not believe that it will be eliminated at all.

QUESTION: Mr. Levenstein, I believe you stated in effect in the first part of your talk that the fact that only half the capacity of the steel industry is being used has contributed to our problem.

If this is true, on the one hand why do we use our steel wages as a standard for wage increases throughout the country on the one hand, and on the other hand why do we view with alarm the increase in the Russian steel production?

MR. LEVENSTEIN: I'm afraid that I didn't make myself quite clear on that. I am not suggesting that our steel industry should be written off. What I tried to do was to explain why we have this lull in the operations of the steel industry.

I believe that the capacity of the steel industry where it is being used now, which is hovering around the 55 percent figure, is only a temporary

phenomenon. This is explained by the specific circumstances that I described. I think that there will be new demand as the rate of family formation increases. Then you are going to have bigger demand for steel in connection with construction. I think the steel industry is going to resume its function.

Why should we be concerned with the growth of the Russian steel industry? Because ^{steel} is and always will remain an important element in arms production. And with the practice in the Soviet economy of allocating a larger share to their armed services, we must naturally be concerned about it. The steel industry will continue to play an active role in our domestic economy. It will play a vital role in the Russian economy. It will play a vital role in the standard of living and in the production of the sinews of war.

QUESTION: Do you think that our achievement of such a high standard of living has affected our national character, specifically in the willingness of our people to make sacrifices?

MR. LEVENSTEIN: We've got to give an answer that will mix. I think there is no doubt that in the history of a people you will find a periodic decline in moral fiber and in their retention of ideals. I think that this is inevitably true. And in the military sense you have something that is comparable. Military science teaches us that an army is apt to be weakest after a victory. And we are weakened by the victories that we as a people have achieved, basically of attaining this unprecedentedly high standard of living.

You have to view these things as the oscillations of a pendulum.

What happens is that you get a period of decline and then an awakening, an increased awareness, that there has been a decline in our moral fiber.

About three years ago this country went through what others have thoughtfully described as a crisis of confidence. It came after the Russians had demonstrated that they were the first in space. I think that this was necessary for bringing the American people up sharp, to make them aware that additional sacrifices have to be made, not just to preserve our position in the world as the leading nation in economic terms, but to preserve the values that we believe in.

I think that there is evidence now that there has been a change in the American outlook. I think we can see that in the very fact that in the midst of a political campaign, which is usually the most irresponsible period in the political life of a people, in the midst of this campaign the leading candidates have come forward with the statement that the American people must reconcile themselves to sacrifice. That is not to say that they are leading /the American people, ~~recognizing~~ but it is that they are recognizing the moods that exist in the American people. That I believe is a wholesome thing.

QUESTION: You stated that one of the unsolved problems is over-production and not under-production. How do you think this will be solved and especially how would like for it to be solved?

MR. LEVENSTEIN: I would not accede to the premise that we are in danger of over-production. I don't think that our problem is that we have it on the industrial scene. If you asking about agriculture, yes.

There's no doubt that we're having over-production there. But in terms of the areas about which we are concerned, namely, industrial production, I do not believe that we are at all placed in a situation of a surplus of goods.

Our shelves are not bulging. As a matter of fact, we expect to get out of this steel situation because inventories are low so far as steel is concerned, and there will be a resumption of production.

No. We've got to produce more goods. The production of a greater amount of goods is essential from the standpoint of our being able to meet the needs that exist for building up the under-developed areas of the world.

In fact, at this point the real debate--and I think you will hear this debate in the course of the campaign--is whether we should take these forces--there's been a great deal of talk about the need for expansion and growth of our economy. That really is based on the premise that we've got to do more in order to help the under-developed areas; and also based on the awareness of the population explosion. We've got to produce more goods to take care of the greater number of mouths that will have to be fed and the greater number of backs that will have to be clothed. There's no worry about that.

The real question has been raised, and politically it came up in a variety of forms. Governor Rockefeller raised the question within the Republican Party. He was insisting that we've got to increase our growth rate, which in the past few years has averaged along about 3 or 4 percent. He has said that we've got to have an annual growth rate of 5 percent. The Russians now have a growth rate of 8 to 10 percent, which is a lot

easier because theirs is a less-developed economy than ours. They are still in what the economists would call the take-off period. Their growth rate is decelerating at this time.

There is general agreement now that we've got to expand our economy, our rate of growth, if only because our own population is increasing. If we do not increase our volume of output, then we will be in a position where the standard of living will have to fall, because we will have the same amount of goods to be divided up with a larger population. There will be a bigger percentage of nonproductive people, naturally, because we will have more older people. We will have more children who are being born, who must be taken care of by the productive part of the population.

So we've got to get rid of featherbedding. There's no rationalization for preserving it. How will we do it?

I think we're going to do it in what is now the traditional American way. We're going to do it at the bargaining table. We're going to do it over the issue. on the basis of hard bargains. There will be strikes. But I think that already we've got evidence of a hardening of management lines on the featherbedding front. In my judgment the steel industry inevitably raised the question, because they found it together with so many other issues. In the railroads the question has come up. In the shipping industry they have all kinds of featherbedding provisions, by the use of what they call I think that progress is being made because the issue is being faced.

Also a new economic phenomenon has been met up with, and that's automation. Automation is bringing about a rationalization of production,

as a result of which we can get rid of unnecessary labor. This too can involve us with conflict at the collective bargaining table. But again we have evidence of what happens.

In many instances unions are accepting, as a substitute for having a man stand around and do nothing, once automation takes place, unions are accepting the idea of a fund being set up for purposes of retraining men so that they can move into other types of enterprise.

Another policy that has come to be accepted in collective bargaining is that as increased mechanization and automation makes certain workers unnecessary, they remain on their jobs, but in the event that they leave or retire, they are not replaced; so that you get a gradual elimination of featherbedding. There are all sorts of such original devices that are being invented now. American originality is still fresh now. Not that these problems are solved, but we are moving in that direction.

QUESTION: Following your citation of the rural population explosion problem you stated that we need to double our capacity to produce. Did you mean to infer that further production is the only plausible means of solving the population explosion problem?

MR. LEVENSTEIN: When I said "we" I meant the world. But we'll have to do better than that, because if we want ^{to} have an increase in the standard of living, we cannot afford to just keep pace with the number of mouths that are being born into the world. Our problem is in this area of production.

But here we have the advantage, I think, in that technology is avail-

able to us at this period. Here again it's almost as if a dramatic hand were at work in the process of the picture. At the point at which you get this astonishing explosion in the birth rate, you have the scientific revolution, characterized by automation, which makes it possible for us dramatically to expand the volume of other things. So if that should take place in the area of production and we are in position to achieve good distribution, that's where I suspect our biggest problem will come, because in the process of distribution we must invent new economic forms, new economic relationships.

I think we will invent those. I think the economists who are studying the problem are beginning to come up now with new things. A man like W. W. Rockefeller has written a book "The Basis of Economic Growth" in which he presents a picture that is essentially optimistic. I think the Swedish economist Morgau has begun to explore the problem of the relationships between the developed areas and the underdeveloped areas of the world, the relationships between the industrialized and the unindustrialized areas, and map out the lines along which such developments should take place, in terms of getting international agreements that will be needed where there will have to be an allocation of part of the distribution picture. We will have the facilities of the United Nations becoming available. History has a way of bringing forces to bear where they are needed.

COLONEL SILLS: Mr. Levenstein, I'm sorry our time has run out. I want to tell you how grateful we are that you came down here today on such short notice to help us open the school year in such an outstanding manner. Thank you very much.