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BY

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THE WAY TO PEACE AND PROSPERITY

It was two years ago last April that I spoke here in San Francisco to the members and guests of the Commonwealth Club. I assure you it gives me great pleasure to accept your kind invitation to return.

Those of you who heard me in April 1949 may recall that I dwelt at some length upon the factors which challenge the survival of democratic capitalism. I listed them, in order of their importance, as the absence of world peace and our failure, except in war or inflation, to distribute without recurrent depressions, the wealth that our economic system is capable of creating.

Mistakes of the Past

Having just finished writing my personal reminiscences, which deal largely with the economic developments of the past seventeen years, I find myself with a heightened sense of historical perspective.

As I look back upon the record of our development as a nation, I am impressed, not only by our accomplishments, which have been many, but also by our mistakes - mistakes which led to two world wars and, in between, the greatest economic depression in recorded history.

The mistakes of this century have been made at a time when we have witnessed the greatest technological and scientific progress in all history. Before World War I we imagined that we could live in a world apart, that we could have peace and prosperity at home while Western Europe engaged in a titanic struggle, the outcome of which we could look upon with a detached neutrality. When late in the day it became clear to us that our own survival as a free nation might also be at stake we were willing to throw all we had into the battle under the slogan of making the world safe for democracy. Then we sank back into what we thought would be a period of comfortable "normalcy". We talked of an unending era of an easy peace and abundance. Virtually all the nations of the world solemnly outlawed war. So sure were we that the world had indeed been made safe for democracy that the democratic nations disarmed. The few men of vision, like Churchill, who warned of the gathering storm went unheeded.

The new era of prosperity collapsed with a suddenness and a completeness that few foresaw. Mr. Hoover complained, not without justification, that the Jeremiahs, the prophets of disaster, only appeared after the event. We were as bewildered by the causes of this greatest of all depressions as we were undecided what to do about it. The watchword of that day was "balance the budget and restore confidence", an empty and since exploded concept if ever there was one. When Hitler plunged the world into another vast conflict we were still a divided nation, preponderantly believing, or at least hoping, that we could again stand aside and

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have business as usual at home while most of the rest of the world fought to the finish. We had not even then learned how to conquer the problem of unemployment, how to distribute the abundance that our industrial, technological, as well as agricultural, skills could produce. There were some 10 millions seeking work while we were still at peace. Men spoke of the paradox of poverty in the midst of plenty. And today's paradox is that huge defense expenditures appear the only cure for mass unemployment and industrial stagnation.

Reasons for Our Failures

The common fault and cause of these failures of the past lies not in our democratic institutions, not in our ability to produce and distribute goods, but in our thinking. The failure is not due, as yet, to insufficient material resources or to any lack of scientific and inventive genius in the world; it is due to our inability to deal with the basic causes of political and social upheavals abroad that lead to war, in which we inevitably become involved, and to our failures at home to find any answer, except war or preparation for war, to the problem of distributing our abundance which is so coveted by the communist world. It is easy to blame our democratic, political institutions but I venture to say the trouble lies not so much with these institutions as in our failure to adapt these institutions to the needs of the modern world. Our economic thinking has not kept pace with material and scientific progress. Our thinking about world problems still seems to me to be too unrealistic. We are too prodigal in diverting our human and material resources to military preparations for war and defense, and too conservative about using them to alleviate human misery on which communism and aggression both feed. After World War II, as after World War I, the democratic nations were in a position to establish the foundations for a durable peace and they have failed miserably to do so. The paradoxes to which I have referred are paradoxes only because we have not been able to think and then act intelligently in the light of experience and the cold facts of realities in the world today.

All I can say is that we won't solve them wisely unless we think about them more realistically than we have during the past few decades. Some years ago I was asked whether I did not believe that public officials should have more time to think, and in reply I said:

> "I have known a good many men who think they think but who, for the most part, are merely echoing opinions or prejudices they have heard over the luncheon table or with which they have grown up. Or they parrot the customary talk of the trade or occupation they happen to be in.
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> "In Government particularly those in positions of great responsibility ought to have a comprehensive understanding not merely of their own department or specialty, but of the entire economic and political scene at home and abroad if they are to make intelligent policy decisions. Few men in public life have anything like a global view of affairs.

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"It is not enough just to organize one's time in order to be free to think. You have to know how to think, how to assemble and relate facts, which are so often elusive. And then if the thinking is to amount to anything, there must be character and courage, the willingness to make decisions and to make enemies, and to face inevitable opposition."

There is a growing cynicism in the world today, expecially among the young people - cynicism resulting from the human failures which have lead to the tragic conditions existing throughout the world. I noted in a recent New York Times book review the comment that some contemporary authors contend that "life has no discernible direction or purpose, that ideals are illusions, that common values have disappeared, and that a sensitive person is bound to be destroyed or corrupted in a modern society in which common values have disappeared". Having frankly admitted that our generation has made many mistakes, I still say from my own personal experience that life has both discernible direction and purpose, that ideals are not illusions, that common values have not disappeared, and that a sensitive person need not be destroyed or corrupted by modern society. Those of us who view the present and future with cynicism must strive to regain a proper perspective. We must not let the events of the moment obscure the illustrious record of the progress of civilization. We must not, as Tennyson once wrote, let "the hills of time shut out the mountains of eternity".

Notwithstanding our mistakes our nation has flourished and our free enterprise system of democracy has provided us with by far the highest standard of living of any nation on earth. Unlike some countries that I could name, where the rich have been getting richer and the poor have been poorer, our own development during the past two decades has been just the opposite. We have gone far toward bringing about a more equitable distribution, than was the case 20 years ago, of the goods and services which we as a nation can produce. In 1929 the highest 5 per cent of all income recipients obtained 34 per cent of the total national income, while, at the present time, they receive but 18 per cent of the total. Meanwhile the share of total income received by those in the lower income classes has increased proportionately. This means that we have in the years since 1929, accomplished one of the great social revolutions of history, a revolution that has developed gradually and has been, and will continue to be of great benefit to our entire nation.

The fact that such a redistribution of income has been effected without social unrest and upheaval or dislocation of our productive activities is in itself an eloquent testimonial to our economic, social, and political institutions.

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Failures of Democratic Capitalism Abroad

While recognizing and paying tribute to the advantages of our type of society, we must not lose sight of its shortcomings and failures, particularly in its relationship to other nations of the world. We have talked loudly in foreign capitals about the advantages of democratic capitalism, but we have failed to convince our foreign listeners by our action. Take, for example, the serious situation in Iran, which could touch off another world war. An authority, commenting upon this situation, recently said:

> "Unfortunately, as things balance up for the Iranians, the possible economic consequences of their actions do not weigh very heavily. They do not feel they have much to lose. This is the West's great failure. Once-proud Persia is a poor, backward, stagnant, feudal land, haphazardly governed by a few rich families. Here resentments, deep and bitter, are compounded by religious antagonism. They lead, inevitably, to a rabid nationalist sentiment, subscribed to alike by the political right and left. Iran is a classic example of the colonial area which capitalism has left rotten ripe for communism. The British and ourselves have talked a lot about helping to improve the lot of the average Iranian. Talk is about as far as it has gone."

In Iran, China, Korea, Indo-China and elsewhere we and the other countries of the Western World have failed singularly to provide the tangible benefits of democratic capitalism that would have averted the spread of communism. Instead, we have given our blessing and backing to reactionary governments that lack the confidence and support of the people. We have failed to realize that a large part of the world is in a state of economic revolution which we view as communist inspired and try to buy off with dollars or settle through war. We must recognize that the communists can only exploit the conditions that will continue to exist unless we ourselves, in our foreign policy, deal with the underlying causes of world-wide revolution. As Supreme Court Justice Douglas has said:

> "American foreign policy never has been addressed to the conditions under which these revolutions flourish. We send technical experts to help in seed selection, soil conservation, malaria controls and the like. But we never raise our voices for reforms of the vicious tenancy system . . . . . under which increased production works to the benefit of a few. We talk about democracy and justice, and at the same time we support regimes in those countries whose object is to keep both democracy and justice out of reach of the peasants for all time."

Democratic capitalism, if it is to survive, must hold its own against communism, by works rather than by words, in the undeveloped backward areas of the world. Talking alone will not win many converts to the democratic cause - only by bringing them the tangible benefits

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of increased agricultural and industrial production, more efficient methods of distribution, and greater equality of income can we expect the underprivileged masses of the world to forsake the glittering but never fulfilled promises of communism. Those who complain that the cost of such a program would be exorbitant must remember that we never hesitate to spend for war or defense whatever may be necessary, but we become relatively tight-fisted in our civilian expenditures for maintaining the peace of the world. This country alone spent over 400 billion dollars to win World War II, and is now embarked on a defense program that will cost 50 to 60 billion dollars a year for an indefinite period of time. Yet, wars never solve any of the world's problems, but only accentuate them. Will the world never learn, before it is too late, to use the resources that are wasted on war or defense against war for the benefit of the people of the world in an effort to eradicate the basic causes of war and the need for defense?

In addition to finding ways and means for sharing the material benefits as well as the ideals of democracy with the other nations of the world, we must face up to what is perhaps the most fundamental problem of all - over-population. As biologist, Julian Huxley, has said "human population is probably the greatest problem of our time . . . we need a positive population policy for the world as a whole and for each of the nations in it. Such a population policy will be in the highest degree moral, in stressing the wickedness of allowing future generations to be born in increasing misery and permitting the entire race to suffer genetic degeneration."

We cannot hope to improve the lot of the common man in China, India or any of the other over-crowded and under-developed nations of the world if the only check on the number of their inhabitants is the availability of food. Even Japan and Italy, despite their intensive agricultural and industrial development, could fall prey to communist penetration and eventual domination if the pressure of their expanding populations on their limited resources are permitted to result in continued deterioration of the standard of living of their people. The existence of large masses of people subsisting at starvation levels is an open invitation to revolution and communism, since most people will try to fight their way out of a bad situation before they will willingly starve to death. Such improvements in the standard of living as the democratic system of production and distribution of the western world might provide, would, in the absence of a positive population policy, quickly be dissipated among the rapidly increasing numbers of people. Even in our own country we may well be facing in time a serious problem of over-population if our present rate of population growth continues. At that rate the United States alone would have, within 150 years, more people than the present population of the entire earth.

The two basic causes of world conflict - rapidly growing population and consequent inadequacy of the means of production and distribution necessary to feed and clothe such numbers of people - must be dealt with realistically in many areas of the earth if peace is to be established and

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maintained. Misguided idealism must not be allowed to obscure the need for hard-headed realism in dealing with the basic causes of war. While we have adapted the laws of nature to serve our own ends in the realm of the physical sciences, we have chosen to ignore or neglect such adaptation in the social sciences. It has been said: "We live in a Universe which stands for no nonsense from anyone and which orders us to play not the fool but the man in solving our problems."

How Do We Avoid a Third World War?

Some of you may recall my statement from two years ago that "it has seemed with increasing clarity to me that the best way to avoid ultimate war, the best hope of peace in our time, is to confront the Soviets with the decisions which will lay the foundations and the conditions of lasting peace while we have the strength to do so."

By now it has become fairly obvious that we did procrastinate and did postpone getting a satisfactory settlement with Russia while we had the opportunity, a settlement that would have brought about a condition of peace in the world. Instead of enforcing the conditions of peace when we had the military strength through our monopoly of the atomic bomb to do so, we have until only recently allowed our own strength to decline while that of Russia and her satellites has grown.

Since we failed in the past to remedy the basic causes of world conflict, or to enforce the conditions of peace, we find ourselves today confronted with an immediate and pressing need for providing more adequate national defense in an effort to forestall the outbreak of another world war. However, we must recognize the fact that our defense preparedness program is at best a temporary and transitional solution - a means of deterring war while we strive for achievement of a more permanent solution of the fundamental problems that lead to war. Another global war would mean total war with atomic and all other weapons of destruction, and likely could not be won by anyone; on the contrary, it might well lead to the destruction of civilization itself. I believe that the people of the world, including the Russian masses, are against war, because modern war places every man, woman, and child in the front line of battle, exposing them to suffering and hardship beyond the limits of human endurance. Warfare today has obliterated the meaning of space and time - land distances and ocean barriers no longer afford protection; the whole earth has been encompassed into a relatively small neighborhood. We must not, therefore, allow ourselves to think of war as inevitable, for, to quote from a recent editorial, "out of another war would come such an abomination of destruction and annihilation, such a desolate aftermath of woe and upheaval, such sorrow and revulsion everywhere that the only happy people would be the dead people."

We must be resolute in our determination to prevent war; we must design and carry out a defense preparedness and foreign aid program which will deter the Russian leaders from starting a third World War. In doing so we must choose our strategy and weapons of defense carefully with an eye upon their cost as well as their effectiveness, in order that we do

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not destroy the very system our program is designed to protect. This can happen by permitting further deterioration in the purchasing power of the dollar and weakening our defenses by squandering our resources of manpower and materials.

This means a program which we are able and willing to pay for currently, since it must be sustainable for an indefinite period of time. The Kremlin's hope, of course, is that through our failure to control inflation we will accomplish the destruction of our own economic and political system and make the communist conquest of the United States both cheap and easy, just as inflation paved the way for Hitler's rise to power in Germany. From a political standpoint, inflation that leads to economic bankruptcy is the most powerful instrument of communist infiltration.

In order to utilize our resources of manpower and material most effectively we should rely primarily upon overwhelming control of the air and the sea for the purpose of deterring communist aggression, and we should conserve our manpower for use where it is most effective - in our production lines. We cannot afford to become further embroiled with land armies on the continent of Europe or Asia. We should recognize the facts that our unrivalled productive capacity is our strongest line of defense, that our ability to produce is largely determined by our available manpower, and that our country is the arsenal and keystone of the free nations of the world.

Conclusion

I have sought to pose the great, the inescapable problems, as I see them, which are a challenge to our best thought and our character as a nation today. We can defeat ourselves by cynicism, by faintheartedness, and by failure to think clearly and boldly. We can succeed if we will have the courage, the character, the unconquerable spirit and the vision which inspired the forefathers of our nation. Your forebears who came to these mountains and valleys in their covered wagons and created from the desert wastelands this fertile and prosperous State did not waver in the face of danger and difficulty. In the founding of their nation and the extension of its frontiers, our people overcame obstacles which loomed quite as large then as those with which we are confronted now. We would do well today to remember what St. Paul said to the Romans:

> "We glory in tribulations; knowing that tribulation worketh patience; and patience, experience; and experience, hope." (Romans 5: 3-4)

The great playwright, Robert Sherwood, in commenting on this quotation, had this to say:

> "After the outbreak of the Second World War - after the Nazis invaded Poland and the Red Army invaded Finland - I quoted those words of St. Paul's and Alfred Lunt spoke them in the play, 'There Shall Be No Night.' Those were

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times of tribulation indeed, and far worse tribulations were soon to come, and those words were given supreme tests. But there were men of faith - men who could say, 'I have nothing to offer but blood, toil, tears and sweat,' or 'The only thing we have to fear is fear itself' - and this patience bred experience, and experience bred hope and eventual victory.

"Again we are in times of ((great) tribulation.

"We should do well to remember that St. Paul's words of eternal reassurance are still available to men and women of ((vision and) faith."

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