

THE WORLD THIS WEEK

Furor Over "The Brink of War" Is Prelude to Battle

Russians Are Dead Serious on Overtaking U.S. Production

By TOM WHITNEY
Associated Press Foreign Staff Writer

THE essential fact emerging from study of the new Soviet five-year plan is that the Kremlin is throwing everything into its giant effort to overtake the industrial-military might of the United States before 1970.

The Soviet leadership's record of fulfillment of all major goals for heavy industry in the last five-year plan indicates the Communists have learned how to plan effectively for industrial development—as distinct from agriculture, where their record is poor.

And this poses a major question for U.S. policy makers: Is the United States to permit the U.S.S.R. to get within striking position of world economic leadership, now held with a substantial margin by the United States? And what will happen if this does take place?

The United States is by no means standing still in economic development, of course. The last decade has seen enormous progress in the entire American economy. Additions to productive capacity planned for the coming years by American industrial leaders seem to insure a continued rapid rate of growth.

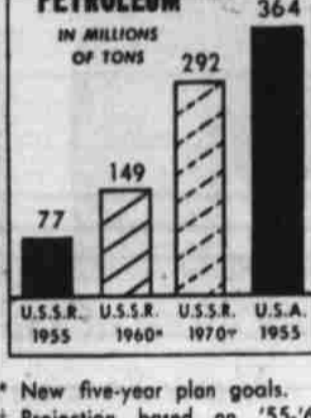
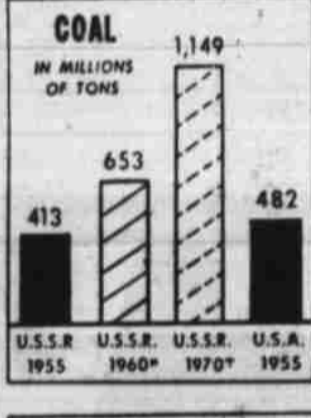
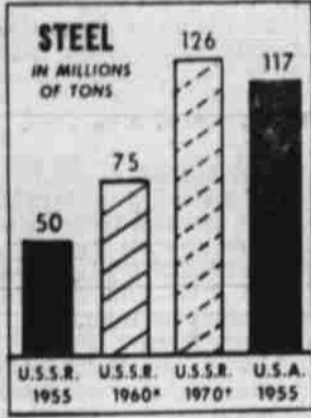
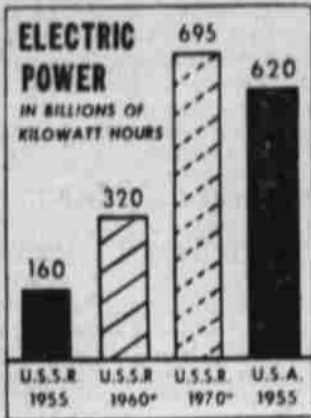
No Room for Complacency
But Soviet industrial progress has been pyramiding at so rapid a rate that the race between these two powers can hardly be viewed with complacency in the United States.

A major depression in the United States, for example, could result in the Soviet Union's overtaking the United States. Most American officials and economists feel that this is extremely unlikely. But even a recession of a few years' duration could enable the U.S.S.R. to narrow appreciably the gap between them—a gap which has appeared to many Westerners to be the world's main hope of continued peace in the remainder of this century.

The charts on the right summarize the relative positions of the two nations in four vital fields. The 1960 Russian figures are the targets of the new five-year plan. The 1970 figures are projections reached by assuming that during the decade between 1960 and 1970 the Soviet Union will maintain the annual rate of increase planned for the 1955-60 period. Actually, the Russians have been increasing regularly their rates of expansion in basic industry.

Not shown on the charts is the expected natural growth of American production. An interesting though not surprising fact which emerges from study of the new Soviet five-year plan is that again the Soviet consumer will have to take a back seat in economic plans.

Emphasis on Industry
This means that the average Russian whose living standard is still little higher than it was in 1928—before the inauguration of the five-year plans and collectivization of farming—will get



* New five-year plan goals. Projection based on '55-'60 rate of increase.

relatively minor benefits while the Soviet state continues to increase its industrial productive capacity and its ability to wage modern war. Furthermore the record of previous economic plans shows that if economic strains develop as a result of the tremendous capital invest-

ments of the coming five years—quite likely they will—then it is the living standards sector of the economy which will be expected by the Communist leaders to make again the necessary sacrifice.

The new five-year plan's postponement once more of a rise in low Soviet living standards brings up a vital question: If the enormous Soviet industrial might is not to be used primarily for raising Soviet living standards, just what will it be used for?

Three Channels
In any modern economy such as that of the Soviet Union or the United States there are three general channels of consumption of national output: (1) by the population for its needs; (2) by the state for defense or ultimately war; and (3) by the state or private enterprises (depending on the type of economy) for capital investment.

Of these three channels of consumption the third—capital investment—represents in effect only deferred consumption of the other two types, since it represents goods used to produce other goods. Thus there are in effect only two ultimate types of consumption—by the population for its needs and by the state for defense or war.

The U.S. economy presents no particular problem to the world because rises in production are generally accompanied by rises in popular consumption. Despite current high defense expenditures, it is not "war-oriented."

The Soviet Union, on the other hand, has been consistently carrying out a policy of raising its popular consumption and living standards at much less rapid rates than its over-all output.

So long as such a Soviet policy is continued it inevitably suggests that it is the second channel of consumption—by the state for defense—which is absorbing in one and another fashion the bulk of the increased output.

This suggests that the Soviet Communist party slogan of "heavy industry first" is in fact a phrase which in reality means "preparation for war."

And this in turn leads one to ask other questions: 1. Just how long does the Soviet government intend to carry out this kind of a policy and what does it ultimately portend for the rest of the world? 2. Just how does the rest of the world, and in particular the only power which is in a position to do anything about it—the United States—intend to meet this problem?

Business Bets Billions on Prosperity



TWO BUSINESS GIANTS, Benjamin Fairless (left), spokesman for steel manufacturers, and General Motors President Harlow Curtice (right) revealed this week in separate statements heavy industry's confidence in a continued boom. Curtice announced GM plans to spend one billion dollars on expansion this year; Fairless reported that the steel industry plans to spend three billion on increased production capacity during the next three years.

Boom Gives Lift to Budget

Balance Achieved

For the first time since he entered the White House, President Eisenhower this week realized an aim toward which he has eagerly worked ever since 1952. He sent the Congress a balanced budget.

Eisenhower estimated federal spending during fiscal 1957, which begins next July 1, at \$65,900,000,000. Federal receipts are expected to be 400 million higher than that figure.

Attainment of the long-sought goal of a balanced budget came

in the end not only through cutting back government spending, but because of the current wave of prosperity. The President estimated that tax receipts, swollen by prosperity, would provide a budget surplus even though planned spending in fiscal 1957 will be more than 1 1/2 billion dollars higher than in fiscal '56.

Current Surplus
The White House also happily reported that revised estimates of expected tax receipts indicated there would be a small budget surplus during the cur-

rent fiscal year, now half complete. Principal credit for this turn of events can be ascribed to the record-breaking business boom, which has seen tax collections rise in ratio to climbing profits.

Indications that businessmen are banking on a continuation of this prosperity came during the week in New York City. Harlow Curtice, president of General Motors, predicted that public confidence inspired by the Eisenhower administration will carry the nation's economy in 1956 to the highest level in history. He revealed that GM has earmarked a record one billion dollars for capital expenditures this year. Benjamin Fairless, president of the American Iron and Steel Institute, announced the same day that the steel producers of America intend to increase their production capacity by the record-breaking rate of five million tons annually during the next three years. The price tag: three billion dollars.

Tax Cut Delayed
In his budget message, President Eisenhower stressed that the surplus margin will be "slim" in both fiscal '56 and '57. He did not advocate a tax cut, proposing to use the surpluses on reduction of the national debt.

Secretary of the Treasury George Humphrey, however, admitted to reporters that the Treasury's forecast of future tax receipts may be "unduly conservative." If such later turns out to be the case, the administration still might recommend a tax cut before Congress adjourns in the summer.

As in the recent past, the new budget was dominated by the Cold War. Defense and other expenditures for protection—such as atomic energy and foreign aid—took up two-thirds of the spending. In this category, the President called for an increase of nearly one billion dollars in spending to strengthen the defenses of the United States and its allies.

Other increases were recommended in the field of domestic economic and social welfare programs to sustain what the President called the nation's "unprecedented prosperity" and to spread its benefits more widely throughout the country.

ROADS: Another Proposal

User Tax

A new plan for building a proposed 40,000-mile system of interstate superhighways across the nation was advanced this week.

The Committee for Economic Development, a nonprofit organization of businessmen whose research studies have been used in the past in the formulation of legislation, suggested in Washington that the roads be built over the next 20 years and financed in large part by adding a penny a gallon to the federal gasoline tax.

H. C. Turner Jr., chairman of the subcommittee which drafted the report, described the CED highway plan as "somewhere between Clay and Gore."

He referred to rival roadbuilding plans debated inconclusively by Congress last year, one backed by Gen. Lucius D. Clay, head of President Eisenhower's highway committee, and the other by Sen. Gore (D-Tenn.), chairman of the Senate Public Road Subcommittee. The Clay plan envisaged a 30-year program with the government footing most of the bill in a 27 billion dollar project. The

Quote

Secretary of State Dulles, in summing up his position on American foreign policy: "I have devoted my whole life to the pursuit of a just and durable peace. I believe, however, that there are basic moral values and vital interests, for which we stand, and that the surest way to avoid war is to let it be known in advance that we are prepared to defend these principles, if need be by life itself."

Foreign Aid Plans Stir Real Trouble

By J. M. ROBERTS

Associated Press News Analyst

SECRETARY DULLES wandered out of a furor this week and promptly marched into a fight.

The furor was over some quotations in a *Life* magazine article which some people interpreted as meaning the United States had gone to the brink of war three times, succeeding each time in getting the enemy to back down just in time.

The fight was over a long-term foreign aid program. The words behind the furor were:

"You have to take chances for peace, just as you must take chances in war. Some say that we were brought to the verge of war. Of course we were brought to the verge of war. The ability to get to the verge without getting into war is the necessary art. If you cannot master it, you inevitably get into war. If you try to run away from it, if you are scared to go to the brink, you are lost. We've had to look at it square in the face—on the question of enlarging the Korean war, on the question of getting into the Indochina war, on the question of Formosa. We walked to the brink and we looked it in the face. We took strong action."

Not Exact
The secretary indicated that the quote was substantially correct, but something less than exact as to wording. He said he would never have referred to the "necessary art," and that interpreters should emphasize the word "brought" rather than the inference that the United States

had been taking voluntary chances.

What it mostly boiled down to was that Dulles' critics had snapped him up on some technicalities of language, whereas policy itself had actually been based on a long-established and generally accepted thesis that strength, with constant reminders to the aggressor nations that it will be used when they push too hard, is America's best war deterrent.

The incident came early in a year of intense domestic political activity. Perhaps it served to remind the secretary that, since broad general foreign policy is accepted by both parties, it is the little asides, the generalizations, the small words that need not necessarily be said at all, which will give his critics their targets.

Trouble Ahead

The foreign aid fight was real and promised to be earnest.

Dulles said he believed the administration could convince Congress eventually that this country must be in a position to encourage underdeveloped countries to undertake long-term boot-strap operations with the assurance of long-term aid. This is to meet renewed Russian efforts to inauspicious Soviet influence into immature economic systems and so gain a political hold upon them.

This adds an additional complication to the customary fight by those who don't believe in foreign aid at all, believe in less foreign aid, or believe in it only for those countries who are definitely committed to the West in the Cold War.

It is traditional that Congress does not like to try to commit future Congresses. It was one of the big difficulties the Marshall plan had to hurdle.

Regardless of the Dulles belief that Congress will go along when the need has been thoroughly explained, the proposal both for the long-term aspect, and the increased appropriation asked faced a rocky legislative road.

Leaders Opposed

Sen. George, chairman of the Foreign Relations Committee, was against it, and so was Sen. Knowland, whose job it is to line up as much strength as he can behind administration proposals.

The long-term proposal is, primarily, a propaganda weapon, inasmuch as it merely would give congressional approval for what the administration already has most if not all of the authority needed.

Despite the difficulties facing the proposal, help for it has come from the usual quarter. Just before Dulles and Undersecretary Hoover urged their views on Congress, the Russians announced a program of economic penetration into Latin America.

As so often remarked before in this column, when the Russians have committed some overt act just at the right time to stiffen some weakening American or Allied policy, "The Russians have done it again."

Housing

Quick Change

After a clampdown of barely over six months, the government acted this week to loosen Federal Housing Administration and Veterans Administration mortgage rules.

Last July the repayment period on loans insured by either of the two agencies were cut from a maximum of 30 years to a maximum of 25. This week, the action was cancelled and 30-year mortgages—which make possible slightly lower monthly mortgage payments—can again be insured by both the FHA and the VA.

A joint announcement by the agencies said last summer's action ending 30-year loan guarantees was aimed at avoiding over-extension of credit and at helping to protect home buyers against inflationary price increases.

The announcement added: "The reduced volume of home building has reduced the hazard of over-extension of credit to the point where the 30-year maximum maturity again may be permitted."

Numerous builders have protested that the tighter mortgage rules have interfered with the housing market and are responsible for a sharp cut in home starts.

The relaxation will be applicable on all VA-guaranteed loans not closed by Jan. 17, and on all FHA-guaranteed loans not insured by that time.

Dates

Thursday, Jan. 26

Speech by Gov. Smylie of Idaho on GOP "Pulse of the Nation" Forum, New York City.

Saturday, Jan. 28

Convention of the American Academy of Orthopedic Surgeons, Chicago.

Monday, Jan. 30

Prime Minister Anthony Eden arrives in Washington to begin talks with President Eisenhower.

Pushbuttons

Behind a screen of security secrecy, more data on increased use of pushbuttons in possible future wars are emerging from military circles in Washington.

One of the latest devices to be announced is SAGE. The Pentagon describes the device as a "quantum jump"—a major advance in effectiveness. It is a device to operate manned warplanes from the ground.

When it was previewed for the press SAGE was described as an important factor in the attempt to permit defense measures to catch up in speed and power with the offense.

Combined with previous announcements of plans for air to air atomic weapons and long-range missiles, the semiautomatic pilots were an impressive addition to U.S. military effectiveness.

Rioters Aiming at British Organizer

Report from Jordan

Twenty years ago a diminutive British officer named John Bagot Glubb came to the deserts of Jordan. Speaking Arabic like a native, wearing Arab dress, riding a camel, he coaxed the rough-and-ready Bedouins into a disciplined army called the Arab Legion—man-for-man the best fighting force in the Middle East.

Now chief of the general staff of this crack army, he is called by his enemies "The Uncrowned King of Jordan."

Writing from Cairo, Egypt—after a trip to riot-torn Jordan where censorship has been in effect—Associated Press Correspondent Wilton Wynn this week described Glubb as the No. 1 target of the anti-Western elements who spearheaded violent riots in almost every town in Jordan last week.

Order has been restored through most of the country and a week-long curfew lifted in the chief cities. Restive elements temporarily called off their demonstrations after achieving their first political objective, a government promise that Jordan would not sign the Western-sponsored Baghdad Pact.

But victory-flushed opposition leaders from left to right warned that their next objective was to put the nation's army under Arab control. According to Correspondent Wynn, that means they intend that Glubb must go. Leaders of the opposition to the government of Western-backed King Hussein told Wynn that a new wave of trouble can be expected if the army is not "Arabized."



Lt. Gen. Glubb, British chief of the famed Arab Legion

The Arab Legion is financed by British subsidy of nearly \$22,000,000 annually. Jordanese The most popular method so

far suggested for accomplishing the first purpose is to have neighboring Arab states—Saudi Arabia, Egypt and Syria—pay the subsidy now coming from the British. Reports from Damascus say the three states already have made such an offer to the Jordan government.

Wynn reported the opposition leaders predicted that the government will reject the Arab offer. They added that if this infret occurs, blood will again flow in the streets.

Britain has tried to remedy the Jordan problem by offering membership in the Baghdad Pact, promising economic aid and a greatly expanded Arab Legion. One opposition leader retorted that "expanding the Arab Legion only means expanding the power of Glubb to imprison us all."

In the past, although Jordanese governments have come and gone, Glubb's Arab Legion has provided stability and tranquility for Jordan's half a million inhabitants. After the Arab-Israeli war, however, the situation changed. Jordan annexed much of Arab Palestine and inherited nearly a million urban or agricultural Palestinians, half of them homeless refugees blaming the West and Glubb—for their fate.

Relatively well-educated and politically volatile, these people were the "ainsprings of mobs which recently attacked 'symbols of the West' all over Jordan.

Sidelights

When 13-year-old Karen Smith of Ogden, Utah, broke her foot this week she wasn't surprised. In 1948 she fell from a horse and broke an elbow, in 1950 she slipped on ice and broke a wrist, in 1952 she broke a foot in gym class, in 1954 she cracked a bone in her back. This year it was a foot again, broken when she twisted too far in ballet class. With a record of an accident every other year since 1948, Karen gloomily reported, "I'm not looking forward to 1958."

Jack Burgess and Richard Lilya of Tower, Minn., were skimming over the snow-covered ice on Putnam Lake this week playfully chasing a pair of timber wolves. Suddenly, one of the wolves took a mighty leap at its tormentor. The animal hit a ski as the plane whipped by and the craft piled up in the snow, completely wrecked. Although marooned for several hours, Burgess and Lilya were uninjured. They figure they have the distinction of being the first persons ever to see a wolf score a kill on an airplane.



HOW NOT TO REDUCE