

# Economy Growth Topic of Great Decisions

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## Question Raised In Discussions On Inflation, Budget

(Editor's note: This is the sixth Great Decisions topic in the current series. Today's topic is "World Economic Revolution: What U.S. Policy?")

How fast should the U.S. economy grow? This question is continually raised in discussions about such diverse problems as inflation, unemployment, national budget, foreign aid and competition with the Soviet Union. Many officials and economists alike consider it the key problem America faces in today's competitive world situation.

Attention centers on the rate of America's growth for three principal reasons:

First, in what one economist characterizes as our "affluent society," unemployment still poses a serious roadblock to full utilization of manpower. It is also a cause for personal hardship. Inflation remains a danger. And public services like education, housing and transportation have suffered neglect in the midst of plenty, in the view of many experts.

Second, the contrast in the rate of economic growth between the United States and Communist countries like the U.S.S.R. and Red China alarms government officials and businessmen. The boast of Russia's Nikita S. Khrushchev that the Soviet Union will outproduce America on a per capita basis by 1972 may in fact be possible, some economists believe, unless our own rate of growth is stepped up.

Communist economic strides also account in part for the third concern about America's economic capacity: the communist bloc's international trade and aid offensive is in direct competition with Western trade and aid.

Most experts are sure that Communist competition will continue to mount in the Afro-Asian lands and Latin America. The Soviet agreement in early February to supply economic aid and arms to the new Iraq government is only the most recent evidence of this.

In past decisions about U.S. foreign aid Congress and the administration faced two problems—the overall level of spending, and whether more or less emphasis should be placed on military or on economic assistance.

**Crucial Issue**  
Now, however, the crucial issue which is emerging is whether we can sustain foreign economic aid at a level which will deal effectively with the needs of (and U.S. stakes in) the underdeveloped nations of the world.

Some problems of the U.S. mutual security program will be explored in a published preliminary report of a Presidential committee on foreign aid, headed by William H. Draper Jr. Whether the United States can meet the needs of its own growing population, while fostering adequate economic growth in the underdeveloped areas, will be a key issue in the President's proposed legislation for foreign aid, soon to be submitted to Congress.

**Economic War?**  
Even if all-out war is avoided in the East-West conflict, there is every evidence that the Communist powers will

relentlessly continue to compete economically with the West.

In such "economic warfare" Russia and other Communist nations hope not only to raise their productivity and living standards at home, but also to lead the underdeveloped non-Communist nations to find in communism a rapid route to economic growth.

Is the West (including industrialized Japan) prepared to meet this kind of competition? Some recent trends are encouraging—such as the beginning of a common market in Western Europe, other regional trade pacts to reduce tariffs, and the growing consciousness in this country that our productivity must be raised.

### Industrial History

The U.S. economy, with a longer industrial history than the Soviet Union, has been growing at an average of about 3 per cent a year over the past decade. It has dropped to an average rate of about 1.3 per cent, however, over the last six years.

Today, in contrast, the growth rate of the Soviet economy is more than twice that of the U.S. 10-year average, and is expected to increase to above 8 per cent annually under the 7-year economic plan recently unveiled in Moscow.

Experts point to other differences in the two economies. America's is geared far more to consumer production than that of Russia. And the Soviet economy is currently ploughing back a greater share of investment into capital goods industries and defense production.

But officials and economists agree that a generation hence the combined economic power of the Communist orbit can conceivably outstrip that of the present industrialized states.

The new common market in Europe, however, may make a difference in these calculations. On Jan. 1 the six nations of Western Europe—France, West Germany, Italy and the Low Countries—agreed reciprocally to reduce their tariffs by 10 per cent and to increase their import quotas.

Experts predict that, with success, this new experiment may lead to the evolution in Europe of an economic complex equal to that of either the U.S.S.R. or the United States, with extensive resources and mass markets.

Aside from the political implications of such a development (which may lead to greater political unity in Europe) what is most important is the added strength such a move can bring to the West.

The new trading arrangements will create some trade problems both for American and British firms, since neither the United States nor the United Kingdom is at present committed to the West European common market arrangements. Nor have the common market countries resolved all their differences, either among themselves or with the other nations of Western Europe.

**Present Policies**  
Moreover, critics of present Western economic policies point out that even Europe's new move toward economic integration may not be sufficient to counter the Communist threat. Various leaders who have been involved in NATO feel that what the North Atlantic powers need most is wider economic cooperation and full political and economic coordination to back up mutual defense efforts.

Viscount Montgomery for one, recently retired from active service with NATO, urges a top-level planning

agency, with power similar to that of the Anglo-American combined chiefs of staff during World War II, to coordinate political, military and economic policies of the West.

More recently, Democratic Senator Hubert H. Humphrey, among others in both political parties, urged a program of global economic planning to meet the Communist economic challenge. Humphrey, for his part, favors five to seven-year development programs for various underdeveloped areas, planning for a minimum growth rate of 5 per cent a year in the United States economy, increased federal aid to education, and a long-range food and medical program to help new nations.

### Role of 'Third World'

The role of the underdeveloped nations in today's economic revolution is widely recognized as crucial in the East-West cold war.

Because of fast growing populations, postwar economic developments in such different nations as Indonesia, India, those of the Middle East and Latin America have barely kept pace with minimum human needs.

One noted economist has suggested that Western aid, to be effective in raising living standards and creating conditions for adequate economic growth in such areas, may take far vaster sums than anything now contemplated.

This economist points to the experience of Britain in the 19th century when it exported an average of 7 per cent of its national income for development abroad, including the development of the United States. For the United States to match this ratio today would require an investment of two whole Marshall Plans every year.

In round figures the Marshall Plan cost America about \$13,000,000,000 from 1948-1951. The President's budget this year proposes about \$2,300,000,000 be spent on foreign economic aid, mainly to underdeveloped areas.

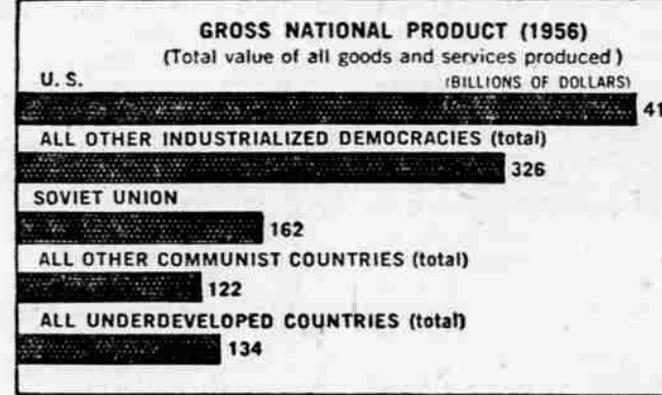
Once economic growth is underway, in underdeveloped lands, their continued prosperity, like that of industrialized nations, must be supported by higher levels of trade. Raising two-way trade in the more distant future throughout the free world, however, depends on immediate measures which will (1) step up growth rates in the industrialized nations and (2) provide these nations with the capital to assist economic growth elsewhere.

Many observers, as well as the latest economic report of the President, suggest that in the year ahead the United States economy will spurt forward to a higher growth rate in the wake of last year's recession. More and more economists, and studies like the Rockefeller reports on U.S. economic policies, insist that a growth rate of 5 per cent should be achieved, not as a goal for one year, but for an indefinite future period.

### Conscious Effort

None of these objectives can be achieved without conscious effort—at private as well as governmental levels. At issue are not only the cold figures of growth rates, but also some of the underlying values of our consumer-oriented economy. Political leaders, educators and economists, in increasing numbers, feel that the United States needs less emphasis on "tail fins" and a keener awareness of the nation's stake in worldwide economic growth and the cold war.

## PRODUCTION AND HOW IT IS USED Selected countries



## Economic 'Warfare' Favored by Great Decisions Groups

Corvallis—Economic "warfare" against the Communist world—rather than military alliances—drew favor from Oregon Great Decisions groups balloting recently on the foreign policy issue, "Will Alliances Keep The Peace?" Opinion ballots from 20 Oregon counties were tabulated by Oregon State college extension service, indicating strong preference to expand trade and economic growth throughout the non-Communist world. The Great Decisions program of local discussions of foreign policy issues will continue through March. Opinion was almost unanimous that cold war, in one form or another, will probably continue for some time.

There was also agreement that conflicts in interests among non-Communist nations will be difficult to overcome.

**'Third World'**  
Underdeveloped countries of the non-Communist world—the so-called "third world"—have been plagued with political instability in recent years. This, coupled with fast-growing populations and poverty, has set them up as focal points for some of the toughest battles of the cold war.

A majority of Oregon voters felt that Communist influence in the world could not be "contained" by a system of military alliances and favored continued negotiation on cold war issues. About 75 per cent of the vote favored other non-Communist nations' right to independent and eventual cold war foreign policies.

## Lovett Smith Gets Promotion With SP

Portland—Lovett R. Smith Jr., superintendent of the Portland division of Southern Pacific company, has been promoted to assistant general manager of SP lines in Texas and Louisiana with headquarters in Houston, Tex., the company has announced.

Smith was a frequent visitor and well-known in the Medford area. He was appointed superintendent of the Portland division in 1955. He will be succeeded by Alden W. Kilborn, a native of Dunsuir, Calif., who is now superintendent of the Tucson, Ariz., division.

### Closer Coordination

Closer coordination of economic policies. This would combat the long-held Communist doctrine that the "capitalist-imperialist" powers of the West will inevitably clash as their political and economic interests come into conflict. Second place called for bolder policies to help solve economic and social problems in the underdeveloped world. Favored policy in relation to the non-Communist world called for less emphasis on building the military capacities of underdeveloped allies and more on their economic and social development.

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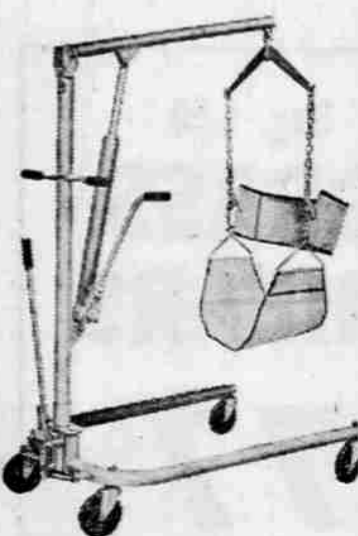
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