

Early in this year the Director of the Institute, Mr. C. D. Kemp, left Australia on a business visit to the United Kingdom, the United States and Canada. This article records some of his impressions of the American scene. In the next issue of "Review" it is intended to publish Mr. Kemp's views of the political and economic position in the United Kingdom.

AMERICA TODAY

I LEFT Australia in February this year and returned in August. I thus had in all about six months abroad, three of which I spent in the United Kingdom. I had five weeks in North America—four in the United States and one in Canada.

I saw little of the American giant. My visit was mostly confined to the north-eastern corner and the cities of New York, Boston, Washington and Chicago. My week in Canada was about equally divided between Toronto, Ottawa and Montreal. I am thus obviously ill-qualified to write about these countries, and the impressions I record here of the United States should not be taken in any sense as authoritative or conclusive. It is almost impossible, however, to visit the United States without succumbing to the temptation to say something about it. Here, everything is so large-scale and so extraordinarily vivid that one's mind is invaded and overwhelmed by a multitude of impressions almost from the day of arrival.

TODAY the American colossus dominates the world scene. Her leadership of the free nations of the world is now indisputable and undisputed. The future of the great causes of democracy and of human freedom and decency are largely in her hands; the destinies of mankind for perhaps centuries will be largely shaped by the decisions she makes.

Yet the United States comes to these momentous responsibilities relatively inexperienced in the ways of other countries

and with an isolationist tradition only recently abandoned. How, then, will she fulfil her new role of world leader? How, then, will she discharge her newly acquired responsibilities? These are questions in the minds of the citizens of all the free countries today, not least in the minds of Americans themselves.

If the U.S. has little experience in the arts of international government, she has one supreme asset to bring to the task which now confronts her. In a democratic age, an age in which the master currents of the world are all flowing in the direction of greater equality between man and man and between nation and nation, the American people have, I think, a clearer conception of the basic democratic idea, a truer instinct for the essentials of real democracy, than almost any other peoples. The thinking, the psychological approaches, the general philosophy of living of the American people are, I believe, perhaps better attuned to the needs of the age in which we live than the understanding and psychology of any other country.

THE U.S. today presents a most heartening and encouraging picture. The visitor can hardly fail to gain a strong confidence in the ability of the free peoples of the world to win the peace that all desire, and, if the worst should come, in their ability to overthrow the aggressor. The United States is facing up to and discharging its new responsibilities resolutely and intelligently. She has a clear picture of what she wants to achieve, and she is determined to achieve it.

The United States has problems — some very big — but they loom small beside the problems facing the countries of the old world. The best thinking in the United States is as big and generous and idealistic as any in the world today, and if this thought prevails, as I believe it will, the rest of the world will have no reason to complain of the era of American leadership.

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I HAVE three outstanding impressions of the American scene:— First, the magnificent job that these people have made of their great country in such a comparatively short time and in face of all the problems of welding a great variety of peoples with their corresponding variety of outlooks into one homogeneous nation—homogeneous, not of course in the racial sense but in their philosophy of living, in, shall I say, their “Americanism.” And I mean magnificent not merely, or mainly, in material achievement, but in the greatness of their democratic conceptions and their deep unshakable love for the democratic way of life. The American democracy is one of the great wonders of the world and one of the finest achievements of man.

Second is the intense pride of Americans in America and in the American way of life. To Americans, the United States is “God’s own country.” This pride invariably comes to the surface in their everyday conversation, in their speeches and articles and books. They do not attempt to conceal it. They believe, perhaps naively, that if only other countries would do things the American way, they would soon overcome their difficulties. Washington, with its inspiring national monuments, is a place of pilgrimage for the American people. An Australian cannot

help contrasting the lack of evidence of any deep national pride in his own country with the overflowing belief of Americans in America and its destiny. Such pride as we have is more racial than national. We are proud of our membership of the British race, of our British background and ancestry and traditions; we have a great affection for the old country; but we have not, as yet, developed great pride and belief in Australia herself. This I believe to be one of our most urgent national needs.

Third is the abundant material wealth, the vast productive power, and the almost limitless potentialities for further progress which spring from this power. If a major world conflict can be avoided and a reasonable stability in its domestic economy maintained, the U.S. is only at the beginning of what it can achieve in the provision of the material things of life for its people. It is the first nation in human history which has brought within reach the possibility of completely abolishing poverty and of giving all its citizens a decent standard of life and comfort. Already far ahead of any country in the strictly material sense, it is I think certain, in the years to come, to race further ahead.

I can’t at the moment envisage the countries of the British Commonwealth—with the possible exception of Canada—keeping pace with it. It is not merely that the production of the U.S. is already so vast and its productive resources so large-scale, but also, because with nations as with individuals, the possession of wealth simplifies the creation of more wealth. The first step in the process of wealth acquisition is always the hardest. I feel that in the United States the most difficult steps are over; she is now, by any human standards, an astonishingly wealthy country and in coming decades

she should reap in full measure the fruits of that achievement.

There is evidence of this wealth on every hand — in the lavish abundance of all kinds of goods in the shops and large stores; in the clothes of the men and women in the streets; in the great variety and first-class quality of the food served in the numerous restaurants — most of an excellent standard; in the labour-saving gadgets in the home, the radios, television sets (I saw a large block of new lower-middle class homes, all equipped with television equipment); and last, of course, in the stupendous number of shiny, opulent automobiles. For an Australian to stand by the wide and straight Lake Shore Drive in Chicago and watch the continuous lanes of automobiles is to see the new world in its most vivid manifestation.

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THE American economic scene today is dominated by the problems of rearmament. The United States aims to spend an average of \$50 billions a year over the next three years on defence. She hopes to carry through this gigantic assignment without any severe curtailment of consumption standards and without involving the economy in runaway inflation. Most astonishing is the general belief that a rearmament programme of this magnitude can be carried through without a severe tightening of the standards of living of the American people. I was told that if the U.S. were to decide to dispense entirely with the production of any new automobiles for the next few years (and they already have so many cars they could easily do that without real hardship), the resources released would serve to cover the needs of the whole war production programme. Of course they will not do this. Automobile production will be cut from the present output of about 5,000,000 cars a year to a mere 4,000,000.

THE intention is that by 1953 America will be sufficiently tooled up to wage all-out war, if necessary, and will be so powerfully armed that Soviet Russia would not dare risk aggression. At that point, if there is no war, production of end-products for the armed forces would be cut back and the upward march in American living standards resumed. When I was in the United States, the head of the war mobilization programme, Charles E. Wilson, told the semi-annual conference of the Committee for Economic Development (May 10) that defence orders were running far ahead of deliveries. He anticipated that by the end of this year deliveries would be keeping pace with orders and running at the scheduled rate of expenditure. The "hump" in defence expenditure will thus occur in 1952 and 1953. These will be the danger years from the standpoint of inflation (assuming there is no large cut in defence expenditure which could conceivably follow a "Korean Peace").

When I was in the United States prices and costs were relatively stable. This was largely due to the easing of the speculative buying that followed the Korean invasion and to the anti-inflationary measures put in train toward the end of last year and the beginning of this. Between June 1950 and February 1951 wholesale prices rose alarmingly by 16 per cent., consumer prices by 8 per cent. Since February prices have increased only slightly. The main anti-inflationary measures were:—

- (1) A price-wage "freeze" on January 26. This naturally created many inequities and anomalies which have since been adjusted, but it apparently achieved its purpose of putting a strong brake on the spiral.

- (2) The withdrawal of Federal Reserve support for the bond market in March, resulting in a rise in interest rates and a fall in bond prices. By May bonds had fallen to 97-98. A member of the Federal Reserve administration told me that the effect of this had been considerable, not so much because of the rise in interest rates, but because of the reduction of the cash resources of banking, insurance, credit mortgage institutions and the like. To provide cash for new credit commitments, finance institutions would have to sell bonds at a loss. They were naturally not anxious to force down further the price of bonds, of which they were very large holders.
- (3) An increase in down payments on home building.
- (4) The tightening of restrictions on instalment buying.
- (5) Federal Reserve pressure on the commercial banks to curtail advances.

THE real test of the ability of the U.S. to control inflation successfully may commence toward the end of this year, when defence production will — in the absence of cuts — be building up to its scheduled peak rate. The aim of the U.S. is to achieve this without recourse to a multitude of rigid direct controls. There is a strong feeling, among economists as well as businessmen in the U.S., against direct controls, such as subsidy payments, because of the fear that they would become a permanent part of the economy. A high official of the Federal Reserve Board told me that far-reaching direct controls could be avoided provided Congress levied the necessary increase in taxes. With taxation insufficient, the budget would be seriously unbalanced and the increased spending power in the hands

of the public would exert strong upward pressure on the price and cost structure. This inflationary pressure would strengthen the need for more direct controls in an attempt to hold the price-cost line. This official nominated an increase of \$10 billions in taxes as the minimum necessary. This was the figure being set by the Administration. When I was in America political forecasters were predicting that Congress would provide for an increase of only \$5 or \$6 billions. (These predictions have apparently since been borne out.)

Generally, I think, Americans are fairly wide-awake to the dangers of inflation. By contrast with Australia, an immense amount of simple and non-technical educational material is poured out to the public on the subject. The experience of 1929 has bitten deep into the American mind. This "wide-awakeness," combined with her massive production, may enable the United States to weather the danger years safely.

OF course, in the American economy, in which everything moves so fast, in which technological change, new capital formation and the development of new products proceeds so rapidly, in which competition is so intense, and which is subject to unpredictable shifts of consumer demand, complete stability is not to be expected. There are certain to be ups and downs in the tempo of economic activity, and sometimes perhaps recessions, such as that in 1949, which could threaten to become of serious proportions. But the great hope — and there is quite solid substance for it — is that disastrous depression with mass unemployment can be averted. At least it can be said that the structure of the American economy today is very much more strongly fortified to withstand economic collapse than it was in the years preceding 1929.

AMERICAN production is one of the world's miracles. Total industrial production in the States is well over double the pre-war volume. The output of steel is now double the pre-war level — over 100 million tons a year. Moreover, plans are in hand to expand the capacity of the industry by another 17 million tons within the next two years. This increase would be equal to the total capacity of the British steel industry. At a luncheon given me by the directors of a large industrial concern, I was asked how Australia's steel production compared with pre-war. I said it was slightly greater — around the million tons mark. The silence that followed was shattering and embarrassing to my Australian pride. (The Americans, incidentally, are very fond of Australia and the Australian people, but they often find it hard to understand why we are not progressing and developing this great continent much more rapidly. There is a danger that we could place a severe strain on this friendship unless we convince the Americans that we are really doing a worthwhile job of work.) The capacity of the aluminium industry in June 1950 was 750,000 tons a year. It is planned to raise it to 1,300,000 tons by 1953. Electric power capacity at the beginning of 1951 was 67,500,000 kilowatts. In the next three years it is hoped to add a further 22,000,000 kilowatts.

Paul Hoffman in his book, "Peace Can Be Won" gives some encouraging comparisons with Russian production:—

	U.S. Capacity	Russian Capacity
Crude Steel	95 million metric tons	33 million metric tons
Coal	600 million metric tons	400 million metric tons
Cement	45 million metric tons	13 million metric tons
	Production	Production
Oil	2300 million barrels	350 million barrels
Electricity	400 billion K.W.H.	140 billion K.W.H.

What is the secret of the American production achievement? There are many reasons, ranging from rich primary resources to the large home market for the finished article. But deep down the fundamental reason is to be found in the American attitude of mind — the American's zest for living, his abounding confidence in America, his strong urge always toward self-betterment, his deep-seated feeling of social equality. This all adds up to the "American Way of Life." The Americans, it is true, are more "material-minded" than any other peoples (although this may be a somewhat different thing from "materialism"). From his zest for the material things of life springs his willingness to make great sacrifices on the altar of efficiency and productivity. He works hard, often under considerable strain; he is not afraid of competition; he accepts, although not altogether without question, the penalties imposed by the specialization of the individual in a single simple task. Americans will readily admit to these "sacrifices," but they believe them to be well worth while and justified by the outstanding results achieved.

ARE there any weaknesses in this "production miracle?" Is the game worth the candle? There is of course much that one can easily criticise in the "American Way of Life," but the critics would do well to bear in mind that it is this way of life which is today the protector and succourer of all the peoples of the free world. Should, then, other countries follow the American example and adopt the American way? The question posed thus is rather unreal. The realistic question is not whether other countries should follow the American pattern, but whether they will. Up to a point it is certain that other nations will adopt American ideas and methods. The Anglo-American Productivity Councils afford an example of that. Moreover, no country can become the supreme power in the world without having a strong impact on the institutions and thought and methods

of the other countries of the world. But the American achievement springs basically from the American mind and outlook, the American psychology, the whole American attitude to life. And this is not something which can be ordered for breakfast tomorrow morning. Perhaps the nearest country to the American outlook — apart from Canada — is Australia, and even we are in some ways different. The countries of Western Europe, including Britain, are poles apart from the United States.

There was hardly one American whom I interviewed who did not, in the course of conversation, betray his conviction that the solution of the world's ills was to be found in greater productivity. The American aim at the moment is to sell this idea to the rest of the free world. In pursuit of this aim they are generously prepared to give away their own secrets, experience, and "know-how." The Americans may suffer some disillusionment in this mission. They will I believe, achieve only a part success. America is a unique country and the Americans are a unique breed. But other peoples are generally not so "material-minded" as the Americans; they would certainly all like to have a car in the garage, but they are not, I think, prepared as yet, by taste or mental constitution, to make the "sacrifices" the Americans have made to achieve that end. In time, they may, and probably will, come more to the American view.

THE United States is one of the easiest countries in the world to criticise. This is not because her faults or defects are greater than those of other nations—far from it—but simply because she does not attempt to conceal them. In the U.S. "everything is in the shop window." Personalities are abused, policies are dissected and exposed, all in the full view of the public. No country is freer from the taint of hypocrisy. There are, of

course, some phases of American life which set the foreigner wondering—the violent excesses of irresponsible thinking; the waves of emotionalism which from time to time sweep over the country; among a small minority a certain aggressive Americanism which is combined with a disposition to unreasonable criticism of other countries; some ignorance of the rest of the world (this, not peculiar to America); a lack of reserve (which, however, has its good side); a tendency to over-indoctrination of the young in the American way. But these defects are, one feels, phases in the development of a great continent and a still young people.

There is, it is true, much wild and much bad thinking. During my short visit it was hardly possible to pick up a newspaper without reading the most irresponsible and outrageous attacks on Britain and other countries. Day after day it went on in exaggeration and gross untruth. But, against this, there is a solid minority core of big and great-hearted thinking. To some extent it is a continuation of the Franklin Roosevelt tradition. It is represented in the international sphere by people such as Eisenhower and Paul Hoffman and General Marshall, and in the high-class officials of the State Department; in the business field by organisations such as the Committee for Economic Development and their leaders, in the newspapers by the New York Times.

FOR anyone wishing to understand the very best in American thought today, Paul Hoffman's recent book "Peace Can Be Won," is, I think "must" reading. Here is sound reasoning except perhaps for a tendency to over-estimate the curative powers of productivity, fine vision and idealism, a magnificent conception of the American role in the world.

THE American mind is at present greatly agitated over the question of the "welfare state," and whether large-scale social services can be fitted into the framework of a free enterprise economy. Will the United States follow in the footsteps of Britain in providing comprehensive social security and large state sponsored and financed social services?

I got a variety of answers to this question. It was almost universally assumed that the progressive liberalization of the social services and the development of greater social security were certain. But many felt that the methods by which this would be achieved would be very different from those followed in Britain. Much greater reliance would be placed on private voluntary action than on state provision. For example, increasing pensions and sick benefits would be provided by private businesses (there has been a remarkable expansion in pension schemes in private industry over the past decade); hospital and medical services, sickness insurance, would be financed by voluntary contributions rather than by taxation. It was pointed out that in a high productivity economy there would not be the same demand (or need) for state assistance as had arisen in Britain. On the other hand, some people expressed the view that the provision of social benefits and health services on a systematic and comprehensive basis was possible only through governments and that reliance on private voluntary action was impracticable.

The outcome of this matter may be determined by the course of economic events in the U.S. So long as the U.S. is able to maintain economic stability with full or near-full employment and rapidly rising productivity, any movement toward the welfare state on the British model will be gradual. Should, however, serious unemployment occur then

the public demand for increased government assistance could become irresistible.

THE best and most progressive business opinion in the U.S. stands squarely behind the policies of full employment. Much of the work of that very fine employer body, the Committee for Economic Development, is directed to this end.

A top executive of a giant industrial corporation told me that full or high employment was essential to the maintenance of free enterprise. He saw no reason why this could not be achieved provided businessmen acted intelligently and with a sense of their public responsibilities. He thought that the Full Employment Act of 1946 constituted a great turning point in U.S. history. The Act had created the Council of Economic Advisers, which was an excellent and necessary development, notwithstanding the criticism made of the personnel of the Council. He thought that more or less complete independence of thought on the part of the Council was vital to its full success.

The amount of earnest thought being devoted to the question of economic stability and avoidance of recession in the U.S. is staggering and augurs well for the future.

Only a serious depression could precipitate the U.S. along the socialist line. But this would be tantamount to a loss of faith in the "American Way of Life," for individual competitive enterprise is a central part of this conception which dominates the imagination of so many Americans.

A highly placed official of the American Federation of Labour told me that the formation of a "labour party" in the U.S. was unlikely. His organisation was opposed to it. It believed the unions could achieve more through industrial action than through being tied closely to a poli-

tical party. However, an economic crisis with mass unemployment could lead to the formation of such a party. If this occurred its policy would probably be a rightist form of socialism. He said that reactionary policies constituted the greatest danger to the present order; they encouraged radicalism and the spread of socialism.

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A QUESTION greatly exercising and disturbing America at the moment is the rapid depletion of her basic resources brought about by the gargantuan appetite of her vast productive machine. Perhaps there is here some element of possible weakness. The U.S. is becoming more and more dependent on foreign sources for certain vital materials such as manganese, rubber, tin and bauxite. The U.S. is even importing small quantities of oil. On present knowledge the end of some basic resources is now in sight. High grade iron ore may be exhausted in 10 years. The same applies to lead and zinc ores. Known supplies of copper are estimated to last another 10 to 30 years. Supplies of high grade aluminium ore, bauxite, are almost used up. Supplies of tin, nickel, tungsten, vanadium and manganese are meagre. Known reserves of oil are estimated to last another 30 years. However, resources of bituminous coal are vast.

At first sight the prospect looks almost frightening, but it may not be nearly so gloomy as it may seem. If high grade iron is exhausted, there are immense deposits of lower grade ores. Aluminium can be made by a more expensive process out of the common clays. Oil can be obtained from coal and shale. Substitutes can be used. Then there is the development of atomic power, which may revolutionise the entire industrial outlook. One can feel fairly confident that the U.S. will surmount this problem when, and if, it becomes acute.

WHEN I was in America anti-British feeling was running high. This was due to the combined effect of the dismissal of MacArthur (which was attributed to British pressure), the resignation of Aneurin Bevan, a feeling that Britain was not sending enough soldiers into Korea, the official recognition of Communist China by Britain, and, of course, the socialistic policies of the British Government. All this was fanned up by the mighty bellows of the McCormick and Hearst press.

Practically everyone felt that the dismissal of MacArthur was unnecessarily abrupt and insulting to a great general. Most people thought that MacArthur was quite right to put his point of view to the American people. Many favoured the policies MacArthur was advocating. A public opinion poll taken by the State Department showed that 53 per cent. of the public favoured the MacArthur viewpoint. However, after the emotional sympathy for MacArthur began to die down, and the Senate Committee's inquiry was under way, opinion began to swing against the MacArthur policy.

Many Americans have closed minds on the subject of British socialistic policies. They are quite unable to concede that, in spite of all its mistakes, the Labour Party may have done one or two good things. Generally I feel, however, that the American people are very sympathetic toward the British people, even though they disapprove of their government, their socialistic policies, and even though they find it hard to understand why their industries are not more efficient. There will always be a great deal of criticism passing back and forth across the Atlantic — this is inevitable since the general outlook of the two people is so at variance — but in a tight spot Britain and America will always be found together. America regards Britain as her only reliable ally, and the attitude of the

best Americans is that Britain must, at all costs, be kept on her feet.

I found that my own strong confidence in America and American leadership was not always echoed in non-American quarters. In Britain, one naturally hears a great deal of criticism of the United States and its policies. But generally this arises out of a constitutional antipathy to some things American, and out of the blow to British pride brought about by dependence on American dollars and the assumption by the U.S. of the leadership of the free world. It does not, I think, represent a considered judgment and it is one not held by the best-thinking Englishmen. A prominent Australian, now working in the United States, expressed serious doubts whether America was yet fitted for her role of world leadership. On the other hand, other Australians with a longer experience of the American scene hold the American people and leadership in the highest regard. These people insisted that the Marshall Plan was inspired almost

wholly by motives of altruism and goodwill and that there was no semblance of economic self-interest behind it. The former leader of the E.C.A. administration, Hoffman, was described to me as a "radiant personality." Hoffman, Eisenhower, and Marshall are held everywhere in the greatest respect and confidence. In fact, their names must stand as high as any in U.S. public life today.

I DO not think the United States is unready for world leadership. Notwithstanding the strong isolationist tradition, the best Americans have long accepted the inevitability of America's destiny to lead the world — notably one of the greatest Americans, Walter H. Page, as far back as the 1914/18 war. I think this feeling or sense of American destiny will spread — is already spreading — from the top thinkers and leaders down through the American people in general, and that they will fulfil it with a high responsibility, courage and imagination.

