

their freedom since the end of World War II, less than 10 have populations of more than 25 million and many have less than 10 million. There is talk about industrializing these little entities, though we believe that their first interest demands farm rather than factory production. Granted that industrial effort will be made, it will be a net loss if such countries only set up little industries to serve local populations and bind in their inefficiency permanently by tariff-quota protection.

One way to ease the adjustment for the contested countries, and to meet our principal objective of raising their living standards, would be to grant unilaterally to groups of contested countries, as distinguished from individual countries, the right to free trade on their exports of raw materials to industrial countries. Another way would be by reduction in import tariffs by the contested countries at the rate of 5 percent per annum in consideration of the industrial countries reducing their duties at the rate of 10 percent per annum.

Without restrictive tariffs or other impediments to the movement of goods across national frontiers, production would be rationalized on the basis of comparative advantage, just as it has been in the 50 States of the U.S.A.

Under such conditions there would, in our opinion, take place the greatest expansion in productive facilities, including those of the United States, that the world has ever known. The facilities would be located in the most advantageous areas, based on labor, skills, climate, availability of raw materials, transportation, and markets. Most of them would be built by private capital. Many would be built in the contested countries because of favorable operating conditions and because, no matter where located, the whole trading area with its 2 billion people would be a potential market, without barriers.

In this way, sound development of the contested countries would take place. Their standards of living would rise. The economic gap between the richer and the poorer would be narrowed. Communism as a threat to world peace would recede.

We are fully conscious of the domestic American political difficulties inherent in the policy we recommend, but we believe nonetheless that at this juncture in our history we must face the issues realistically.

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