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ANNOUNCER:

Walter Lippmann is in his seventy-third year. Two years ago, America's distinguished newspaper man whose column appears in the New York Herald Tribune and more than two hundred other newspapers throughout the world made his television debut with a one hour conversation of leadership. The Louisville Courier-Journal called it a "Television Landmark," and many newspapers stated editorially, that Lippmann should become an annual television tradition. He has. Tonight, the Lippmann range extends from the turning tide in the cold war to what happened in the stock market and from evaluations of young President Kennedy to old Chancellor Adenauer and General de Gaulle --- from Nikita Khrushchev's failures to our own intelligence breakthroughs. "Walter Lippman 1962" for an uninterrupted hour immediately after this announcement.

Now, here is Walter Lippmann and CBS Chief Washington Correspondent David Schoenbrun.

SCHOENBRUN: Mr. Lippmann, a year ago, you returned from Russia and reviewed the world situation, and now you've just returned from Western Europe. Many things have changed in this past year. Would you review the situation now?

LIPPMANN: I think there are signs would permit one to say that the balance of forces between East and West has shifted somewhat in favor of the West. When I say shift in our favor, I don't mean that the situation has shifted in our -- the way we'd like it to shift everywhere in the world. What I mean is, that as between the two great blocs, the coalitions that confront one another -- the Communist coalition and the Western coalition, the balance of forces, military, politically, economically and psychologically, is rather more favorable to us than it was, or seemed to be six months ago. We have developed the power, through various measures we've taken, to survive any attack that the Soviets could make on us with such a devastating reply that they'll never make the attack, and it is now universally recognized in Europe, as far as I can make out, that that is the situation, and one of the signs of this change is that it's a long time since anybody talked about a shelter in this country.

SCHOENBRUN: If the balance of power is turning in our favor, just how do you determine that?

LIPPMANN: First of all, the period when we felt that we were in danger of being struck, which is the period you know when everybody -- when people were talking about the so-called missile gap, and when the Soviet was supposed to be powerful enough to knock out our whole military establishment in one great blow -- that was -- we now know that that was an absolutely false estimate. We were the victims, in part, of mistaken intelligence, which I must say at once, did not come from Allen Dulles and the CIA, but probably from the Air Force. But anyway, the country was tremendously taken over, and of course, as you remember it, it went into the campaign and all that. Well, we now know that isn't true -- that never existed.
The Soviets never built the missiles that they were supposed to be able to build, and we didn't have the knowledge of what exists inside the Soviet Union that we have today. And one of the evidences of how much better our intelligence is, is in something that sounds rather technical, our strategy in nuclear war is no longer based on the idea of just destroying Russian cities, but in destroying the actual striking power of the Soviet Union, and that takes a lot of good intelligence, and we seem to have it.

SCHOENBRUN: Mr. Lippmann, what's the thing that has convinced us, and maybe even the Russians, that things have changed?

LIPPMANN: I think the best proof that that estimate is accepted in Moscow, not merely in Paris and Bonn and in Washington, is that they resumed nuclear testing. They resumed nuclear testing, because they knew they were behind us in nuclear power. And they were told -- Khrushchev undoubtedly was told by his scientists and his military men, that if they made one more or two more series of tests, they might get a great breakthrough. They might be able to develop an anti-missile missile, or some kind of bomb that was so powerful that nothing could stop it, and in one shot, it would finish everything. And I think it's like that. I think that's the best proof that they know. Well, the other proof is, that they really have become much more prudent in their dealings with us, both in Berlin and Germany, and in Southeast Asia, for example.

SCHOENBRUNN: You're suggesting, it seems to me, that something must be happening with the Soviet thinking?

LIPPMANN: Well, I wouldn't like to pretend to say what their thinking is, but if we take what the facts are, and the balance of forces, it isn't only this military matter which we've been talking about, but the -- in economic thing, they see Europe becoming a very prosperous and rich society, and not communist, not even socialist, and the example of the recovery of Europe and its really great booming condition, is a very impressive example all over the world for small countries that are not well developed, or are very much under-developed, they can see that this can be done. They can become rich, not by being like the United States, which nobody can imitate, and not by imitating the Soviets, which they don't want to imitate, but by a method which the Europeans, small countries and large, and not merely Common Market countries, but Austria, for example, and the Scandinavian, they are all showing that there is a way to become -- raise the standard of life and become richer, and so on, which is neither one or the other. The example of this thing is very impressive everywhere, and it constitutes much more than any amount of making anti-communist speeches and denouncing this and that and the

other thing. It exerts an influence on the thinking of people who have to run governments all over the world.

SCHOENBRUN: If the affluent society in Europe is evidence that the tide is turning in our favor, does it follow, then, that Communism has been stopped in Western Europe?

LIPPMANN: Well, yes, in all of Western Europe, the Communist parties have lost their connection with Moscow as instruments, and the left wing parties, including the more moderate -- even the moderate socialists, find themselves living in a continent where Socialism is out of date. Europe has outlived Socialism. And you go and talk to the French Socialists, talk to the British Labor, German Social Democrats, they're wondering what does Socialism do now that it's over -- its period is over. It'll go on, because the world needs people who are not conservatively interested only on the side of property, but are on the side of people who don't have property -- and the farmers -- but the decline of Socialism in Europe is a very striking thing.

SCHOENBRUN: Now, withthis point you're making about the decline of Communism and Socialism, perhaps you could talk to us a bit about what's happening inside the Communist bloc. What are their stresses and strains?

LIPPMANN: Well, there are a good many. The biggest stress and strain comes from agriculture -- the agricultural failures. A country like -- on the other hand, a country like Poland manages to escape that only by not being Communist in its agriculture, and that's pretty well evident to everybody in the Eastern bloc. And then, of course, in China, it's a terrific disaster, so great that it's producing a famine, and we don't begin to know what the consequences inside China will be, but we know it's very serious, and we know that even in the Soviet Union, where it's not so bad and where people are not hungry, it's still sufficiently a failure so that they have no exports. Russia used to be a wheat exporting company -- country. Well, today, it is really not able to help China, for example, its ally. That makes a very great difference. Most of the people who

live on this planet live on the land and live by farming of one kind or another, and to see the Communist countries with shortages of food, while in the Western world and in Canada and Australia, and South America, you have surpluses of food -- that's a tremendously impressive spectacle, and it's part of what you might call the turning of the tide. Then, I think beside that, it's quite clear that the younger intellectual generation, the young students and the people who are coming out of their universities, and under forty, and their artists and poets, are very tired of being shut out of the world and want to make contact with the Western world. Very hungry for it. And they are pressing Khrushchev very hard to liberalize the regime more than -- he's liberalized it a great deal as compared with Stalin, but it's still a long way from being a liberal regime, and they want to liberalize it more, and that's where his greatest internal pressure comes from, I think.

SCHOENBRUN: In your trip around Western Europe, I'm sure that you spoke with many Soviet diplomats. What explanation do they give about American-Russian relations today?

LIPPMANN: Well, I was talking to one not long ago, and I said -- I asked him -- I said, "What would you say was the biggest change that's occurred in our relations? They're obviously not as dangerous as they were a year or two ago." And we both accepted the impossibility of nuclear war between us, and so on. And he said, "Oh, I think I can tell you." This was a fairly young man but very important. He said, "I think I can tell you. We both have gotten over the idea that the other is omnipotent." I said, "Well, explain that." And he said, "Well, when anything went wrong in the world that we didn't like, in Russia, we said that's Washington and Wall Street." And they just manipulated. No matter where it is, Nigeria, any place, and you, when anything went wrong, said, "Well, that's made in Moscow." As a matter of fact, we can't even run China, or Albania, much less the world, and we know that we are not omnipotent and we know that you aren't.

SCHOENBRUN: Mr. Lippmann, you've seen all the leaders of Europe -- most recently, de Gaulle. Do you find that the Europeans are more aware of this shifting balance of power, and take it into account in their policy?

LIPPMANN: Yes. You take, for instance the attitude of General de Gaulle and Chancellor Adenauer on dealing with Berlin. Now, they may be right or wrong about this or that in it, but they feel perfectly confident that they can defy the Soviet Union without precipitating a nuclear war. Well why? Not because they have any power. It's because we've got that power.

SCHOENBRUN: Well, why does General de Gaulle ask for more nuclear weapons? I'm sure you must have discussed that with him? What kind of power is he looking for?

LIPPMANN The French nuclear striking force which he is beginning to build up, is by American standards and by Soviet standards, negligible. It's something in the ratio of perhaps fifty to three thousand, somewhere in that order of importance, and that's going to take years to produce. It doesn't exist now. It has two purposes. They both are political and they both have to do with Washington - not with Moscow. And he thinks if he gets the kind of force he believes he can get in some years -- (a) that if he decided that bombs had to be used in the European conflict,

he could do it, and of course, we'd have to come up -- come in and finish it, but he could start it, and that's by the way, a power we're never going to give him. And the other is, that if we got into a nuclear war, say, in the Far East, where France is not interested, he might be sufficiently too hot to handle to be dealt with directly by the Soviet power, and therefore, might be able to sit it out. It's all rather political speculation -- not really military reasoning.

SCHOENBRUN: Well, General de Gaulle has used that technique for the last twenty years, and every time he has, it's because he's judged the world situation has provided an opportunity for France. Would you suggest that your own theory that the tide is now running in our favor is General de Gaulle's analysis too?

LIPPMANN: Basically, yes. It's running sufficiently in our favor so that it is become possible to contest -- make a contest for the leadership of the West. Remember, during the world war -- the World War II, things -- the tide of battle began to turn after Stalingrad and the British victories in North Africa, but as soon as the tide began to turn, the rivalry within the anti-Nazi coalition, between Great Britain and Russia, and the United States, broke out, as to who was going to make the peace. Well, that's a little bit far-fetched -- the analogy. You mustn't always reason from analogy, but still, something like that is what is happening today in Europe and in the world.

SCHOENBRUN: As you see the tide running in our favor now, would you say that to a large extent, for Europeans, that the Common Market is their magnificent Stalingrad?

LIPPMANN: Well, for those Europeans who belong to the Common Market, which is only six out of I don't know how many -- fifteen, sixteen countries. The thing is, that Europe has

recovered -- that it's now a booming, affluent society, which the Common Market is a very important expression, and will be more so if it can be enlarged. But the change in Europe's feeling that on the one hand war has been deterred -- nuclear war, and, therefore, other kind of war, really, as far as Europe is concerned, and that it is now able to raise its own standard of life, has found the way to do this, yes, that marks the change, if you want to call it, the Stalingrad.

SCHOENBRUN: Well, then, is General de Gaulle striking out for leadership of this prosperous Common Market in European societies at this opportunity now?

LIPPMANN: Yes, he -- General de Gaulle believes that France, as of historic right, should be the leader of Europe, and from General de Gaulle's point of view, Great Britain is not part of Europe. When you ask him about Great Britain, he says, "No, that's an island." What he's talking about is Europe on the continent. Another point about it is, we have to remember, for him, Europe begins at the Atlantic and

extends to the Urals. In other words, it includes most of what is now Russia. And I know, I'm sure, because he said this many times, his vision is of a Europe led by France, with great statesmanship and wisdom, power and so on, coming eventually to a Europe which extends and includes the Soviet Union and all of Eastern Europe and all that. That's the vision.

SCHOENBRUN: Mr. Lippmann, if I'm not mistaken, in a previous talk of this kind with Howard K. Smith, didn't you once say that General de Gaulle was perhaps one of the greatest men -- one of the greatest leaders in the world?

LIPPMANN: I did.

SCHOENBRUN: Do you still feel that way about him?

LIPPMANN: I do. He's one of the greatest men of our time, and I must say, when you see him, he hasn't lost any of his fascination. He's a fascinating talker and all that. But that doesn't mean he's always right, and I think he's wrong in his conception of Europe, especially since it involves the exclusion of Great Britain from Europe, and the exclusion of Great Britain means the exclusion of Scandinavia and a tight, little Europe, organized around France and Germany. I think

that's a wrong conception, and it wouldn't be the first time that somebody differed with a very great man. I don't think that he's any less a very great man.

SCHOENBRUN: He's a very difficult man to differ with, as President Kennedy has discovered.

LIPPMANN: He is. He doesn't -- as far as I know him -- my experience with him goes over many years. He never argues anything. He pronounces it.

SCHOENBRUN: If the balance is now in our favor, where does that leave us with the great unsolved problems of the world -- Berlin, Laos, China? Perhaps we can begin with Berlin?

LIPPMANN: Both sides have recognized the existence of the stalemate. That's the big change in the past yaar there. You remember that a year ago, when the President saw Khrushchev in Vienna, that was in June, a year ago, he came away with the distinct impression that Khrushchev was going to use force of some kind to compel West Berlin -- to make us give up West Berlin, and there was an ultimatum at the time -- you remember that it had to be done by the thirty-first of December, and if it wasn't done by the

thirty-first of December, he was going to make a separate treaty with the East German Republic, and they were going to strangle the access, and he was going to back them up, and so everybody said, "Let's build shelters for the war that's coming." Well, what happened? Two things happened. First of all, he didn't strangle Berlin. He cut off East Berlin and Eastern Germany from the West, by building the wall across Berlin. Just the opposite of a blockade, and on the other hand, he withdrew the ultimatum. He took the time limit away, and once that happened, the fuse was taken out of the Berlin crisis, and we were in then for what we've got -- a long period of talk. We, on the other hand, gave up, although we never said so, we accepted the wall. We didn't try to push it over as some people think we should have tried, but the answer to that is, of course, that the Russians would have built it one street back, and then we would have had to invade them to knock it down the second time. We accepted it, protesting, but we accepted the fact that that was the way the world was, and they were able to live with

that situation. Now, we've got to that. It's not nice. The wall is a horrible thing to look at, and some day it'll come down, and some day the two Berlins and the two Germanys will come again, coalesce, but that time isn't now and we are living, both of us, Soviet Union and the West, with the fact that that's the way it is, and we're not going to have a nuclear war about it.

SCHOENBRUN: Well, why is it necessary to negotiate? Why don't we just sit still on the status quo?

LIPPMANN: Because it isn't safe. You see, Berlin is one of the places in the world where Soviet and American troops are just across the street from each other. It's the only place. Other places, the thing -- there's a big, empty space somewhere between them, and it's too dangerous. Somebody could start something, a scuffle or a row, or a captain gets drunk, or something, which then -- the tanks would begin to come up. We'd put up tanks and then they'd put up tanks and then somebody shoots, and we have to avoid that. At least, we have to be talking, and as long as we don't have an agreement with the Russians, we have to be on talking terms with them, so that in case some trouble comes, we can always explain it to each other.

SCHOENBRUN: Would you care to hazard a guess as to what price the Soviets would be willing to accept for an accommodation in Berlin?

LIPPMANN: Well, yes, you don't mean a final settlement, but an accommodation by which we could live without being worried from day to day whether there's going to be another Berlin crisis. Basically, it's the degree of recognition which we're willing to give to the East German state.

SCHOENBRUN: There is such bitterness on both sides of the wall -- such hatred in the West for the East Germans. Could we possibly grant them any degree of recognition?

LIPPMANN: Well, we can't give them and won't, of course, give them formal recognition in the sense of exchanging ambassadors with them and so on, but, of course, you know there's a great deal of recognition already. You take all the trade between West Germany and West Berlin. It comes by road, it comes by railroad, it comes by canal. That's all controlled now by agreements between West Germany and East Germany. If you like, between Doctor Adenauer and Mr. Ulbricht, and that is ninety-five per cent of all the traffic between Berlin and the West. The part that is really being argued about is the five per cent, which is really based on our military

rights there as the victors in the war, and that's where Khrushchev is raising questions now that we're negotiating.

SCHOENBURN: I wonder why Doctor Adenauer gets so angry every time Americans talk about negotiations?

LIPPMANN: He doesn't -- he cannot agree to anything that seems to fix and sign and seal the permanent partition of Germany. That's what it's about, and it's perfectly understandable. It's perfectly natural that he should feel that way.

SCHOENBRUN: It seems to me that Doctor Adenauer's bitterness, his intensity of feeling, must be based on something more than just the fear of partition. There must be other roots to it. Wouldn't you think?

LIPPMANN: Oh, well, there is such a -- yes, there is emotional basis for it, and you know the fact is, that Doctor Adenauer has become a very old man, and a very old man doesn't like the things he's used to, to change, and he became used, under -- when John Foster Dulles was Secretary of State, and even before that, when Acheson was Secretary of State, to having -- to

being the most consulted man in Europe on European affairs by the United States. Well, he isn't that any longer and that is a hard thing to get used to, and it -- the fact that he isn't always the first consulted, that we also consult the British, and we consult other countries in Europe, makes him very suspicious. He thinks things are being arranged behind his back, which it doesn't -- nothing is being arranged behind his back. We don't make a move that we don't tell him about, but he's irritable and suspicious about it.

SCHOENBRUN: Well, isn't it always true that when we do make a move and consult him, that we often quarrel with him perhaps more than we did in the past?

LIPPMANN: Well, I -- yes, because we are trying to get an accommodation about Berlin -- we were talking about, you know, something that will work for a few years until the day comes when we can begin seriously to deal with the question of the reunification of Germany, not by abolishing East Germany, but by making the two coalesce and grow back together into one nation, and that day won't come while Doctor Adenauer is

in office, and it won't come while Ulbricht is in office in East Germany. But when those two men go, and I don't know when that'll be, it will begin, because the pull of union between them is very much stronger than any other force and will prevail.

SCHOENBRUN: Well, is it your opinion that there is really a different American policy vis-a-vis Germany and Europe and not only a different attitude?

LIPPMANN: There's no different policy on anything essential. We haven't -- this administration is just as committed as the one before to keeping American troops in Berlin, keeping the air corridors and the others open to access, and we'll go to as great lengths as anybody. The President, last July, thought he was on the verge of war over the thing and was prepared to face it. Nothing has changed except in that respect, and we haven't given up any of the vital interests of the German people, which are our interests too in a sense, but we cannot tack and zigzag our policy to suit German internal politics, as we have in the past. Now, Germany, inside, is not nearly as inflexible as Doctor Adenauer

makes it sound, and we know that and we're interested in a lot of Germans, both on the right and the left, and in the center in his own party, who -- we see them and talk to them. And that is disturbing, of course, but that -- it doesn't represent a radical change unless you want to regard as a radical change as having a one man relationship.

SCHOENBRUN: Well, if the tide is changing, just where does this leave the third area -- Africa?

LIPPMANN: Well, I think we have succeeded -- well, that sounds too boastful. I think it has happened, through good luck and good management, that Africa will not become the scene of a great conflict between the Soviet Union and the United States that's been pushed out of it. The instrument, of course, has been the United Nations in the Congo. I don't think the Soviet Union is now in the position to intervene in any effective, important way in Africa. It's too far away. Her wealth isn't great enough. Her military reach isn't great enough, and I think if that's played wisely, we have averted that. Now, that doesn't mean that the problems are settled, because what's going on in Africa, and to some degree also in, say, Indo-China, or Southeast Asia, as it's now called, and there's other parts of the world, Latin America, to some degree is something that didn't start in Moscow and it didn't start in Washington. It started right in the soil of

the country. It's a revolutionary condition. Just as, why couldn't there be a revolution in Russia? There was no Russia to start the revolution in Russia. Those things grow out of the soil and that will go on, even if we do get to reasonably good co-existence with the Soviet Union and get China hedged in, and so on, still, that'll go on. Africa will probably be in a turbulent state for a hundred years.

ANNOUNCER:

You are watching "Walter Lippmann 1962" - interviewed by David Schoenbrun on CBS REPORTS.

SCHOENBRUN: I wonder if you could talk to us a bit about Southeast Asia, and the great danger spot that's in the news all the time -- Laos?

LIPPMANN: Well, there's a long history to Laos, which I think we won't go into. The most important thing about Laos is to know where it is, and Laos is a country which has no harbors. It's locked inside of Southeast Asia. It's a country which was created fifteen years ago, or less. It never -- there never was a Laos before, and

it has no nationality, just collections of tribes and feudal lords and princes, and so on, and it is the neighbor of China. It borders on China and it borders on North Viet-Nam, which is the part of Viet-Nam that stayed in Communist hands, under Ho Chi Minh, so in the norm of things, you'd expect that China would be the great country acting in Laos, but what we find is, that Russia is the country that is acting. Now, Russia is almost as far away from Laos as we are. They've got to come all the way around and it's not easy for them to get there, just as it isn't easy for us. It's easier for us, maybe, than for them. And the question is, what are the Russians after? Why are they so interested? Not because they think Laos would be a gold mine for them if they could somehow or other put up a Communist -- Russian Communist government there. The country is a miserable affair. No use to them -- anybody. It's a liability. I think they ought to keep the Chinese from coming in, and I think their object there is, primarily, to prevent the Chinese, who are reckless and inexperienced, from doing something that would

produce a war between the United States and China, just as we had one in Korea. They don't want to -- cause they don't want to be in that position, because they'd either have to abandon their ally, which would be very difficult, as a Communist, or they'd have to get into a war with the United States, which would be even worse. So I think they're in there for preventive reasons, and if there's any hope of getting any kind of a working arrangement. It's pretty hard to deal with these people to get anything stick, because they promise something and then it goes unstuck the next day. It's because we and the Russians have agreed that neither of us wants to be in Laos provided the other stays out, and that means a neutral Laos.

SCHOENBRUN: How do you evaluate the President's decision in sending armed forces into Thailand?

LIPPMANN: I think it all is related to the hope and belief that we have, that we have a basic understanding with the Russians about Laos. If so, it's no more than -- it's about the equivalent

in the old days of sending a gunboat to some place that's in trouble. They're not there to fight anybody, and whether it's good to send a gunboat or not, is an arguable question. It all depends on whether our judgment of our real -- of the real relations, which I tried to describe, with Russia, is correct.

SCHOENBRUN: There's a very different situation, of course, in South Viet-Nam where there's a war going on. How do you evaluate that?

LIPPMANN: I don't think the Russians have any great interest in making South Viet-Nam Communist, and I don't think they greatly resent our helping them to defend themselves against the guerrillas, because they are old-fashioned in their views of diplomacy, and that's our sphere of influence, and we're behind the line, and it's -- the interesting thing about Viet-Nam is how little they have protested about it, not anything else. They begged through a formal statement, but otherwise they didn't do anything.

SCHOENBRUN: Isn't that also ...

LIPPMANN: Whether our policy will work, nobody can say. I couldn't say today, certainly. We're trying to do something extremely difficult, which is to make a very unsatisfactory government work -- be acceptable to the people of this country, and I don't know whether that'll do.

SCHOENBRUN: Perhaps we can make a quick jump to another part of the world - to Cuba. You suggested about a year ago that we were making too much of a fuss

about Mr. Castro. He really wasn't a very important fellow, just let him alone and he'd fall down. How do you feel about Mr. Castro today?

LIPPMANN: I feel more than ever -- I think it's worked fine. Castro is much less important than he was a year ago. His prestige in South America has gone down. His power to harm us have proved to be negligible. We have problems enough in South America, but they don't come from Castro.

SCHOENBRUN: Let me ask you this, Mr. Lippmann. Could you evaluate this Kennedy administration now? What has it succeeded in doing? What has it failed to do?

LIPPMANN: I would say that since last summer, since the administration, so to speak, collected itself after the shock of Cuba first, and then the shock of the meeting with Khrushchev in Vienna, and the building of the wall, and so on, and began to re-assess its military power and its economic power, the style has been very good. I mean, the tide is favorable, and Kennedy is proving, I think, a very admirable mariner, a navigator in that kind of sea. He -- instead

of using his great power to threaten and to make himself tougher, he's made it -- he used it to promote an accommodating policy, which, of course, improves his position, and I consider that very successful, because he knows that there's no such thing as victory in a nuclear war, and so, he doesn't talk about it, and doesn't try to go -- act as if he thought it was possible, so on that side he's very good. Now, in the alliance, he is faced with problems that are going to be -- that are very difficult, because what is really happening there is, that while our military supremacy or leadership, let's say pre-eminence inside the alliance is undisputable, nobody can touch it. The course -- it'd be utterly beyond Europe to challenge it. Our economic and financial pre-eminence in the world, relative to Europe, is declining. Our great creditor position in the world, has of course, been liquidated through wise policies -- the Marshall Plan and Foreign Aid, and so on, so that we no longer have a surplus of gold, which we can sort of feed out to the world to restore it. And we have done that, and it's been one of the great, historically, I think it will be regarded as one of the great achievements,

disinterested achievements of a nation after a great war, and Europe's recovery could not have taken place. I don't say it took place because of it -- it could not have taken place without it. Now, it's becoming a serious drain on us, that's very important, from the European point of view. They are much more powerful, financially, than we are. They have surpluses and we have deficits. Then, another thing that plays a very great role is the fact that they have found ways, through financial policy and tax policy, and so on, budget policy, to produce much higher rates of economic growth than we have. We conduct a fiscal policy, have been conducting it under President Eisenhower, and we continued under President Kennedy, which does not fit the growth of the modern world, the growth of the economy in the modern world, and under General Eisenhower -- President Eisenhower, we had three recessions, and each one, each recovery from a recession lasted a shorter time than the preceding one. Now, we've had a permanent mass of unemployment and under-use of capital plant. We've been running way below our

potential, and at a growth rate which have been around three per cent, which is very low compared to any other great industrial power in the world. This has not been corrected under Kennedy. Mr. Kennedy has made moves during the recession to alleviate distress in certain areas, to raise some palliatives, but the basic condition, the basic financial policy of prematurely balancing the budget, which is what I think he has done, is based on the fact that if he doesn't do that, he will be attacked by the Republicans and by a large part of the Democrats as an irresponsible, disreputable, and so on. We are throttling our own development by a refusal to allow the economy to have enough stimulus from public as well as private investment, to keep going at a high rate.

SCHOENBRUN: I wonder if you could be specific about that. What should we do that we aren't doing?

LIPPMANN: I would go this far as to say, the immediate thing to do, I think, is to make a drastic reduction; by drastic, a very severe and substantial reduction in direct taxes on incomes

and corporations, and that will unbalance the budget, not merely the budget that everybody talks about, but the real balance of payments between the different parts of the economy favorably. It will act as a stimulus, and that is not merely a shot in the arm -- that's really nourishment for the economy. I think we're trying to make too big a part of our tax revenues come by direct taxes, by income taxes, and I think the people feel the weight of that where they have to pay into it where they don't feel indirect tax like the gasoline tax and tobacco tax, and so on. I think we've gone beyond the endurable limits of direct taxation, and I think it causes a lot of political unrest in this country too.

SCHOENBRUN: Do you think that it's possible, with all the tremendous burdens of our commitments at home and abroad, to cut government income, or to replace direct taxes by indirect, or is there some other way of generating the means for our commitments?

LIPPMANN: Well, if we can raise our annual rate of economic growth from three and a little of what it is now -- three and a half, to four or four and a half, four and a half let's say, the revenues that the production, the income that'll generate will, under lower taxes produce more revenue, and we can then -- it'll mean that we'll produce probably thirty or forty billion dollars a year more wealth than we do now. And that'll pay for all of these things. We're a country that is trying to carry tremendous burdens, defense and foreign aid, and nuclear weapons, and all that sort of thing, and operating way under its capacity, and that isn't possible, the weight -- the thing gets too heavy a burden on the people, because they have to spend too much out of too little product. A country where steel capacity, steel production is running something like sixty per cent of

capacity and where there are unemployment in the labor force of five -- five and half per cent, is not able to take on the burdens of leadership and pre-eminence in the world as it is today.

SCHOENBRUN: How do you evaluate the President's fight with U.S. Steel?

LIPPMANN: The real cause of the violence of the flare-up over the steel increase was based not so much on economic considerations, in my view. It was based on what looked like bad faith. The steel company kept back its announcement of price increases until every union had been signed up for a year, so it couldn't increase wages, and then it announced the fact. That wasn't playing ball, and I think that the anger at that, that the President was put in the position of having made labor take less than it wanted, on the assumption that prices wouldn't increase, he was made to look as if he deceived them, and I think that's the cause of the emotional flare-up. Now, there were certain things he did in that, which I didn't altogether like. I didn't like bringing the FBI into it,

to call up newspapermen, and of course, I'm a newspaperman, in the middle of the night, to ask them questions about the steel business. That was excessive, and was bad judgment, and caused a bad reaction, but of course, it has nothing to do with the main issue. If he -- if the steel corporation -- companies had been able to raise the price of steel after the settlement with the trade unions, we would have had an impossible situation with trade unions all over the country, and maybe the President reacted too angrily, but he had to react. He had no choice in the matter. They gave him no choice.

SCHOENBRUN: Did the steel crisis have any effect on the stock market sag?

LIPPMANN: No. I think it's absolutely certain it is not the cause of it, because the stock, the bear market, the fall in the stock market prices began, this is a matter of fact, on the sixteenth of March. The explosion with steel -- the steel thing broke out on the eleventh of April, or the tenth -- eleventh or tenth of April. Before that, there was no -- nothing had happened with

steel except everything was going well, so that, obviously, the steel thing didn't start the bear market. Now, the bear market has gone on since steel - maybe it's gotten a little sharper, but I think the reasons for the bear market are not because Mr. Blough felt hurt, or somebody felt sorry that Mr. Blough had been handled so roughly, it's because the underlying conditions as to what our recovery from the recession of '61 is going to be, and what the possibilities of another recession next year are, point to a bear market.

SCHOENBRUN: Perhaps we could talk about some of the people around the President. For example, it has been suggested that it was not the President who sent the FBI around to call people at three and four in the morning, but it was his brother, Bobby. Now do you evaluate the Attorney General?

LIPPMANN: The Attorney General, Bobby, is a very attractive human being, but he is -- his greatest weakness -- I'm afraid, the thing that I worried about before he was appointed, is that when he's bent on what he thinks is

the right course, he's rather ruthless in action, and I think this FBI thing was an example of that. And I assume it was he - it must have been he, because he's the boss of that.

SCHOENBRUN: Well, now, what about some of the other people in the Cabinet? Secretary of Defense MacNamara and Dean Rusk - could you talk about them?

LIPPMANN: Well, Dean Rusk has proved himself, I think, since, roughly speaking, last summer, in his -- to be a really first-class negotiator with the Russians. He's got one quality that is indispensable for dealing with the Russians. He never gets bored. He can say the same thing and listen to the same thing. The Russians say the same thing ten times in the course of an hour. He can listen to it and say his thing ten times, and he says this, himself, and it's a great quality. And, therefore, I think he's been a very successful negotiator with the Russians. His negotiations with Gromyko, end of August I think it was, after the wall business, resulted really in taking the ultimatum out of the Berlin situation.

SCHOENBRUN: What about the Secretary of Defense, Mr. MacNamara?

LIPPMANN: MacNamara -- Secretary MacNamara is the ablest man who has come into the Pentagon since it was built. He's the man who more than any man who's ever occupied the post, understands the whole problem just as well as any general does, and he's quite able to talk to the generals and

the colonels and the strategists in the Pentagon on even terms. They can't just talk down to him as a layman. The result is, that you have what we're supposed to have in this country -- civilian control of the military in a way that I don't think we've had it since the war.

SCHOENBRUN: One of the big decisions that Mr. MacNamara had a big part in was our decision to resume nuclear testing. How do you feel about that?

LIPPMANN: Well, we did that to re-insure ourselves against a Soviet breakthrough.

SCHOENBRUN: There was a great split inside this administration on whether we should resume testing or not. Do you think that the President, himself, exercised complete leadership, that it was his decision alone?

LIPPMANN: Yes, I do. I think it's one of the most admirable performances, because he really did study the thing and listened to it, and went through all the agonies of this awfully technical and hard thing to understand. He's not a lazy man - President Kennedy.

SCHOENBRUN: Mr. Lippmann, you've been telling us the tide is turning in our favor. A lot of citizens in this country would really disagree with you. There's Laos in which we look very bad. There's Turkey uncertain. Algeria blowing up. France in trouble. Brazil, Argentina. What do you say to people who are genuinely worried about all of this?

LIPPMANN: Well, I didn't say that the world was going to go just the way we want it to go. What I say is, that as between our world, the Western world, with us in a military sense in the center of it and the Communist world -- the Soviet Union, the balance is more in our favor than it was a year ago. Now, what happens in Cuba and what happens in Brazil, and so on, is going to go on for a century in one form or another, and anybody who thinks that out of a favorable turn in the balance of power, he's going to get Utopia, or the world just as he wants it, doesn't understand the nature of thing. When history goes on, who won the modern age -- it's gone on for five hundred years, changing. One power was up. Another power was down. You don't win

ages. I mean, you can win a battle on the ground, but it's just foolish to talk about victory in a thing as large as the process of history on a global scale. I believe our society, while it is going to change from within, and is changing, is not going to be overwhelmed or buried, as Mr. Khrushchev once said, bythis other society. It is -- if anything, I think its influence is growing, or has been growing in very recent times. It was going down. Now, I think it's begun to go up. But I don't think we'd better be complacent about it. I'd keep my fingers crossed.

SCHOENBRUN: Thank you very much, Mr. Lippmann.

ANNOUNCER:

A word about the next CBS REPORTS in a moment.

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