

THE COMMISSION ON CRITICAL CHOICES FOR AMERICANS

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The Commission on Critical Choices for Americans, a nationally representative, bipartisan group of 42 prominent Americans, was brought together at the end of 1973 by Nelson A. Rockefeller to develop information and insights which would bring about a better understanding of the problems confronting America in these troubled times, and attempt to identify the critical choices that must be made by our people.

In bringing the Commission on Critical Choices together, Mr. Rockefeller said:

As we approach the 200th Anniversary of the founding of our Nation, it has become clear that institutions and values which have accounted for our astounding progress during the past two centuries are straining to cope with the massive problems of the current era. The increase in the tempo of change, and the vastness and complexity of the wholly new situations which are evolving with accelerated change, create a widespread sense that our political and social system has serious inadequacies.

We can no longer continue to operate on the basis of reacting to crises, counting on crash programs and the expenditure of huge sums of money to solve our problems. We have got to understand and project present trends, to take command of the forces that are emerging, to extend our freedom and well-being as citizens and the future of other nations and peoples in the world.

Because of the complexity and interdependence of issues facing America and the world today, the Commission organized its work into six panels, which emphasize the interrelationships of critical choices rather than treating each one in isolation. Raw materials problems were considered by Panel III, together with industrial development, capital formation, employment, and world trade. I want to stress that the areas subject to the Commission's inquiry were quite extensive, and since the Commission on Critical Choices for Americans did not do research or make recommendations—but only placed before the public the choices—you cannot look to the Commission for any detailed study or conclusions on our materials problems.

Materials Supply and the Less-Developed Countries

My own view today on our problems with the supply of critical materials and the less-developed countries may be summarized as follows:

The United States, and most consuming nations, are overwhelmingly dependent on imports for only **a few raw** materials, and for some of these we have already “lived in coexistence” with cartels. The apprehension that other less-developed countries might emulate OPEC and deny us the supply of essential raw materials is less than for energy.

Materials prices are another matter: as compared with prices for petroleum, they are highly cyclical. The LDC'S prosper only when prices of their exports of materials are high, but when they rose sharply in 1973/74 in sympathy with OPEC, the LDCS could not compensate for the increases. Then materials went down from their peak throughout 1975 as a result of the protracted recession in most industrial economies, and began rising as the economic recovery set in. UNCTAD now feels that the richer countries of the world should provide for price escalation with the cost of essential imports to the LDCS.

The more relaxed view of the ability of the less-developed producers to emulate OPEC considers that there are few groupings of producing countries that could control over 50 percent of world demand in specific materials. Only in the case of bauxite has a cartel grouping been able to increase sharply the taxes and royalties paid by Western companies that own ore deposits in these countries, and the aluminum market was well able to absorb these higher ore costs.

Trouble could arise in three or four other minerals. However, embargos or severe shortages are not likely to occur, particularly if our mining trade is alert, our stockpiling is realistic, and the international environment does not deteriorate further.

This optimistic scenario is not that persuasive. While a detrimental cartel pricing or embargo that could endanger our materials system does not seem impending, it remains a potential threat that public officials will have to take into account in the formulation of our long term economic policy:

- The poorer nations of the world, where vast untapped resources of raw materials have been discovered (often by mining interests from the industrialized countries), have been hit mercilessly by OPEC, inflation, and by the recession in world trade. Their despair has already brought about in UNCTAD a clamor for a moratorium on LDC debts (some \$142 billion) and further price increases (or price stabilization) of their crops. It could, in a bad inter-

national environment, bring about an unreasonable urge to emulate OPEC, or to expropriate natural resources owned by foreign interests.

- Paradoxically, this threat to the proved discovery, development, and marketing of much needed additional reserves of raw materials is pressing even in those less-developed countries that suffer most from unemployment and could not by themselves finance new production or gain access to the world markets. As long as this uncertainty persists, the world materials system will remain unstable.
- Much can be done to protect ourselves. A conservation ethic, eradication and recycling of waste, substitution of scarce materials by others that are more available, and by new materials, specially conceived for our future needs, etc. But all this will require much developmental talent, institutional change—and money.

There are two new international trends to which we will have to adjust. The first is the quest of the LDCS for more political independence and more economic growth, which leaves the industrialized nations in a more vulnerable position. The second is the realization that independence from materials imports can be achieved only at terrific cost, and security of supply is now possible only if we establish common economic objectives that will draw the world together to engage in fruitful exchange in commodities, transportation, and communications,

Thus, economic interdependence, with all its political stresses, is now the bellwether of a new world economic order. For the United States there is need to expand relationships with Socialist countries, and our relationships with the LDCS, from whom we now import one-half of our industrial materials and to whom we sell one-third of our exports to the LDCS, and where we have 25 percent of all our foreign investments. The even greater dependence of Europe and Japan on supplies from the LDCS also affects U.S. policies and supplies. We cannot remain indifferent to the plight of our allies,

Concluding Remarks

The main concern of this meeting is to determine whether the adverse impacts of the Nation's materials problems can be anticipated, effective responses devised, and the respective roles defined for Government and business to implement the right policies. I would be less than candid if I ducked these questions by a ringing endorsement of free trade, high technology, the min-

ing industry, the old-line specialized Government agencies—and the most high and mighty of them all—the National Laboratories and the Think Tanks. Each of these constituencies has richly deserved its fame and acquired some excellence and a function in the system, mainly through specialization and a lengthy record of performance in given roles and missions.

But the difficulties we now face (in energy, materials, economics, foreign policy, and defense) are interwoven, and quite different in that a technological breakthrough (e.g., a satellite, a new plane, or a new bomb) will not necessarily reduce the perilous impacts of world-wide changes, destabilization, and novel international and societal pressures. Also, most of our problems now involve much recrimination, damage, and uncertainty as to what may become of now-powerful constituencies,

There is an erosion of confidence and persistent doubts as to the soundness of our institutions that preclude assigning policy formulation and remedial action to any one of the academic disciplines, business interests, or administrative entities that served us well in the past. Whether the free marketplace together with a cyclical upswing will bring back lasting prosperity and quality of life is questioned even in the Establishment. Some feel that we should trust the future. Others worry that even if and when the cyclical upturn raises the rate at which we utilize our producing facilities (from 74 percent now, to a profitable 93 percent), demand is likely to overshoot capacity (that was not expanded or modernized during the recession because of shortages of energy materials or capital and institutional uncertainties). A new inflationary spiral may well ensue when the recession is over. Then there is the anti-business view that favors no-growth, “pristine living” syndromes, and others.

I submit that only a group of private citizens dedicated to public service but not beholden to any power center can undertake a thorough interdisciplinary diagnosis of the causes and remedies to our ills, and make policy recommendations that are not tainted by the daily responsibilities of organized leadership nor obscured by loyalty to their particular bureaucracy (public or private).

This is what the Commission on Critical Choices attempted to do at a time of severe stress on our society. From the obscurity of my station in the world of R&D societal planning, I feel that the Commission’s endeavor was a laudable patriotic effort – whether or not it produces a book or a chapter on materials.