

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date September 24, 1946.

To Chairman Eccles

Subject: _____

From Mr. Knapp



Spruille Braden, Assistant Secretary of State for Latin American Affairs, gave a speech in Chicago on September 13 taking a very strong position in favor of financing Latin American industrial development with private investment capital rather than with Government funds. He warned, however, that the Government might be forced to step in unless private funds were forthcoming.

Mr. Braden based his position mainly on the argument that wherever possible economic projects should be carried out by private enterprise rather than by governments, but he also emphasized the great burden on the U. S. Government's budget of the foreign lending program. In words reminiscent of Mr. Clayton's recent remarks, he said:

"The vast sums spent and loaned by the United States since 1940 have created the false impression that our wealth is infinite. Far too often it is said, right here at home: 'But what are a few million dollars to Uncle Sam?' The time has come to recognize that the United States Treasury is not an inexhaustible reservoir, that 'thrift is the philosopher's stone' and that excessive taxes discourage production. Lower production means unemployment and less national income or purchasing power wherewith to buy from our neighbors, as well as from ourselves."

Mr. Braden felt that U.S. Government money should be employed in foreign loans only where necessary to prevent worldwide economic chaos (he puts in this category the British loan and loans through the International Fund and Bank), in connection with the financing of "health and cultural endeavors", or in the form of short-term credits for financing our export and import trade in cases where private capital may not be available. Apparently Mr. Braden would not favor any ambitious Export-Import Bank program for Latin America.

JBK:mla

P.S. I understand from Mr. Norman Ness that the economic staff in the State Department did not see a copy of Mr. Braden's speech until after it was delivered.