

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

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MB
Office Correspondence

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To Chairman Eccles

Subject: _____

From J. Burke Knapp

Dean Acheson made a speech in Cleveland, Mississippi, about ten days ago, which has since been widely interpreted as evidence that the Administration was contemplating a new postwar "Lend-Lease" program. I find very little grounds for this interpretation in the speech, although Mr. Acheson does state:

"The facts of international life also mean that the United States is going to have to undertake further emergency financing of foreign purchases if foreign countries are to continue to buy in 1948 and 1949 the commodities which they need to sustain life and at the same time rebuild their economies. Requests for further United States aid may reach us through the International Bank, or through the Export-Import Bank, or they may be of a type which existing national and international institutions are not equipped to handle and therefore may be made directly through diplomatic channels. But we know now that further financing, beyond existing authorizations, is going to be needed. No other country is able to bridge the gap in commodities or dollars."

Mr. Acheson, after stating that it is generally agreed that until the various countries of the world get on their feet and become self-supporting there can be no political or economic stability in the world and no lasting peace or prosperity for any of us, went on to present five "imperatives" for our foreign economic policy. Aside from the one concerning emergency financing quoted above, he listed the following four:

1. "They mean first that we in the United States must take as large a volume of imports as possible from abroad in order that the financial gap between what the world needs and what it can pay for can be narrowed. There is no charity involved in this. It is simply common sense and good business. We are today obliged from considerations of self-interest and humanitarianism to finance a huge deficit in the world's budget. The only sound way to end this deficit financing is by accepting increased quantities of goods from abroad. There can never be any stability or security in the world for any of us until foreign countries are able to pay in commodities and services for what they need to import and to finance their equipment needs from more normal sources of investment."

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2. "This leads directly to a third imperative for our foreign policy. Since world demand exceeds our ability to supply, we are going to have to concentrate our emergency assistance in areas where it will be most effective in building world political and economic stability, in promoting human freedom and democratic institutions, in fostering liberal trading policies, and in strengthening the authority of the United Nations."

3. "The fourth thing we must do in the present situation is to push ahead with the reconstruction of those two great workshops of Europe and Asia -- Germany and Japan -- upon which the ultimate recovery of the two continents so largely depends. European recovery cannot be complete until the various parts of Europe's economy are working together in a harmonious whole. And the achievement of a coordinated European economy remains a fundamental objective of our foreign policy."

4. The final point covers extension beyond June 30, this year, of certain wartime powers enabling the Government to exercise export control over a limited list of commodities and transportation controls adequate to insure the movement of bulk products such as wheat and coal to foreign countries.