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IMPLEMENTATION OF THE FINANCIAL AGREEMENT
DATED DECEMBER 6, 1945, BETWEEN THE UNITED
STATES AND THE UNITED KINGDOM

APRIL 10 (legislative day, MARCH 5), 1946.—Ordered to be printed

Mr. BARKLEY, from the Committee on Banking and Currency,
submitted the following

REPORT

[To accompany S. J. Res. 138]

The Committee on Banking and Currency, to whom was referred the joint resolution (S. J. Res. 138) to implement further the purposes of the Bretton Woods Agreements Act by authorizing the Secretary of the Treasury to carry out an agreement with the United Kingdom, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the joint resolution, as amended, do pass.

The amendment was solely for the purpose of making explicit in this joint resolution the authority to provide the line of credit provided in the agreement, rather than by reference to similar authority in the Bretton Woods Agreements Act of 1945.

I. INTRODUCTORY STATEMENT

The program of international economic cooperation, which this country, in consultation with other countries, has been developing since 1941, was given congressional approval by the Bretton Woods Agreements Act of 1945. This act not only made possible the creation of the International Monetary Fund and the International Bank for Reconstruction and Development but also set the pattern for the complete accomplishment of our broad foreign economic policy. That policy is a greatly expanded world trade to which all countries have access on fair terms. The method to effectuate that policy is international economic cooperation on the concrete problems the several nations must face from time to time. The World Fund and the World Bank were the first of the new permanent organizations for international economic cooperation to be established with resources adequate to deal with these problems.

THE WORLD BANK AND FUND

Until countries are again producing, world trade cannot be restored to the high level necessary for a balanced world economy. The International Bank is intended to facilitate reconstruction and development, so that countries can again use their own resources of labor, management, and materials for production. The Bank will help in this by providing the supplementary capital necessary for sound and productive projects on terms fair to both the lender and the borrower. The capital of the Bank, to which 37 countries have now subscribed, will be used primarily as a surety fund. The loans made or guaranteed by the Bank will be financed almost entirely by private investors. But all the countries that are members of the Bank will share in the risks of these loans in proportion to their subscriptions.

The urgency of reconstruction has been so great that it could not be delayed until the World Bank was in full operation. To take care of emergency reconstruction needs during the interim period, the capital of the Export-Import Bank was increased, and its authority was extended to permit it to make loans for reconstruction in Europe and other devastated areas. After the World Bank is in full operation, the Export-Import Bank will carry out its special function of offering our businessmen help in financing American exports and imports. In this, the Export-Import Bank will be a useful American supplement to the international institutions designed to encourage and facilitate the expansion of world trade.

World trade cannot be restored and expanded to the high level necessary in the postwar period unless the restrictive and discriminatory currency practices that grew up in the prewar decade are eliminated. In fact, this task, which the United States, England, and France tried to deal with through the Tripartite Accord of 1936, is now much more difficult because of the extension of the use of these devices during the war. The Monetary Fund, to which 38 countries have already adhered, will help to eliminate these currency practices and facilitate a full flow of trade. It will do this by promoting stable and orderly exchange arrangements. The members of the Fund undertake to maintain fair currency standards under which trade can expand and grow. Countries that abide by these standards can secure help from the Fund, under adequate safeguards, out of the resources subscribed by the members.

TRADE BARRIERS

The policy of the United States has always contemplated that these financial measures for international economic cooperation would be supplemented by other measures to reduce the barriers to trade and to eliminate economic warfare. This has also been clear to the countries that participated in the Bretton Woods Conference. Resolution VII, adopted by the Conference, recommended, among other things, that the participating Governments seek—

to reach agreement as soon as possible on ways and means whereby they may best reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations.

This resolution of the Bretton Woods Conference contemplated an international agreement to reduce the hindrances and to eliminate the barriers to trade.

The Congress in the Bretton Woods Agreements Act recorded its views on this same policy. An amendment, recommended by this committee, was incorporated as section 14 of the act. Under the heading "Further promotion of international economic relations," the act states:

SEC. 14. In the realization that additional measures of international economic cooperation are necessary to facilitate the expansion and balanced growth of international trade and render most effective the operations of the Fund and the Bank, it is hereby declared to be the policy of the United States to seek to bring about further agreement and cooperation among nations and international bodies, as soon as possible, on ways and means which will best reduce obstacles to and restrictions upon international trade, eliminate unfair trade practices, promote mutually advantageous commercial relations, and otherwise facilitate the expansion and balanced growth of international trade and promote the stability of international economic relations. In considering the policies of the United States in foreign lending and the policies of the Fund and the Bank, particularly in conducting exchange transactions, the Council and the United States representatives on the Fund and Bank shall give careful consideration to the progress which has been made in achieving such agreement and cooperation.

The Congress further expressed its basic purpose by renewing the Trade Agreements Act in 1945.

THE ANGLO-AMERICAN DISCUSSIONS

At the time the Bretton Woods agreements were considered by this committee, it was brought to the committee's notice that further action would be necessary to meet the special problems of the United Kingdom after the war and to secure a multilateral agreement on fair trade practices. It was the judgment of the committee that a satisfactory settlement of these questions was essential to our whole program of international cooperation and that these matters should be taken up at an appropriate time. A statement of policy to this effect was incorporated in the report of the committee and in the above-quoted section 14 of the Bretton Woods Agreements Act.

Soon after the defeat of Japan, the representatives of the United States and the United Kingdom held extended discussions in Washington to find a basis for completing and putting into effect promptly the program of international economic cooperation, on the principles of which the United Nations were already agreed. The representatives of the United States wanted England to remove the wartime restrictions that limited trade between England and the sterling area countries, and the United States and other countries outside the sterling area. The representatives of the United Kingdom expressed their willingness and desire to remove these wartime restrictions and to participate fully in the program of international economic cooperation if some means could be found whereby England could continue her essential imports during the immediate postwar years. The Anglo-American financial agreement, which embodies the results of these detailed discussions, makes it possible to proceed promptly with this program to establish fair currency and trade practices.

The Anglo-American financial agreement is an important step in the realization of our foreign economic program. The plight of the United Kingdom presents a special problem which cannot be solved through the medium of either the International Bank or the Export-Import Bank. The details of the British problem are presented more fully in part III of this report. In brief, the objectives of the Anglo-

American financial agreement are to grant England transitional assistance in solving her balance-of-payments problem thus enabling her to abolish the wartime currency and trade restrictions through which she mobilized and husbanded her precious war-vital dollar assets, but which are impediments of the most serious kind to peacetime world trade.

England has for years been the largest importing country in the world. The pound sterling has been widely used in the foreign trade of many countries. With England's trade still shackled by currency and trade restrictions, it is obvious that little progress can be made in our over-all program. Until a host of other countries are assured that they can use the proceeds of their exports to England to buy goods in any other country, they cannot remove their own currency restrictions and they cannot commit themselves to remove discriminatory trade controls. On the other hand, if the two largest trading countries, the United States and England, were to put the fair currency and trade practices into effect, all other countries dependent on their trade with these two would be in a much better position to abide by the same principles. For this reason, the solution of the British problem becomes crucial to all that we hope to attain in the foreign economic field.

Currency restrictions are not, of course, the only restrictions which hamper international trade. Cartels, high tariffs, preferences, quota devices, and other direct limitations are equally effective in blocking trade. This Government has been aware of the necessity of dealing with these trade problems and has submitted to other governments its Proposals for Consideration by an International Conference on Trade and Employment as a basis of discussion preliminary to the holding of such a conference. In these proposals, the United States has put forward specific suggestions for the relaxation of trade barriers of all kinds and the elimination of discriminations and unfair trade practices, for dealing with cartels, for policies in respect of commodities in world surplus, for an international trade organization, and on international aspects of domestic measures to maintain employment.

At the time the Anglo-American financial agreement was negotiated, the Government of the United Kingdom expressed its full agreement with and support for the American proposals on trade and employment and agreed to participate with the United States and other countries in early negotiations for the purpose of developing concrete arrangements to carry out these proposals. The first steps in this direction have already been taken. The Economic and Social Council of the United Nations has agreed to convene an international conference on trade and employment in the latter part of 1946. In addition, the United Kingdom, the British Dominions, India, and eight other important trading nations have accepted the invitation of the United States to meet in advance of the conference to negotiate reductions in trade barriers in accordance with the principles laid down in the American proposals.

II. OBJECTIVES OF OUR INTERNATIONAL ECONOMIC POLICY

The United States has advocated a policy of international economic cooperation, so that all problems that affect the economic relations of countries will be dealt with through discussion and agreement rather than economic force. This policy has a twofold purpose.

First, to make it possible for world trade to expand so that all countries can share in a full flow of prosperous trade. Second, to eliminate the economic warfare which has in the past been an important contributing factor in conflicts between nations. These two objectives could be attained if all countries would adhere to fair currency and trade standards which would give the businessmen of all countries access to world markets on fair and equal terms.

FOREIGN TRADE AND THE AMERICAN ECONOMY

The expansion of world trade is an integral part of our own program to maintain high levels of production, employment, and national income in the United States. Our factories and farms are geared to the inflow of many important materials from abroad, just as they are geared to sell much of their output abroad. Our intention is to see that this profitable trade, inward and outward, is maintained at a high level, to the mutual advantage of this country and other countries.

America has a real need for foreign markets. In the case of many of our most important products, more than 10 percent of the total output is sold abroad. For large segments of agriculture and industry, exports mean the difference between prosperity and depression. Even in 1937 and 1938, when our output was considerably below the present level, nearly 8 percent of our production of agricultural and industrial goods was sold abroad. In these years, 31 percent of our raw cotton, 30 percent of our leaf tobacco, and 12 percent of our wheat and flour was sold in foreign markets. Of our more important industrial products, 54 percent of our refined copper, 15 percent of our farm equipment, 14 percent of our automobiles and trucks, 14 percent of our industrial machinery, and 11 percent of our refined mineral oil was sold abroad in 1937 and 1938.

As a matter of fact, in these years our exports and our production were both held down because of the relatively low level of world trade. A major factor in the decline of world trade during the 1930's, as compared with the 1920's, was the steady growth of currency and trade restrictions and discriminations. American productive capacity is much greater today than ever before. Our need for foreign markets and for foreign products is much greater than it was before the war.

It is true, of course, that most of our large output will be sold and consumed at home. This is as it should be for a country with our high consumption and investment needs. But in many sectors of agriculture and industry, we can continue high-level production only if we can sell a substantial part of the output abroad. We need and want foreign markets for many of our products. The alternative would have to be a shift to new and less efficient fields of production, with a consequent decline in national income and our standard of living.

International economic cooperation which encourages an expansion of world trade will benefit the United States. It will also benefit other countries. One reason for the intense and prolonged depression in the 1930's was that many countries attempted to shift the burdens of depression by placing barriers to the full flow of trade. The effect was to spread depression from country to country and to prevent economic recovery. In the ensuing decline in world trade, our exports and imports fell relatively more than those of any other country.

SIGNIFICANCE FOR WORLD PEACE

The policy of international economic cooperation goes far beyond its economic aspects, important though they are. It is an essential part of our whole program for peace. In advocating this policy, we have proceeded on the simple principle that the chance of maintaining peace is far better in a prosperous world, in which all countries share in a large volume of profitable trade.

This policy of international economic cooperation recognizes that one important factor leading to World War II was the deep and prolonged depression of the 1930's to which trade and currency restrictions were a contributing factor. It recognizes that the economic warfare of the 1930's was part of the program of war preparation by Germany and Japan. Conquest can, and in some instances did, begin with economic aggression, by isolating the victim from the channels of world trade through bilateral agreements which put the weaker nation at the mercy of the stronger. These practices must be outlawed by cooperative international action.

A major purpose of establishing fair trade and currency practices is to permit the businessmen of all countries to participate in world trade on fair and equal terms. Such fair standards are essential to the elimination of economic warfare, and they will remove one source of conflict between countries. Trade can be the basis for continuous and friendly relations among the people of many nations. When countries work and live together with a beneficial flow of prosperous trade, they have an especially good reason to maintain the peace.

THE POSITION OF ENGLAND

The greatest handicap to the prompt adoption of this entire program for international economic cooperation is the difficulty which England finds in putting these fair currency and trade practices into effect. In view of the serious disruption in her international economic relations as a result of the war, it will take England from 3 to 5 years to restore her export trade and her services to the point where they can provide the imports necessary for the functioning of British industry and the subsistence of the British people. If England can have help in meeting these needs, she can put into practice, promptly, the fair currency standards established by the World Fund and the fair-trade standards to be established by the proposed International Trade Organization. Otherwise, England must continue or even extend her wartime currency and trade discriminations and secure whatever additional help she can from the sterling area and from other countries. The time to put these fair currency and trade practices into effect is now.

Senate Joint Resolution 138 is in furtherance of this stated international economic policy. If enacted into law it will implement the Anglo-American financial agreement of December 6, 1945, by authorizing the Secretary of the Treasury to provide and use \$3,750,000,000 in making available to the United Kingdom the line of credit under the terms and conditions stated in that agreement. The Government and the people of England have shown on numerous occasions that they share with us fully the desire to put international economic relations on an orderly basis. They need aid in accepting the commitments that this policy involves. This aid would be available to

them through the financial agreement, which would be put into effect by the enactment of the proposed resolution.

III. BRITAIN'S INTERNATIONAL ECONOMIC PROBLEMS

International transactions assume a larger place in the British economy than in the economy of any other major power. The United Kingdom is a densely populated and highly industrialized country, which buys most of its food and raw materials abroad and pays for them with the goods and services it supplies to other countries. In the years immediately before the war the English people imported two-thirds of their food and the bulk of every important raw material except coal. One-sixth of the British national income was spent to buy foreign goods. Britain alone took almost 20 percent of the total exports of the other countries of the world. She was the most important customer of a score of countries, including the United States.

The maintenance of a balance, at a high level, between the foreign receipts and foreign payments of the United Kingdom is therefore of vital importance to the British people and of considerable importance to the people of other countries. To the British, a high level of imports is necessary to the functioning of their industries and to the maintenance of the standard of living of their people. As for other countries, the maintenance of a high level of exports to Britain is essential to their domestic production and employment. To a large extent, the amount of world trade, and the trade of many countries, is closely related to the volume of British imports.

This is particularly true of the United States. Both directly and indirectly we depend on a large British trade carried on with us and with other countries. Not only is the United Kingdom normally the most important market for American goods, but Canada, the other British Dominions, Latin America, and the nonindustrial countries of Europe, which together take almost half of our exports, normally earn enough from their excess exports to Britain to pay for their excess imports from us. Any steps which will contribute to a high level of British trade and the free convertibility of sterling must, therefore, assume a predominant place among the measures designed to implement this Government's policy of maintaining a full interchange of goods in world trade.

WHY BRITAIN NEEDS AID

Before the war the British people maintained one of the highest standards of living in the world because they were able to earn enough from their exports and their services to foreigners to buy the food and raw materials not available in the United Kingdom. Roughly, one-half of the required foreign exchange was derived from exports of British goods. One-quarter came from the net income of British investors on their capital abroad. The remaining quarter was earned mainly from the services of the British merchant marine, British insurance companies, and other financial and commercial institutions. Because Britain had this substantial foreign-exchange income from exports and services, sterling was stable and freely convertible, and foreign countries could count upon British imports to provide a large part of the foreign markets for their domestic output.

Six years of war has changed Britain's international economic position very sharply. British policy was to devote as much of her current resources as possible to carrying on the war, and to supplement this by drawing on her accumulated resources and pledging her credit abroad. This policy was made possible in large part by the provision of supplies from the United States through lend-lease, from Canada and other countries through mutual aid, and from the sterling area and other countries through the accumulation of large sterling balances. The mobilization and use of British resources in this manner was of the utmost importance to the war effort of the United Nations. It has left Britain with difficult problems of adjustment in her international economic relations.

BRITAIN'S CURRENT PAYMENTS PROBLEMS

The disruptions of war have curtailed every important source of foreign exchange available to the British people. So thoroughly was British industry converted to military production that exports fell to less than 30 percent of their prewar volume. Net income from foreign investments in 1945 was less than half the 1938 income, because Britain sold 4.5 billion dollars of foreign investments and incurred \$12,000,000,000 in foreign obligations in order to finance the war. The British merchant marine is one-fourth smaller than it was before the war, in spite of wartime construction. In every major field of international business, Britain's prospective earnings of foreign exchange immediately after the war are substantially lower than in the prewar years.

The British people have industriously set about to remedy the deficiencies in their foreign-payments position. They are endeavoring to expand exports sufficiently to make up for the loss of their foreign investments and the new debts they have incurred. It will not be possible, however, to complete so great a reconversion from war production to export production except over a period of years. During this period of transition to a new balancing of foreign receipts and foreign payments, it is inevitable that the feeding of the British people and the supplying of British industry will result in a substantial excess of outpayments, largely in dollars. Even though the austere wartime living standards will be maintained to such a degree that the British consumer will receive 25 percent less goods in 1946 than in 1938, England will, nevertheless, incur a substantial deficit on current international account.

When her industries are restored and her labor and management are producing efficiently, Britain's exports of goods and services will again be adequate to pay for her necessary imports. The expansion of world trade, which the World Fund and Bank and the proposed international trade organization will facilitate, will be helpful to England in finding markets for more of her exports. With favorable conditions, Britain should be able to restore her current trade position in 3 years or so. In the meantime, she will need help in securing her most essential imports. This help must come largely from the United States and Canada; otherwise England must continue her severe wartime measures of restriction.

WARTIME RESTRICTIONS AND STERLING AREA DOLLAR POOL

In order to mobilize her foreign-exchange receipts and to conserve them for the most essential war uses, England imposed various currency and trade restrictions. These restrictions, centering on the inconvertibility of sterling, are especially significant because they are not confined to the transactions of Great Britain alone, but are extended to a number of other countries which make up the sterling area. These were necessary war measures; but they are unsuited to the conditions of peace. Their use should be terminated, therefore, as soon as possible.

Before the war the pound sterling was freely convertible into dollars or any other currency at the will of the holder. To conserve her foreign-exchange resources during the war, England no longer permitted the holders of sterling in sterling-area countries to exchange their pounds for dollars or other currencies except for the most essential imports which could not be procured within the sterling area.

In addition, the British Treasury maintained control over the dollars which the members of the sterling area received. These dollars were allocated among the various members of the sterling area to assure their use for the most important needs in the prosecution of the war. This arrangement is called the sterling-area dollar pool.

During the war Britain's currency restrictions did not involve a hardship on American trade. They simply enabled Britain to utilize her limited supply of dollar exchange in a more effective way. The continuation of these restrictions, however, would be harmful to world trade and prosperity in time of peace. Restrictions on the convertibility of sterling inevitably mean a channeling of trade within the countries of the sterling area and discrimination against American and other non-sterling-area products. Countries which export to Britain and receive payment in sterling cannot use the proceeds of these sales for making purchases in the United States or other countries outside the sterling area, except as agreed to by the United Kingdom.

These restrictive and discriminatory controls are still in effect. No matter how great the desire of the British people to discard them, they must remain in effect as long as the United Kingdom faces the necessity of securing her essential imports without assistance from abroad—in other words, by achieving the closest possible balance in British trade at the most meager level possible. The British people do not, in fact, have a choice. If their minimum import needs cannot be financed in a convertible currency from outside the sterling area, they must devise and impose trade and exchange controls of unprecedented severity. Such controls would stifle the trade of every important country which exports to Britain and the sterling area. It would involve an economic war between the sterling and the dollar blocs which would plunge the entire world into a vicious spiral of declining trade, restrictions, and counter-restrictions.

The financial agreement is designed to make it possible for the United Kingdom to reject this alternative, and it contains provisions requiring that the British do in fact reject it. Together with the assistance which it is already evident will be forthcoming from other

sources, their agreement with the United States will enable the British to bridge the gap of 3 to 5 years until the achievement of a new balance in their international accounts. If the Congress implements the agreement, and makes this assurance complete, the United Kingdom will be in a position to accept the obligations of a full working partner in the type of international economy which this country has sponsored.

BLOCKED STERLING

Another consequence of the wartime restrictions on the convertibility of sterling has been the accumulation of large quantities of blocked sterling. Britain financed the purchase of essential supplies in the sterling area, and met the costs of her armies in India, Egypt, and other countries by buying the currencies of these countries with sterling which was kept as balances in London. But she could not export enough to let these countries use all of their sterling to buy goods, nor did she have the means to convert the sterling into dollars. In effect, therefore, the accumulated sterling balances could not be used by the holders.

These accumulated balances, which now amount to about \$13,000,000,000, present a serious problem. The way in which this foreign debt is to be liquidated is very important for American trade. If Britain pays off her huge foreign debt in pounds which can only be used to make purchases in the sterling area, the demand for American products will be severely curtailed. If on the other hand, Britain is able to redeem this debt over a period of time in money which is convertible into dollars, there need be no discrimination against American trade. The terms of the financial agreement provide that any payments on sterling balances will be freely available for use in the United States or any other country.

DANGER OF ECONOMIC BLOCS

Britain has clearly demonstrated her desire to cooperate with the United States and other countries in developing the program of international economic cooperation. She wants to abolish her wartime restrictions and discriminations and has agreed to do so if she gets assistance from the United States. Without this help, out of sheer necessity she will be forced to maintain and even extend her restrictions and controls. Britain would develop an economic bloc from which the products of the United States would be excluded to the maximum possible extent. In retaliation, the United States and other countries would form their economic blocs. We would be in that vicious cycle of restrictions, counter-restrictions, and declining trade, which would endanger the peace of the world.

The financial agreement is an agreement to prevent this disruptive economic warfare. In making this agreement America asks for no special privileges for our traders, but we want no discriminations against them. The agreement will help to open up the markets of the world to all countries on fair and equal terms. Given equal access to world markets, our businessmen can acquire and maintain a fair share of the world's trade. They need assurance of this fair treatment. They will get it from our international economic program establishing fair currency and trade standards.

By avoiding economic warfare the agreement greatly enhances the possibilities for peace and prosperity.

IV. TESTIMONY BEFORE THE COMMITTEE

The program of international economic cooperation has been developed gradually during the past 5 years. Beginning in 1941 and progressing through the discussions which took place at the Bretton Woods Conference and in the congressional hearings and debates on the Bretton Woods Agreements Act, American thought, contributed from all sectors of American life, has brought forth a broad but definite policy of international economic cooperation designed to help restore world trade and eliminate the economic causes of war. This policy has been formed through the process of public discussion in the democratic manner; it may truly be said to be the work of anonymous thousands.

TESTIMONY FOR THE AGREEMENT

The committee heard testimony from the Honorable Fred M. Vinson, Secretary of the Treasury; the Honorable Henry A. Wallace, Secretary of Commerce; the Honorable Dean Acheson, Under Secretary of State; the Honorable William L. Clayton, Assistant Secretary of State; the Honorable Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System; and the Honorable William McC. Martin, Chairman of the Board of Directors, Export-Import Bank of Washington. Their testimony showed clearly the vital significance of the agreement to the policy of this Government.

The committee offered ample opportunity to the public for a full expression of views on the international economic policy of this Government and on the financial agreement. The strong public support for this international economic program was impressively demonstrated during the hearings on the proposed joint resolution. Displaying a unanimity of purpose, almost never encountered in the legislative process, representatives of labor, business, finance, industry, and agriculture all appeared before the committee and supported the proposed legislation in enthusiastic terms.

Mr. Philip Murray, of the Congress of Industrial Organizations, and Mr. William Green, of the American Federation of Labor; Mr. Eric Johnston, of the United States Chamber of Commerce; Mr. Winthrop Aldrich, of the Chase National Bank, and Mr. Ralph E. Flanders, of the Committee for Economic Development; Mr. Edward A. O'Neal, of the American Farm Bureau Federation, and Mr. Russell Smith, of the Farmers' Union, all gave wholehearted support to the proposed joint resolution. They expressed a common conviction that the program of international economic cooperation is essential to the material well-being of the United States and the world, and to the structure of world peace. They urged that the alternatives would bring serious consequences for both the prosperity and peace of all nations.

In addition, the committee heard statements from Mr. Justice Owen J. Roberts; Mr. Philip D. Reed, of the General Electric Co.; Mrs. Alan C. G. Mitchell, of the League of Women Voters; Mr. Oren Root, Jr., of the American Veterans' Committee; and Mr. John Abbink, Chairman of the Board of Directors, National Foreign Trade Council—all of whom testified in favor of the resolution.

GOVERNMENT TESTIMONY

The committee heard extensive testimony from the group of Government officials, headed by Secretary Vinson, who carried on the negotiations for the financial agreement on behalf of the United States.

The Secretary of the Treasury, Mr. Fred M. Vinson, analyzed in detail the background, purposes, and nature of the financial agreement. In urging the approval of the joint resolution, he said:

The financial agreement is a sound investment in world peace and prosperity. Not only will the \$3,750,000,000 be fully repaid, but American business will reap rich dividends through its access to world markets on a fair and equal basis. Every section of this country, every sector of our economy, depends in part on world trade. The financial agreement will open the markets of England and many other countries to our exporters. This means more exports for our farmers and manufacturers, more jobs for our workers, more profits for business, and a higher income for all our people.

The Under Secretary of State, Mr. Dean Acheson, in supporting strongly the joint resolution, emphasized the dangers of economic warfare and the importance of the financial agreement to world peace. He stated:

The agreement is not merely a device by which the United States lends some money to the British. We recognized that we had one last, clear chance to restore world trade, to so restore it that someone who sold goods to England would get money which he could then use in the United States or any place else in the world. We wanted this kind of trade because we believed it would increase production and employment everywhere. Our other choice was to take a narrow view and say, "We've done enough. Let's simply forget about the British and a system of multilateral trade, and go out and grab whatever markets we can." The result of that attitude would be that the British would have only one course open to them. It would be a desperate one which offered no real hope to them or anyone else, for they also would have to grab markets where they could. They would have to pull the Empire closer and closer together, and exclude us and every other country from this trade.

The Assistant Secretary of State, Mr. William L. Clayton, pointed out the importance of the joint resolution to American trade and to our program for international cooperation on political and economic problems. He said in part:

What it comes down to, commercially, is that by the credit we make it financially possible for Great Britain to remove the discriminations which now operate against American trade in all the markets of the sterling area, and the British Government agrees to remove them. In addition, if the credit goes through, we are assured of British participation in the International Monetary Fund and the International Bank for Reconstruction and Development, and of British support for the proposed International Trade Organization. The approval of the financial agreement by the Congress will mean that the two largest trading countries have decided not to get into an economic war, but to work together on a platform which is beneficial to them both, and to every other country in the world. Approval of the agreement by the Congress will lay the basis for the only kind of prosperity that has a chance of lasting—prosperity based on real international cooperation.

Secretary of Commerce Henry A. Wallace emphasized the commercial importance of the agreement and its relation to world trade. He said:

This proposed loan is a necessary additional step in our program for expanding the volume of world trade, freeing it from hampering controls, and creating a peaceful world trading community. It will aid British recovery and reconstruction and at the same time be of enormous advantage to this country. It will aid the revival of world trade and prosperity, which is necessary to heal the economic wounds of war and insure the preservation of the peace. Without the provision of this credit, the policy laid down by the Congress in the Bretton Woods Agreements Act cannot be effectively carried on.

The Chairman of the Board of Governors of the Federal Reserve System, Mr. Marriner S. Eccles, discussed some of the economic aspects of the financial agreement. He stated:

Without effective British participation, which is possible only if we lend our aid, the Bretton Woods institutions cannot fulfill the hopes which we have placed in them. Without the fulfillment of these hopes for a stable economic order in the world, there is little prospect of success for the United Nations Organization in its search for political stability and security. Without economic or political stability, we can expect only a continued drift of world affairs toward the catastrophe of a third world war.

TESTIMONY OF BANKERS AND BUSINESS GROUPS

The witnesses from the banking and business community emphasized the relationship of the financial agreement to the program to reestablish multilateral trade and the significance of this program to maintaining and expanding the American system of free enterprise in a peaceful world.

Mr. Winthrop Aldrich, speaking for the Chase National Bank and the International Chamber of Commerce, stated in his testimony:

Our decision in the matter of the British credit will be a most critical one. Since the collapse of Japan there has been a growing tendency throughout the world toward the formation of economic blocs, import control schemes, and bilateral trade practices. Unless this tendency is checked now, there will be little hope of reestablishing international trade on a relatively free basis. The extension of financial aid to England, playing as she does a central role in world trade, is essential in checking the tendency toward bilateralism and in giving a firm basis to multilateral trade.

* * * * *
 Multilateralism creates a situation which fosters the maintenance of peace
 * * * Bilateralism * * * contributes to the growth of international ill-
 will and suspicion and creates a situation in which international trade becomes
 an instrument of state policy and is used for purposes of political penetration
 and aggrandizement.

Similar testimony was offered by Mr. Eric Johnston, of the United States Chamber of Commerce, who stated:

The best way to secure jobs and peace is through an expanding world economy. We feel that an essential step in an expanding world economy is this proposed agreement with Great Britain.

* * * * *
 Therefore, because we believe that this agreement with the United Kingdom will assist in expanding markets, thereby providing jobs for American workmen, and because these expanding markets lead to friendship and avoid the frictions which lead to war, we earnestly hope that Congress will approve it.

Mr. Ralph E. Flanders, a prominent New England businessman and chairman of the research committee of the Committee for Economic Development, stated:

It seems to me most fortunate that this loan is made with a considerable amount and variety of conditions, each of which represents a movement in the direction of the kind of world economy which goes with a peaceful world and the free enterprise system to which we are committed.

VIEWS OF LABOR ORGANIZATIONS

The committee heard the testimony of the larger labor organizations. This testimony was uniformly favorable.

Mr. William Green has written that the American Federation of Labor supports the joint resolution. He wrote in part:

The true significance of the British loan agreement to the American worker, American businessman, and the American farmer is not in the direct effect of the

14 UNITED STATES AND UNITED KINGDOM FINANCIAL AGREEMENT

American dollars provided to an Allied Nation in time of the most critical need. To meet that need is important. But the real significance of this loan to us is in the alternatives we must realistically face. If we choose not to aid Britain now, the whole structure, monetary, economic and political, of healthy international cooperation will inevitably begin to crumble.

The statement of Mr. Philip Murray, president of the Congress of Industrial Organizations, emphasized the importance of world trade to the American worker. The following is from his statement:

With an expanding world trade that will insure prosperity for the United States and raise the living standards of each trading nation, the position of the American worker will be made secure.

VIEWS OF FARM ORGANIZATIONS

Similarly, representatives of national farm organizations have indicated their support of the joint resolution.

Mr. Edward A. O'Neal, of the American Farm Bureau Federation, appeared before the committee and stated in part:

Unless credit is advanced to the United Kingdom, Britain's only alternative is the placing of certain limitations upon trade with the nonsterling area. American agriculture cannot afford to have these restrictions on trade * * *. Our exports to the United Kingdom were weighted twice as heavily of agricultural products as they were for the world at large.

If this loan is not made, it will greatly enhance the chances of trading blocs, frozen exchanges, cartels, trade restrictions and the whole category of things that have in the past and will in the future lead to distrust, stifling of trade, and the lowering of living standards for many, many people. I view this loan to Britain as one of the necessary stepping stones in developing a brighter world of tomorrow.

Mr. Russell Smith, legislative secretary of the National Farmers Union, also supported the joint resolution. In his statement he said:

Approval of these agreements by Congress will mean that the United States and Great Britain have joined hands in the most tangible and practical manner to demonstrate to the world that they intend to use every resource to insure the success of the International Trade Conference and, beyond that, to insure that the foundation will be laid for enduring peace.

NEED FOR PROMPT ACTION

Nearly all of the witnesses before the Banking and Currency Committee urged prompt action on the Anglo-American financial agreement in order to assure the success of the entire program of international economic cooperation. In his testimony, Secretary Vinson pointed out:

The one danger is delay. The longer we wait the longer there will be reliance on the currency and trade restrictions, which reached new heights during the war. If postwar trade becomes adjusted to the protection that these devices provide, there will be strong opposition to their removal. That is why the success of our program depends largely on the prompt application of fair currency and trade practices. But England will not be able to put these positive principles into effect until she is sure she can secure her essential imports of food and raw materials.

TESTIMONY OF THE OPPOSITION

Mr. Hamilton Fish of New York and Mr. John B. Trevor of the American coalition were the only witnesses who came forward to oppose the financial agreement and the proposed legislation. Mr. Jacob S. Coxey while not opposing the financial agreement offered certain revisions in the proposed legislation.

V. OBJECTIONS TO THE FINANCIAL AGREEMENT

The principal objections to the financial agreement were all considered by the committee, even where no direct evidence on them was presented by the opposition witnesses. The committee believes that these objections either are based on a misunderstanding of the essential nature of the financial agreement or involve considerations that are clearly outweighed by the overriding advantages of the arrangement.

The objections are considered in detail below.

REPAYMENT OF THE LOAN

The argument has been made that the loan will not be repaid and that, therefore, the credit to Britain should not be extended. The failure of Britain to meet her payments after the 1932 moratorium on the World War I debts is cited to justify this conclusion. While the committee is of the opinion that the financial agreement involves considerations far transcending the credit, it has concluded that Britain, in all probability, can and will meet the payments as required by the financial agreement.

The financial agreement is an essential element in the program to develop expanding multilateral trade. The balanced growth of international trade will make it possible for Britain to export a volume of goods great enough to solve her balance-of-payments problem and to meet her payments to the United States. In other words, the loan is being extended for the purpose of helping to create the conditions which will make repayment possible. In this broad sense, it is truly a productive loan.

On the contrary, much of the funds loaned to Britain during and after World War I were not productive loans. Those funds were used to carry on England's war effort. Altogether, the United States acquired United Kingdom obligations amounting to \$4,277,000,000 between April 1917 and July 1919. Only \$581,000,000 of this assistance was supplied after the conclusion of the war and can be considered to have been for reconstruction. The rest was used by Britain in fighting the war against Germany.

In World War II we adopted the policy of lend-lease, which is based on the philosophy that the cost of war materials should not be charged against the user as a loan bearing interest but should be allocated equitably as part of the joint war effort. If this principle had been applied to World War I, Britain probably would have been held accountable for only the \$581,000,000 of assistance supplied after the war.

On her World War I indebtedness, Britain paid us a total of \$2,034,848,817 or about 350 percent of the amount available to Britain for postwar purposes. Under the terms of the financial agreement, the burden placed on Britain is a much more reasonable one; she will be called upon to pay only 160 percent of the sum available to her for postwar purposes and that will be payable over 50 years.

Some questions have been raised as to the capacity of the United States to absorb the additional imports which will be required if Britain is to pay back the loan. This committee of course recognizes that foreign lending implies a willingness to accept the world's goods and services in repayment. The annual payments required by this

loan will amount to only a very small fraction of our total imports. Commodity imports into the United States have been estimated at approximately \$7,000,000,000 per year under prosperous postwar conditions. Service of the British loan would amount to only 2 per cent of the total and could not conceivably be a burdensome factor.

MULTILATERAL TRADE AS A BENEFIT TO THE UNITED STATES

The primary purpose of the financial agreement is to promote multilateral trade and to prevent the development of economic blocs. Few people question that attainment of this objective is necessary for a peaceful and prosperous world. But some have questioned whether the United States will benefit economically in a direct way. These people doubt that multilateral trade means a higher level of trade for the United States.

The view that multilateralism does not mean more exports for the United States is mistaken. It is true, of course, that total exports and imports, including services, must in the long run balance. Under bilateralism each country balances its trade with each other country and, therefore, cannot export more to another country than it imports from that country. This reduces the total volume of world trade. Under multilateralism trade is balanced on an over-all basis, the proceeds from the excess of exports to one country being used to offset a deficit of exports to another country. This increases the volume of trade.

The real question is the level at which trade is balanced. On this point there can be no question that the volume of world trade will be higher under multilateralism. If bilateralism is retained by England, other countries will have to resort to the same tactics. In dealing with us, they will restrict their imports from the United States to the same volume as their exports to the United States. This will result in a decrease in American exports which will be accompanied by a decline in American production, employment, and income. With a lower level of income, all of the imports of the United States will fall off, and the dollars other countries earn from American imports will only pay for a much reduced volume of American exports.

PROPOSAL TO LEND MONEY TO COUNTRIES IN THE STERLING AREA OTHER THAN THE UNITED KINGDOM

The objection has been raised that by extending this proposed credit to Britain the United States is financing British trade with other countries and that it might be more desirable to make loans directly to these countries rather than to Britain. This proposal overlooks the fact that one of the principal purposes of the credit to Britain is to make sterling convertible. This, in turn, will make it possible for countries selling to England to buy anywhere in the world, including the United States.

Most of the countries of the sterling area depend on their sales to Britain to pay for some of their purchases from other countries. For example, the exports of the British Dominions in the sterling area—Australia, New Zealand, South Africa, and Ireland—amounted to \$694,000,000 in 1938, while their imports from Britain amounted to \$567,000,000. United States exports to these same Dominions in

1938 amounted to \$189,000,000, while American imports amounted to only \$33,000,000. This difference of \$156,000,000 was largely financed by these Dominions out of the proceeds of their exports to Britain.

If the United States lent the money to these countries to buy from the United States and at the same time allowed sterling to remain inconvertible, the United States would not be assisting these countries to any great extent. This would be true because the prospect of the United States' increasing considerably its direct imports from these countries is not very great. They would still be in a position of having to sell their goods to England for inconvertible sterling and of having no way to repay the loan from the United States.

In view of the fact that Britain is the world's largest importer, it is readily apparent that the situation described applies also to many countries outside the Empire. There are some exceptions, of course, but the only major exception in the British Empire is India. Even the countries that are not in this situation, however, will find their trade with the United States stimulated by the financial agreement, since it anticipates the gradual freeing of blocked sterling balances accumulated during the war. For example, the agreement provides that India and other countries will be able to use any part of their blocked sterling balances which become available for expenditure to buy goods in the United States or elsewhere.

THE BRITISH LOAN AS A PRÉCEDENT

The British loan has been objected to on the grounds that it will serve as a precedent for loans to other nations. It has been made clear to the committee that the British loan is in no way a precedent for other loans, because the proposed credit to Britain is intended to meet a particular problem that does not exist with respect to any other country in the world. The nature of the British problem has been explained in detail in part III above. The proposed credit is to enable Britain to participate in world trade without currency and trade discriminations, while she reconverts her industries to peacetime production and resumes her place in world trade.

Britain is the world's largest importer and, as such, occupies an important position in world trade. A large portion of world trade is financed through sterling which is second only to the United States dollar as an international currency. So long as Britain maintains restrictions on the convertibility of sterling, other countries will have to discriminate in their trade. The success of the United Nations' program for expanding world trade requires that the convertibility of sterling be reestablished.

Other nations will need help. Some countries will need help in maintaining the stability of their currencies. They will get that help under appropriate conditions through the International Monetary Fund. And many countries will need help in restoring their economy. For productive projects of reconstruction, help of this character is available in limited amount through the Export-Import Bank and soon will be available through the International Bank for Reconstruction and Development.

The committee has also noted that the National Advisory Council on International Monetary and Financial Problems, established by the

Bretton Woods Agreements Act, has issued a report to the President and Congress on the foreign lending policy of the United States. This Council, which is charged with coordinating the activities of all agencies of the Government on foreign loans and monetary transactions, has stated in its report that the credit to Britain is not a precedent for loans to other countries.

INFLATION

It has been said that the proposed credit will add to the inflationary pressures. There can be no question that extending a credit to Britain will increase the total spending in this country. But the net addition to total spending will be relatively so small as to warrant the conclusion that the inflationary aspects of the loan can be disregarded. The credit of \$3,750,000,000 will be spent over several years. It represents only one-half of 1 percent of the total demand for goods in the United States over the next 5 years. Part of the credit, moreover, will be spent on goods we have in surplus, and this will be increasingly true as reconversion is completed.

Some goods in scarce supply will have to be exported. The need for some of these goods abroad is in some instances of overriding importance to the survival of the people of Europe. This Government still controls the export of goods in short supply and these controls are being exercised to limit the export of such goods to cases of real need.

The long-run solution to inflation is to produce more goods in the United States and throughout the world. The financial agreement will result in the removal of restrictions on trade, thus stimulating trade and production throughout the world. This will assist in the elimination of the world shortages of goods and help in the fight against inflation.

SPECIAL BOND ISSUE

Some opponents of the financial agreement have proposed that the credit to England be made out of funds invested in special bonds issued for this purpose. The payment to bondholders of principal and interest would be made only from the sums received from England. The committee recognizes that a bond issue of this kind could not be floated in the American market.

Moreover, the financial agreement is much more than a commercial loan. It is a contract covering major points of currency and trade policy. The credit provided by the financial agreement is not the kind of loan that private investors or private bankers should make. This suggestion that the loan be made by private investors and bankers would in effect destroy the financial agreement.

It is most important to appreciate fully that a loan on commercial terms would not give us the basic objective of the financial agreement. That objective is the removal of discriminatory currency and trade restrictions. These restrictions reduce world trade, force it into un-economic channels, and discriminate against our exports. The interest on a loan in which solemn commitments are made to remove these restrictions must obviously be more favorable than the market rate for foreign securities.

VI. ANALYSIS OF THE FINANCIAL AGREEMENT

The terms of the financial agreement fall into two major categories. Sections 1 to 6 stipulate the terms of the credit which it is proposed to extend to the United Kingdom. These sections reflect the need and purposes of the credit which were summarized in part III of this report. Sections 7 to 10 specify the manner in which the United Kingdom will undertake, if the credit is approved, to relax her wartime trade and exchange controls. These sections reflect the importance of insuring the cooperation of Britain in establishing the type of world economy which it is the policy of the United States to promote. Section 11, the final section, is merely explanatory of the terms used in the agreement.

EFFECTIVE DATE

Section 1 provides that the effective date of the agreement shall be the date on which the United States Government notifies the Government of the United Kingdom that the Congress has made available the funds necessary to extend the line of credit provided for in the agreement. Britain's obligation to relax wartime trade and exchange controls is necessarily made contingent on the receipt of assistance without which such relaxation of wartime restrictions will be impossible.

AMOUNT AND PURPOSES OF THE CREDIT

Sections 2 and 3 state the amount and purposes of the line of credit. It is agreed that, if the Congress approves, the United States will extend a credit of \$3,750,000,000 which the Government of the United Kingdom may draw upon at any time between the effective date of the agreement and December 31, 1951. The full amount of the credit will not have to be made available at once. It is to be used only as needed. If the British balance of payments deficit is smaller than anticipated, the full amount need never be drawn. The credit is to be used to facilitate British purchases of American goods and services, to assist the British to meet their transitional postwar balance of payments deficits, to assist the United Kingdom to maintain adequate reserves of gold and dollars, and to assist England to assume the obligations of reducing wartime trade and exchange controls.

INTEREST PAYMENTS

It is provided in section 4 that the principal of the credit shall be repaid in 50 annual installments beginning on December 31, 1951, with interest at the rate of 2 percent a year. The annual amount in principal and interest to be paid on the credit is \$119,000,000 a year.

Because the United Kingdom will be permitted to draw upon the credit as needed in the years before interest payments begin, the effective rate of interest on the credit will be somewhat lower than 2 percent. The exact interest rate will depend upon the dates on which sums are drawn. If the credit is used in three equal annual amounts beginning December 31, 1946, the effective rate of interest based on the full schedule of payments provided in the agreement will be 1.76.

percent. If the credit is used in five equal annual installments beginning on the same date, the effective rate of interest will be 1.83 percent. This rate of interest is quite comparable to the average cost to the United States Treasury of new borrowing.

WAIVER PROVISION

Section 5 provides that in any year in which the annual average of Britain's earnings from exports and net earnings from services to foreigners over the five preceding years is insufficient to pay for the same volume of imports as the British bought in the years 1936 to 1938, interest charges—but not amortization payments—will be waived in that year. The payment of interest will be waived, however, only on the second condition, that such a waiver is necessary in view of the present and prospective conditions of international exchange and the level of Britain's gold and foreign exchange reserves. It is further provided that releases or payments on account of sterling balances in excess of approximately \$175,000,000 a year cannot be counted as deduction from net income from services and, therefore, cannot be used as a basis for requesting a waiver of interest.

This provision for the waiver of the interest due in any specific year has been included in the financial agreement because it has been thought necessary to provide for the contingency of a serious depression in world trade. If this should occur the transfer of large sums in interest payments between governments might put severe pressure on the exchanges and compel the imposition of new restrictions on trade. In order to avoid such restrictions, which would intensify the trade depression, the financial agreement provides that when world trade and British trade have temporarily suffered from a serious decline, the payment of interest on this credit would be waived. It is the view of the committee that in a period of severe trade depression it will be to the benefit of the United States to waive the payment of interest for that year. When trade has recovered, payment of interest would be resumed.

It has been pointed out to the committee that this provision sets a relatively low level of British imports as a basis for determining the waiver of interest. Since some increase in the British population will have occurred and since the necessary expansion of British exports will require an increase in British imports of raw materials with which to manufacture those exports, the achievement of only the prewar volume of imports would in fact constitute a lower per capita standard of consumption of import goods than in the prewar years. Viewed in this light, it appears that the financial agreement provides for a waiver of interest only under circumstances which would involve a real hardship to the British people and a threat to the stability of international economic relations.

RELATION TO OTHER OBLIGATIONS

Section 6 provides that the United Kingdom will not use this line of credit to discharge its present obligations. Any sums needed to release or repay sterling balances or to repay the loans to the United Kingdom by other governments will be found from other resources than the American credit.

This section also provides that the United Kingdom will not arrange any long-term loans from other governments within the British Commonwealth before the end of 1951 on terms more favorable to the lender than those contained in the financial agreement. It further provides that a waiver of interest on the loan from the United States will not be requested unless similar waivers or reductions are made with respect to other obligations of the United Kingdom. It is worth noting that the recent credit of 1,250,000,000 Canadian dollars is being extended to England on the same terms as provided in the financial agreement.

ELIMINATION OF EXCHANGE RESTRICTIONS

Section 7 provides that unless in exceptional circumstances the United States, after consultation, agrees to a later date, the United Kingdom will, within 1 year after the effective date of the financial agreement, dissolve the sterling area dollar pool. When this has been done each member of the sterling area will have its current sterling and dollar receipts at its free disposition for current transactions anywhere. It thus achieves the elimination of that aspect of British exchange control which has aroused most criticism among American businessmen, and concerning which the Congress and the various departments of the Government have received most complaints.

STERLING MADE CONVERTIBLE

Section 8 provides that the United Kingdom will not apply its exchange controls in such a manner as to restrict payments on current account between the United States and the United Kingdom, or to restrict the use of sterling balances which American residents have accumulated as the result of such transactions. Americans are guaranteed the right to convert the proceeds of current transactions with the United Kingdom into dollars at will. It is further provided that, except in certain special cases, the United Kingdom and the United States will agree not to impose exchange restrictions upon current transactions with any country after the agreement has been in effect for 1 year, unless in exceptional circumstances the United States, after consultation, agrees to a later date.

NONDISCRIMINATORY IMPORT RESTRICTIONS

Section 9 recognizes that, in spite of the assistance afforded by the United States credit and loans from other countries, the United Kingdom may be forced to limit its over-all import program for some years to come. The section provides, however, that if either Government imposes or maintains quantitative import restrictions, such restrictions shall not be used to discriminate against imports from the other country. The necessity of maintaining the British standard of consumption of import goods at a reduced level will not mean that American producers will be given a disproportionately small share of such markets for imports as there may be in England.

BLOCKED STERLING BALANCES

Section 10 contains a unilateral statement of intention by the Government of the United Kingdom to make agreements with the countries which have accumulated large sterling balances which cannot now be used freely. The United Kingdom intends to make its settlement with each of the sterling-area countries by adjusting a portion of the balances as a contribution to the settlement of war and postwar indebtedness and in recognition of benefits which the countries concerned might be expected to gain from such a settlement, by releasing a portion of the balances at once, and by releasing the remaining balances in regular installments over a period of years beginning in 1951.

The United Kingdom guarantees in the financial agreement that any sums released out of the sterling balances accumulated before or during the war will be freely convertible, so that they can be used to make purchases in the United States or in any other country of the world. This is a further implementation of the policy of nondiscrimination in currency and trade which the financial agreement will strengthen.

DEFINITIONS

Section 11 defines the various terms for the purposes of the financial agreement.

THE JOINT RESOLUTION

The proposed joint resolution is drafted to conform with the purposes of the financial agreement. Thus, while the entire amount of the line of credit is authorized for use at any time during the 5-year period in which the British may draw on it, the actual funds will be provided only as they are needed. Section 2 of the joint resolution authorizes the Secretary of the Treasury, for the purpose of carrying out the agreement, to use as a public-debt transaction not to exceed \$3,750,000,000 of the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and extends the purposes for which securities may be issued under that act to include such purpose.

This method of financing has been commonly used in the past and is particularly appropriate when money is raised for the purpose of investment rather than for expenditures. Accordingly, upon enactment of the joint resolution, the Treasury would establish on its books a record to the effect that it is authorized to engage in a public debt transaction to the extent of \$3,750,000,000 and will open a line of credit for the Government of the United Kingdom for this amount. The Treasury would borrow funds under the authorization of the joint resolution only as it needed funds. In this way there would be no cost to the Treasury for the line of credit until transfers are made to England. No funds would be turned over to the United Kingdom to be held idle and no cost to the United States would be incurred under the commitment until the credit is actually used.

Under the joint resolution, repayments of principal by the United Kingdom would be paid into the Treasury and become available for the retirement of an equivalent amount of the public debt. Payments of interest would be covered into the Treasury as miscellaneous receipts.

VII. CONCLUSION

The committee believes that the successful accomplishment of our international economic policy depends upon an orderly solution of Britain's financial problem which will enable her to cooperate with this country in maintaining fair trade and currency practices and in eliminating conflicting economic blocs. Such a solution is, in the opinion of the committee, provided by the Anglo-American financial agreement.

The financial agreement appears to the committee to be a realistic and farsighted means for promoting the stated objectives of this Government to secure through international cooperation a world in which all countries live and work together in peace and prosperity. The committee also believes that the agreement will go far in opening up the markets of the world to American exporters on fair and equal terms. If the financial agreement is not approved, serious damage will be done to our program for international economic cooperation. The failure of our international economic policy cannot help but have grave consequences for the welfare and security of the American people.

The committee, therefore, recommends that the joint resolution to implement the financial agreement of December 6, 1945, between the United States and the United Kingdom be passed.

