NEWS RELEASE

FEDERAL DEPOSIT INSURANCE CORPORATION

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FOR RELEASE TO P.M. PAPERS
THURSDAY, FEBRUARY 11, 1965

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Tremendous contribution of farm exports in meeting the nation's balance of payments problem was stressed today (Thursday, Feb. 11) by Joseph W. Barr, Chairman, Federal Deposit Insurance Corporation, in a speech before the National Farm Institute at Des Moines, Iowa.

Setting the balance of payments in context, the FDIC chairman said: "Since 1960 our commercial exports have risen by $4.3 billion or about 25 percent. Imports have gone up, too, as was to be expected in our growing economy. But today we are selling abroad $3.6 billion more than we are buying. Also, United States companies and citizens receive in income from their investments abroad about $4 billion more than we pay out on this account.

"If we are earning these large surpluses abroad, why is it we are worried about our balance of payments? The answer is that our citizens, our businesses, our banks and our government are using up that surplus and more. Our citizens traveling abroad spend some $1.7 billion more than do foreigners who visit our country. Our private industries invest abroad in long term investments some $3.3 billion more than foreign private enterprises invest here. Our banks and businesses lend on short term to foreigners some $2 billion. And finally our expenditures in defense of our security interests abroad -- military expenditures for the most part -- account for another $2.8 billion.

(more)

"All these expenditures are, directly or indirectly, a result of our role as the most powerful nation in the free world alliance. In any other nation this balance of payments deficit would be a troublesome domestic problem; in our case it is a problem inextricably involved in the fortunes of all free nations.

"Just as American power abroad is the major element in keeping the peace of the world today (where British power used to perform that task), so the dollar is the key currency in world trade and investment. There simply is no substitute at this time for the dollar as the major medium of international exchange, just as there is no substitute for American power in keeping the peace."

Speaking of the part the earning power of American farm products abroad has in the balance of payments picture, Barr said:

"Those two commercial best-sellers last year -- feed grains and soybeans and their products -- earned almost as much abroad as the exports of the whole automobile and truck industry and about $350 million more than the exports of the giant chemical industry. Exports in each category alone earned about half again as much as exports from the coal industry or the oil industry; and each by itself earned more than twice as much as was earned by exports of office machines or metal working machinery. If you fear that the farmer's voice may not be heard loud and clear in Washington these days outside the precincts of the Agriculture Department, let me set your fears at rest."

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RELEASE THURSDAY, FEBRUARY 11, 1965, P.M. PAPERS:

"WE CAN INCREASE THE BOUNTY OF ALL"

(President Lyndon B. Johnson's Inaugural Address, January 20, 1965)

Address of

JOSEPH W. BARR, CHAIRMAN

FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D. C.

before the

NATIONAL FARM INSTITUTE

Hotel Fort Des Moines
Des Moines, Iowa

Thursday, February 11, 1965

10:15 A. M.

Address of
Joseph W. Barr, Chairman, Federal Deposit Insurance Corporation
Before the National Farm Institute
Hotel Fort Des Moines, Des Moines, Iowa
Thursday A.M., February 11, 1965

"We Can Increase the Bounty of All" -- (President Lyndon B. Johnson's Inaugural Address, January 20, 1965)

When George Strayer invited me to come here today, he reminded me that I had appeared before the American Soybean Association back in the summer of 1961 when I was an assistant to Secretary of the Treasury Dillon. On that occasion in my own backyard of Indianapolis I spoke as an enthusiastic convert to what was even then called "the miracle crop of the 20th Century." We had only recently rediscovered the importance of something called "the balance of payments," and I was trying hard to express to the soybean growers and processors present how vital their contribution was to maintaining the strength of the dollar abroad and, through that, to maintaining the far-flung commitments of the United States on which our security in these times depends.

But never underestimate the power of a soybean! In 1961, I confidently predicted -- and I quote: "If present trends continue, soybeans will be pushing wheat and cotton for first place (in our exports of farm products) by 1966." Well, in the fiscal year 1963-64, commercial sales of soybeans and soybean products comfortably topped both wheat and cotton, but fell short by just a bit of feed grain sales. Today I am wiser, and in the future I will leave predictions about the ranking of farm exports to my colleagues in the Agriculture Department, even though my prediction proved cautious rather than optimistic.

But I am here, nonetheless, to pay tribute again to the American farmer and processor for your magnificent contribution to America's earning power abroad. If I may be permitted just a few comparisons:

Those two commercial best-sellers last year -- feed grains and soybeans and their products -- earned almost as much abroad as the exports of the whole automobile and truck industry and about $350 million more than the exports of the giant chemical industry. Exports in each category alone earned about half again as much as exports from the coal industry or the oil industry; and each by itself earned more than twice as much as was earned by exports of office machines or metal working machinery. If any of you fear that the farmer's voice may not be heard loud and clear in Washington these days outside the precincts of the Agriculture Department, let me set your fears at rest. In this balance of payments business, all of us are listening to you carefully, and we are delighted by what we hear.

Today, as in 1961, we still have a balance of payments problem, as some of you will have noticed from the President's Economic Report and other recent official pronouncements. We have a real problem today; in contrast to 4 years ago there is a much better national understanding of the issues. Starting with this base of understanding, we are gradually developing into a nation that is export-conscious.

Since 1960 our commercial exports have risen by $4.3 billion or about 25 percent. Imports have gone up, too, as was to be expected in our growing economy. But today we are selling abroad $3.6 billion more than we are buying. Also, United States companies and citizens receive in income from their investments abroad about $4 billion more than we pay out on this account.

Now, you may ask, if we are earning these large surpluses abroad, why is it we are worried about our balance of payments? The answer is that our citizens, our businesses, our banks and our government are using up that surplus and more. Our citizens traveling abroad spend some $1.7 billion more than do foreigners who visit our country. Our citizens and private industries invest abroad in long term investments some $3.3 billion more than foreign private enterprises invest here. Our banks and businesses lend on short term to foreigners some $2 billion. And finally our expenditures in defense of our security interests abroad -- military expenditures for the most part -- account for another $2.8 billion.

Note something about each of these items: tourists, private investment, bank loans and military expenditures. They are all, directly or indirectly, a result of our role as the most powerful nation in the free world alliance. In any other nation this balance of payments deficit would be a troublesome domestic problem; in our case it is a problem inextricably involved in the fortunes of all free nations.

Just as American power abroad is the major element in keeping the peace of the world today (where British power used to perform that task), so the dollar is the key currency in world trade and investment. There simply is no substitute at this time for the dollar as the major medium of international exchange, just as there is no substitute for American power in keeping the peace. Given these world-wide responsibilities, the business of regulating the balance of payments involves immensely complex decisions -- decisions about the effect of short and long term capital movements, about the supply of working capital, or "liquidity," available for world trade, about the effect of our security programs on the strength of the dollar.

Easy answers to the balance of payments problem are almost always dangerous answers. To try to strengthen the balance by raising tariffs against imports invites, of course, immediate and disastrous retaliation against our exports. To sacrifice security and diplomacy simply in order to save dollars is quite obviously self-defeating. A nation unwilling to see its security in global terms cannot expect for long to reap the rewards of banking world trade and investment. The balance of payments problem cannot be solved once for all. Like traffic jams and air pollution, the problem is hard to whip and harder to keep whipped.

But I am not here to give you a lecture on international finance. I am here to thank you for making the banker's lot -- and your country's lot -- easier in these vital matters. I am here to encourage you to go on setting export records. I am here to congratulate you on the partnerships that have evolved among growers, processors, exporters, and consumers in American agriculture to the end of new and bigger export markets. I am here in the company of my colleagues from the Agriculture Department to underline the inclusion of government in these partnerships.

I have been doing some homework on one particular partnership, the Soy Bean Council, and even though this is more your business than mine, I want to report on that homework. I understand that Howard Roach is here and, since he is really the author of much of what I have to say, let me salute him in advance. The Soy Bean Council, which he founded in

1956, only just moved to Washington; it has been educating the natives there, including me. I propose that its members be given the title "market builders extraordinary" for their record over the past few years.

Take France. We may have had some differences of opinion with President de Gaulle, but when it comes to soybeans we obviously talk the same language. France is buying 218,000 tons of meal a year and the figure is going up. As recently as 1961, sales amounted to only 20,000 tons. What happened? Well, four years ago the Soy Bean Council opened an office in Paris and hired some nutrition technicians to work with the French companies which supply vitamins and mineral additives for animal feed. There's nothing like good technical diplomacy when it comes to building an export market, and that's just what did the trick. The French became converts to the miraculous soybean and now they hire nutrition technicians and send them to the United States once a year to keep up with the latest innovations.

In Germany, crushers were selling plenty of oil, but they couldn't move their meal. Again the Soy Bean Council and the Agriculture Department came forward with a little technology, showing the added value of U. S. toasted soybean meal. Not only did German meal begin to move; last year Germany imported 122,000 tons of high grade U. S. meal.

Or take Spain. Here's a story. The United States began by shipping oil to Spain under the Public Law 480 program. In the first year some 5,000 tons were shipped. Year before last the figure was 200,000 tons -- and for dollars, not under P.L. 480. After a recordbreaking olive oil crop a year ago, exports of U. S. soybean oil to Spain are again rising. Recently Spain has developed a soybean crushing industry of its own; last year this industry imported a million bushels of American soybeans. The Department of Agriculture tells me there is a good prospect that this market will grow to between 5 and 8 million bushels in the foreseeable future.

Behind these figures lies a fascinating story of market building. Working with Spanish canners and bottlers, the Soy Bean Council made soybean oil respectable in the nation where olive oil is king. And how did they do this? Not by debunking olive oil, but by mixing the two. Technology was combined with the skill of a wine connoisseur to produce a product strictly tailored to the Spanish who like their olive oil strong. The same mixture of diplomacy and technology created new oil markets in Greece and Turkey out of a marriage of olive oils and soybean oil. In Pakistan, a marriage was arranged between mustard oil, a local Pakistani product, and soybean oil, and out of the marriage a new market was born.

What fascinates me about these examples is that in each case the American exporter took a local producer by the hand and set out to build new markets for both. It is not a case of promoting American agriculture against local agriculture, but of promoting local business first with the help of the American product. Here in a nutshell is the kind of development assistance this country should cultivate and refine, for this is the effective way for one nation and one people to help another. In the case of Turkey, for example, the Soy Bean Council is working with a local super-market chain -- a Swiss firm -- to revolutionize the basic marketing structure in the country. Modern bulk handling facilities for oil imports have been built in Spain and Pakistan and are now building in Turkey. In each case handling costs are being reduced, leaving more funds available for imports.

Europe is a red-hot market for fats and oils. Per capita consumption there, I am told, is about 60 lbs. a year, against only 46 lbs. here. But in most of the rest of the world, of course, there is a desperate need for additional fats and oils. In Morocco consumption is only about 10 lbs. per capita; in Pakistan only 7 lbs. Here is the big challenge for the future. Can commercial markets be built in these parts of the world?

Well, this week the first large shipments of U. S. soybean oil are arriving in India under the P.L. 480 program. And on the dock is a technician hired by the Soy Bean Council to oversee storage and distribution facilities and help to incorporate soybean oil in India's basic shortening product. This is the way dollar markets were built up in Spain and Iran. Turkey, I am told, promises to become a dollar market before another five years have passed.

It will, no doubt, be many years before India's 450 millions get the kind of diet they need to work for the modernization of their country without extraordinary assistance from abroad. The same may be true for many other countries. But new dollar markets are being developed nonetheless with each year that goes by. Meanwhile, through such programs as P.L. 480 and Food for Peace we are keeping alive the promise of the future.

Sometimes I think we do ourselves a great injustice by the way we talk of these programs as "surplus disposal" or "foreign aid." To be sure, P.L. 480 would quickly lose its support if it began substituting for dollar sales or otherwise disrupting commercial markets. But let us not blind ourselves to the very real market-building potential in these programs. Let's start figuring the profit along with the cost when "foreign aid" is presented to Congress. The record of America's farm exports suggests to me that the profit in "foreign aid" is much greater than the name implies.

American agriculture has every right to be very proud of its export record. The partnerships among growers, processors, exporters, and consumers in American agriculture have proved that enduring new markets can be built up abroad. And let's not forget the role which government has played and is playing in this partnership. It's not just a matter of government monies. Complex negotiations, like the Kennedy Round of tariff bargaining now going on in Geneva, require the closest cooperation between government and agriculture. Finally, if your partnerships include agricultural interests from other countries, as the Soy Bean Council has made partners out of crushers' associations, feed companies, packagers, retailers, and even government departments in other countries, then you can expect to add to your commercial success another kind of success of truly historic importance to our country.

I see your activities, as I have said, from the special point of view of a banker. But the language of finance is hardly adequate to express my opinion of the importance of your work. When I was listening to that moving confession of faith in America which President

Johnson gave in his Inaugural, one sentence stuck in my mind which I think should be emblazoned on banners across the length and breadth of America's farmlands. "We can increase the bounty of all," the President said. And what better evidence can there be than the fabulous productivity which you have brought to your farms and processing plants?

That the world's bounty of food is inadequate, often pathetically inadequate, hardly needs demonstration any longer. At the same time, in every corner of the globe in our time millions are refusing to acquiesce in lives of poverty, inadequate nutrition, and inadequate health. They have been aroused against their traditional lot, very largely by a sudden realization that others have conquered nature and made it yield enough to provide a life of more opportunity and less drudgery. They have been aroused, in short, by achievements such as your own. Our country has a vested interest in the progress of these millions overseas. We cannot endow them with new wealth; we cannot direct them along the road out of poverty. But we can show them we care, and that their progress matters to us. We do that by going out into the world and telling others: "Listen: we can increase the bounty of all."

It is this thought that adds a noble purpose to your magnificent success story. And it is the kind of noble purpose which fits the cause of freedom in our country and in our time.

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