

Speech delivered before
"I Am An American Day" Celebration
Buffalo, New York
May 21, 1950

GOVERNMENT FINANCE AND OUR PUBLIC RESPONSIBILITIES

It is well we meet to review our position--political and economic. Our advantages in the form of freedom and opportunity are obvious. We are apt to take them for granted.

We have duties, too. We have a duty to help maintain and increase the freedom and the opportunity that are ours. To do so, we must keep informed about the problems with which our country is faced and meet wisely our civic responsibilities--both domestic and international.

In the domestic field, the major economic problem is that of maintaining a high level of production and employment and an equitable distribution of the products of our industry. In this connection, it is necessary that both inflation and deflation be avoided. Inflation results in an unfair distribution of income. Prices rise more rapidly than some people's incomes. Incomes of other groups rise more rapidly than prices. Deflation, on the other hand, easily goes into large-scale unemployment. Demand for goods declines and prices fall. Employers are no longer able to meet costs. They are forced to lay workers off. Workers who are laid off cannot buy goods as before. A vicious spiral thus continues.

Domestic employment and production are now at high levels. For some time prices have been relatively stable. Thus it appears that the domestic economic problem is not acute, although constant vigilance is certainly necessary. The same is not true, however, in the international field.

The international problem we hear most about today concerns our political relationship with Russia--the so-called cold war. Closely related is the danger that other countries may establish Communistic forms of government and ally themselves with Russia. This danger appears to be less acute in the Western World than it was a few years ago. But it has become acute in the Far East. China is overrun. The struggle has now spread to Indo-China, Burma, Malaya, and other sectors of Southeast Asia.

International problems are economic as well as political, however. Our own economic welfare may be affected directly by the solution of certain international economic problems. For example, our own economy benefits directly from a thriving international trade. All our consumers gain by being able to purchase imported goods that can be produced more efficiently abroad. Our producers gain by being able to sell abroad some of the goods that can be produced more efficiently in this country.

The solution of primarily economic problems in the international field may influence our political as well as our economic welfare. At the present time, we may reap indirect political benefits from economic well-being abroad. Our defenses are stronger if foreign countries are

better off economically as well as politically. They are thus less likely to succumb to the lures of a totalitarian form of government and also better able to defend themselves against external aggression. Moreover, of course, we are interested in helping to improve the standard of living in other lands for its own sake.

International economic relations present numerous difficulties. One major problem is usually called the dollar shortage. This means simply that other countries cannot obtain the dollars necessary for essential purchases in the United States. Imports are paid for largely with exports. But foreign countries as a whole have been unable to export enough to the United States to pay for needed imports. The inadequacy of exports abroad has been connected with inflation as well as with the impoverishment of resources. In some countries the situation has been improved by reform in the country's money and increased production. In other countries the difficulty is still great. In some countries, notably Great Britain, the problem has been complicated by war debt owed to other countries---so-called external debt. Because of these difficulties, Marshall Plan aid from the United States is necessary to help the countries fill the gap between their imports and their exports now and to prepare themselves for increased production and increased export capacity in the future.

Under today's circumstances, the solution of international economic problems is particularly difficult.

Free multilateral trade among all nations is difficult to establish when some nations tightly control their trade by state monopolies and aim at increasing their power rather than the welfare of their citizens. But even among the free nations, political insecurity and military risks breed protection and desire for self-sufficiency. This interferes with the expansion of exports of the countries that now receive aid from us.

Our aid involves us in a serious dilemma. On the one hand, we do not want to grant foreign aid unless we believe that it will be used for promoting economic recovery in the recipient country and unless we believe that it will do some good in accomplishing this end. On the other hand, we do not want even to appear to be trying to dominate the internal policies of the countries concerned. This problem has been acute in the administration of Marshall Plan aid.

We appear to be in the best position to take the lead in establishing a world that is liberal and progressive but neither reactionary nor radical in economic, political, and social spheres. In the political sphere, we oppose the establishment of totalitarian governments throughout the world. In the economic sphere, we are the last major stronghold of free private enterprise. We must maintain our own freedom and opportunity and lead the rest of the world toward such freedom and opportunity. For this we must have an informed and active citizenry.

Forums such as this help to keep us informed on domestic and international affairs. The specific matter for discussion today is the current bond drive. "I Am An American" Day appears to be an appropriate time to discuss the purposes of the drive and the reasons why you and I should buy bonds.

The bond drive now taking place has been aptly named the Independence Drive. The slogan adopted is "Save For Your Independence: Buy U. S.

Savings Bonds." Thus we are reminded that by buying United States savings bonds we not only supply the Government with funds but we also provide for our own future needs. We help ourselves personally. We also demonstrate that we are the kind of self-reliant citizens who have made America what it is.

Consider in more detail some of the reasons why we should buy bonds. I think they can be summarized as follows: First, by buying bonds we supply the Government with funds to do its job at home and abroad. Second, by buying bonds we help make our own future secure. And third, by buying bonds we affirm our partnership in that great enterprise--the Government of the United States of America.

We help the Government by buying bonds. The Government has numerous duties in connection with the many problems with which it is faced. Some of these problems we have already discussed, and the magnitude of the necessary activities should be clear. To perform these functions, the Federal Government will make cash payments estimated at 44 billion dollars in the fiscal year ending June 30, 1950 and 45 billion in the fiscal year ending June 30, 1951.

These expenditures are for purposes voted by our representatives in Congress. In the United States we freely elect our representatives, and the functions that the Government performs and the expenditures it makes depend upon the vote of the majority of our representatives. We approve of the projects voted for either because we benefit from them directly and individually or because we know that they help to create a better America. Our benefits from having a well-defended country are obvious. Our personal benefits from some other expenditures both at home and abroad may be less obvious but just as real. We may be fortunate enough not to make use directly of school lunch programs and employment programs and disabled veterans' rehabilitation programs. Nevertheless, typically most of us would approve of such expenditures. We would approve of them in part because compassion for our fellow-man is an important part of the American way of life. But also we know that improving the health and morale of unfortunates will make them better and more satisfied and more productive citizens. This will make America a better place in which to live.

There may be some instances where as individuals we disagree with the purposes or the magnitudes of particular Government expenditures. Such disagreements may arise partly because we cannot take the time to study the need for them. Other honest differences of opinion arise from differences in judgment as to the importance of objectives. In such cases, we as individual Americans bow to the wishes of the majority. In the United States we settle such disputes by the majority vote of our representatives.

To pay for expenditures that are voted, the Government must raise funds. The largest part of these funds is raised by taxes. However, this year taxes will not be sufficient to cover all expenditures. It is estimated that for the calendar year 1950, Government cash outgo will exceed cash income by between 3 and 4 billion dollars. Hence bonds must be sold. In other words, our Government must borrow money.

The Government could sell bonds to banks. But borrowing from banks is much less satisfactory for the Government than borrowing from individuals like you and me. When banks buy Government bonds, money is created. If we are to keep good times such as we now enjoy, we must be careful not to increase our money supply more rapidly than the supply of goods to buy is increased. When business borrows it is generally to finance the production of additional goods for sale, but that is not true of Government borrowing. Thus Government borrowing from banks may at times be inflationary. But, when you and I buy Government bonds, we lend our dollars to the Government, and no new money is created. Perhaps equally important, when you and I buy Government bonds, we feel that we have a real stake in the Government--and the country gains from this feeling of unity.

The second reason why we should buy Government bonds is that by doing so we will be helping ourselves to a more secure future. Let us not forget that United States Government bonds are the soundest security in the world. The Government debt more than quadrupled from the end of 1941 to the end of 1945. Yet there never has been the slightest doubt that Government securities are the soundest investment we can have. Let us not forget moreover that by buying bonds we increase the value of our investment. Series E bonds will be worth \$4 in 1960 for every \$3 invested now. At the same time, money invested in these bonds can be turned into cash if we need it. And even if we must cash them before they mature, we will get more than we paid for them, although, of course, less than if we held them for the full ten years.

We should buy bonds now when it does not hurt us to do so. Do you ever stop to think how much better off we in the United States are today than any other group has ever been? Do you ever stop to think how much better able we as middle-income individuals are to save for those things which are dear to us--for financial independence in our old age, for the education of our children, for buying our own homes or our own farms or our own stores? We have the highest standard of living that any group of people has ever had. We have the necessities to keep us alive and healthy. Nearly every one of us enjoys many luxuries as well. We have desserts and meats at our tables. We have rugs on our floors. American women have fine dresses and hosiery and American men excellent suits and shirts. The majority of our families have automobiles, and many have washing machines. Maybe we don't look upon these things as luxuries. Maybe we are so accustomed to them that we consider them necessities. But are they necessities to most groups of people in the world today? Were they necessities to our fathers and our grandfathers? Our definition of what is a luxury and what is a necessity shows as much as anything else how high our standard of living really is.

We in this country are able to have many things that were only dreams to our forefathers and are now only dreams in many parts of the world; we are able to save for the future at the same time. We are able to save for the things that are dear to us; we are able to save to take advantage of the many opportunities that being an American offers. We all treasure the thought of financial independence in our old age. Saving now may make the difference between independence and dependence at that time.

We all want to see our children educated for a happy and financially secure life; we want to permit them to take advantage of the fine schools and colleges that America has. Saving now may make the difference between well-educated and poorly educated children.

Many of us would like to own our own farms or stores. Here in America there is great opportunity for this. Saving now may make it possible for us to have our own business in the future.

What we save should be put to work for us. By investing in savings bonds, we provide the Government with funds now and at the same time we assure ourselves of that same amount with interest when the bonds mature. Meanwhile, if we need the money at any time, we can always be sure of getting it immediately. When we can no longer lend to the Government, when we are old or sick or sending our children to college, someone else who may be unable to purchase saving bonds now will take over. Perhaps that person will be a veteran sent to school by the Government now or perhaps a disabled veteran made a self-supporting and useful member of society by Government help today. Each person lends funds to the Government when he is able to lend and withdraws his funds when he is no longer able to lend. That is the kind of cooperation upon which America is built.

A third reason for purchasing Government bonds is that we thus increase our stake in the Nation and show our faith in its future. We become partners in that greatest of all enterprises, the United States Government. By investing our savings in Government bonds, we also help to prevent inflation, which would diminish the buying power of those savings. The voluntary purchase of bonds is an ideal way to participate in the Government. We participate in the Government by voting and by paying taxes. But buying bonds is an ideal way to show our desire to do more than we are required to do--to show our faith in the future of our country. In this way, we give true meaning to --
"I Am An American."