ADDRESS OF M. MONROE KIMBREL


When Mrs. Neel invited me to join you here this evening, my first reaction was to beg off politely. Perhaps subconsciously I was recalling my boyhood Sunday school lessons about Adam and Eve and decided that it made sense to leave gardens and gardening to the women.

Consciously, however, I had to confess that I knew nothing about gardening, and I suggested that it would be much more enlightening if the Senate's self-appointed horticulturist, Everett Dirksen of Illinois, could come here and extol the virtues of the Marigold. On March 7, he introduced a resolution in the Senate to make the Marigold—Tagetes Erecta, if you will—the national flower.

But your president was rather persistent. She said this group is educated and sophisticated and interested in national issues. When I smiled, she asked what was so funny, and I replied that the former vice president, Alben Barkley, when asked what type of audience he liked best, said, "one that is educated, sophisticated and slightly drunk." Mrs. Neel said she thought I would enjoy this audience.

Today, judging from the press and from conversations with bankers and businessmen around the country, three issues seem to be commanding the major focus of public attention. They are civil rights, Vietnam and the balance of payments.

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On the subject of civil rights I think there are too many public statements and not enough private actions. On Vietnam the opposite is true; there is too much action and not enough explanation.

On the third topic—the chronic U.S. balance-of-payments deficits—there is a great need for both more talk and more action. Since this is the case, I would like to use these next few minutes to talk about the balance-of-payments problem, how it developed, what steps have been taken to correct it and what additional steps might be attempted.

As you know, our balance of payments is our accounting system for keeping track of our transactions with other nations. When we as a nation spend, lend, and invest more abroad than foreigners spend here, we run a deficit. An occasional red-ink figure is not bad. However, the United States has had deficits in 14 of the last 15 years, the only exception being in 1957 during the Suez crisis when our exports shot up rapidly.

It is common knowledge that a good percentage of women shoulder the weighty burden of handling family budgets. And you realize you can go over the budget limits occasionally without too much pain. If your credit is good, you can exceed your budget for a longer period. But if it continues to run in the red, your creditors are going to want to get their money and this means dipping into savings and other assets.

When the United States first started running deficits, no one was alarmed. We were, and still are in fact, the richest nation in the world. So other nations were glad to hold dollars in the form of securities on which we paid interest. Since we pledged to redeem dollars with gold at a price of $35 per ounce, the dollar was universally considered to be as good as gold. This being the case, other nations used dollars along with gold as backing for their own currencies.

The element of confidence looms large in this type of arrangement. Nations holding dollar claims or i.o.u.'s against the United States must be

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convinced that we will put our affairs in order. In short, they must be convinced that the dollar will always be as good as gold. If they start to question our ability to maintain a strong economy or our determination to eliminate the chronic deficits, they will be reluctant to hold dollar claims—they will want to sell the dollars for gold.

This is exactly what has been happening. As other nations accumulated more dollars, they started cashing in the dollars for gold. By the end of February, the United States' gold stock had dropped to slightly less than $15 billion—the lowest it has been since 1939. In the meantime, short-term liabilities are roughly $28.5 billion. Less than half of this amount—$12.5 billion—is held by foreign official agencies, the agencies which could present the dollars for gold. A little over $11 billion is held by private individuals abroad. These dollars could become official claims if the individuals turned in dollars for other currencies at foreign banks. The remainder of dollars are held by international institutions.

Now you ladies don't have to be expert mathematicians to figure out that official claims and potential claims add up to about $23 billion, and our gold supply is less than $15 billion. But before you get alarmed, let me make two points. First, we still have more gold than any nation in the world and this has given us more flexibility in dealing with the deficits. Second, when foreign countries hold gold in place of dollars, they are sacrificing earnings for security. In other words, they get interest on dollar claims; they earn nothing on their gold.

How did the United States get into this predicament? Primarily because we have attempted to live up to the responsibilities that go with being the leader of the Free World. We have maintained far-flung military establishments. It takes dollars to support these operations. We have provided foreign aid to undeveloped countries so they can improve their productivity and eventually
become trading partners. It takes dollars to finance foreign aid. Many American companies have established operations overseas so they can be closer to their markets and take advantage of local opportunities. This takes dollars. Many Americans, until 18 months ago, were investing in foreign securities because of higher earnings potential. This added to the dollar drain.

Bank loans to foreigners also rose over the years. Imports have been rising at a rate of close to 4 per cent each year, and last year totaled $18 billion. When you add to this the amount spent abroad by American tourists each year, you have a fairly accurate picture of the various ways dollars leave the United States.

Fighting the drain is like Hercules fighting the Hydra; when he cut off one of the nine heads, two more grew up in its place.

We have tried to reduce the cost of military expenditures abroad by bringing home dependents and redeploying some units. Germany and other countries have made offset payments by purchasing military equipment here equivalent to the cost of maintaining U. N. troops in Germany.

About 85 per cent of foreign aid is now tied. That is, it must be used to purchase American goods and services.

The Interest Equalization Tax was passed to discourage Americans from purchasing foreign securities.

The Government has launched several programs to expand exports. It is interesting to note that our trade surplus—exports over imports—has been around $5 billion in recent years, and in 1964 topped the $6 billion mark. Without such a large trade surplus, this nation would have been in serious trouble some years ago.

But in spite of all these efforts, the deficit for the fourth quarter of 1964 totaled $1.5 billion—the largest quarterly deficit since 1950. Private capital outflows totaled over $2 billion in the fourth quarter of 1964 and $6.3 billion for the year.

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This capital outflow is what prompted President Johnson to urge bankers and businessmen to accept a voluntary program to stem the outflow. Early indications are that bankers and businessmen are cooperating and that the program is being effective. It is, however, too early to make any bold predictions. We need time to see how the program develops.

Then, too, there is no guarantee that other factors affecting the balance of payments will remain constant. Our trade surplus could be smaller this year. The cost of operations in Vietnam could rise and any number of other developments could counterbalance prospective improvements.

That is why it is so important to maintain the wage-price stability we have had for the past several years. Higher prices would have a direct bearing on the competitiveness of American goods in foreign markets. This could cut into the trade surplus.

At the same time, it would seem advisable to slow down the rate of growth of the money supply. This would tend to firm up interest rates but would have the more important effect of reducing the dollars available for investing or lending overseas.

Up to this point, I admit, that much of what I have said might sound rather remote from your own day-to-day affairs. So let me attempt to bring this discussion a little closer to home.

Women play a rather large role in our economy. It is estimated that two-thirds of all savings accounts in the nation's banks are held by women. Fifty-one percent of all individual shareholders are women; this is not counting jointly owned stocks. Women receive about $60 billion a year in income--about 20 per cent of total wages and salary earned annually in the United States. But, what is more important, they spend about 85 per cent of what the men earn.

Now quite a bit of the money ends up overseas. The ladies, I understand, are fond of dresses and perfume from Paris, gloves and handbags from (More)
Italy and sweaters from England. We have guests at home and we serve Swedish hams and Swiss cheese with French wine and we use our English china and our Danish furniture and hope and pray that nothing is spilt on our oriental rugs.

And the next time you are riding in a German-made car and using your Japanese camera to take pictures of Tulips, remember the United States had a net deficit figure of over $12 million in 1962 from importing Tulip bulbs and other flowers.

Please don't misunderstand me. We believe in free markets, because that is the best way to give the consumer the widest possible choice and to spur producers through increased competition. Some items would not be available in the U. S. if we didn't import them. Others would be available only at very high prices. However, when price and quality are comparable, we should begin to show some prejudice for the items marked "Made in U.S.A."

There is another area that directly applies to individual citizens and that is travel abroad. Last year the dollar gap—the difference between what Americans spent abroad and what foreign visitors spend here—was $1.7 billion. As an isolated figure the dollar gap from tourism accounted for more than half of the total payments deficit for 1964. Obviously anything that tends to reduce this gap would have favorable impact on the balance of payments.

Since Mrs. Neel invited me here, I have seen advertisements for the Floralies of 1965—the Belgian flower show in Ghent which starts this month. I have also seen ads for the Chelsea Flower Show at the London Royal Hospital Grounds, the outdoor flower show in Lisse, Holland, and the Federal Garden Show in Essen, Germany. There are, of course, dozens of others billed as prime tourist attractions.

Instead of rushing off to see these shows abroad, the idea occurred to me that it might be more beneficial all the way around if we spent more time on our own flower shows and developed them to the point where they were truly

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international attractions. You might consider this as the crowning touch on your Wheel of Flowers Program.

Aside from the floral attractions there are numerous other attractions in this country that should be seen before feeling compelled to travel abroad. I am not saying this as a salesman for a travel agency, but during my term of office with The American Bankers Association, I traveled well over 100,000 miles back and forth and up and down across this country, and I certainly had my eyes opened on more than one occasion. So as the song goes, "See the U.S.A." If you have seen it all and still insist on traveling abroad, you might at least travel on domestic airlines.

In closing, let me stress that the balance-of-payments problem is not something that we can ignore as private citizens. Many of our individual actions influence the balance of payments. The Government through its various programs and operations is working hard to reduce the dollar outflow. Every action taken by the Defense Department, the State Department and all other Government agencies is weighed in light of its impact on the balance of payments. Businessmen and bankers have been asked to cooperate on a voluntary program to reverse the flow of dollars. I don't think it is too much to ask American citizens to cut down on travel abroad. In fact, if there is not some voluntary restraint, I am sure we are going to be hearing about measures to tax tourists.

As I mentioned at the outset, Senator Dirksen would be an ideal speaker for this audience, and, in the event you are able to get him at some future date, I am going to give Mrs. Neeita a copy of a song entitled "The Marigold, Our Nation's Flower." It was written by a student at Nazareth Academy in Pennsylvania and dedicated to Senator Dirksen. So, if he should join you at one of your meetings, you might give him a rousing welcome. I missed out on the green thumbs, but made up for it with a tin ear, so I won't attempt to sing it for you. Thank you very much.