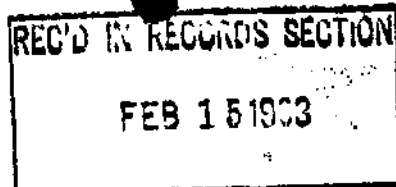


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We are a strong and resourceful nation, with a role to play in maintaining freedom and civilization in a beleaguered world, and we are able now, as in the past, to meet whatever needs may come upon us. That is so in large measure because we have an economic system of great strength and even greater potential, founded on the principle of freedom of enterprise and individual initiative.

In appraisals of the basic strength and potential of our economic system, there seems to me to have been a decided tendency for many years to underestimate rather than to overestimate. Yet, in considering our own course for the future, we must take seriously into account the entry of the world in recent years into a new era of vigorous economic and financial competition.

Slowly we are all coming increasingly to understand that in industry, commerce, and finance alike Americans are competing not only with each other but also with the rest of the world; competing not only for goods and services but also for capital funds; competing not only in design, quality, promotion and credit terms but also in prices; competing not only as sellers and lenders but also as buyers and borrowers.

All this brings strains, but it also brings opportunities. An increased international flow of goods, services and capital is mutually advantageous to all participants, and expanding that flow can benefit us

as well as the rest of the world: with Europe more prosperous, and with Latin America, Asia, and the old and new countries of Africa striving for better standards of living, opportunities for us to market our goods also are broadening.

To meet the competition of the world, which we are feeling with mounting intensity even in our domestic markets, we need the traditional American virtues of initiative, imagination, inventiveness, enterprise and managerial skill in order to come up with the right goods and services, at the right places, in the right times, and at the right prices.

We simply cannot afford to be priced out of the market by the wage-price spiral: in our private enterprise, employers must realize that they are competing with other employers around the world for sales and profits, and employees must remember they are competing with other workers around the world for jobs as well as wages.

Neither can we afford to be priced out of the market by currency inflation: in our governmental operations we must earnestly avoid budgetary and monetary practices that can undermine the value of the dollar, and so undermine our competitive position as both sellers and buyers of goods and services throughout the world.

There is mutual need of an urgent nature for labor, management and government each to measure up to its separate responsibilities. Naturally, our national financial policies will have a vital role to play.

Fiscal policy will need to avoid, on the one hand, a too-heavy burden on economic incentives to invest and consume, and, on the other, budget deficits too large to be financed without inflation. Monetary policy will need to facilitate the meeting of legitimate bank credit demands in our growing economy, but it must avoid a domestic monetary expansion so rapid as to induce rising costs and prices, unwise speculation, and excessive capital outflows to other countries.

Providing a sound financial basis for healthy growth in the United States and maintaining international confidence in the dollar are but two sides of one indivisible problem. There is no set of policies that is truly good for the domestic economy but bad for the dollar; and, conversely, there is no course of action that is really good for the dollar that is not good for the American economy.

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February 14, 1963

F I L E C O P Y