

William McChesney Martin, Jr., Papers

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Speeches by Martin, 1949-1951

Series IV, Subseries B

Speeches by Martin, 1949-1951

REMARKS BY THE HONORABLE WM. McCHESNEY MARTIN, JR.,
ASSISTANT SECRETARY OF THE TREASURY, AT THE FIFTY-FIFTH
ANNUAL CONVENTION OF THE FLORIDA BANKERS ASSOCIATION
MIAMI, FLORIDA, APRIL 11, 1949

FOREIGN AID AND THE TREASURY

It is an honor, indeed, for me to be the guest of the Florida Bankers Association here in Miami and have a chance to get acquainted with you. As a new man in the Treasury, pinch hitting on this occasion for Secretary Snyder who regrets very much that pressure on his time prevented his acceptance of your invitation, I am delighted to have the opportunity to learn from you how the Treasury can serve you better and to share with you some of our thinking.

Naturally, a group like this has a primary interest in the management of a Federal debt in excess of \$250 billion. The policies pursued cut across the fields of money, credit, prices, wages, taxes, interest rates, and the formation of capital. How effectively the debt is handled in terms of reduction, whenever possible, distribution to meet the needs of all investor groups, and relationship to monetary and credit control, is a matter of vital concern to every citizen of this country. Difficult as was the task of raising these staggering sums, it is likely, in retrospect,

to prove child's play compared with the complexities of management the Treasury now faces. The advice and understanding of the entire financial community is needed, as never before.

My particular sphere of responsibility in the Treasury, however, is in the field of International Finance and its relation to the problem of our fiscal and monetary policies. World War II has brought about important changes in the structure of world commerce, and we must squarely face the new responsibilities which the changing character of the world economy has thrust upon us. Accordingly, I want briefly to review with you this morning what the United States has been doing with its foreign aid programs, and how the growing importance of our foreign trade is directly connected with our Federal budget.

We in the Treasury, like yourselves, are looking forward to an early end of United States extraordinary assistance. No one likes to give away money indefinitely, nor do self-reliant people enjoy receiving on such a basis. Let us not fail to recognize, nevertheless, the crucial importance of our postwar aid and the vital necessity of continuing the Economic Cooperation Administration until Europe fully recovers.

It seems to me that the whole approach taken by the American Government after this war contrasts most favorably with the approach taken at the end of World War I. In no area is this reflected more clearly than in the contrasting attitude toward the repayment problem after the two wars.

After World War I, we insisted, without any regard to the feasibility of repayment in real goods, that our European allies repay for all United States aid, even for the shot and shell which had been expended on the field of battle. After World War II, in contrast, there has been a growing appreciation of the fact that we can approach the whole foreign lending problem only from the point of view of a true appraisal of the recipient countries' capacity to repay.

In the case of Europe, there is an increasing recognition that we cannot reasonably expect Europe to repay all, or perhaps even a major part, of the total aid required from the United States. This current estimate of the repayment prospects for United States foreign aid, it should be noted, is contrary to the original hope of this Government. It was thought at the time of the Bretton Woods Conference that, apart from relief aid, the emergency reconstruction

needs of the war-torn areas of Europe and Asia would be on a small enough scale so that they could be met entirely through loans -- in the first instance by the Export-Import Bank and other government agencies and then principally by the International Bank for Reconstruction and Development. As we all recall, a large measure of dollar aid was rendered in 1946 and 1947 on this straight loan basis. There was the British loan of \$3,750,000,000; Export-Import Bank reconstruction credits of over \$2,000,000,000; and surplus-property and post-VJ-day lend-lease credits of over \$2,000,000,000.

By the middle of 1947, however, it had become generally recognized that some new way of financing the dollar aid requirements of Europe had to be found. The Export-Import Bank emergency reconstruction credits were coming to an end early in 1947, as available resources were exhausted and in conformity with the understanding that the International Bank, which was just beginning to operate, would assume responsibility for this type of credits. The latter institution, however, found it impracticable to raise funds in the open market in the amounts required for further reconstruction needs; nor did it appear likely that the countries involved could service additional credits on a loan basis. The British

line of credit, expected to last until 1951, was largely exhausted by the end of August 1947.

The unavailability of private financing made it clear that, if the remaining dollar needs of Europe were to be met, they would have to be met directly by the United States Government. Accordingly, the logical and necessary bulwarks to the Export-Import Bank reconstruction credits and the British lines of credits were the interim aid grants to France, Italy, and Austria, in the winter of 1947 and the ECA grants and loans now being utilized. The emergence of the European Recovery Program reflected the conviction of the Executive Branch and Congress that the remaining postwar dollar-aid requirements might extend over a further 4-year period, might amount to as much as \$17,000,000,000 and would have to be met largely on a grant rather than a loan basis.

Despite the fact that further United States aid to Europe will be large on a grant basis, the long-term dollar loan obligations of the countries participating in the post-war European Recovery Program may now aggregate about \$12,000,000,000.

Long-term dollar lending of this magnitude will mean average annual service charges of approximately three-fourths of a \$1,000,000,000 throughout most of the 1950's and 1960's.

This creates a major policy problem for the United States. From the standpoint of the borrowing countries, it means that they will have to develop a surplus on current account over and above their essential requirements in the U.S. of approximately the same amount to meet the service charges, unless this country provides them with the necessary dollars through extended private lending and direct investments abroad on a corresponding scale. From the standpoint of this country, it means that, unless borrowing countries can develop such a current surplus or attract adequate capital they will either have to restrict payment on their obligations to us or drastically curtail their future imports from this country.

I find it hard to believe that many Americans would consciously favor sacrificing our export interests, or encouraging an indefinite continuance of foreign aid with little prospect of eventual repayment, merely to curtail an increased flow of imports into this country. The only real hope I see for future normal world trade, the reestablishment of an effective multilateral trading system, and the long-run solution of the dollar repayment problem, lies in the expansion of this country's foreign trade, on both the import and the export side, and the eventual development of the import surplus which is normal for a matured industrial economy.

There are several factors which will tend to increase our imports:

First, travel expenditures abroad should increase substantially in the postwar world if for no other reason than the fact that our national income has risen so substantially above prewar levels. In any event, it seems very likely that this will turn out to be a highly important source of dollars for foreign countries.

Secondly, imports of raw materials should be at substantially higher levels as a result of higher national income and the wartime depletion of domestic supplies of many such items. Who would have thought, for example, that copper, lead, zinc, iron ore and scrap would ever have been in short supply in the United States?

Thirdly, imports of luxury and semi-luxury items, non-competitive or only partially competitive with United States products, may rise substantially with continuing high national income here and progressive recovery abroad. Moreover, our expanding population will consume larger quantities of goods which are not produced here at all or not in adequate quantities.

Overseas trade, because of its romantic and pioneering character, lends itself to the best in the American tradition

of private enterprise. It is in this field, perhaps more than in our domestic production, that the U.S. opportunity lies to demonstrate to the world the achievements of the American way of life. This trade may be small percentage-wise. It may be only 5, or 7, or 9 percent of our total -- but it is my conviction that it contributes to maintaining a rising living standard with a minimum of unemployment and without it there is the possibility of substantial unemployment with less production of goods and a lower standard of living. The American productive machine depends in part on the reestablishment and development of sound two-way foreign trade. It is obvious that at the present time trade exists only on an artificial, subsidized basis, and that our endeavors should be directed toward the reduction of extraordinary governmental assistance and greater reliance on the private capital market for foreign capital requirements.

The United States is the greatest economic power in the world today and the great creditor nation. The goal of our foreign-aid programs is a self-supporting Europe by 1952, but let us not forget that our world position will require us to continue to invest heavily abroad for a long time to come and to import goods and services in larger amount as the return on our capital investment. I hope this investment

will be private and not governmental, but again let us have no misunderstanding of its vital necessity. Investment of European funds was the keystone in the arch of the expanding world-trade pattern in the Nineteenth Century, and investment of United States funds must now take over this role to make possible that expansion of production here and abroad which will assure rising standards of living and contribute to the economic improvement of underdeveloped countries.

The Office of International Finance in the Treasury advises the Secretary on the formulation and execution of programs and policies in the international financial and monetary field. In doing this, its purpose is to see that each dollar spent in our foreign financial activities is expended wisely and to promote policies which will ultimately reduce the strain on our own budget. The advice and criticism of groups such as this will always be welcome and it is my hope to hear from many of you from time to time as to any suggestions you may have toward furthering this objective.

While many of the activities of my office are technical, nevertheless, its broad operations implement the objectives espoused by President Truman in his Inaugural Address when he stated, "The United States is pre-eminent among the nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the

assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.

"I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development."

REMARKS BY THE HONORABLE WM. MCCHESNEY MARTIN, JR.,
ASSISTANT SECRETARY OF THE TREASURY, ON THE OCCASION OF THE
MEETING OF THE SOUTHERN ASSOCIATION OF SCIENCES AND INDUSTRY
AT WASHINGTON AND LEE UNIVERSITY, LEXINGTON, VIRGINIA, AS A
PART OF THE BICENTENNIAL CELEBRATION, MAY 3, 1949.

It is indeed an honor and a privilege for me to participate in this Bicentennial Celebration of Washington and Lee University. This is particularly so because through my father, a graduate and trustee, I am a direct beneficiary of the trust which has been discharged so faithfully by those who have shared in administering the heritage of this famous school. The subject which has been assigned to me today is "Business and Education." In treating it, my thesis is simple: What education has done for business in the development of this country, business must now do for education if both are to remain strong and independent.

The men who laid the foundation of this University two hundred years ago were in the business of making a living and that, fundamentally, is the reason of business today. They wanted not just a bare subsistence, but a living free of the shackles of the old world. They realized that in order to build and maintain such a condition, education was almost as necessary as religion and that if they were to have leaders of Christianity, education was essential to prepare and train them.

For the most part, they were Scotch-Irish immigrants and, practically contemporaneous with their establishing a small settlement, they started Augusta Academy. Robert Alexander was made principal and his assistant was the Rev. John Brown, who was later to become his successor. I want to emphasize this because the Scotch-Irish did not permit a man to be ordained a Minister of the Gospel unless he had been thoroughly educated and to be educated in those days meant having a working knowledge of Greek, Hebrew and Latin. This is significant because it meant that they knew what Plato, Aristotle, Cicero and others of the classics had written about Government. I think it is also fair to assume that they were familiar with the writings of John Locke, Montaigne and others of more modern times. You also can be sure that the form of government desired in this new land had been discussed at great length before they left home and on board ship during the voyage across. They were steeped in the same sources that contributed so much to the thinking of Washington, Jefferson, Hamilton, Franklin and others whose thoughts are so clearly embodied in our Declaration of Independence. They considered as truths self-evident, "That all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these

are life, liberty and the pursuit of happiness." Above all, they wanted individual liberty and independence and were willing to give up just so much of their freedom to do as they pleased as was necessary for the good of their settlement.

They were familiar with Aristotle and they felt there was much truth in his view when he was asked, "How much superior are educated men to uneducated men," and he answered, "As much superior as the living are ^{to} ~~from~~ the dead."

All of these men were familiar with the discussions which had been going on in the colonies for some time and when the news of the Battle of Lexington reached them, they promptly changed the name of their Augusta Academy to Liberty Hall.

Now the pioneer business man understood the need of an education, and the education he considered worthwhile in his day and what is, in my judgment, still worthwhile in order to keep us reminded of our basic rights and condition, is encompassed in what we now call our independent liberal arts college. He felt that this kind of knowledge and learning extended his horizon and enabled him better to create the atmosphere and environment he was trying to create. His capital

consisted largely of his rifle, powder horn, and bullet mold and the freedom of opportunity to better his heritage as he saw fit. He immediately, as soon as he settled, added whatever land he could stake out to his capital and established a school to give a larger vision to his children.

What was demonstrated here in the valley of Virginia was what occurred in every early settlement throughout this new country. Schools and colleges were founded to prepare men for Christian leadership and to broaden them in their knowledge of world experiences.

George Washington, who, I understand, made the first contribution to the endowment fund of Washington and Lee said in his farewell address: "Of all the dispositions and habits which lead to political prosperity, religion and morality are indispensable supports. . . . And let us with caution indulge the supposition, that morality can be maintained without religion. Whatever may be conceded to the influence of refined education on minds of peculiar structure, reason and experience both forbid us to expect that national morality can prevail in exclusion of religious principle."

For many years living was simple enough so that individuals through the apprentice system, or by the use of native inventive genius and common sense, could handle, if not

master, the conditions of trade. It was commonly thought that only the professions such as the ministry, law or medicine needed college training, but trade grew rather rapidly into business and such big and complicated business that the need for a college education and even for graduate training rapidly developed. Harvard saw this need and established the Harvard Business School.

Washington and Lee has a school of commerce and administration, but in these instances and I think in most other instances, the foundation course is the college of arts and sciences.

In reading the catalog of Washington and Lee, I was impressed with the fact that when General Lee became President, he thought the reconstruction of the South could be hastened by making available schools of journalism and engineering in a South that then had nothing but ruins, the ruins of a disastrous and losing war, with which to start business again. It seems only fair to assume that Washington and Lee made a vital contribution to the reconstruction and rehabilitation of the South, which is recognized today in the meeting here of the Southern Association of Sciences and Industry.

It seems so axiomatic today that business is dependent on education that it may seem out of place to develop the relationship as I have done, but it has seemed wise to bring

this to mind for at this time when conditions make contributions to endowment difficult on the part of individuals and there is an increasing dependence by education on Federal and State Aid, it may be the duty of business, if it wishes to preserve itself in the American tradition of free enterprise, to find a way to come to the rescue. There are perhaps some who still think that any education beyond reading, writing and arithmetic is a waste of time. That is all they had and often they say, "We have made money and that's good enough for anyone," but I am sure they have never learned how to enjoy their so-called success. Their horizon was limited by their business and their only way of spending the day was to return to the old desk and, in many instances, get in the way of younger men.

If I understand it clearly, it really took the first World War to awaken the general public in this country to the desire and importance for an education more than the three R's.

As our country has developed, business has needed more help from specialized education. For instance, there was a time when one end of a grocery store could be boarded off and a bank established there. To make a success of the banking business, all the banker had to know was that the

borrower was honest, thrifty and working on some project that offered good prospect of success. Now the successful banker must know not only local conditions but also world conditions, and some years ago the American Bankers Association realized this situation and promoted the formation of the American Institute of Banking to study economics, accounting, commercial law, and other subjects needed in every day banking work. This was so beneficial and successful that it added a graduate school of banking where qualified bank officers and clerks could carry on advanced study.

A number of years ago, the New York Stock Exchange recognized its need for both specialized and advanced training in its field and established the New York Stock Exchange Institute. Today, the New York Institute of Finance is an important part of the brokerage community, and I have no hesitation, from first-hand experience, in stating that the amount of money expended on this activity has repaid the investment community much more than many times the amount spent in other directions.

Every big business today has its research department which applies education to business. Its purpose is to improve its methods and extend its horizons. It does not hold with some who say that now that all our territory is occupied

there is a limit to expansion. It took education to make the oil under the desert of Saudi Arabia available and it took education to add the atom bomb to the agencies of destruction.

The emphasis today is on science and industry, and education is making an effort to meet these needs of business not only through its science departments but also through its schools of commerce and industry. But right here, if I may be allowed to do so, I would sound a note of caution. In emphasizing the "material," there is grave danger of pushing aside or at least minimizing what may be embraced under the broad term "spiritual."

In my judgment, the work of the independent liberal arts college is essential for the protection of our form of government and the extension of our culture. It should be used as a foundation and from such a foundation one can go into engineering, brokerage, banking, medicine, law, government or the ministry. The man who knows nothing but engineering, architecture, manufacturing, sales technique, or some other one line is as much handicapped, especially as he grows older, as the so-called self-made man who never took an education and is subconsciously just a little bit proud of it.

It may seem useless for one who intends to be a banker, manufacturer, or broker to study Greek or Latin, but anyone who has agonized over Greek irregular verbs is likely to have a memory so trained that he has little difficulty in mastering the nomenclature of banking, manufacturing or the Stock Exchange.

Business needs education, especially that afforded by the independent liberal arts college. It can take a young man with such a background and give him the necessary technical training in its research and statistical department rather quickly.

It would, indeed, be interesting to know how many of the men in the laboratories received a foundation knowledge from a liberal arts training. Without some such foundation, no amount of specialized training is likely to produce the judgment, perspective, and balance which is the end result of a sound and progressive man.

State institutions supported by taxation have their decided usefulness but also their dangers as, in these days of varying ideologies, they could be subject to political pressures. Independent liberal arts colleges and also independent technical schools are needed as bulwarks to the free enterprise system. In these days of propaganda, of

half truths, constantly twisted and reiterated, and what has frequently been referred to as group or sectional politics, a clear understanding of how our government was developed and the fundamental principles which have secured us for over 160 years must be taught and understood. That is the only real hope for true social security.

There are too many of this generation who have the idea that this government exists like the light and the air. They must be made to realize that our government is the result of years of struggle, service and sacrifice and that "eternal vigilance is the price of liberty."

To me, it would seem that the independent institution is really vital if we are to preserve our priceless heritage. It is becoming more and more difficult in the light of continuous taxation for individuals to contribute and, as business needs the independent institution, especially the college of liberal arts, the time seems to have come when business must find a way to support them out of its earnings. Failure to arrive at some solution of this growing problem, and I realize it will take time and study, endangers the foundations of all we hold dear in these United States.

TREASURY DEPARTMENT

Washington

Statement by Assistant Secretary of the Treasury
William McC. Martin, Jr., before the Senate
Committee on Banking and Currency on S. 1664,
"to amend the National Bank Act and the Bretton
Woods Agreements Act, and for other purposes."

10 A.M. - June 10, 1949

Mr. Chairman and Members of the Committee:

I am appearing before your Committee on behalf of the National Advisory Council on International Monetary and Financial Problems to present its views on S. 1664, which the Committee is now considering. The bill would amend the National Bank Act to permit national banks to deal in the bonds of the International Bank, and would, by amendment to the Bretton Woods Agreement Acts, exempt securities issued or guaranteed by the International Bank from the provisions of the Securities Acts. The National Advisory Council has given serious consideration to the proposed legislation and believes that it should be enacted.

With your permission, I would like to address myself to the policy considerations underlying the National Advisory Council's support of the pending legislation. In the opinion of the National Advisory Council, the International Bank for Reconstruction and Development will have an increasingly important role in the future development of the international capital market. It seems clear that, to the extent that economic and political conditions abroad permit the Bank to assume greater responsibility in financing reconstruction and development, it is in the interest of the United States to encourage the Bank to assume that responsibility.

During the next few years, it is hoped that many more nations will be in a position to apply for loans to finance projects and programs consistent with the purposes of the Bank. The continued effectiveness of the International Bank will depend upon its ability to meet these requests. To do this, the Bank will have to raise additional funds in the securities market of the United States.

It is the opinion of the National Advisory Council that the enactment of S. 1664 would facilitate the widespread distribution in the United States of securities issued or guaranteed by the International Bank. For a detailed analysis of the structure and operations of the International Bank, particularly with respect to the effect that the proposed legislation would have on its marketing operations, I will defer to the representatives of the Bank who will appear before you.

However, if I may, I would like to touch briefly upon one of the principal problems which will be remedied if the proposed legislation is enacted.

At the present time, although national banks may invest in securities issued by the International Bank, they are not authorized under the National Bank Act to deal in such securities. The proposed legislation would remove this legal disability by amending the National Bank Act to permit national banks to deal in securities issued by the International Bank.

Both the International Bank and the National Advisory Council believe that in order that this permission may be really effective in broadening the market for the Bank's securities they should be exempted from the Securities Acts. The reason is that the whole marketing system of national banks is geared to deal only in securities which are exempt from the Federal Securities Acts, mainly federal, state, and municipal securities; and it is not adapted to meet the various requirements pertaining to securities subject to those Acts. The proposed legislation would meet this practical difficulty by amending the Bretton Woods Agreements Act to make the securities issued or guaranteed by the International Bank exempt securities under the Securities Acts.

In connection with the enactment of the proposed legislation, careful thought has been given to the position of investors in the United States. I believe that the unique characteristics of the securities of the International Bank and the nature of the safeguards provided in the proposed legislation constitute ample protection.

It should be noted that by virtue of the large subscription of the United States in the shares of the International Bank, there is a correspondingly large official participation by the United States in the direction of the Bank. Under the guidance of the National Advisory Council, the United States Executive Director, who holds approximately one-third of the total votes of the Bank's Executive Board, directs his activities to effectuating the United States policy of making the Bank a sound, strong, effective instrumentality for financing appropriate projects for reconstruction and development. In this connection, it may be noted that the International Bank may not sell its securities in this country without obtaining the prior consent of the National Advisory Council; nor can the Bank buy or deal in its securities without that consent.

It should also be borne in mind that the securities of the International Bank are backed by the joint obligation of some 48 nations, each of which is severally liable up to the full amount of its subscription. A nation which might otherwise be tempted to default on a particular foreign obligation might well be deterred from such action by the knowledge that a default to the International Bank is simultaneously a default with respect to 47 other nations upon whom the burden of meeting prorated subscription calls would fall.

Adverting to the protection the United States investor enjoys with respect to foreign securities which are not exempted from the Securities Acts, it may be appropriate to note that the essence of this protection is the requirement for full and fair disclosure of pertinent information.

The Securities and Exchange Commission does not make a determination as to the worth of a security offered for sale. It is not the function of the Commission to approve or disapprove any sale of securities so long as the facts concerning the securities are fully stated.

With respect to the International Bank, it may be stated that through its quarterly and annual reports and other statements, it makes a full disclosure to the public of all its activities. Moreover, under the proposed legislation, the Bank would be required to file with the Securities and Exchange Commission such annual and other reports with regard to its securities as the Commission shall determine to be appropriate. Finally, if the Securities and Exchange Commission should at any time be of the opinion that the interest of the United States investor requires that the securities of the International Bank be subjected to the Securities Acts, the Commission may, in consultation with the National Advisory Council, suspend the exemption granted under the proposed legislation.

In my opinion, the enactment of the proposed legislation will further the interest the United States has in the continued effective operation of the International Bank without prejudicing the rights of United States investors. I, therefore, recommend favorable action on the bill under consideration.

REMARKS BY THE HONORABLE WM. McCHESNEY MARTIN, JR.,
ASSISTANT SECRETARY OF THE TREASURY, AT THE FORTY-SEVENTH
ANNUAL CONVENTION OF THE SAVINGS BANKS' ASSOCIATION
OF CONNECTICUT

WHITEFIELD, NEW HAMPSHIRE, OCTOBER 18, 1949

11:30 A.M. (for Release on Delivery)

FOREIGN AID AND THE TREASURY

It is an honor, indeed, for me to be the guest of the Savings Banks' Association of Connecticut and have a chance to get acquainted with you. I am delighted to have this opportunity to learn from you how the Treasury can serve you better and to share with you some of our thinking.

Naturally, a group like this has a primary interest in the management of a Federal debt in excess of \$250 billion. The policies pursued cut across the fields of money, credit, prices, wages, taxes, interest rates, and the formation of capital. How effectively the debt is handled in terms of reduction, whenever possible, distribution to meet the needs of all investor groups, and relationship to monetary and credit control, is a matter of vital concern to every citizen of this country. Difficult as was the task of raising these staggering sums, it is likely, in retrospect, to prove child's play compared with the

complexities of management the Treasury now faces. The advice and understanding of the entire financial community is needed, as never before.

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Accordingly, I want briefly to review with you this morning what the United States has been doing with its foreign aid programs, and how the growing importance of our foreign trade is directly connected with our Federal budget.

We in the Treasury, like yourselves, are looking forward to an early end of United States extraordinary economic assistance. No one likes to give away money indefinitely, nor do self-reliant people enjoy receiving on such a basis. Let us not fail to recognize, nevertheless, the crucial importance of our postwar aid and the vital necessity of continuing the Economic Cooperation Administration until Europe is more nearly self-supporting than it is at present.

It seems to me that the whole approach taken by the American Government after this war contrasts most favorably with the approach taken at the end of World War I. In no area is this reflected more clearly than in the contrasting attitude toward the repayment problem after the two wars.

After World War I, we insisted, without any regard to the feasibility of repayment in real goods, that our

European allies repay for all United States aid, even for the shot and shell which had been expended on the field of battle. After World War II, in contrast, there has been a growing appreciation of the fact that we can approach the whole foreign lending problem only from the point of view of a true appraisal of the recipient countries' capacity to repay.

In the case of Europe, there is an increasing recognition that we cannot reasonably expect Europe to repay all, or perhaps even a major part, of the total economic aid required from the United States. It was the original hope of this Government that the emergency reconstruction process could be met entirely through loans. As we all recall, a large measure of dollar aid was rendered in 1946 and 1947 on a straight loan basis. There were the British loan of \$3,750,000,000, Export-Import Bank reconstruction credits of over \$2,000,000,000, and surplus-property and post-VJ-day lend-lease credits of over \$2,000,000,000.

By the middle of 1947, however, it had become generally recognized that some new way of financing the dollar aid requirements of Europe had to be found,

and that they would have to be met directly by the United States Government. Accordingly, the logical and necessary bulwarks to the Export-Import Bank reconstruction credits and the British line of credits were the interim aid grants to France, Italy, and Austria, in the winter of 1947 and the ECA grants and loans now being utilized. The emergence of the European Recovery Program reflected the conviction of the Executive Branch and Congress that the remaining post-war dollar aid requirements might extend over a further 4-year period, might amount to as much as \$17,000,000,000 and would have to be met largely on a grant rather than a loan basis.

The United States cannot shirk its responsibilities as the greatest economic power and the greatest creditor nation in the world today. The goal of our foreign aid program is a self-sufficient Europe by 1952. While the European countries have made substantial advances under the European Recovery Program, much remains to be done if the dollar gap is to be closed and they are to be able to stand on their feet. Recent adjustments in exchange rates should help many of these countries

to improve their dollar position and to move toward a higher level of trade in both directions. However, this action does not constitute a cure-all for the difficult and complex problems currently faced in international payments. Exchange adjustment is but one step, albeit a most important one, which helps to clear the way by removing some obstacles to the effective and fluid functioning of a world price system in accordance with free enterprise incentives.

Foreign countries have been spending \$12 billion a year in our market and have been exporting about \$6 to \$6-1/2 billion of goods a year to us. It is clear that they cannot continue to sustain their current level of imports from us unless they can earn more dollars by increasing their exports of goods and services to the dollar area. If--as is to be hoped--the volume of imports into the United States increases significantly, whether as a result of devaluation or simply because foreign countries increase their sales efforts in this market, it is possible that a few industries will ask for the raising of our tariff rates. I would like to ask you to consider this question

in the broadest possible perspective from the point of view of the long term interest of the economy as a whole.

We are faced with a very serious problem in attempting to restore international trade to a satisfactory balance. We cannot maintain our exports at a high and our imports at a low level indefinitely without continuing to finance the gap with funds provided by the American taxpayer. If Europe is to be self-sufficient, we must allow the European countries to earn the dollars they need to pay for the American goods and services which are essential to their economies if they are to avoid social unrest and political instability. Trade will sooner or later have to go back on a more self-balancing basis.

But this is not all. Our own position will require us to continue to invest heavily abroad for a long time to come. Investment of European funds was the keystone of expanding world trade in the 19th century, and investment of U. S. funds--I hope primarily on a private basis--must now take over this role in order to make possible that expansion of production here and abroad which will

assure rising living standards and economic progress in under-developed areas. It is a role which creates a major policy issue for the United States. For while such investment will undoubtedly mitigate the dollar pressure on foreign countries in the near future, eventually we will have to be prepared to import goods and services in larger amount as the return on our capital investments. As their service charges fall due on past and future investments, borrowing countries will have to develop a surplus on current account over and above their essential requirements in the United States; otherwise, they will either have to restrict payment on their obligations to us or drastically curtail their future imports from this country.

Fortunately, there are several long-run factors which will tend to increase our imports of goods and services:

First, travel expenditures abroad should increase substantially in the postwar world, if for no other reason than the fact that our national income has risen so substantially above prewar levels. In any event, it seems very likely that American tourists will turn out to be an even more important source of dollars for foreign countries than in the past.

Secondly, imports of raw materials should be at substantially higher levels as a result of higher national income and the wartime depletion of domestic supplies of many such items. Who would have thought, for example, that copper, lead, zinc, iron ore and scrap would ever have been in short supply in the United States?

Thirdly, imports of luxury and semi-luxury items, non-competitive or only partially competitive with United States products, may rise substantially with continuing high national income here and progressive recovery abroad. Moreover, our expanding population will consume larger quantities of goods which are not produced here at all or not in adequate quantities.

The only real hope I see for future normal world trade, the re-establishment of a functioning multilateral trading system with exchange convertibility, and the long run solution of the dollar repayment problem, lies in the expansion of our foreign trade, on both the import and export side, the expansion of our foreign investments, and the eventual development of the import surplus which is normal for a matured industrial economy.

Therefore, I find it hard to believe that many Americans would consciously favor not only sacrificing our vital export interests but also encouraging an indefinite continuance of foreign aid with little prospect of eventual repayment, merely to curtail an increased inflow of imports into this country. A sustained low volume of imports and the consequent worsening of the dollar position of the European countries would inevitably involve an increase in unemployment as a result of our falling exports. It would involve greater difficulties for foreign countries in their efforts to reduce their dependence on economic aid from the United States. It would involve impeding the processes by which our investors can receive the yield on their investments abroad through the normal movement of goods to the United States market. The net upshot of such a restrictionist policy would be a long-term drain on our national income and our Federal budget with no quid pro quo to show for it, along with the very real danger of increasing economic instability and tension throughout the democratic world.

Overseas trade, because of its romantic and pioneering character, lends itself to the best in the American tradition of private enterprise. It is in this field, no less than in our domestic production, that the U. S. opportunity lies to demonstrate to the world the achievements of the American way of life. In the light of the brilliant record of American industry for initiative, inventiveness and efficiency, I think we need never worry about our being able to compete on fair and mutually advantageous terms not only in the domestic market but also in the markets of the world. I feel strongly that the United States has much more to gain than to lose by the relaxation of existing barriers to international trade, and that conversely any action on our part designed to raise such barriers would entail substantial net loss to our economy as a whole. It is no less to our interest than to the interest of our economic neighbors in this hemisphere and across the seas that we work out and promote ways and means of sharing the special talents, skills and resources the nations separately possess.

Our foreign trade seems small percentage-wise. It may be only 5%, or 7%, or 9% of our total--but it is my conviction that it is a crucial segment of our economy which makes a decisive contribution to maintaining a rising living standard with a minimum of unemployment, and that without it there is a real possibility of a smaller national income with substantial unemployment and a lower standard of living. The American productive machine depends in part on the re-establishment and development of sound two-way foreign trade. It is obvious that foreign trade at the present time still to a large extent exists on an artificial, government-financed basis, and that our endeavors should be directed toward the expansion of international trade within the framework of a reduction of extraordinary governmental assistance and of greater reliance on the private capital market for foreign capital requirements.

TREASURY DEPARTMENT
Washington

The following address by William McChesney Martin, Jr., Assistant Secretary of the Treasury, at a luncheon of the Chicago World Trade Conference, at the Hotel Sherman, Chicago, Illinois, is scheduled for delivery at about 1:00 p.m., C.S.T., Monday, February 27, 1950, and is for release on delivery.

U. S. FOREIGN TRADE LOOKS AHEAD

Four years ago it was my privilege to address a meeting sponsored by this same group on the prospects for resumption of normal peacetime foreign trade. Today as we stand on the threshold of the last fifty years of the 20th Century, I have taken as my topic, "U. S. Foreign Trade Looks Ahead."

Four years ago we were all hopeful. The war had ended and we were proceeding rapidly to reconvert our industry from war to peacetime activities. The cardinal principles of U. S. foreign economic, financial, and commercial policy were then, and they remain today, the achievement as rapidly as possible of a multilateral trading system based on non-discrimination, freer trade, and general convertibility of currencies.

These objectives resulted from the general recognition that bilateralism, discriminatory tactics, quotas and preferences were all types of economic nationalism which laid the groundwork for the horrible conflict through which we had just passed. There was for the first time almost unanimous recognition of this at Bretton Woods. Our whole postwar economic thinking was focused around the conviction that high levels of employment and rising standards of living could be achieved on a permanent basis only through moving in this direction. When lend-lease was terminated, the UNRRA program, the expanded lending authority of the Export-Import Bank, subscriptions to the International Monetary Fund and the International Bank for Reconstruction and Development, the Anglo-American Financial Agreement, Interim Aid grants to France, Italy and Austria, and finally the European Recovery Program and other programs have totaled a commitment by the American people of over thirty billion dollars, as a direct earnest of their devotion to these basic principles.

All of these expenditures were a part of our hope for a "brave new world." As we look back, I think you will all agree we have been far from realizing this "brave new world." Our thinking was in terms of international cooperation and goodwill. We expected that the high ideals of the war period would be reflected in political agreements and policies and attitudes which would make possible the realization of the four freedoms.

on hydrogen

I need not emphasize the extent to which our hopes of political cooperation have failed. Certainly the world of 1950 is far from attaining freedom from fear. In the atmosphere of the atomic bomb, there has naturally been a tendency to preserve many of the types of restrictions which are part of a war economy or a world economy dominated by the fear of future wars. The adoption of the principles of non-discrimination and convertibility of currency as a means of realizing freedom of international commerce involves risks. A certain amount of dislocation of production and employment is inevitable. If a country today imports what it formerly produced for itself or what it did without and if it exports goods which it formerly consumed at home or which it did not produce, there is necessarily a shifting of labor and of capital from one employment to another. The change is worthwhile, however, if we can believe that in the long-run we will be better off; that the dislocations incident to change are transitional; and that after a time a certain equilibrium will be reached at which the situation will be markedly improved. The adoption of policies, therefore, conducive to long-run benefit represents a hazard in faith in the future and to a considerable degree the world has not yet been willing to assume that risk.

If we look purely to the economic aspect of the situation, apart from problems of international politics, we can see that the problems of postwar reconstruction have been far greater than we had anticipated. Our economic forecasts were over-optimistic. We did not realize the extent to which the economies of the world had been impaired by the destruction of capital in the form of factories, transportation equipment, or the wearing out of industrial plant and even the exhaustion of soil resulting from the scarcity of fertilizers. We did not adequately appreciate the extent to which it would be difficult to restore trade within countries and trade between countries. The extent of the postwar inflations has upset many calculations and postponed the attainment of financial stability. It has not been easy to collect taxes in many of the war-torn countries. The level of public administration deteriorated, particularly in countries occupied by the enemy, where it was patriotic to sabotage the administrative process. The economic and political disorganization of Europe contributed a good part to what has been commonly referred to as the dollar problem, i.e., the inability of foreign countries to secure the amount of American goods they desired by paying for them from their current earnings of dollars, by the export of goods and services to this country or to other countries, which might have a surplus in their international accounts with the United States.

The people and the government of the United States have been aware of these problems and we have tried to make our contribution toward their solution. During the war we devoted enormous economic resources to the allied countries. By our assistance it was possible to sustain the economic life of the countries who were joined with us in battle. With the close of hostilities we made settlements of the obligations arising from this war which would not unduly burden trade in the future. In addition, our first postwar programs involved the extension of large credits to foreign countries. When it became clear that the mere extension of credits in the amounts which could ultimately be repaid was not adequate to deal with the problems, the

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Bruck
The details of the agreements implementing these programs varied from time to time, but their dominant note was that all we expected from foreign countries was that they would help to restore balance in world trade at a high level and to move as rapidly as possible toward non-discriminatory international trade and exchange policies. We also recognized that these objectives could not be realized at once.

It is practically impossible to have non-discriminatory trade and exchange regulations unless currencies are convertible. Full convertibility of currencies was scarcely possible at a time when many countries could not by their own efforts, earn the dollars they needed and when monetary reserves were exhausted. We recognized that the transitional period would take some years. The transitional period should be really transitional and the steps taken by the various nations in this intervening period would tend to bring about the desired end, rather than to be of such nature as to postpone its realization to the indefinite future.

It is obvious that there is no easy solution to these problems. We can not expect the countries of the world immediately to abolish their quantitative restrictions on trade, reduce their tariffs or to permit the free purchase of foreign currencies. If this action were to take place at one stroke of the pen the dislocation would be too great. We could not expect that as long as present conditions prevail that countries could successfully assume the burden of freely converting their currencies into gold or dollars. Yet it is clear that multilateral trade will continue to be severely hampered until we have a greater degree of currency convertibility. Obviously, the greater the restriction on the use of currencies to obtain foreign currencies, the farther we are away from non-discriminatory multilateral trade. Moreover, it does not matter whether this restriction is brought about through exchange regulations or through direct controls of trade. It is immaterial except as a matter of administration whether an importer can not obtain goods from abroad because of his inability to buy the requisite exchange or because he can not get the import license. Consequently, in developing trade and exchange policies for the future it is important to realize that an obligation of one sort can be circumvented by a restriction of another sort. To attain the ideal of multilateral trade we must move ahead on the trade front as well as the exchange front.

What we should expect for the immediate future is that the countries of the world will not adopt policies which will make the eventual resumption of convertibility more difficult and that to the extent that they are able they should move in the direction of producing the conditions which will make convertibility possible at the appropriate time. As long as the present imbalance in the international accounts of the world continues, full convertibility is scarcely possible. It is possible, however, for the countries

to move in the direction of convertibility by stages and it should be possible to devise ways of avoiding discriminatory features in these programs. There is always the danger that in a program of restricted convertibility that vested interests will grow up and production and trade will be directed in terms of the discriminatory arrangements set up. The essence of discrimination is, after all, that a higher price is paid for goods obtained from one country than would be necessary to obtain the same goods from another country. Put concretely, there is discrimination against dollar goods when a country pays more in terms of its own currency than it would have to pay for the goods if it used its currency for dollars at the official rates of exchange. The ultimate aim of non-discrimination and convertibility is the direction of a country's resources into those channels which yield the greatest returns and so make the largest contribution to the standard of living of a people. If this test of price comparability is used most of the dangers of discriminatory trade practices are eliminated even though it is possible to make payment only in inconvertible currencies.

Another step forward could be taken if countries would settle part of their international balances in gold or dollars. This would assure the regular application of the test of price comparability. If country A settles part of its balances with country B in gold or dollars, it will not be willing to pay a higher price for country B's goods than it would for American goods. Partial payments in gold or dollars could thus be a helpful device for reenforcing the principle of non-discrimination. The larger the portion of the balances settled in this way, or the more frequent the settlements, the closer is the approach to the ultimate ideal of convertibility. I throw this suggestion out as merely one way in which the countries of the world can move toward convertibility. At the same time there will be need of relaxation of direct trade controls since it is obvious that a periodic or partial settlement in gold or dollars could be negated by trade restrictions which might in fact enforce a greater degree of bilateralism than now prevails.

A great part of the problem of imbalance in the postwar period has arisen from internal conditions. Where there is a continuing inflation there is always a greater incentive to import and a greater deterrent to export. Part of the so-called "dollar gap" represents merely the existence of inflation in some foreign countries. A second factor which may be significant is the level of exchange rates. Though the adjustments of last September were large, it is as yet too soon to say whether they have been fully successful. In those countries which are looking forward to an investment of American capital there is also a problem of establishing conditions which will attract American capital. We have had a program of treaties of friendship and commerce with other countries which include provisions for equitable treatment of foreign capital. But American economy is an economy of private enterprise. We expect that capital will move abroad in the form of private investments and, obviously, the private investors must have satisfactory conditions.

On the other hand, the United States must realize its position in the present-day world economy. Our imports and our exports form a very large

percentage of the world total. Much of the international investment in the next few years will have to come from this country. The countries of Europe which formerly supplied the bulk of foreign investments are not in position to make new investments abroad. In fact they have become capital importers. American business must look to expansion in foreign countries and American investors must look more favorably on foreign investment. I am sure that under appropriate conditions they will do so.

The United States has now become the largest creditor on long-term account. The United States has traditionally had an export surplus. It would be Utopian to believe that the flow of capital investment from private channels will be sufficient to cover the large export surpluses that we have had in recent years. These surpluses have been made possible by a policy of gifts and grants and governmental credits to foreign countries. These payments were made primarily in view of the necessities of foreign countries and what we have believed was the long-run interest of the world economy. The Government should not continue to subsidize exports indefinitely.

for a time at least

Outlets

As United States extraordinary assistance decreases, we must frankly face the fact that we will have a larger volume of imports or a reduced volume of exports, or both. There will have to be adjustments in our own economy as well as in foreign countries. The patterns of U. S. foreign trade and the trading practices of the world will depend upon the way in which these adjustments are brought about. The world can drift in the direction of a lower volume of trade or we can try to move in the direction of a higher volume. Foreign countries may continue along the lines of discriminatory trading practices and inconvertible currencies, or they may, on the other hand, take the alternative of moving toward convertibility and non-discrimination. We can, if we wish, encourage a larger volume of imports, and in the long-run, in my judgment, this will be beneficial to our whole economy and ultimately produce an increase in our exports also.

We can not avoid the problem. The solution will depend as much upon decisions by other countries as by ourselves. Their policies will affect our decisions quite as much as our policies will affect them. It is important that we decide consciously what our role should be rather than drift with the tide of events.

1. World trade revolution
2. Cold war tempers but does not change

TREASURY DEPARTMENT
Washington

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TREASURY DEPARTMENT
Washington

(The following address by William McChesney Martin, Assistant Secretary of the Treasury, before the 60th Annual Meeting of the Virginia State Bar Association at the Greenbrier Hotel, White Sulphur Springs, West Va., is scheduled for delivery at 9:00 P.M. EST Saturday, August 5, 1950, and is for release at that time.)

People sometimes think of the Treasury as concerned almost entirely with the planning, collection and enforcement of taxes, the printing and coinage of money, and the running of Savings Bond Campaigns. But the work of the Treasury is by no means limited to matters of domestic finance. In addition the Treasury plays a major role in the sphere of international finance. The international financial policies of our country must, as a rule, be shaped in the light of broader policy considerations. Consequently, decisions on international financial questions, usually require close collaboration between the Treasury and various other Government agencies, including obviously the Department of State.

I thought it might be of interest at this time to talk briefly about a few of the wartime and post-war operations in international finance in which the Treasury has played an important part. The matters I have in mind represent only a part of Treasury's broad activities in this field. A comprehensive survey could not possibly be given in a single talk, and it would certainly be unwise to make the attempt in an after-dinner speech. That would be a poor return for your hospitality and the honor you have done me in inviting me to address you.

One of the problems which confronted the United States during the two World Wars and which indeed continues to confront us is that of assisting friendly powers through financial and material aid in the conduct of the mutual defense effort. In World War I, as you know, we provided this aid largely in the form of loans. Our post-war experience, however, taught us a lesson, that the British had learned over a century before in the struggle against Napoleon, that loans between allies in a major war for survival are unlikely to work out satisfactorily. After making a few loans to their allies the British realized that only a fraction of them could be repaid. They then ceased making loans altogether and provided aid to their allies in the form of outright subsidies. We, in our turn, found that the war debts engendered a considerable amount of ill will toward us among the borrowing countries. The financial and exchange difficulties of the borrowing countries made it difficult for them to service the loans. Acrimonious debates arose as to

whether or not the payment of war debts ought to be contingent on the receipt of reparations from Germany. Repayment difficulties were greatly intensified by the depression of the 1930's and after attempts were made to scale down the debt charges to make them manageable practically the whole of the war debts went into default.

We learned the lesson of this post-war experience and in 1941 enacted the Lend-Lease Act, which authorized the President to furnish defense articles of any kind to nations whose defense he deemed vital to our own security, without requiring repayment in any strict sense. Any direct or indirect benefit to the United States was regarded as an adequate basis for making the transfer. Some of the items supplied, such as ships, ^{were} returned to us after the war; in some cases, cash settlements were effected to cover a relatively small part of the items transferred. Our allies reciprocated as far as possible by furnishing our forces "reverse" lend-lease. These reciprocal transfers became an important part of the total program which was based essentially on the concept of mutual aid in a common defense effort.

Although the lend-lease program was administered by a new ad hoc government agency, Treasury was responsible for the procurement of a number of important classes of materials transferred under the program. Treasury also participated in the financial arrangements relating to lend-lease, including the ultimate settlement of the lend-lease accounts. Treasury may take some pride in the fact that the lend-lease idea was first proposed in that department. It will be of interest to this audience to recall the statement made by the late Mr. Stettinius, in his book, "Lend-Lease, Weapon for Victory," that the Treasury lawyers derived the lend-lease idea from an old statute of 1892 which authorized the Secretary of War "when in his discretion it will be to the public good" to lease Army property "not required for public use" for a period of not longer than five years. Under this statute, various army items such as tractors, cranes and barges had been leased from time to time. Under the lend-lease Act the principle was extended and modified so as to make it possible to supply weapons to our allies. The Mutual Defense Assistance Program under which we are now providing military assistance to friendly nations to strengthen the free world against armed aggression represents a further development of the lend-lease concept.

Treasury's wartime activities included the operation of the Foreign Funds Control. As soon as the so called "phony" war was ended by the German invasion of Norway and Denmark in April 1940, the Treasury blocked the assets in the United States of the countries which were overrun. By the middle of 1941 this blocking action extended to all the countries of continental Europe as well as to China and Japan. This action was designed to prevent the Germans and Japanese from making use of the assets in this country which rightfully belonged to persons in invaded areas. These blocked assets could not be utilized without a license. The existence

of this control deprived the Axis countries of much of the incentive to use force and duress to make foreign owners of American assets assign them to the invading powers.

Besides preserving the relatively large assets of the citizens of the overrun countries, the blocking action immobilized the funds in this country -- a substantially smaller total -- which belonged to the Axis powers. The Treasury controls prevented enemy countries using transactions through American banks and financial institutions, even indirectly, for the furtherance of their ends. By means of the licensing system we exercised controls over various enterprises, including plants which were owned or controlled from Germany and Japan, and made these enterprises work in the interest of this country rather than for our enemies. The Treasury controls also had extra-territorial effects and, in coordination with similar controls exercised by our allies, helped disrupt enemy activities in Latin America and other countries outside the field of conflict.

A phase of the Foreign Funds Control worth mentioning was its extension to our overseas territories. For example, the Treasury sent members of its staff to the Philippines to supervise the blocking of the extensive Japanese assets in the Islands. At the outbreak of war this staff took custody of Japanese assets. Philippine financial institutions were invited to deposit their dollar and peso currency with the American authorities in order to prevent its capture. When the defense of the Philippines became hopeless the currency was burned to make sure that the Japanese would not get it. We shipped Philippine gold holdings out of the country and dumped considerable amounts of silver in the harbor. Work of this nature involved risks for the Treasury people engaged in it, and several of them were in fact captured and interned by the Japanese.

The military planning of our armies for the liberation of countries which had been overrun by the enemy had to be accompanied by plans for restoring the economic and financial systems of the liberated countries. One financial problem with which Treasury was much concerned was the provision of a suitable local currency. We could not count on being able to get this on the spot, since we might find local banks destroyed or unusable because of the questionable loyalty of their management. Local currency would be needed which our troops could spend individually and which the Army could use to purchase local supplies and to pay local civilians who might have to be put to work. It would obviously be much easier to hire laborers to unload ships and do other essential jobs if we could pay them cash at the end of each day, rather than give them receipts promising payment at some future time.

Our first invading Armies carried with them spearhead currencies which they could use until local currencies or supplementary military currencies could be provided. In North Africa we used as a spearhead

currency yellow seal dollars which were simply United States silver certificates on which the seal had been printed in yellow rather than in blue. The yellow seal was to enable us to segregate the currency if we were driven from North Africa. It also made it possible to distinguish this currency from the regular United States currency which we found in circulation when we arrived.

The use of the yellow seal dollar as an invasion currency soon gave way to the use of local currencies. These local currencies, unlike the yellow seal dollars, were not obligations of the United States. Under international law a friendly force trying to liberate the territory of a friendly power from an occupying enemy may validly expect that power to render all practicable assistance. A good case could, therefore, have been made for requiring the governments of the liberated countries to provide all local currencies and credit needed by the allied forces. We decided, however, to make certain reimbursements to these governments.

When local currencies were supplied to United States forces for military expenditures the relevant military appropriation was charged for the dollar equivalent in the United States. The rate of exchange for the local currency was established by the United States in liberated areas by agreement with the local authorities. In this way the local currency expenditures of the military forces were not a net addition to but a part of the expenditures authorized by Congress, so that in this way Congress maintained its control over the expenditures of the United States military forces.

During the war, despite the demands of immediate war-time problems, the United States, in conjunction with its allies, turned its attention to the great problems of reconstruction and development which would have to be faced after the war. It was recognized that these problems could not be successfully met without a high degree of international cooperation. It was also recognized that the United States would have to play a much more important role in the reconstruction program after World War II than it had done following the first world war. The Treasury took the lead in this country in the formulation of plans for the establishment of post-war, international financial institutions and took a major part in the work of the Bretton Woods Conference in 1944. As you all know, this conference resulted in an agreement to set up the International Monetary Fund and the International Bank for Reconstruction and Development, institutions to be owned and controlled by the member nations as a joint venture.

I suppose that members of the Bar more than any other group have a sympathetic understanding and appreciation of the tremendous difficulties, both technical and otherwise, which had to be overcome before the representatives of the 44 nations who assembled at Bretton Woods could be persuaded to agree on a precise form that post-war monetary cooperation should take. However, an agreement was achieved and the United States accepted membership in the Fund and Bank after

being authorized so to do by the Congress in the Bretton Woods Agreement Act of July 1945.

The fundamental purpose for which both institutions were established was to facilitate the expansion and balanced growth of international trade and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members.

It would take me too far afield to discuss at any length the functions and operations of the Bank and Fund. Suffice it to say that, due to the uncertain economic and political conditions which have prevailed since the war, neither the Fund nor the Bank has made as great a contribution as it would have been capable of making in more normal times. This is not to imply that the contribution they have thus far made has not been an important one. Both institutions have provided extensive and effective machinery for consultation and have built up an extremely useful store of technical information to which many members are turning more and more for guidance in planning for increased productive capacity and the attainment of more stable economies. In addition the Bank has thus far authorized loans for productive purposes to fifteen member countries totaling over \$800 million.

A feature of the Bretton Woods Agreements Act of special importance to Treasury was its provision for the establishment of the National Advisory Council on International Monetary and Financial Problems. The Council was directed to coordinate the policies and operations in the field of international finance of all agencies of the Government and also of the representatives of the United States in the Fund and the Bank. The Secretary of the Treasury is the Chairman of the Council, the other members being the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Board of Governors of the Export-Import Bank, and the Administrator for Economic Cooperation. The Treasury provides the Secretariat for the Council as well as the Chairman, and much of the work of the Treasury in recent years in relation to problems of international finance has been closely related to the activities of the Council. The Treasury takes a leading part in the activities of the inter-agency working groups and committees which prepare reports, sift issues, and make recommendations on international financial problems for action by the Council.

Because of the importance of the international financial interests of the United States, the Treasury maintains financial experts abroad in a few foreign capitals. These men are representatives of the Secretary of the Treasury, and, in addition, act as financial advisers to U.S. Ambassadors and occupation authorities. In countries in which there are ECA Missions, the Treasury representatives also act as financial advisers to the Mission Chiefs. The Treasury representatives abroad maintain close liaison with the local treasuries or ministries of finance on international financial matters of concern to the United States, and assume key roles in our foreign financial negotiations.

The relationships between representatives abroad and the local treasuries supplement the direct contacts continuously maintained in Washington between the Treasury and financial representatives of foreign governments.

My aim in this talk has simply been to give you the highlights of some of the important problems of international finance with which, in recent years, Treasury has been actively concerned. The problems of this nature which face us to-day are many and complex. New difficulties arise as we endeavor to continue aid to the free world and at the same time expand our own defense program and our military assistance to friendly countries.

May I, in conclusion, express my great pleasure at being here to-night and take this opportunity to extend to the Virginia Bar Association and its members my best wishes.

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