

MESSAGE

The United Nations have learned clearly in this war that an effective and close partnership is the only way to victory. They have said in many documents that they will work together also after victory, not only to disarm their enemies, but to increase their own security and welfare.

By the United Nations Declaration of three years ago we all "subscribed to a common program of purposes and principles" set out in the Atlantic Charter. The Fourth point of that Charter calls for efforts to assure to all of us "accession equal terms to the trade and raw materials of the world." The Fifth point calls for "the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labor standards, economic advancement, and social security." The Sixth point expresses the common hope "to see established a peace which will afford to all nations the means of dwelling in safety within their own boundaries, and which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want." These are the common purposes and principles of the United Nations.

By the series of agreements made in 1942 under the Lend-Lease Act we gave more specific terms to the economic content of these hopes. In these agreements the Nations parties to them promised to seek together "agreed action, * * * * *", open to participation

by all

by all other countries of like mind, directed to the expansion
* * * * * of production, employment, and the exchange
and consumption of goods; * * * * to the elimination of all forms
of discriminatory treatment in international commerce and to the
reduction of tariffs and other trade barriers; and, in general,
to the attainment of all the economic objectives set forth in"
the Atlantic Charter.

We have expressed these hopes together, and taken these
commitments to each other, because we recognize that in the
modern world our greatest interests are peace and human welfare;
because these interests are common to us all; and because we all
know well that none of them can be achieved by any nation or by
any group of nations acting by itself or at cross purposes with
the rest. The only way to work toward them with hope and confi-
dence is through a loyal partnership of power and will and interest.
That partnership we have begun in war, and it has saved us from
destruction. We propose to extend it to the peace, and to perfect
its instruments and action.

The economic objectives of the United States agree with those
of the United Nations, for the good reason that what we need and
what they need correspond. Expanded production, employment,
exchange and consumption - that is more goods to be produced, more
jobs, more trade, and a higher standard of living for us all -
that is what we in the United States shall need in order to furnish
real peace-time employment to the men and women who will be return-
ing from the war and to those at home whose war-time work has

ended, and in order to bring orders and profits to our industries and fair prices to our farmers. We shall need prosperous markets in the world to ensure our own prosperity, and we shall need the goods the world can sell us. For all these purposes, as well as for a peace that will endure, we need the partnership of the United Nations.

The main outlines of the machinery for the United Nations' peacetime partnership have been explored in the Dumbarton Oaks meetings, and the tentative proposals of these meetings are before us for discussion. They include a General Assembly, and an Economic and Social Council, both of which will have as one of their main tasks continuing attention and advice as to the ways and means of moving toward prosperity and stable full employment. But we cannot await the full completion of this organization and its studies before the work commences. For the tasks are urgent, and the success of all of our machinery and the fruition of our hopes will depend mostly on the actual condition of the world and on the acts of Government and peoples in practical affairs.

I propose therefore in this message to set out some of the steps which the United States ought to take now in the international economic field. The measures which I shall propose are not to be regarded as separate items, each one by itself. They have to be presented one by one for purposes of legislation, but they depend upon each other and ought to be examined as one program. The

purpose of that program is to meet the facts that now exist, and in the longer view to make secure our own prosperity and strength, and to perfect the partnership of the United Nations.

The first problem in time is to save life, and to get resources and people back into production. In many of the liberated countries economic life has all but stopped. Transportation systems are in ruins, and therefore coal and raw materials cannot be brought to factories. Many factories themselves are shattered, power plants smashed, transmission systems broken, bridges blown up or bombed, ports clogged with sunken wrecks, raw materials exhausted, and great rich areas of farm land inundated by the sea. People are tired and sick and hungry. But they are eager to go to work again, and to create again with their own hands and under their own leaders the necessary physical basis of their lives.

Emergency relief is under way behind the armies under the authority of local Governments, backed up first by the allied military command and after that by the United Nations Relief and Rehabilitation Administration. Our participation in the UNRRA has been approved by Congress. But neither UNRRA nor the armies are designed for the construction or reconstruction of large scale public works or factories or power plants or transportation systems. That job must be done otherwise, and it must be started soon.

The main work of reconstruction must be done by local people and their Governments, under whatever plans they may

set up. They will provide the labor, and the local money, and most of the materials. The same is true for all the many plans for the improvement of transportation, agriculture, industry, and housing, that are being developed in many parts of the world. But some of the things required for all these projects, both of reconstruction and development, will have to come from overseas, because they cannot be produced at home. It is at that point that the highly developed industries and agriculture of the United States will have an opportunity to make a major contribution to the reconstruction of the liberated countries, to the creation of new productive wealth in many lands, and to our own prosperity. Inquiries for numerous materials, and for all kinds of equipment and machinery in connection with such projects are already being directed to our industries, and many more will come. This business will be welcome just as soon as the more urgent orders of the war itself begin to taper off. The question as to most of it will be the means of payment.

In the long run we can be paid for what we sell abroad chiefly in goods and services. I shall return to that subject later in this message. But at the moment many of the countries who want to be our customers are prostrate, and have few goods available for export. Other countries, among them one of our largest peace-time customers, Great Britain, have devoted their resources so completely to the war that both the foreign investments and the shipping and the export trade on which they

formerly relied to balance their accounts abroad are so reduced in size that they will have the greatest difficulty for a time in making foreign payment for their necessary imports. Unless emergency financing is found, their merchant fleets restored, and the markets of the world opened promptly to their exports, such countries may be forced in desperation to reduce their imports from the world, including us, and to carry forward and intensify existing systems of preferential trading, foreign exchange control, and bilateral settlement of balances. That would contradict all our good hopes. We must move promptly to prevent its happening, and we must move on several fronts, including finance, trade, and shipping.

For purposes of short and long term financing of our part of these various requirements I recommend three measures to the Congress:

First, the Johnson Act should be repealed. This is the Act which makes it illegal for any American to lend money to any foreign Government which is in default upon its debt to the United States. Most of these debts are those arising out of World War I, and many things have happened since they were incurred and since the Act was passed. Whatever was the situation then, the requirement of the Act is no longer a good test either of the credit or the friendship to this country of any foreign State. To the extent that sound and productive opportunities for foreign financing are offered to private American banking and investment interests, it is important that they be permitted

to consider them upon their merits. Whatever foreign business they can handle will to that extent relieve the burden upon public lending institutions.

Second, the restrictions on the lending power of the Export-Import Bank, corresponding to the Johnson Act should be removed, and its capital should be substantially enlarged. The Export-Import Bank is a going institution; it has been and is well managed; and it cooperates with private interests. It should have both authority and capital to make useful and productive foreign loans, in cases of special interest to the United States, and to promote our foreign trade in both directions.

Third, the United States should act promptly upon the plan for the International Bank for Reconstruction and Development proposed at Bretton Woods, and should subscribe our indicated share of capital. The function of this bank will be to make, or guarantee, sound loans for the foreign currency requirements of important projects or reconstruction or development in member countries. One of its most important functions will be to facilitate and make secure wide private participation in such loans. The Articles of Agreement constituting the charter of the bank have been worked out with great care by an international conference of experts, and give adequate protection to all interests. This is one of the most sound and useful proposals for practical international collaboration now before us. I recommend that we accept the plan, subscribe the capital allotted to us, and participate whole-heartedly in the bank's work.

These three measures should go far to take care of our part of the emergency lending requirements of the early post-war years. They should help the countries concerned to get production started, to get over the first crisis of disorganization and fear, to begin the work of reconstruction and development; and they should help our farmers and our industries to get over the crisis of reconversion by making a large volume of export business possible in the early post-war years. As confidence returns private interests may be expected more and more to participate in foreign lending and investment, and Government lending institutions will be able to restrict their operations. But to get over the first crisis, in the situation that confronts us, loans and guarantees by agencies of Government will be essential.

We all know that permanent prosperity needs more than lending. Exchange rates must be stabilized, and the channels of trade opened up throughout the world. A large foreign trade in all directions after victory is the chief means through which the various nations of the world may pay their foreign debts or collect their foreign claims. That is one reason, but not the chief reason, for desiring a great increase in the foreign trade of the United States in both directions.

The main reason for wanting to increase foreign trade, or any trade, is that trade generates production and therefore wealth. Almost no one in the modern world produces what he eats and wears and lives in. If we tried to do so most of us would die. It is only by the division of labor

among people and among geographic areas with all their varied resources, and by the increased all-around production which specialization makes possible, that any modern country can sustain its present population. It is through exchange and trade that efficient production in large units becomes possible. To expand the trading circle, to make it richer, more competitive, more varied, is a fundamental contribution to everybody's wealth and welfare.

We understand this very well within the United States, and have acted on it consistently for many years in three fundamental policies of Government. First, by the Constitution, we forbid our States and cities to raise up barriers against each other's products. Second, by the national currency and banking laws, we assure a single money everywhere within the country. Third, by the anti-trust laws we prevent restrictions of the market by monopolies and combinations. All three policies are fundamental. By the three together we insure a wide, free and competitive market as big as the United States. The result of that and of our great and varied resources and many skills is the most efficient industry and the highest standard of living in the world.

When trade seeks to cross national frontiers, none of the three great policies exist. Custom-houses stand at every border, and beside them have grown up a whole complicated network of restrictions, quotas, prohibitions and discriminations. A different kind of money prevails in every country, and their

exchange rates with each other are not stable. And instead of competition traders often meet cartels and combinations, sometimes backed by governments. It is not any wonder that international trade has so often in the past brought not the mutual advantage which it should, but discord and contention.

It is time for the United States to take the lead in saying that the principles which we apply at home are sound, have worked, and deserve to be extended to international transactions. We propose to do this, not by setting up a super-government, but by international negotiation and agreement, directed to improvement in the monetary institutions of the world and in the laws that govern trade. We have done a good deal in those directions in the last ten years under the Trade Agreements Act of 1934 and through the stabilization fund operated by the Treasury. But our present enemies were powerful in those years too, and they devoted all their efforts not to international collaboration, but to autarchy. When victory is won we must be ready to go forward rapidly on a wide front. We all know very well that this will be long and complicated business.

It has got off to a good start. The United Nations Monetary Conference at Bretton Woods has submitted a plan to create an International Monetary Fund. The Fund is a financial institution to preserve stability and order in the exchange rates between different moneys. It does not create a single money for the world; neither we nor anyone else is ready to do that. There will still be a different money in each country, but when the Fund is put

in operation there will be a means available to preserve stability in the exchange rates, or to have changes made only after orderly discussion of the reasons. Furthermore, and equally important, the Fund Agreement states a code of agreed principles for the conduct of exchange and currency affairs. It holds out hope of fair dealing in the acts of governments in relation to exchanges, dealing consistent with the interests of traders and of peoples. It will help put an end to monetary chaos, and to arbitrary action by one country. It is a great step forward in intelligent international collaboration on a matter of great practical importance to us all. It ought to be approved.

I therefore recommend prompt action by the Congress authorizing subscription by the United States to the International Monetary Fund, and the legislation necessary for our membership in the Fund, and for our full participation in its managements and operation.

When the Fund has been set up we shall have taken one great step toward enlarging the area in which multilateral trade can occur. But trading in that area will still be obstructed by direct governmental regulations of all kinds - tariffs, quotas, prohibitions, and so on, some of them of a discriminatory character - and by the private operations and agreements of cartels and monopolies. It is essential therefore to move on these fronts too as rapidly as possible.

I propose therefore to seek international agreement on as broad a front as possible to mitigate all these obstructions, and to improve the opportunities for fruitful

trade among nations, and the conditions under which such trade is conducted. I shall press in other words for agreed action to eliminate war-time trade restrictions as soon as practicable after victory, to establish the principle and practice of equal trading opportunity, to reduce tariffs and other trade barriers promptly and substantially, to prevent the restrictive practices of international cartels and combinations, to establish equitable principles of trading between countries whose economies are organized on different patterns, to insure access upon equal terms to trade and raw materials for all peace-loving states, to lay down general principles for international action in respect to trade in particular commodities in which burdensome world surpluses exist, and to create an international organization to assist in operating the agreements made, this organization of course to take its place as a specialized agency--alongside the other specialized agencies in the fields of agriculture, labor, civil aviation, currency, and investment now existing or proposed - related to the general organization of the United Nations proposed at Dumbarton Oaks.

These projects have not yet reached the stage of full scale negotiation. When the time comes the Secretary of State will of course consult fully with the appropriate committees of the Congress.

In the meantime it is necessary in this Congress to give attention to the Trade Agreements Act of 1934, which will expire next June unless renewed. The Act should of course be renewed, and should be strengthened. Surely we all now realize that the

mutual and substantial reduction of barriers to trade is a permanent interest and therefore ought to be a permanent policy of the United States. I shall make a more specific recommendation to the Congress in this matter a little later in the session.

The measures I have discussed so far are intended to create in international commerce the essential legal basis of prosperous expansion: stable exchange rates, adequate institutions for finance, freedom from excessive governmental barriers, and protection against the operations of cartels. But we need to give attention also to certain special matters.

The first of these is our adherence to the Food and Agriculture Organization of the United Nations. This proposal is the outgrowth of the United Nations Conference on Food and Agriculture held in 1943, whose work was carried forward by the United Nations Interim Commission. That Commission has prepared a Constitution for a permanent Organization, which is before us for consideration.

The Organization proposed by the Interim Commission is not a super-government. It will have no power to issue orders or make laws. It will be devoted to the improvement of agriculture and nutrition, by the old and wise procedures of research, education, consultation, and advice. Men know enough today so that if farming practice everywhere were as good as the best known enough good food could be produced for all. To increase and spread that knowledge and the corresponding knowledge of nutrition, and help bring both into

practice everywhere, is about the most useful work that governments could possibly engage in. The proposal of the Interim Commission is that we organize to engage in it together. I am confident that this Congress will authorize acceptance of the Constitution of the Food and Agriculture Organization by the Government of the United States, and will appropriate our scheduled share of the expenses. I recommend that action, and I suggest that it be taken promptly, so that the Organization can begin its work this spring.

You will need also at this session to give consideration to our support programs for particular farm crops, and especially to the export-subsidy phases of those programs. Committees of the last Congress have already given prolonged consideration to these questions. We all agree that the producers of certain crops need help. But from the point of view of our international relations it is important that the way in which that help is given should not involve a form of unfair competition. Our own tariff laws impose countervailing duties on products which are subsidized by the country of production. It is wholly natural that when our Government pays special export subsidies on wheat and cotton, or on any other product, the producers of like products in other exporting countries regard our competition as unfair. Such programs are not good for our international relations. They should be reconsidered and recast in such a form as to make clear that the public Treasury of the United States is not going to be used to subsidize commercial competition overseas.

In this connection I call your attention to a recent statement by the Secretary of Agriculture before a Congressional Committee investigating cotton problems, in which he presented what he called a Reconversion Program for the Cotton South. I recommend serious considerations by the Congress of Mr. Wickard's program. Programs for other agricultural products should also be worked out on a basis which does not involve two prices.

In the fields of civil aviation, shipping, radio, and wire communications our policies should be consistent with the general ideas I have urged elsewhere in this message. We need agreement to promote the widespread use of the great and new resources which the progress of these arts has made available, to permit them to expand without undue restriction, to enable them to bring about more jobs, a more widely shared and general prosperity, better acquaintance, and more common understanding. We must not try ourselves to exclude others from their ownership and use, and we must not let their development be hampered by private combination or by excessive public regulation. We must adopt a policy which takes account of the special problems and requirements of each field, but which permits, in each, the widest and most beneficial use consistent with efficient operation. I shall a little later recommend specific action in several of these matters.

In this message I have recommended many measures. They are all parts of a consistent whole. That whole is our hope for a secure and fruitful world, a world in which plain people in all acountries can work at tasks which they can do well, exchange in peace the products of their labor, and work out their several destinies in security and peace; and a world in which governments, as their major contribution to the common welfare are highly and effectively resolved to work together in practical affairs, and to guide all their actions by the knowledge that any policy or act that has effects abroad must be considered in the light of those effects.

The point in history at which we stand is full of danger and of promise. The world will either move toward unity and widely shared prosperity or it will move apart into more or less self-sufficient but necessarily competing economic blocs. We have a chance, we citizens of the United States, to use whatever influence we have in favor of a more united and cooperativ^{ly} world. Whether we do so will determine, as far as that is in our power, the kind of lives our grandchildren can live.