

The Government Wasn't Bound

The Government was not bound by the Johnson Act, but in practice the Export-Import Bank conformed to the Johnson principle, and in 1939 agreed to, if it did not actually sponsor, a clause in its enabling act which prevents it from lending money to countries in default on World War I debts. The whole sorry mess of those debts was the chief reason for Lend-Lease and its recognition that in war credits are a weapon, as expendable as lives and a lot more beneficial to the country that expends them.

New safeguards for investors. The bad taste left in the mouths of Americans who bought foreign bonds in the lush Twenties will be a big obstacle to postwar credits unless something is done to protect those investors. S.E.C. rules are the generally accepted answer, although some bankers might oppose them.

Failure of this country to adopt a workable foreign loan policy which would help restore its foreign customers would not cause them to drop out of the world economic picture. Some of them already have discussed tentative plans which do not contemplate American participation. All of these plans would reduce American foreign trade, American production and American jobs. Typical are:

British Empire and some of the other Western European countries, along with their overseas dependencies. London would be the banker for the group, whose members occupy some 40 per cent of the earth's land surface. They would force other nations seeking trade with them to accept the exports of the home countries while disposing of their own products to these countries. London would issue currency without gold backing, which simply would be a token for purchases of goods within the sterling area under restrictions and limitations imposed by the borrowing nations. Britain and the other participating European traders could use their purchasing power and the very size of their debt to force nations to sell food and raw materials cheaply while buying manufactured goods at a high price. The system resembles closely that operated by Hjalmar Schacht in Germany, but a desperate Britain, unable to obtain dollars after the war and unable to unlock the enormous "blocked" sterling balances accumulated by other countries during the war, might be willing to try it. The result, however disastrous to Britain, also would ruin a lot of American exporters.

While such a proposal violates both the Atlantic Charter and the master Lend-Lease agreements, a breakdown in more intelligent trade policies might lead to it.

Reduced standard of living can achieve at great suffering the economic goal of reconstruction. The Russians did this in building up their gigantic industrial power. It is a policy of machinery instead of butter. That the example was not lost on France is indicated by remarks of Ernest Mercier, chairman of the French delegation to the International Business Conference in Rye, N. Y. He said on November 16, 1944:

"French industry will be rebuilt by a lowering of the nation's standard of living 30 to 35 per cent for 10 or 12 years."

Carried out on a world-wide scale, this practice would mean an end to free enterprise in every country attempting it, and an end, too, to America's hopes for an expanding world economy with higher living standards and an increased market for American goods.

Foreign Loans Will Be Necessary

Foreign loans are going to be necessary, and especially in the immediate postwar period, to maintain the volume of exports without which full production cannot be kept up. Since we entered the war, average exports have been about \$15,000,000,000 a year, of which \$11,500,000,000 have been Lend-Lease. The last prewar export figure—1939—was \$3,100,000,000. Only by a realistic lend-lease policy can the postwar exports come up to half or more of the wartime trade. A Treasury memorandum notes that if we reach an export goal of \$10,000,000,000 in the postwar decade, it means jobs for 3,000,000 in industry and 1,000,000 in agriculture. The return flow of, say \$8,000,000,000 in goods and \$2,000,000,000 a year in foreign investments would raise our own standard of living by providing needed items which we do not now produce ourselves.

The war has restored American agriculture's foreign market to a considerable extent. In 1940, farm exports amounted to \$516,600,000. Lend-Lease exports of agricultural products from July, 1943, to June, 1944, amounted to \$1,900,000,000. While the