
15 FACTS

ON

THE PROPOSED BRITISH LOAN



TEAM WORK

EXECUTIVE COMMITTEE
of the
COMMITTEE
ON INTERNATIONAL ECONOMIC POLICY

WILLIS H. BOOTH, *Chairman*

ROBERT L. GULICK, JR., *Secretary-Treasurer*

WINTHROP W. ALDRICH

PHILIP D. REED

FRED I. KENT

JAMES T. SHOTWELL

*Additional copies of this pamphlet are
available upon application to:*

THE COMMITTEE
ON INTERNATIONAL ECONOMIC POLICY

405 West 117th Street
New York 27, N. Y.

Every business man knows that it is to his advantage if his customers prosper. Every American should know that it is in our national interest to strengthen the financial position of our best customer—Great Britain.

As an essential step in promoting economic cooperation among the United Nations, representatives from the United States and Great Britain met in Washington last autumn to work out a way by which the United Kingdom could be restored once more to her position as a great trading nation and again play her part in the development of expanding trade and economic progress.

Out of the Anglo-American discussions came a proposal to extend a credit to the United Kingdom to enable her to reconvert her war industries to peacetime uses and reestablish her export trade which had suffered so seriously from the war. With the aid of this credit it should be possible for Great Britain progressively to drop cramping trade restrictions and eventually to trade as freely with the rest of the world as she now does within her Empire.

Removing these obstacles to world trade will be a boon to private enterprise.

This proposed Financial Agreement is a matter of special urgency and should be considered on its own merits. The proposal is for the purpose of establishing the conditions necessary for increased employment, production, and consumption throughout the world by the elimination of economic warfare which might conceivably be the other alternative.

Establishment of this relationship between the United States and Great Britain, and thereby with other nations as well, is of the utmost importance at this time to the people of the United States and their prosperity. The Agreement would aid greatly in the development of American and British industries and commerce.

This statement of "15 Facts" has been edited by Robert L. Gulick, Jr., at the request of the Executive Committee of the Committee on International Economic Policy. It is made available as a public service.

NICHOLAS MURRAY BUTLER

January 15, 1946

TERMS OF THE LOAN

1. How much money does the United States propose to lend Britain?

A credit of \$3,750,000,000.

● Britain can use as much of this money before the end of 1951 as she needs to buy goods and services from here and abroad. In addition, she will pay us \$650,000,000 for Lend-Lease goods delivered after V-J Day and other items arising out of this war, on the same terms as those specified in the Financial Agreement.

2. What is the interest rate on the loan?

Two per cent per year, beginning in 1951.

● No interest is charged before 1951 and interest may be waived, by agreement, during any bad trade years. This is to make sure that in any critical year she will not have to resort to emergency measures likely to harm world trade, in order to meet her obligations.

3. How would the loan be repaid?

By fifty annual payments in dollars, beginning December 31, 1951.

● To make these payments each year, Britain must acquire dollars by exporting more goods and services than she imports.

4. *How would the money be spent?*

Largely to buy machinery, raw materials, food and other commodities, and services.

5. *Why does Britain need credit?*

Because the war has drastically reduced Britain's power to pay for necessary food and other commodities which she must obtain from abroad.

● Formerly Britain had enough income from abroad to pay for these essentials. This income came from exports, from foreign investments, and from services to foreigners. The war forced Britain to sell a large part of her investments and to curtail her export trade. She lost many of her ships through enemy action. This credit would tide her over during the period necessary to rebuild her foreign trade and restore her ability to perform the services she formerly rendered to the world.

6. *Can Britain get this money from private investors?*

No. This is too large a sum for private capital to provide.

7. *Can Britain get the money from the International Monetary Fund or from the International Bank for Reconstruction and Development?*

No. These institutions are organized for different purposes and their funds would not be suf-

ficient to finance loans of this size to any one country.

8. *Will Britain be able to repay the loan?*

If the barriers to trade are removed, she should be able to do so.

● Both Britain and America have pledged themselves to urge the elimination by all countries of those practices and conditions which interfere with international trade:

- (1) Restrictions imposed by governments;
- (2) Restrictions imposed by private combines and cartels;
- (3) Fear of disorder in the markets for certain primary commodities;
- (4) Irregularity, and the fear of irregularity, in production and employment.

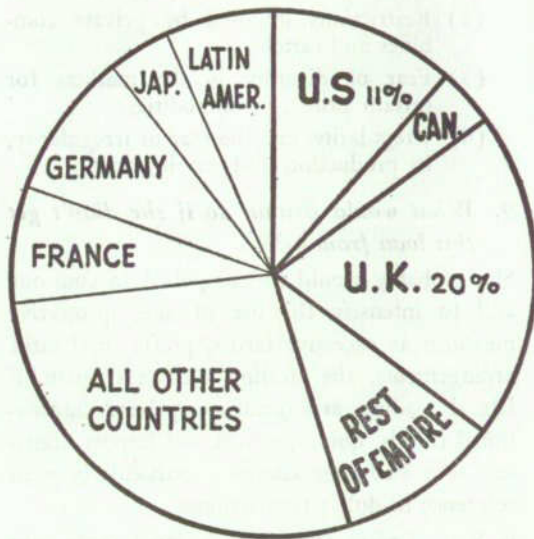
9. *What would Britain do if she didn't get this loan from us?*

She probably would be compelled to continue and to intensify the use of such protective measures as excessive tariffs, preferential tariff arrangements, the sterling bloc, exclusive bilateral trading arrangements, private international cartels, quotas, export and import licensing, and exchange controls—particularly with reference to dollar transactions.

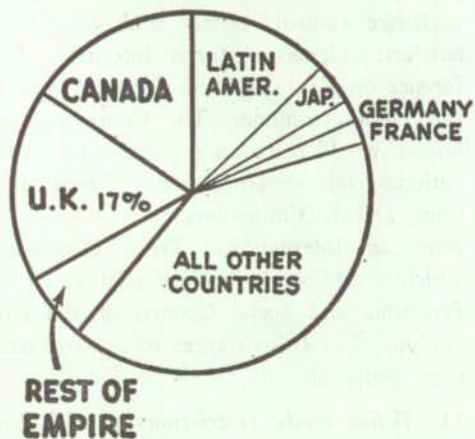
● Such devices force international trade into uneconomic and artificial channels. They restrict the volume of trade to the detriment of living standards everywhere.

IMPORTANCE OF BRITAIN TO WORLD AND U.S. TRADE

WORLD IMPORTS



U. S. EXPORTS



BASED ON 1938 STATISTICS

WHAT DO WE GET FROM THE LOAN?

10. *What future trade-policy commitments does Britain make?*

The British Government declares that it "is in full agreement on all important points" of the *Proposals for Expansion of World Trade and Employment*, which embody our country's position.

● These provide, first, for negotiations relating to tariffs and preferences, export and import quota restrictions, subsidies, state trading, exchange control, cartels, and various trade barriers; and, second, for an International Conference on Trade and Employment to be held this coming summer. The Conference, it is hoped, would reach an agreement on an international code covering trade barriers, restrictions, and discriminations. It would also blueprint an International Trade Organization, which would work in close relation with the Economic and Social Council of the United Nations. The British agree to support actively these proposals.

11. *What trade restrictions would Britain eliminate as a part of the loan agreement?*

● She would end the "dollar pool" within a year after the Agreement takes effect.

- She would agree not to restrict payments to the United States for export or other current transactions.
- Within a year after the granting of the loan, she would end most exchange controls.
- She would agree that by the end of 1946, if not sooner, import quotas would not be used—save under specified exceptional circumstances—in a way that would discriminate against American traders.

WORLD TRADE AND WORLD PEACE

12. Would the British loan make for the international trading system we seek?

A loan would not create this system overnight, but it is a necessary step toward that end.

● The United States and the United Kingdom between them generally accounted for more than one-fourth of the average prewar world trade. We simply could not hope to build an expanding world trade without the cooperation of the United Kingdom. By working together, the people of the United States and of the United Kingdom will have their best opportunity to keep their economies stable. The proposed loan would help the United Kingdom

and the British Empire to trade with the United States in two ways: First, by easing the immediate shortage of dollars, the United Kingdom would not have to pull in its belt so painfully far, in connection with its own imports; and, second, by converting into dollars the proceeds of Empire sales to the United Kingdom, rather than blocking these funds in sterling balances in London, Empire countries would be able to buy more American goods. They would no longer be forced to buy in the "sterling area."

13. *Are we proposing to lend money to Britain out of sentiment?*

No. This loan is proposed in our mutual interest.

● With Britain once more producing abundantly and trading in the world market, we can work together to develop the multilateral trading system that will benefit our American industries, workers, and farmers. A rising level of world production and consumption is the aim of American foreign economic policy.

14. *How does international commerce promote friendly relations between nations?*

World peace and world trade are natural partners.

● International trade barriers are instruments of economic warfare, economic warfare produces economic blocs; economic blocs inevitably create political blocs; political blocs can lead to war. Experience shows that economic cooperation spells friendly political relations. A sound international trading system will cement the partnership of the United Nations—our main hope for a peaceful world.

15. *What else must we do to promote world prosperity?*

● Support the *Proposals for Expansion of World Trade and Employment*.

● Other parts of the job are: relief and reconstruction through UNRRA; continued reduction of tariff barriers here and abroad through our Reciprocal Trade Agreements program; and international currency stabilization and long-range economic reconstruction through the International Monetary Fund and the International Bank for Reconstruction and Development.

● The Financial Agreement is seen as another milestone along that road of Anglo-American cooperation which may well lead to greater prosperity and security for all nations.

EXECUTIVE COMMITTEE
of the
COMMITTEE
ON INTERNATIONAL ECONOMIC POLICY

WILLIS H. BOOTH, *Chairman*

ROBERT L. GULICK, JR., *Secretary-Treasurer*

WINTHROP W. ALDRICH

PHILIP D. REED

FRED I. KENT

JAMES T. SHOTWELL

*Additional copies of this pamphlet are
available upon application to:*

THE COMMITTEE
ON INTERNATIONAL ECONOMIC POLICY

405 West 117th Street
New York 27, N. Y.

OUR INCOME AND FOREIGN TRADE RISE AND FALL TOGETHER

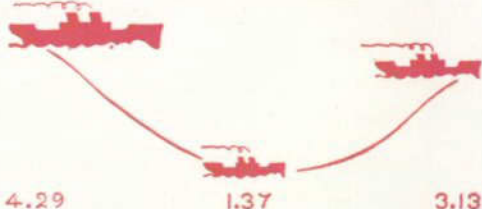
(Figures in billions of dollars)

1927 1932 1937

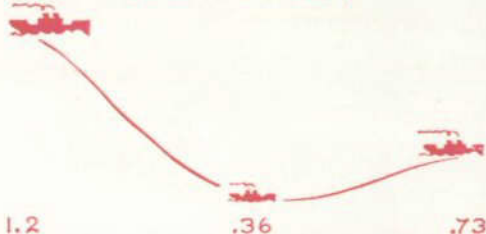
NATIONAL INCOME



NATIONAL FOREIGN TRADE



OUR TRADE WITH BRITAIN



Sources—1927 income:
S. Kuznets;
All other data:
U.S. Dept. of Commerce.