
IT'S UP TO YOU!

THE COMMITTEE ON INTERNATIONAL ECONOMIC POLICY
in cooperation with

THE CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

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Free competitive enterprise has been the heart of our way of life. This way of life was defended at great sacrifice twice in twenty-five years—against German imperialism in World War I and against the Nazi and Fascist systems in World War II.

Britain, a great trading and manufacturing nation, has emerged from the war with her fleets reduced by sinkings and her plants and equipment worn out. She has been forced into almost a barter and trade policy with members of the Empire and neighboring countries. Her condition is so desperate that it may tend to force her to continue and increase this system which is not far removed from State-controlled trade.

England is our best customer. Her people have character and capacity; but they lack working capital. This working capital will be provided by the proposed British Loan Agreement which, together with the Canadian Loan and the expected writing down of British debts to the Dominions, will permit her to remain a free enterprise trading nation and again become our great and good customer.

The British Loan Agreement can be the means of re-establishing free enterprise throughout the world, and prevent the United States from becoming a hermit nation, trying to keep at peace and maintain full employment on our farms and in our factories in a world made unfriendly by obstacles to the free flow of trade.

It is against this background that the individual voters of America should judge the claims and counter-claims now being circulated in and out of Congress, as to the proposed British Loan Agreement. We Americans must decide where our best interest lies for continued peace and employment.

CHARLES S. DEWEY,
Chairman, Special Committee
British Loan Agreement

March 15, 1946

Why the British Are in a Jam

For six long years the British fought the Axis powers with everything they had. For more than one year they met single-handed the full brunt of the enemy might. With the tremendous development of aviation—to which the rocket bombs were added in the later stages of the struggle—their home front was as exposed to attack and destruction as were their combat lines in Europe, Africa, the Near East and the Far East; and that home front, being immovable, just had to take it.

Because the British Isles have so long stood out as one of the greatest industrial areas of the world, we are apt to forget that *their only domestic supply of raw material for industry is coal*. All the metals, forest products, basic materials for the chemical industries and so forth have to be imported, as well as the cotton for her textiles and the major part of the foodstuffs to feed her people.

When war struck Britain in 1939, she naturally had to switch her productive power away from civilian needs and exports markets into production for war; and she had to step up her importation of essential materials. After Dunkirk and the collapse of France, this switch became nearly 100 per cent. Until the creation of Lend-Lease in 1941 she had to pay for her imports *in the currencies of the countries from which she bought*. They didn't want pounds sterling, because they couldn't buy anything with that type of money; they wanted pesos, milreis and, above all, U. S. dollars. To get these currencies Britain sold out a great part of her investments abroad.

During the long war years Britain has scraped her cupboard bare, and she has seen the productive machinery to replenish that cupboard either bombed out from the air or worn out through inability to make repairs and replacements.

Such is the jam into which World War II has relentlessly pushed Great Britain.

What the Loan Will Do for Britain

It will help her to work her way out of her jam by making it possible for her to buy the raw materials and the machinery to rebuild her productive power.

In so doing it will help to free her industries from the straitjacket of government controls and put them back on the business basis of private competi-

tion which we understand and under which she was our best customer in prewar days.

It will bring her back into partnership with us in facing the pressures of national socialism which her people, like our own, instinctively resist.

What It Will Do for You and Me

It will help to establish a firm and lasting peace by hastening Britain's recovery as a great trading nation. Where goods are moving in volume across national borders, soldiers don't; and a great segment of the world's trade has been developed through and around Britain.

It will help to maintain the level of our employment and prosperity. At the moment we are worrying more about getting the stockings, suits, alarm clocks, refrigerators, automobiles and other goods we want than about increasing foreign demand for American products. But how about the future? That will be right on top of us when the great productive machinery we developed during the war really bites into these temporary shortages. We know from bitter experience that, big as our country is, it can't enjoy good times if the rest of the world can't or won't buy our surplus farm and factory production. When that surplus, small as it may be in percentage of our total production, is thrown back on our home market, we know what happens to prices and to jobs. We don't want that to happen again. And foreign markets have to be developed; they can't be turned on and off at will.

What It Will Mean To Our Trade With the Rest of the World

The loan to Britain does not stop with re-establishing only her market as an outlet for our surplus products; it will help to open up other important markets now closed to us by arbitrary restrictions of various sorts. The dollars we make available to her will act like plasma to the whole body of world trade now suffering from profound shock.

This matter of trading among nations is highly complicated, but it actually is no more complicated than what we do every day in our own private transactions—and take in our stride.

Let us say that we live in Illinois and that we buy shoes made in Massachusetts, clothes made in New York and oranges grown in California. We

don't send our dollars to those states but leave them in the local stores where we trade. Those dollars quickly find their way into the main stream of trade; at the same time we are taking other dollars out of that stream in return for the products we raise on our farm or the work we do in an office or factory.

In just the same way the dollars we are proposing to make available to Britain work their way into the stream of world trade and make it possible for Brazilians to buy our automobiles and machinery, Cubans to buy our coal, rice and lard, Egyptians to buy our drugs and medicines and Chinese to buy such of our products as they may want. The greater and swifter this stream of trade becomes, the more everybody benefits. And everybody includes you and me!

True or False?

Naturally, a question as important as this loan is has stimulated a lot of discussion. Certain statements are being made, which sound convincing but which don't stand up when examined in the light of the facts. Other statements become even more convincing when the facts behind them are known. Here are some examples of both types of statements:

1. "There are half-a-dozen ways of spending $3\frac{3}{4}$ billions to better advantage right here at home."

TRUE and FALSE. Certainly our first interest is in caring for our own people, including the returning GI's, and in making our nation strong. Both the Federal government and the States are recognizing this basic fact through various measures. **BUT**, most fortunately, we are not down to our last three or four billion dollars; while Britain, who held the bridge alone for more than a year and was the target for devastating punishment throughout the war, has come through in serious financial shape. For that matter, we shall find ourselves holding alone the bridge of free enterprise in a totalitarian world unless we can give Britain the strength to stand alongside us. That would seem to be a worthwhile investment.

2. "The interest rate on the British loan gyps our GI's."

FALSE. The interest charged on any loan covers the cost of all the paper work in making and collecting the loan, as well as the cost of renting the

money. All the GI loans, although guaranteed by the Government up to specified limits, are actually made by banks and other private sources. The loan to Britain is a single loan from one government to another. The rent on the money is the same, but the costs of servicing are quite different as between one loan and a million or more individual GI loans . . . After all, wasn't G. B. (Great Britain) the first GI in our common war effort?

3. "This loan is nothing but an American subsidy for nationalization and socialism in Great Britain."

FALSE. It is just the reverse. Any nationalization of British resources and industries will be financed in *pounds sterling*, her own currency, just as our TVA and other Federal projects are financed not by foreign borrowings but by our domestic dollar loans. Britain needs dollars to buy abroad the things she *must* have in order to come through her period of reconversion and reconstruction. Help to her in this extremity is the only way her industries can hope to shake free of bureaucratic controls and carry on with their traditional faith in free enterprise.

4. "The loan opens the door for handouts to Russia and her satellites."

FALSE. The proposed loan to Britain is an exceptional case reflecting the very special relationship between her and us. It does not create a precedent for dealing with any other nation, and the Administration has so announced categorically and explicitly. After all, a banker who makes a loan to his best customer is not thereby committed to lend to every other merchant in the city. Should loans to other nations be considered later, they must and will be decided on their merits. It is not the American way to refuse to do an intelligent thing now for fear we may do something stupid in the future.

5. "The British will default on this loan as they did on their World War I debts to us."

FALSE. At the time of World War I the U. S. advanced Britain a total of \$4,277,000,000. Of this amount \$3,696,000,000 was for war material and was shot away in our joint effort against Germany. The remaining \$581,000,000 was advanced after the Armistice for constructive purposes as in the case of the proposed loan. England repaid \$434,000,000

on the account of the principal thereby almost wiping out her postwar debt. Had there been Lend-Lease during World War I, the \$3,696,000,000 advanced for war purposes would have been handled as similar transactions in World War II have been. As in this last war, Britain held the line for us in 1917 until we could develop our combat strength. The British blood spilled in that holding operation saved countless numbers of our own youth—a type of repayment we cannot ignore with decent respect to our own war dead.

6. "Britain should sell her investments and other assets here before trying to borrow from us."

FALSE. This would amount to taking money out of one pocket to put it into another. Britain has always had to import more than she exports. Before the war her income from investments abroad took care of 24 per cent of the difference between imports and exports. During the war she was forced to liquidate a substantial part of her overseas investments with a consequent serious cut in her income from these sources. That is one reason why she needs to borrow from us to help her through the period of reconversion and reconstruction, and that is how the figure of $3\frac{3}{4}$ billions in new dollar credit was arrived at. *Unless we are trying to LIQUIDATE Britain* as a trading nation and our best customer, forcing her to sell her foreign assets now would mean that, eventually, we would have to lend her much more than the $3\frac{3}{4}$ billions.

7. "Britain doesn't need or want the loan."

FALSE. The need was determined in more than three months of study by representatives of both governments who had available complete and accurate data on Britain's financial resources and needs. The desire for the loan is reflected in the substantial votes by which both Houses of Parliament accepted the loan and the specific financial and commercial conditions on which it is offered. The voting record of 345 to 98 in Commons and of 90 to 8 in the House of Lords dispels any doubt on this point. What opposition still remains reflects a feeling that America drove too hard a bargain.

8. "The loan will help prevent inflation in the United States."

TRUE. Anything that will increase world production of essential consumer goods will decrease in-

flationary pressures, and the purpose of this loan is to get Britain back into production. On the other hand the loan will create purchasing power in Britain for such products as cotton, tobacco and heavy machinery which we are producing in surplus.

9. "Britain will 'bite the hand that feeds her' by flooding our market with competitive goods."

FALSE. Britain's first necessity is to reclothe and re-equip her own people whose stocks have been exhausted by six long years of destruction and of diversion of maximum productive power into war material. As she works her economy back into balance, any possible development of unfair competition with our producers can be stopped at the border. The more we help her through her period of necessity, the less will be the pressure on her to find export outlets at whatever sacrifice in competition with us.

10. "The loan will help to expand world markets for our export products."

TRUE. We can only sell abroad as we can find customers to buy our products. In prewar years Britain was the leading factor in world trade and our best customer. The record proves that, the more industrialized and prosperous a nation, the more business we have been able to do with it. You just don't find profitable markets among paupers. The faster Britain regains her old place in world trade, the surer will our own farms and factories continue to prosper.

11. "If any American wants to lend money to the British, the right way is through a public bond issue."

FALSE. The loan to Britain is not for the benefit of *some* Americans, it is *designed to benefit all of us*. Unless America wants to stand alone as a hermit nation in a rising tide of collectivism, it must take all necessary and practical measures to broaden the base of free enterprise among the nations of the world. This is a challenge we must meet *as a nation*. Our best hope for success is in enlisting the effective cooperation of Britain, historically the great trader nation.

12. "Bargaining for strategic bases has no place in a loan to rebuild trade."

TRUE. Even so great a sum as $3\frac{3}{4}$ billion dollars cannot be expected to carry all the things we may

want from the British. As negotiated, this proposed line of credit is based on a series of financial and commercial agreements which are of basic importance in maintaining peace abroad and employment and prosperity here at home. That is a single "package"—and a most important one. Military questions are quite separate and apart and should be so handled.

13. "The U. S. is being asked to hold the bag for Britain."

FALSE. The United States has come out of World War II at the top of the pile in wealth of resources and in productive power. We therefore have by far the largest stake in working out a lasting peace and a prosperous world. Nevertheless, Canada, with less than one-tenth of our population, is planning to lend Britain 1¼ billion dollars on the same terms as our proposed loan—a full third of what we propose to do; and various other Dominions and India as well are expected to scale down the British debts to them. The question is not one of charity; it is very much one of self-interest in getting the machinery of world trade repaired and running smoothly again.