

The Anti-strike legislation is in a complicated snarl. The House has before it and for two days has been debating a Bill reported to it by the Labor Committee which is meaningless. And also before the House is a substitute bill which in several respects goes too far. The substitute Bill was offered by Representative Case, a Republican from South Dakota. Quite a few Republicans, however, are trying to back down on supporting the extreme measure. And this suggests an interesting piece of political strategy by the partisans of Labor. Their strategy now is to make the bill stronger, and worse from their standpoint, rather than better. Instead of voting for amendments to improve the Republican sponsored bill, they will vote against improving amendments and either vote for or refrain from voting against all amendments to make it more rigid. In other words it is their strategy to make the bill so strong that they feel certain President Truman will veto it, and at the same time saddle the Republicans with ^{the onus of} ~~the~~ voting for a very strong and, as they describe

it, vicious anti-labor Bill. *A middle of the road group plans to offer still another bill - more reasonable, they claim, than either the Labor com's do nothing bill or the Rep's. do too much bill. Well the House will start voting on amendments tomorrow. The fight will last for at least 2 or 3 days. Ad 116*

President Truman sent to Congress his recommendation that Congress

approve a loan to Great Britain and this promises to be one of the many highly controversial issues of this session of Congress.

A good many people are expressing opposition to the measure. There is no doubt but that an argument can be made on both sides of the question. Opinions, however, should be based upon facts and not on some of the propaganda that has been circulated over the country. The matter should be debated fully in order that the American people, as well as the Congress, can apply their best judgment to the proposal. *It should be* ~~This proposal needs to~~ be studied against the background of the

chaos which now prevails in world economy. Perhaps the problem^s of demobilization, reconversion and strikes here at home have drawn our attention away from the unstable and disordered relationship between even the major nations of the world. It is utterly imperative that the United States, which is now recognized as the most powerful and most influential nation of the world, take the leadership in bringing order out of chaos, in restoring world trade and general prosperity as the best means to insure peace and peaceful intentions.

In fairness, it should also be noted that the loan to Great Britain is only one of the economic aids the United States may be called upon to extend. Greece, Russia, France, Belgium,^{and}/China want loans also. It would be helpful to the Congress and to the public if the Administration would make a full disclosure of all the loans which it expects to recommend. But let me get back to the subject of the British loan.

TREASURY DEPARTMENT

Washington

FOR RELEASE, 9:00 P.M. EST
Thursday, January 24, 1946.

Press Service
No. V-210

(The following address by Secretary Vinson before the 21st annual meeting of the North Carolina Newspaper Institute at Music Hall, Chapel Hill, North Carolina, is scheduled for delivery at 9:00 P.M., E.S.T., Thursday, January 24, 1946, and is for release at that time).

Coming from Kentucky I feel that I am visiting my friends and neighbors when I come to North Carolina. All of us in the South are proud of what you are doing. We are proud of the great forward strides you are making in industrial and agricultural development. We are proud of the great forward strides you are making in education and public welfare. We see in North Carolina a vigorous and progressive democracy built on the finest traditions and highest ideals of the South.

Tonight we shall discuss a measure, on which the representatives of two democratic nations reached agreement, that will better our chances of establishing a sound world economy. That measure, which is subject to the consideration and approval of the Congress, is the proposed financial agreement between the United Kingdom and the United States.


The American people should understand fully the nature and effects of the proposed agreement in order that Congress can have the benefit of their views in applying its best judgment to the proposal.

One part of this agreement provides that the United States will offer a credit of \$3,750,000,000 to Britain. There are certain misconceptions about this line of credit to Britain which should be dispelled at the outset. In some quarters this credit is still said to be, through inadvertence, misunderstanding, or purpose, a gift.

as many have said
[The proposed line of credit is not a gift; it is a loan. It is not merely a loan of so many dollars to be repaid, but it is an interest-bearing loan. The interest is not a nominal fee, but

it is reasonably comparable to what it costs the United States Government to borrow money.

The repayment of the loan and the interest, moreover, is not all of the consideration or benefit that the United States receives under this Financial Agreement. Britain promises, in addition to repaying the loan with interest, to remove currency restrictions *and* ~~Moreover, Britain promises~~ to avoid trade controls which would discriminate against American products. On top of this, Britain has agreed with the United States on the principles that should be followed by a proposed International Trade Organization to improve world trade practices.

In addition to these benefits which the United States receives, a general purpose of the loan, as stated in the Agreement, "is to facilitate purchases by the United Kingdom of goods and services in the United States." This will be a real contribution to our domestic program of high production, employment and national income 

A strong case could be made that in view of these benefits to the United States which I have mentioned last -- the expansion of our markets abroad, the principles for an International Trade Organization -- the elimination of trade discriminations -- the abolition of monetary controls which restrict trade -- that in view of these substantial gains, we could have made the \$3,750,000,000 a gift instead of a loan. While \$3,750,000,000 is a lot of money, it is a small investment if it contributes to an expansion of world trade and to peace and to general prosperity.

Some may ask that if it could be claimed that these considerations fully supported a gift, why did we bargain for a loan and an interest-bearing one at that. The answer is simple. The Administration wanted to make the best Agreement possible from our viewpoint and to offer a plan which would be acceptable to our people and the Congress.

Now in regard to this Financial Agreement we have an anomalous situation. If the benefits are as great as I have indicated, and they are, why is there as much opposition as there is? The only explanation, I believe, is that there are so many benefits extending in so many directions in so many direct and indirect ways that the total picture appears to be complex, whereupon, particular economic isolationist or defeatist groups muddy the water and parade their pet prejudices in picturesque and sometimes demagogic language.

It is my hope, therefore, to explain some of these benefits in such plain language that those who wish to understand will not be lured away by colorful statements without substance. As we proceed to this more detailed examination, keep this over-all summary of the proposed Financial Agreement in mind: the money extended Britain is not a gift but an interest-bearing loan wherein we receive not only a return of the dollars and interest but benefits that in truth many believe would have supported a gift.

[The prosperity of this country is closely linked with our export trade. Even during the 1930's, when world trade was severely reduced, our exports accounted for some 7 or 8 percent of our agricultural and industrial production. For many of the products of our factories and farms, foreign trade meant the difference between prosperity and depression. And of all our foreign trade, no part ^{has been historically} ~~was~~ more important than that with the British Empire. *will soon mean*

~~It is hardly necessary for a Southerner addressing Southerners to state that British trade is important to the South. But just look at cotton and tobacco, the two principal crops of the South. In the four years before the war, from 1935 to 1938, for every two pounds of tobacco we consumed in this country, we sold one pound abroad. In that same period England alone bought more than two-thirds of all our tobacco exports. Of our flue-cured tobacco a much larger proportion went abroad, principally to England. And the same thing is true with cotton. In the four years from 1935 to 1938, for every bale of cotton consumed in this country we sold a bale abroad. England alone bought nearly one-fourth of all our cotton exports. It is plain that without the British market it would not have been possible to maintain our cotton and tobacco production and price levels.~~
We need to reestablish this trade.

During the war, Britain adopted certain monetary and trade controls which if continued would hurt seriously peacetime trade. ~~I say, frankly, American business~~ ^{American farmers} cannot afford to see Britain's wartime trade and currency restrictions continued, *if it can be avoided.*

In connection with these wartime controls ~~you~~ ^{we} have heard of the sterling area, blocked sterling, and the dollar pool. What does this mean?

Most of us spend our entire lives in the United States. We are accustomed to money in the form of dollars and cents. When we work we are paid in dollars. When we buy we spend in dollars. ~~When we travel up North, we find that they take our dollars, too.~~

In the world, however, there are other currencies. There are a few of inter-country application, but the world-wide currencies are primarily the dollar and the pound-sterling. If you have a dollar and want to buy something in another country you may have to change your money into its kind. If someone abroad wants to buy your cotton or tobacco, he has to change his money into dollars.

In this convertibility of money from one kind to another, restrictions and impediments can grow up or be imposed. ~~As you can readily see,~~ this puts a brake on trade between nations.

Now what do we mean by the sterling area? These are the countries of the British Empire and some European countries who keep their monetary reserves in the form of sterling in London. Australia, for example, keeps its reserves on deposit in English banks. Before the war, the sterling area countries could draw on these reserves to buy goods all over the world. If Australia wanted to buy American cotton, it sold sterling for dollars. But during the war, Britain had to stop the convertibility of sterling.

That brings us to blocked sterling. Britain had to say to these countries of the sterling area -- to India, Egypt, Australia and all the rest -- the reserve you now have in sterling cannot be converted into dollars. You can use these sterling reserves for making payments to each other but not to outsiders.

One reason for restricting the convertibility of sterling was that England did not have enough gold and dollars. ~~During the war not only did Britain sell \$4,500,000,000 worth of her foreign investments to finance her expenditures, but also she incurred an enormous debt of \$13,000,000,000, measured in our money, held by foreign countries in the form of sterling balances in London banks and sterling securities of the British Treasury. Britain had to restrict the convertibility of sterling. She couldn't convert such large amounts into dollars or other currencies. She had to block their use.~~

But it wasn't enough to block the wartime sterling balances and end the convertibility of sterling. England had to mobilize all of its dollar resources to pay for war needs. ~~The British Treasury took over private holdings of American securities in England, paying for them in sterling, and sold many of these investments in the United States for dollars. And it took steps to see that all of the dollar receipts of the sterling area countries were mobilized for war.~~

This was done through the so-called dollar pool. For example, when an Egyptian exporter sold goods in the United States, he turned over the dollars he received to the National Bank of Egypt and received Egyptian pounds. These dollars were then sold by the National Bank of Egypt to the British Treasury for sterling. In this way all of the dollar receipts of the sterling area are pooled in London. Then when a country in the sterling area needs dollars, say Egypt, it applies to London which allocates these dollars on the basis of the most essential needs. To conserve dollars, London does not allocate funds to buy goods in America if they can be secured from sterling area countries.

[[Of course, along with these financial controls, there are direct controls of imports in all sterling area countries. And these controls, like import licenses, are used to keep out goods that must be paid for in foreign exchange. In practice, this meant keeping to a minimum imports from countries that had to be paid for in foreign exchange.— *from the U.S. for instance.*

These wartime restrictions are still in effect in Britain. Clearly, they were essential for the war. They helped Britain to mobilize her foreign exchange resources and devote them to war purposes. They restricted the use of her foreign exchange resources for non-essential purposes. But these wartime restrictions are dangerous in peace. During war, ordinary trade must give way to war; but trade is the very life-blood of peace. To restrict trade in time of peace is to force poverty on the world. That is why we and all countries have an interest in seeing the prompt removal of Britain's wartime restrictions.] *End —*

Neither England nor the countries of the sterling area have any wish to continue these wartime restrictions. But until Britain finds some other means to pay for its imports it cannot remove these restrictions. Until the blocked sterling balances are settled, sterling cannot be made convertible. Until Britain's dollar receipts are increased, she cannot permit the sterling she pays for her imports to be used freely in any country, and particularly the United States. Until Britain can earn enough to pay for her imports from the dollar area, she must continue the dollar pool. Until Britain exports enough to pay for its essential imports it must continue to limit imports from outside the sterling area, and particularly from the United States.

The elimination of all these wartime restrictions and discriminations is the major international economic problem for the entire world. Whether they are eliminated depends on what we do.

We are the largest exporting country in the world. It depends on what England does. England is the largest importing country in the world.

As you know, England's attitude will influence other countries, just as ours will. A number of countries in the British Empire and in Europe are so completely dependent on British currency and trade, that they are invariably guided by British policy. That is why Britain's decision to terminate her wartime restrictions and discriminations is an essential prerequisite to establishing fair trade and currency practices.

This country has a particular interest in the removal of England's currency and trade restrictions. England is our best customer. One-sixth of all our exports before the war went to England. Nearly 40 percent of all our exports were sold to the British Empire and the sterling area. Every section of this country, every American industry has a vital interest in the opening of British markets to our products on fair and non-discriminatory terms. The people of this country, the people of the South, cannot afford to see England continue and extend her wartime restrictions on currency and trade.

Let's see, for example, what that means to the South. It means that England would concentrate its trade within the sterling area where countries would take payment in sterling for the cotton and tobacco and other things England would buy. It means that England would buy cotton primarily from India and Egypt; she would buy tobacco primarily from Rhodesia and the Near East. England would stimulate production in her trading area, and once such production was built up, the British market might be lost to us forever.

You know the consequences to the South if Britain should adopt such a policy. In plain language, we would have no other alternative than to cut the production of cotton and tobacco by 20 or 30 percent. More than that! With the decline in tobacco and cotton exports the downward pressure on prices would be heavily increased. We might once again see 8-cent tobacco and 5-cent cotton.

I speak of cotton and tobacco, only, because they are Southern crops that we know so well. But the situation would be much the same in other industries. Wherever American farms and factories depend on exports, the closing of the markets of the British Empire and the sterling area would mean economic disaster.

A good deal of progress has been made toward establishing a world in which countries can trade together. We have agreed on the fair currency and trade principles that are necessary to make it possible for world trade to expand and grow. But it will do no good to agree on these principles unless all of the trading countries are ready to put them into practice. We can move ahead on this program only after Britain removes the restrictions on the use of sterling outside the sterling area; only after the wartime dollar pool is abandoned; only after the blocked sterling problem is settled. When these wartime restrictions have been removed it will be possible for world trade to expand and to make its full contribution to world prosperity.

Frankly, we have told England that we should like to see her wartime currency and trade restrictions brought to an end. We want importers in England and the entire sterling area to have an opportunity to buy American products if they prefer our products. The British Government, in turn, has told us frankly that they have no wish to continue these wartime restrictions. If they could find some other means to secure the flow of essential imports of food, raw materials and equipment into Britain they would be prepared to abandon at once these wartime restrictions and discriminations.

[We all know that Britain, as an island nation, relies heavily upon trade. During the war what she shipped in and bought and what she shipped out and sold was thrown out of kilter. In 1944 she shipped out only 30% of what she did in 1938. Her export industries were converted to war production. She has lost a large part of her merchant fleet. Her income from foreign banking and insurance services declined. She sold many of her most marketable foreign investments, and lost the income from these. Britain must somehow make good the fall in her foreign exchange income because she needs to import large amounts of food and raw materials to feed her people and industries.

This is the basic reason that Britain needs the money in this loan. The loan will help balance the difference between what she must buy abroad and what she sells until she reestablishes a full flow of export trade. And may I add that though in the transition period her imports will far exceed her exports that the resulting standard of living for Britain will be little different from the austere wartime levels.

In return for the loan, in addition to repaying principal and interest, here is what Britain undertakes to do by way of removing within a year, unless we agree to a temporary extension, the wartime trade and currency controls:

First, all countries of the sterling area will be allowed to use the proceeds of their exports to England to buy goods in any other country, including the United States. That's because sterling arising from current trade will be made convertible.

Second, all countries of the sterling area will be able to use the dollars they acquire from their trade with the United States to make purchases in the United States. That's because the sterling area dollar pool will be dissolved.

Third, England's import controls will be administered in a manner which will not discriminate against American products. Any exports from the United States to England will be paid for in dollars or in sterling that can be converted into dollars by American exporters.

Fourth, England will settle the blocked sterling obligations out of her own resources. The funds that are released in settling these balances, whether as an immediate payment or as future payments, can be freely used for purchases in any country, including the United States.

Fifth, England will support the American proposal for the establishment of an International Trade Organization, for the reduction of trade barriers and for the elimination of trade discriminations.

This Agreement, then, will be a big step in preventing economic warfare. It will also be a big step in creating a world in which countries live and work together in peace and prosperity. For England it will mean a chance to feed her people and reconvert her industries in a world of expanding trade. For the United States it will mean the opening of the markets of our best customers, England and all the countries in the British Empire and the sterling area, to the products of our factories and farms. It will mean a larger American share in a larger world trade. For the South it will mean the stimulation of the great industrial development which now beckons. Just as there cannot be national

prosperity in the United States without international prosperity, there cannot be that great economic development of the South without general prosperity in the United States and the world. For all countries it will mean a chance to reconstruct a war-shattered world with expanding trade, great employment and higher standards of living.

The alternative is as unhappy as it is clear. If England cannot secure the financial assistance of this loan, she will have to take drastic steps to curtail her imports and force her sales on other countries. This means that England and the countries that depend on England's currency and trade -- the sterling area countries -- would reduce their purchases in the United States and in the dollar area. Our exports would be excluded as far as possible from British markets. Britain would enter into bilateral agreements with countries in Europe and South America, offering to swap her manufactures for their food and raw materials. Such a policy would inevitably divide the world into conflicting economic blocs.

I have no doubt we could defend ourselves. We would have to fight fire with fire. We would be forced to retaliate. We would set up restrictions and discriminations of our own. In blunt language, the world would be at war -- economic war. And if we won, at best we would win a sorry victory. World trade would be destroyed and all countries would suffer.

That is not the kind of a world our people want. Our basic goal is to establish a world in which countries can live and work together in peace and prosperity. Two world wars and a world-wide depression have taught this generation the bitter lesson that there is no other road to peace -- there is no other road to prosperity except through international cooperation. The political and economic problems of the world cannot continue to be solved by force. That road leads to destruction.

This is nothing new to the people of the South. They have long known that expanded trade among nations will contribute to the prosperity of all. It was Woodrow Wilson, a Southerner brought up in Virginia, North Carolina, and Georgia, who warned an unheeding world that only through international cooperation will it be possible to maintain peace. Without regret for what might have been we must finish the job we have at last begun. That job is to build through international cooperation a peaceful and prosperous world.

The people of the United States and the United Nations have agreed on a program in which countries cooperate to maintain peace and prosperity. The United Nations Organization, with its Security Council, General Assembly, International Court of Justice, and Social and Economic Council, constitutes one side of this program. The Food and Agricultural Organization, the International Monetary Fund and the International Bank for Reconstruction and Development, and the proposed International Trade Organization constitute another side of the same program. The Financial Agreement with the United Kingdom is a sound, big step to the realization of this entire program for peace and prosperity. This is what I hope the people and Congress will bear in mind in considering the Financial Agreement.