

tation, and the usurpation of the people's sovereignty in foreign affairs by a private group.

We know in advance that the postwar period is going to be a crucial test for our economy. We also know that, in the postwar world, new industrial frontiers will beckon as those of the West formerly did. But monopoly controls the approaches to these new frontiers, and if its grip is not broken our economy will have lost its greatest chance for rapid and creative growth. We must keep our promise of freedom and economic development to our own government and people and to millions throughout the world, but as long as cartel exists it cannot be kept.

[*Article in Collier's, May, 1944.*]

AFTERWORD

WHEN ON APRIL 11 I went to Washington and showed the Vice-President the galley proofs of this book, he had just been assigned by the President to go on a special mission to China, and his mind was running ahead to a speech that he hoped to deliver before he left the country in May. "I wish I had it written so that it could go in this collection," he said, "but you may care to indicate the line of the argument in a closing note.

"In my speech late in May or in a pamphlet that I hope to get out later on the same subject, I want to consider the problem of foreign trade in the post-war period. I was very critical of the foreign trade policy of the United States during the decade of the nineteen-twenties. Our foreign investments in that period, it seems to me, were wrong from both a geographical and a qualitative point of view. In other words, we made the wrong investments in the wrong places," said Mr. Wallace, and proceeded to consider a policy that might be acceptable to most Americans.

"I have become more and more convinced that the deeply entrenched business habits of the American public will not permit any very rapid lowering of tariffs, a complete investment of savings or sufficiently large-scale government construction based on deficit financing.

"But the American people are perhaps willing to buy full employment and prosperity on the basis of a large volume of exports. They are willing to accept payments in gold and in services to tourists. Eventually they will be willing to accept imports in excess of exports, provided that both they and the world at large are benefiting from a full flow of prosperity.

"America will be called upon to make a new choice after this war. Our people, if they really wanted to do so, could raise their standard of living 50 percent; but in so doing they would violate many of their cherished convictions. The easiest way to avoid violating the prejudices which have come down to

us out of the past will be to rely for full employment in considerable measure on a large volume of exports. Moreover by pushing in this direction we help the whole world toward the attainment of peace and prosperity. The limit beyond which we must not go in pushing for large exports is the point where, by increasing exports, we increase unemployment elsewhere in the world. We cannot hope to export our unemployment to other nations without an inevitable backlash. Therefore we must be sure that our exports tend in the main to increase both the productivity and the standard of living of the world.

"Of course, when a creditor nation with high tariffs enters on the path of exports in excess of imports, a series of dangerous forces are unleashed. I described these forces in *America Must Choose* ten years ago, in 1934. We have come to a time now when all the appropriate agencies must give the most intensive thought to the prospect of a world in which investment will be turned to the largest output of productive human energy.

"In respect to productive potentialities, Latin-America, Eastern Asia, Africa, the near East and the Balkan States would seem to offer the best markets. Investments in these places should provide facilities that would expedite air trade and travel, highway and railway transportation, irrigation, flood control, power development, soil conservation and the mechanization of industry.

"Sound investments, in short, are those which so increase the productivity of men on the farms and in the towns as to permit of 50-year amortization at a low rate of interest.

"Under any plan of this sort the United States must be the ultimate receiver of a large volume of imports. We must also be firmly prepared not to take such irresponsible and dangerous action as we did take when we enacted the tariff acts of 1922 and 1930. To take such action is simply to declare to the world that a creditor nation is irrevocably committed to the insane policy of never receiving anything in return for its investments.

"I advance these thoughts simply as suggestions. I have not fully thought out this thesis, but I am hoping to have the chance to talk about it with many authorities in both the business and governmental worlds in the coming months.

"American capital has still so much of fundamental merit to contribute to the world that I hope our postwar trading policies this time will not again lead thoughtlessly to the creation of new crops of Hitlers at various spots over the world. Every time that our thoughtlessness plants a Hitler seed abroad, the germ of a depression is planted inside the United States."

The Vice-President fully recognizes that an excess of exports over imports will never be paid for unless there is peace and prosperity in the world. He hopes the exports and investments can be financed by private concerns but under the supervision of some type of united nations authority which will provide a guarantee of repayment provided certain conditions are met. In brief, he thinks a mechanism like the Federal Housing Authority might give the necessary courage and wisdom to private capital to do an adequate job at a modest fee.