

Harry S. Truman (1884-1972)

## **Address on Foreign Economic Policy, Delivered at Baylor University**

*given on March 6, 1947*

President Neff, ladies and gentlemen, members of the faculty of this great school and its pupils:

I can't tell you how very much I appreciate this honor which you are conferring upon me.

I am particularly touched by your remembrance of my mother.

It is with a real sense of gratification that I meet with you today on the beautiful campus of Baylor University in  
5 Waco. I congratulate you on the outstanding achievements of this great university during the one hundred and one  
years of its existence. I am sincerely grateful for the degree of Doctor of Laws that you have bestowed upon me, and I  
am honored to become a fellow alumnus of the distinguished men and women of this institution who have contributed  
so much to make our country great.

At this particular time, the whole world is concentrating much of its thought and energy on attaining the objectives of  
10 peace and freedom. These objectives are bound up completely with a third objective--reestablishment of world trade.  
In fact the three--peace, freedom, and world trade--are inseparable. The grave lessons of the past have proved it.

Many of our people, here in America, used to think that we could escape the troubles of the world by simply staying  
within our own borders. Two wars have shown how wrong they were. We know today that we cannot find security in  
isolation. If we are to live at peace, we must join with other nations in a continuing effort to organize the world for  
15 peace. Science and invention have left us no other alternative.

After the First World War, the United States proposed a League of Nations, an organization to maintain order in the  
world. But when our proposal was accepted and the League was established, this country failed to become a member.

Can any thoughtful person fail to realize today what that mistake cost this Nation and cost the world?

This time we are taking a different course. Our country has taken a leading part in building the United Nations, in  
20 setting up its councils, its committees and commissions, and in putting them to work. We are doing everything within  
our power to foster international cooperation. We have dedicated ourselves to its success.

This is not, and it must never be, the policy of a single administration or a single party. It is the policy of all the people  
of the United States. We, in America, are unanimous in our determination to prevent another war.

But some among us do not fully realize what we must do to carry out this policy. There still are those who seem to  
25 believe that we can confine our cooperation with other countries to political relationships; that we need not cooperate  
where economic questions are involved.

This attitude has sometimes led to the assertion that there should be bipartisan support for the foreign policy of the  
United States, but that there need not be bipartisan support for the foreign economic policy of the United States.

Such a statement simply does not make sense.

30 Our foreign relations, political and economic, are indivisible. We cannot say that we are willing to cooperate in the  
one field and are unwilling to cooperate in the other. I am glad to note that the leaders in both parties have recognized  
that fact.

The members of the United Nations have renounced aggression as a method of settling [p.168] their political  
differences. Instead of putting armies on the march, they have now agreed to sit down around a table and talk things  
35 out. In any dispute, each party will present its case. The interests of all will be considered, and a fair and just solution  
will be found. This is the way of international order. It is the way of a civilized community. It applies, with equal  
logic, to the settlement of economic differences.

Economic conflict is not spectacular--at least in the early stages. But it is always serious. One nation may take action  
in behalf of its own producers, without notifying other nations, or consulting them, or even considering how they may  
40 be affected. It may cut down its purchases of another country's goods, by raising its tariffs or imposing an embargo or

a system of quotas on imports. And when it does this, some producer, in the other country, will find the door to his market suddenly slammed and bolted in his face.

Or a nation may subsidize its exports, selling its goods abroad below their cost. When this is done, a producer in some other country will find his market flooded with goods that have been dumped.

- 45 In either case, the producer gets angry, just as you or I would get angry if such a thing were done to us. Profits disappear; workers are dismissed. The producer feels that he has been wronged, without warning and without reason. He appeals to his government for action. His government retaliates, and another round of tariff boosts, embargoes, quotas, and subsidies is under way. This is economic war. In such a war nobody wins.

- Certainly, nobody won the last economic war. As each battle of the economic war of the thirties was fought, the  
50 inevitable tragic result became more and more apparent. From the tariff policy of Hawley and Smoot, the world went on to Ottawa and the system of imperial preferences, from Ottawa to the kind of elaborate and detailed restrictions adopted by Nazi Germany. Nations strangled normal trade and discriminated against their neighbors, all around the world.

- Who among their peoples were the gainers ? Not the depositors who lost their savings in the failure of the banks. Not  
55 the farmers who lost their farms. Not the millions who walked the streets looking for work. I do not mean to say that economic conflict was the sole cause of the depression. But I do say that it was a major cause.

Now, as in the year 1920, we have reached a turning point in history. National economies have been disrupted by the war. The future is uncertain everywhere. Economic policies are in a state of flux. In this atmosphere of doubt and hesitation, the decisive factor will be the type of leadership that the United States gives the world.

- 60 We are the giant of the economic world. Whether we like it or not, the future pattern of economic relations depends upon us. The world is waiting and watching to see what we shall do. The choice is ours. We can lead the nations to economic peace or we can plunge them into economic war.

There must be no question as to our course. We must not go through the thirties again.

- There is abundant evidence, I think, that these earlier mistakes will not be repeated. We have already made a good  
65 start. Our Government has participated fully in setting up, under the United Nations, agencies of international cooperation for dealing with relief and refugees, with food and agriculture, with shipping and aviation, with loans for reconstruction and development, and with the stabilization of currencies. And now, in order to avoid economic warfare, our Government has proposed, and others have agreed, that there be set up, within the United Nations, another agency to be concerned [p.169] with problems and policies affecting world trade. This is the International  
70 Trade Organization.

- This organization would apply to commercial relationships the same principle of fair dealing that the United Nations is applying to political affairs. Instead of retaining unlimited freedom to commit acts of economic aggression, its members would adopt a code of economic conduct and agree to live according to its rules. Instead of adopting measures that might be harmful to others, without warning and without consultation, countries would sit down around  
75 the table and talk things out. In any dispute, each party would present its case. The interest of all would be considered, and a fair and just solution would be found. In economics, as in international politics, this is the way to peace.

The work of drafting a world trade charter was begun by the United States. It was carried forward by a Preparatory Committee of eighteen nations meeting in London last fall. It should be completed at a second meeting of this Committee in Geneva, beginning on April tenth.

- 80 The progress that has already been made on this project is one of the most heartening developments since the war.

If the nations can agree to observe a code of good conduct in international trade, they will cooperate more readily in other international affairs. Such agreement will prevent the bitterness that is engendered by an economic war. It will provide an atmosphere congenial to the preservation of peace.

- As a part of this program we have asked the other nations of the world to join with us in reducing barriers to trade. We  
85 have not asked them to remove all barriers. Nor have we ourselves offered to do so. But we have proposed negotiations directed toward the reduction of tariffs, here and abroad, toward the elimination of other restrictive measures and the abandonment of discrimination. These negotiations are to be undertaken at the meeting which opens

in Geneva next month. The success of this program is essential to the establishment of the International Trade Organization, to the effective operation of the International Bank and the Monetary Fund, and to the strength of the whole United Nations structure of cooperation in economic and political affairs.

The negotiations at Geneva must not fail.

There is one thing that Americans value even more than peace. It is freedom. Freedom of worship--freedom of speech freedom of enterprise. It must be true that the first two of these freedoms are related to the third. For, throughout history, freedom of worship and freedom of speech have been most frequently enjoyed in those societies that have accorded a considerable measure of freedom to individual enterprise. Freedom has flourished where power has been dispersed. It has languished where power has been too highly centralized. So our devotion to freedom of enterprise, in the United States, has deeper roots than a desire to protect the profits of ownership. It is part and parcel of what we call American.

The pattern of international trade that is most conducive to freedom of enterprise is one in which the major decisions are made, not by governments, but by private buyers and sellers, under conditions of active competition, and with proper safeguards against the establishment of monopolies and cartels. Under such a system, buyers make their purchases, and sellers make their sales, at whatever time and place and in whatever quantities they choose, relying for guidance on whatever prices the market may afford. Goods move from country to country in response to economic opportunities. Governments may impose tariffs, but they do not dictate the quantity of trade, the sources of imports, or the destination of exports. Individual transactions are a matter of private choice.

This is the essence of free enterprise. The pattern of trade that is least conducive to freedom of enterprise is one in which decisions are made by governments. Under such a system, the quantity of purchases and sales, the sources of imports, and the destination of exports are dictated by public officials. In some cases, trade may be conducted by the state. In others, part or all of it may be left in private hands. But, even so, the trader is not free. Governments make all the important choices and he adjusts himself to them as best he can.

This was the pattern of the seventeenth and eighteenth centuries. Unless we act, and act decisively, it will be the pattern of the next century.

Everywhere on earth, nations are under economic pressure. Countries that were devastated by the war are seeking to reconstruct their industries. Their need to import, in the months that lie ahead, will exceed their capacity to export. And so they feel that imports must be rigidly controlled.

Countries that have lagged in their development are seeking to industrialize. In order that new industries may be established, they, too, feel that competing imports must be rigidly controlled.

Nor is this all. The products of some countries are in great demand. But buyers outside their borders do not hold the money of these countries in quantities large enough to enable them to pay for the goods they want. And they find these moneys difficult to earn. Importing countries, when they make their purchases, therefore seek to discriminate against countries whose currencies they do not possess. Here, again, they feel that imports must be rigidly controlled.

One way to cut down on imports is by curtailing the freedom of traders to use foreign money to pay for imported goods. But recourse to this device is now limited by the terms of the British loan agreement and by the rules of the International Monetary Fund. Another way to cut down on imports is by raising tariffs.

But if controls over trade are really to be tight, tariffs are not enough. Even more drastic measures can be used. Quotas can be imposed on imports, product by product, country by country, and month by month. Importers can be forbidden to buy abroad without obtaining licenses. Those who buy more than is permitted can be fined or jailed. Everything that comes into a country can be kept within limits determined by a central plan. That is regimentation. And this is the direction in which much of the world is headed at the present time.

If this trend is not reversed, the Government of the United States will be under pressure, sooner or later, to use these same devices to fight for markets and for raw materials. And if the Government were to yield to this pressure, it would shortly find itself in the business of allocating foreign goods among importers and foreign markets among exporters and telling every trader what he could buy or sell, and how much, and when, and where. This is precisely what we have been trying to get away from, as rapidly as possible, ever since the war. It is not the American way. It is not the way to peace.

Fortunately, an alternative has been offered to the world in The Charter of the International Trade Organization that is to be considered at Geneva in the coming month. The Charter would limit the present freedom of governments to impose detailed administrative regulations on their foreign trade. The International Trade Organization would require its member nations to confine such controls to exceptional cases, in the immediate future, and to abandon [p.171] them entirely as soon as they can be abandoned.

The trade-agreement negotiations that will accompany consideration of the Charter, should enable countries that are now in difficulty to work their way out of it by affording them readier access to the markets of the world. This program is designed to restore and preserve a trading system that is consistent with continuing freedom of enterprise in every country that chooses freedom for its own economy. It is a program that will serve the interests of other nations as well as those of the United States.

If these negotiations are to be successful, we ourselves must make the same commitments that we ask all other nations of the world to make. We must be prepared to make concessions if we are to obtain concessions from others in return. If these negotiations should fail, our hope of an early restoration of an international order in which private trade can flourish would be lost. I say again, they must not fail.

The program that we have been discussing will make our foreign trade larger than it otherwise would be. This means that exports will be larger. It also means that imports will be larger. Many people, it is true, are afraid of imports. They are afraid because they have assumed that we cannot take more products from abroad unless we produce just that much less at home.

This is not the case. The size of our market is not forever fixed. It is smaller when we attempt to isolate ourselves from the other countries of the world. It is larger when we have a thriving foreign trade. Our imports were down to a billion dollars in 1932; they were up to five billion in 1946. But no one would contend that 1932 was a better year than 1946 for selling goods, or making profits, or finding jobs. Business is poor when markets are small. Business is good when markets are big. It is the purpose of the coming negotiations to lower existing barriers to trade so that markets everywhere may grow.

I said to the Congress, when it last considered the extension of the Trade Agreements Act, and I now reiterate, that domestic interests will be safeguarded in this process of expanding trade. But there still are those who sincerely fear that the trade agreement negotiations will prove disastrous to the interests of particular producing groups. I am sure that their misgivings are not well founded. The situation briefly is this:

(1) The Reciprocal Trade Agreements Act has been on the books since 1934. It has been administered with painstaking care and strict impartiality. Some 30 agreements with other countries have been made. And trade has grown, to the great benefit of our economy.

(2) This Government does not intend, in the coming negotiations, to eliminate tariffs or to establish free trade. All that is contemplated is the reduction of tariffs, the removal of discriminations, and the achievement, not of free trade, but of freer trade.

(3) In the process of negotiations, tariffs will not be cut across the board. Action will be selective; some rates may be cut substantially, others moderately, and others not at all.

(4) In return for these concessions, we shall seek and obtain concessions from other countries to benefit our export trade.

(5) Millions of Americans-on farms, in factories, on the railroads, in export and import businesses, in shipping, aviation, banking, and insurance, in wholesale establishments and in retail stores--depend upon foreign trade for some portion of their livelihood. If we are to protect the interests of these people, in their investments and their employment, we must see to it that our [p.172] trade does not decline. Take one of these groups as an example: we exported in 1946 over three billion dollars worth of agricultural products alone, mostly grain, cotton, tobacco, dairy products, and eggs. If we should lose a substantial part of this foreign market, the incomes of over six million farm families would be materially reduced and their buying power for the products of our factories greatly curtailed.

(6) There is no intention to sacrifice one group to the benefit of another group. Negotiations will be directed toward obtaining larger markets, both foreign and domestic, for the benefit of all.

(7) No tariff rate will be reduced until an exhaustive study has been made, until every person who wishes a hearing

has been heard, and careful consideration given to his case.

185 (8) In every future agreement, there will be a clause that permits this Government--or any other government--to modify  
or withdraw a concession if it should result, or threaten to result, in serious injury to a domestic industry. This is now  
required by the Executive order 1 which I issued on February the 25th, following extensive conferences between  
officials in the Department of State and the majority leaders in the Senate.

1 Executive Order 9832 "Prescribing Procedures for the Administration of the Reciprocal Trade Agreements  
190 Program" (3 CFR, 1943-1948 Comp., p. 624).

All these points--the history of trade-agreement operations, the way in which negotiations are conducted, the  
protection afforded by the safeguarding clause--should provide assurance, if assurance is needed, that domestic  
interests will not be injured.

The policy of reducing barriers to trade is a settled policy of this Government. It is embodied in the Reciprocal Trade  
195 Agreements Act, lathered and administered for many years by Cordell Hull. It is reflected in the Charter of the  
International Trade Organization. It is one of the cornerstones of our plans for peace. It is a policy from which we  
cannot--and must not--turn aside.

Those among us--and there are still a few--who would seek to undermine this policy for partisan advantage and go  
back to the period of high tariffs and economic isolation, I can only say this: Times have changed. Our position in the  
200 world has changed. The temper of our people has changed. The slogans of 1930 or of 1896 are sadly out of date.  
Isolationism, after two world wars, is a confession of mental and moral bankruptcy.

Happily, our foreign economic policy does not now rest upon a base of narrow partisanship. Leaders in both parties  
have expressed their faith in its essential purposes. Here, as elsewhere in our foreign relations, I shall welcome a  
continuation of bipartisan support.

205 Our people are united. They have come to a realization of their responsibilities. They are ready to assume their role of  
leadership. They are determined upon an international order in which peace and freedom shall endure.

Peace and freedom are not easily achieved. They cannot be attained by force. They come from mutual understanding  
and cooperation, from a willingness to deal fairly with every friendly nation in all matters-political and economic. Let  
us resolve to continue to do just that, now and in the future. If other nations of the world will do the same, we can  
210 reach the goals of permanent peace and world freedom.

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