

BY SPECIAL PERMISSION ARE FEATURED HERE TWO OUTSTANDING ARTICLES DISCLOSING FACTS THAT FURTHER SUBSTANTIATE THE URGENCY FOR THE IMMEDIATE CREATION OF THE WORLD CENTRAL BANK, AS PRESENTED BY WORLD FAMOUS JOURNALISTS SPECIALIZED IN ECONOMIC AND FINANCIAL MATTERS

BUSINESS TIDES

FOREIGN AID RUN RIOT

by Henry Hazlitt

Newsweek, March 28, 1960

A Subcommittee of the House, in reporting on a 40,000-mile study mission around the world, has concluded that the U. S. foreign-aid program is attempting to underwrite too many projects, some of them grandiose and too costly, and that money spent on foreign aid is a growing strain on this country. Many previous committees and observers have come to the same conclusions. Yet it is significant that this latest report, like its predecessors, accepts as a matter of course the principle of government-to-government foreign economic aid. This is why such aid not only continues but grows, under ever-different names, with no stopping point in sight. In *Newsweek* of Nov. 16 last I discussed the proliferation of agencies and of postwar foreign loans and grants totaling some \$70 billion.

For the next fiscal year the President has asked Congress to provide \$4.2 billion in foreign aid, of which \$2 billion would be military and the rest "economic" assistance. It is proper that the request should be divided in this way. Military aid can be justified in principle. It is clearly needed in Korea and Taiwan, which have demonstrated their own willingness to resist aggression. But this does not mean that any aid called military should be immune from challenge. Much of it becomes extremely dubious when 50 recipients are involved.

DO WE GET DEFENSE?

Moreover, American aid that goes to make up a budget deficit ostensibly caused by military expenditures of the recipient may in fact be paying for larger nondefense expenditures than otherwise. When American taxpayers pay for any category of Ruritania's expenditures, Ruritania has that much more of their own resources left to spend on something else. This substitutability of resources (unless we undertake to control every item of a foreign government's expenditures and taxes!) is ignored by the administrators of foreign aid, "military" or "economic", when they solemnly approve hundreds of special "projects".

Though the President's foreign-aid message of Feb. 16 contained some 5,000 words, he did not find space to specify there how many nations and governments the American taxpayer was aiding or being asked to aid, how much we had already spent on this program, how much it was going to cost in future, and when it was going to stop, if ever. Instead, Congress was told in sweeping generalities that it is somehow the duty of the American taxpayer "to raise the standards of living of millions of human beings" all over the world, and that government economic aid is the way to do it.

SUPPORTING SOCIALISM

Both propositions are doubtful. To undertake to lift the living standards in every backward nation, especially with no control over the policies of that nation, is to assume a bottomless and endless responsibility. And government aid retards, instead of promoting, true economic progress.

The situation was bad enough when we gave aid to a score of nations, on the plea of "no strings attached", regardless of whether or not they dissipated that aid in "directed" economies and in socialization. We now explicitly endorse socialized planning. We apparently even make it a condition of eligibility for aid. In his message of Feb. 16 Mr. Eisenhower spoke approvingly of "and expanded and accelerated program of economic reform and development" for Nationalist China. In a speech in Puerto Rico on March 4 he said that though "the United States alone" should not develop "a so-called master plan for the raising of living standards through the hemisphere... each nation of Latin America... must analyze its own human and material resources and develop a program of action with priorities assigned. Then national and international credit agencies should stand ready to be of assistance in making the program a reality".

The dirigistic and socialistic assumptions underlying the foreign-aid program are daily becoming more unmistakable. The sponsors of the program have completely forgotten, if they ever knew, that the soundest economic growth, either at home or abroad, comes when private capital, protected from arbitrary seizure or harassment, is free to flow the enterprises that best promise to meet consumer demand.

ECONOMICS IN BRIEF

by John H. Bradley

The Havana Post, March 20, 1960

DWINDLING GOLD RESERVE

In its international accounts the United States was in the red by \$3.4 billion in 1958, by about \$4 billion in 1959. The United States gold reserve, which was \$22.9 billion in 1957, has now fallen below \$20 billion. These reserves are about half the known gold reserves in the world. But an unfavorable balance of payments of \$4 billion is not to be taken lightly. Nor is the fact that European countries hold short-term dollar liabilities in the neighborhood of \$15 billion. Were all these liabilities presented at once, the United States would face the disagreeable alternatives of going off gold, in respect to foreign liabilities, thereby producing a tremendous international financial shock, or of seeing the gold reserves diminish to a very small figure.

Of course, this is not likely to happen. Such a massive run on the dollar would not be in the best interest of the European holders of the dollar liabilities. It is the long-range trend toward an unfavorable balance of payments that is the serious aspect of the situation.

Americans have long been accustomed to take for granted the idea that the dollar is the king of currencies, and do not realize, as Europeans do. When a country with a limited gold reserve finds itself spending a good deal more abroad, its financial authorities find themselves tempted to resort to all sorts of disagreeable courses: to apply quotas for the purpose of reducing the inflow of foreign goods; to forbid foreigners to bring in or take out of the country, and so on.

All such measures are entirely contrary to the spirit of a free economy, and in the long run, do more harm than good. But they are the usual consequences of a persistently unfavorable international balance of payments. When a currency is persistently weak it is probable, in the end, to be reduced in international exchange value. This was the case in 1949 when the British pound, which had long been selling at a discount on foreign markets, was officially reduced in relation to the American dollar from \$4.00 to \$2.80; and most European currencies experienced the same or similar reductions in value. Years ago, nothing would have seemed more absurd than the suggestion that the United States dollar might be exposed to the risk of devaluation. But in many countries of Europe there is talk of the possibility that the dollar might fall in international exchange value.

What has created a situation where the dollar, long regarded as the Rock of Gibraltar among international currencies, can be seriously suggested as a candidate for devaluation. There would seem to be one very important reason for this striking change. That is the prolonged attempt to play the role of an international champion, supporting the universe. The United States over-all commercial trade balance, the surplus of what is sold over what is bought, is still quite favorable even though it declined from \$6 billion in 1957 to \$3.3 billion in 1958, and seems likely to have declined further in 1959. There is also a substantial income from foreign investments, especially in Canada.

But these favorable items in the international balance of payments are offset by such expenditures, involving the outlay of dollars for foreign currencies, as \$3.1 billion for United States troops stationed abroad, nonmilitary government capital exports of a \$2.9 billion deficit in private capital movements.

It is this imbalance that has caused America's gold reserves to diminish and its dollar liabilities to increase by \$3.4 billion in 1958 and \$4 billion in 1959. This is why the government has been demanding that discrimination against American goods in European markets should cease as not only inequitable in itself but also completely unwarranted by present financial and economic conditions. This is why the Administration is proposing that the European countries, which have been gaining gold reserves as the United States has been losing, should make more of a contribution to projects for the aid of the economically retarded areas of the world. It is give up dream of being a time for the United States to rich Uncle Sam and to try to hold its own in a strongly competitive world.