

Notes on

about March
1947

THE ECONOMICS OF PEACE

July

Our new policy means that we are going to step up the use of our economic resources in support of our foreign policy.

We must change our concepts of the relation of economics to world peace.

It is no longer sufficient to consider this subject only in terms of trade agreements and trade barriers. Reduced tariffs and trade barriers are of course essential. They almost go without saying. They are pre-requisites. But they are only a beginning. The situation in the world today calls for economic and financial measures on the part of this country hitherto not seriously considered.



The situation in world today:

1. The disparity between productive capacity of U. S. compared to rest of world.
2. Rest of world terribly destroyed and trying to get on its feet.
3. Recovery is going to prove much slower and much more difficult than we have considered.
4. Nations are now obliged to spend what resources of

gold

gold and foreign exchange they possess--and these are irreplaceable from their own resources--upon consumption good, thus deferring that reconstruction necessary to make them self-supporting.

5. The production capacity and resources of Germany are prevented from contributing to world recovery partly through our failure to achieve a political settlement. Failure at Moscow to achieve an agreement.

6. In such a period of economic disorganization, uncertainty, want, fear--extremism can not fail to grow. Communism and totalitarian methods thrive in such circumstances. Determined, purposeful, and highly organized minorities--in some countries these are armed--are able to stultify the operation of democratic institutions, and in the end overthrow them. This process results in the spread of totalitarianism and and increase in the strength of the USSR, to whom these groups are loyal.



Some people fear that our present policy of aid to Greece and Turkey, or aid to _____ will lead to war with the USSR. I do not think so. But if totalitarianism should seize Europe and Asia, I do not see how a war could be avoided. If Europe and Asia were organized along

along totalitarian lines to support the power of the Soviet Union,
the fear that would grow in this country and in the Soviet Union would
lead almost inevitably to armed conflict. And such a conflict, with
modern weapons, would only lead to universal destruction.

What can we do? How can we deal with this situation?

A country has only three instruments

