

ADDRESS BY THE PRESIDENT OF THE UNITED STATES OF AMERICA¹

Lyndon B. Johnson

I am glad to meet with you again and to wish you well at this meeting and in your working sessions throughout this year.

Yours is truly the world's business. You are the guardians of what we have done, and the guides to what we must do, in world economic cooperation. You are custodians of the world's economic welfare and ultimately of its security.

I imagine that there were occasions, during this past year, during which you might have wished those responsibilities off on someone else. Not many of you, I expect, have kept "bankers' hours" during 1968.

International finance is a mystery to most men and women. But even schoolboys and politicians know that this has been a year of crisis in world financial markets and that the well-being of millions of ordinary people was jeopardized.

And yet, thanks to the foundations that were laid at Bretton Woods years ago, those crises did not lead to panic and depression.

Somehow, we overcame each one. We learned from each one. So we are stronger today for the trouble that we met and the trouble that we mastered—together.

When Britain devalued its currency, we closed ranks to prevent a senseless round of competitive actions by other countries. Compare that response with the 1930's or even with 1949.

When currencies came under speculative attack, we increased our credit lines to each other. Cooperative government action could offset the senseless flows of panic money and could resist the plunder of speculation. Currency exchanges remained stable, and trade went unhurt and unhindered. Now it is our job to keep it that way.

¹ Delivered at the Opening Joint Session, September 30, 1968.

When gold speculators threatened to create a monetary panic by betting again—and again, unsuccessfully—that they could force an increase in the official price of gold, we set up the two-tier system. Monetary gold reserves are now protected from speculative activity and the private markets.

When I met with you last in 1965, you had just decided to seek a plan that would meet the world's future reserve needs. Today it is a reality. We are close to seeing the special drawing rights facility come into being. This is a major step in international financial cooperation. I am very proud that the United States was among the first countries to complete its process of ratification.

I could go on and on with this remarkable listing: to the enlargement of Fund quotas and the coordination of interest rates. The fact is that cooperation with their neighbors is becoming a central part of the economic policy of many, many nations.

Last year I asked our Congress for a tax increase. I also announced a new balance of payments program on January 1 of this year. I realized that these measures were strong medicine, particularly in an election year.

But the overriding need was to keep the United States economy, and the dollar, strong. This was vital not only, I think, to our economy, but to the world's. Other countries saw this clearly. Though some could be hurt by the measures that we were considering, they strongly supported them—indeed, they pressed us to carry them through. And while they did not have any votes in our Congress, their voices were nonetheless heard.

We, in turn, have urged some European nations to move more actively to expand their economies—in their own interests and in the interest of a better balance of payments situation for all.

Why are we becoming more concerned about the economic policies of our neighbors? Why must we act together to set ground rules for monetary cooperation? Benjamin Franklin explained it to his colleagues at the signing of our Declaration of Independence in 1776 in terms that they could all understand. "We must all hang together," he warned, "or assuredly we shall all hang separately."

So in the world that started with Bretton Woods, the more we move out of phase with each other, the more we will each have

to restrict ourselves. The more we move together, the more rapidly each of us will be able to advance the prosperity of our own people.

The same principle holds in lending for international development. This is our common challenge, and it demands a common response. Development is not the responsibility of just a few countries, but of many. A multilateral approach can be a practical way to get at the job, for countries providing assistance as well as for those receiving it.

Our record to now in this field is encouraging, but we must improve on it. The World Bank is now able to borrow capital all over the world, and that will serve to expand its activities. It will also contribute to the achievement of better balance in world payments.

The Bank has also learned, as we all have, that heavy industry, dams, and other large projects cannot guarantee development. We must help to improve the quality of human resources—in industry, in public administration, and in other fields. These activities may not seem commercially promising at once, but they do pay the largest dividends. People are the key to development.

We have also learned the critical value of the International Development Association. In the development business, we cannot always behave like hardfisted moneylenders. Some projects have a quick pay-off; others will take time. All are needed for balanced growth. The storehouse of development must include long-term risk capital. It is essential that we do everything possible to provide enough of this capital, and it is essential that we provide it together.

The new replenishment of IDA resources is a first-priority development need. It places a first call on the international community—and on our own Congress.

We must also expand the activities of the regional banks. We have a good base: The Inter-American Development Bank, the senior member of the group, is at the center of the Alliance for Progress. The Asian Development Bank is already a focal point for development plans and cooperation. Mr. Eugene Black has just made a study in that area of the world for me and will report

to me later today. The African Development Bank, financed entirely by African nations, is finding new development opportunities throughout Africa and has made its first loan.

These banks are a symbol of a new era of regional cooperation for economic development. I have seen for myself the achievements of the Central American Common Market when I went there a few weeks ago for a brief visit—the joint work on roads, in health, and in trade.

So from the Mekong to the Indus to the Volta to the Amazon, nations are beginning to put aside the ancient quarrels so that they may develop together the rivers and the other great natural resources they share.

What is the meaning of this experience? It shows, I think, that the more we do together, really, the better we do it. But as we do more together, our common institutions must be prepared to take on new responsibilities. They must adopt a broad development outlook. They must take the lead to ensure that all the developing countries and the industrial countries meet their responsibilities.

What have we learned together about development?

First, development is a full-time job, calling for all-out mobilization in each country. Those who assist from outside can only be the junior partners in the venture.

Second, development is serious nation-building, a task for the doers and not just the talkers. There is no room for sterile dogma, and there are simply not enough resources for empty foreign adventures.

Third, developing countries cannot carry the burden of excessive military expenditures. Every nation has legitimate security needs. But there can be neither security nor development with a senseless spiral of military purchases.

Fourth, agriculture is a development growth industry. Most of the people are in the countryside. Hungry people cannot be productive people. But prosperous farmers can be the firm foundation for prosperous factories.

Fifth, development requires diversified exports. Traditional products and traditional markets will not be enough to finance

import needs. So the developing countries have the responsibility to create new and competitive export industries. The industrial countries have the responsibility to maintain an open and growing economy.

Sixth, development requires broad opportunities for the private sector—domestic and foreign. The technology, management, and capital that foreign investment provides is a critical component if it is brought into the right sectors and if it is brought in on fair terms.

Seventh, in some critically important nations, policies of family planning have been adopted. New seeds and new priorities have lifted agriculture production, and they have bought time for family planning policies to try to become effective. But the fate of development efforts hinges on how vigorously that time is used.

Eighth, we have proved that development works. We have seen ancient fields reborn; new roads built to bridge the traditional gap between city and countryside; new schools to bring modern knowledge to age-old cultures. We have seen nations on the move reaching sustained rates of economic growth exceeding 6 per cent a year. There is yet still a vast amount of work ahead. Many nations have only just begun. But we now know that foreign aid is not an endless task. We simply cannot turn our backs on the majority of our fellow human beings in the world.

We simply must not turn our backs on the majority of all mankind. This would be tragic. This would be a tragic end to more than two decades of commitment, of trial, of error, and, I think, of magnificent achievement.

And we must continue equally to work hard to strengthen the international monetary system.

Balance of payments problems affect our growth policies, affect our trade policies, and of course our aid policies.

Monetary crises can lead to panic and world depression with disastrous consequences for world security and welfare. So the machinery that we have built over the past 25 years prevented the recurrence of monetary panics. And it must continue to do so in the future.

It was 25 years ago that President Franklin D. Roosevelt said that Bretton Woods expressed “. . . our hope for a secure and fruitful world, a world in which plain people in all countries can work at tasks which they do well, exchange in peace the products of their labor, and work out their several destinies in security and peace; a world in which governments, as their major contribution to the common welfare, are highly and effectively resolved to work together in practical affairs and to guide all their actions by the knowledge that any policy or act that has effects abroad must be considered in the light of those effects.”

The world then was half destroyed from a terrible war. Total world income was probably little more than \$750 billion in today's prices.

The institutions that we created at Bretton Woods and the cooperation that we built upon these institutions led to the highest sustained rate of economic growth in the history of the world. Total world income today is \$2.5 trillion.

So by working closely together—in monetary policy, in economic policy, in development policy—we can realistically hope to increase world output by 5 per cent a year over the next decade. This is what we averaged over the past six years.

If we fail to strengthen our international financial institutions, if we stand still or if we retreat in the coordination of our economic policies, if we falter in our effort to encourage economic development among the poor nations, total world income will grow by far less. We could expect to falter back to a period of boom and bust—to stop-and-go economic growth. This would be a very sad replay of the record of the past century when world economic growth averaged just a bare 3 per cent a year.

The difference at the end of a decade would be \$500 billion of world production every year. So this is the measure of the stakes that are involved in constructive relations: constructive relations among the industrial countries; between industrial and developing countries; among the developing countries themselves; and between East and West.

Let us not fail to be wise.