

possible that here, too, there has been a failure to appreciate the nature of the modern world? Are we safe in assuming that we and other countries are all equal in our ability to take risks and pursue certain policies? Have we not acted rather as though we lived in a peaceful, orderly, stable international environment in which laws can be written and agreements entered into which will automatically be observed and carried out? Experience, both in the 19th Century and in recent years, would seem to indicate that if we want certain policies to be observed throughout the world, - or rather the non-Russian part of the world, - we must ourselves create the necessary environment.

Europeans are not going to follow the kind of policies we want, just because North Americans believe those policies are desirable. They are not going to do that even though they themselves believe such policies are desirable. They cannot. They cannot adopt those policies unless and until the right conditions exist for the success of those policies. It is only the United States which can see to it that those conditions do exist. It is only the United States which can take the lead, which can assume risks, which can take sufficiently sweeping and far-reaching action to do the job and convince others - after an interval - that it is possible for them to do likewise.

To be concrete, I do not believe that European or other countries can return to free economies, can follow the kind of commercial policy to which all of us attach so much importance, so long as the dollar shortage exists, and I do not believe the dollar shortage can be effectively and permanently overcome unless North America, and especially the United States, provides a much larger, more accessible and more reliable market for the goods which other nations have for sale. Only when other nations feel secure in their incomes from exports will they be able to deal freely with their expenditures on imports.

I do not suggest that at any time in the near future it will be necessary or possible for the United States to increase its imports to fully balance its exports. For a long time to come there will be a need also for capital to facilitate the development of other countries in many parts of the world, by way of direct investment and self-liquidating loans for productive purposes. We in North America could never have developed our natural resources, built the necessary transportation systems and developed our industries, without large amounts of foreign capital from countries which, at the time, were in a better position to supply that capital, as well as the technology and know-how that go with it. The wheel of progress has now come round so far that we are in a position to provide those facilities to others.

The methods by which the necessary capital may be provided are various. In the present disturbed conditions private investment may not be forthcoming in volume unless some kind of guarantee is provided. Direct Government loans and expenditures may be necessary at times, but one would hope that, at any rate outside the political and military sphere, adequate means could be found without direct reliance on Government. Perhaps the co-operative method of the International Bank for Reconstruction and Development is the modern answer to the problem. This is a business institution run on sound lines, financed in the first instance by sales of bonds to the public though with an underlying guarantee of the United States, Canada