

FDR on 'Eliminating The Dollar Sign'

In a Dec. 17, 1940 White House press conference, the newly re-elected Franklin D. Roosevelt presented his plan for a Lend-Lease program to help Britain in its war effort. Lend-Lease was enacted into law in March 1941. Here are excerpts from FDR's statement.

. . . The best immediate defense of the United States is the success of Great Britain in defending itself . . . and, therefore . . . it is equally important from a selfish point of view of American defense that we should do everything to help. . . .

I have read a great deal of nonsense by people who can only think in what we may call traditional terms . . . about finances. In my memory and your memory and in all history no major war has ever been won or lost through a lack of money. . . .

I go back to the idea that one thing that is necessary for American national defense is additional productive facilities; and the more we increase those facilities—factories, shipbuilding ways, munition plants, etc. and so on—the stronger American national defense is. Now, orders from Great Britain are therefore a tremendous asset to American national defense. . . .

[T]he narrow-minded fellow . . . might assume. . . that the only way [is to] lend the money to Great Britain to be spent over here. . . . [T]he banal type of mind can only think of that method. . . . [A]nother one . . . also somewhat banal . . . is a gift. . . .

Now, what I am trying to do is to eliminate the dollar sign, and that is something brand new in the thoughts of practically everybody in this room, I think—get rid of the silly, foolish old dollar sign. All right!

. . . [A]nd . . . when the show was over we would get repaid in kind sometime, thereby leaving out the dollar mark in the form of a dollar debt and substituting for it a gentleman's obligation to repay in kind. I think you all get it. . . .

nations of continental Europe, the United States, a few others in the Western Hemisphere, Russia, China, India, and so forth, enter into an agreement, to create a fixed-exchange-rate system based on the denomination of the dollar *at parity* as of approximately the day the decision is made. You put the central banking systems of the world—all of them, including the European Central Bank, which is a piece of toilet paper—you put them into receivership. And ask what government the ECB represents. Who voted for this government? This tyranny? This empire? We shut it down.

Now, by this means, by creating a system of credit, of international fixed-exchange-rate credit, you go back to the methods of the Kreditanstalt für Wiederaufbau in the reconstruction of Germany. Now you have authorized Germany, among nations participating, to create credit. To put the 10% of the population which is not working, back to work! And suddenly, you've got a healthy situation. But you have to freeze things, because you have to take short-term obligations, convert short-term obligations into long-term obligations.

Keep the Physical Economy Functioning

And you must maintain, wherever possible, the integrity of private business operations, and public operations, which are essential to the economy, to the people. You want people who are running firms to run those firms, if they're good firms. You're not going to shut them down. They're going to get the credit to function. Their assets, their viable assets, under

renegotiation terms will be available to them, but on long term, not short term, inside banks which they know; probably the banks they're already doing business with.

So you simply have to say: Our objective is to keep the physical economy functioning, to recognize the economy is largely operated, about 50% at least, in terms of private ventures—ventures which are largely of a private, closely held form, or small corporate form. We want those entities to continue to exist and function. So therefore, we don't intervene. We don't try to tell them what to do. We rely upon their ingenuity. For example, any German firm, which is any good in this category, you give them this freedom, they're going to go out and find the business. All you have to do is stand behind there, and if they come up with a good idea, like the good banker you're supposed to be, you say, "Okay. You're reliable, you perform, you know what you're doing. This is useful. You want credit? You get credit." And they go to business. And people are employed, put to work on that basis.

So the secret here, therefore, is you eliminate worthless debt. If the nature of debt, or the nature of an asset, is as gambling debt, or winnings on gambling, that has no right to anything. It goes to the end of the line, and the end of the line is chopped off. Those claims which are based on legitimate business ventures, production, trade, so forth; those things which are essential socially to society, such as pensions, health care, so forth, *that* must be covered. Everything else goes to a lower priority.

You create a parity system, of fixed parity: Now you gen-

erate credit. What're we going to do? The credit recovery will be based on long-term agreements. What you do, is you take agreements among nations. Let's take the Eurasian parcel—you've got western Europe, you have Russia, you have China, India, other countries. Now, what do they need? Well, they need some long-term investment, in basic economic infrastructure and capital improvement. For example, you need high-speed transportation lines, throughout Eurasia. You need them! Rail is not good enough; we need magnetic levitation. Because you can handle freight more expeditiously with magnetic levitation techniques than you can with rail. Because all you have to do is put a label on the car, and you ship a car of merchandise with a label on it, and the electronic system can sort it out and get it delivered more or less automatically to its destination, if the destination is in the system.

We need new cities throughout Central Asia, because we're going to be developing raw materials. That requires new cities. You have to have a social organization to do it. It's going to require capital investment.

China has to make investments on a scale much larger than China's capital would allow, in terms of the international market. They have, what? Over 1.3-1.4 billion people, or more? Most of them are extremely poor. China's in a very precarious social situation, because a breakdown of the U.S. economy would be a disaster for China. A social crisis, a political crisis. Therefore, they have to develop 100 or so new cities, new transportation systems, water systems, health-care systems; they have to take land which is not usable and develop it. They need large-scale water projects, because China's short of water. And China's constricted to a small area where they do have water. And they can not develop in areas where they don't have it, as in the northwest, going into Central Asia.

India needs vast development. India has a certain amount of capital. It's a good credit risk, but it needs a lot of nuclear plants. You need *hundreds* of nuclear plants in India . . . *fast*. You need the generation of nuclear materials. You have to do that through fast breeder kinds of developments. You have to invest in that. You have to have new transportation systems, large-scale water works, a vast improvement in health-care systems, that is, fixed health-care systems and sanitation.

These are investments which are 20- to 25- to 50-year investments. A water project is a 50-year investment at minimum. A dam? Fifty- to a hundred-year investment, for a large dam, like the Three Gorges Dam. So therefore, you need a lot of capital over a 25- to 50-year period. So governments can make agreements, multiple agreements, which cover a lot of particular, local agreements. That is, governments, together, go into the banking business. They create credit, and authorized projects can draw credit from this government installation, which is established by international treaty agreements. The basic interest rate is 1-2% over the long term, simple interest, no compound interest. And to do that, you

must have a fixed-exchange-rate system, because you can not have fluctuating interest rates. When you have fluctuating currency values, you have fluctuating prices, and the prices go up, and it collapses.

Give the Younger Generation a Future

So therefore, we're at the point that we use the example of Franklin Roosevelt's reorganization of a bankrupt economy. We apply the lessons of that experience, which every intelligent person who is well-educated knows. And so, we take those lessons, of proven experience. Apply them to try to maintain a system of sovereign nation-states on this planet, in a process of general economic recovery, and entering into solid, strictly enforced, 25- to 50-year agreements to maintain 1-2% simple interest rate as the basic plan of work. And proceed, and develop society. Forget who's making a financial profit: Worry about what part of the economy is growing, physically, and with better quality. And inspire the world population with the conviction: *We're going to get to a certain destination*. Because what moves people, like the young people now, who are now between 18 and 30, in Europe, in the Americas? Can you tell them, now, that they have a guarantee that if they commit themselves to a certain mission, the nations of the world are going to back up the commitment to that mission, and make sure it lasts? Can you tell somebody, who's now emerging to enter college age, that what they're training to do is a secure opportunity for the coming 50 years? And that they have a retirement, if they wish it, at the end of 50 years? Can you do that? You can't do it now.

Parents don't care about their children, among the Baby Boomers. They really don't care. They wish they hadn't had them. They think of them of as only entertainment value, and that has disappeared considerably recently. They think about, are they going to be comfortable when they die? Where they hope death overtakes them without their knowing it's coming.

They don't think about what comes beyond their life, their mortal life. They don't think about two generations ahead, which is the characteristic morality of people looking forwards, in the sense of your question. It's a moral question, on this money question: Can we take an approach to the question of financing and money which satisfies the moral question of finding the integration of the individual, of the small community, in society, the small firm in society, to find out this is the kind of society structure, which benefits those who use ingenuity, and go ahead? And provides security for people who contributed to society, when they retire? Can we do that? Yes, we can! If we exert the will to do it. We simply have to convert the lessons we have, and I say, especially from the Roosevelt experience and the post-war reconstruction of Europe: We have lessons we should have learned, and if we *go back* to those lessons, we can do just fine.