

News from Senator

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REMARKS OF SENATOR BOB DOLE  
UNITED NATIONS ASSOCIATION OF THE U.S.A.  
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THANK YOU VERY MUCH, ELLIOTT, FOR THOSE KIND WORDS OF INTRODUCTION. I SHOULD WARN YOU ALL THAT SERVICE IN THE UNITED STATES SENATE IS NOT NECESSARILY THE BEST PREPARATION FOR PARTICIPATION IN FORUMS SUCH AS THIS: ADLAI STEVENSON USED TO DEFINE THE THREE ESSENTIAL ELEMENTS OF DIPLOMACY AS "ALCOHOL, GERITOL, AND PROTOCOL." HAROLD MACMILLAN HAD HIS OWN DESCRIPTION - A DIPLOMAT, HE SAID, WAS FOREVER POSED MIDWAY BETWEEN A CLICHE AND AN INDESCRETION. THAT, AT LEAST, SOUNDS LIKE THE AVERAGE DAY ON THE SENATE FLOOR - AND FOR ALLOWING ME TO EXPAND MY VISTAS FROM DOMESTIC BUDGETS TO GLOBAL SURVIVAL, I AM BOTH HONORED AND PERSONALLY GRATEFUL. I AM PARTICULARLY PLEASED TO ADDRESS THIS ANNUAL MEETING OF THE UNITED NATIONS ASSOCIATION, FOR I RECALL WITH VIVID ENTHUSIASM THE MOOD OF AMERICA IN THE SPRINGTIME OF PEACE, SOME 38 YEARS AGO, A PEACE IN WHICH ALL THINGS SEEMED POSSIBLE.

I RECALL AS WELL THE ADOPTION OF THE UNITED NATIONS DECLARATION OF HUMAN RIGHTS, AN HISTORIC DOCUMENT THAT HAS BEEN CALLED "A MAGNA CARTA FOR MANKIND" AND WHICH ENVISIONS THE KIND OF WORLD WHERE NO MAN DRAGS A CHAIN AND NO ONE WIELDS A SWORD. IT IS THAT KIND OF WORLD, BOTH RATIONAL AND IDEALISTIC, THAT WE ASPIRE TO. AND IT IS THAT KIND OF GOAL FOR MANKIND THAT, AT ITS BEST, THE MODERN UNITED NATIONS CAN EMBODY. PERFECT AS THE NATIONS THAT COMPRISE IT, AS PRONE TO WINDY DISCOURSE AND POLITICAL MANEUVER, IT REMAINS A DIPLOMATIC CROSSROADS THAT CANNOT BE OVERLOOKED. YET MUCH HAS CHANGED SINCE THE SAN FRANCISCO CONFERENCE OF 1945.

#### A DIFFERENT WORLD

OURS IS A VASTLY DIFFERENT WORLD FROM THAT WHICH WITNESSED THE BIRTH OF THE UNITED NATIONS AMIDST THE RUBBLE OF WORLD WAR II. IN ECONOMICS, POLITICS, DIPLOMACY, AND TECHNOLOGY WE HAVE SHED OUR SKIN MANY TIMES. THE POWERS OF SOVEREIGN NATIONS, LIKE THE REAL LIMITS UPON THOSE POWERS, ARE NOT WHAT THEY WERE IN 1945. AND MANY ASK WHETHER THE UNITED NATIONS CAN STILL SERVE THE PURPOSES FOR WHICH IT WAS CREATED--OR WHETHER ITS CHARTER AND FUNDAMENTAL PREMISES NEED TO BE REEXAMINED. AT THE OUTSET, LET US ACKNOWLEDGE THE OBSTACLES WE FACE. MAN ADAPTS HIMSELF TO THE WORLD, SAID GEORGE BERNARD SHAW. NOBLE MAN PERSISTS IN TRYING TO ADAPT THE WORLD TO HIMSELF. "THE REASONABLE IS THE UNREASONABLE, THEREFORE, ALL PROGRESS DEPENDS ON THE UNREASONABLE MAN." FROM THE BEGINNING, AS REASONABLE MEN AND WOMEN HAVE FILLED THE U.N.'S RANKS, THEIR HOPES HAVE OFTEN BEEN DISAPPOINTED--BUT THEIR DREAMS HAVE NEVER BEEN ABANDONED. AND NEITHER SHOULD THE LIMITATIONS OF HUMAN NATURE BLIND US TO THE POTENTIAL FOR PROGRESS WITHIN THIS MODERN COMMUNITY OF DIPLOMATS.

CONCERN ABOUT THE RELEVANCE OF THIS BODY SEEMS TO ME TO REFLECT A BASIC MISUNDERSTANDING OF WHY THE U.N. EXISTS. IT IS NOT A WORLD GOVERNING BODY OR EVEN A DEBATING FORUM FOR IRONING OUT POLICY DIFFERENCES AMONG NATIONS. IT IS NOT A LEAD ACTOR IN THE WORLD'S DRAMAS, BUT A SUPPORTING PLAYER. THE UNITED NATIONS WAS NOT DESIGNED TO ORDER THE WORLD OR LEAD US TO A BETTER TOMORROW. RATHER, IT EXISTS AS A REFLECTION OF A COMPELLING REALITY--THE GROWING INTERDEPENDENCE OF THE WORLD'S NATIONS. AS MORE AND MORE COUNTRIES HAVE ASSERTED POLITICAL AND ECONOMIC INDEPENDENCE, THE MATRIX OF RELATIONS AMONG SOVEREIGN STATES HAS BECOME INCREASINGLY COMPLEX. ALL OF THIS MEANS THAT AN OUTLET FOR DISCUSSING MATTERS THAT CONCERN THE WORLD COMMUNITY IS AT LEAST AS IMPORTANT TODAY AS IT WAS IN 1945.

NOWHERE IS THIS MORE VIVIDLY DEMONSTRATED THAN IN THE INTERNATIONAL FINANCIAL SYSTEM. FAR MORE IS INVOLVED THAN EXPANDING WORLD MARKETS OR THE VITAL SIGNIFICANCE OF TRADE RELATIONS TO EACH NATION'S ECONOMY. EQUALLY IMPORTANT IS THE GROWING NEED FOR COORDINATION OF ECONOMIC DEVELOPMENT POLICIES AMONG NATIONS AND BLOCS OF NATIONS. INDEED, IT MAY BE RELEVANT TO ASK WHETHER THERE IS ANY LONGER A MEANINGFUL DISTINCTION BETWEEN DOMESTIC ECONOMIC POLICIES AND ECONOMIC RELATIONS BETWEEN GOVERNMENTS. FOR THE WIDESPREAD CONCERN OVER THE DEBT PROBLEMS OF DEVELOPING NATIONS AND IMBALANCES CAUSED BY FLUCTUATING EXCHANGE RATES DRAMATIZES THE CONVERGENCE OF FOREIGN AND DOMESTIC ECONOMIC

POLICY GOALS. ECONOMICALLY, AT LEAST, WE MAY WELL FIND OURSELVES CLOSER TO "ONE WORLD" THAN AT ANY TIME SINCE WENDELL WILLKIE COINED THAT MOMENTOUS PHRASE IN THE HOPEFUL SUMMER OF 1943.

#### DEBT, INFLATION AND RECENT ECONOMIC POLICIES

WHILE THE SO-CALLED INTERNATIONAL DEBT CRISIS AND THE VARIATIONS IN EXCHANGE RATES ARE OFTEN VIEWED AS SEPARATE PROBLEMS, THEY BOTH HAVE A COMMON HISTORY. BOTH, IN ESSENCE, STEM FROM THE FUNDAMENTAL PROBLEM OF INFLATION AND THE EFFORTS OF GOVERNMENTS EITHER TO SUBDUCE OR TO ACCOMMODATE THEMSELVES TO IT. A BRIEF REVIEW OF THE PAST DECADE OUGHT TO MAKE CLEAR WHY THIS IS SO.

DURING THE 1970'S BOTH PUBLIC AND PRIVATE DEVELOPMENT POLICY WAS GEARED TO ENCOURAGING RAPID GROWTH IN THE DEVELOPING WORLD. THERE WERE, AND STILL ARE, SOUND REASONS FOR SUCH AN ENTHUSIASTIC GROWTH STRATEGY. INCREASING THE WEALTH OF DEVELOPING COUNTRIES NOT ONLY BETTERS STANDARDS OF LIVING, BUT ALSO EXPANDS MARKETS TO THE BENEFIT OF EVERYONE. MOREOVER, THE RELAXATION OF POLITICAL TENSIONS CAUSED BY DISPARITIES IN WEALTH IS A PRIMARY GOAL OF ANY FOREIGN POLICY BUILT UPON THE FOUNDATIONS OF CO-EXISTENCE.

BUT THERE ARE DIFFERENT WAYS TO ACHIEVE GROWTH, JUST AS THERE ARE VERY REAL TRADEOFFS BETWEEN FOCUSING ON THE SHORT TERM VERSUS THE LONG TERM. UNFORTUNATELY, OVER THE PAST DECADE, THE EMPHASIS TOO OFTEN WAS ON THE FORMER. IN MANY CASES THAT HAS MEANT ECONOMIC STIMULUS WITHOUT PROPER ATTENTION TO THE FUNDAMENTALS THAT SUSTAIN PROSPERITY. PUBLIC AND PRIVATE LENDING WITHOUT CAREFUL EVALUATION OF THE PROSPECTS FOR A REAL RETURN ON THE INVESTMENT; PYRAMIDING DEBT TO AVOID FACING ECONOMIC REALITY; UNDERVALUING CURRENCIES TO MAINTAIN AN EXPORT POSITION THAT MIGHT OTHERWISE COLLAPSE; THESE ARE ALL EXAMPLES OF 'GROWTH STRATEGIES' THAT ARE MORE ILLUSION THAN SUBSTANCE. IN ADDITION, DEVELOPING NATIONS RESPONDED EXACTLY AS MANY INDUSTRIAL COUNTRIES DID TO THE ENERGY CRISIS. THEY ATTEMPTED TO MAINTAIN UNREALISTICALLY HIGH GROWTH RATES BY EXPANSIONARY MONETARY AND FISCAL POLICIES. THE PIPER DEMANDS HIS PAYMENT, AND IF THE SUM APPEARS EXORBITANT, THEN IT IS NO MORE EXAGGERATED THAN THE POLICIES THAT HAVE BROUGHT ON MUCH OF THE WORLD'S ECONOMIC MISERY.

NOW OF COURSE NO ONE PURSUES AN INEFFICIENT OR CARELESS DEVELOPMENT STRATEGY INTENTIONALLY. DEVELOPMENT DECISIONS ARE MADE IN THE CONTEXT OF CURRENT AND ANTICIPATED WORLD ECONOMIC CONDITIONS. FOR MOST OF THE 1970'S, CONTINUED INFLATION--RISING PRICE LEVELS AND READY AVAILABILITY OF MONEY--APPEARED TO BE A GOOD BET. SO IT COMES AS NO SURPRISE THAT GOVERNMENT OFFICIALS AND PRIVATE LENDERS SHOULD HAVE BANKED ON INFLATION IN EVALUATING DEVELOPMENT PROJECTS AND THE PROSPECTS FOR REPAYING FUNDS LENT. IN SUCH AN ATMOSPHERE, DECISIONS WERE MADE WITHOUT THE KIND OF RIGOROUS ANALYSIS OR WEIGHING OF RISK THAT A RELATIVELY STABLE, NON-INFLATIONARY ENVIRONMENT WOULD DEMAND.

THERE'S AN OLD SAYING THAT WHEN YOU'RE THROUGH CHANGING YOU'RE THROUGH. THAT DOESN'T MEAN THE PROCESS OF CHANGE IS AN EASY ONE. DISINFLATION IS A NOVEL WORD IN OUR MODERN ECONOMIC VOCABULARY. BUT IT IS, FOR INSTANCE, TEACHING US HARD LESSONS ABOUT SOME OF THE POLICIES AND PREJUDICES THAT HAVE TAKEN HOLD IN RECENT YEARS. WE ARE LEARNING THAT BANKING ON INFLATION CARRIES HIGH RISKS OF ITS OWN; THAT GROWTH STRATEGIES PREMISED ON AN EVER-UPWARD PRICE SPIRAL ACTUALLY BETRAY THE ASPIRATIONS OF THOSE WHO INHABIT THE DEVELOPING WORLD; AND THAT DEVELOPMENT PLANNING HAS TO FOCUS ON THE LONG TERM IF IT IS TO HAVE ANY MEANINGFUL RESULTS. SO WE HAVE A GOOD NEWS-BAD NEWS CONUNDRUM, IN WHICH THE DEBT PROBLEMS OF THE DEVELOPING WORLD--LIKE THE CORRESPONDING DIFFICULTIES OF THEIR CREDITORS IN THE DEVELOPED NATIONS--ARE A NATURAL CONSEQUENCE OF MOVING TOWARD A NON-INFLATIONARY ENVIRONMENT IN WHICH REAL, SUSTAINED GROWTH CAN PROSPER.

THIS IS OF COURSE A SIMPLIFIED VIEW. AND WE MUST RECOGNIZE THE PURSUIT OF GROWTH IS A CONSCIOUS EFFORT TO BREAK AWAY FROM REDISTRIBUTIONIST SCHEMES THAT COULD HAVE BENEFITTED DEVELOPING NATIONS ONLY AT THE COST OF LOWERING EXPECTATIONS AND SLOWING THE OVERALL PACE OF THE WORLD ECONOMY. YET IT IS FALSE TO ASSUME THAT OUR ONLY CHOICE IS BETWEEN A FLAWED GROWTH STRATEGY AND THE AUSTERITY OF REDISTRIBUTION. IN FACT, WE CAN REVISE OUR PLANS FOR GROWTH IN LIGHT OF EXPERIENCE; WE CAN DO A BETTER JOB THIS TIME AROUND. ALREADY, A CONSENSUS SEEMS TO BE FORMING THAT MIGHT LEAD TO MAJOR IMPROVEMENT. I ASK YOU TO CONSIDER, FOR EXAMPLE, SOME OF THE POSITIVE LESSONS WE HAVE LEARNED:

#### CLEARING THE AIR

REALITY HAS A WAY OF INTRUDING, ON THE GLOBAL STAGE AS WELL AS IN THE SENATORIAL ARENA. AND WHILE THIS DIFFICULT PERIOD OF TRANSITION FOR THE WORLD ECONOMY IS NOT SOMETHING ANYONE WOULD HAVE WISHED FOR OR DELIBERATELY PLANNED, IT MAY YET PERMIT US TO PREPARE FOR BETTER TIMES AHEAD BY CLEARING AWAY SOME PAST MISCONCEPTIONS AND MISTAKES. SURELY, TANGIBLE EVIDENCE EXISTS THAT WE ARE READY TO RESPOND TO SUCH A CHALLENGE.

THE ATTITUDE IN CONGRESS TOWARD THE REAGAN ADMINISTRATION REQUEST FOR AN INCREASE IN THE U.S. QUOTA FOR THE INTERNATIONAL MONETARY FUND IS A CASE IN POINT. WHILE THERE ARE STRONG DIFFERENCES AMONG INDIVIDUAL MEMBERS, I THINK IT FAIR TO CHARACTERIZE THE GENERAL VIEW AS ENLIGHTENED SKEPTICISM. MEMBERS OF CONGRESS SEEK GOOD, COMPELLING REASONS WHY THE UNITED STATES--AND THE OTHER PARTIES TO THE QUOTA INCREASE AGREEMENT, FOR THAT MATTER--SHOULD BEAR FINANCIAL RESPONSIBILITY FOR CUSHIONING THE IMPACT WHEN THE RISKS ASSOCIATED WITH

CARELESS FINANCIAL COMMITMENTS ARE REALIZED. EVERYONE UNDERSTANDS THE NEED TO PREVENT THE DISAPPEARANCE OF EXPORT MARKETS; EVERYONE WISHES TO AVOID THE POTENTIALLY CATASTROPHIC ECONOMIC CONTRACTION IN CERTAIN DEVELOPING NATIONS IF CREDIT IS CUT OFF. IT IS LESS CLEAR TO CONGRESS HOW THE COSTS OF BRIDGING THE GAP OUGHT TO BE DISTRIBUTED, AND WHAT KINDS OF SAFEGUARDS OUGHT TO BE INSTITUTED TO PREVENT THE SAME THING FROM HAPPENING IN THE FUTURE.

WITHOUT PASSING JUDGMENT ON THE MERITS OF THE IMF QUOTA INCREASE PROPOSAL, PERHAPS YOU WILL AGREE WITH ME THAT A TOUCH OF SKEPTICISM ABOUT THE WHOLE QUAGMIRE OF DEBT IS A HEALTHY THING. THAT DOES NOT JUSTIFY CYNICISM, RETRENCHMENT OR INDIFFERENCE. IT DOES RECOGNIZE A POSITIVE VALUE IN ASSERTING BETTER SAFEGUARDS AND GREATER PRUDENCE THAN HAS SOMETIMES CHARACTERIZED OVERSEAS LENDING IN THE PAST. WE HAVE A FINE LINE TO WALK IN BRIDGING THE TRANSITION TO WORLD RECOVERY. TO SUCCEED WE HAVE TO DISTINGUISH TRUE LIQUIDITY PROBLEMS FROM CASES WHERE PERPETUAL OPERATING SUBSIDIES CAN ONLY INCREASE AN UNHEALTHY DEPENDENCY. TO CONTROL OUR LOSSES, THESE DISTINCTIONS HAVE TO BE MADE. AMONG OTHER THINGS, SUCH AN APPROACH SHOULD LEAD TO MORE SUSTAINABLE TRADE AND FINANCIAL RELATIONS, LESS SUBJECT TO UPSETS BY SHIFTS IN THE WORLD ECONOMY OR DOMESTIC UPHEAVAL.

#### A POSITIVE REALISM

ANOTHER INDICATION OF THE NEW 'POSITIVE REALISM' REGARDING INTERNATIONAL ECONOMIC RELATIONS IS A MOUNTING REACTION AGAINST THE PROTECTIONIST THREAT THAT ITSELF AROSE AMIDST THE PAINS OF RECESSION AND THE DANGER POSED TO DOMESTIC INDUSTRIES. ACKNOWLEDGMENT BY THE OECD MINISTERS OF THE NEED TO ROLL BACK BARRIERS TO TRADE AS PART OF A LONG-TERM STRATEGY OF RECOVERY AND CONTINUED DEVELOPMENT IS NOT ONLY WELCOME; IT MAY WELL MARK A TURNING POINT IN THE PROGRESS TOWARDS WORLDWIDE RECOVERY. UNDOUBTEDLY, THERE WILL CONTINUE TO BE HAND-TO-HAND COMBAT ON QUESTIONS OF INDIVIDUAL MARKETS AND SPECIFIC BARRIERS, PERCEIVED OR REAL. THE UNITED STATES HAS A STRONG INTEREST IN OVERCOMING ARTIFICIAL BARRIERS TO ITS EXPORTS, AND WE WILL STAND OUR GROUND IN PROTECTING THOSE INTERESTS. BUT WE WILL FIGHT FAIR, AND WE WILL CHOOSE OUR CAUSES CAREFULLY. AT THE SAME TIME WE WILL CONTINUE TO WORK FOR THE EASING OF TRADE RESTRICTIONS ON A BROAD SCALE, BECAUSE IT IS IN OUR INTEREST TO DO SO, AND BECAUSE THE WORLD SHARES THAT INTEREST. THE DANGER OF MARKETS SEALED OFF BY DOMESTIC PRESSURES, AND THE ECONOMIC TAILSPIN THAT WOULD BE CERTAIN TO FOLLOW, APPEARS TO BE RECEDING. AND THAT IS ANOTHER HEALTHY SIGN THAT WE ARE ABLE TO LEARN FROM HARD EXPERIENCE. WISDOM IS ACCOMPANIED BY SCAR TISSUE, EVEN IF IT IS BETTER TO HAVE BOTH THAN NEITHER.

#### DEFICITS AND MONETARY RELATIONS

NONE OF OUR PROBLEMS OCCURS IN A VACUUM. NONE OF US ARE SHELTERED FROM THE CONCERNS OF OUR NEIGHBORS, OR THE DELICATE MECHANISMS OF AN INTERDEPENDENT ECONOMY. JUST AS DOMESTIC AND GLOBAL POLITICS CONVERGE ON QUESTIONS OF TRADE AND INTERNATIONAL LENDING, SO THEY MESH--OR IN SOME CASES CONFLICT--ON BASIC QUESTIONS OF INTERNATIONAL FINANCIAL RELATIONS. FOR MANY MONTHS NOW WE HAVE BEEN HEARING THE CRY, IN THE PRESS AND AMONG OUR OWN POLITICAL ALLIES, THAT THE DOLLAR IS OVERVALUED ON FOREIGN EXCHANGE MARKETS. THE CONSEQUENCES OF THIS, IT IS SAID, ARE LOSS OF EXPORT OPPORTUNITIES FOR THE UNITED STATES, WHILE FOREIGN CAPITAL IS DRAWN INTO THE U.S. THAT MIGHT OTHERWISE FUND INVESTMENT AND DEVELOPMENT ABROAD.

LET'S FACE FACTS. THE OPEN MARKET DECIDES THE VALUE OF THE DOLLAR. SO IF THERE IS A PROBLEM, IT MUST LIE IN THE ECONOMIC FUNDAMENTALS THAT THE MARKET READS AND INTERPRETS IN DETERMINING EXCHANGE RATES AMONG CURRENCIES. IF WE EXAMINE THOSE FUNDAMENTALS, WE SOON STUMBLE ACROSS THE PRINCIPAL VILLAIN: THE U.S. BUDGET DEFICIT. THAT DEFICIT HAS TO BE FINANCED, OUT OF SAVINGS IN THE U.S., OUT OF INVESTMENT FROM ABROAD -- OR FROM BOTH, AS IS NOW THE CASE. GIVEN THE LIMITED NET SAVINGS IN THE U.S. -- AVERAGING SEVEN PERCENT OVER THE PAST TWO DECADES -- THE TRADEOFF MUST COME BETWEEN ATTRACTING FOREIGN CAPITAL OR IMPINGING ON PRIVATE DOMESTIC INVESTMENT. WHEN THE BUDGET DEFICIT IS RUNNING AT SIX PERCENT OF GNP, AS IS NOW PROJECTED, THE CHOICE SHOULD BE CLEAR. TO DRAW FURTHER ON SAVINGS AVAILABLE FOR INVESTMENT WOULD UNDERMINE THE PROSPECTS FOR SUSTAINED RECOVERY IN THE U.S. IN OTHER WORDS, TO ARTIFICIALLY WEAKEN THE DOLLAR THROUGH MAJOR INTERVENTIONS IN FOREIGN EXCHANGE MARKETS WOULD WORK AGAINST OUR OWN DOMESTIC ECONOMIC GOALS, WITH INCALCULABLE NEGATIVE EFFECTS ON FOREIGN ECONOMIES. THE PROPER PATH TO FOLLOW, TO ACHIEVE DOMESTIC RECOVERY AND TO CORRECT THE VALUE OF THE DOLLAR, IS TO REDUCE THE BUDGET DEFICITS.

IF WE CAN DO THAT, THE EXORBITANT REAL INTEREST RATES THAT SUSTAIN THE DOLLAR'S HIGH VALUE SHOULD SUBSIDE. THAT WOULD HELP REDUCE OUR TRADE DEFICIT AS WELL. IS THERE ANY REALISTIC OPTION? I SUGGEST NOT: TO FINANCE THE BUDGET DEFICIT THROUGH INFLATIONARY MONEY CREATION, WHILE IT MIGHT BRING DOWN THE VALUE OF THE DOLLAR IN THE SHORT RUN, WOULD MERELY DISGUISE THE VILLAIN AND SUGGEST WE'VE LEARNED NOTHING FROM OUR BRUSH WITH CHAOS.

TO BE SURE, SOME OF OUR TRADING PARTNERS HAVE SUGGESTED THE DESIRABILITY OF SUCH A MOVE. BUT HERE WE COME TO THE CRUX OF THE PROBLEM. FOREIGN EXCHANGE MARKETS ARE UNRULY BECAUSE GOVERNMENTS ARE UNRULY. IN THE REAL AND IMPERFECT WORLD, THERE IS NO AGREEMENT ON COORDINATION OF FUNDAMENTAL ECONOMIC GOALS AND HOW TO REACH THEM. EXCHANGE RATES SIMPLY REFLECT THOSE BASIC DIFFERENCES. I THE UNITED STATES ATTACHES PRIORITY TO REDUCING INFLATION WHILE COUNTRY X SEEKS AN INFLATION AT ALL COSTS, IT IS NO SURPRISE TO SEE THE VALUE OF THE DOLLAR RISE RELATIVE TO X'S CURRENCY.

THE LACK OF COORDINATION AMONG DOMESTIC ECONOMIC POLICIES IS THE REAL SOURCE OF THE AGITATION FOR COMPREHENSIVE REVISION OF THE INTERNATIONAL MONETARY SYSTEM, OF A "BRETTON WOODS II" OR THE LIKE. FOR OUR PART, THE UNITED STATES HAS TAKEN THE POSITION THAT IT IS TOO SOON TO CONSIDER COMPREHENSIVE REFORMS. AND THAT PROBABLY IS A CORRECT STANCE. BUT THE TIME HAS ALSO COME FOR US TO BEGIN LAYING THE GROUNDWORK FOR BETTER ORDERING INTERNATIONAL ECONOMIC RELATIONS. NOT THROUGH MASSIVE GOVERNMENT INTERVENTION OR RESTRICTIONS ON MARKET BEHAVIOR -- BUT THROUGH COMMUNICATION, CONSULTATION, AND A REAL EFFORT TO BUILD A CONSENSUS ON SHARED ECONOMIC GOALS. INFLATION AND UNEMPLOYMENT ARE WORLDWIDE PROBLEMS. EACH NATION CAN DEAL WITH ONLY PART OF THE PROBLEM, WHILE THEIR DIFFERING DECISIONS HAVE IMPORTANT CONSEQUENCES FOR THE ECONOMIC ASPIRATIONS OF THEIR NEIGHBORS. THAT IS WHY, IF WE ARE SERIOUS ABOUT THE LONG-TERM GOAL OF ENDING BARRIERS TO TRADE, WE MUST SHOW A GREATER WILLINGNESS TO BALANCE OUR ECONOMIC GOALS AGAINST THOSE OF OUR TRADING PARTNERS.

THE ALTERNATIVES -- VARIOUS FORMS OF THE ECONOMIC STRAIGHT JACKET, RANGING FROM A WORLDWIDE GOLD STANDARD TO A RETURN TO FIXED EXCHANGES -- ARE POLICIES OF THE PAST, DUST-COVERED ANTIQUES THAT DESERVE TO BE RELEGATED TO THE HISTORICAL ATTIC. THE WORLD OF 1945 IS IRRETRIEVABLY LOST. TODAY, MARKETS ARE TOO COMPLEX AND INTERNATIONAL RELATIONS TOO CRITICAL TO RESPOND ADEQUATELY TO SOLUTIONS THAT WORKED IN A LESS DIVERSE UNIVERSE OF ECONOMIC POWERS. BECAUSE FREE MARKETS ARE ALWAYS GROPING FOR THE BEST INFORMATION ON WHICH TO BASE DECISIONS -- AND BECAUSE CURRENCY VALUES ARE AMONG THE MOST COMPLEX FACTORS THE MARKET MUST DETERMINE -- A GOOD CASE CAN BE MADE FOR A LIMITED GOVERNMENT ROLE TO SMOOTH MARKET FLUCTUATIONS. A BETTER CASE CAN BE MADE FOR GREATER OPENNESS ABOUT OUR ECONOMIC GOALS -- AND FOR STRONGER SOURCES OF INFORMATION THAT THE MARKET CAN EVALUATE.

THE PARTICIPANTS IN THE FORTCHOMING WILLIAMSBURG SUMMIT WILL ADDRESS THESE AND OTHER MATTERS. OBVIOUSLY, WE HOPE THEY WILL MAKE PROGRESS. WE ENTERTAIN AS WELL THE SEEMINGLY PARADOXICAL HOPE THAT WESTERN LEADERS WILL NOT DEPART VIRGINIA'S COLONIAL CAPITOL BELIEVING THEY HAVE FOUND A COMPREHENSIVE ANSWER TO THE PROBLEMS OF GROWTH AND DEVELOPMENT. FOR GOVERNMENTS ARE IMPERFECT REFLECTIONS OF HUMAN STRENGTHS AND WEAKNESSES. AS SUCH THEY CAN NEVER PROVIDE A FAIL-SAFE ANSWER. THEY CAN AGREE TO FOSTER FREE MARKETS, OR TO INTERVENE WHEN POLITICAL CONSIDERATIONS DEMAND IT. THEY CAN HELP TARGET AND DIRECT DEVELOPMENT. BUT THEY CANNOT CREATE WEALTH AND GREATER OPPORTUNITIES WITH A MAGIC WAND OR A THEORETICAL PRESCRIPTION. IT IS OFTEN TRUE THAT REVOLUTIONS ARE NOT RECOGNIZED BY THEIR CONTEMPORARIES. ONLY WHEN THEIR IMPACT HAS FILTERED THROUGH ALL ASPECTS OF SOCIETY CAN HISTORY MEASURE THE IMPACT. IN YEARS TO COME WE MAY LOOK BACK ON THESE YEARS AND DECIDE THEY USHERED IN A REVOLUTION IN INTERNATIONAL ECONOMIC RELATIONS: THE FINAL STAGES OF THE MOVEMENT TOWARD GENUINE WORLD MARKETS, AND THE RESULTING DECLINE OF AUTONOMOUS ECONOMIC DECISIONS BY INDIVIDUAL NATIONS. CHANGE IS UPON US. WE CAN MOVE WITH IT AND PAVE THE WAY FOR THE GENERATION OF GREATER RESOURCES TO DEPLOY AGAINST THE WORLD'S ILLS OF POVERTY, HUNGER, AND WANT. OR WE CAN RESIST THE TIDE AND LOCK AWAY THE TREMENDOUS POTENTIAL OF THE FREE INTERNATIONAL MARKETPLACE. THE SIGNS ARE GROWING THAT WE WILL ACCEPT THE FUTURE, AND THRIVE ON IT. THAT IS OUR BEST HOPE, AND OUR CLEAREST LINK WITH THE SPIRIT THAT GAVE BIRTH TO THE UNITED NATIONS IN THE WARTIME CAMARADERIE OF A GLOBAL CRUSADE.

#### AN ANTIDOTE TO DOUBT

MORE THAN ANYONE ELSE, FRANKLIN ROOSEVELT MIGHT JUSTIFIABLY BE LABELED THE ARCHITECT OF THE U.N. AND EVEN THOUGH REPUBLICANS AREN'T SUPPOSED TO QUOTE THE FOUNDING FATHER OF A DEMOCRATIC COALITION AND THE WELFARE STATE IT CREATED, NO COMMEMORATION OF INTERNATIONAL SOLIDARITY CAN BE COMPLETE WITHOUT THE WORDS F.D.R. WROTE ON THE LAST DAY OF HIS REMARKABLE LIFE.

THAT MORNING, HE SPOKE OF RESIGNING THE PRESIDENCY TO HEAD THE NEW WORLD BODY IN WHICH HE PLACED SUCH STOCK. IN HIS MIND, HE CARRIED THE THOUGHTS FIRST EXPRESSED IN WRITING ONLY THE DAY BEFORE, A FORECAST OF THE PROBLEMS AND THE POTENTIAL THAT AWAITED A NATION ABOUT TO EMBARK ON A CAMPAIGN TO ELIMINATE THE SCOURGE OF WAR. "THE ONLY LIMIT TO OUR REALIZATION OF TOMORROW", HE WROTE, "WILL BE OUR DOUBTS OF TODAY."

NOW AS THEN, WE ARE SHACKLED BY UNCERTAINTY AS MUCH AS BY HIGH INTEREST RATES. WE ARE DIVIDED BY SUSPICION, POLITICS, AND CONFLICTING PRIORITIES. BUT OUT OF THE PAIN AND TUMULT OF THE RECENT PAST HAS EMERGED AT LEAST A BROAD CONSENSUS THAT FISCAL SELF-DISCIPLINE AND DOMESTIC PRODUCTIVITY ARE THE ONLY MEANS TO FOSTER A MORE JUST, MORE ABUNDANT LIFE FOR THE PEOPLE OF THIS PLANET. THAT IS WHAT THE UNITED NATIONS IS ALL ABOUT. THAT IS THE DOMINANT OBJECTIVE WITHIN THIS ROOM TODAY. AND THAT MUST BE THE HOPE ON WHICH WE BASE FUTURE POLICIES. I CANNOT ACCEPT OUR INABILITY TO LEARN FROM WHAT HAS GONE BEFORE. ABOVE EVERYTHING ELSE, THE U.N. AND ITS SUPPORTERS CAN BE A FORCE FOR RATIONALITY IN AN IRRATIONAL WORLD. SO EMPLOY YOUR TALENTS. INVEST YOUR ENERGIES. MAKE KNOWN TO THE PUBLIC, BOTH HERE AND ABROAD, THE PROMISING VISTA THAT LIES BEFORE US, IF ONLY WE LIVE UP TO EVEN SOME OF THE CHARTER'S COMMITMENT TO CO-OPERATION AND INDIVIDUAL RIGHTS. OUR DOUBTS MAY NEVER BE FULLY ERASED. BUT OUR DESTINIES DRAW NEARER WITH EACH DAY. WITH YOUR HELP, WE WILL CONTROL THE ONE -- AND COMMAND THE OTHER.

THANK YOU VERY MUCH.