

Political Offices: U.S. House of Representatives: Subjects: Kennedy, John F., President

Thomas P. Gill Papers

Political Offices, U.S. House of Representatives, Subjects, Box PO45, Folder 2

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THE NEW FRONTIER

*Acceptance Speech of
Senator John F. Kennedy
Democratic National Convention
July 15, 1960*

THE NEW FRONTIER

With a deep sense of duty and high resolve, I accept your nomination.

I accept it with a full and grateful heart—without reservation—and with only one obligation—the obligation to devote every effort of body, mind and spirit to lead our Party back to victory and our nation back to greatness.

I am grateful, too, that you have provided me with such an eloquent statement of our Party's platform. Pledges which are made so eloquently are made to be kept. "The Rights of Man"—the civil and economic rights essential to the human dignity of all men—are indeed our goal and our first principles. This is a platform on which I can run with enthusiasm and conviction.

And I am grateful, finally, that I can rely in the coming months on so many others—on a distinguished running-mate who brings unity to our ticket and strength to our platform, Lyndon Johnson—on one of the most articulate statesman of our time, Adlai Stevenson—on a great spokesman for our needs as a nation and a people, Stuart Symington—and on that fighting campaigner whose support I welcome, President Harry S. Truman.

I feel a lot safer now that they are on my side again. And I am proud of the contrast with our Republican competitors. For their ranks are apparently so thin that not one challenger has come forth with both the competence and the courage to make theirs an open convention.

I am fully aware of the fact that the Democratic Party, by nominating someone of my faith, has taken on what many regard as a new and hazardous risk—new, at least, since 1928. But I look at it this way: the Democratic Party has once again placed its confidence in the American people, and in their ability to render a free, fair judgment. And you have, at the same time, placed your confidence in me, and in my ability to render a free, fair judgment—to uphold the Constitution and my oath of office—and to reject any kind of religious pressure or obligation that might directly or indirectly interfere with my conduct of the Presidency in the national interest. My record of fourteen years supporting public education—supporting complete separation of church and state—and resisting pressure from any source on any issue should be clear by now to everyone.

I hope that no American, considering the really critical issues facing this country, will waste his franchise by voting either for me or against me solely on account of my religious affiliation. It is not relevant, I want to stress, what some other political or religious leader may have said on this subject. It is not relevant what abuses may have existed in other countries or in other times. It is not relevant what pressures, if any, might conceivably be brought to bear on me. I am telling you now what you are entitled to know: that my decisions on every public policy will be my own—as an American, a Democrat and a free man.

Under any circumstances, however, the victory we seek in November will not be easy. We all know that in our hearts. We recognize the power of the forces that will be aligned against us. We know they will invoke the name of Abraham Lincoln on behalf of their candidate—despite the fact that his political career has often seemed to show charity toward none and malice for all.

We know that it will not be easy to campaign against a man who has spoken or voted on every known side of every known issue. Mr. Nixon may feel it is his turn now, after the New Deal and the Fair Deal—but before he deals, someone had better cut the cards.

That “someone” may be the millions of Americans who voted for President Eisenhower but balk at his would be, self-appointed successor. For just as historians tell us that Richard I was not fit to fill the shoes of bold Henry II—and that Richard Cromwell was not fit to wear the mantle of his uncle—they might add in future years that Richard Nixon did not measure to the footsteps of Dwight D. Eisenhower.

Perhaps he could carry on the party policies—the policies of Nixon, Benson, Dirksen and Goldwater. But this nation cannot afford such a luxury. Perhaps we could afford a Coolidge following Harding. And perhaps we could afford a Pierce following Fillmore. But after Buchanan this nation needed a Lincoln—after Taft we needed a Wilson—after Hoover we needed Franklin Roosevelt. . . . And after eight years of drugged and fitful sleep, this nation needs strong, creative Democratic leadership in the White House.

But we are not merely running against Mr. Nixon. Our task is not merely one of itemizing Republican failures. Nor is that wholly necessary. For the families forced from the farm

will know how to vote without our telling them. The unemployed miners and textile workers will know how to vote. The old people without medical care—the families without a decent home—the parents of children without adequate food or schools—they all know that it's time for a change.

But I think the American people expect more from us than cries of indignation and attack. The times are too grave, the challenge too urgent, and the stakes too high—to permit the customary passions of political debate. We are not here to curse the darkness, but to light the candle that can guide us through that darkness to a safe and sane future. As Winston Churchill said on taking office some 20 years ago: if we open a quarrel between the present and the past, we shall be in danger of losing the future.

Today our concern must be with that future. For the world is changing. The old era is ending. The old ways will not do.

Abroad, the balance of power is shifting. There are new and more terrible weapons—new and uncertain nations—new pressures of population and deprivation. One-third of the world, it has been said, may be free—but one-third is the victim of cruel repression—and the other one-third is rocked by the pangs of poverty, hunger and envy. More energy is released by the awakening of these new nations than by the fission of the atom itself.

Meanwhile, Communist influence has penetrated further into Asia, stood astride the Middle East and now festers some ninety miles off the coast of Florida. Friends have slipped into neutrality—and neutrals into hostility. As our keynoter reminded us, the President who began his career by going to Korea ends it by staying away from Japan.

The world has been close to war before—but now man, who has survived all previous threats to his existence, has taken into his mortal hands the power to exterminate the entire species some seven times over.

Here at home, the changing face of the future is equally revolutionary. The New Deal and the Fair Deal were bold measures for their generations—but this is a new generation.

A technological revolution on the farm has led to an output explosion—but we have not yet learned to harness that explosion usefully, while protecting our farmers' right to full parity income.

An urban population revolution has overcrowded our schools, cluttered up our suburbs, and increased the squalor of our slums.

A peaceful revolution for human rights—demanding an end to racial discrimination in all parts of our community life—has strained at the leashes imposed by timid executive leadership.

A medical revolution has extended the life of our elder citizens without providing the dignity and security those later years deserve. And a revolution of automation finds machines replacing men in the mines and mills of America, without replacing their incomes or their training or their needs to pay the family doctor, grocer and landlord.

There has also been a change—a slippage—in our intellectual and moral strength. Seven lean years of drouth and famine have withered a field of ideas. Blight has descended on our regulatory agencies—and a dry rot, beginning in Washington, is seeping into every corner of America—in the payola mentality, the expense account way of life, the confusion between what is legal and what is right. Too many Americans have lost their way, their will and their sense of historic purpose.

It is a time, in short, for a new generation of leadership—new men to cope with new problems and new opportunities.

All over the world, particularly in the newer nations, young men are coming to power—men who are not bound by the traditions of the past—men who are not blinded by the old fears and hates and rivalries—young men who can cast off the old slogans and delusions and suspicions.

The Republican nominee-to-be, of course, is also a young man. But his approach is as old as McKinley. His party is the party of the past. His speeches are generalities from Poor Richard's Almanac. Their platform, made up of left-over Democratic planks, has the courage of our old convictions. Their pledge is a pledge to the status quo—and today there can be no status quo.

For I stand tonight facing west on what was once the last frontier. From the lands that stretch 3000 miles behind me, the pioneers of old gave up their safety, their comfort and sometimes their lives to build a new world here in the West. They were not the captives of their own doubts, the prisoners of their own price tags. Their motto was not "every man for himself"—but "all for the common cause." They were determined to make that new world strong and free, to overcome its hazards and its hardships, to conquer the enemies that threatened from without and within.

Today some would say that those struggles are all over—

that all the horizons have been explored—that all the battles have been won—that there is no longer an American frontier.

But I trust that no one in this vast assemblage will agree with those sentiments. For the problems are not all solved and the battles are not all won—and we stand today on the edge of a New Frontier—the frontier of the 1960's—a frontier of unknown opportunities and perils—a frontier of unfulfilled hopes and threats.

Woodrow Wilson's New Freedom promised our nation a new political and economic framework. Franklin Roosevelt's New Deal promised security and succor to those in need. But the New Frontier of which I speak is not a set of promises—it is a set of challenges. It sums up not what I intend to **offer** the American people, but what I intend to **ask** of them. It appeals to their pride, not to their pocketbook—it holds out the promise of more sacrifice instead of more security.

But I tell you the New Frontier is here, whether we seek it or not. Beyond that frontier are the uncharted areas of science and space, unsolved problems of peace and war, unconquered pockets of ignorance and prejudice, unanswered questions of poverty and surplus. It would be easier to shrink back from that frontier, to look to the safe mediocrity of the past, to be lulled by good intentions and high rhetoric—and those who prefer that course should not cast their votes for me, regardless of party.

But I believe the times demand invention, innovation, imagination, decision. I am asking each of you to be new pioneers on that New Frontier. My call is to the young in heart, regardless of age—to the stout in spirit, regardless of party—to all who respond to the Scriptural call: "Be strong and of a good courage; be not afraid, neither be thou dismayed."

For courage—not complacency—is our need today—leadership—not salesmanship. And the only valid test of leadership is the ability to lead, and lead vigorously. A tired nation, said David Lloyd George, is a Tory nation—and the United States today cannot afford to be either tired or Tory.

There may be those who wish to hear more—more promises to this group or that—more harsh rhetoric about the men in the Kremlin—more assurances of a golden future, where taxes are always low and subsidies ever high. But my promises are in the platform you have adopted—our ends will not be won by rhetoric and we can have faith in the future only if we have faith in ourselves.

For the harsh facts of the matter are that we stand on this frontier at a turning-point in history. We must prove all over again whether this nation—or any nation so conceived—can long endure—whether our society—with its freedom of choice, its breadth of opportunity, its range of alternatives—can compete with the single-minded advance of the Communist system.

Can a nation organized and governed such as ours endure? That is the real question. Have we the nerve and the will? Can we carry through in an age where we will witness not only new breakthroughs in weapons of destruction—but also a race for mastery of the sky and the rain, the ocean and the tides, the far side of space and the inside of men's minds?

Are we up to the task—are we equal to the challenge? Are we willing to match the Russian sacrifice of the present for the future—or must we sacrifice our future in order to enjoy the present?

That is the question of the New Frontier. That is the choice our nation must make—a choice that lies not merely between two men or two parties, but between the public interest and private comfort—between national greatness and national decline—between the fresh air of progress and the stale, dank atmosphere of "normalcy"—between determined dedication and creeping mediocrity.

All mankind waits upon our decision. A whole world looks to see what we will do. We cannot fail their trust, we cannot fail to try.

* * *

It has been a long road from that first snowy day in New Hampshire to this crowded convention city. Now begins another long journey, taking me into your cities and homes all over America. Give me your help, your hand, your voice, your vote. Recall with me the words of Isaiah: "They that wait upon the Lord shall renew their strength; they shall mount up with wings as eagles; they shall run, and not be weary."

As we face the coming challenge, we too, shall wait upon the Lord, and ask that He renew our strength. Then shall we be equal to the test. Then we shall not be weary. And then we shall prevail.

June 10, 1963

Office of the White House Press Secretary

THE WHITE HOUSEREMARKS OF THE PRESIDENT AT
AMERICAN UNIVERSITY, WASHINGTON,
D. C., JUNE 10, 1963.

(As actually delivered)

President Anderson, members of the faculty, Board of Trustees, distinguished guests, my old colleague, Senator Bob Byrd, who has earned his degree through many years of attending night law school, while I am earning mine in the next 30 minutes, ladies and gentlemen:

It is with great pride that I participate in this ceremony of the American University, sponsored by the Methodist Church, founded by Bishop John Fletcher Hurst, and first opened by President Woodrow Wilson in 1914. This is a young and growing university, but it has already fulfilled Bishop Hurst's enlightened hope for the study of history and public affairs in a city devoted to the making of history and to the conduct of the public's business. By sponsoring this institution of higher learning for all who wish to learn, whatever their color or their creed, the Methodists of this area and the nation deserve the nation's thanks, and I commend all those who are today graduating.

Professor Woodrow Wilson once said that every man sent out from a university should be a man of his nation as well as a man of his time, and I am confident that the men and women who carry the honor of graduating from this institution will continue to give from their lives, from their talents, a high measure of public service and public support.

"There are few earthly things more beautiful than a University," wrote John Masefield, in his tribute to the English Universities -- and his words are equally true here. He did not refer to spires and towers, to campus greens and ivied walls. He admired the splendid beauty of the University, he said, because it was "a place where those who hate ignorance may strive to know, where those who perceive truth may strive to make others see."

I have, therefore, chosen this time and this place to discuss a topic on which ignorance too often abounds and the truth is too rarely perceived -- yet it is the most important topic on earth: world peace.

What kind of peace do I mean? What kind of peace do we seek? Not a Pax Americana enforced on the world by American weapons of war. Not the peace of the grave or the security of the slave. I am talking about genuine peace -- the kind of peace that makes life on earth worth living -- the kind that enables men and nations to grow and to hope and to build a better life for their children -- not merely peace for Americans but peace for all men and women -- not merely peace in our time but peace for all time.

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I speak of peace because of the new face of war. Total war makes no sense in an age when great powers can maintain large and relatively invulnerable nuclear forces and refuse to surrender without resort to those forces. It makes no sense in an age when a single nuclear weapon contains almost ten times the explosive force delivered by all of the allied air forces in the Second World War. It makes no sense in an age when the deadly poisons produced by a nuclear exchange would be carried by the wind and water and soil and seed to the far corners of the globe and to generations yet unborn.

Today the expenditure of billions of dollars every year on weapons acquired for the purpose of making sure we never need to use them is essential to keeping the peace. But surely the acquisition of such idle stockpiles -- which can only destroy and never create -- is not the only, much less the most efficient, means of assuring peace.

I speak of peace, therefore, as the necessary rational end of rational men. I realize that the pursuit of peace is not as dramatic as the pursuit of war -- and frequently the words of the pursuer fall on deaf ears. But we have no more urgent task.

Some say that it is useless to speak of world peace or world law or world disarmament -- and that it will be useless until the leaders of the Soviet Union adopt a more enlightened attitude. I hope they do. I believe we can help them do it. But I also believe that we must re-examine our own attitude -- as individuals and as a Nation -- for our attitude is as essential as theirs. And every graduate of this school, every thoughtful citizen who despairs of war and wishes to bring peace, should begin by looking inward -- by examining his own attitude toward the possibilities of peace, toward the Soviet Union, toward the course of the Cold War and toward freedom and peace here at home.

First: Let us examine our attitude toward peace itself. Too many of us think it is impossible. To many think it unreal. But that is a dangerous, defeatist belief. It leads to the conclusion that war is inevitable -- that mankind is doomed -- that we are gripped by forces we cannot control.

We need not accept that view. Our problems are man-made -- therefore, they can be solved by man. And man can be as big as he wants. No problem of human destiny is beyond human beings. Man's reason and spirit have often solved the seemingly unsolvable -- and we believe they can do it again.

I am not referring to the absolute, infinite concept of universal peace and good will of which some fantasies and fanatics dream. I do not deny the values of hopes and dreams but we merely invite discouragement and incredulity by making that our only and immediate goal.

Let us focus instead on a more practical, more attainable peace -- based not on a sudden revolution in human nature but on a gradual evolution in human institutions -- on a series of concrete actions and effective agreements which are in the interest of all concerned. There is no single, simple key to this peace -- no grand or magic formula to be adopted by one or two powers. Genuine peace must be the product of

many nations, the sum of many acts. It must be dynamic, not static, changing to meet the challenge of each new generation. For peace is a process -- a way of solving problems.

With such a peace, there will still be quarrels and conflicting interests, as there are within families and nations. World peace, like community peace, does not require that each man love his neighbor -- it requires only that they live together in mutual tolerance, submitting their disputes to a just and peaceful settlement. And history teaches us that enmities between nations, as between individuals, do not last forever. However fixed our likes and dislikes may seem, the tide of time and events will often bring surprising changes in the relations between nations and neighbors.

So let us persevere. Peace need not be impracticable -- and war need not be inevitable. By defining our goal more clearly -- by making it seem more manageable and less remote -- we can help all peoples to see it, to draw hope from it, and to move irresistibly toward it.

Second: Let us re-examine our attitude toward the Soviet Union. It is discouraging to think that their leaders may actually believe what their propagandists write. It is discouraging to read a recent authoritative Soviet text on Military Strategy and find, on page after page, wholly baseless and incredible claims -- such as the allegation that "American imperialist circles are preparing to unleash different types of wars . . . that there is a very real threat of a preventive war being unleashed by American imperialists against the Soviet Union . . . (and that) the political aims of the American imperialists are to enslave economically and politically the European and other capitalist countries . . . (and) to achieve world domination . . . by means of aggressive wars."

Truly, as it was written long ago: "The wicked flee when no man pursueth." Yet it is sad to read these Soviet statements -- to realize the extent of the gulf between us. But it is also a warning -- a warning to the American people not to fall into the same trap as the Soviets, not to see only a distorted and desperate view of the other side, not to see conflict as inevitable, accommodation as impossible and communication as nothing more than an exchange of threats.

No government or social system is so evil that its people must be considered as lacking in virtue. As Americans, we find communism profoundly repugnant as a negation of personal freedom and dignity. But we can still hail the Russian people for their many achievements -- in science and space, in economic and industrial growth, in culture and in acts of courage.

Among the many traits the peoples of our two countries have in common, none is stronger than our mutual abhorrence of war. Almost unique, among the major world powers, we have never been at war with each other. And no nation in the history of battle ever suffered more than the Soviet Union suffered in the course of the Second World War. At least 20 million lost their lives. Countless millions of homes and farms were burned or sacked. A third of the nation's territory, including nearly two-thirds of its industrial base, was turned into a wasteland -- a loss equivalent to the devastation of this country east of Chicago.

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Today, should total war ever break out again -- no matter how -- our two countries would become the primary targets. It is an ironical but accurate fact that the two strongest powers are the two in the most danger of devastation. All we have built, all we have worked for, would be destroyed in the first 24 hours. And even in the Cold War, which brings burdens and dangers to so many countries, including this Nation's closest allies -- our two countries bear the heaviest burdens. For we are both devoting massive sums of money to weapons that could be better devoted to combating ignorance, poverty and disease. We are both caught up in a vicious and dangerous cycle in which suspicion on one side breeds suspicion on the other, and new weapons beget counter-weapons.

In short, both the United States and its allies, and the Soviet Union and its allies, have a mutually deep interest in a just and genuine peace and in halting the arms race. Agreements to this end are in the interests of the Soviet Union as well as ours -- and even the most hostile nations can be relied upon to accept and keep those treaty obligations, and only those treaty obligations, which are in their own interest.

So, let us not be blind to our differences -- but let us also direct attention to our common interests and to the means by which those differences can be resolved. And if we cannot end now our differences, at least we can help make the world safe for diversity. For, in the final analysis, our most basic common link is that we all inhabit this planet. We all breathe the same air. We all cherish our children's future. And we are all mortal.

Third: Let us re-examine our attitude toward the Cold War, remembering that we are not engaged in a debate, seeking to pile up debating points. We are not here distributing blame or pointing the finger of judgment. We must deal with the world as it is, and not as it might have been had the history of the last eighteen years been different.

We must, therefore, persevere in the search for peace in the hope that constructive changes within the Communist bloc might bring within reach solutions which now seem beyond us. We must conduct our affairs in such a way that it becomes in the Communists' interest to agree on a genuine peace. Above all, while defending our own vital interests, nuclear powers must avert those confrontations which bring an adversary to a choice of either a humiliating retreat or a nuclear war. To adopt that kind of course in the nuclear age would be evidence only of the bankruptcy of our policy -- or of a collective death-wish for the world.

To secure these ends, America's weapons are non-provocative, carefully controlled, designed to deter and capable of selective use. Our military forces are committed to peace and disciplined in self-restraint. Our diplomats are instructed to avoid unnecessary irritants and purely rhetorical hostility.

For we can seek a relaxation of tensions without relaxing our guard. And, for our part, we do not need to use threats to prove that we are resolute. We do not need to jam foreign broadcasts out of fear our faith will be eroded. We are unwilling to impose our system on any unwilling people --

but we are willing and able to engage in peaceful competition with any people on earth.

Meanwhile, we seek to strengthen the United Nations, to help solve its financial problems, to make it a more effective instrument of peace, to develop it into a genuine world security system -- a system capable of resolving disputes on the basis of law, of insuring the security of the large and the small, and of creating conditions under which arms can finally be abolished.

At the same time we seek to keep peace inside the non-communist world, where many nations, all of them our friends, are divided over issues which weaken western unity, which invite communist intervention or which threaten to erupt into war. Our efforts in West New Guinea, in the Congo, in the Middle East and in the Indian subcontinent, have been persistent and patient despite criticism from both sides. We have also tried to set an example for others -- by seeking to adjust small but significant differences with our own closest neighbors in Mexico and in Canada.

Speaking of other nations, I wish to make one point clear. We are bound to many nations by alliances. Those alliances exist because our concern and theirs substantially overlap. Our commitment to defend Western Europe and West Berlin, for example, stands undiminished because of the identity of our vital interests. The United States will make no deal with the Soviet Union at the expense of other nations and other peoples, not merely because they are our partners, but also because their interests and ours converge.

Our interests converge, however, not only in defending the frontiers of freedom, but in pursuing the paths of peace. It is our hope -- and the purpose of Allied policies -- to convince the Soviet Union that she, too, should let each nation choose its own future, so long as that choice does not interfere with the choices of others. The communist drive to impose their political and economic system on others is the primary cause of world tension today. For there can be no doubt that, if all nations could refrain from interfering in the self-determination of others, the peace would be much more assured.

This will require a new effort to achieve world law -- a new context for world discussions. It will require increased understanding between the Soviets and ourselves. And increased understanding will require increased contact and communication. One step in this direction is the proposed arrangement for a direct line between Moscow and Washington, to avoid on each side the dangerous delays, misunderstandings, and misreadings of the other's actions which might occur at a time of crisis.

We have also been talking in Geneva about other first-step measures of arms control, designed to limit the intensity of the arms race and to reduce the risks of accidental war. Our primary long-range interest in Geneva, however, is general and complete disarmament -- designed to take place by stages, permitting parallel political developments to build the new institutions of peace which would take the place of arms. The pursuit of disarmament has been an effort of this Government since the 1920's. It has been urgently sought by the past three Administrations. And however dim the prospects may be

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today, we intend to continue this effort -- to continue it in order that all countries, including our own, can better grasp what the problems and possibilities of disarmament are.

The one major area of these negotiations where the end is in sight -- yet where a fresh start is badly needed -- is in a treaty to outlaw nuclear tests. The conclusion of such a treaty -- so near and yet so far -- would check the spiraling arms race in one of its most dangerous areas. It would place the nuclear powers in a position to deal more effectively with one of the greatest hazards which man faces in 1963, the further spread of nuclear arms. It would increase our security -- it would decrease the prospects of war. Surely this goal is sufficiently important to require our steady pursuit, yielding neither to the temptation to give up the whole effort nor the temptation to give up our insistence on vital and responsible safeguards.

I am taking this opportunity, therefore, to announce two important decisions in this regard.

First: Chairman Khrushchev, Prime Minister Macmillan and I have agreed that high-level discussions will shortly begin in Moscow looking toward early agreement on a comprehensive test ban treaty. Our hopes must be tempered with the caution of history --but with our hopes go the hopes of all mankind.

Second: To make clear our good faith and solemn convictions on the matter, I now declare that the United States does not propose to conduct nuclear tests in the atmosphere so long as other states do not do so. We will not be the first to resume. Such a declaration is no substitute for a formal binding treaty -- but I hope it will help us achieve one. Nor would such a treaty be a substitute for disarmament -- but I hope it will help us achieve it.

Finally, my fellow Americans, let us examine our attitude toward peace and freedom here at home. The quality and spirit of our own society must justify and support our efforts abroad. We must show it in the dedication of our own lives -- as many of you who are graduating today will have a unique opportunity to do, by serving without pay in the Peace Corps abroad or in the proposed National Service Corps here at home.

But wherever we are, we must all, in our daily lives, live up to the age-old faith that peace and freedom walk together. In too many of our duties today, the peace is not secure because freedom is incomplete.

It is the responsibility of the Executive Branch at all levels of government -- local, state and national -- to provide and protect that freedom for all of our citizens by all means within their authority. It is the responsibility of the Legislative Branch at all levels, wherever that authority is not now adequate, to make it adequate. And it is the responsibility of all citizens in all sections of this country to respect the rights of all others and to respect the law of the land.

All this is not unrelated to world peace. "When a man's ways please the Lord," the Scriptures tell us, "he maketh even his enemies to be at peace with him." And is not peace, in the last analysis, basically a matter of human rights -- the right to live out our lives without fear of devastation -- the right to breathe air as nature provided it -- the right of future generations to a healthy existence?

While we proceed to safeguard our national interests, let us also safeguard human interests. And the elimination of war and arms is clearly in the interest of both. No treaty, however much it may be to the advantage of all, however tightly it may be worded, can provide absolute security against the risks of deception and evasion. But it can -- if it is sufficiently effective in its enforcement and if it is sufficiently in the interests of its signers -- offer far more security and far fewer risks than an unabated, uncontrolled, unpredictable arms race.

The United States, as the world knows, will never start a war. We do not want a war. We do not now expect a war. This generation of Americans has already had enough -- more than enough -- of war and hate and oppression. We shall be prepared if others wish it. We shall be alert to try to stop it. But we shall also do our part to build a world of peace where the weak are safe and the strong are just. We are not helpless before that task or hopeless of its success. Confident and unafraid, we labor on -- not toward a strategy of annihilation but toward a strategy of peace.

END

June 10, 1963

Office of the White House Press Secretary

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D. C., JUNE 10, 1963.

(As actually delivered)

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I speak of peace because of the new face of war. Total war makes no sense in an age when great powers can maintain large and relatively invulnerable nuclear forces and refuse to surrender without resort to those forces. It makes no sense in an age when a single nuclear weapon contains almost ten times the explosive force delivered by all of the allied air forces in the Second World War. It makes no sense in an age when the deadly poisons produced by a nuclear exchange would be carried by the wind and water and soil and seed to the far corners of the globe and to generations yet unborn.

Today the expenditure of billions of dollars every year on weapons acquired for the purpose of making sure we never need to use them is essential to keeping the peace. But surely the acquisition of such idle stockpiles -- which can only destroy and never create -- is not the only, much less the most efficient, means of assuring peace.

I speak of peace, therefore, as the necessary rational end of rational men. I realize that the pursuit of peace is not as dramatic as the pursuit of war -- and frequently the words of the pursuer fall on deaf ears. But we have no more urgent task.

Some say that it is useless to speak of world peace or world law or world disarmament -- and that it will be useless until the leaders of the Soviet Union adopt a more enlightened attitude. I hope they do. I believe we can help them do it. But I also believe that we must re-examine our own attitude -- as individuals and as a Nation -- for our attitude is as essential as theirs. And every graduate of this school, every thoughtful citizen who despairs of war and wishes to bring peace, should begin by looking inward -- by examining his own attitude toward the possibilities of peace, toward the Soviet Union, toward the course of the Cold War and toward freedom and peace here at home.

First: Let us examine our attitude toward peace itself. Too many of us think it is impossible. To many think it unreal. But that is a dangerous, defeatist belief. It leads to the conclusion that war is inevitable -- that mankind is doomed -- that we are gripped by forces we cannot control.

We need not accept that view. Our problems are man-made -- therefore, they can be solved by man. And man can be as big as he wants. No problem of human destiny is beyond human beings. Man's reason and spirit have often solved the seemingly unsolvable -- and we believe they can do it again.

I am not referring to the absolute, infinite concept of universal peace and good will of which some fantasies and fanatics dream. I do not deny the values of hopes and dreams but we merely invite discouragement and incredulity by making that our only and immediate goal.

Let us focus instead on a more practical, more attainable peace -- based not on a sudden revolution in human nature but on a gradual evolution in human institutions -- on a series of concrete actions and effective agreements which are in the interest of all concerned. There is no single, simple key to this peace -- no grand or magic formula to be adopted by one or two powers. Genuine peace must be the product of

many nations, the sum of many acts. It must be dynamic, not static, changing to meet the challenge of each new generation. For peace is a process -- a way of solving problems.

With such a peace, there will still be quarrels and conflicting interests, as there are within families and nations. World peace, like community peace, does not require that each man love his neighbor -- it requires only that they live together in mutual tolerance, submitting their disputes to a just and peaceful settlement. And history teaches us that enmities between nations, as between individuals, do not last forever. However fixed our likes and dislikes may seem, the tide of time and events will often bring surprising changes in the relations between nations and neighbors.

So let us persevere. Peace need not be impracticable -- and war need not be inevitable. By defining our goal more clearly -- by making it seem more manageable and less remote -- we can help all peoples to see it, to draw hope from it, and to move irresistibly toward it.

Second: Let us re-examine our attitude toward the Soviet Union. It is discouraging to think that their leaders may actually believe what their propagandists write. It is discouraging to read a recent authoritative Soviet text on Military Strategy and find, on page after page, wholly baseless and incredible claims -- such as the allegation that "American imperialist circles are preparing to unleash different types of wars . . . that there is a very real threat of a preventive war being unleashed by American imperialists against the Soviet Union . . . (and that) the political aims of the American imperialists are to enslave economically and politically the European and other capitalist countries . . . (and) to achieve world domination . . . by means of aggressive wars."

Truly, as it was written long ago: "The wicked flee when no man pursueth." Yet it is sad to read these Soviet statements -- to realize the extent of the gulf between us. But it is also a warning -- a warning to the American people not to fall into the same trap as the Soviets, not to see only a distorted and desperate view of the other side, not to see conflict as inevitable, accommodation as impossible and communication as nothing more than an exchange of threats.

No government or social system is so evil that its people must be considered as lacking in virtue. As Americans, we find communism profoundly repugnant as a negation of personal freedom and dignity. But we can still hail the Russian people for their many achievements -- in science and space, in economic and industrial growth, in culture and in acts of courage.

Among the many traits the peoples of our two countries have in common, none is stronger than our mutual abhorrence of war. Almost unique, among the major world powers, we have never been at war with each other. And no nation in the history of battle ever suffered more than the Soviet Union suffered in the course of the Second World War. At least 20 million lost their lives. Countless millions of homes and farms were burned or sacked. A third of the nation's territory, including nearly two-thirds of its industrial base, was turned into a wasteland -- a loss equivalent to the devastation of this country east of Chicago.

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Today, should total war ever break out again -- no matter how -- our two countries would become the primary targets. It is an ironical but accurate fact that the two strongest powers are the two in the most danger of devastation. All we have built, all we have worked for, would be destroyed in the first 24 hours. And even in the Cold War, which brings burdens and dangers to so many countries, including this Nation's closest allies -- our two countries bear the heaviest burdens. For we are both devoting massive sums of money to weapons that could be better devoted to combating ignorance, poverty and disease. We are both caught up in a vicious and dangerous cycle in which suspicion on one side breeds suspicion on the other, and new weapons beget counter-weapons.

In short, both the United States and its allies, and the Soviet Union and its allies, have a mutually deep interest in a just and genuine peace and in halting the arms race. Agreements to this end are in the interests of the Soviet Union as well as ours -- and even the most hostile nations can be relied upon to accept and keep those treaty obligations, and only those treaty obligations, which are in their own interest.

So, let us not be blind to our differences -- but let us also direct attention to our common interests and to the means by which those differences can be resolved. And if we cannot end now our differences, at least we can help make the world safe for diversity. For, in the final analysis, our most basic common link is that we all inhabit this planet. We all breathe the same air. We all cherish our children's future. And we are all mortal.

Third: Let us re-examine our attitude toward the Cold War, remembering that we are not engaged in a debate, seeking to pile up debating points. We are not here distributing blame or pointing the finger of judgment. We must deal with the world as it is, and not as it might have been had the history of the last eighteen years been different.

We must, therefore, persevere in the search for peace in the hope that constructive changes within the Communist bloc might bring within reach solutions which now seem beyond us. We must conduct our affairs in such a way that it becomes in the Communists' interest to agree on a genuine peace. Above all, while defending our own vital interests, nuclear powers must avert those confrontations which bring an adversary to a choice of either a humiliating retreat or a nuclear war. To adopt that kind of course in the nuclear age would be evidence only of the bankruptcy of our policy -- or of a collective death-wish for the world.

To secure these ends, America's weapons are non-provocative, carefully controlled, designed to deter and capable of selective use. Our military forces are committed to peace and disciplined in self-restraint. Our diplomats are instructed to avoid unnecessary irritants and purely rhetorical hostility.

For we can seek a relaxation of tensions without relaxing our guard. And, for our part, we do not need to use threats to prove that we are resolute. We do not need to jam foreign broadcasts out of fear our faith will be eroded. We are unwilling to impose our system on any unwilling people --

but we are willing and able to engage in peaceful competition with any people on earth.

Meanwhile, we seek to strengthen the United Nations, to help solve its financial problems, to make it a more effective instrument of peace, to develop it into a genuine world security system -- a system capable of resolving disputes on the basis of law, of insuring the security of the large and the small, and of creating conditions under which arms can finally be abolished.

At the same time we seek to keep peace inside the non-communist world, where many nations, all of them our friends, are divided over issues which weaken western unity, which invite communist intervention or which threaten to erupt into war. Our efforts in West New Guinea, in the Congo, in the Middle East and in the Indian subcontinent, have been persistent and patient despite criticism from both sides. We have also tried to set an example for others -- by seeking to adjust small but significant differences with our own closest neighbors in Mexico and in Canada.

Speaking of other nations, I wish to make one point clear. We are bound to many nations by alliances. Those alliances exist because our concern and theirs substantially overlap. Our commitment to defend Western Europe and West Berlin, for example, stands undiminished because of the identity of our vital interests. The United States will make no deal with the Soviet Union at the expense of other nations and other peoples, not merely because they are our partners, but also because their interests and ours converge.

Our interests converge, however, not only in defending the frontiers of freedom, but in pursuing the paths of peace. It is our hope -- and the purpose of Allied policies -- to convince the Soviet Union that she, too, should let each nation choose its own future, so long as that choice does not interfere with the choices of others. The communist drive to impose their political and economic system on others is the primary cause of world tension today. For there can be no doubt that, if all nations could refrain from interfering in the self-determination of others, the peace would be much more assured.

This will require a new effort to achieve world law -- a new context for world discussions. It will require increased understanding between the Soviets and ourselves. And increased understanding will require increased contact and communication. One step in this direction is the proposed arrangement for a direct line between Moscow and Washington, to avoid on each side the dangerous delays, misunderstandings, and misreadings of the other's actions which might occur at a time of crisis.

We have also been talking in Geneva about other first-step measures of arms control, designed to limit the intensity of the arms race and to reduce the risks of accidental war. Our primary long-range interest in Geneva, however, is general and complete disarmament -- designed to take place by stages, permitting parallel political developments to build the new institutions of peace which would take the place of arms. The pursuit of disarmament has been an effort of this Government since the 1920's. It has been urgently sought by the past three Administrations. And however dim the prospects may be

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today, we intend to continue this effort -- to continue it in order that all countries, including our own, can better grasp what the problems and possibilities of disarmament are.

The one major area of these negotiations where the end is in sight -- yet where a fresh start is badly needed -- is in a treaty to outlaw nuclear tests. The conclusion of such a treaty -- so near and yet so far -- would check the spiraling arms race in one of its most dangerous areas. It would place the nuclear powers in a position to deal more effectively with one of the greatest hazards which man faces in 1963, the further spread of nuclear arms. It would increase our security -- it would decrease the prospects of war. Surely this goal is sufficiently important to require our steady pursuit, yielding neither to the temptation to give up the whole effort nor the temptation to give up our insistence on vital and responsible safeguards.

I am taking this opportunity, therefore, to announce two important decisions in this regard.

First: Chairman Khrushchev, Prime Minister Macmillan and I have agreed that high-level discussions will shortly begin in Moscow looking toward early agreement on a comprehensive test ban treaty. Our hopes must be tempered with the caution of history -- but with our hopes go the hopes of all mankind.

Second: To make clear our good faith and solemn convictions on the matter, I now declare that the United States does not propose to conduct nuclear tests in the atmosphere so long as other states do not do so. We will not be the first to resume. Such a declaration is no substitute for a formal binding treaty -- but I hope it will help us achieve one. Nor would such a treaty be a substitute for disarmament -- but I hope it will help us achieve it.

Finally, my fellow Americans, let us examine our attitude toward peace and freedom here at home. The quality and spirit of our own society must justify and support our efforts abroad. We must show it in the dedication of our own lives -- as many of you who are graduating today will have a unique opportunity to do, by serving without pay in the Peace Corps abroad or in the proposed National Service Corps here at home.

But wherever we are, we must all, in our daily lives, live up to the age-old faith that peace and freedom walk together. In too many of our duties today, the peace is not secure because freedom is incomplete.

It is the responsibility of the Executive Branch at all levels of government -- local, state and national -- to provide and protect that freedom for all of our citizens by all means within their authority. It is the responsibility of the Legislative Branch at all levels, wherever that authority is not now adequate, to make it adequate. And it is the responsibility of all citizens in all sections of this country to respect the rights of all others and to respect the law of the land.

All this is not unrelated to world peace. "When a man's ways please the Lord," the Scriptures tell us, "he maketh even his enemies to be at peace with him." And is not peace, in the last analysis, basically a matter of human rights -- the right to live out our lives without fear of devastation -- the right to breathe air as nature provided it -- the right of future generations to a healthy existence?

While we proceed to safeguard our national interests, let us also safeguard human interests. And the elimination of war and arms is clearly in the interest of both. No treaty, however much it may be to the advantage of all, however tightly it may be worded, can provide absolute security against the risks of deception and evasion. But it can -- if it is sufficiently effective in its enforcement and if it is sufficiently in the interests of its signers -- offer far more security and far fewer risks than an unabated, uncontrolled, unpredictable arms race.

The United States, as the world knows, will never start a war. We do not want a war. We do not now expect a war. This generation of Americans has already had enough -- more than enough -- of war and hate and oppression. We shall be prepared if others wish it. We shall be alert to try to stop it. But we shall also do our part to build a world of peace where the weak are safe and the strong are just. We are not helpless before that task or hopeless of its success. Confident and unafraid, we labor on -- not toward a strategy of annihilation but toward a strategy of peace.

END

FOR RELEASE AT 12 NOON (EDT)

July 18, 1963

NOTICE: There should be no premature release of this message to the Congress, nor should its contents be paraphrased, alluded to or hinted at in earlier stories. There is a total embargo on this speech until 12:00 noon July 18, 1963, which includes any and all references to any material in this message.

Pierre Salinger
Press Secretary to the President

THE WHITE HOUSE

SPECIAL MESSAGE ON
BALANCE OF PAYMENTS

TO THE CONGRESS OF THE UNITED STATES:

Soon after my inauguration, I reported to the Congress on the problems presented to this nation by three successive years, beginning in the late 1950's, of mounting balance of payments deficits accompanied by large gold outflows; and I announced a program designed to restore both confidence in the dollar and eventual equilibrium in our international accounts. The challenge posed by those pressures was heightened at that time by the need to halt and reverse the spread of unemployment and revive our faltering economy. Rejecting a choice between two equally unpalatable alternatives -- improved employment at home at the cost of a weaker dollar abroad or a stronger dollar at the cost of a weaker economy and nation -- we sought a new course that would simultaneously increase our growth at home, reduce unemployment and strengthen the dollar by eliminating the deficit in our international payments. It is appropriate now -- nearly two and one-half years later -- to look back on the problems faced, to review the progress made and to chart the course ahead.

There is much from which to take heart. Our economy has resumed its growth and unemployment has been reduced. The dollar remains strong, bulwarked by nearly 40 percent of the free world's monetary gold stock as well as by a newly constructed network of bilateral and multi-lateral financial arrangements. Our gold outflow has been halved. There are signs of longer-run improvement in our world competitive position, as our prices and costs hold steady while others are rising. The deficit in our balance of payments has been reduced -- from \$3.9 billion in 1960 to \$2.4 billion in 1961 and \$2.2 billion in 1962.

Our basic strength, moreover, is vast, real and enduring. Our payments deficits, measured in terms of our loss of gold and the increase in our short-term liquid liabilities to foreigners, have consistently been equalled or exceeded by the growth of our long-term high-yielding foreign assets -- assets which have been and will continue to be an increasing source of strength to our balance of payments. Today, Americans hold more than \$60 billion of private investments abroad, and dollar loans repayable to the U. S. Government total over \$11 billion. At the end of 1962, all of these assets exceeded our liabilities to foreigners by an estimated \$27 billion. And they have shown an increasing strength over the years: our total income from these sources in 1959 was \$3 billion; in 1962 it had risen to \$4.3 billion; and we expect further substantial increases in the coming years.

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These are all signs of progress. But unemployment is still too high; our growth rate is still too low; and it is now clear that, despite the favorable forces at work over the long run, more remains to be done today to eliminate the continuing payments deficit.

A significant portion of our progress so far has been due to special agreements with friendly foreign countries -- for debt prepayments, advance payments for military equipment, and U. S. borrowings abroad. While similar arrangements may once again prove capable of covering a substantial amount of the gross deficit in 1963, such special transactions cannot be relied upon for the indefinite future. Moreover, while our commercial trade balance and government expenditures overseas have shown modest improvement, capital outflows, both short-term and long-term, have increased.

Although there is urgent need for further effort I want to make it clear that, in solving its international payments problem, this nation will continue to adhere to its historic advocacy of freer trade and capital movements, and that it will continue to honor its obligation to carry a fair share of the defense and development of the free world. At the same time, we shall continue policies designed to reduce unemployment and stimulate growth here at home -- for the well-being of all free peoples is inextricably entwined with the progress achieved by our own people. I want to make it equally clear that this nation will maintain the dollar as good as gold, freely interchangeable with gold at \$35 an ounce, the foundation-stone of the free world's trade and payments system.

But continued confidence at home and cooperation abroad require further administrative and legislative inroads into the hard core of our continuing payments deficit -- augmenting our long-range efforts to improve our economic performance over a period of years in order to achieve both external balance and internal expansion -- stepping-up our shorter-run efforts to reduce our balance of payments deficits while the long-range forces are at work -- and adding to our stockpile of arrangements designed to finance our deficits during our return to equilibrium in a way that assures the continued smooth functioning of the world's monetary and trade systems.

Before turning to the specific measures required in the latter two categories, I must emphasize once again the necessity of improving this Nation's over-all long-range economic performance -- including increased investment and modernization for greater productivity and profits, continued cost and price stability and full employment and faster growth. This is the key to improving our international competitiveness, increasing our trade surpluses and reducing our capital outflows.

That is why early enactment of the comprehensive tax reduction and revision program previously submitted is the single most important step that can be taken to achieve balance abroad as well as growth here at home. The increased investment incentives and purchasing power these personal and corporate tax reductions would create -- combined with last year's actions giving special credits for new investment and more favorable depreciation treatment -- will promote more employment, production, sales and investment, particularly when accompanied by the continued ample availability of credit and reasonable long-term rates of interest. A prosperous, high-investment economy brings with it the rapid gains in productivity and efficiency which are so essential to the improvement of our competitive position abroad.

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To gain new markets abroad and retain the gains of new growth and efficiency here at home, we must continue the price-cost stability of recent years, limiting wage and profit increases to their fair share of our improving productivity. That is why we have, for two years, been urging business and labor to recognize and use reasonable wage-price guideposts for resolving the issues of collective bargaining. Our success in holding down our price level relative to that of our major competitors is a powerful force working to restore our payments balance over the longer run. This fact should not be obscured by current short-run developments.

While these long-range forces are taking effect, a series of more immediate and specialized efforts are needed to reduce the deficit in our international transactions and defend our gold reserves:

1. Export Expansion

Our commercial sales of goods and services to foreign countries in 1962 exceeded our purchases by \$4.3 billion, and they are continuing at about the same rate this year. This is our greatest strength, but it is not enough. Our exports of goods have risen only moderately over the past three years, and have not kept pace with the rapid rise of imports which has accompanied our domestic expansion. As a result, rather than furnishing increased support for our other transactions, 1962 saw a decline in our commercial trade surplus.

The primary long-term means for correcting this situation is implementation of the Trade Expansion Act of 1962. The Special Representative for Trade Negotiations is preparing to use to the fullest extent the authority given to me by the Act, in an across-the-board drive for lower tariffs and against other barriers to trade. This should open new markets and widen existing markets for American exports.

As mentioned above, our whole long-range domestic program -- including increased investment, improved productivity and wage-price stability -- is designed to better the competitive position of our products both at home and abroad. Continued price stability at home, contrasted with the upward trend in prices abroad, will create an increasingly favorable climate for American exports; and this Administration is concentrating on six immediate measures to help American businessmen take advantage of our export potential.

First, the Export-Import Bank has created a wholly new program of export financing which now provides U. S. business with credit facilities equal to any in the world. The major element in this new program is the guarantee of short and medium-term export credits by the Foreign Credit Insurance Association, composed of more than 70 private insurance companies in conjunction with the Export-Import Bank. I urge the Congress to act promptly to restore the Bank to full operating efficiency by renewing its charter and authorizing adequate financing.

Second, the Departments of State and Commerce have strengthened and expanded efforts overseas to probe for new markets and promote the sale and distribution of American products.

Third, the Department of Commerce has developed a broad program of education and assistance to present and potential American exporters. I have requested a relatively small amount of additional funds to strengthen the Department's efforts to stimulate our exports. These funds, amounting to \$6 million, were not approved by the House of Representatives. It is essential, if we are to increase our trade surplus, that they be included in the final appropriation bill. This modest sum would pay for itself many times over in increased exports, lower payments deficits, and protection for our gold reserves.

Fourth, the Department of Agriculture announced last March a new auction program for direct sales of cotton abroad. It is expected that this new technique will ensure competitive pricing for our cotton in export markets and will increase exports by as much as \$100 million over last year's levels.

Fifth, present ocean freight rates discourage our exports as compared to imports. The freight charges on Atlantic crossings are far higher for eastbound freight than for comparable items bound for our shores. A similar situation prevails on other trade routes. While these substantial differentials may have been acceptable in the immediate post-war period of the dollar shortage when Europe was struggling to get on its feet, their magnitude is clearly unjustified today. Accordingly, I have directed the Secretary of Commerce to take corrective action through the Maritime Administration; and, I am urging the Federal Maritime Commission in its role as an independent regulatory agency to question those specific export rates which appear unduly high. Should legislation prove necessary, it will be sought.

Sixth, in order to give further momentum to the expansion of our export performance, I will convene a White House Conference on Export Expansion on September 17 and 18, to alert American firms, whether or not they are now exporting, to the opportunities and rewards of initiating or expanding export efforts. We shall use this opportunity to emphasize to American businessmen that vigorous action to increase their exports would serve their own private interests as well as the national interest.

2. Tourism

Another element that requires attention in our commercial transactions is the increase in our unfavorable net tourist balance. With increasing prosperity encouraging American travel abroad, total tourist spending in foreign countries rose another 10 percent last year, to nearly \$2 1/2 billion. This was partially offset by increased foreign tourist expenditures in the United States, but the net result was an outflow of \$1.4 billion, or two-thirds of last year's overall balance of payments deficit. This year the cost is estimated to be still greater. That is why we have had to limit the duty-free exemption for returning tourists to \$100 per person. Last year this measure achieved a saving of more than \$100 million, and I am gratified that Congress has extended the limitation for another two years. We have also sought, through establishment of the United States Travel Service, to increase our income from visitors coming to our country. To further that effort, I strongly recommend that Congress approve the full amount of the appropriation requested for the U. S. Travel Service.

In addition, in cooperation with the appropriate government agencies, I am asking the domestic travel and tourism industry to launch a more unified drive to encourage Americans to learn more about their own country and the glory of their heritage. A See America Now program, to be in full operation by the spring of 1964, will make the most of our magnificent resources and make travel at home a more appealing alternative to travel abroad.

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3. Federal Expenditures Abroad

Federal expenditures abroad go largely for defense and aid. These represent the obligations which flow from our position of world leadership and unrivaled economic strength. With the recovery of other economically-advanced nations, particularly our allies in Western Europe, we have made vigorous and increasingly successful efforts to work out with them a better sharing of our common responsibilities. These efforts -- combined with rigorous scrutiny of offshore expenditures--have enabled us, in spite of mounting world-wide requirements and costs, to reduce the over-all total of our own overseas expenditures while we increase the security of the Free World and maintain a high-level of assistance to developing countries.

A continual process of modernizing our armed forces and increasing efficiency, resulting in heightened defense effectiveness, is reducing the requirements for overseas dollars expenditures. At the same time, by tying our aid more effectively to domestic procurement and cutting civilian expenditures sharply, we should be able to achieve further savings. In fact, by January 1965, these processes should result in a reduction of the rate of our Federal overseas dollar expenditures by approximately \$1 billion from that of 1962.

(A) Military Expenditures

The Defense Department has, since the beginning of this Administration, been making vigorous efforts to restrain overseas expenditures, without reducing military effectiveness.

Thus, despite the Berlin buildup of 1961 and rising costs overseas, gross expenditures abroad by the Defense Department have been held below 1960 levels. As a result of the desire of our allies to acquire from us modern military equipment, which they need to strengthen Free World defenses, at lower cost than they could produce the equipment themselves, substantial offsets to these expenditures have also been achieved, so that our net outlays abroad for defense have declined from \$2.7 billion in 1960 to \$1.9 billion in 1962.

In line with these continuing efforts, the Secretary of Defense has informed me that the annual rate of expenditures abroad by the Department of Defense will be reduced -- by measures to be put into effect before the end of calendar year 1964 -- by more than \$300 million from the 1962 level. At the same time the Department of Defense will continue to seek arrangements with major allied countries to increase their military procurement from the United States so as to reduce the net outflow still further. The Secretary has further assured me that this reduction will be accomplished without any reduction in the effectiveness of our military posture and with no impairment in our ability to meet our commitments to our allies in all parts of the world.

In addition to direct expenditures by the Defense Department, our defense expenditures abroad have for many years been increased by the cost of programs for the acquisition of strategic materials from foreign sources. The cost of these programs is now steadily declining since they have largely fulfilled their purpose and are no longer needed. Within two years they will be reduced by over \$200 million as compared to 1962, ensuring a total reduction in defense dollar expenditures well in excess of \$500 million.

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(B) Agency for International Development

During 1960 only about one-third of AID program expenditures were in the form of U.S. goods and services. Last year that proportion had risen to about 50 percent. But during the fiscal year which ended last month, fully 80 percent of AID's commitments were "tied" to the export of U.S. goods and services. The balance was virtually all committed for purchases in the less developed countries rather than in the developed nations where the payments surpluses exist which give rise to our deficit. During fiscal year 1964, for which funds are now being considered by the Congress, AID commitments tied to U.S. exports will rise beyond 80 percent of the total. I have directed the Administrator of AID to continue and intensify this policy so that AID expenditures entering our balance of payments in fiscal year 1965 may be further reduced by about \$500 million as compared to fiscal year 1961, from about \$1 billion to not over \$500 million, the lowest practicable minimum.

(C) Other Departments and Agencies

The overseas disbursements of all other departments of government have also been brought under special review and control by the Director of the Bureau of the Budget. Total Federal expenditures abroad (excluding Defense, AID, Treasury payments on foreign-held debt and federal pension payments) coming within the scope of this review now amount to approximately \$600 million per year. The Director of the Budget has assured me that vigorous screening of expenditures abroad by these other Federal departments and agencies will achieve further substantial balance of payments savings. These savings, together with those which may be expected from revisions of programs under the Agricultural Trade Development and Assistance Act, should amount to some \$100 million a year. This includes my request to the Congress to enact legislation permitting freer use of our present holdings of the currencies of a number of other countries.

4. Short-term capital flows

By skillful use of the tools of debt management and monetary policy, the Treasury Department and the Federal Reserve System have substantially reduced the outflow of short-term capital through a series of carefully managed increases in short-term money rates, while maintaining ample credit availability and keeping both long-term rates and bank loan rates low and, in many cases, declining. Experience in the recovery under way over the past 2-1/2 years provides a solid basis for expecting that a determined effort can succeed in keeping long-term investment and mortgage money plentiful and cheap while boosting short-term interest rates. From February 1961 through July 12, 1963, the rate on newly issued 3-month Treasury bills rose 76 basis points, while the rise in long-term Treasury bond yields was held to only 22 basis points and the yields on high-grade corporate bonds and mortgages actually declined.

However, the recorded outflows of short-term funds -- together with unrecorded net outflows, a large portion of which undoubtedly represent short-term capital movements -- still amounted to approximately \$1.6 billion in 1962 and have continued on a substantial scale so far this year. A sizeable reduction in this drain would do much to strengthen our overall balance of payments. It is for this reason that the Federal Reserve has decided to increase the rediscount rate from 3 to 3-1/2 percent. At the same time, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation have raised the interest-rate ceilings on time deposits payable in 90 days to 1 year, in order to enable our banks to compete more effectively with those abroad and thus attract funds that might otherwise leave the country.

While none of us welcomes higher interest rates at a time when our economy is operating below capacity, an increase in short-term rates -- at a time when liquid savings are growing rapidly, and when there are no accompanying restrictions on credit availability nor parallel increases in the interest rates on bank loans, home mortgages or other long-term obligations -- should have little, if any, adverse effect on our economy. The unprecedented flow of liquid savings should largely insulate the longer term markets from the effect of higher short-term rates. I have been assured by both Treasury and Federal Reserve officials that they intend to do everything possible through debt management policy and open-market operations to avoid any reduction in domestic credit availability and any upward pressure on long-term interest rates while the economy operates below capacity without inflation. Other agencies of the Federal Government will work to maintain continued ready availability of private mortgage loans at stable interest rates. Nevertheless, the situation lends increased urgency to the fiscal stimulus that would be provided by the prompt enactment of the substantial tax reductions I have recommended.

5. Long-Term Capital Outflows consisting of direct investment in productive plant abroad appear to have leveled off in recent years, whereas portfolio investments in the form of long-term loans or securities purchases have been rising rapidly. While our long-range program should increase the attractiveness of domestic investment and further reduce the outflow of direct investment, the rising outflow of long-term capital for portfolio investment abroad shows no sign of abating. It is up from \$850 million in 1960 to \$1.2 billion in 1962, and so far this year is running at an annual rate of well over \$1.5 billion.

In view of the continued existence of direct controls and inadequate capital market mechanisms in many foreign countries, and the wide differential between the long-term rates of interest in the larger industrial countries and the United States, there appear to be only three possible solutions to this problem, two of which are unacceptable under present circumstances:

-- A substantial increase in our whole long-term interest rate structure would throw our economy into reverse, increase unemployment and substantially reduce our import requirements, thereby damaging the economy of every free nation;

-- The initiation of direct capital controls, which are in use in most countries, is inappropriate to our circumstances. It is contrary to our basic precept of free markets. We cannot take this route.

-- A third alternative -- the one which I recommend -- would stem the flood of foreign security sales in our markets and still be fully consistent with both economic growth and free capital movements. I urge the enactment by the Congress of an "Interest Equalization Tax", which would, in effect, increase by approximately one percent the interest cost to foreigners of obtaining capital in this country, and thus help equalize interest rate patterns for longer term financing in the United States and abroad. The rate of tax should be graduated from 2.75 percent to 15 percent of the value of debt obligations, according to the remaining maturity of the obligation, and should be 15 percent in the case of equity securities. This tax should remain in effect through 1965 when improvements in both our balance of payments and in the operation of foreign capital markets are expected to permit its abandonment.

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Under this alternative, the allocation of savings for investment in securities will continue to be the result of decisions based on market prices. There will be no limitations on the marketing of foreign issues and no Governmental screening of borrowers. Reliance will be placed on price alone to effect an over-all reduction in the outflow of American funds for stocks, bonds, and long-term loans -- both new or outstanding, whether publicly marketed or privately placed.

The tax would not apply to direct investment. It would not apply to securities or loans that mature in less than three years. Nor would it apply to the loans of commercial banks. These exemptions will assure that export credit will remain fully available. Furthermore, purchases of the securities of less developed countries or of companies operating primarily in such countries will not be taxed.

Nor will the tax apply to transactions in foreign securities already owned by Americans, or to the purchase of securities by foreigners. Underwriters and dealers would be exempted from the tax on stock or securities resold to foreigners as part of the distribution of a new issue. But all Americans who purchase new or outstanding foreign securities from foreign issuers or owners would be subject to this tax. In order to avoid unfair burdens on transactions which are nearly complete, the tax should not apply to offerings of securities for which active registration statements are now on file with the Securities and Exchange Commission. Purchase commitments which have already been made should also not be affected.

The Secretary of the Treasury is submitting the details of this proposal to the Congress; and I have been assured that the House Ways and Means Committee will be prepared to give high priority to this proposal after action has been taken with respect to the over-all program of tax reduction and reform now before it. Since the effectiveness of this tax requires its immediate application, I am asking Congress to make the legislation effective from the date of this Message. The Internal Revenue Service will promptly make available all instructions necessary for interim fulfillment of the provisions of this recommendation, pending the enactment of legislation by the Congress.

6. Investment by foreign savers in the securities of United States private companies has fallen rapidly to less than \$150 million in 1962. The better climate for investment that will flow from enactment of the program for tax reduction and reform now before the Congress will do much to improve this situation but a direct action program is also needed to promote overseas sales of securities of U. S. companies. Such a program should also be designed to increase foreign participation in the financing of new or expanded operations on the part of U. S. companies operating abroad.

To meet these two facets of a single problem, a new and positive program should be directed to the following areas of effort:

(a) The identification and critical appraisal of the legal, administrative and institutional restrictions remaining in the capital markets of other industrial nations of the Free World which prevent the purchase of American securities and hamper U. S. companies in financing their operations abroad from non-U. S. sources;

(b) A review of U. S. Government and private activities which adversely affect foreign purchase of the securities of U. S. private companies; and

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(c) A broad and intensive effort by the U. S. financial community to market securities of U. S. private companies to foreign investors, and to increase the availability of foreign financing for U. S. business operating abroad.

Such a program will necessarily involve a pooling of the know-how and efforts of the Government and the financial community. I have asked the Treasury Department, in consultation with the State Department, to develop an organization plan and program.

The increased freedom of capital movement and increased participation by foreign citizens and financial institutions in the ownership and financing of American business, towards which these efforts are directed, will serve to strengthen the economic and political ties of the Free World as well as its monetary system. Securities of U. S. private firms could be and should be one of our best selling exports. An increasing foreign investment in these securities will encourage a more balanced two-way capital traffic between the United States and other capital markets and minimize the impact of net long-term capital outflows from the United States on our balance of payments.

7. Special Government transactions covered \$1.4 billion of our deficit in 1962. These included prepayment of debt by foreign countries, advance payments on military purchases here, and the issuance by the Treasury of medium-term securities to foreign official holders of dollars. Further debt prepayment is expected in 1963 -- France has just announced a prepayment of \$160 million -- but it is clear that these are temporary gains which cannot be repeated for very long. Nor is it likely that advance payments on military purchases will again be large, as the pace of deliveries against purchases is now rising.

Therefore, as our continuing balance of payments deficit leads to accruals of dollars by foreign central banks, exceeding the size of the dollar balances which they normally carry, it has been particularly helpful that a number of foreign governments and central banks have begun purchasing a new type of non-marketable medium-term Treasury security, denominated either in dollars or in their own currencies, as a convenient alternative to the purchase of gold. Some \$610 million of such securities have been newly issued thus far in 1963.

Further debt prepayments and further sales of these securities during the remainder of this year will reflect the unprecedented degree of cooperation now prevailing in international finance and the growing recognition that correction of payments imbalances is a responsibility of the surplus as well as the deficit countries. In this spirit we shall also continue to press for a fuller and fairer sharing of the burdens of defense and aid and for the reduction or elimination of the trade barriers which impede our exports.

8. Gold Sales and Increased Dollar Holdings serve to finance what remains of our deficit after special governmental transactions. In 1962, this deficit amounted to approximately \$2.2 billion. It was financed by the sale of \$890 million in gold and \$17 million of our holdings of foreign exchange as well as by an increase in foreign holdings of dollars and U. S. government securities amounting to \$653 million, and an increase of \$626 million in the holdings of dollars by the International Monetary Fund.

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The total outflow of gold for the two years 1961 and 1962 combined only slightly exceeded the outflow in the single year 1960; and the outflow in 1963 is running at a rate well below last year. Since the rise in short-term interest rates resulting from the recent action of the Federal Reserve will make it considerably more attractive for foreigners to hold their assets in dollars, including short term U. S. government securities, prospects are improved that increased foreign holdings of these assets instead of gold will finance a still larger share of our deficit.

9. The International Monetary Fund, however, presents a different situation. Last year the Fund's dollar holdings increased as other countries paid off their debts in dollars and concentrated new borrowings in other convertible currencies to the extent practicable. But the Fund's rules provide that, except in the case of a drawing -- that is, a borrowing -- it cannot hold more of any currency than was paid in at the time of original subscription (in effect, 75%); and the Fund's holdings of dollars have now nearly reached that level.

To meet this situation the United States has requested and the Executive Board of the IMF has approved a \$500 million standby arrangement which authorizes us to draw on the Fund from time to time during the coming year. It is our intention to utilize this authority for the purpose of facilitating repayments which are expected to total about \$500 million during the course of the next twelve months. When a country desires to repay the Fund, we will draw convertible foreign currencies from the Fund, paying for them with dollars. The country making the repayment will use its own dollars to buy these foreign currencies from us in order to repay the Fund. All transfers will take place at par. Thus the Fund will continue to finance a portion of our deficit by increasing its holdings of dollars and its various debtors will continue to have a simple and costless method by which they can redeem their obligations to the Fund. The alternative under present circumstances, now that they cannot pay off directly in dollars, would have been either to buy gold from the U. S. with which to repay the Fund, or to purchase other convertible currencies in the market with their dollars at extra cost and inconvenience.

Drawings by the United States under this new arrangement will be repayable in three years, with a two year extension available if needed. No interest will be payable, but the drawings will be subject to a one-time service charge of one half of one percent.

10. Evolution of the International Monetary System

During the past two years great progress has been made in strengthening the basic fabric of the International Monetary System upon which the whole free world depends. Far closer cooperation among the Central Banks of the leading industrial countries has been achieved. Reciprocal credit arrangements have been established to meet instantly any disruptive disturbance to international payments -- arrangements which successfully contained the monetary repercussions of the Berlin crisis in 1961, the heavy pressure on the Canadian dollar in the spring of 1962, the Cuban crisis last autumn, the reaction that followed the exclusion of the United Kingdom from the Common Market, and a number of less striking events that might, in other years, have set off dangerous rounds of currency speculation. An informal but highly effective operating relationship has grown up among a number of the same countries with respect to the London gold market, ruling out for the future any repetition of the alarming rise in the price of gold which created such uncertainty in October, 1960. Finally, ten of the leading industrial countries have established a \$6 billion facility for providing supplemental resources to the International Monetary Fund, which will be available in the event of any threat to the stability of the international monetary system.

The net result has been to provide strong defenses against successful raids on a major currency. Our efforts to strengthen these defenses will continue. While this process is taking place, the U.S. will continue to study and discuss with other countries measures which might be taken for a further strengthening of the international monetary system over the longer run. The U.S. interest in the continuing evolution of the system inaugurated at the time of Bretton Woods is not a result of our current payments deficit -- rather it reflects our concern that adequate provision be made for the growth of international liquidity to finance expanding world trade over the years ahead. Indeed, one of the reasons that new sources of liquidity may well be needed is that, as we close our payments gap, we will cut down our provision of dollars to the rest of the world.

As yet, this government is not prepared to recommend any specific prescription for long-term improvement of the international monetary system. But we are studying the matter closely; we shall be discussing possible improvements with our friends abroad; and our minds will be open to their initiatives. We share their view that the problem of improving the payments mechanism is one that demands careful joint deliberation. At the same time, we do not pretend that talk of long-range reform of the system is any substitute for the actions that we ourselves must take now.

The Promise of the Future

Full implementation of the program of action I have outlined today should lead to substantial improvement in our international payments. The rate of government expenditures abroad will drop by \$900 million over the next 18 months, and the combined effect of the increase in short term interest rates and the interest Equalization Tax should equal, and more probably exceed, this figure. Gains of this magnitude -- approximately \$2 billion -- will give us the time our basic long term program needs to improve our international competitive position, and increase the attraction for investment in the United States.

These two objectives must be the basis of any permanent closing of the payments gap, and this program will achieve them without threatening our growth at home. It will also do so without compromising our adherence to the principles of freer trade and free movements of capital. It will, in fact, help prevent pressures for more restrictive measures. In short, while we must intensify our efforts, we can do so with full confidence in the future.

JOHN F. KENNEDY

THE WHITE HOUSE,

July 18, 1963.

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