

Diary

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June 24-28, 1944

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TREASURY DEPARTMENT

WASHINGTON 25

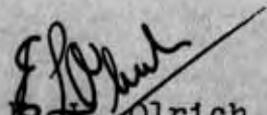
June 24, 1944



MEMORANDUM TO THE SECRETARY

There has been much discussion about Army and Navy Stores and their effect upon retail business, both in the period following the last War and the period which will follow the present conflict.

There have been numerous statements as to how they were first formed. A summary of their history is attached. We believe you will find this story interesting. This information is presumed to be authentic and was taken from a public publication "U. S. War Surplus, 1917 - 1924". The attached article was prepared by Mr. Murray Kramer of the Publicity Department of Treasury Procurement Division. I believe it should be in your files because it tells how, why and when Army and Navy Stores first came into being.


E. Olrich
Assistant to the Secretary

Attachment

ARMY AND NAVY STORES

Best known disposal units to evolve from the last war were the Army & Navy Stores, whose strength in numbers, is as great now as it was at any time. Immediately after the war, when sales got underway, both services determined that the most rapid method of placing goods before the consumer market would be the Army and Navy Stores.

In October of 1919, the government opened 26 such stores in principal U.S. cities. Their objective was not only the disposal of stocks, but to familiarize the buying public with the worth, durability and usefulness of many Quartermaster items; this as a possible indication of intention to spread the movement.

Stocks sold consisted principally of:

- wearing apparel
- foodstuffs
- hardware
- underwear
- harness, saddles
- blankets
- camp outfits and "fatigue" clothes

The maintenance and operation of such stores soon proved to be a large task. Restocking and re-filling orders for particular merchandise, carrying on the administration and accounting -- all proved that the experiment was not in the best interest of the government to warrant continuance. On June 30, 1920, after having gained receipts amounting to \$37,785,485., the stores were closed.

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However, the idea of Army and Navy stores had caught on. Direct distribution to consumers attracted large numbers of persons. Within two years, thousands of privately operated "Army & Navy" Stores began to spring up. Eventually there were 5,000 such establishments. Next came "chains" of such stores, or associated stores, backing particular jobbers who bought surpluses in large amounts. A new retailing industry had been formed. By 1923 it was handling surpluses ranging from mess kits to entire bivouac equipment; from tent poles to groceries. It reached a market of millions of customers who knew the quality of "G.I." goods.

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TREASURY DEPARTMENT

WASHINGTON 25

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June 24, 1944

MEMORANDUM TO THE SECRETARY

We have received a copy of the inventory of surplus commodities by regions and summarized into one hundred major classifications by commodity categories.

This inventory is presumed to be reasonably correct as it relates to eight of the regions, but on three of the regions there was either no report at all or we believe it to be of questionable accuracy. Therefore, I refrain from submitting to you a report of significant items in our inventory and significant items declared as surplus to us, transfers to other agencies and sales to others.

A determined effort is being made to arrange the affairs of our regional offices so that we may reasonably soon submit you accurate reports as to our condition. In some instances this condition is occasioned by lack of personnel and in others we believe it is due to the question of proper personnel. We regret this condition and are taking measures to correct it.

[Handwritten signature]

E. L. Olrich
Assistant to the Secretary

Attachment

Inventory
as of
June 15, 1944

ACQUISITIONS

		INVENTORY 5-31-44	ACQUIRED DURING PERIOD	TOTAL
PART 1 CRUDE MATERIALS				
LIVE ANIMALS-----	01	49689 35	13396 24	63085 59
CRUDE ANIMAL PRODUCTS INEDIBLE-----	03	286 32	5 40	291 72
CRUDE VEGETABLE PRODUCTS EDIBLE-----	04	94 03		94 03
CRUDE VEGETABLE PRODUCTS INEDIBLE-----	05	4617 27	2067 65	6684 92
FIBERS VEGETABLE AND ANIMAL UNMANUFACTURED	06	8256 04	140 52	8396 56
COAL CRUDE PETROLEUM RELATED MATERIALS-----	07	62888 63	5175 40	68064 03
CRUDE NONMETALLIC MINERALS-----	09	197 51	36	197 87
PART 2 BASIC MATERIALS AND PRODUCTS				
LEATHER-----	11	1882947 08		1882947 08
BOOT AND SHOE CUT STOCK SHOE FINDINGS----	12	1457 50		1457 50
WOOD BASIC MATERIALS EXCEPT PULPHOOD-----	13	229798 39	44898 66	274697 05
PULP PAPER AND PAPERBOARD-----	14	39399 15	21336 27	60735 42
TEXTILE BASIC MANUFACTURES-----	15	477152 85	86461 01	563613 66
FOOD AND BEVERAGE BASIC MATERIALS-----	16	215 25		215 25
OILS FATS WAXES AND DERIVATIVES-----	17	53180 52	6 00	53186 52
PETROLEUM AND COAL PRIMARY PRODUCTS-----	18	150120 07	2316 25	152436 32
CHEMICALS-----	19	348124 15	41704 79	389828 94
IRON IRON AND STEEL SCRAP-----	21	169475 38	12396 86	181872 24
STEEL-----	22	356585 92	18726 48	375312 40
FERRO AND NONFERROUS ADDITIVE ALLOYS-----	23	55 41		55 41
NONFERROUS METALS-----	24	23256 55	7501 51	30758 06
FABRICATED METAL BASIC PRODUCTS-----	25	630526 94	81148 68	711675 62
NONMETALLIC MINERAL BASICS STRUCTURAL-----	26	138517 41	15520 58	154037 99
NONMETALLIC MINERAL BASICS NONSTRUCTURAL----	27	210229 62	30906 398	179323 23
BASIC MATERIALS MISCELLANEOUS-----	29	48870 49	3097 018	45773 48
PART 3 END PRODUCTS				
GENERAL INDUSTRIAL MACHINERY EQUIPMENT-----	31	319208 17	12416 95	331625 12
ELECTRICAL MACHINERY AND APPARATUS-----	32	298270 06	85642 10	383912 16
SPECIAL INDUSTRIAL MACHINERY-----	33	333685 06	6557 06	340242 12
METALWORKING MACHINERY-----	34	313717 22	18419 74	332134 96
AGRICULTURAL MACHINERY AND IMPLEMENTS-----	35	22778 81	5258 08	28016 89
CONSTRUCTION MINING EXCAVATING MACHINERY----	36	334170 51	16444 45	350614 96

DISPOSITIONS

	TRANSFERS	SALES	LOANS AND RENTALS	TOTAL	NET CHANGE	INVENTORY 6-15-44
1	139 50	652 25		781 75	12814 49	62303 84
3	108 92			135 92	130 822	158 80
4						94 03
5					2067 65	6684 92
6					140 52	8396 86
7		420 00		420 00	4755 40	67644 03
9					36	197 87
11	90838 50 ✓			90838 50	90838 508	1792108 58
12						1457 50
13	6140 47	583 61	1 11	6725 19	38173 47	267971 88
14	91 27	50330 22 ✓		50421 49	29085 228	10313 93
15	52199 44 ✓	44938 62 ✓		97135 06	10674 052	466478 60
16						215 25
17					6 00	53186 52
18	77 90	10 18		88 08	2228 17	152348 24
19	69 22	11 45		80 67	41624 12	389748 27
21	3 00	3264 03	15	3267 18	9129 68	178605 06
22	12 10	2655 90		2668 00	16058 48	372644 40
23		258 95		258 95	258 958	203 548
24	4 408	2126 27		2121 87	5379 64	28636 19
25	2585 22	5253 23		7838 45	73310 23	703837 17
26	26	226 77	84 00	311 03	15209 55	153726 96
27	352 35	3123 38	4 12	3479 85	34386 248	175843 38
29	76 40	18 72		95 12	3192 138	45678 36
31	650 12	4319 26	3 79	4973 17	7443 78	326651 95
32	888 53	1468 88	50 23	2407 64	83234 46	381504 52
33	1541 19	4893 04	42 90	6477 13	79 93	333764 99
34	16347 31 ✓	2409 18	8635 64	27392 13	8976 398	304740 83
35	4 07	1596 46		1600 53	3637 55	25416 38
36	28 05	31793 21 ✓		31821 26	15376 818	318793 70

	ACQUISITIONS			
	INVENTORY 5-31-44	ACQUIRED DURING PERIOD	TOTAL	
TRACTORS-----	37	113887 86	15704 56	129592 42
OFFICE MACHINES-----	38	260213 28	22408 93	282622 21
MISCELLANEOUS MACHINERY-----	39	28905 98	480 78	29386 76
COMMUNICATION EQUIPMENT ELECTRONIC DEVICES-----	41	140920 79	1542 04	142462 83
AIRCRAFT-----	42	190660 01	201739 72	392399 73
SNIPS SMALL CRAFT PROPULSION MACHINERY-----	43	33026 57	703 00	33729 57
RAILROAD TRANSPORTATION EQUIPMENT-----	44	3269 39		3269 39
MOTOR VEHICLES-----	45	5825110 26	735710 30	6560820 56
MISCELLANEOUS TRANSPORTATION EQUIPMENT-----	49	228864 97	15551 68	244416 65
PLUMBING AND HEATING EQUIPMENT-----	51	427124 82	6808 96	433933 78
AIR CONDITIONING REFRIGERATION EQUIPMENT-----	52	150247 77	1638 47	151886 24
LIGHTING FIXTURES-----	53	92337 18	4147 04	96484 22
FURNITURE AND FIXTURES-----	54	620016 28	664931 98	1284948 26
PHOTOGRAPHIC GOODS MOTION PICTURES-----	55	13800 62	16699 86	30500 48
OPTICAL INSTRUMENTS AND APPARATUS-----	56	3240 35	33	3240 68
INDICATING RECORD CONTROLLING INSTRUMENTS-----	57	11587 60	12091 01	23678 61
PROFESSIONAL AND SCIENTIFIC APPARATUS-----	58	555043 84	59418 96	614462 80
MISCELLANEOUS EQUIPMENT-----	59	450462 72	8805 77	459268 49
FOOD MANUFACTURED-----	61	3441 65		3441 65
FEED MANUFACTURED-----	62	204 20		204 20
BEVERAGES AND ICE-----	63	26		26
TOBACCO MANUFACTURES-----	64	631 05		631 05
DRUGS AND MEDICINES-----	65	233731 67	32098 34	265830 01
COSMETICS SOAP AND HOUSEHOLD CHEMICALS-----	66	4022 43	1575 24	5597 67
APPAREL EXCEPT FOOTWEAR-----	67	1420753 04	439481 69	1860234 73
FOOTWEAR-----	68	476344 07	64261 49	540605 56
FABRICATED TEXTILE PRODUCTS EXCEPT APPAREL-----	69	483503 71	189688 71	673192 42
END PRODUCTS OF LEATHER-----	71	817006 58	2286 72	819293 30
CONVERTED PAPER PRODUCTS AND PULP GOODS-----	72	48617 63	55598 16	104215 79
PRODUCTS OF PRINTING AND PUBLISHING-----	73	35059 04	7925 85	42984 89
RUBBER PRODUCTS EXCEPT FOOTWEAR CLOTHING-----	74	250230 68	40943 97	291174 65
METAL INDUSTRY PRODUCTS EXCEPT MACHINERY-----	75	1228416 40	182244 66	1410661 06
FINISHED WOOD PRODUCTS EXCEPT FURNITURE-----	76	112122 47	6102 58	119225 05
PRODUCTS OF GLASS CLAY AND STONE-----	77	50958 55	1906 85	52865 40
MISCELLANEOUS PRODUCTS OF INDUSTRIES-----	79	780412 33	98855 95	879268 28
SMALL ARMS AND COMPONENTS-----	81	716950 30	26 73	716977 03
ARTILLERY NAVAL GUNS MORTARS AND PARTS-----	82	530 53		530 53
SMALL ARMS AMMUNITION ADAPTED COMPONENTS-----	83	5140 42	2 82	5143 24
AERIAL BOMBS ADAPTED COMPONENTS-----	85	297 49		297 49
MISCELLANEOUS AMMUNITION RELATED PRODUCT-----	86	128241 17		128241 17

DISPOSITIONS

	TRANSFERS	SALES	LOANS AND RENTALS	TOTAL	NET CHANGE	INVENTORY 6-15-44
37	68 10	7746 15		7814 25	7890 31	121778 17
38	8445 15	4870 37	60 39	13375 91	9033 02	269246 30
39	4152 590	1750 85		2401 740	2882 52	31788 50
41	31 78	60 50		92 28	1449 76	142370 55
42	24 00	1960 02		1984 02	199755 70	390415 71
43		219 63		219 63	483 37	33509 94
44						3269 39
45	248813 07 ✓	532478 63 ✓	2811 72	784103 42	48393 120	5776717 14
49	83081 40 ✓	243 90		83325 30	67773 620	161091 35
51	28 85	263 39	6 65	298 89	6510 07	433634 89
52	8 09	1049 40		1057 49	580 98	150828 75
53	51 89	3		51 92	4095 12	96432 30
54	44762 05 ✓	17748 99 ✓	1 65	62512 69	602419 29	1222435 57
55	403 09	211 16		614 25	16085 61	29886 23
56					33	3240 68
57	215 60	4 57		220 17	11870 84	23458 44
58	365 80	579 20	36	945 36	58473 60	613517 44
59	384 09	159 78		543 87	8261 90	458724 62
61						3441 65
62						204 20
63						26
64		11 44		11 44	11 440	619 61
65	90 80			90 80	32007 54	265739 21
66	78 11			78 11	1497 13	5519 56
67	145482 08 ✓	17627 48 ✓		163109 56	276372 13	1697125 17
68	22 25	355 55		377 80	63883 69	540227 76
69	13473 98	99989 38 ✓	1 74	113465 10	76223 61	559727 32
71	17 42	577 50		594 92	1691 80	818698 38
72	4804 48	108 10		4912 58	50685 58	99303 21
73	178 05	34 09	1 40	213 54	7712 31	42771 35
74	2874 62	2 70		2877 32	38066 65	288297 33
75	10561 19	2129 94	225 81	12916 94	169327 72	1397744 12
76	7290 39	26 40		7316 79	1214 210	111908 26
77	29 16	98 35		125 51	1781 34	52739 89
79	3970 39	390 02	5 01	4365 42	94490 53	874902 86
81		3 30		3 30	23 43	716973 73
82						530 53
83					2 82	5143 24
85		70 70		70 70	70 700	226 79
86						128241 17

	INVENTORY 5-31-44	ACQUISITIONS ACQUIRED DURING PERIOD	TOTAL	
COMMON COMPONENTS OF AMMUNITION-----	87	5 89	18476 89	18482 78
FIRE CONTROL EQUIPMENT-----	88	9 15	45 00	54 15
MISCELLANEOUS ORDNANCE MATERIAL---	89	37 64		37 64
BUILDINGS-----	91	21373 80		21373 80
PARTS-----	94	710 05	767 77	1477 82
APPLIANCES AND SUB ASSEMBLIES-----	95		104 00	104 00
UNDISTRIBUTED-----	99	298254 23	404 80	298659 03
		22774498 18	3374695 25	26149193 43

DISPOSITIONS

	TRANSFERS	SALES	LOANS AND RENTALS	TOTAL	NET CHANGE	INVENTORY 6-15-44
87					18476 89	18482 78
88					45 00	54 15
89						37 64
91						21373 80
94		10 00		10 00	757 77	1467 82
95					104 00	104 00
99	3178 79			3178 79	2773 99	295480 24
	746748 50	851130 13	11936 67	1609815 30	1764879 95	24539378 13

SUMMARY -- ACQUISITIONS

			INVENTORY 5-31-44	ADJUSTMENTS TO INVENTORY		ADJUSTED INVENTORY 5-31-44	ACQUIRED DURING PERIOD	TOTAL
Boston	REGION	1	1399541 31	28307 59	u	1371233 72	5082 58	1376316 30
New York	REGION	2	2306564 74			2306564 74	985918 75	3292483 49
Wash., D.C.	REGION	3	832101 75			832101 75	258031 84	1087133 59
Cincinnati	REGION	4	5092244 82			5092244 82		5092244 82
Chicago	REGION	5	2190614 04			2229694 79		2190614 04
Atlanta	REGION	6	2464459 82			2464459 82	641386 43	3105846 25
Ft. Worth	REGION	7	1381828 92			1381828 92	450627 70	1832456 62
Kansas City	REGION	8	3371763 01	3534 27		3375297 28	655353 42	4030650 70
Denver	REGION	9	2165309 74			2165309 74		2165309 74
San Francisco	REGION	10	845027 51			845027 51	252285 69	1097313 20
Seattle	REGION	11	749815 84			749815 84	129008 84	878824 68
			22799271 50	24773 32	u	22813578 93	3374695 25	26149193 43

Regions 4, 5-9 - No inventory reports as of 6/15/44 available for the purpose of this report. Agency closing inventory of 5/31/44 was used as closing inventory of 6/15/44

SUMMARY -- DISPOSITIONS

	TRANSFERS	SALES	LOANS AND RENTALS	TOTAL	NET CHANGE	INVENTORY 6-15-44
1	25781 51	35713 29		61494 80	56412 228	1314821 50
2	151629 53	70163 93		221793 46	764125 29	3070690 03
3	42247 74	385157 97		427405 71	172373 678	659727 88
4						5092244 82
5						2190614 04
6	234568 22	314745 44	2811 72	552125 38	89261 05	2553720 87
7	60535 92	40825 02	9144 95	110485 89	340141 81	1721970 73
8	184814 24	4524 48		189338 72	466014 70	3841311 98
9						2165309 74
10	33291 06			33291 06	218994 63	1064022 14
11	13880 28			13880 28	115128 56	864944 40
	746748 50	851130 13	11936 67	1609815 30	1764879 95	24539378 13



TREASURY DEPARTMENT

WASHINGTON 25

June 24, 1944



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MEMORANDUM TO THE SECRETARY

Attached is a memorandum showing the status of approximately 11,000,000 square feet of shearlings declared surplus to us.

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E. L. Olrich
Assistant to the Secretary

Attachment



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TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



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OFFICE OF THE DIRECTOR

June 23, 1944

MEMORANDUM

To: Mr. Ernest L. Olrich

From: Mr. John L. Loeb

Subject: Status of Shearlings

Total Declarations	10,890,163-1/4 Sq. Ft.
Transferred to UNRRA Feb. 18	2,972,452-3/4 Sq. Ft. @ 35¢
Held for UNRRA	4,500,000 Sq. Ft. Approx Average 28¢
Sold	2,331,415-1/4 Sq. Ft. Approx Average 28¢
Balance on Hand for Sale	1,086,295-1/4 Sq. Ft.

In explanation of the above figures, it should be noted that the original declaration received from the Army was for approximately 3,000,000 square feet which were all transferred to UNRRA. Since then additional declarations were received totaling nearly 8,000,000 square feet. Method of disposal was discussed and agreed upon with Defense Supplies Corporation. The lower price at which our sales were made as against original transfer to UNRRA represents the approximate decline in the market since February.



TREASURY DEPARTMENT

WASHINGTON 25

June 24, 1944



MEMORANDUM TO THE SECRETARY

So that you may be informed of the movement of automotive trucks since January 1, 1944, up to and including June 17, 1944, we submit the following schedule:

	<u>Jan. to April 30</u>	<u>May</u>	<u>June 1 - 17</u>	<u>Total</u>
Declared	8 770	7 523	1 795	18 088
Transferred to other				
Federal agencies	492	949	877	2 318
Net to Sell	8 278	6 574	918	15 770
Sold	1 359	2 376	1 804	5 539
On Hand	6 919	11 117	10 231	10 231

We have taken steps in the past two weeks to materially speed up the handling of used automotive trucks.

E. L. Olrich
E. L. Olrich
Assistant to the Secretary

Report of the War Refugee Board
for the Week of June 19 - 24, 1944

TEMPORARY HAVENS FOR REFUGEES IN THE UNITED STATES

Ambassador Murphy and Board Representative Ackermann have cabled from Algiers that tentative plans have now been drawn up for evacuating to this country the 1,000 refugees from southern Italy. Ackermann is now in Italy completing arrangements for the removal of this group.

CONDITIONS IN THE SATELLITE COUNTRIES

Minister Johnson has relayed to us the principal features of an exhaustive summary of conditions in Hungary prepared by the Swedish Foreign Office on the basis of reports from the Swedish Minister in Hungary and made available to us in strictest confidence. The substance of this official summary substantiates previous reports of cruelty, torture, murders, and suicides.

In some 800 cases the Swedish Legation in Budapest is said to have been instructed to advise Hungarian authorities that the individuals involved had the protection of the Swedish Government and had been promised entry visas. It was stated that while this had been helpful in certain cases, in others it had been of no avail.

Among the recommendations made in the Foreign Office summary was the suggestion that, on the basis of the purportedly official Hungarian declaration that the Jewish problem there can be solved only by evacuation, neutral countries be persuaded to offer haven to refugees from Hungary and to assist in their evacuation. While it was not considered likely that Hungary would permit politically suspect Jews to depart, there was said to be a chance that the departure of other groups would be allowed, especially if neutral countries were to express a protective interest. Such evacuations, the report added, would require bargaining with certain German officials and would unquestionably be expensive.

Swedish Representation in Hungary To Be Increased

Minister Johnson and Board Representative Olsen have reported that, in response to our recent proposal, the

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Swedish Foreign Office has agreed to appoint a Special Attache to the Swedish Legation at Budapest for the specific purpose of following and reporting on the situation in Hungary, particularly the persecution of Jews and other minority groups. While no trouble was anticipated in connection with obtaining a visa for the individual who is to serve in this capacity, the Foreign Office indicated that if the visa should be refused, the Swedish Government would in turn simply refuse to receive the Hungarian Charge d'Affaires.

The Foreign Office also stated its intention of securing the appointment, if possible, of a Swede now teaching in the University of Budapest as a representative in Hungary of the Swedish Red Cross. It was suggested that while such a Red Cross representative would in no way be connected with the Swedish Legation in Budapest, he would nevertheless cooperate closely with the Special Attache on matters relating to the treatment of minorities.

U. S. Note To Be Transmitted to Hungarian Government

In accordance with our request, Minister Harrison has now delivered to the Swiss Foreign Office, for transmission to the Hungarian Government, a note inquiring into the intentions of Hungary with respect to the further treatment of the Jews, with special reference to forced deportations, discriminatory reductions of food rations, and the like. The note reiterates the grave view which this Government takes regarding the persecution of Jews and other minorities, as well as our determination to see to it that those who share the responsibility for such crimes are fittingly punished. The Foreign Office has accepted this note and has agreed to transmit it verbatim. Harrison recommended that no publicity be given to this matter pending delivery of the note and that even then, no mention be made of Swiss intermediation.

Protection of Salvadoran Interests in Hungary

According to another report from Bern, several hundred "nationality" certificates issued by the Consul General of El Salvador in Geneva have been sent into Hungary during the past two months by various individuals and organizations presumably unaware of the fact that El Salvador has no protecting power in Hungary. The Salvadoran Consul General is said to have made attempts recently to induce the Swiss Government to accept this responsibility, but

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the Swiss Government is said to have replied that it is not in a position to consider the proposal unless it is presented officially by the El Salvadoran Government. We were advised by Board Representative McClelland that any steps in this direction would be helpful, since Switzerland's role as protecting power of El Salvador in Hungary might conceivably forestall the deportation of several hundred persons holding such documentation. Accordingly, we are asking the U. S. Embassy in San Salvador to do its utmost to persuade Salvadoran officials to act without delay in asking Switzerland to serve in the capacity suggested.

Other Rescue and Relief Operations through Switzerland

Harrison and McClelland are now at work upon a number of other projects designed to rescue or relieve the conditions of Jews in Hungary and the other satellite countries. We have sent detailed instructions to McClelland in connection with these efforts.

Rumania To Facilitate Jewish Emigration

Encouraging news with respect to the treatment of Jews in Rumania has been relayed to us from Ankara by Ambassador Steinhardt. According to information reaching Steinhardt, the Rumanian Government has decided to create an inter-departmental board for Jewish emigration under the supervision of the Prime Minister, and to establish an emigration office under the direction of the representative in Bucharest of the Jewish Agency. It was also reported that Rumania would implement this action by making the "S. S. Alba Julia" and other Rumanian vessels available for the transportation of Jewish refugees.

Reports Concerning Rumanian Transit Facilities Contradictory

Information reaching us through McClelland in Bern tends to confirm the softening of the official Rumanian attitude toward Jews. According to sources considered by McClelland to be reliable, the Rumanian Government has issued confidential instructions to border control authorities to facilitate the admission of Jewish refugees from Hungary for transit through Rumanian territory.

A subsequent cable from Minister Harrison, however, refers to a contradictory though somewhat earlier story in a Berlin newspaper. According to this account, the Rumanian Minister of Justice, because of the recent influx of Jews

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presumably from Hungary and Poland, issued a decree providing the death sentence as punishment for foreign Jews illegally entering Rumania, with a similar penalty for persons making possible such entries.

Reply Suggested to Bulgarian Minister

In a cable to Minister Johnson and Board Representative Olsen in Stockholm we are suggesting that, in response to the informal reply of the Bulgarian Minister in Stockholm, as reported last week, an informal reply might be made to the effect that while problems arising from aerial bombings are not within the province of the Board, in considering such matters informally and objectively it is impossible to overlook the bombings of such civilian centers as Warsaw, Rotterdam, Belgrade, Amsterdam, London, and Coventry, all by forces with which Bulgaria continues to be allied.

Reference is being made to the appeal recently directed to Hungarians by the Senate Foreign Relations Committee, calling for resistance on the part of the general public to such persecutions. We are suggesting that Johnson and Olsen point out to the Bulgarian Minister that this appeal applies as much to Bulgarian and other Axis countries as to Hungary, and that those to whom such warnings are applicable have it within their power to act in such a way, with respect to Jews and other helpless civilian minorities, as to invite more favorable consideration, when punishments are meted out, than their conduct up to now may warrant.

House Committee Adopts Resolution

Mr. Pehle met this week with the House Committee on Foreign Affairs, in executive session, to summarize activities and objectives of the Board. Following this meeting, on June 23 a resolution concerning refugees and approving the activities of the Board was unanimously approved by the Committee. The resolution, addressed to all Nazi-controlled territories but directed to Hungary in particular, reads as follows:

"Resolved, That the House of Representatives hereby expresses its deep concern over the plight of the threatened millions in Nazi-occupied and Nazi-dominated territories. The House of Representatives expresses its approval of the activities of the War Refugee

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Board, which is facilitating the actual rescue of persons so exposed, furnishing relief to such persons by making available food and other supplies, and attempting to influence through psychological and other measures the attitudes of both the leaders and rank and file populations in those territories where extermination of minority groups is imminent, and be it further

Resolved, That the House of Representatives is not content merely to join with those who have expressed their horror at the barbarism of the governments involved in the cruelties herein condemned, but hereby expresses its determination that the criminals who are guilty of this inhuman conduct shall be brought to justice, and hereby requests the Secretary of State to convey, through such means as he may find appropriate, this concern and determination of the House of Representatives. This concern and determination, while addressed to all Nazi-controlled territories, is particularly directed to Hungary, where the lives of a million Jews hang in the balance. At this historic moment, when the tide of military battle has turned decisively in favor of the United Nations, the House of Representatives of the United States of America calls upon the Nazis and all their satellites to stem the tide of inhumanity toward helpless peoples."

We are communicating the text of this resolution to our representatives in key U.S. Missions abroad for transmission to the appropriate authorities in Great Britain, Turkey, Spain, Portugal, Sweden, and Switzerland. We are asking that it be given the widest possible publicity, and that its contents be brought to the attention of the Hungarian Government through all available channels.

Resolution Introduced in House of Representatives

On June 23 another resolution was introduced in the House of Representatives by Congressman Bloom, Chairman of the House Committee on Foreign Affairs. This resolution calls upon the Secretary of State to urge that the Government of Turkey "in the interests of humanity facilitate the entry into Turkey of refugees who can escape from the Nazis, and establish in Turkey a refugee camp in which

- 6 -

such persons can be temporarily sheltered."

Ambassador Steinhardt is being instructed to give this pending resolution such local publicity in Ankara as he may find desirable and to use it, in his discretion, to bring further pressure on the Turkish Government.

FOOD PARCELS TO UNASSIMILATED CIVILIANS

Blockade authorities have now agreed to permit the distribution by the International Red Cross, to persons interned in southern France, of certain foodstuffs still fit for human consumption salvaged from the cargo of the "S. S. Christina" now at Cette, France. The food supplies in question are contained in some 315,000 food parcels originally intended for distribution to French and Belgian prisoners of war. Negotiations have begun with French and Belgian officials, who hold title to the parcels, and with the International Red Cross. We are endeavoring to expedite this relief measure and have indicated that we will arrange for any incidental financing that may be necessary.

Arrangements Proceeding for Experimental Relief

In a cable to Bern we are advising Harrison and McClelland of details of the agreement recently reached covering our experimental program of relief to persons in concentration and refugee camps in enemy Europe, for distribution by the International Red Cross, subject to certain distribution guarantees.

We have also asked the Relief Subcommittee of the Joint Blockade Committee to request the International Red Cross to approach German authorities immediately to ascertain whether they will, in principle, permit the Red Cross to distribute food and clothing parcels in all camps in German-controlled Europe holding persons not assimilated to the status of prisoners of war under the Geneva Prisoners-of-War Convention. The International Red Cross is also to ascertain whether German authorities will permit the immediate distribution of food parcels in fifteen selected camps.

Harrison and McClelland are being asked to follow this matter closely upon the receipt by the International Red Cross of the Joint Blockade Committee proposal, and to report to us immediately on any developments.

- 7 -

Cooperation of International Red Cross Insured

McClelland has meanwhile been attempting to work out with the International Red Cross procedures and guarantees with respect to the distribution of such parcels. Intercross has now supplied the names of the principal concentration camps in Germany and in German-occupied territories to which it believes parcels could be sent with satisfactory guarantees of distribution. McClelland indicated that Intercross would at all times be prepared to present to blockade authorities detailed evidence of the proper distribution of such packages.

Intercross estimates were forwarded as to the number of individual food and clothing parcels that could be shipped each month to the various camps through existing Intercross facilities. In connection with the distribution of food parcels to the Resienstadt, it was pointed out that Intercross has received written permission from the Germans for one of their delegates to visit the Resienstadt this month.

With respect to the financing of such relief projects, Intercross indicated that it had been advised that various Allied governments in London, as well as the French Committee in Algiers -- all with nationals in Nazi hands -- are prepared to contribute generously.

In unequivocally endorsing the stockpile plan which we have arranged, McClelland indicated that he is not only convinced of the adequacy of Intercross distribution controls; in many cases he feels that the controls offered are superior to those available for assimilated groups.

EVACUATIONS TO AND THROUGH TURKEY

A review of the situation in Turkey reveals that the "S. S. Milka" has been indefinitely detained by German authorities in Burgas, the "S. S. Maritza" has been sunk, and it now appears extremely doubtful that either a German or Bulgarian safe-conduct will be granted for the "S. S. Tari." Under these circumstances, Ambassador Steinhardt has approached the Secretary General of the Turkish Foreign Office with a view to inducing Turkish authorities to authorize the use of a number of Turkish vessels to transport refugees from Balkan ports to Istanbul. The Turkish Secretary General indicated that he would look into the matter at once.

Efforts to Obtain German Safe-Conduct To Be Renewed

We are asking that Steinhardt, in his discretion, renew

his efforts to obtain a German safe-conduct for the "Tari" from Constanza to a Turkish port, this time upon the assurance to the German Government that any Jewish refugees evacuated on the "Tari" would be taken from Turkey to havens of refuge other than Palestine. This action would be in line with our recent request that Minister Johnson ask the Swedish Government to take up again with the Germans the question of a safe-conduct for the "Bardaland," on the basis of the same assurances.

Refugees Still Arriving Overland from Bulgaria

Steinhardt meanwhile has cabled us for details of the reports reaching us with respect to the refusal of Turkish border guards to permit Jewish refugees without visas to enter Turkey. Steinhardt noted that during recent months only one such instance has come to his attention.

With respect to our proposal that advance arrangements be made with Turkish authorities to permit the entry into Turkey of refugees from Bulgaria lacking Turkish visas, Steinhardt reiterated previous informal assurances on the part of the Turkish Foreign Office that entry would not be refused to such refugees provided that British and Jewish Agency representatives in Istanbul issue them Palestine entry certificates. It was pointed out that such certificates are now being issued without delay and as a matter of course. As a result, Steinhardt stated, a considerable number of refugees without Turkish visas who have arrived overland at Turkish border points from Bulgaria have already passed through Turkey en route to Palestine.

For some time past, according to Steinhardt, Turkish border guards have been under instructions not to turn back Jewish refugees but to detain them on the Turkish side of the frontier pending instructions. It was pointed out that if we should attempt to convert the present benevolent attitude of the Turkish authorities into an arrangement of a more formal character, the Turks might conclude that plans were afoot to carry on evacuations on such a scale as to severely tax Turkish facilities. Steinhardt therefore feels that, at least for the present, we should try to hold the Turks to strict compliance with the informal assurances that have already been given, rather than risk the withdrawal of these informal assurances in the course of pressing for a more formal agreement.

JDC Evacuation Operations in Turkey Authorized

The Treasury Department has, upon our recommendation,

issued a license to the American Jewish Joint Distribution Committee under which the JDC representative in Turkey is authorized to carry on evacuation operations in enemy territory.

EVACUATIONS TO AND THROUGH SPAIN

According to a cable from Madrid, 573 stateless refugees destined for Camp Lyautaud left Cadiz on June 21.

James Mann in Spain

We have advised Ambassador Hayes that, at least for the time being, James McDonald will not undertake the trip to Spain as previously proposed. Meanwhile James Mann, Assistant Executive Director of the Board, has gone to Spain from Portugal to confer on war refugee matters. Mann is withholding a detailed report of his findings and impressions with respect to the Portuguese situation until his investigations are completed.

Influx of French Refugees Anticipated

Pointing to the likelihood of a large influx of French refugees into Spain as military operations proceed in France, the Treasury Representative in North Africa has forwarded to the Treasury a tentative proposal of the French that they be permitted to sell to Spain 10,000 tons of cotton, the proceeds to be used for the purpose of maintaining such refugees. Discussions on this matter are now being held by representatives of Treasury, State, the Foreign Economic Administration, the British, and the Board.

EVACUATION OF ABANDONED CHILDREN FROM FRANCE THROUGH SWITZERLAND

Favorable responses have been indicated by two more South American republics in connection with our efforts to induce other countries to follow the example set by this Government in making visas available for child refugees reaching Switzerland from France.

According to a cable from our Embassy in Montevideo, a representative of the Embassy has informally been advised that a favorable reply is now being drafted by a Uruguayan official in response to our proposal on this score.

The question of the receipt by Costa Rica of such refugee children has been discussed by a representative of our Embassy there with Senor Mendez, head of a semi-official agency charged with the care of orphaned children. Senor Mendez is reported to have stated that his organization

might be able to place 1,000 children in private homes in Costa Rica and might itself be able to take a smaller number. He wished to know, however, before the Costa Rican Government makes a formal commitment, whether assurances can be given that the children would remain in Costa Rica permanently. It was felt that many private families would be reluctant to accept children who might be returned to Europe after the war.

The expenses of any children accepted by Costa Rica would be taken care of by the families concerned. Transportation expenses, however, would have to be met from other sources. It was also stated that, in the event the Mendez organization itself takes any children, expenses incurred in this connection would have to be met from other sources.

LICENSING OF RESCUE AND RELIEF OPERATIONS PROCEEDS

We have cabled Board Representative Olsen in Stockholm that \$5,000 is soon to be transferred to a Jewish relief organization in Sweden by the Board of National Missions of the Presbyterian Church. Olsen has been advised that the license being issued will provide for his approval of the operations envisioned.

Upon our recommendation, a basic license has been issued by the Treasury to the French Relief Fund, Inc., permitting it to carry on relief and rescue operations in enemy or enemy-occupied territory, primarily in France. The remittance of \$150,000 for these operations has been authorized.

Two additional licenses have been issued by the Treasury, with our approval, to the American Jewish Joint Distribution Committee. One authorizes the remittance of \$72,000 to JDC representatives in either Switzerland or Portugal, to be used for the purchase of food in either of these two countries. The food purchased, when parceled, will be sent to Jews in concentration camps in Czechoslovakia.

JOINT EXCHANGE PROJECT

In response to our request for further information with respect to the proposed British-American joint exchange project, the British Foreign Office, in a letter to Ambassador Winant, has indicated that the Palestine Government, in collaboration with the Jewish Agency for Palestine, nominates persons whom it would be willing to exchange for German citizens held in Palestine. It was reported that

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the names of such persons are then communicated to the German Government through Switzerland, the protecting power. In practice, however, it was said that the German Government often declares itself unable to trace the persons named and other Jewish individuals have been substituted.

The Foreign Office indicated that two such exchanges have taken place to date, one in December 1941 and the other in November 1942. These exchanges involved about 350 German citizens as against 180 holders of Palestine certificates and their next of kin. It was pointed out that the balance is thus to the advantage of the Germans. To redress it, the British indicated that they are now negotiating a third exchange on a basis of 280 certificate holders against 110 Germans.

With respect to the procedure to be followed in placing persons on exchange lists, it was suggested by the Foreign Office that Jewish organizations or individual inquirers might be advised by us to communicate the names of persons in whom they are interested to the Colonial Office in London. The Colonial Office would then forward such names to the High Commissioner at Jerusalem and to the Jewish Agency for decision as to their suitability for exchange.

RECOGNITION OF LATIN AMERICAN PASSPORTS

Minister Harrison in a detailed report from Bern has relayed to us the substance of a summary prepared by the Swiss Foreign Office reviewing the entire Latin American passports problem. According to the Foreign Office summary, the passports of various Latin American countries have circulated since the outbreak of the war among Jews living in German-occupied territories, especially Poland. It was said that the passports were issued through the consulates of the various countries in Japan, Switzerland, Portugal, New York, Sweden, and perhaps Poland.

Instructions were requested of the interested governments upon the expiration of passports issued in the names of the countries whose interests Switzerland protects in Germany, when their bearers asked the Swiss Legation in Berlin to renew them. While these governments in general refused to authorize the extension of such passports, the Swiss Government, it was stated, refrained from bringing this fact to the attention of the Germans. Under the circumstances, however, Switzerland was deprived of the possibility of continuing to protect the persons involved, through diplomatic channels.

- 12 -

Jews who had not been able to establish American nationality had already been removed from Compiègne and Vittel by the German police by the time the U. S. Legation's notice was delivered to the German Government, the Swiss note continued. On the basis of certain verbal statements reportedly made to the Swiss Legation in Berlin, however, the Swiss Foreign Office was convinced that the Germans are anxious to establish as broad a basis as possible for exchanges and will do everything possible to exempt Jews bearing Latin American passports from deportation, provided that any exchange agreement reached effectively covers these persons.

The Foreign Office concluded by pointing out that the proposed exchange will be effective only to the extent that the number of German citizens whose repatriation may be considered corresponds to the number of persons holding passports and other Latin American documents. In this connection it was observed that such documents are said to have been issued again recently by the hundreds.

Haitian Cooperation Promised

According to information forwarded by our Embassy in Haiti, the Haitian Minister for Foreign Affairs has stated that he clearly understands the humanitarian aspects of our attempts to assure the recognition of Latin American travel documents, and that his government will endeavor to address such a note as was suggested to the Swiss authorities. Concern was expressed, however, over the practical difficulties involved, in view of previous communications to Swiss authorities stating that Haiti would not protect the holders of passports issued fraudulently or the holders of Haitian passports who acquired citizenship under the laws of 1939 and whose citizenship was subsequently cancelled because of their failure to return to Haiti.

Uruguay Acts

We have been advised by the U. S. Embassy in Montevideo that instructions similar to those suggested by us have now been cabled to the Uruguayan Minister in Bern. A representative of the Embassy was orally informed that Uruguay would also support the proposed exchange negotiations.

Meanwhile, the Uruguayan Government is said to have received inquiries from the International Red Cross with respect to seven persons at Compiègne and fifteen at Vittel claiming Uruguayan citizenship. It was reported that, when made, the Uruguayan reply would indicate that these individuals are presumed to be citizens of Uruguay.

Exchange Action Urged

In a circular letter to U. S. Embassies in the various Latin American republics the State Department has indicated its desire to proceed as quickly as possible with the presentation to the German Government of concrete proposals based upon the resolution relating to exchange standards recently adopted by the Emergency Advisory Committee for Political Defense at Montevideo. Reports have been requested by State with respect to any initiative taken by these various governments in connection with the projected exchange.

COOPERATION WITH THE OFFICE OF CENSORSHIP

We have now arranged for the liaison already established with the Office of Censorship by the Foreign Funds Control to function for the Board as well, in connection with cables relating to refugee matters.

COOPERATION WITH THE INTERGOVERNMENTAL COMMITTEE

In response to our request for information as to the present status of the Intergovernmental Committee credit scheme, to which this Government had indicated its agreement, Ambassador Winant advised us that Sir Herbert Emerson apparently had not yet been informed of our response to the British Foreign Office.

We have communicated to Winant details of this Government's reply to the original British proposal, including information concerning the \$1,800,000 operational fund which has been made available to the IGC. Winant is also being informed of our concern that the credit scheme be started as soon as possible.

COOPERATION WITH RUSSIA

Ambassador Harriman has reported having recently discussed with Vyshinski the general question of the relief and rescue of victims of enemy persecution, as well as the President's recent action in setting up an Emergency Refugee Shelter in this country. Harriman pointed out that American public opinion has been very much concerned over the appalling reports that have been received concerning the persecution of Jews in Europe, and inquired as to whether there was any concrete action that the Soviet Government could take in this respect.

- 14 -

Vyshinski replied that the same reports had come to the attention of the Soviet Government. It was stated that active study is being given to the entire matter, including the proposals set forth in a recent letter from the Embassy.

COOPERATION WITH NEW ZEALAND

We have been advised by the U. S. Legation in New Zealand of the appearance in a Wellington newspaper of an editorial describing the concern expressed by returning servicemen over the acquisition of professional, business, and industrial undertakings by alien residents of New Zealand. The editorial is said to have urged investigation on a national scale of the extent and effect of alien infiltration.

Another Wellington news story reported by the Legation dealt with statements made by the Prime Minister of New Zealand on the matter of post-war immigration. The Prime Minister is said to have reiterated his belief that while the rehabilitation of her fighting men must be New Zealand's first consideration, immigrants will be needed and welcomed in New Zealand after the war. A well-planned scheme of immigration was urged, with priority to immigrants from Great Britain and then perhaps to people of other Allied nations.

J. W. Pehle
Executive Director

CABLE TO AMBASSADOR MURPHY, ALGIERS, & FOR ACKERMANN, NAPLES

Reference my letter June 14 concerning information needed prior to refugees sailing. Specific information wanted soonest by cable is total number refugees sailing, number males over 14, number males under 14, number females over 14, number females under 14, number single males over 14, number single females over 14, number families by size of family, number individuals each religious group, number orthodox Jews, number hospital or stretcher cases by disability categories and number of each, number pregnant women and probable date confinement, number speaking English, number speaking other languages by language, number employable persons, by occupations and professions, countries of origin and number from each.

Also send via air mail list names all individuals and all the completed questionnaire forms.

THIS IS WRB CABLE TO ALGIERS NO. 28

June 24, 1944
2:45 p.m.

AL:EBorenstein:mm 6/23/44

MMS

This telegram must be paraphrased before being communicated to anyone other than a Government agency. (RESTRICTED).

June 24, 1944

Midnight

AMREP,

ALGIERS

2002

The following WRB cable no. 28 is for Murphy from Pehle, War Refugee Board, and refers to Pehle's letter of June 14 regarding data needed before sailing of refugees.

Please cable urgently following specific information: total number refugees sailing, number females under 14, number females over 14, number males under 14, number males over 14, number single females over 14, number single males over 14, number of families by size of family, number individuals each religious group, number orthodox Jews, number hospital or stretcher cases by disability categories and number in each category, number pregnant women and probable date confinement, number speaking English, number speaking other languages by language, number employable persons by occupations and professions, countries of origin and number from each.

List names all individuals and all the completed questionnaire forms desired by air mail.

Repeated to Naples for Ackermann.

HULL
(GHW)

252

CODE ROOM: Please repeat to Naples with following opening sentence: "The message below to Algiers repeated for your information and possible action".

WRB:MMV:KG

S/CR

WE

SE

6/24/44

A-196

5:50 PM

SECRET

AMEMBASSY,
SAN SALVADOR, (EL SALVADOR).

SECRET AND CONFIDENTIAL FOR THE INFORMATION OF THE AMBASSADOR.

Reference is made to Department's A-167 of June 1, speedy reply to which would be appreciated.

It is understood that protecting power for Salvadoran interests in German held areas is Switzerland, not Spain. It is urgently desired to know, therefore, whether the approach requested by the Department in Circular Airgrams of March 31, 1:05 p.m., April 10, 11:00 a.m., and April 22, 7:30 p.m., has been made by El Salvador to Switzerland.

For your information, Department is informed that some holders of documents issued in the name of El Salvador are at present in Hungary, and that the persons concerned are faced with persecution and death unless the approach previously requested is made with the utmost speed and is extended to include persons in Hungary. Since El Salvador has no protecting power in Hungary, a special request must be made to Switzerland to act in that capacity. The following is an excerpt from a communication from Minister Harrison at Bern:

QUOTE the Salvadoran Consul General at Geneva has made attempts to induce the Swiss Government to accept this responsibility but I have been advised that the Swiss Government has informed him that it is not in a position to consider the proposal unless his Government presents it officially. Any steps in this direction could help as Switzerland's role as protecting power for Salvador in Hungary, if indeed the Hungarians would agree to it, might conceivably forestall or impede the deportation of several hundred persons holding such documentations UNQUOTE

Please do your utmost to persuade Salvadoran officials to act accordingly without delay.

HULL
GLW

WRB:MMV:KG
6/24/44

CCA

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, London
DATED: June 24, 1944
NUMBER: 4992

CONFIDENTIAL

FROM PEHLE TO AMBASSADOR WINANT IN LONDON

Reference is made to Sir Herbert Emerson's message contained in your 4832, sixteenth. This Government's reply to British Government's Aide Memoire of March 27, 1944 has been delivered, and \$1,800,000 operational fund for credit scheme has already been made available to I. G. C. Will you please inform Emerson and express our concern that the credit scheme be started as soon as possible.

Text of U. S. Aide Memoire follows:

HULL

MAE
Distribution of
true reading only by
special arrangement
(SECRET-W)

June 24, 1944

4 p.m.

AMLEGATION,
LISBON.
1819

The following forming WRB cable 39 is for Norweb Dexter and Mann.

The problem of certain Spanish loyalist and other refugees hiding in Portugal who desire to go to Mexico is familiar to you. Information has been received by the Board that the Mexican Government has approved the issuance of 500 residence visas for refugees of class described and has authorized the Mexican Minister in Lisbon to grant these visas to such of the described persons as he may desire. Presumably such visas will be issued following discussion between the Mexican Minister and Dexter and it is thought the Minister will rely largely upon Dexter to contact the proper persons. The Mexican Minister should be consulted to determine whether such instructions have been received. The result of inquiries on this point should be reported.

The expediting of the voyage of these refugees found qualified to Mexico is desired and accordingly the speeding of granting of transit visas has been agreed upon between the Department, the War Refugee Board and Unitarian Service Committee. The manner in which this may best be accomplished bearing in mind the danger to the applicants should they be apprehended before they have been granted both Mexican residence and United States transit visas should therefore be reported promptly. Please outline in detail your report of the procedure you expect to follow in order to procure visas in the earliest possible time for these people. Many if not all of the persons to whom Mexican visas will be issued will not (repeat not) it is thought have passports or other proper traveling documents. The transit visas will be placed upon consular forms 257 in conjunction with any document they may have including any furnished by the Mexican authorities. If it is impracticable for applicants to furnish photographs consult consular section of Legation regarding waiver of photograph requirement subject to furnishing fingerprints and submission of photograph after issuance of transit certificates. It is assumed regarding fingerprint requirements print will be taken at time applicants come out of hiding to receive their transit certificates from American consular officers. However, some sort of medical certificate will be required. Procurement with the least possible inconvenience and danger of apprehension for the applicants is desired. Dexter possibly may be able to arrange for applicants to obtain a certificate that they have no contagious disease and this will suffice for visa purposes.

-2-

It is contemplated that as soon as possible Dexter will procure and transmit through Legation or Consul the name, date and place of birth of each person who will receive a Mexican visa, together with information as to whether such person is or has been a Communist, and any other available relevant information which the Legation may suggest. These names will be checked by the Department of State which will instruct the Consul to issue visas unless objection to a specifically named person is perceived. A check of such names and advise of the action taken will occur as promptly as possible. Names will be cleared within one week after receipt, it is expected. The matter will be taken up with appropriate officials of this Government, in order to consider the exercise of existing authority to admit such persons temporarily, in any case involving Communist affiliation. After receipt of such instructions by the American Consul it would then be possible for the applicant to come out of hiding and receive his papers in one visit respectively to the Mexican officials and the American Consul. Provided you are certain in all cases that the International Police would permit passage from Portugal to the United States en route to Mexico he could then reveal himself to the International Police. It appears essential that plans be made so that both visas may be obtained expeditiously and that only one visit be made to the American Consulate, in view of danger of apprehension to the applicants. A full expression of your views in this matter should be given for benefit of Department and Board.

From the Department for Norweb.

In the event it is not feasible to obtain photographs, this requirement will be waived or photographs will be submitted after issuance of transit certificates.

HULL
(CLW)

WRB:MMV:OMH:
6/14/44

VD

WE
S/CR

MA

PARAPHRASE OF TELEGRAM RECEIVED

TO: The American Legation, Lisbon
 FROM: The Secretary of State, Washington
 DATE: June 24, 1944
 NUMBER: 1820

SECRET

It is requested that you consult with Mann and Dexter concerning Spanish and other refugees, the subject of number 39 from the War Refugee Board for Dexter who wishes to procure transit certificates to proceed to Mexico through the United States.

According to information received by the War Refugee Board data concerning these refugees, whether applicant has been or is a Communist, name, date and place of birth and any other available information deemed desirable by you, be supplied to a United States consul or to the Legation. By air-mail this information as received should be promptly transmitted to the Department with Consular or Legation comment for security checks and in case of any Communist, reference to the Attorney General for possible waiver under the 9th Proviso Section 3, Act of 1917.

We will make an effort to process the cases within a week and if no objection appears the Legation will be authorized to grant transit certificates provided no objection appears on security grounds and also provided the applicants first secure Mexican visas.

Applicants need not appear at consular office until time of application for transit certificate, according to advice received by the War Refugee Board. In case the submission of photographs is impracticable this requirement may be waived subject to the submission of photographs after issuance of transit certificate and to the furnishing of fingerprints. The requirement regarding passport may be waived and in lieu thereof an affidavit of identity or any travel document may be accepted. Also the War Refugee Board has been informed that it is expected that any action taken in these cases shall be consonant with the strict observance of the law of the Portuguese.

If you will keep the Department advised briefly by cable concerning developments it will be appreciated.

HULL

DCR:MPL
 7/3/44

CABLE TO AMBASSADOR HAYES, MADRID, FROM J. W. PEHLE, EXECUTIVE DIRECTOR,
WAR REFUGEE BOARD.

Reference Department's 1422, May 19, and your no. 1777,

May 22.

For the time being at least James MacDonald will not undertake the trip to Spain referred to in the foregoing cables. In the meantime I would appreciate your cooperating fully with James H. Mann, Assistant Executive Director of War Refugee Board, whom I understand is now in Spain and has my full confidence. Will you please advise Mann concerning the postponement of MacDonald's trip.

June 24, 1944
11:45 a.m.

FH:lab 6/23/44

MAE
Distribution of
true reading only by
special arrangement
(Secret-W)

June 24, 1944

Midnight

AMEMBASSY

MADRID,
1810

The cable below in reference to Department's 1422 of May 19, and Madrid's 1777 of May 22 is for the Ambassador from Pehle, War Refugee Board.

James MacDonald will not undertake trip to Spain referred to in foregoing cables, for time being at least. Meanwhile your full cooperation with James H. Mann, Assistant Executive Director of Board, who has my full confidence and I unders and is now in Spain, would be appreciated. Please inform Mann of postponement trip of MacDonald.

HULL
(GHW)

S/CR
WRB:MMV:KG
6/24/44

WE

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: June 24, 1944
NUMBER: 2149

CONFIDENTIAL

The Department and the War Refugee Board are receiving reports indicating that there are held in camps situated in Germany and German-controlled territory, to which the protecting Powers and the International Red Cross have been granted no access or else such strictly limited forms of access that they have been unable effectively to assist the individuals in question, a number of unquestioned nationals and persons claiming the nationality of the United States and other American Republics. Belsen-Bergan near Hanover, Bergau near Dresden, Drancy near Paris and Theresienstadt are sites of such camps. Since late in 1943 the camp at Tost in Silesia appears to have been placed in this category. Possibly other camps of the same character exist.

The Swiss Government should be asked as protecting Power of the United States to investigate this situation. Please request it to endeavor to have its representatives visit the camps referred to for the purpose of investigating the claims of individuals held in these camps to citizenship of the United States or of other American Republics. Please make similar efforts regarding camps and other establishments which may exist in Romania, Hungary and Bulgaria or any other areas under control of German-dominated authorities.

Article 86 of the Geneva Prisoners of War Convention as applied to interned civilians by mutual agreement of the belligerents should be the base of the request to visit such camps. The extraordinary restrictions placed by the German authorities upon communications with these camps have deprived the persons detained there and the protecting Power of normal means of dealing with their claims to the protection of foreign states - hence in order to protect the vital interests of such detainees it is essential that visits be made to these camps. In this connection, reference is made to the case of Franz Kahn (Department's A-199, April 24 and previous) in which the extraordinary regulations attendant upon correspondence between him and the protecting Power have unjustifiably impeded the verification of his claim to American citizenship.

The International Red Cross Committee, despite extended efforts to visit the camps in question, has been unsuccessful in its exertions so far. Appreciation of the Department and the War Refugee Board for these efforts should be expressed. Also please express the hope that there will be no abatement of these efforts.

WEB CABLE NO. 36 TO BERN

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
 TO: Secretary of State, Washington
 DATED: June 24, 1944
 NUMBER: 4041

CONFIDENTIAL

McClelland reads the following for the War Refugee Board.

Reference is made herewith to Legation's message dated June 17, No. 3867, paragraph three.

Now there is no doubt that the majority of the Jewish population east of the Danube especially in eastern, northern, and north eastern Hungary has been deported to Poland. Further reliable information confirming this fact has come in in the course of the past two weeks from the following independent sources: (a) Swiss official employee just returned from Budapest, (b) Railway workers in Czech resistance movement, (c) other reliable secret source regard information as to sources as absolutely confidential since any publicity regarding them would endanger lives.

Prior to the deportations, there were two weeks to a month of brutal concentration during which thousands of Jews were crowded together in primitive quarters with insufficient food, clothing and water, regardless of state of health, sex or age. The Hungarian gendarmerie on Laszlo Endre's orders largely carried out this action.

Apparently the actual large scale deportations began about May 15 and lasted until the middle of June. The movement involved 12,000 persons per day: About 7,000 through sub-Carpatho-Russia and 5,000 through Slovakia. Characteristic of such actions, people were deported 60 to 70 per sealed freight wagon for a trip of two to three days without adequate water or food probably resulting in many deaths en route.

Particularly used were the following stretches of railroad:

- (1) Csep-Kaschau-Presov-Lubotin-Nowysacz in direction of Oszwiecim;
- (2) Satoraljaiuhaly-Leginamich Wlany-Michaloves-Medzilaborce. Also many thousand troops to and from the Polish front were transported daily over this line;
- (3) Munkacs-Lavocse;
- (4) Galanta-Sered-Leopoldstadt-Novemesto-Trencin;
- (5) Vrutky-Zilina.

It is urged by all sources of this information in Slovakia and Hungary that vital sections of these lines especially bridges along ONE be bombed as the only possible means of slowing down or stopping future deportations. (This is submitted by me as a proposal of these agencies and I can venture no opinion on its utility).
 At least.....

- 2 -

At least 335,000 Jews already have been deported from the following regions according to figures received.

Approximately 130,000 in sub-Carpathia and Ruthenia mainly from the towns of Beregszasz, Felsővisó, Huszt, Nagyszello, Maramarosziget, Munkacs, Tecer and Ungvar.

Approximately 90,000 in Transylvania from Beszterce, Des, Koloszar, Neres Vasarhely, Nagybanya, Nagyvarad, Szaszregan and Szilagy, Somlyo.

In northern Lankaschau, Gyongyos, Sator Aljaujhely and Sarospatak.

Approximately 75,000 in the Tisz region from: Kisvarda, Mateszalka, Nagykaroly, Nyiregyhaza and, Szatmar Nemeti,

It is also reported by one source that deportations of approximately 20,000 have taken place from certain towns in southern Hungary such as Bacs (*)ya, Baja, Nagykanizsa, Ujvidek and Szabadka and further exi(*)tions also being made deport Jews from towns of Dunaszerdahely, Cycer, Komarem, Miskels, Peca and Szombathely where persons are already concentrated.

Some 350,000 Jews have already been concentrated in Budapest and environs. This began around June 16 and on the 21st it was to be finished. In the city proper they have been settled in requisitioned blocks of houses in a chess board pattern so that they will not escape bombardment.

Some 15,000 Jews have been crowded into a ghetto in the factory zone along the Danube in Ujpest near Budapest.

The principal individuals in the Sztifjay Government responsible for this persecution of Jews are as follows; László Enire, former subprefect of country of Pest now in Ministry of Interior; László Baký, also Interior and Andre János, Minister of Interior.

In an effort to check such continued deportations Ternaneezov (*) from the United States, we recommend British and Soviet (*) broadcasts and especially leaflets. If it is possible, the Vatican should be prevailed upon to associate itself with much protest.

There is little doubt that many of these Hungarian Jews are being sent to the extermination camps of Auschwitz (Oswiecim) and Birke Nau (Rajaka) in western upper Silesia where according to recent reports, since early summer 1942 at least 1,500,000 Jews have been killed. There is evidence that already
in January....

-3-

in January 1944 preparations were being made to receive and exterminate Hungarian Jews in these camps. Soon a detailed report on these camps will be called.

HARRISON

(*) apparent omissions

DCR:VAG:HL
6/26/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: June 24, 1944
NUMBER: 4045

SECRET

Reference is made herewith to your cable dated June 19
N o. 2103.

Orally and informally I have been informed that the
Chief of the Federal Political Department has the contents
of your message of May 25, No. 1805 (WRB No. 26) under personal
study. The Foreign Office official was not able to say when
an answer might be expected, but he indicated that the reply
would probably be unfavorable.

We have not yet received the Imfeld report but we expect
it soon.

HARRISON

CORRECTION

DMH- June 24, 1944
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
agency. (RESTRICTED)

In Istanbul's 358, June 17, 9 p.m., first sentence
please delete "Shestrunsky", insert "Shebastrunsky".
Should read "This message from Leon P. Denenberg for
Shebastrunsky International Rescue and Relief Committee,"
et cetera.

DIVISION OF COMMUNICATIONS AND RECORDS

JMS

SECOND CORRECTION

FBM

June 24, 1944

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

In Istanbul's 358, June 17, 9 p.m., first sentence please delete "Shestrunsky", insert "Sheba Strunsky". Should read "This message from Leon P. Denenberg for Sheba Strunsky International Rescue and Relief Committee." et cetera.

DIVISION OF COMMUNICATIONS AND RECORDS

NPL

A-35
12:00PM

AMERICAN CONSULATE GENERAL

June 24, 1944

ISTANBUL (TURKEY).

Please deliver the following messages from Dr. S. Bernstein, Zionist Organization of America, 41 East 42d Street, New York 17, New York, to Mr. Barlas, Pera Palace, Istanbul, Turkey:

"On behalf of Mrs. Elisabeth Reich of 235 Seaman Avenue, Bronx, New York, we are hereby applying for Palestine Certificates for the following persons:

- I. Issmann, Wiktor (Gyozo) father of applicant - age 76
Wife Szerene mother of applicant - age 70
Address: Karoly Korut 7, Budapest
- II. Issmann, Vilmas, brother of applicant - age 48, wife
Renee - age 44, Son Tibor - age 17
Address: Karoly Korut 7, Budapest
- III. Blum Aladar, brother-in-law of applicant - age 55, wife
Yanka, sister of applicant - age 50 Son Miklos - age 18
Address: Karoly Korut 7, Budapest
- IV. Issmann, Ferencz, brother of applicant - age 40, wife
Margit - age 33, Son Gyorgyi - age 17
Address: Karoly Korut 5, Budapest
- V. Friebert, Sandor, brother-in-law of applicant - age 48,
wife Hozsi - age 43, Daughter Evi - age 12
Address: Wesselenyi Utea 4, Hungary

We hope you can be of help in this matter.

We hereby submit to you applications for Palestine immigration certificates on behalf of the following persons in Hungary, for whom we have been appealed to by their brother and sister, Mr. Benjamin Bloom of 755 Eastern Parkway, Brooklyn, and Mrs. Margaret Meyowitz, 599 Power Street, Brooklyn, New York

1. Yeno Friedman (brother-in-law) aged 50, wife Giza aged 45
and 1 child
Address: Szatmer Megye, Nahrod, Hungary

2. Dezzo Blum

-2-

2. Desso Blum, brother aged 43, wife and 4 children
Address: Feher Gyormat, Szatmar Megye, Hungary
3. Bela Elfenbein, brother-in-law aged 40, wife Irene aged 36
and 2 children - Address: Balmazujveres, Hungary
4. Armin Blum, brother aged 41, wife and 4 children
Address: Feher Gyormat, Szatmar Megye, Hungary
5. Odon Blum, brother aged 34, wife and 1 child
Address: Szatmar Megye, Nahrod, Hungary
6. Lajos Blum, brother aged 31, wife and 1 child
Address: Szatmar Megye, Nahrod, Hungary
7. Sandor Blum, brother aged 26, wife and 2 children
Address: Szatmar Megye, Nahrod, Hungary

I am confident that you will do what you can in behalf of the above-named persons.

Rabbi E. Phineas Friedman, citizen of the United States, and rabbi at 1211 Chestnut Street, Philadelphia, Pennsylvania, appeals for Palestine immigration certificates for the following:

1. Rabbi Josef Friedman, aged 82, (father of the applicant) residing in Dombvar, formerly Romania, now occupied by Hungary.
2. Dr. Hillel Friedman, aged 52, (brother of the applicant) Rabbi of Dombvar, was born in Satmar, wife aged 50 and two daughters, aged 10 and 14.
3. Dr. Zoltan Friedman, aged 35, (brother of the applicant) Physician at the Jewish Hospital in Budapest, Hungary, wife aged 30.

We are confident that you will make every effort to be helpful to these people.

In behalf of Rabbi Solomon Gottlieb, 471 Miller Avenue, Brooklyn, New York, I hereby submit to you the following applications for Palestine immigration certificates:

Gizella Malpert,

- 3 -

Gizella Halpert, sister of the applicant, born March 15,
1909, in Jerusalem, Palestine
Aurelic Halpert, her son, born August 29, 1932, in Ungvar

Ludwig Halpert, her son, born June 9, 1938 in Trnava

Gizella's husband, Leopold, was born November 25th, 1905,
in Munkacs, Slovakia, but for the last two years is located in
Belgium, address unknown.

Address of Mrs. Halpert and children: Trnava Kapitulska 26, Slovakia

Rabbi Solomon Gottlieb of 471 Miller Avenue, Brooklyn, New
York, hereby applies for Palestine certificates for his brother-in-law.

Herman Axelrod, born July 8th, 1900,
wife Sara (nee Gottlieb), born April 15th, 1902 in
Jerusalem, Palestine

daughter Margit Aranka, born December 23, 1924, in Munkacs
son Israel Majer, born March 10, 1928, in Munkacs
son J. Salomon, born June 8th, 1932, in Munkacs
daughter Evi Esther, born November 22d, 1934, in Munkacs
daughter Deborah, born January 3d, 1938, in Munkacs

Address: Munkacs, Kertalia Ut 23, Hungary

Dr. S. Bernstein
Director, Palestine Bureau.

HULL

WRB:MMV:KG
6/23/44

NE

PLAIN
Montevideo
June 24, 1944

To Secretary of State,
Washington.

U.S. URGENT

607. June 24.

My 519, June 7, 10 a.m. Foreign Minister has just informed me that appointment of Ambassador Blance as delegate to Monetary and Financial Conference has been cancelled and that Mario La Gamma Acevedo an expert of Uruguayan Ministry of Finance has been designated sole delegate and will leave Montevideo unaccompanied on June 27 by Panair for Miami.

DAWSON

Dict. over phone
by AH to EF
6-24-44

June 24, 1944

My dear Archbishop:

In recent months, the Holy See, and Your Excellency personally have given the Government of the United States repeated indications of the concern with which you view the persecution of Jews in territories controlled by Germany and her satellites, and of your readiness to take measures intended to alleviate the sufferings of these victims of oppression. Consequently, this Government feels it appropriate to refer to you another aspect of the persecution of Jews in Axis-controlled areas in Europe.

As you are aware, the food situation is desperate for Jews and other persons detained in camps by the German and satellite governments for reasons of race, religion or political belief. These people are exposed to starvation and are in imminent danger of death. This Government feels strongly that steps should be taken at once to sustain their lives. Specifically, it is felt that the plight of these suffering people would be greatly alleviated if Germany and the satellite governments would permit them to receive treatment equal to that presently being accorded to assimilated.

His Excellency

civilian

The Most Reverend

Amleto Giovanni Cicognani

Archbishop of Laodicea di Frigia,

The Apostolic Delegate

Washington, D. C.

civilian internees of American and British nationalities. It is the hope of this Government to secure this treatment in full or at least in part -- a hope undoubtedly shared by the Holy See and by you personally.

In view of the extremely critical condition of these people, this Government would greatly appreciate it if you would be so good as to present this matter to the urgent attention of the Holy See. It is hoped that the Holy See will find it feasible and appropriate to use its good offices with the German and satellite governments to bring about, with respect to Jews and other persons detained, interned or otherwise confined because of race, religion or political belief, (1) treatment equal to that accorded civilian internees to whom the Geneva Convention is currently applied by analogy, or (2) equal treatment of such persons to the extent at least that reception and distribution of packages under the International Red Cross supervision be permitted them under guarantees equal to those in effect with respect to the civilian internees referred to in (1) above.

We feel strongly that (1) above is preferable and suggest that (2) should be sought only if in the judgment of the Holy See (1) is unobtainable.

In view of the generous interest and sustained activity of the Holy See on behalf of all persecuted minorities, it is hoped that this matter may be given favorable consideration.

Sincerely yours,

EDWARD R. STETTINIUS, JR.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF COMMUNICATIONS
AND RECORDS ⁴⁵

DSH-673

This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Algiers

Dated June 24, 1944

Rec'd 8:51 p.m.

Secretary of State,
Washington.

2131, June 24, midnight.

My 2110, June 23, 1 p.m.

FCNL officially accepts invitation to Monetary
Conference in note received today.

CHAPIN

RB
WTD

JUN 26 1944

DEPARTMENT
OF
STATE

OUTGOING
TELEGRAM

46
DIVISION OF
COMMUNICATIONS
AND RECORDS

THIS TELEGRAM MAY BE
PARAPHRASED BEFORE IT IS
COMMUNICATED TO ANYONE
OTHER THAN THE GOVERNMENT
AGENCY. (RESTRICTED)

3 p.m.

DEPARTMENT OF STATE

JUN 27 1944

DIVISION OF
COMMUNICATIONS & RECORDS

U. S. URGENT

AMEMBASSY

LA PAZ (BOLIVIA)

ACT 44

By direction of the President you are requested to deliver the following invitation to the Government to which you are accredited:

QUOTE The publication of the Joint Statement of Technical Experts recommending the establishment of an International Monetary Fund and setting forth the principles for such a Fund has been deeply gratifying to this Government as marking an important step toward post-war international economic cooperation. Undoubtedly the Government and people of Bolivia have been equally pleased by this evidence of the common desire of the United Nations and the nations associated with them in the war to cooperate in meeting the economic problems of the post-war world.

The President of the United States of America now proposes, as a further step toward the realization of this objective, to call a conference of the United Nations and the nations associated with them, for the purpose of formulating definite proposals for an International Monetary Fund and possibly a Bank for Reconstruction and Development. It

-2- # 684, June 24, 1944, to La Paz

would be understood of course that the delegates would not (repeat not) be required to hold plenipotentiary powers and that the proposals formulated at the conference would be referred to the respective governments and authorities for their acceptance or rejection.

I have the honor, therefore, on behalf of the President, cordially to invite your Excellency's Government to send one or more delegates to participate in a formal monetary and financial conference of the United Nations and the nations associated with them to be held in the United States beginning July 1, 1944. I am pleased to inform your Excellency that the delegation of the United States to the conference will be headed by the Secretary of the Treasury. The names of the other delegates of my Government, as well as information regarding the seat of the conference and arrangements for the meeting will be communicated to your Excellency at a later date.

Because of my Government's belief that the formulation of definite proposals for an International Monetary Fund and a Bank for Reconstruction and Development in the near future is a matter of vital concern to all of the United Nations and the nations associated with them, my Government sincerely hopes to receive the favorable reply of your Excellency's Government at the earliest possible moment, together with the names of

-5- # 884, JUNE 21, 1954, to La Paz

all members of the Bolivian delegation. UNQUOTE.

You are requested to inform the appropriate authorities of selection of Mount Washington Hotel, Bretton Woods, New Hampshire, as site of Conference. Anticipated duration two to three weeks, beginning July 1. Location, base of Mount Washington, White Mountains, approximately 600 miles and eighteen to twenty hours by regular train from Washington. Special train being arranged for opening; delegations will purchase their own accommodations.

Hotel will provide lodgings on American plan. Ample meeting rooms available, but suitably furnished office space restricted and hotel obliged to charge delegations desiring offices a flat rate for these extra facilities. Please ascertain and telegraph immediately minimum office requirements and preliminary estimate of number of officers and clerks expected to compose delegation. As these figures will form basis of preliminary room allotments by the hotel, please take care to specify sex and to include those persons already in the United States. Double occupancy of bedrooms required, except for heads of delegations.

As soon as more detailed information becomes available please telegraph name, title and delegation function of each individual, including subordinate personnel, and also mode of

100-304, June 24, 1944, to La Paz

travel and date and port of entry into United States; in case of air travel this information essential in recommending air priorities. If persons are appointed concerning whom Department has not been furnished recent biographic data, such information should also be included.

Since this is a technical wartime meeting, social entertainment will be held to a minimum. Limited hotel facilities will not permit the accommodation of wives or other family members. Business suits, light-weight woollens suggested, will be adequate for all occasions.

For your own information, the invitation quoted in the first portion of this telegram was delivered to the other governments and authorities concerned on May 26. The material contained in the remainder of this telegram was telegraphed to our missions under date of June 3.

HULL
(GDE)

000,616

IG:DBE;MOL

S/CR

WCA

ARA

6/20/44

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF 50
COMMUNICATIONS
AND RECORDS

HM-746

PLAIN

Reykjavik via Army

Dated June 24, 1944

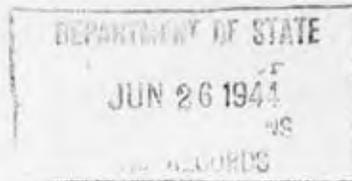
Rec'd. 8:40 a.m. 25th

Secretary of State

Washington

282, Twenty-fourth.

My 265, June 18.



Iceland Government last evening appointed Miss Martha Thors as secretary to its delegation to the monetary and financial conference. She is leaving Iceland with the delegation. She was employed in Iceland Legation at Washington until recently. The other secretary to the delegation is Mr. Thorsallur Asgeirson.

DREYFUS

JT

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

51
DIVISION OF
COMMUNICATIONS
AND RECORDS

BE-531

PLAIN

Montevideo

Dated June 24, 1944

Rec'd 1:30 p.m.

Secretary of State

JUN 24 1944

Washington

U.S. URGENT
607, June 24.

My 519, June 7, 10 a.m. Foreign Minister has just informed me that appointment of Ambassador Blanco as delegate to Monetary and Financial Conference has been cancelled and that Mario La Gamma Acevedo an expert of Uruguayan Ministry of finance has been designated sole delegate and will leave Montevideo unaccompanied on June 27 by Panair for Miami.

DAWSON

FS

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF 52
COMMUNICATIONS
AND RECORDS

LTK - 718
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Caracas

Dated June 24, 1944

Rec'd 11:00 p.m.

Secretary of State,
Washington.

COMMUNICATIONS
AND RECORDS
JUN 26 1944

U S URGENT

661, June 24, 7 p.m.

Venezuelan delegation to Monetary and Financial
Conference in the United States departed by air this
morning as scheduled.

During absence of Finance Minister Rojas,
President has appointed Dr. Aurelio Arreaza,
(Arreaza) former Legal Adviser in Ministry of
Hacienda to be acting Minister from June 23.

CORRIGAN

JT
RR

DEPARTMENT
OF
STATE

CONFIDENTIAL
INCOMING
TELEGRAM
For security reasons the text of this message must be closely guarded.

DIVISION OF
COMMUNICATIONS
AND RECORDS

FBM-483

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SECRET O)

Chungking via Navy

Dated June 24, 1944

Rec'd 9:30 a.m.

Secretary of State,
Washington.

DEPARTMENT OF STATE
JUN 25 1944
AM

1100, June 24, 5 p.m.

SECRETARY TREASURY FROM ADLER

Friedman now en route from Karachi to Calcutta and can possibly arrive Chungking before 28th. If I await his arrival here I should not be able to leave here before July 1st or 2nd, i.e. loss of whole week. Therefore, propose to leave here June 26 for Calcutta where shall spend two days with Friedman before departure for conference.

GAUSS

RR JT

CONFIDENTIAL

DSH-400 For security reasons the
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (SECRET-0)

Chungking via NR

Dated June 24, 1944

Rec'd 11:05 a.m.

Secretary of State,

Washington.

JUN 26 1944

1901, June 24, 9 a.m.

TO SECRETARY TREASURY FROM ADLER.

One. Thomas informed me today British Embassy had decided to relax exchange control regulations with respect remittances to China. British Government expenditures in China will be financed sale sterling drafts on open market while same privilege will be extended missionary and relief organizations and to private personal expenses interpreted liberally. Thomas added that India's coming into line is envisaged in which case British more likely to sell rupee drafts, for sterling will almost certainly be at discount against United States dollars on open market while rupees are at premium and likely to continue to be so owing to demand for rupees for current imports of goods from India via Tibet and Chinese merchants expectation India will be first source supply Chinese imports when blockade is broken.

Thomas

-2-, 1901, June 24, 9 a.m., from Chungking via NR.

Thomas mentioned also that import of sterling (or rupee) currency will not be allowed and proceeds of sales of drafts will be deposited in blocked accounts in England (or India).

Two. British Ambassador had already informed Ambassador Gauss that he had discussed question of financing British Government expenditures by sale sterling drafts on open market with Kung who takes position they could do anything they liked as long as they did not ask him to change the official rate.

Three. Am informed by representative of missionaries from Chengtu that Canadian exchange control now allows Canadian organizations to make remittances to China either in form United States dollar drafts or via India in form of rupee drafts to be sold on open market in Chengtu.

Four. American missionary and philanthropic organizations are raising question of possibility their being permitted to remit United States dollars to India for which they would receive rupee drafts to be sold on open market in China.

GAUSS

EJH
WTD

NOT TO BE RE-TRANSMITTED

SECRET

Copy No 11

OPTEL No 206

Information received up to 10 A.M. 24th June 1944.

1.

NAVAL

Normandy Wind further decreased. One of H.M. Cruisers mined yesterday and in tow. A number of mines were detonated in the Eastern areas either spontaneously by the high seas or by shipping movements which consequently must be restricted. One of H.M. Destroyers mined this morning. No further details yet.

Mediterranean One of H.M. Submarines overdue from AEGEAN must be considered lost. Another of H.M. Submarines south of TOULON reports having sunk a patrol vessel on 21st and two liners, one 12,000 tons, the other 6,000 tons, on 22nd.

2.

MILITARY

France Attack on CHERBOURG launched by U.S. troops at 2 p.m. 22nd, and continued morning 23rd. Some advances made against strong opposition. N.E. of CAEN, British troops have captured CHARDONNETTE, heavy and confused fighting continues this area with Germans counter-attacking with infantry and tanks.

Italy German opposition against South Africans in CHIUSI area continues strong. Small advances have been made West of LAKE TRASIMENO and north of GROSSETO.

Russia Russians have broken through German defences and advanced 5 to 9 miles on fronts of 19 miles N.W. and of 16 miles S.W. of VITEBSK.

Burma 2nd Division from KOHIMA has joined hands with our forces north of IMPHAL. KOHIMA -IMPHAL road now again open to traffic.

3.

AIR OPERATIONS

Western Front 22nd/23rd. Total 721 tons on railway centres LAON and RHEIMS: former, clear weather, good concentrated attack latter cloudy, markers scattered at first, corrected by master bomber, bombing subsequently carried out on markers through cloud.

Our aircraft successfully attacked small shipping in STRAIT OF DOVER and off HOLLAND: at least 4 E-Boats sunk, 7 seriously damaged and 3 damaged.

23rd. Heavy bombers - 7 missing, dropped 473 tons on flying bomb launching and supply sites using pathfinder technique owing to considerable cloud, and 422 tons on 3 airfields and a railway bridge NORTHERN FRANCE: excellent results at 2 airfields, 829 fighter-bombers (5 missing) attacked objectives behind bridgehead area with 268 tons bombs and 772 rockets, while 427 fighters (2 missing) patrolled over shipping and the beaches. German casualties 11:2:9.

Aircraft despatched: 3 Flying bomb sites and one supply site PAS DE CALAIS and ABBEVILLE/AMIENS areas 415 (5 missing); SAINTES Railway centre north of BORDEAUX 106 (2 missing); LIMOGES Railway Centre 101; BREMEN 32; BOVES Railway junction near AMIENS 10, other tasks 44 (1 missing).

Preliminary reports: flying bomb sites PAS DE CALAIS cloud covered; those in ABBEVILLE/AMIENS area, no cloud, good visibility, excellent marking, bombing well concentrated.

German Activity: between 6:50 a.m. 23rd and 9 a.m. 24th about 173 flying bombs launched of which 165 crossed the coast 75 reaching LONDON; fighters claim 43 destroyed and balloons one.

Italy 22nd. Heavy Bombers bombed DACIA Oil Refinery PLOESTI 93 tons. ROMANA AMERICANA Refinery PLOESTI 150, Oil storage GIURGIU 434 tons and railway centre NISH 110. 10 bombers, 3 fighters missing, enemy casualties 27:7:11

4.

HOME SECURITY

LONDON: revised casualties:

22nd - killed 98
seriously wounded 184

22nd(6 P.M.) to 23rd(6 A.M.)
killed 129
seriously wounded 234
unclassified 17

23rd. 6 A.M. to 6 P.M. 34 incidents in 19 LONDON Boroughs mostly south, east and west. 2 cases railway permanent way damage, some damage LONDON docks.

RECEIVED

OFFICE

SECRETARY OF DEFENSE
OFFICE

NOT TO BE RETRANSMITTED

SECRET

COPY NO. 11

OPTEL NO. 207

Information received up to 10 A.M. 25th June 1944.

1. NAVAL

Early yesterday our Coastal Forces intercepted a convoy of 7 small ships from Cherbourg: 2 ships were destroyed and 3 more believed sunk. One British destroyer and one British H.Q. ship mined. One MT ship, one Motor Minesweeper and a Trawler mined and sunk. A British Headquarters ship damaged by bomb. A Canadian Destroyer and a British Destroyer sank a U-boat Northwest of Ushant and one of H.M. Frigates claims to have sunk another off Devonshire this morning.

2. MILITARY

France

U.S. troops continue to close in on Cherbourg and are now within one mile of the Port. Patrols report no enemy at Gatteville at extreme North East of Peninsula. On opposite coast Vauville reported clear but U.S. troops are fighting just South East of it. Troops of 51st Division held Chardonnerette after hard fighting destroying at least 15 German tanks.

Italy

Troops of 13th Corps began an attack astride Lake Trasimeno yesterday. U.K. troops captured hill features 3 miles north Perugia, Pescia at south west corner Lake Trasimeno and Sarteano 4 miles south west Chiusi. French met stubborn resistance but forced elements across river Ombrone gaining touch with U.S. troops on their left. Further left U.S. troops captured Roccastrada and reached outskirts Tornarella 5 miles further north; on the coast they entered Pollonica.

Russia

No reports beyond official communique.

3. AIR OPERATIONS

Western Front - 23rd/24th.

1,766 tons on Flying Bomb Sites, 491 on Saintes railway centre where weather clear and good concentration achieved and 365 on Limoges Railway Centre - good visibility, good concentration.

24th

Bomber Command, U.S. VIII Air Force and A.E.A.F. aircraft dropped 1,527 tons on Flying Bomb Sites, 562 on 8 airfields, 245 on gun placements Cherbourg area, 130 on 3 railway centres, 176 on 2 railway bridges Loire and 68 on fuel dumps. Flying Bomb Sites - Clear weather over Pas de Calais and Dieppe Rouen areas where good bombing concentrations obtained on one large *and 2 launching Sites. 1,143 Fighter bombers attacked objectives battle area with 330 tons bombs and 654 rockets. 547 Fighters patrolled beachhead and 278 Dakotas delivered supplies to bridgehead. In Germany 470 tons on Obblebshausen Oil Refinery with unobserved results and 216 on

*As received.

Bremen and Wesermunde. Enemy casualties 32:0:8 on the ground and 21:1:7 in the air; ours 7 heavy bombers, 15 Fighter bombers and Fighters.

24th/25th

Aircraft despatched: 7 Flying Bomb Launching Sites
739 - 22 missing, Berlin 27 - 1 missing, other targets 65.
Preliminary reports launching sites:-

Pas de Calais area - Weather clear, well concentrated bombing.

Abbeville/Amiens - Attack hampered by more than 60 searchlights, no concentration claimed.

Dieppe/Rouen area - Weather clear bombing concentrated.

German activity - No flying bombs launched between 9 A.M. and midnight yesterday. Shortly after midnight until 5.20 A.M. today about 25 launched, of these 23 flew overland 16 reaching Greater London; 7 destroyed by Fighters.

Roumania 24th.

Escorted Fortresses and Liberators dropped 320 tons on Craiova Railway Repair Depot, 141 on Piatra Railway Bridge and 293 on Oil Refinery Ploesti. Enemy casualties 27:9:5, ours 14 Liberators, one Fighter missing.

4.

HOME SECURITY

24th

6 AM to 6 PM London.

10 incidents reported early morning; the more serious at Finsbury and Lewisham; damage chiefly residential property.

Elsewhere

9 incidents in Kent and Sussex all due to flying bombs shot down. At Charing, service casualties 47 killed and 28 seriously wounded.

6 PM 24th to 6 AM 25th, London

15 flying bombs in 12 Boroughs. Direct hit Victoria Station putting 2 platforms temporarily out of action. Direct hit block of flats Woolwich.

Casualties 23rd 6 AM to 6 PM.

Killed 58, seriously wounded 381, unclassified 104.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Lisbon
TO: Secretary of State, Washington
DATED: June 25, 1944
NO.: 1968

CONFIDENTIAL

On Pan American flight 120080 the following Americans embarked at
Lisbon for New York:

James Earl Wood
Charles F. Brown
Francis Deak
Percy Winner

FORMED

DGR:MAS:EA

6-27-44

ef:copy
6-29-44

June 25, 1944.

MEMORANDUM FOR THE SECRETARY:

The British submitted a set of documents, copies of which are appended. These documents were prepared on the boat (The Queen Mary) on which the British delegation were accompanied by some of the Dutch, Belgian, Greek, Norwegian, Czechoslovakian, Indian and Chinese delegations. They had many meetings on the boat and they probably utilized the occasion to gain support for some of their views.

We have had a number of meetings already with the British alone and with the entire delegation here -- consisting of some 75 technicians, and have, on the whole, made considerable progress in clearing up a number of the points which many of the representatives of foreign countries misunderstood or did not fully understand. Incidentally, these discussions are having the great advantage of helping our own people understand the problems and program.

It is apparent from our preliminary discussions with the British that there will be several troublesome differences between the British and ourselves which the American delegation will have to contend with at the conference.

The chief of these are briefly as follows:

1. The British want to increase the flexibility and ease of alterations of exchange rates. We think we should not budge one bit.
2. They are advocating changes in the direction of making the resort to the resources of the Fund much more automatic and a matter of right as compared with our view that the resort to the resources of the Fund is always conditional upon the taking of measures for correcting the situation and always in a sense that they are implicit or explicit of the Fund.
3. They object to what we call "deterrent charges" on those who utilize the Fund. These deterrent charges are in

effect interest rates which increase progressively with the amount purchased from the Fund by any one country and likewise increase the longer the period before which they are repurchased. (See appended provision and tables.) We regard this as an important feature in our proposal and it looks as though the American delegation will be in for a difficult time trying to obtain agreement on this matter at the conference.

4. The British are going to back the small countries in their demands for larger quotas, particularly Australia, and are going also to back India's demand that it be accorded an equivalent position with that of China.

5. There also appears on the horizon a technical fight on what constitutes gold holdings and offsets and a large number of other technical points of complex though minor character. We hope that most of these minor and technical points will be ironed out before the conference so that the delegates will be free to handle the larger issues.

6. The British group also submitted alternate proposals on the Bank. (A copy is appended and a memorandum on its difference with our proposal is being prepared.) They seem to be in accord with the general approach that we had proposed, though there are some substantial differences which will have to be ironed out at Bretton Woods. It seems that we are not as far behind on the Bank proposal as we had thought, and suggest that we had better concentrate most of our time on the Fund. There are, however, a number of delegates who are not very familiar with the Bank proposal and we hope to use some of the time during this week to familiarize the various foreign experts with the details of the Bank proposal so that they will be able to consider and discuss the matter intelligently at Bretton Woods.

7. We hold a large meeting from 10:30 to 1 in the morning and another from 4 to 6 in the afternoon, reserving the intervening hours and the evenings for committee work, for meetings of the American technical group and preparation of material for the following day. Breakfast, lunch and dinner are occasions for bringing our allies in line and softening up the beach heads for D week at Bretton Woods.

Tomorrow we will have ready a first draft of a Fund document containing various provisions which have been submitted by the technicians of the foreign countries along with our proposal. Will send you a copy as soon as it is done.

8. Everybody is working quite hard. We are getting excellent cooperation from the men of the Federal Reserve, State Department and other departments. Treasury personnel are putting in about 14 hours a day. The secretarial staff is also working very hard. Luxford and his boys are a great help.

You will be interested to know that Mr. Brown is staying with it in a big way. He is present at every meeting, stays through all the big meetings and small meetings and our own conferences and is helpful. It looks as though you have chosen wisely.

9. The Finance Minister, Mr. Suarez, of Mexico, is going to be in Washington Wednesday or Thursday. I'll ask your office to contact him since he would like to see you, and we are eager to maintain relations with Mexico. His representatives here are very helpful and are likely to prove invaluable at Bretton Woods in winning support for our views among the Latin American States.

H. D. White

HDW

**Minimum Percentage Charges Payable by a Country on Fund's Holdings
of Its Currency in Excess of Its Quota**

Marginal Charges

Amount of country's currency held by Fund as percentage of country's quota	Per cent per annum payable on excess currency during						Additional years
	First year	Second	Third	Fourth	Fifth	Additional	
	Fund holds it	year	year	year	year		
100 - 125	1	1-1/2	2	2-1/2	3		
125 - 150	1-1/2	2	2-1/2	3	3-1/2		
150 - 175	2	2-1/2	3	3-1/2	4	Corresponding increases	
175 - 200*	2-1/2	3	3-1/2	4	4-1/2		
200 - 225	3	3-1/2	4	4-1/2	5		
Additional amounts	Corresponding increases						

*Full use of quota.

I.M.C.(44)(B) 2 Revised

24th June 1944.

THE BANK FOR RECONSTRUCTION AND DEVELOPMENT

The U.K. Delegates propose the following modifications
in the U.S. Treasury Draft dated November, 1943:-

1. Substitute for II(4) and (5):-

"4. The subscribed capital of the Bank shall be divided into two parts as follows:-

(a) 20 per cent of the subscription of each member country shall be callable by the Bank as and when required, some portion of which (not to exceed 20 per cent) shall be paid in gold and the remainder in local currency. The proportions to be paid in gold and local currency shall be graduated according to an agreed upon schedule which shall take into account the adequacy of the gold and free foreign exchange holdings of each member country. These subscriptions shall be available for direct loans made by the Bank out of its own funds under (IV)(1)(a) below.

(b) The remaining 80 per cent shall be callable by the Bank, as and when required to implement, where necessary, guarantees given by the Bank under (IV)(1)(b) and (c) below and shall not be callable for any other purpose. Amounts callable under this clause shall be paid either in the currency required to implement the guarantee or in gold or in currency which is convertible under the terms of the I.M.F."

2. Omit II(6) as being an unnecessary complication at this stage. No doubt this could be arranged subsequently by mutual agreement if and when it becomes advisable.

3. Omit II(7). Since under the new clause II(4)(b), proposed above, the whole of the 80 per cent. is liable to be called otherwise than in local currency, this is not necessary.

4. Substitute for II(8):-

"The local currency subscribed under II(4)(a) above shall not be expended except with the permission of the member country under IV(4) below. Member countries agree that all other local currency holdings and other assets of the Bank located in their country, provided that they have been acquired or borrowed with their permission, shall be free from any special restrictions as to their use."

5. Omit III altogether in the Statutes and leave it to the Bank to decide by regulation in what form to keep its accounts.

6. Substitute for the title of IV:

"III. General provisions for loans to member countries"

7. In IV(1)(c), omit all the words after "borrowing country" in the fourth line. Part of this passage is dealt with in III(6) below, and part of it seems of too detailed a character for the Statutes.

8. Amend III(1)(d) to read as follows:-

"(d) The Bank shall make arrangements to assure the use of the proceeds of any loan which it guarantees, participates in, or makes, for the purposes for which the loan was approved, with due attention to considerations of cheapness and efficiency regardless of political or other non-economic influences or considerations."

9. In IV(1)(c) after "interest" add "and commission".

10. Omit IV(2), (3), (4), (5), (10), (11), (12), (13) and (14) which are dealt with in a new Section V below.

11. Renumber IV(6), (7), (8) and (9) as III(2), (3), (4) and (5).

12. Between III(5) and (6) - (new numerations) - insert a new clause as follows:-

"(5a) In general, loans made or guaranteed by the Bank, shall be for the purpose of specific projects of reconstruction and development, and except as otherwise provided in this plan, the proceeds of loans shall only be made available to meet specific purposes. In exceptional circumstances, however, the Bank, acting in agreement with the International Monetary Fund, may make or guarantee a loan which provides the borrowing country with gold or foreign exchange for the purpose of establishing its exchanges and allowing a breathing space for the recovery of its economy and the balancing of its international payments."

13. "(6) In making or guaranteeing a loan the Bank shall pay due regard to the prospects of the borrowing country being in a position to service the loan; and in determining the destination, the character and the volume of its loans it shall act prudently in the interests both of the borrowing member country and also of the guaranteeing members. At the same time it shall not seek to avoid the incurring of some measure of reasonable risk

(taking account of the commission chargeable - see below), where the loan is in the general interests of reconstructing or developing the world's resources or expanding international trade along mutually advantageous lines; and shall seek to conduct its operations taken as a whole in such manner as to avoid, so far as possible, the calling up of the capital reserved for guarantees, rather than seek full security from risk in each transaction taken separately. These considerations shall govern the lending policy of the Bank especially in approving reconstruction loans to countries which have suffered from the war."

14. "(7) It shall be a primary duty of the Bank to secure that loans are not made haphazard but that the more useful and urgent schemes are dealt with first; also to co-ordinate international lending in the case of loans made or guaranteed by the Bank, with loans through other channels; and in short to see that international lending is on a more wisely conceived plan than it was after the last war.

15. Make IV(15-19) into a new section entitled:

"(V) Miscellaneous Provisions"

re-numbering them (1) to (5) and at the end of (5) add:

"... which, acting with the strictest impartiality, shall pay particular regard, both in selecting the places of its borrowing and of its lending and when facilitating the choice of the place of expenditure under IV(4) to maintaining the equilibrium of the international balances of payments of member countries".

16. For IV(2) - (5) and (10) - (14), substitute the following new section:-

IV. Powers and Operations

1. The Bank may facilitate the provision of loans to any member country, which satisfy the general conditions of (III), in any of the following ways:

(a) By direct loans out of the Bank's own capital subscribed under II(4)(a).

(b) By direct loans out of funds raised by the Bank as a charge against its reserves and uncalled capital (see 8 below) ^{of a member country;} in the market.

(c) By guaranteeing in whole or in part loans made by private investors through the usual investment channels.

2. [The old IV(3)]

3. [The old IV(4)]

4. In the case of loans under 1(a) above, the borrowing country shall notify the Bank in which member countries it desires to incur expenditure to be met out of the loan, and the Bank shall make the required currencies available out of its subscribed capital, provided that the country whose local currency is to be supplied has agreed in each case. If local currency subscribed under II(4)(a) is not available in whole or in part, the Bank shall make it available out of its holding of gold or other free resources, if it possesses an adequate amount of such resources and is satisfied that, without this provision, the country in which the borrowing country desires to place the order, would have difficulty in maintaining the equilibrium of its international balance of payments. Otherwise it shall request the borrowing country to transfer its proposed expenditure to another member country. Furthermore, at the request of the countries in which portions of the loan are spent, the Bank will repurchase for gold or needed foreign exchange a part of the sum expended in the currencies of those countries made by the borrower from the proceeds of the loan.

5. The Bank shall not borrow funds under 1(b) above or guarantee loans under 1(c) above raised in the market of a member country, except with that member's approval and only if that member agrees that the proceeds of the loan may be expended in any member country without restriction. It

follows that, in the case of loans to member countries out of such funds or under such guarantees, there will be no exchange obstacle to the expenditure of the proceeds in the market of any member country in accordance with the preference of the borrowing country.

6. Loans made directly by the Bank to the borrowing country under 1(a) or (b) above shall contain the following payment provisions:-

(a) The annual service of the loan shall be made up of three parts, namely:

(i) a standard rate of interest fixed by the Bank and the same to all borrowers but modifiable from time to time for new loans;

(ii) an annual commission at a flat rate fixed at 1 per cent in the first instance but alterable by the Bank from time to time at its discretion for new loans in the light of experience, the same to all borrowers, to cover the general expenses of the Bank, and as a provision against risk (but the particular expenses of investigation, etc., attaching to the individual loan, may be charged separately against the borrowing country and may be paid out of the proceeds of the loan).

(iii) an annual contribution to amortisation either at a flat, or at a progressive, rate sufficient to repay the capital within a determined number of years, the length of which shall be fixed with regard not only to the character and purpose of the loan, but also (especially in the case of reconstruction loans) to the conditions in the borrowing country which may delay the time within which the country can repay the loan - not normally exceeding 30 years but extensible to 50 years in particular cases.

(b) The loan and its annual service shall be fixed in whatever currency may be stipulated by the Bank when making the loan, and shall be paid, at the option of the borrowing country, in a convertible I.M.F. currency or in gold, or at the discretion of the Bank, in any other currency acceptable to it at the prevailing rate of exchange of the currency in which the service has been fixed.

(c) In the event of the borrowing country suffering from an acute exchange stringency, so that it is unable to provide the service of the loan in the stipulated manner, it may appeal to the Bank for a relaxation of the conditions of payment. If the Bank is satisfied that some relaxation is in the interests of the borrowing country and of the operations of the Bank and the other member countries as a whole it may take action under all, or any, of the following headings in respect of the whole, or part, of the annual service:-

(i) The Bank may in its judgment accept payments in respect of the service of the loan for periods not exceeding three years at a time in local currency. The Bank shall arrange with the borrowing country for the repurchase of such local currency over a period of years on appropriate terms that safeguard the Bank's holdings of such currency. The Bank may also require^{that} the whole, or part of such currency, may be transferred to another member country in whose hands it shall be freely available to make payments or to purchase exports in the borrowing country (see (9) below).

(ii) The Bank may re-arrange the instalments of amortisation so as to increase the amount due in later years or to prolong the life-time of the loan.

7. The Bank may guarantee loans to member countries through the usual investment channels, charging a flat rate commission of 1 per cent per annum (or other flat rate fixed by the Bank from time to time) payable to it direct by the borrowing country, provided that the Bank is satisfied as to the terms and conditions and purposes of the loan and that its proceeds will be freely transferable for purchases in any member country.

8. All guarantees given by the Bank under 1(b) or (c) above shall be secured only by its receipts from commissions and other profits and by the whole of its uncalled capital.

9. If there is any interruption in the service of a loan provided out of the proceeds of a loan guaranteed by the Bank under 1(b) above, or guaranteed by it under 1(c) above, the Bank shall first meet its obligations out of its net current or accumulated receipts from commissions or other profits. If this source is insufficient, it shall then call up from each member pro rata an appropriate amount of its uncalled capital, which shall be returned to the members meeting the guarantee if the arrears of the loan service are subsequently recovered. Subject to the approval of the Bank, a member part of whose subscription is being called up, to implement a guarantee given by the Bank, may purchase from the Bank the local currency of the country in arrears in lieu of paying up a part of its uncalled subscription.

10. A member country failing to meet its financial obligations to the Bank may be declared in default and it may be suspended from membership during the period of its default provided a majority of the member countries so decide. While under suspension, the country shall be denied the privileges of membership, but shall be subject to the obligations of membership. At the end of one year the country shall be automatically dropped from membership in the Bank unless it has been restored to good standing by a majority of the member countries. Any member country that withdraws or is dropped from the International Stabilization Fund, shall relinquish its membership in the Bank unless three-fourths of the member votes favour its remaining as a member.

11. If a member country elects to withdraw or is dropped from the Bank, it shall be repaid any part of its local currency subscribed under II(4)(a) above which remains in the hands of the Bank, and it shall not be liable to pay up any part of its uncalled subscription except such amount as may be required to implement guarantees given during the period of its membership (after allowing for commissions received in respect of guarantees given during the same period). Any further dividend, in respect of its interest arising from the part of its local currency originally subscribed and not returned to it as above, shall be paid in such amounts and at such times as the Bank, in its free discretion, may judge to be fair.

12. The yearly net profits shall be carried to a reserve to meet subsequent losses under guarantees or otherwise, and shall not be distributed except under the authority of a 75 per cent. vote of the Governing Body or on liquidation.

[No attempt is here made to amend
V - Management (1 - 7 and 10)]

24th June, 1944

I.M.C.(44) F.11.

Correction Slip

Page 8: Clause VIII: Withdrawal

Section 1. should read:-

"1. If the Fund finds that a member persists, after having received a special notice from the Fund, in acting in a manner inconsistent with the purposes and policies of the Fund, the Fund may, at its option, either:

(a) give notice that the member is suspended from making further use of the Fund's resources without the approval of the Fund, or

(b) require that member to withdraw from the Fund."

(Intd). H.E.B.

24th June 1944.

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CONFIDENTIAL

COPY NO. 59

I.M.C. (44) (F) 11
21st June 1944

INTERNATIONAL MONETARY FUND

Report by the United Kingdom Delegation on the preliminary conversations with other delegates, and suggestions for the amendment of the agreed Statement of Principles.

1. During the voyage to America four meetings were held of the delegates on board at which the I.M.F. was discussed. A full list of those participating in these meetings is attached as Annex A, and the U.K. Delegation desire to set on record their appreciation of the contributions made to the discussions by the other Delegations, which have greatly assisted the clarification of their own proposals. The suggested amendments to the Statement of Principles which are set out below are however made on the sole responsibility of the U.K. Delegation, though the great majority of them have been well received by the other participating delegations. The latter retain complete freedom to express their own views and to suggest other amendments if they desire, while for its part the U.K. Delegation does not regard its suggestions as necessarily final or in any sense comprehensive.

I

2. Clause IV of the Joint Statement, taken in conjunction with VIII(1), was intended to safeguard the ultimate authority of member countries over their own exchanges. The particular arrangements proposed is, however, open to two objections. The first is that the effect of the Statement taken as a whole is not easily made sufficiently clear to the general public and to members of Parliament who are not familiar with the proposals in all their details. Particular anxiety is felt in the United Kingdom, and probably also in other countries, as to whether the ultimate independence of the domestic policy of a country from outside dictation is fully safeguarded. A more forthright clause to this effect will, therefore, be extremely helpful, even if the substantial difference is not very great.

3. The second criticism is on the ground that the sanction provided when there is a difference of opinion between the Fund and the member, is not necessarily the most appropriate one. At present if the Fund and the member ultimately disagree on exchange policy, the member can leave the Fund without notice, and, in effect, without penalty. Both from the point of view of the Fund and of the member, this may prove in practice not to be the most convenient course. For one thing it releases the member from a number of other engagements. It is neither desirable nor necessary that the relationship between the member and the Fund should be severed so completely. In the second place, the dispute might prove to be of a temporary character; and it might be very much easier to find a subsequent compromise and an accommodation between the opposing views if the member had not actually left the Fund, but had remained in contact with it. For these reasons it is suggested that the appropriate sanction in the case of a country taking its own course in the matter of its exchanges, is that it should be suspended from the facilities of the Fund.

the Fund. This might prove a particularly appropriate remedy in the case of just those countries where a dispute between the member and the Fund is perhaps the most likely. The right retort of the Fund, if the member decides to resume freedom of action in the matter of its exchanges, is that it should be suspended from the benefits of the Fund, whilst still remaining subject to other obligations, as, for example, the obligation of convertibility, and in general the obligations under IX.

(Annex B)

4. A revised version of IV is annexed as a means of carrying out the above purposes. It will be seen that IV(1) and (3) are substantially unchanged; IV(2) has lost its first and last sentences and its second sentence has been added to IV(3). (3) and (4) have been re-worded here and there so that "concurrency" is substituted for "approval" etc. Also an additional Clause has been introduced. In the new (3) the opportunity has been taken to clear up the ambiguity (as it has appeared to some) whether changes in excess of 20 per cent will ever be permissible.

II.

5. The phrase "gold convertible" occurs in three sections, namely, II(3), III (7)(b) and III(7)(c), but all our researches into the technical legal position and the opinions of the experts we have consulted support the view that no such currency at present exists. If this is correct, clearly changes in the wording of these sections are necessary, and in fact the consequences seem likely to reach further than a simple verbal substitution. It is proposed that the concept of currencies convertible into gold should be replaced by the concept of currencies which are convertible in terms of IX(3). Textually this involves the substitution of "convertible" for "gold convertible", and adding an interpretation clause explaining that "convertible exchange" means the currency of any country which has accepted the convertibility obligation under IX(3). When the Fund is established, members will be asked to declare whether or not they desire to avail themselves of the transitional arrangements for postponing the obligation of convertibility. The currencies of those which accept it from the outset, will constitute "convertible exchange". For the purpose of the initial obligatory gold subscription and under Clause III(7), holdings of foreign currency would gradually become "convertible exchange" pari passu with members ceasing to take advantage of the transitional arrangements.

6. The concept of "holdings of convertible exchange" also raises certain questions of definition, which are indicated in the following proposals:-

(a) "holdings" should mean "official holdings" i.e. it should include the holdings of a Central Bank, a Treasury, or other Government institution, and also the holdings of such other Banks, which, in the particular circumstances of the case, it is agreed between the Fund and the member should properly come within the "official" category. It is suggested that this interpretation should not be operated so as to include, for example, the holdings of authorised dealers in exchanges when the latter do not exceed normal working balances; but should include the holdings of Banks other than Central Banks, when in practice some part of a country's reserves of foreign currency in excess of working balances are normally held in the name of such Banks.

(b) The official holdings thus defined should presumably relate to "net official holdings", i.e. convertible currency and gold held against it should not both count, first of all, in respect of the country owning the convertible currency, and secondly in respect of the gold held against it by the country having this convertible liability. Accordingly, a convertible exchange, reckoned as part of the official holdings of one country, shall be deductible in reckoning the net official holdings of the country whose exchange is involved.

7. Textually these involve references in the proposed interpretation clause defining "net", "official" and "convertible". It is suggested, further, that the term "net official holdings of gold and convertible exchange", having been thus defined, should be for convenience, expressed in the text as "monetary reserves".

8. The existing draft of III(7)(b) and (c) is unsatisfactory for the following reason. If a member is due to pay gold to the Fund under 7(b) (and the same applies to payments under 7(c) if the member has used the Fund during the year), it can in fact evade any such obligation merely by increasing its turnover with the Fund, as is shown in the following example:

A member has reserves x , x being in excess of its quota. In the year it has an adverse balance y , and draws on the Fund to that extent. The result is that at the end of the year it has to release $y/2$ of its reserves to the Fund, so that its reserves fall to $x - y/2$. This is the intention of the draft. But in order to defeat this intention all the member has to do is to draw $2y$ from the Fund in the course of the year, with the result that its reserves rise to $x + y$, of which it has to surrender y to the Fund, thus ending up just as if the clause had not existed.

9. The desired result could, however, be attained and the two clauses expressed more clearly in a single formula by the following re-draft:-

"If, at the end of the Fund's financial year, a member's monetary reserves exceed its quota, and the Fund's holdings

of its currency have increased, the Fund may require that it shall use a part of these reserves to re-purchase its currency up to the point when its reserves have fallen by an amount not less than the amount by which, after this adjustment, the Fund's holdings of its currency have increased. Furthermore, ^(if called for) if, after this adjustment, a member's monetary reserves have increased during the year, the Fund may require it, whether or not the Fund's holdings of its currency have increased during the year, to use half of this increase for a further re-purchase of its currency from the Fund; provided, always, that these adjustments do not bring its reserves below its quota and the second adjustment does not bring the Fund's holdings of its currency below 75 per cent. of its quota".

10. Under the above, a member can pay either in gold or in convertible exchange at its option, and need not pay solely in gold. This might have the effect of choking the Fund with exchanges it did not require, but it seems inevitable if "convertible exchange" is brought into the picture. If, on the other hand, the substance of these sections is limited to gold holdings two anomalies would result:-

- (i) There would be an inevitable swing into holding reserves in convertible currencies at the main international centres, instead of in gold.
- (ii) A financial centre would be precluded from accumulating adequate gold reserves against an increase in its convertible liabilities.

11. We believe, therefore, that the super-position of III(7)(b) and (c) on III(6) and V(1) is doubtfully advantageous, and that it might be better to depend on III(6) and V(1) alone for gradually increasing the Fund's holdings of gold and for protection from abuse in the use of the Fund's resources. If, however, anything further is required, something like the following.

following would be unobjectionable:-

"If, at the end of any year, a member's monetary reserves after deducting its holdings of convertible exchange exceed its quota, and if the Fund's holdings of its currency exceed 75 per cent. of its quota, the Fund may require it to use its holdings of gold to reduce the Fund's holdings of its currency by half of the excess of such holdings over 75 per cent. of its quota".

This would bring nothing but gold into the Fund, and would be in the long run a further protection to the Fund against being used by a member in no genuine need of such assistance. A member is not very likely to wish to draw heavily on the resources of the Fund merely to raise its reserves of convertible exchange to a large figure, and, in fact, could not do so over a period consistently with V(1), any more than its holdings of gold, unless the increase in its monetary reserves was the result of overseas borrowing.

12. If 7(b) is retained, a temporary provision is required to deal with the sudden discontinuity which will arise, for example, when existing balances of Sterling, which had not previously been reckoned as convertible exchange, suddenly become such, at the date when the U.K. accepts the obligation of convertibility. There should, therefore, be a temporary clause to the effect that when exchange becomes convertible for the first time, the amount of such exchange held at the beginning of the year, does not reckon as an increase in a member's holding of convertible exchange if, during the year, the exchange in question has become convertible for the first time. Otherwise the Fund might become choked with sterling and the U.K. might find itself under the necessity to postpone action. On the other hand, it may help to advance the date at which

the acceptance of the obligation of convertibility becomes possible, if the new liabilities thus arising are immediately taken into account in reckoning "monetary reserves"; so that no corresponding temporary provision is proposed to cover this.

~~_____~~

III

13. A doubt has been raised whether the drafting of III(5) could not be read in a manner inconsistent with III(2)(a) or, at any rate, more widely than the latter provision, since III(2)(a) explicitly states that it relates to payments presently needed for purposes which are consistent with the purposes of the Fund. III(5) is not expressly so limited as far as the first sentence is concerned. It is believed that the second sentence of III(5) was intended to bring the ambit of the two provisions within the same field. But it does so by reference and not very clearly. It is thought that it will be better therefore to bring III(5) into more direct connection with IX(3)
14. This can be effected by a change which will also bring about a more logical drafting. III(5) does not, like the rest of the Clauses of III, relate to the title of III, namely "Transactions with the Fund". It is really a part of IX, namely "The Obligations of Member Countries". This opportunity might also be taken to make a small change in III(2)(a) by substituting "the provisions of the Fund" for "the purposes of the Fund". In this context, "purposes" is not intended to refer back to the "Purposes" of I, but relates rather to the actual provisions of the Fund.
15. III(5) should be deleted, and its substance incorporated in IX as follows, in place of the existing IX(3):-

"3. To buy balances held with it by another member with that member's currency or with gold, if that member represents either that the balances in question have been currently acquired or that their conversion is needed for making current payments which are consistent with the provisions of the Fund. This obligation shall not relate to transactions involving:

- (a) capital transfers.
- (b) holdings of currency which have accumulated as a result of transactions of a current account nature effected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X(2) below:
- (c) the provision of a currency which has been declared scarce under VI above;

nor shall it apply to a member who has ceased to be entitled under III(2) or VIII above to buy other members' currencies from the Fund in exchange for its own currency.

4. Not to impose restrictions save as otherwise provided on payments for current international transactions with other member countries, or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund."

IV.

16. It is felt that VIII could be stiffened with advantage to provide sanctions against the member who persistently refuses to abandon restrictions inconsistent with IX(3) though able in the Fund's opinion to do so. The following re-draft is suggested for consideration:

VIII.

" VIII. Withdrawal

1. If the Fund finds that a member persists, after having received a special notice from the Fund, in acting in a manner inconsistent with the purposes and policies of the Fund, the Fund may at its option either:

- (a) require that member to withdraw from the Fund, or
- (b) give notice that the member is suspended from making further use of the Fund's resources."

2. A member country may withdraw from the Fund by giving notice in writing.

3. On the withdrawal of a member under (1) or (2) above, the reciprocal obligations of the Fund and the member are to be liquidated within a reasonable time.

4. On the withdrawal of a member under (1) or (2) above, the Fund may not dispose of the member's currency except in accordance with arrangements made under (3) above. After the withdrawal of a member under (1) or (2) above, its use of the resources of the Fund is subject to the approval of the Fund."

V.

17. Under Clause X members do not undertake to accept the obligation of convertibility under IX(3) and (4) at any specified date. But it has seemed to some critics that the reference to "three years from the coming into force of the Fund" in X(3), implies an expectation that the transitional period may very well come to an end within three years. In the case of the U.K., it is considered very unlikely that the full assumption of the obligation of convertibility can be assumed as soon as that. It is feared, therefore, that the present phrasing may, on the one hand, excite expectations which will be disappointed, and on the other hand, alarms which are unnecessary.

18. It is suggested therefore that X(3) might be re-drafted as in Annex C. The opportunity of the re-draft has been taken to use words which will be convenient in connection with the definition of "convertible currency" in the interpretation clause.

19. It is also suggested that the uncertainty of duration of the transitional period should be emphasized by the introduction of a few words (attached) in Annex D.

VI.

20. The following additional paragraphs are self-explanatory but would make it possible to convert the Joint Statement in its ultimate form into "The Statutes of the I.M.F.", constituting the Fund Annex to the Convention which we contemplate in the paper attached as Annex D. Annex E contains our provisional views regarding Clause VII, but we have not attempted to determine how much needs to go into the proposed "Statutes".

XI. (1) The Fund shall have at all times the right to tender informal advice to any member on any matter arising under these Statutes.

(2) All questions which arise involving doubts or differences relating to the interpretation of the provisions of these statutes shall be submitted to the Directorate of the Fund for their opinion. If the question is one which involves a dispute affecting particularly one (or more) member(s) and that (or those) member(s) are not represented on the Directorate by a Director appointed by it (or them) then that (or those) member(s) may appoint a representative to take part in the discussions of this question in the Directorate on the same footing as the Directors.

(3) In any case where the Directorate has given an opinion under para. (2) above, a member may require that the question be submitted to the Council and the opinion of the Council is final. Pending the result of the reference to the Council, the Fund may (so as is necessary) act on the basis of the opinion of the Directorate.

XII. The Council shall have power to make such arrangements or agreements as may be necessary or desirable for co-operation between the Fund on the one hand and other International Economic Organisations and the World Organisation on the other hand.

These arrangements or agreements must be approved by a 3/5 majority vote.

XIII. The Council shall have power to repeal, amend or add to the provisions of these Statutes by decisions taken by a 3/5 majority except that

(a) a decision concurred in by all Councillors shall be required for _____

(b) the Council shall have now power by any repeal, amendment or addition to _____

These three clauses have not been discussed with the Allied delegations travelling with us.

LIST OF ANNEXES TO I.M.C.(44) F.11ANNEX

- A. List of Delegates etc. participating in discussions during the voyage.
 - B. Amended version of Clause IV.
Text as in Annex to I.M.C.(44)F.1.
 - C. Amendments to Clause X(3).
Text as in Annex to I.M.C.(44)F.4.
 - D. Instruments to be produced at Bretton Woods.
Text is Mr.Beckett's paper I.M.C.(44)F.7. as amended.
 - E. Suggestions regarding Management.
Text is I.M.C.(44)F.8. as amended in discussion.
-

ANNEX A.

List of Delegates etc. participating in
discussions during the voyageUnited Kingdom

Lord Keynes
Sir Wilfrid Eady
Mr. Nigel Ronald
Mr. W.E. Beckett
Prof. D.H. Robertson
Prof. L. C. Robbins
Mr. G.L.F. Bolton
Mr. H.E. Brooks
Mr. A.W. Snelling

India

Sir Jeremy Raisman
Sir David Meek
Mrs. Henderson (Secretary)

Belgium

Baron Boel

China

Dr. P.W. Kuo

Czechoslovakia

H.E. Dr. Feierabend
Dr. J. Mladek

Greece

Mr. K. Varvaressos

Netherlands

Mr. J.W. Beyen

Norway

Prof. Wilhelm Keilhau

Poland

H.E. Dr. Grosfeld
Dr. L. Baranski
Dr. Stanislaw Kirkor
Mr. Gottesman (Secretary)

U.S.A.

Mr. Casaday (as observer)

ANNEX B

Revised version of Clause IV (Statement of Principles, International Monetary Fund)

IV. Par Values of Member Currencies

1. The Government of the U.K., and the Government of the United States will communicate to the Monetary Fund at its inauguration, the initial par value of their respective currencies, expressed in terms of gold. Within one month (or in the case of occupied countries, within one month of liberation) the other member countries wishing to adhere to the Convention will make corresponding communications. Notwithstanding this rule, member countries that have been occupied by the enemy need not make a definitive communication of the initial par value in the above sense until the reconstruction of their monetary system has been completed and the initial communication may be limited to giving a provisional par value. If the Directorate of the Fund finds a communicated initial or provisional par value reasonable, such par value shall come into force immediately for the purpose of the Fund. If, however, the Directorate should deem the communicated par value to be open to criticism, the question shall be the subject of further consideration with the member country in question, and the facilities of the Fund shall not be available to the member until agreement has been reached. All transactions between the Fund and members shall be at par subject to a fixed charge payable by the member making application to the Fund; and all transactions in member currencies shall be at rates within an agreed percentage of parity.
2. Subsequent changes in the par value of a member's currency shall not be made except at its own proposal. Member countries agree not to propose such a change unless they consider it appropriate to correct a fundamental disequilibrium. The Fund shall concur in a proposed change in the par value of a member's currency if it is shown to be essential to correct a fundamental disequilibrium. In particular, the Fund shall not dissent from a proposed change necessary to restore equilibrium because of domestic social or political policies of the country proposing the change. In considering a proposed change the Fund shall take into consideration the extreme uncertainties prevailing at the time the parities of currencies of member countries were initially agreed upon.
3. The Fund shall concur in a change proposed by a member country provided it does not exceed 10 per cent, inclusive of any previous change since the establishment of the Fund. In the case of a proposal for a further change not covered by the above and not exceeding 10 per cent, the Fund shall give or withhold its concurrence within two days of receiving the application, if the applicant so requests. For a change larger than 20 per cent the Fund will expect reasonable notice.
4. Nothing in the above provisions shall affect the right of members to modify their exchange rates as they may consider necessary or advisable. But a modification of rates shall not be made except after consultation with the Fund, and in the event

of action being taken by a member without the Fund having expressed concurrence under the terms of the preceding Clauses, the Fund may, if it considers the action unjustified having regard to the proper working of the Fund, suspend the facilities of the Fund under III(2); whilst keeping alive the obligations of the member so long as it remains a member of the Fund, under all Clauses except IV.

5. An agreed uniform change may be made in the gold value of member currencies, provided every member country having 10 per cent or more of the aggregate quotas approves.

ANNEX CAmendments to Clause XX. Transitional Arrangements

1. Re-number (4) so that it becomes (3) and after "change and adjustment", add the words, "over a term of uncertain duration".

2. For (3) substitute the following:-

"4. After the establishment of the Fund, but before it commences operations, members shall notify the Fund whether or not they intend to avail themselves of the optional transitional arrangements under (1) or (2) above; and whether they are prepared to accept the obligations of IX(3) and (4). At any subsequent date a member may notify its acceptance of these obligations. Not later than three years from the coming into force of the Fund, and in each year thereafter, the Fund shall report on the restrictions still in force under (2) above, Five years after the coming into force of the Fund, and each year thereafter, any member still retaining any restrictions inconsistent with IX(3) and (4) shall consult the Fund as to their further retention."

ANNEX DINTERNATIONAL MONETARY FUNDThe instruments to be produced by the Conference

I These suggestions are made on the assumption

- (1) that it is desired that the Bretton Woods Conference should produce definite proposals for submission to Governments;
- (2) that, while it is desired that the proposals should be as definitive as possible, it is also necessary that they should leave the Conference in such a form that, if any Government has important amendments to make before it can accept them finally, it should be possible for these amendments to be discussed and, if approved, incorporated subsequently;
- (3) that ultimately before the scheme for the Fund can come finally into force in the form of international obligations between the Governments it will have to be, at any rate so far as some countries are concerned, ratified in accordance with their constitutional procedures.

II It is suggested that the results of the Bretton Woods Conference should be in the form of a "Final Act". A Final Act is technically a formal signed record of what took place at a Conference. A delegate in signing it only commits himself technically to approving it as a correct record. It is a most convenient form of instrument because all sorts of different things can be put into it under various Resolutions etc., which are recorded. The Final Act would in the ordinary way record that a Conference had been held between certain dates, the delegations who attended it and describe, so far as is desired, what happened, including as the most important part, a record of Resolutions adopted.

III. One, and the most important Resolution, might be a Resolution adopting and submitting to Governments a Draft Convention with an Annex thereto embodying all of the most important part of the work on the Fund.

IV. A second paragraph of this Resolution might charge (? the United States Government as a Headquarter Government) with the duty of collecting the replies of Governments on the Draft Convention and Annex and of deciding in the light of these replies and after any necessary consultation whether the Draft Convention can be opened for signature or whether a further Conference will be necessary in order to decide upon amendments to the drafts which have been proposed.

V. Another Resolution might submit in the form of an Annex attached to it such preparatory work as has been done on the Bank.

VI. It is suggested that the Draft Convention relating to the Fund should be extremely short, consisting of short Articles on the following points:-

- (a) an Article setting out that the high contracting parties accept the Annex to the Convention and undertake to abide by its provisions;

- (b) that the Convention shall be ratified, ratifications to be deposited at -
- (c) that the Convention is open to accession later by Governments which have not signed and which are invited to accede by the Council of the Fund under - of the Annex. The Council may in its invitation lay down conditions for the accession of any Government;
- (d) that as soon as X ratifications and accessions have been deposited (including those of the U.S.A. and U.K.) or on the 1st August, 1945, whichever is the later, the Convention will come into force. The Fund will thereupon come into operation by stages in the manner provided in 1A of the Annex;*
- (e) that the provisions of the Annex, or certain specified provisions thereof might be altered or added to subsequently with the consent of Y proportion of the votes which can be cast on the Council.

VII. The Annex to the Convention would be the joint statement about the Fund set out in a proper form suitable as a definition of the obligations of the Member Governments, etc.

VIII If it were desired that the Bretton Woods Conference should set up some machinery, in the form of a provisional Secretariat or Bureau, which should consider all the replies of Governments on the Draft Convention and Annex and advise the United States Government as to future action vide paragraph IV above, this could be done by a short protocol or agreement which might be signed at the Bretton Woods Conference or even perhaps by a separate Resolution to this effect included in the Final Act.

* Note: A further paper will be submitted showing inter alia the relation of the date on which the Fund starts business to the date of the inauguration of the Fund, as provided above.

ANNEX EINTERNATIONAL MONETARY FUNDMANAGEMENT AND INAUGURATIONI. Management

1. On 12th April we made the following proposals to the United States:

- (a) The Fund shall be governed by a Board of Directors, perhaps of 5 appointed by the countries with the 5 largest quotas, and 4 appointed from all other countries by the Governing Council of members. These Directors should be men of standing and each should have power to appoint an alternate from his own country.

Perhaps the 4 seats not representing quotas should be filled on rotation for 2 years.

- (b) The Directorate should choose a General Manager - being a man of standing and experience in the business of the Fund.

The General Manager should submit for the approval of the Directorate his Chief Assistants or Heads of Departments, chosen for their technical knowledge.

We urged the importance of getting the general principles of this system of management settled before the general Conference met.

2. Dr. White thought it might be diplomatically wiser to leave details to the general Conference. But he agreed that there should be (i) a general body of all members. We call this the Governing Council but the United States call it a Board; (ii) a governing body which we call Board but United States Executive Committee; and (iii) a management.

- (ii) would be chosen by (i).

He agreed that (ii) should have at least 9 members, but in a later communication it has been suggested that 12 might be more acceptable.

3. It is still our view that the general principles of governing management should be settled at the Drafting Committee - otherwise there is risk of undue time at the Conference being devoted to the question, which also includes the subject of voting rights.

/ 4. The

4. The working of the Monetary Fund has been designed to be largely automatic with defined obligations both on the Fund and the Members, thereby avoiding the need for the frequent exercise of discretion or discrimination by the governing body. (In this respect it differs essentially from the Reconstruction Bank where a large element of discretion and judgment must, from the nature of the work, rest with the governing body.)

But the Fund also has important questions of discretion for the governing body some of which arise at the beginning, and others occasionally.

At the beginning arises the agreement on the par value of members' currencies (IV)(1)). The whole handling of adjustments in exchange rates is clearly a matter of high policy calling for real judgment on the part of the governing body, especially having regard to IV(3).

At later stages as occasion arises the governing body has to exercise its discretion under III(2) to waive the conditions of (2). Also it presumably has to exercise discretion on its option under III(4) and on the purchase of gold under III(7). It has to exercise judgment on V(1) to ensure that the resources of the Fund are not being used to meet an outflow of capital, and at the same time to permit capital transactions of a reasonable amount for trade etc.

It has a difficult responsibility on VI on the apportionment of scarce currencies and still more difficult responsibilities in its relationship with member countries under X, Transitional Arrangements.

In addition, it has the general responsibility for interpretation of the instrument governing the Fund.

5. But while these exercises of discretion involve large issues of judgment, it does not appear that the regular work of the Fund will call for frequent decisions on matters of policy, certainly not to the extent of requiring a very high-powered Directorate permanently in residence. Nor will it be necessary to contemplate a large and high-powered management. Experience in other international institutions, particularly the B.I.S., has shown that if there are too many high-powered people for the regular business of the institution intrigues and "national" questions tend to arise within the organisation itself. Further, if the management is larger than the work calls for then questions of the distribution of the appointments among the various Nations introduce political factors which we want to keep out of the working of the Fund. So far as is practicable we want to aim at a governing structure doing a technical job and developing a sense of corporate responsibility to all the members, and not the need to guard the interests of particular countries.

6. After reviewing a number of factors the following set-up is suggested:

- (a) A Governing Council, consisting of Councillors appointed by all the Member Countries, each Member appointing one Councillor.
- (b) A Directorate, consisting say of 12 Directors, of whom, say, 6 shall be appointed by the Members having the 6 largest quotas, i.e. U.S.A., U.K., Russia, China, France, India,

(in accordance with U.S.A. proposals for Quotas).

The remaining 6 Seats being filled by Directors appointed by Members chosen for this purpose by all the Councillors excluding those representing the members with the 6 largest quotas. This right of appointment by the members chosen for the purpose shall be for two years; at the end of this period any of the members may be chosen again or other members may be chosen.

(c) The Directorate shall appoint a Chairman from among the Directors (? or co-opt as Chairman a suitable person who is not a Director).

(d) The Directorate shall appoint a General Manager, being a person of knowledge and experience of the business.

To be clarified (e) The General Manager shall appoint his Chief Assistants with the approval of the Directorate. The General Manager and his Chief Assistants shall be appointed for a period of 5 years and shall be eligible for re-appointment.

7. Voting.

(a) On the General Council the number of votes which each Councillor can cast shall be related to the quota of the member appointing the Councillor;

Where under the governing instrument a special majority (e.g. 4/5ths etc.) of votes is required for a decision taken by the Council, this means 4/5th of the total voting power.

A quorum for the Council shall consist of not less than 2/3rd of this total vital power of the Councillors.

(b) On the Directorate, the Director appointed by the United States shall cast 3 votes, the Director appointed by the United Kingdom shall cast 2 votes, and all other Directors shall cast 1 vote each. (A Chairman, if co-opted, shall only have a casting vote).

A quorum for the Directorate shall consist of not less than 1/2 of the total voting power and one half of the number of Directors.

8. Functions.

(a) Council. In addition to the appointment of the Directorate, the Council shall have the following functions:-

(i) Power to invite non-signatory countries to become members;

(ii) the approval of a revision of quotas (II(2));

(iii) the approval of an agreed uniform change in the gold value of the currencies of members (IV(5));

Directorate, not Council (iv) all action relating to the apportionment of scarce currencies (VI);

(v) the

- (v) the suspension of a member from the facilities of the Fund (III(2)(d));
- (vi) the requirement to a member to withdraw from the Fund (VII(1) as revised);
- (vii) ? certain decisions on the interpretation of the governing instrument;
- (viii) receiving the Statement of Accounts and the Report of the Directorate at the Annual Meeting;
- (ix) to review the working of the Fund in the light of its Purposes and Policies (I);
- (x) alteration of Statutes;
- (xi) co-operation with other bodies.

(b) Directorate

- add reference to frequency of meetings
- (i) The conduct of all the business of the Fund, other than that belonging, as above, to the Council, and other than that delegated by the Directorate to the Chairman, Deputy Chairman, or the General Manager as provided below.

(c) the Chairman

- (i) the Chairman shall reside at the Headquarters of the Fund;
- (ii) the Directorate may delegate to the Chairman or Deputy Chairman the power of performing on their behalf all their functions except
 - (a) waiver of any of the conditions in III(2);
 - (b) the exercise of the options of the Fund in III(4);
 - (c) all decisions on the par value of member currencies in IV(1-4);
 - (cc) all action relating to the apportionment of scarce currencies (VI).
 - (d) decision on the use of the resources of the Fund by a member who has withdrawn (VIII(4) as revised);
 - (e) decisions on X(3) as revised and X(4) as revised;
 - (f) a formal interpretation of the governing instrument.
- (iii) the Chairman shall have the right to attend Council meetings and participate therein, and may if desired be its Chairman.

(d) General Manager

to be
clari-
fied. { The General Manager shall be the Executive head of the
organisation and shall conduct the routine business of the
Fund's work, and be responsible to the Directorate for
internal organisation and all questions of establishment,
including the appointment and dismissal of subordinate staff.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE June 26, 1944

TO: Mrs. Klotz
FROM: Ted R. Gamble



The Secretary asked me to advise you of the conversation which took place at Friday's Cabinet meeting.

He told the President that, as a result of his trip around the country, he was concerned about the seeming overconfidence with regard to the war. The President expressed similar concern and asked if there were any suggestions, whereupon the Secretary suggested that Admiral King, General Marshall and General Arnold might make a report to the Nation on their visits to the Normandy Beaches and discuss the tough fights ahead. The President liked the suggestion and it was discussed at length. The Secretary further suggested, on question by the President, that it perhaps could be tied to the great job being done on the home front in connection with the Fifth War Loan. There were some persons present, including Mr. Byrnes, who did not subscribe to this latter suggestion.

The President, however, was apparently very much impressed with the suggestion, as he subsequently had Admiral Leahy send a communication to Admiral King, General Marshall and General Arnold, suggesting that he would like them to make a short radio talk and asked them to get in touch with the Secretary of the Treasury concerning the timing, etc. We received calls from each of their offices and are planning such a program which will include Secretary Morgenthau one night this week.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 26, 1944

TO: Mrs. Klotz

FROM: Ted R. Gamble



RE: SECRETARY'S APPEARANCE AT PHILADELPHIA NAVY YARD, JULY 4TH.

The Secretary will be expected at the Yard at approximately 3:30 p.m. I am checking now and will know this afternoon, whether or not his plane can land right at the Yard. There is a field there and presumably he will land there and be met by the Commandant, who will escort him to the program platform.

The complete program, which is under the supervision of the Navy, will be broadcast over the entire network of the National Broadcasting Company from 4:00 to 4:30 p.m. EWT.

Admiral Draemel is the master of ceremonies and speakers on the program include Admiral Stark from London, Admiral Nimitz from Pearl Harbor, Admiral King, Secretary of the Treasury and Secretary of the Navy.

Secretary Morgenthau will speak for approximately five minutes and presents a citation to Admiral King. Following a short word of acceptance by Admiral King, the Secretary then presents Secretary Forrestal with a Treasury Flag for the entire Navy. These are just instances in the Secretary's talk, but are being cued and written into the speech.

The speech is being written in our office and will be turned over to Mr. Smith tomorrow. I will supply you with additional details as soon as I get a report from the Navy.

(Decided to visit
Glen Barth)

The Secretary used the figures in the attached in his speech in Poughkeepsie, June 27th.



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON 25

June 26, 1944

TO THE SECRETARY:

Colonel Foster of General Clay's Office just dictated the following message over the telephone:

"A round, over-all estimate of the proportionate share of the expenditures of the Army attributable to the capture of Cherbourg, amounts to \$6 billion, including expenditures necessary to the cost of taking the beachheads. This figure, however, does not include the cost of having put these troops in the field, which in itself would amount to another \$7.5 billion, nor does it include future costs for the care of the wounded, relief of the local populations, or other post-campaign costs."

This is the best figure they can give you with the limited information available.

sub



VIA TELETYPE JUNE 27 1944

SECRETARY MORGENTHAU
 CARE MANAGER WKIP
 POUGHKEEPSIE NEW YORK

FOLLOWING IS PRESENTED FOR YOUR USE ~~XXXXXXXX~~ TONIGHT-

"I JUST RECEIVED FROM WASHINGTON THE LATEST FIGURES ON SUBSCRIPTIONS TO VARIOUS TREASURY ISSUES OFFERED IN THE FIFTH WAR LOAN DRIVE. THE AGGREGATE FOR THE COUNTRY IS \$5805 MILLION OF WHICH \$1919 MILLION REPRESENTS SUBSCRIPTIONS BY INDIVIDUALS AND \$3886 MILLION REPRESENTS SUBSCRIPTIONS BY ALL OTHER NON-BANK INVESTORS. OF THE SUBSCRIPTIONS PLACED BY INDIVIDUALS \$972 MILLION WERE FOR SERIES E BONDS.

"THE TREASURY HAS PREPARED A CHART BASED ON SUBSCRIPTIONS RECEIVED IN THE FOUR WAR LOAN DRIVE WHICH INDICATES THE TREND SUBSCRIPTIONS WILL HAVE TO TAKE IN THIS DRIVE IF WE ARE TO REACH THE \$16 BILLION GOAL UP TO THIS TIME FOR THE NATION AS A WHOLE WE ARE JUST A LITTLE ABOVE THE BEAM. NEW YORK STATE IS SLIGHTLY UNDER FOR E BONDS. NEW YORK CITY WHICH IS SOMEWHAT UNDER THE BEAM FOR E BONDS WILL HAVE TO INCREASE ITS SUBSCRIPTIONS MATERIALLY IF THE STATE OF NEW YORK IS TO KEEP UP WITH THE NATION'S PROGRESS IN THIS DRIVE FOR THIS SECURITY."

BELL

626P

4TH LINE OF TEXT RDS WAR LOAN DRIVE. THE	ETC
8TH LINE RDS NON-BANK INVESTORS. OF	ETC
9TH LINE RDS INDIVIDUALS \$972	ETC

END ~~RE~~ PLS ACK
 OK RECD



THE LIBERATED CITY OF CHERBOURG ALREADY HAS BEEN FORMALLY
RETURNED TO FRENCH CONTROL. IN A DRAMATIC CEREMONY TODAY, MAJOR
GENERAL LAWTON COLLINS PRESENTED TO MAYOR PAUL REYNAUD A TRICOLOR
MADE FROM SILKS OF PARACHUTES WHICH WERE FIRST TO DROP AMERICAN
TROOPS ONTO FRENCH SOIL. GENERAL COLLINS COMMANDED TROOPS OF THE
SEVENTH CORPS IN THE CAPTURE OF THE PENINSULA.

66



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

3 p.m.
June 26, 1944.

MEMORANDUM TO THE SECRETARY:

Colonel Foster just telephoned to say that the figures furnished you this morning, which I embodied in another memorandum and sent to Alan Barth before noon today, should not be linked up with any other figures that he has furnished you in the past and which have been used by you in your speeches. They are afraid that putting the two together might give some indication of the number of troops involved in these operations.

I told him I would pass this on to you.

scub



MEMORANDUM FOR SECRETARY MORGENTHAU

68

Meeting in the President's Office
3:45 p.m., June 26, 1944

Present were Mr. Bell, Mr. Glasser, Mr. McCloy

Subject: Proposed reply from the President to Churchill
on French currency arrangement

As we entered the President said "Where is the representative of the State Department?" Just then McCloy walked in and that seemed to please him, but he repeated there should be someone here from State. Mr. Bell replied that State approved the cable. The President began to discuss the cable without any further comment.

The President began by saying he didn't like the proposed cable. He said, "I don't like issuing money which isn't money." As an example, he spoke of a French restaurant keeper who had 2,000 francs of this money given to him by a soldier when a 2-cent rate was prevailing. Then he said if the rate is changed to 1 cent we will be telling the Frenchman when he comes in to redeem his money that his francs are only worth half as much as before. This problem was worrying the President and he intimated that the Treasury might be trying to give the Frenchman fewer dollars for the currency if the rate were lowered at a later date.

The procedure of redeeming currency was very carefully explained to him by each of us in turn and it was pointed out that (a) only the French can redeem franc currency for Frenchmen; (b) we are using this currency for civilian purposes as well as for our troops; (c) our responsibility would be fully carried out when we reached a settlement with the future French Government for a dollar payment to cover our military expenditures and the determination of the amount of dollars we would owe is a matter for negotiation. The President then began to read Churchill's message and our draft reply. (Evidently he had not read either very carefully before). In running down the proposed reply he asked questions as he went along.

He asked: "The Treasury didn't like our making this agreement with the Belgians, Dutch and Norwegians?" Mr. Bell replied that we didn't but that since he had approved the State Department memorandum, the issue was closed. The President nodded without comment.

- 2 -

He then asked whether the Dutch, Belgians and Norwegians would be able to pay for their civilian supplies. He was answered to the effect that the Belgians and Dutch would be able to carry themselves a long way but that the Norwegians might very well run short of dollars during the rehabilitation period. It was also pointed out that if we have troops in these countries for any prolonged period they would acquire substantial amounts of additional dollars.

He asked what would happen if DeGaulle raised the exchange rate to 5 cents in a drastic manner. The reply was that the immediate effect would be to give much fewer francs to our soldiers for their pay and that it would be much too high a rate which the French would be unable to hold under any circumstances. It was pointed out that the French Committee had selected the present rate and that we had approved their selection. He replied that he knew that.

In running through the last paragraph he asked what would be involved in coordinating the British negotiations with ours. He was answered that this would involve the British telling us what conclusions they reached and what proposals they intended to make and to clear these proposals before adopting them, and that we would do likewise.

The President nodded and said that the cable was all right with him with the comment that "These financial matters are very difficult to explain to a layman."

Mr. McCloy then said that he and Mr. Bell had been talking it over during the last few minutes and thought that the one sentence beginning with "If we wanted to drive a hard bargain" be deleted. The President agreed and crossed out the sentence.

In parting he said he was sending the message down to the MAP room for immediate transmission.

H. G.

Swiff

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 26, 1944.

TO Secretary Morgenthau
FROM Mr. Glasser *WJ*

We have just been advised by Algiers that a dossier on Leroy Beaulieu has been sent to the French Purge Committee for action. This Committee has the job of removing from office and punishing French officials judged guilty of collaborating with the Nazis.

It is believed that Beaulieu's dossier includes, among other things, charges that he promoted a scheme to have Germany replace the United States as a source of supply for North Africa during the period before our landings there, and that he facilitated shipments of supplies from French territory to Rommel's army in Libya.

Leroy Beaulieu is still a member of the French Supply Mission in the United States.

SECRET

**WAR DEPARTMENT
WASHINGTON**

June 26, 1944.

The Honorable,
The Secretary of the Treasury.

Dear Mr. Secretary:

I am pleased to learn from General Somervell that the Treasury Department has consented to take over negotiations with the Chinese Government looking to a settlement of our financial problems in China and that you have designated Mr. Bell to carry on the negotiation in this matter with Dr. Kung.

We will be glad to assist Mr. Bell in any way he may wish, but we are fully in agreement that it is now advisable to have the Treasury assume primary responsibility for the settlement of the rate of exchange upon which our present indebtedness to China may be liquidated as well as for the arrangement of a fair rate for any future operations in that country. The Army in turn will, of course, feel free to negotiate with the Chinese on any matters necessarily incident to its military responsibilities in that country, but in doing so, it would properly expect to conform to monetary and fiscal agreements actually consummated by the Treasury Department.

Sincerely yours,



Secretary of War.



SECRET

72
~~MM~~

THE UNDER SECRETARY OF STATE
WASHINGTON

June 26, 1944

Dear Henry,

I am extremely sorry that you were so inconvenienced on Friday when Dr. Kung's plane arrived earlier than expected. I have now arranged that in the future the Air Transport Command will give the State Department the most accurate information possible on plane arrangements, in order to prevent a recurrence of this unfortunate incident.

Assuring you of my deep regret and with kindest regards always,

Sincerely yours,



The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

(acted by HSK)
on 6/27

HARRY FLOOD BYRD, SENATOR FROM VIRGINIA, CHAIRMAN
ROBERT L. DOWNTON, REPRESENTATIVE FROM NORTH CAROLINA, VICE CHAIRMAN

SENATE

WALTER F. GEORGE, SENATOR FROM GEORGIA
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CARTER GLASS, SENATOR FROM VIRGINIA
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HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY
RANDOLPH D. SMITH, DIRECTOR OF THE BUREAU OF THE BUDGET

Congress of the United States
JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL
FEDERAL EXPENDITURES
CREATED PURSUANT TO SEC. 601, OF THE REVENUE
ACT OF 1941

June 26, 1944

Honorable Henry Morgenthau, Jr.

Secretary of the Treasury

My dear Mr. Secretary:

Enclosed is a copy of the monthly Federal
Personnel Report issued by the Joint Committee on
Reduction of Nonessential Federal Expenditures.

Cordially yours,

Henry F. Morgenthau, Jr.

78th Congress }
2d Session }

SENATE COMMITTEE PRINT NO. 5

**REDUCTION OF NONESSENTIAL FEDERAL
EXPENDITURES**

**CIVILIAN EMPLOYMENT OF THE
EXECUTIVE BRANCH OF THE FED-
ERAL GOVERNMENT BY DEPART-
MENT AND AGENCY FOR MONTHS
OF MARCH AND APRIL 1944, SHOW-
ING INCREASES AND DECREASES
IN NUMBER OF PAID EMPLOYEES**



Printed for the use of the Joint Committee on Reduction
of Nonessential Federal Expenditures

UNITED STATES
GOVERNMENT PRINTING OFFICE

60830-44

WASHINGTON : 1944

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

CONGRESS OF THE UNITED STATES

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

CREATED PURSUANT TO SECTION 601 OF THE REVENUE ACT OF 1941

HARRY FLOOD BYRD, Senator from Virginia, Chairman

ROBERT L. DOUGHTON, Representative from North Carolina, Vice Chairman

SENATE

WALTER F. GEORGE, Senator from Georgia.
ROBERT M. LA FOLLETTE, Jr., Senator from Wisconsin.

CARTER GLASS, Senator from Virginia.
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GERALD P. NYE, Senator from North Dakota.

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CLARENCE CANNON, Representative from Missouri.

CLIFTON A. WOODRUM, Representative from Virginia.
JOHN TABER, Representative from New York

HENRY MORGENTHAU, Jr., Secretary of the Treasury

HAROLD D. SMITH, Director of the Bureau of the Budget

JOSEPH L. BORDA, Clerk

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REPORT NO. 100

U. S. GOVERNMENT PRINTING OFFICE

1944

16-7084

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

Civilian employment of the executive branch of the Federal Government by departments and agencies for months of March and April 1944, showing increases and decreases in number of paid employees

Department or agency	April 1944	March 1944	Increase	Decrease
EXECUTIVE OFFICE OF THE PRESIDENT				
Bureau of the Budget.....	548	555	-----	7
DEPARTMENTS				
State Department.....	8,545	8,533	12	-----
Treasury Department.....	92,093	90,370	1,723	-----
War Department ¹	1,225,590	1,214,655	10,935	-----
Justice Department.....	29,201	29,518	-----	317
Post Office Department.....	352,476	349,237	3,239	-----
Navy Department ²	736,797	735,977	820	-----
Interior Department ³	40,762	40,078	684	-----
Agriculture Department.....	82,071	80,015	2,056	-----
Commerce Department ⁴	29,270	29,435	-----	165
Labor Department.....	6,114	6,031	83	-----
NATIONAL WAR AGENCIES				
Committee on Fair Employment Prac- tice.....	113	119	-----	6
Division of Central Administrative Service.....	4,044	4,111	-----	67
Foreign Economic Administration.....	5,638	5,942	-----	304
National War Labor Board.....	3,711	3,972	-----	261
Office of Alien Property Custodian.....	894	924	-----	30
Office of Civilian Defense.....	684	730	-----	46
Office of Coordinator of Inter-American Affairs.....	1,375	1,377	-----	2
Office of Defense Transportation.....	5,141	5,083	58	-----
Office of Economic Stabilization.....	11	10	1	-----
Office of Scientific Research and De- velopment.....	1,191	1,214	-----	23
Office of War Information.....	7,201	6,533	668	-----
Office of War Mobilization.....	36	23	13	-----
Smaller War Plants Corporation.....	1,746	1,762	-----	16
War Manpower Commission ⁵	26,075	25,846	229	-----
War Production Board.....	16,993	17,183	-----	190
War Shipping Administration.....	5,037	4,973	64	-----
Office of Censorship.....	12,077	12,297	-----	220
Office of Price Administration.....	59,015	57,842	1,173	-----
Office of Strategic Services.....	1,857	1,793	64	-----
Petroleum Administrator for War.....	1,308	1,334	-----	26
Selective Service System.....	23,998	23,906	92	-----

¹ Does not include employees outside of the continental United States.

² Includes 10,324 employees of stations in the hands of the enemy.

³ Now includes War Relocation Authority.

⁴ Includes employees in Alaska with Civil Aeronautics Administration.

⁵ Also includes Training Within Industry and the U. S. Employment Service

Civilian employment of the executive branch of the Federal Government by departments and agencies for months of March and April 1944, showing increases and decreases in number of paid employees—Continued

Department or agency	April 1944	March 1944	Increase	Decrease
INDEPENDENT ESTABLISHMENTS				
American Battle Monuments Commission.....	1	1	0	0
Board of Investigation and Research— Transportation.....	51	51	0	0
Civil Aeronautics Board.....	330	333	3	0
Civil Service Commission.....	7,498	7,372	126	0
Employees Compensation Commission.....	513	513	0	0
Export-Import Bank of Washington.....	60	60	0	0
Federal Communications Commission.....	2,140	2,175	35	0
Federal Deposit Insurance Corporation.....	1,058	1,047	11	0
Federal Power Commission.....	663	664	1	0
Federal Security Agency.....	30,978	30,880	98	0
Federal Trade Commission.....	454	458	4	0
Federal Works Agency.....	20,593	20,394	199	0
General Accounting Office.....	11,221	11,095	126	0
Government Printing Office.....	7,434	7,529	95	0
Interstate Commerce Department.....	2,159	2,156	3	0
Maritime Commission.....	9,970	9,922	48	0
National Advisory Committee for Aero- nautics.....	5,508	5,360	148	0
National Archives.....	357	354	3	0
National Capital Housing Authority.....	257	252	5	0
National Capital Park and Planning Commission.....	18	18	0	0
National Gallery of Art.....	260	264	4	0
National Housing Agency.....	19,183	19,780	597	0
National Labor Relations Board.....	679	681	2	0
National Mediation Board *.....	91	89	2	0
Panama Canal.....	29,538	30,305	767	0
Railroad Retirement Board.....	1,720	1,748	28	0
Reconstruction Finance Corporation.....	7,892	7,874	18	0
Securities and Exchange Commission.....	1,209	1,213	4	0
Smithsonian Institution.....	418	426	8	0
Tariff Commission.....	306	307	1	0
Tax Court of the United States.....	123	123	0	0
Tennessee Valley Authority.....	21,800	22,261	461	0
Veterans' Administration.....	50,803	50,369	434	0
Total.....	3,016,897	2,997,452	23,135	3,690
War Department civilian employees stationed outside of continental United States, as of Dec. 31, 1943 †.....	288,563	288,563	0	0
Grand total.....	3,305,460	3,286,015	19,445	0
Net increase.....			19,445	0

* Also includes National Railway Labor Panel and National Railroad Adjustment Board.

† Reported quarterly only. Latest date for which these have been reported.

Note.—Employment figures now reported to the committee include dollar-per-annum employees and without-compensation employees of the consultant-expert type who are authorized to receive per diem in lieu of subsistence.



TREASURY DEPARTMENT

WASHINGTON 25

June 26, 1944



Handwritten initials

MEMORANDUM TO THE SECRETARY

Attached is a memorandum that we have prepared and which we are sending to the hardware trade to indicate the type of goods that we anticipate handling through the Hardware Section of this division.

E. L. Olrich
E. L. Olrich
Assistant to the Secretary

Attachment



TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON (25)

IN REPLY
REFER TO FILE NO.

June 24, 1944

FOR IMMEDIATE RELEASE:

For the information and guidance of eligible in-the-trade customers, the Treasury's Surplus Disposal Unit today made public a completely detailed breakdown of the kinds and types of "hardware and kindred products" which it will handle in the surplus disposal program.

The list contains over 300 separate and distinct categories of items ranging from such designations as "cut nails, tacks and spikes" to "lubrication equipment, such as barrel and oil pumps."

According to a spokesman for the Division, the list was developed after several weeks of intensive study and now is "sufficiently complete so as to include any item normally handled by the hardware field." The spokesman also indicated that release of the list should illustrate something of the enormous classification task now underway within the Division, since it must provide similar expanded and detailed lists on each of the various commodities assigned to it for disposal by virtue of Surplus War Property Administration Regulation No. 1.

Cautioning that release of the list "by no means indicates the immediate availability of any particular hardware item," the spokesman said it was the desire of the Division to circularize the list "to the whole hardware field, so that in writing to our Regional Offices with requests to be added to our mailing lists, hardware men will not only know exactly what we will handle, but will also be able to request bids on specific types of goods by making use of the Classification Numbers shown on the list."

The Division also re-emphasized its willingness to have all eligible customers on mailing lists, but asserted again that firms should ask for bids ONLY on the exact, specific types of goods which constitute their business, and which can be stated by using the Classification symbols on the list. This action is consistent with the Division's constantly repeated objective of selling only to trade channels and attempting always to eliminate speculators from the market.

Following is the list made public today:

(over)

5f23-54833

List of Hardware and Kindred Products

Treasury Procurement -- Surplus War Property Division

Wood Basic Materials

13 9700 Handles, Wooden (Tool, etc.)

Steel (Wire)

22 5200 Barbed and Twisted Wire

Fabricated Metal Basic Products

25 5100 Builder's Hardware
25 5600 Casket Hardware
25 5700 Furniture Hardware
25 5800 Trunk and Luggage Hardware
25 5900 Miscellaneous Basic Hardware
25 5910 Casters
25 7500 Insect Screening
25 7600 Woven Wire Fencing
25 7700 Wire Nails, Tacks, and Staples
25 7800 Wire Springs
25 7900 Miscellaneous Wire Products
25 7901 Wire chain
25 7903 Chain link fencing
25 7906 Wire hoops
25 9100 Chain and Attachments, Except Wire Chain
25 9400 Bolts, Nuts, Screws, Washers, Rivets, and Related Products
25 9800 Cut Nails, Tacks, and Spikes, Except Railroad
25 9900 Miscellaneous Fabricated Metal Basic Products
25 9902 Metallic packing
25 9906 Steel abrasives (shot, grit, wool)

Glass Basic Products - Structural

26 3100 Plate Glass
26 3200 Window Glass, Except Colored and Laminated
26 3320 Wire glass
26 3700 Glass, Bricks, and Blocks

Glass Basic Products - Nonstructural

27 1000 Glass Basic Products - Chiefly Nonstructural
27 1200 Glass Tubes and Tubing
27 1230 Gauge glass tubes
27 2000 Abrasive Basic Products (For retail sale)
27 2300 Sticks and Stones (For retail sale)
27 2700 Cloth and Paper (For retail sale)
27 2800 Wheels (For retail sale)
27 9200 Pottery Basic Products-Chiefly Nonstructural
27 9210 Chemical stoneware

(continued)

5f23-54833

Regraded Unclassified

Rubber Fabricated Materials

29 1000 Rubber Fabricated Materials
 29 1500 Rubber Packing and Gaskets, Except Hard Rubber
 29 1700 Rubber Tile, Matting, Wainscoting, and Sheet Flooring
 29 1940 Rubber tape, industrial

Lubrication Equipment

31 9700 Lubrication Equipment
 31 9710 Barrel pumps
 31 9712 Oil pumps
 31 9720 Portable pumps
 31 9730 Hand guns
 31 9750 Unit lubricators
 31 9751 High-pressure lubricant fittings
 31 9752 Grease cups
 31 9753 Oil cups
 31 9754 Hand oilers
 31 9755 Oil sprays, etc.

Miscellaneous Machinery

39 1000 Laundry and Dry Cleaning Machinery and Equipment
 39 1100 Domestic (Home Type) Laundry Equipment
 39 1110 Washing machines
 39 1120 Wringers, extractors and driers
 39 1130 Ironers and ironing attachments
 39 2000 Sewing Machines, Household
 39 4500 Spring Scales, Household

Miscellaneous Transportation Equipment

49 1000 Bicycles and Bicycle Parts
 49 2000 Pushcarts, Handcarts, and Wheelbarrows

Plumbing and Heating Equipment

51 1000 Sanitary Ware
 51 2000 Plumbing Fixture Fittings and Trim, and Plumbing Specialties
 51 3000 Heating Equipment, Steam and Hot Water
 51 4000 Heating Equipment, Warm Air
 51 5000 Stoves and Ranges, Domestic, Except Electric
 51 6000 Cooking and Warming Equipment, Commercial, Except Electric
 51 7000 Fuel Burning Equipment
 51 8000 Domestic Water Heaters (Except Electric) and Storage Tanks
 51 9100 Incinerators

Refrigeration Equipment

52 2000 Household Mechanical Refrigeration Units (16 cu. ft. or Less,
 Self-contained)
 52 8100 Household Ice Refrigerators
 52 9300 Drinking-Water Coolers

Miscellaneous Lighting Fixtures

53 9300 Carbide Lamp Units
53 9600 Acetylene Lamps, Lanterns, and Floodlights

Recording and Controlling Instruments

57 1100 Thermometers and Accessories, Except Aircraft
57 1400 Heating and Ventilating Controls and Accessories
57 3410 Household refrigeration controls

Personal Safety Equipment

59 1200 Protective Head and Face Equipment
59 1300 Safety Clothing, Except Rubber
59 1400 Protective Occupational Footwear
59 1600 Water Safety Equipment
59 1700 Safety Belts, Harnesses, Straps and Lines, Except Aeronautical
59 1900 Miscellaneous Personal Safety Equipment

Fire Extinguishers and Fire Equipment

59 5100 Hand Fire Extinguishers
59 5200 Wheeled Fire Extinguishers
59 5300 Refills
59 5400 Foam Generators
59 5600 Couplings, Nozzles, and Similar Accessories
59 5900 Miscellaneous Fire Fighting Equipment

Recreation Equipment

59 8100 Playground Equipment
59 8200 Billiard and Pool Tables and Accessories
59 8300 Amusement Park and Carnival Equipment
59 8400 Shooting Gallery Equipment, Except Firearms and Ammunition
59 8900 Recreation Equipment, Not Elsewhere Classified

Leather End Products

71 1000 Leather Belting and Packing
71 3000 Saddlery, Harness, and Whips
71 9000 Miscellaneous Leather Products
71 9200 Dog Furnishings
71 9400 Leather Straps

Rubber End Products

74 5000 Mechanical Rubber Goods
74 5100 Rubber Hose
74 5200 Rubber Belting (Including Balata)
74 5700 Industrial Aprons, Gloves and Cots
74 5990 Mechanical rubber goods, not elsewhere classified
74 6100 Rubber Tubing (Include Tubes and Pipes)
74 6900 Miscellaneous Rubber Sundries

(continued)

5f23-54833

Regraded Unclassified

Metal End Products

75 1000	Kitchen, and Hospital Utensils, and Kitchen Tools
75 1100	Cooking and Kitchen Utensils, Household and Commercial
75 1300	Kitchen Tools, Except Cutlery
75 3000	Hand Tools, Non-powered, including such items as:
	Anvils
	Blow torches
	Forks
	Hammers
	Hoes
	Jacks, hand
	Picks and mattocks
	Fliers
	Post hole diggers and augers
	Rakes
	Screw drivers
	Shovels
	Soldering irons and coppers
	Vises and accessories, except toolmakers'
	Wrenches, et cetera
75 3200	Edge Tools, including such items as:
	Adzes
	Augers
	Axes
	Bits
	Bolt clippers
	Knives, draw and
	spoke shavers
	Knives, shear (metal cutting)
	Planes
	Scythes and sickles
	Taps, hand
	Thread cutting dies
	Shears and snips, metal cutting,
	et cetera
75 3300	Saws and Saw Blades, Except Power Saw Blades
75 3310	Hand saws
75 3320	Hand saw blades
75 3330	Saw frames
75 3400	Files and Rasps, Hand
75 3500	Machine Knives and Blades
75 3600	Saw Blades for Power Saws, Except Metal Cutting
75 4000	Cutlery, Except Table Flatware
75 4100	Table and Kitchen Cutlery, Household and Institutional
75 4200	Food Processing Cutlery
75 4300	Industrial Cutlery, Except Food Processing
75 4400	Razors (Except Electric), and Razor Blades
75 4500	Pocket and Hunting Knives
75 4600	Scissors, Shears, Trimmers (Except Surgical, Gardening, Orchard and Animal), and Manicure and Pedicure Implements
75 4700	Toilet and Barbers' Clippers, Except Electric
75 5000	Silverware, Plated Ware, and Similar Metal Ware
75 5100	Table Flatware
75 5200	Hollow Ware
75 5300	Toiletware
75 6000	Watches, Clocks, and Parts
75 7000	Metal Containers and Closures
75 7100	Metal Closures
75 7200	Metal Cans
75 7400	Metal Shipping Containers
75 7900	Miscellaneous Metal Containers
75 8000	Mechanics' Measuring Tools
75 8010	Calipers, production
75 8020	Dividers and scribes

(over)

5f23-5483

Metal End Products (Continued)

75 8030 Gages
75 8040 Levels and plumbs, adjustable and non-adjustable
75 8050 Micrometers
75 8060 Plumb bobs
75 8070 Precision tapes, metal
75 8080 Protractors, universal level
75 8110 Protractors, except universal level and combination sets
75 8120 Rules, metal
75 8130 Squares, metal
75 8140 Straight edges
75 8150 Templets (templates)
75 8160 Vernier tools
75 8990 Mechanics' measuring tools, not elsewhere classified
75 9100 General Line Hardware
75 9110 Padlocks
75 9120 Vacuum bottles and jugs
75 9130 Fireplace fixtures and equipment
75 9140 Sad irons and other hand pressing irons, except electric
75 9150 Animal traps, fly swatters and fly traps
75 9160 Horse and mule shoes (include shoe calks)
75 9170 Car seals
75 9190 General line hardware, not elsewhere classified
75 9300 Sieves, Except Kitchen and Household
75 9400 Bells, Chimes, and Gongs, Except Electric
75 9500 Miscellaneous Wire End Products
75 9510 Garment hangers
75 9520 Bird cages

Finished Wood Products

76 3000 Baskets, Wooden and Fiber
76 4000 Rattan and Willow Ware, Except Baskets
76 6000 Frames: Mirror, Picture, and Photograph
76 7000 Finished Wooden Articles, Commercial and Household
76 7100 Kitchen and Household Wooden Ware
76 7900 Miscellaneous Finished Wooden Articles, Commercial
and Household
76 8000 Finished Wood Products
76 8100 Ladders
76 8200 Scaffolding Equipment
76 8300 Wagon, Wooden Parts
76 8500 Cabinets and Chests, Tool and Instrument
76 8900 Miscellaneous Finished Wood Products
76 9200 Flagpoles, Spars, Tent Poles and Pins

End Products of Glass

77 1000 Glass Containers
77 1100 Food Product Containers
77 2000 Glass Tableware and Kitchen Articles
77 2100 Glass Tumblers
77 2200 Glass Goblets
77 2300 Glass Barware
77 2400 Glass Plates

(continued)

End Products of Glass (Continued)

- 77 2500 Glass Dishes
- 77 2600 Glass Cups and Saucers
- 77 2700 Glass Bowls
- 77 2800 Top-of-Stove Glassware (Special Heat-Resistant)
- 77 3000 Utility Glass and Glassware, Except Tableware and Kitchen Articles
- 77 3100 Glass Mirrors
- 77 3200 Glass Deskware (Include Paper Weights, Inkwells, and Similar Articles)
- 77 3300 Aquarium Glass Tanks and Glassware
- 77 4000 Art and Decorative Glassware
- 77 6100 China and Porcelain Pottery Products
- 77 6110 Table and Kitchen Articles (for preparing, serving or storing food or drink)
- 77 6120 Art and decorative ware

End Products of Clay

- 77 6200 Fine Earthenware (Whiteware) Pottery Products (Having Either an Artificially Colored Body, or a Compounded, Naturally White or Nearly White Body)
- 77 6210 Table and Kitchen articles (for preparing, serving, or storing food or drink)
- 77 6211 Household articles
- 77 6212 Commercial articles (hotel, restaurant, soda fountain, club)
- 77 6219 Table and kitchen articles (for preparing, serving, or storing food or drink, not elsewhere classified)
- 77 6300 Coarse Earthenware Pottery Products (Having a Body Not Artificially Colored, Either Wholly of Clay, or Compounded, Buff, Brown, Red, or Gray in Color)
- 77 6400 Fine Stoneware (Except Chemical Stoneware) Pottery Products (Having Either an Artificially Colored Body, or a Compounded, Naturally White or Nearly White Body)
- 77 7000 Natural-Stone End Products

Athletic Goods

- 79 1100 Games
- 79 1600 Sporting Goods
- 79 1700 Athletic Goods, Except Uniforms

Miscellaneous Products

- 79 6000 Musical Instruments and Phonographs
- 79 8000 Plastic End Products, such as:
 - Candlesticks
 - Canteens
 - Dust pans
 - Fruit juicers
 - Tableware
 - Trays
 - Utility boxes
- 79 9000 Miscellaneous End Products of Manufacturing Industries

Brooms and Brushes

- 79 9100 Brooms and Brushes - All Types

(over)

Small Arms and Components

- 81 1000 Small Arms, Assembled
- 81 1100 Rifles
- 81 1200 Machine Guns and Submachine Guns
- 81 1300 Pistols, Revolvers, and Automatics
- 81 6000 Small Arms Accessories
- 81 6200 Ammunition Belts
- 81 6300 Bandoleers
- 81 6400 Bayonets, Knives, and Swords
- 81 6900 Small Arms Accessories, Not Elsewhere Classified

- 83 0000 Small Arms Ammunition and Specifically Adapted Components

Other Similar Products But Not Under The "Hardware" Classification

Treasury Procurement -- Surplus War Property Division

- 32 5140 Plug Fuses (125 Volt Rating)
- 32 5300 Lamp Sockets and Holders
- 32 7000 Electric Lamps (Bulbs, Tubes and Related Light Sources)
- 32 8000 Electric Appliances, Household and Commercial
- 32 9100 Dry Cell Batteries
- 32 9200 Storage Batteries

- 33 9950 Automobile Service Station Equipment

- 35 0000 Agricultural Machinery and Implements

- 36 0000 Construction, Mining, Excavating and Related Machinery

- 52 0000 Air-Conditioning and Refrigeration Equipment, Except Ice Making and Cold Storage Plant Systems and Industrial Refrigeration Units

- 53 0000 Lighting Fixtures (With Exceptions)

- 56 0000 Optical Instruments and Apparatus

- 58 0000 Professional and Scientific Apparatus

- 69 0000 Fabricated Textile Products, such as:
 - 69 1000 Textile Floor Coverings
 - 69 4000 Textile Bags
 - 69 5000 Canvas Products
 - 69 5100 Awnings
 - 69 5200 Tents
 - 69 5300 Sails
 - 69 9400 Flags, Pennants, and Banners
 - 69 9500 Badges, Insignia, and Similar Emblems
 - 69 9600 Fish Nets

- 76 2000 Boxes and Crates



TREASURY DEPARTMENT

WASHINGTON 25

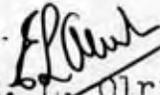
June 26, 1944

*MA*

MEMORANDUM TO THE SECRETARY

Because of the wide publicity that attended the sale of certain dry-cell batteries at Utah, attached is a memorandum, prepared at my request, covering the sale by the Treasury Procurement Division of certain batteries declared to us as surplus to the needs of the Signal Corps at Philadelphia and the destruction by the Signal Corps of these batteries after declaration and after sale.

The purchaser of these batteries was "exceedingly disturbed" by not receiving the goods he had purchased. His money has been returned to him and we think the matter can be considered closed.


E. L. Olrich

Assistant to the Secretary

Attachment

C
O
P
Y

June 24, 1944

Memorandum to: Mr. E. L. Olrich

From: W. J. Sims (s) W.J.S.

Subject: Signal Corps Declaration of Overage Batteries

On May 11, 1944, our New York Office advertised for sale 9,376 batteries, reported surplus by the Signal Corps Depot, Philadelphia, Pennsylvania. Invitation to Bid covering this property stated that the batteries were in scrap condition.

Bids were opened on May 25, and on June 7 an award was made to the Atlas Radio Company of Cleveland, Ohio on a high bid of \$1,001.00 for the lot. A total of 10 bids was received, ranging from a low of \$40.00 to the high bid.

Upon receipt of payment in full, the Atlas Radio Co. was authorized to remove the property but was unsuccessful as the Army advised the Company by letter dated June 13, 1944, that the batteries had been disposed of.

The vendee contacted the New York Office, who in turn contacted the Signal Corps, and was advised by letter dated June 21, 1944, "that since it was determined by higher authority and proper inspection that the batteries were dead, worthless, and unsalable, the said batteries were disposed of in accordance with regulations".

The Army Service Forces (Captain Wyman) has been advised of all the circumstances surrounding this case and furnished with copies of the pertinent letters.

R. W. WOODRUFF
WILMINGTON, DELAWARE

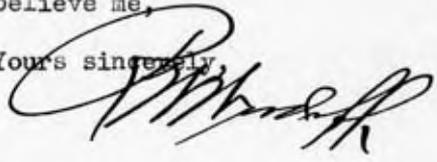
June 26, 1944

My dear Mr. Secretary:

For your telegram of the 19th and your note of the 22d, I am deeply grateful. It was a pleasure to be able to be of assistance last Monday evening and it seemed to me that the Treasury's program was an admirable and effective presentation.

With warm regards, believe me,

Yours sincerely,



The Honorable Henry Morgenthau, Jr.
The Secretary of the Treasury
Washington, D. C.

THE KANSAS CITY SOUTHERN RAILWAY COMPANY
KANSAS CITY 6, Mo.

J. M. SALTER,
TREASURER



June 26, 1944

My Dear Mr. Secretary:

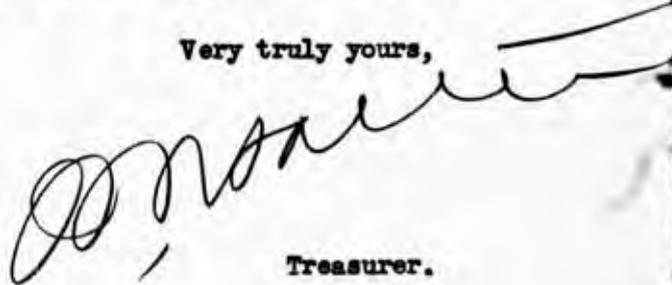
It was mighty thoughtful of you to write me under date of June 23 expressing your personal regrets for being unable to see me while in Texarkana on June 12.

I certainly appreciate the kind remarks regarding my War Bond activities, and I assure you that I have tried to do a good job and expect to do everything in my power to promote the sale of War Bonds until this dreadful war is won.

I will look forward with a great deal of pleasure to meeting you under more favorable circumstances.

With best wishes and kindest personal regards.

Very truly yours,



Treasurer.

Hon. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

June 26, 1944

To Members of the National Education Association:

During the past school year American boys and girls under your guidance have saved over \$510,000,000 through War Bonds and Stamps purchased in school. At the same time, they have developed strong habits of thrift, an increased sense of civic responsibility, and knowledge of war finance.

More than this, the schools have gone into the community to explain the significance of the national war finance program. Now the Treasury recognizes that the schools are assuming a major assignment--that of sustaining community enthusiasm for continuing War Bond participation between drives.

Your leadership and untiring efforts have made the Schools-At-War Program a constructive force in the war effort. During the momentous months ahead, the example set by your students through their weekly saving and self-denial will be an inspiration to all the rest of us.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE June 26, 1944

TO Secretary Morgenthau
FROM Mr. Hoss
Subject: The Business Situation,
Week ending June 24, 1944.

Summary

Industrial production: Factory output showed a further decline in May and the FRB adjusted index of production declined to 237 from 239 in the previous month. At the May level the index stood 10 points, or 4 percent, below the wartime peak. Industrial production would have shown a larger decline except for heavy minerals output, with crude petroleum production rising to a record high.

Manpower: Despite the declining trend of factory employment, the WMC Chairman indicated last week that there will be no easing in the labor supply situation in 1944 if hostilities continue in Europe. Draft requirements and needs of certain industrial programs are expected to more than offset accessions to the labor supply arising from cuts in war production, military discharges and population growth.

Stock market: After extending the post-invasion rise in the early part of last week, stock prices subsequently reacted slightly and the Dow-Jones averages showed only fractional net gains for the period. Trading volume dropped considerably. Meanwhile, industrial stock prices in London have shown a further moderate advance to a new wartime high.

Commodity prices: Prices moved irregularly last week, and the BLS index of 28 basic commodities showed practically no change. In the week ended June 17 the general index of wholesale prices declined 0.3 percent, due largely to substantial declines in prices of a number of important agricultural commodities.

Alcohol holiday: Some relief from the whisky shortage is in prospect as a result of the WPB granting distillers the right to produce alcohol for beverage purposes during August. This has been made possible by a reduction in the alcohol requirements of the synthetic rubber program.

- - - -

- 2 -

Factory output continues to decline

A further decline in factory output in May offset a rise in materials production, and aggregate industrial production for the month was unchanged from the April level. After allowance for seasonal factors, however, production showed a moderate decline, and the FRB adjusted index dropped from 239 in April to 237 in May. This latter figure compares with the wartime peak of 247 attained in the fall of last year. (See Chart 1.)

The output of munitions increased 2 percent in May, according to WPB data, with airplane production, on an air-frame weight basis, increasing 9 percent over April. The FRB figures, seasonally adjusted, show small declines, however, in the important transportation equipment and machinery industries. Merchant ship deliveries dropped somewhat in reflection of curtailed Liberty ship construction, though the number of Victory ships delivered rose further in May.

The pace of steel operations slackened slightly in May, due apparently to manpower difficulties and shutdowns for repairs. Smelting and refining of nonferrous metals, however, showed a sharper decline and dropped 4 percent below the previous month. Output of aluminum and magnesium was further curtailed, but supplies have continued to run above requirements and restrictions on the use of these metals for civilian use were recently relaxed. Aggregate nondurable goods output last month was unchanged from April, although seasonal factors should have caused a slight rise.

Minerals output in May rose to a new wartime high, featured by heavy production of petroleum, coal and iron ore. In contrast, the unadjusted index of manufacturing output for the month showed a further recession of about 1 percent, thus extending the aggregate decline since last fall's peak to 6 percent. The drop in factory output since last October has been accompanied by a 7 percent decrease in factory employment. (Refer to Chart 1.)

Manpower shortages to continue
despite employment drop

Despite the downward trend in factory employment, the WMC Chairman stated last week that there would be no easing of the tight labor supply situation in 1944. On the basis of a survey just completed by the WMC and the Bureau of Labor Statistics, it was indicated that draft requirements and certain expanding industrial programs this year would more than absorb unemployed munitions workers, discharged war veterans and other sources of additional labor supply.

- 3 -

Between April 1, 1944 and the beginning of next year, it was indicated by the WMC Chairman that the armed services and rising industrial programs would require 1,600,000 men. In comparison, declining employment in munitions and other industries, together with discharged war veterans and new additions to the labor force, are expected to provide an estimated total of only 1,400,000. These figures are exclusive of the supply and demand for seasonal workers in agriculture and food processing, and are predicated on the continuation of hostilities in Europe.

The manpower situation is complicated, however, by the increasing concentration of shortages in certain industries and areas. Thus output of castings, forgings, heavy duty trucks and lumber have been seriously hindered by manpower shortages. The over-all labor shortage is reported to be particularly acute in Los Angeles and San Diego, California; Akron, Ohio; Detroit and Muskegon, Michigan; and Hampton Roads, Virginia.

Further reconversion steps taken

In addition to the relaxation of restrictions on civilian use of aluminum and magnesium, the WFB Chairman recently indicated that measures are being taken to allocate materials for working models and to facilitate ordering of machine tools in connection with civilian goods production. Moreover, Congress during the past week finally enacted the war contract termination bill, thus removing a formidable obstacle to reconversion plans.

Gains in electric power production narrowing

Evidence of the declining trend in industrial production is seen in the progressively narrowing gains in electric power production in recent months. The wartime peak in electric power production was reached in the week ended December 18, 1943, when power output attained a record high of 4,613 million kilowatt hours. While seasonal factors normally cause electric power production to decline from the December peak until mid-spring, reference to Chart 2 will disclose that the decline this year has been greater than usual. Moreover, year to year gains in power output have narrowed from 16 percent at the December 1943 peak to less than 5 percent in the week ended June 17, the latest period for which figures are available. An important

- 4 -

contributing factor in the decline in electric power production has been the cutback this year in aluminum production. However, the sharpness of the decline tends to corroborate other evidence of a recession in general industrial activity from last fall's wartime peak.

Cotton consumption lagging

Despite concerted efforts of various Government agencies to relieve the tight cotton-textile situation, production continues to lag substantially below the levels of the past few years. (See Chart 3.) Domestic cotton consumption last month totaled only 832 thousand bales, which was 8 percent below that of May 1943. Moreover, although cotton consumption in May was noticeably higher than in the previous month, the increase was due entirely to the greater number of working days in the month. The daily rate of consumption in May was the lowest since October 1940. Cotton consumption during the first ten months of this season has amounted to 8,412 thousand bales as compared with 9,342 thousand in the comparable period last year.

The decline in the daily rate of cotton consumption last month occurred despite the 48-hour week in the cotton textile industry which became effective May 14. It appears likely that a decline in employment more than offset the increase in hours worked in the mills. While figures for May on employment and hours worked in the cotton textile industry are not available, BLS figures show a decline from April to May in the estimated number of wage earners in the textile industry as a whole. Information received from the Bureau indicates that the largest decline was in the cotton industry.

Rise in stock prices levels off

The post-invasion rise in stocks, which pushed prices to new highs since our entry into the war, tended to level off last week. After extending previous gains at the beginning of the week, stock prices later reacted slightly and trading activity dropped considerably. At the close on Saturday the Dow-Jones average of 65 stocks was only fractionally higher than a week earlier, while trading volume was cut nearly in half. (See Chart 4.) Second-grade railroad bonds showed a net decline of 2 percent

- 5 -

for the week. Meanwhile, industrial stock prices in London made a further moderate advance to a new wartime high.

Commodity prices show little change

Commodity prices moved irregularly last week but little net change was shown for the week. The BLS index of 28 basic commodities was steady, as further advances in cotton and rosin prices were offset by lower prices for wheat and steers. (See Chart 5.) Rosin prices were up 3.8 percent, but prices of the other three commodities showed more moderate changes.

In the week ended June 17, substantially lower prices for some important agricultural commodities resulted in a 0.3 percent decline in the BLS all-commodity index. At 103.7 percent of the 1926 average the index is only slightly above that of a year ago, although it is 38.3 percent above the pre-war August 1939 average. The 1.7 percent downturn in average prices of farm products in the most recent week followed successive advances in the preceding four weeks. Wheat, rye, cows, and oranges showed appreciable declines. Prices of live poultry and apples were considerably lower in the New York market, and seasonal declines were reported in the prices of white potatoes and onions. On the other hand, advances were registered for cotton, sweet potatoes, and eggs in eastern markets.

Rosin prices show spectacular rise

Gum rosin prices have shown a spectacular rise recently, with prices up 20 percent in the past six weeks. In fact, gum rosin prices have risen almost steadily since the beginning of the year, and are now 43 percent above the level of January 1 and 62 percent above a year ago. Gum rosin (which is obtained by tapping pine trees and is considered an agricultural product) has thus far been free from price ceilings. On the other hand, wood rosin (which is obtained by processing pine stumps and is considered an industrial product) has been held down by price ceilings.

Labor shortages have hampered rosin production, which has shown a declining tendency in the past year. Meanwhile it has been necessary to dip into stocks to meet the heavy wartime demand. Rosin production (both gum and wood) in

the year ended March 31 totaled 1,828,000 barrels, a decline of 12 percent from the 1942-43 season. Since consumption in the 1943-44 season reached 2,440,000 barrels, stocks were reduced from 1,600,000 barrels on April 1, 1943 to 993,000 barrels on the same date this year.

Despite a sharp increase in consumption of rosin by chemical plants, and an increased demand from the soap, paint, and paper industries, supplies have been considered adequate so that no control of the end-use of the product has been imposed. The Chemicals Bureau of the WPB, however, indicated last week that consumption for the year ending March 31, 1945 may exceed production by as much as 600,000 barrels. The effect would be to reduce stocks to very low levels. Consequently, the WPB is reported to be studying the feasibility of various methods of controlling consumption. The OPA is reportedly working on the problem of establishing ceiling prices for gum rosin.

Price control bill believed generally acceptable

While the price control extension bill passed by Congress last week contains some provisions which will tend to weaken the stabilization program, major inflationary dangers appear to have been removed from the bill. Several amendments which had been vigorously opposed by the OPA were eliminated in the final bill, including: the Dirksen amendment which would have permitted district courts to pass on the validity of OPA regulations, the Pace amendment which would have penalized processors who paid less than parity prices to growers, and the Kleberg amendment which would have penalized those who receive subsidies but who do not pay parity prices to growers.

A compromise was reached on the controversial Bankhead amendment which now provides that ceiling prices for each major item of cotton products must at least reflect the parity price for the raw cotton. While the effect of this amendment may be to raise ceilings on some textile items, the Associate General Counsel of the OPA, Henry M. Hart, said "we don't think the increases will be serious." Much will depend, of course, on how the OPA interprets and administers this provision, but the compromise is undoubtedly less inflationary than the original amendment.

Other changes in OPA bill

Among other important provisions included in the price control bill are the following:

1. The extension of price control until June 30, 1945.
2. The restriction of subsidies after June 30, 1945 to items for which Congress specifically appropriates funds.

3. A requirement that the President take all lawful action to assure farmers parity prices for all basic agricultural commodities--cotton, corn, wheat, rice, tobacco, and peanuts--and those for which an increase in production has been requested by the Government. (This may require CCC purchase programs for some products, such as cotton, wheat, peanuts, and eggs.)
4. Provisions for adjustment of rent ceilings if taxes and operating costs have risen to the point where substantial hardships threaten.
5. The banning of any OPA order which would limit the sales of a retailer with reference to any highest price line previously sold. (The OPA had issued such orders for retail clothing stores as a means of preventing up-grading and the disappearance of low-priced less-profitable articles.)
6. The establishment of a Government loan rate on cotton at 92½ percent of parity, as compared with 90 percent in effect now.
7. A provision that the OPA can institute a suit when wilful overcharges are alleged.
8. Penalties for violation of price ceilings would be reduced from a minimum of \$50 to \$25, or the actual amount of the overcharge, whichever is larger, for merchants who establish in court that the violation was not wilful or the result of negligence.
9. Action brought by the OPA for civil damages against price violators must be brought in the district or county where the defendant resides or has his office or agent.
10. Persons accused in civil or criminal action of violating OPA regulations can seek injunctions.

Price Administrator Bowles stated last week: "In general, I think we can hold prices and rents under this bill." He further indicated, however, that the bill will cause many administrative problems and will probably necessitate the hiring of additional OPA employees. The presidents of both the CIO and the AFL have denounced the bill.

Whisky holiday to relieve shortage

Some relief from the whisky shortage appears to be in prospect as a result of an announcement by WPB Chairman Nelson that distillers will be permitted to resume the production of beverage alcohol during the month of August. The WPB action was taken following the receipt of a letter from Rubber Director Dewey stating that requirements of the rubber program

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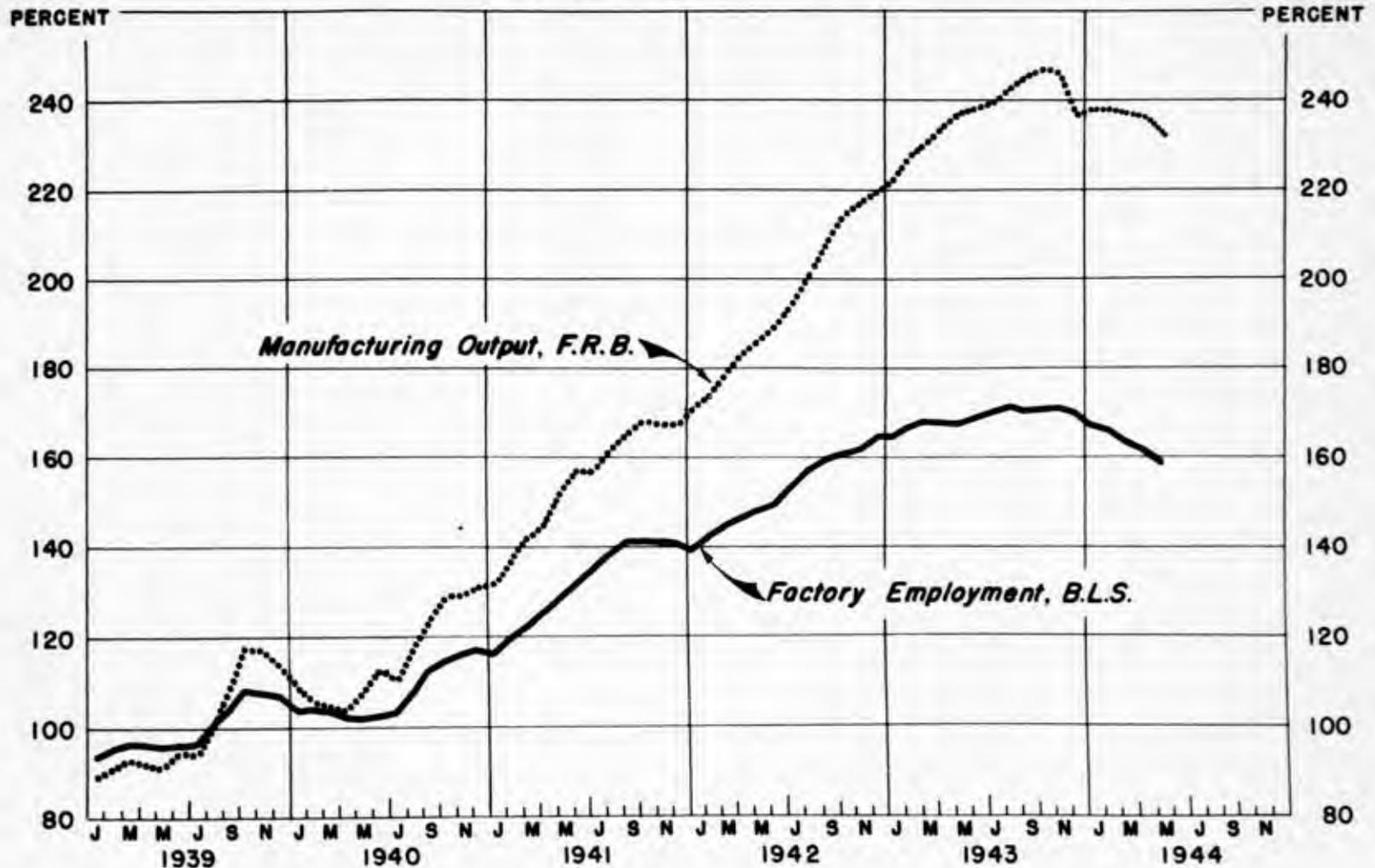
for industrial alcohol will be about 20 million gallons less than was estimated for 1944 and approximately 30 million gallons less than estimated for 1945, and that the program for making butadiene from petroleum is proceeding satisfactorily.

Distillers have been producing at a rate of 20 to 25 million gallons of industrial alcohol monthly. Since this alcohol is 190 proof while whisky is only 86 to 100 proof, beverage production would be almost twice as much as the production of industrial alcohol. Some liquor industry officials, however, estimate that production during August would be likely to fall to around 15 million gallons of 190 proof or approximately 30 million gallons of beverage strength. The reduced volume anticipated in August would be due to: (1) a Federal statute prohibiting distillers from manufacturing whisky on Sundays, (2) local statutes in a number of areas restricting the production of beverage alcohol to certain hours of certain days (frequently Saturday is omitted), and (3) local shortages of water during that month. Nevertheless, 30 million gallons would represent about a 3 months supply at the pre-war rate of consumption. Furthermore, many distillers are expected to make neutral spirits which, blended with stocks of aged whisky, will help to stretch out the stocks. Due to the corn shortage, distillers will probably be unable to produce any bourbon, but rye and wheat will be available as raw materials.

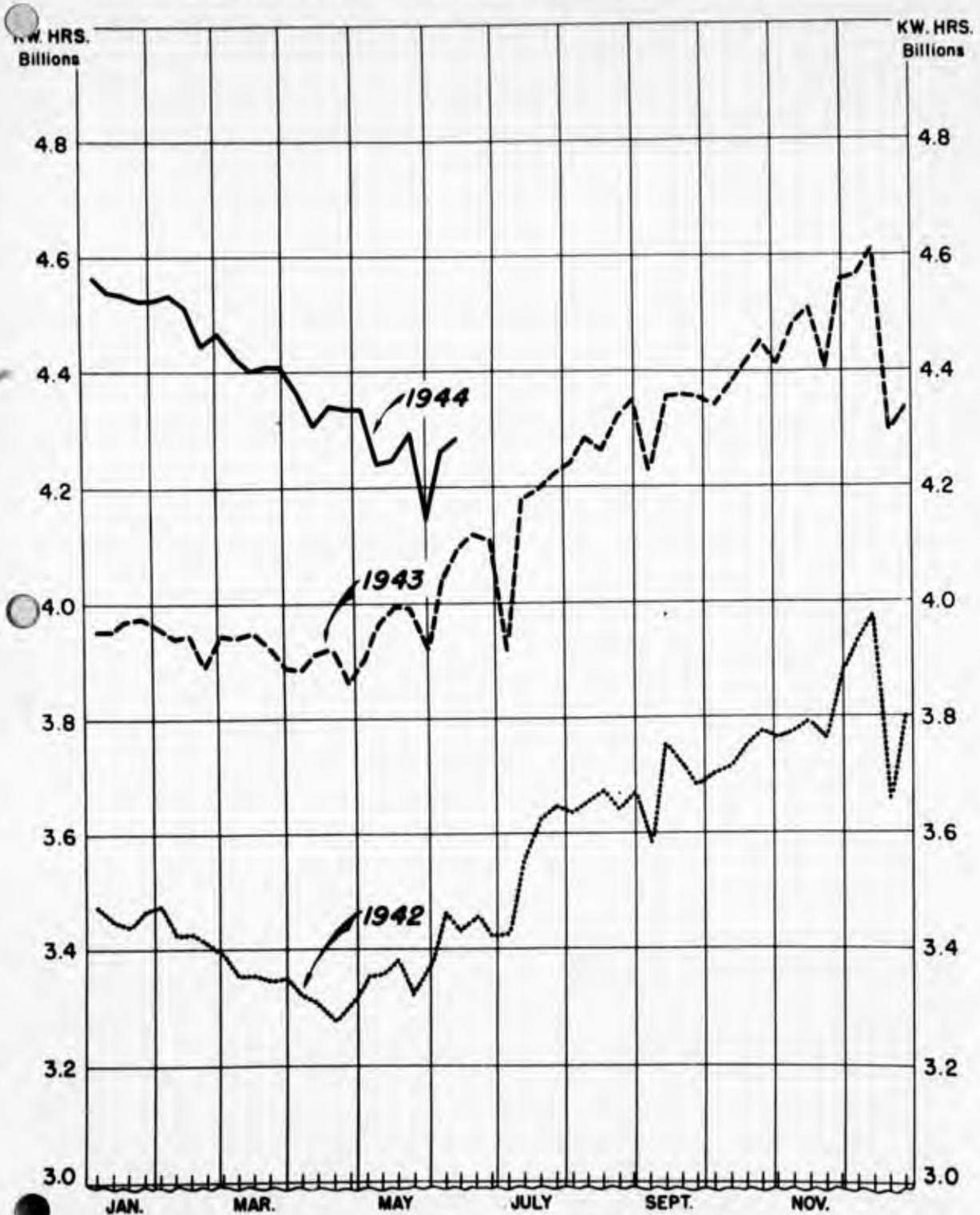
The announcement of the whisky holiday has already tended to increase the supplies available to the consumer. Retailers who have been holding back stocks are reported to be bringing them out for sale. Moreover, in some areas dealers are reported to be anxious to dispose of at reduced prices stocks of "ersatz potables" such as Cuban cane gin, tequilla, cheap rums, and vodka. It is anticipated that distillers will shortly increase their quota allotments to dealers. Most observers feel that a severe blow has been dealt the black markets.

FACTORY EMPLOYMENT AND OUTPUT

1939 = 100, Unadjusted

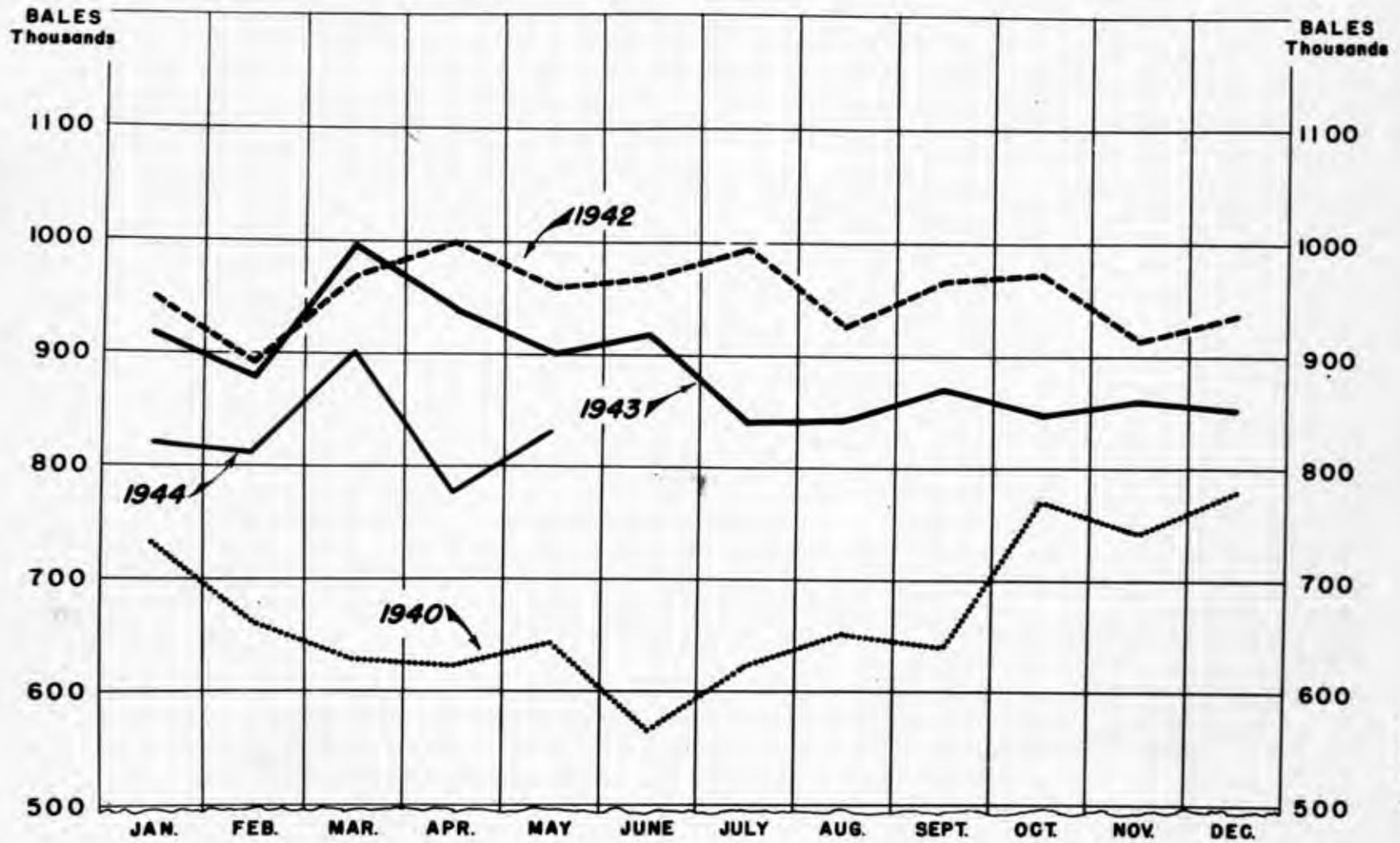


ELECTRIC POWER PRODUCTION



Source: Edison Electric Institute and New York Times

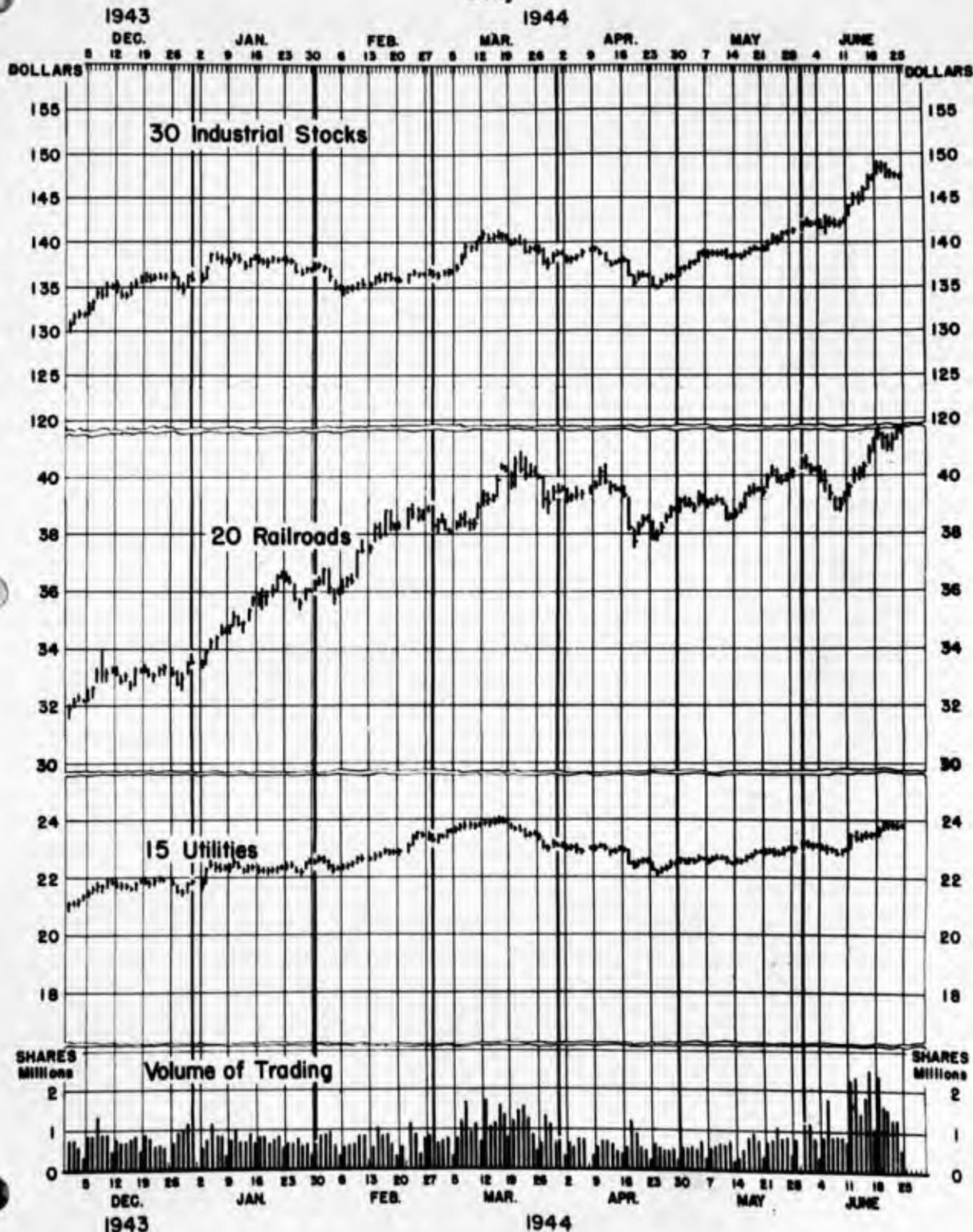
U. S. COTTON CONSUMPTION



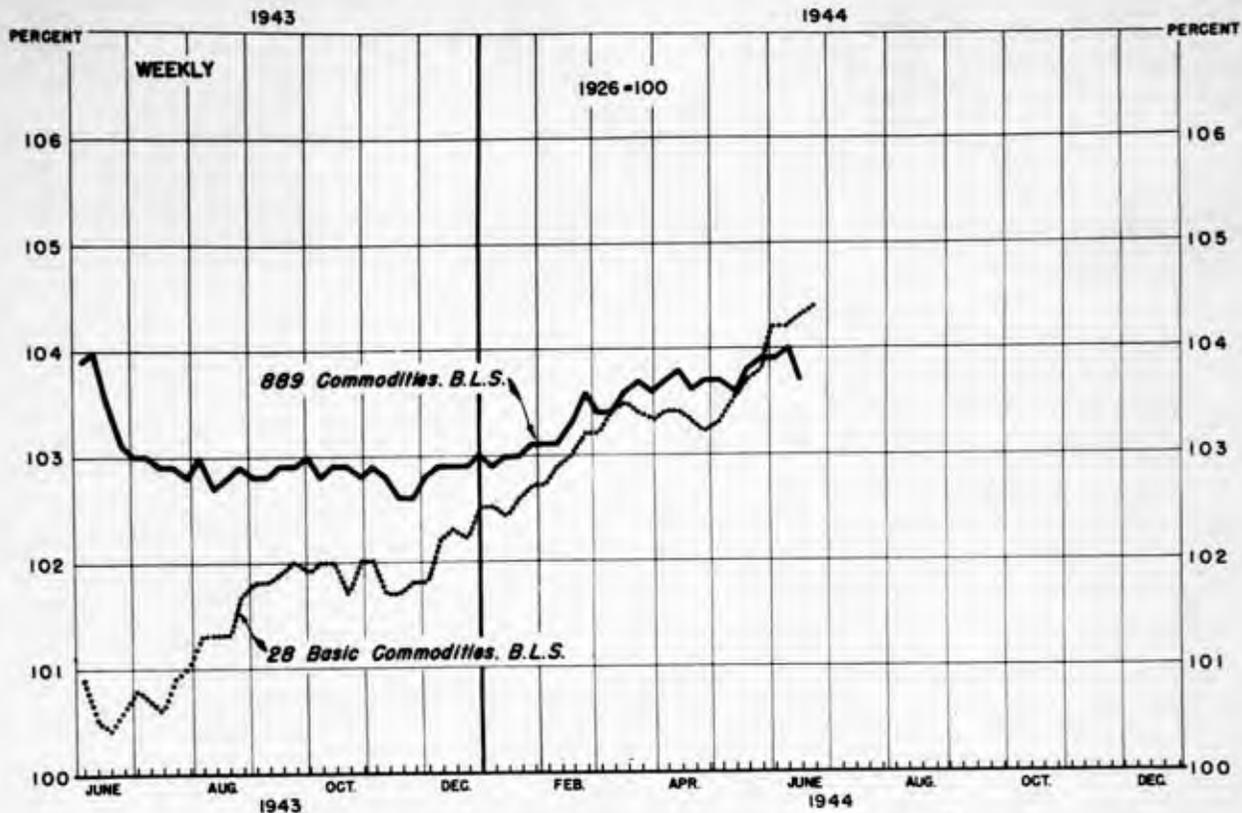
Source: Bureau of Census

STOCK PRICES, DOW-JONES AVERAGES

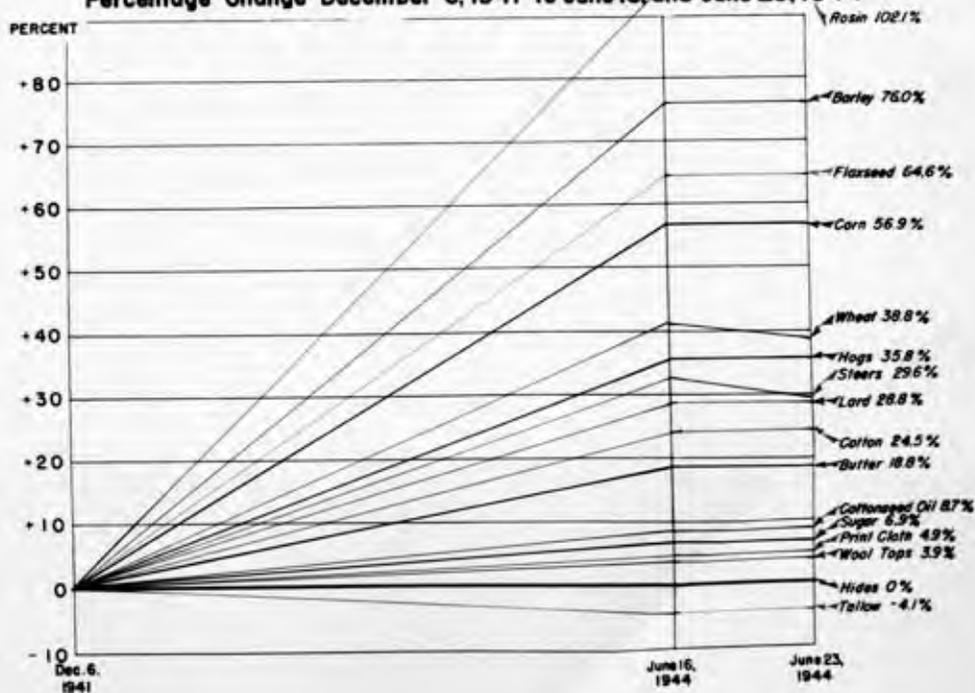
Daily



WHOLESALE COMMODITY PRICES



SELECTED BASIC COMMODITIES
Percentage Change December 6, 1941 to June 16, and June 23, 1944



97

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statements Nos. 141 and 142 --
Aircraft Despatched -- for the weeks ended June
9th and June 16th respectively.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

June 26, 1944.

Aircraft Despatched from the United States
 Week Ended June 9th, 1944

BRITISH/ U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator GR VI	U.K.	U.K.		9	
Liberator GR VI	India	India		3	
Liberator B VI	M.E.	M.E.		2	
Liberator B VI	India	India		2	
Liberator B VI	Canada	Canada			5
Liberator C-VII	U.K.	U.K.		1	
<u>LOCKHEED</u>					
Fortress III	U.K.	U.K.		7	
Fortress III	Azores	Azores		2	
<u>NORTH AMERICAN</u>					
Mitchell III	U.K.	U.K.		2	
Harvard	New Zealand	Auckland	5		
<u>VEGA</u>					
Vega GR V	M.E.	M.E.		4	
<u>GLENN MARTIN</u>					
Baltimore III A	M.E.	M.E.		1	
<u>DOUGLAS</u>					
Boston IV	U.K.	U.K.		10	
Boston IV	M.E.	M.E.		6	
Dakota III	U.K.	U.K.		31	
Skymaster	U.K.	U.K.		1	
<u>BOEING</u>					
Catalina IV B	U.K.	U.K.		2	
<u>VOUGHT-SIKORSKY</u>					
Corsair	Ceylon	Colombo	28		
Corsair	U.K.	U.K.	4		
<u>REPUBLIC</u>					
Thunderbolt	India	Karachi	2		
<u>WACO</u>					
Glider	M.E.	Alexandria for India	10		
<u>VULTEE</u>					
Vengeance	M.E.	Alexandria	3		
Vengeance	U.K.	U.K.	12		
<u>NOORDUYN</u>					
Harvard	U.K.	U.K.	32		
<u>BEECH</u>					
U.C. 45 Beechcraft	U.K.	U.K.	1		
U.C. 43 Beechcraft	U.K.	U.K.	1		
<u>GRUMMAN</u>					
Avenger (Wooden Replica)	U.K.	U.K.	1		
			99	83	5

Movements Division
 British Air Commission
 June 15, 1944

Regraded Unclassified

STATEMENT NO. 142

Aircraft Despatched from the United States
Week Ended June 16th, 1944

BRITISH/U. S SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>LOCKHEED</u>					
Fortress III	U.K.	U.K.		2	
<u>CONSOLIDATED</u>					
Liberator GR VI	U.K.	U.K.		4	
Liberator GR VI	India	India		1	
Liberator B VI	M.E.	M.E.		4	
Liberator B VI	India	India		3	
Liberator B VI	Canada	Canada			3
Liberator C VII	U.K.	U.K.		1	
<u>GLENN MARTIN</u>					
Baltimore V	M.E.	M.E.		1	
<u>DOUGLAS</u>					
Boston IV	U.K.	U.K.		4	
Boston IV	M.E.	M.E.		14	
Dakota III	U.K.	U.K.		4	
Dakota III	M.E.	M.E.		1	
Dakota III	India	India		1	
Dakota III	S. Africa	S. Africa		1	
<u>BEECH</u>					
Expediter II	Canada	Canada			5
UC 45 Beechcraft	M.E.	Alexandria	6		
UC 45 Beechcraft	Ceylon	Colombo	3		
UC 43 Beechcraft	U.K.	U.K.	3		
<u>BOEING</u>					
Catalina IV B	U.K.	U.K.		4	
<u>NORTH AMERICAN</u>					
Harvard	M.E.	Alexandria	2		
Harvard	U.K.	U.K.	12		
Mustang	N.W. Africa	Casablanca	12		
<u>NOORDUYN</u>					
Harvard	U.K.	U.K.		5	
<u>WACO</u>					
Glider	India	Calcutta	37		
Glider	M.E.	Alexandria	10		
<u>VOUGHT-SIKORSKY</u>					
Corsair	Ceylon	Colombo	3		
<u>WINSON</u>					
Reliant	Ceylon	Colombo	17		
<u>REPUBLIC</u>					
Thunderbolt	India	Karachi	22		
<u>VULTEE</u>					
Vengeance	U.K.	U.K.	10		
Vengeance	N.W. Africa	Casablanca	2		

June 26, 1944

MEMORANDUM FOR THE SECRETARY

The attached document contains provisions on the proposed International Monetary Fund which have been submitted by the experts of the various countries represented on the Agenda Committee. The provisions marked Alternative A are taken from the draft prepared by the Treasury staff and represent the views of the U. S. technicians. The remaining alternatives have been submitted by the representatives of other countries and additional ones are added every day. As new provisions are submitted they are included in the document for discussion in the informal Agenda Committee.

By considering the alternative provisions in the Agenda Committee, it will be possible to clear away all of the technical points on which there is agreement. No commitment is made by any member of the Committee even on these technical points. Of course, all of the major policy questions are specifically reserved for final decision by the delegates.

The Agenda Committee is operating under a steering committee consisting of U. S., U. K., U.S.S.R., China, France and Mexico.

H. D. White .

HDW

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PRELIMINARY DRAFT OF SUGGESTED ARTICLES
OF AGREEMENT FOR THE ESTABLISHMENT OF AN
INTERNATIONAL MONETARY FUND

The attached draft provisions are those which have been presented to the Secretariat and are not to be considered a complete set of alternatives. It is expected that further suggestions will be made and as they are presented to the Secretariat they will be distributed for inclusion in the attached draft. At the top of each page there is appended the pertinent section of the Joint Statement of Principles and immediately below appear alternative and supplementary texts submitted to the Secretariat.

In a number of instances, particularly in the case of draft provisions marked "Alternative A" the changes suggested either (1) did not appear to modify the substance of the Joint Statement and represented a change in language for purposes of clarity, or (2) were merely supplementary in character and for the purpose of inserting necessary details which had been omitted from the Joint Statement of Principles. For the convenience of the reader the Secretariat has noted changes and additions of this character where they appear in draft provisions marked "Alternative A". The symbols employed are:

- * — no change in substance
- # — supplementary material

I. Purposes and Policies of the Fund

The Fund will be guided in all its decisions by the purposes and policies set forth below:

1. To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.
2. To facilitate the expansion and balanced growth of international trade and to contribute in this way to the maintenance of a high level of employment and real income, which must be a primary objective of economic policy.
3. To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus giving members time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
4. To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.
5. To assist in the establishment of multilateral payments facilities on current transactions among member countries and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
6. To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

Alternative A

Creation, Purposes and Policies of the International Monetary Fund.

There is hereby established the International Monetary Fund, hereinafter referred to as the "Fund". It shall be guided in all its decisions by the following purposes and policies:

- * 1. To promote international monetary cooperation by providing permanent machinery for consultation on international monetary problems;
- * 2. To facilitate the expansion and balanced growth of international trade and to contribute thereby to the maintenance of a high level of employment and real income, which must be a primary objective of economic policy;

(Subdivisions 3 -6 same as in Joint Statement)

Alternative BPurposes and Policies of the Fund.

The Fund will be guided in all its decisions by the purposes and policies set forth below:

1. To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.
2. To facilitate the expansion and balanced growth of international trade and to contribute to a high level of employment and real income which must be a primary objective of economic policy.
3. To make the Fund's resources available to members under adequate safeguards and to assist them to correct maladjustments in their balance of payments without resort to measures destructive of national or international prosperity.
4. To secure orderly changes in exchange rates among member countries where necessary to correct exchange disequilibrium, thus promoting exchange stability and avoiding competitive exchange depreciation.
5. To assist in the establishment of multilateral payments facilities on current transactions among member countries and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
6. In accordance with the above principles, to shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

Art. I

1-b

Alternative C

(Add as subdivision (7) :)

(7) To correlate procedures for exchange stability with a policy for the promotion of international investment by other international financial agencies and to evolve a working relationship with such agencies.

II. Subscription to the Fund

1. Member countries shall subscribe in gold and in their local funds amounts (quotas) to be agreed, which will amount altogether to about \$8 billion if all the United and Associated Nations subscribe to the Fund (corresponding to about \$10 billion for the world as a whole).

Alternative A# Section . Countries Eligible for Membership.

The member countries of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose governments accept membership in the Fund as provided in Article XIII.

Membership in the Fund shall be open to other countries at such times and in accordance with such rules as may be prescribed by the Fund.

* Section . Quotas.

Each member country shall be assigned a quota. The quotas of the countries represented at the United Nations Monetary and Financial Conference shall be as follows, in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

<u>Country</u>	<u>Quota</u>
----------------	--------------

Quotas of other countries which become members of the Fund shall be determined by the Fund.

Section . Time and Place of Payment.

Each country which becomes a member before the date fixed for the operations of the Fund to begin shall pay to the Fund at the appropriate depository the full amount of its quota on or before such date. Any country that becomes a member after such date shall pay the full amount of its quota on or before the date fixed by the Fund for such payment to be made. Any member country whose quota is increased shall pay the full amount of the increase within thirty days of the date on which the country approves the increase in its quota.

Article II

Sec. 2

- 3 -

2. The quotas may be revised from time to time but changes shall require a four-fifths vote and no member's quota may be changed without its assent.

Alternative A* Adjustment of Quotas.

The Fund shall examine, at intervals of five years, the need for adjustment of quotas. Changes in quotas shall require a four-fifths vote and the quota of a member country may not be changed without its consent.

3. The obligatory gold subscription of a member country shall be fixed at 25 percent of its subscription (quota) or 10 percent of its holdings of gold and gold-convertible exchange, whichever is the smaller.

Alternative A

* Section . Initial Payments.

Each member country shall pay in gold the smaller of (a) twenty-five percent of its quota or (b) ten percent of its official holdings of gold and gold-convertible exchange on January 1, 1944. The data necessary to determine official holdings of gold and gold-convertible exchange shall be furnished by the member countries as provided in Article III, Section 11.

Each member country shall pay the balance of its quota in its own currency.

Section . Payments When Quotas Are Changed.

(a) Each member country whose quota is increased shall pay twenty-five percent of the increase in gold. Each member country shall pay the balance of any increase in its own currency.

(b) Each member country whose quota is reduced shall receive from the Fund an amount in its own currency or gold equal to the reduction in the quota. The Fund shall pay to such country only the amount of gold necessary to prevent reducing the holdings of the Fund of that currency below seventy-five percent of such country's new quota.

Alternative B

(Add at the end of Section 3)

"Any country represented at the United Nations Monetary and Financial Conference whose home areas have suffered from enemy occupation and hostilities during the present war, may reduce its gold payment to between seventy-five and fifty percent of the amount it would otherwise have to pay, dependent on the extent of the damage caused to it by the enemy occupation and hostilities."

Article III

- 5 -

Sec. 1

III. Transactions with the Fund

1. Member countries shall deal with the Fund only through their Treasury, Central Bank, Stabilization Fund, or other fiscal agencies. The Fund's account in a member's currency shall be kept at the Central Bank of the member country.

* Alternative AAgencies Dealing with the Fund.

Each member country shall deal with the Fund only through its Treasury, Central Bank, Stabilization Fund or other similar fiscal agency and the Fund shall deal only through the same agencies.

2. A member shall be entitled to buy another member's currency from the Fund in exchange for its own currency on the following conditions:

- (a) The member represents that the currency demanded is presently needed for making payments in that currency which are consistent with the purposes of the Fund.
- (b) The Fund has not given notice that its holdings of the currency demanded have become scarce in which case the provisions of VI, below, come into force.
- (c) The Fund's total holdings of the currency offered (after having been restored, if below that figure, to 75 percent of the member's quota) have not been increased by more than 25 percent of the member's quota during the previous 12 months and do not exceed 200 percent of the quota.
- (d) The Fund has not previously given appropriate notice that the member is suspended from making further use of the Fund's resources on the ground that it is using them in a manner contrary to the purposes and policies of the Fund; but the Fund shall not give such notice until it has presented to the member concerned a report setting forth its views and has allowed a suitable time for reply.

The Fund may in its discretion and on terms which safeguard its interests waive any of the conditions above.

Alternative ASection . Conditions upon which Any Member Country May Purchase Currencies of Other Member Countries.

A member country may buy the currency of another member country from the Fund in exchange for its own currency subject to the following conditions:

- (1) The member country initiating the purchase needs the currency requested for making payments in that currency which are consistent with the purposes and policies of the Fund;
- * (2) The Fund has not given notice under Article VI that its holdings of the currency requested have become scarce;
- * (3) The total holdings of the Fund in the currency of the member country initiating the purchase (after having been restored, if below that figure, to seventy-five percent of the quota of such country) have not increased during the previous twelve months by more than twenty-five percent of the quota of such country and do not exceed two hundred percent of the quota; and
- (4) The Fund has not previously declared under this Article that the member country initiating the purchase is ineligible to use the resources of the Fund.

The Fund may, in its discretion, waive any of these conditions on terms which safeguard its interests, including the requirement of such collateral or other security as it deems appropriate.

Section . Declaring Member Countries Ineligible to Use the Resources of the Fund.

Whenever the Fund determines that any member country is using the resources of the Fund in a manner contrary to the purposes and policies of the Fund, it shall present to the country a report setting forth the views of the Fund and stating a suitable time for reply. If no reply is received within the stated time, or the reply received is unsatisfactory, the Fund may, after giving reasonable notice to the country, declare it ineligible to use the resources of the Fund. After presenting a report to a member country under the last sentence of this section, the Fund may limit the use of its resources by the country.

- 6b -

Alternative B

[Add at the end of subdivision (a):]

"If the Fund's holdings of the currency of a member country have remained below 75 per cent of its quota for a period not less than six months such member country shall be entitled, notwithstanding the provisions of V, 1, to buy another member's currency from the Fund for its own currency for any purpose, including capital transfers, provided, however, that purchases for capital transfers may not have the effect of raising the Fund's holdings of the currency of such member above 75 per cent of its quota."

Alternative C

[Add in place of subdivision (c):]

(c) The Fund's total holdings of the currency offered (after having been restored, if below that figure, to 75 per cent of the member's quota) have not been increased by more than $33\frac{1}{3}$ per cent of the member's quota during the previous 12 months and do not exceed 200 per cent of the quota.

3. The operations on the Fund's account will be limited to transactions for the purpose of supplying a member country on the member's initiative with another member's currency in exchange for its own currency or for gold. Transactions provided for under 4 and 7, below, are not subject to this limitation.

* Alternative A

Limitation on the Operations of the Fund.

Unless otherwise provided in this Agreement, operations for the account of the Fund shall be limited to transactions for the purpose of supplying a member country, on the initiative of such country, with the currency of another member country in exchange for the currency of the country initiating the transactions or for gold.

4. The Fund will be entitled at its option, with a view to preventing a particular member's currency from becoming scarce:

- (a) To borrow its currency from a member country;
- (b) To offer gold to a member country in exchange for its currency.

Alternative A

Operations for the Purpose of Preventing Currencies from becoming Scarce.

The Fund may, if it deems such action appropriate to prevent the currency of any member country from becoming scarce, take either or both of the following steps:

- (1) Propose to the member country that it lend such currency to the Fund or, with the approval of the member country, borrow such currency within that country from some other source, but no member country shall be under any obligation to lend its currency to the Fund or to approve the Fund's borrowing its currency from any other source.

- * (2) Offer to buy the currency of that member with gold.

5. So long as a member country is entitled to buy another member's currency from the Fund in exchange for its own currency, it shall be prepared to buy its own currency from that member with that member's currency or with gold. This shall not apply to currency subject to restrictions in conformity with IX, 3 below, or to holdings of currency which have accumulated as a result of transactions of a current account nature effected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X, 2 below.

* Alternative A

Multilateral International Clearing.

A member country shall be entitled to sell the currency of a second member country to such member and obtain payment in its own currency or gold so long as the second member country can buy the currency of the first from the Fund with its own currency.

This requirement shall be without prejudice to exchange restrictions which are authorized under this Agreement or requested by the Fund, and shall not apply to holdings of currencies of member countries which have accumulated as a result of transactions of a current account nature effected before the removal by the member country of restrictions on payments or transfers maintained or imposed during the early post-war transition period.

6. A member country desiring to obtain, directly or indirectly, the currency of another member country for gold is expected, provided that it can do so with equal advantage, to acquire the currency by the sale of gold to the Fund. This shall not preclude the sale of newly-mined gold by a gold-producing country on any market.

* Alternative A

. . Acquisition by Member Countries of the Currencies of Other Member Countries for Gold.

Any member country desiring to obtain, directly or indirectly, the currency of another member country for gold shall, provided that it can do so with equal advantage, acquire the currency by the sale of gold to the Fund. Nothing in this Section shall be deemed to preclude any member country from selling in any market the new production of gold from mines located within territory subject to its jurisdiction.

7. The Fund may also acquire gold from member countries in accordance with the following provisions:

- (a) A member country may repurchase from the Fund for gold any part of the latter's holdings of its currency.
- (b) So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold.
- (c) If at the end of the Fund's financial year a member's holdings of gold and gold-convertible exchange have increased, the Fund may require up to one-half of the increase to be used to repurchase part of the Fund's holdings of its currency so long as this does not reduce the Fund's holdings of a country's currency below 75 percent of its quota or the member's holdings of gold and gold-convertible exchange below its quota.

Alternative A

Other Acquisitions of Gold by the Fund

*(a) Any member country may at any time repurchase with gold any part of its currency held by the Fund.

(b) So long as a member country's official holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling to that country the currencies of other member countries shall require that one-half of such sales be currently paid for in gold.

If during any financial year of the Fund, the payments in gold under this provision exceed one-half of the net sales by the Fund to such country, the Fund shall arrange to repurchase the currency of that country with gold to the extent of the excess.

*(c) If at the end of any financial year of the Fund the official holdings of gold and gold-convertible exchange of any member country have increased, the Fund may require up to one-half of the increase during the year to be used to repurchase with gold part of the holdings of the Fund of the currency of such country provided that the repurchase will not reduce the holdings of the Fund of the currency of such country below seventy-five percent of its quota, or the official holdings of gold and gold-convertible exchange of such country below its quota.

100-U

Art. III
Sec. 7

- 11a-

Alternative B

(Add at the end of (b))

This provision shall not be applied during five year period from the beginning of the operations of the Fund to member countries who suffered particularly great damage from enemy occupation and hostilities.

(Add at the end of (c))

This provision shall not be applied during the period of restoration of economy to the newly-mined gold of member countries, whose home areas particularly suffered from enemy occupation and hostilities.

Alternative C

Part 1

(Substitute for subdivisions (b) and (c))

(b) If, at the end of the Fund's financial year, a member's monetary reserves exceed its quota, and the Fund's holdings of its currency have increased, the Fund may require that it shall use a part of these reserves to re-purchase its currency up to the point when its reserves have fallen by an amount not less than the amount by which, after this adjustment, the Fund's holdings of its currency have increased. Furthermore, if, after this adjustment (if called for) has been made a member's monetary reserves have increased during the year, the Fund may require it, whether or not the Fund's holdings of its currency have increased during the year, to use half of this increase for a further re-purchase of its currency from the Fund; provided, always, that these adjustments do not bring its reserves below its quota and the second adjustment does not bring the Fund's holdings of its currency below 75 percent of its quota.

(Or alternatively, substitute for both subdivisions)

(b) If, at the end of any year, a member's monetary reserves after deducting its holdings of convertible exchange exceed its quota, and if the Fund's holdings of its currency exceed 75 percent of its quota, the Fund may require it to use its holdings of gold to reduce the Fund's holdings of its currency by half of the excess of such holdings over 75 percent of its quota.

Alternative C

Part 2

(Add at end of section:)

() In estimating the amount of a member's monetary reserves for the purpose of the preceding paragraph, its holdings of a foreign currency, which has become convertible for the first time during the year in question, shall not be counted, provided that and insofar as the member possessed these holdings at the beginning of that year.

Joint Statement - no provision

100-W

The following material has been suggested as an addition to
Article III:

Alternative A

Section . Transferability and Guarantee of the Assets of the Fund.

All assets of the Fund shall, to the extent necessary to carry out the operations prescribed by this Agreement, be free from restrictions, regulations and controls of any nature imposed by member countries. The currency of a member country purchased from the Fund shall always be accepted in payment of current account obligations due to that country. All assets of the Fund shall be guaranteed by the member countries against loss resulting from failure or default on the part of depositories in such member countries.

Section . Charges and Commissions.

(a) Any member country buying the currency of any other member country from the Fund in exchange for its own currency shall pay a small uniform commission in addition to the selling rate fixed by the Fund.

(b) The Fund may levy a reasonable handling charge on any member country buying gold from the Fund or selling gold to the Fund.

(c) The Fund shall prescribe charges uniform among member countries which shall be payable by any member country on the amount of its currency in excess of its quota held by the Fund, as follows:

(Formula for charges to be inserted)

(d) All charges and commissions shall be paid in gold.

Section . Furnishing Information.

Member countries agree to furnish the information enumerated below:

(Here insert information required)

The Fund may arrange to obtain further information by agreement with the member countries.

Section . Consideration of Recommendations of the Fund.

Each member country shall give consideration to the views and recommendations of the Fund on any existing or proposed monetary or economic policy of such member country which tends, or may tend, to produce a serious disequilibrium in the international balance of payments of member countries.

IV. Par Values of Member Currencies

1. The par value of a member's currency shall be agreed with the Fund when it is admitted to membership, and shall be expressed in terms of gold. All transactions between the Fund and members shall be at par, subject to a fixed charge payable by the member making application to the Fund, and all transactions in member currencies shall be at rates within an agreed percentage of parity.

Alternative A

Section . Initial Par Values of the Currencies of Member Countries.

The par value of the currency of each member country shall be agreed with the Fund and shall be expressed in terms of gold or a gold convertible currency unit of the weight and fineness in effect on July 1, 1944.

Section . Transactions Governed by Par Values.

All transactions in the currencies of member countries shall be at rates of exchange within a stated percentage of parity fixed by the Fund.

All computations relating to currencies of member countries for the purpose of applying the provisions of this Agreement shall be on the basis of their par values.

2. Subject to 5, below, no change in the par value of a member's currency shall be made by the Fund without the country's approval. Member countries agree not to propose a change in the parity of their currency unless they consider it appropriate to the correction of a fundamental disequilibrium. Changes shall be made only with the approval of the Fund, subject to the provisions below.

3. The Fund shall approve a requested change in the par value of a member's currency, if it is essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not reject a requested change, necessary to restore equilibrium, because of the domestic social or political policies of the country applying for a change. In considering a requested change, the Fund shall take into consideration the extreme uncertainties prevailing at the time the parities of the currencies of the member countries were initially agreed upon.

4. After consulting the Fund, a member country may change the established parity of its currency, provided the proposed change, inclusive of any previous change since the establishment of the Fund, does not exceed 10 percent. In the case of application for a further change, not covered by the above and not exceeding 10 percent, the Fund shall give its decision within 2 days of receiving the application, if the applicant so requests.

Alternative A

* Section . Restrictions Against Changes in Par Values.

No change in the par value of the currency of any member country shall be made by the Fund without the approval of the country.

Each member country agrees not to propose a change in the par value of its currency which affects its international transactions unless it considers such action appropriate to the correction of a fundamental disequilibrium.

Section . Conditions on Which Changes in Par Values May be Made.

Changes in the par values of the currencies of member countries shall be made only with the approval of the Fund, subject to the provisions below:

- (1) The Fund shall approve a proposed change in the par value of the currency of a member country if in the judgment of the Fund the change is essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not reject a proposed change, necessary to restore equilibrium, because of the domestic social or political policies of the member country or because of its economic policies insofar as these contribute to the maintenance of a high level of employment and real income;
- * (2) In considering proposed changes in the par values of the currencies of member countries, the Fund shall take into consideration the extreme uncertainties prevailing at the time the par values of the currencies of the member countries were initially agreed upon;
- * (3) After consultation with the Fund, any member country may change the par value of its currency, provided the proposed change, plus all previous changes, whether increases or decreases, since the par value of such currency was initially agreed with the Fund, do not exceed 10 percent of the initial par value of such currency; and
- * (4) Upon the request of a member country proposing a change in the par value of its currency, the Fund shall approve or reject the proposed change within two business days of receiving the request; provided that the proposed change, plus all previous changes, whether increases or decreases, made under this paragraph, do not exceed ten percent of the initial par value of that currency, or in the case of a country which changed the par value of its currency under (3) above, ten percent of the initial par value of that currency plus the percentage of change made under (3) above.

- 14 b -

Alternative B

3. The Fund shall approve a requested change in the par value of a member's currency, if it is essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not reject a requested change, necessary to restore equilibrium, because of the domestic social or political policies of the country applying for a change nor one designed to meet a serious and persistent deficit in the balance of payments on current account accompanied by a substantially adverse change in the terms of trade. In considering a requested change, the Fund shall take into consideration the extreme uncertainties prevailing at the time the parities of the currencies of the member countries were initially agreed upon.

14-c

Alternative C

In considering a requested change, the Fund shall take into consideration,

- (a) the extreme uncertainties prevailing at the time the parities of the currencies of the member countries were initially agreed upon, and
- (b) that the applicant country has been unable to obtain adequate resources to restore the equilibrium of its balance of payments from an international investment agency with which the Fund is in working relationship.

5. An agreed uniform change may be made in the gold value of member currencies, provided every member country having 10 percent or more of the aggregate quotas approves.

* Alternative A

Uniform Changes in Par Values.

Notwithstanding the provisions of Section 3 of this Article, the Fund by majority vote may make uniform proportionate changes in the par values of the currencies of all the member countries, provided each such change is approved by every country which has ten percent or more of the aggregate quotas. Such uniform changes shall not apply against maximum changes under Section 4(3) and (4) of this Article.

Alternative B

A uniform change may, by majority vote, be made in the gold value of member currencies, provided every member country having 10 percent or more of the aggregate quotas approves.

Joint Statement--No Provision

The following material has been suggested as an addition to Article III.

Alternative AProtection of the Assets of the Fund.

No change in the foreign exchange value of the currency of any member country shall alter the gold value of the assets of the Fund. Whenever the foreign exchange value of the currency of any member country has depreciated to a significant extent, as determined by the Fund, such country shall compensate the Fund by paying to the Fund, within a reasonable time, an amount in its own currency equal to the reduction in the gold value of the currency of such country held by the Fund. Whenever the foreign exchange value of the currency of any member country has increased to a significant extent, as determined by the Fund, the Fund shall compensate such country by returning, within a reasonable time, an amount in the currency of such country equal to the increase in the gold value of the currency of such country held by the Fund.

The provisions of this Section may be waived by the Fund whenever uniform proportionate changes are made in the par values of the currencies of all member countries.

V. Capital Transactions

1. A member country may not use the Fund's resources to meet a large or sustained outflow of capital, and the Fund may require a member country to exercise controls to prevent such use of the resources of the Fund. This provision is not intended to prevent the use of the Fund's resources for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking, or other business. Nor is it intended to prevent capital movements which are met out of a member country's own resources of gold and foreign exchange, provided such capital movements are in accordance with the purposes of the Fund.

Alternative A

Use of the Resources of the Fund for Transfers of Capital.

A member country may not use the resources of the Fund to meet a large or sustained outflow of capital, and the Fund may request a member country to exercise controls to prevent such use of the resources of the Fund. For failure to exercise appropriate controls the Fund may suspend a member country from making further use of the resources of the Fund.

This Section is not intended to prevent the use of the resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking or other business. Nor is it intended to prevent capital movements which are met out of a member country's own resources of gold and foreign exchange, provided that such capital movements are in accordance with the purposes and policies of the Fund.

Alternative B.

A member country may not make net use of the Fund's resources to meet a large or sustained outflow of capital, and the Fund may require a member country to exercise controls to prevent such use of the resources of the Fund. This provision is not intended to prevent the use of the Fund's resources for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking, or other business, or in accordance with the provisions of the second sentence of III, 2 (a).

- 18 -

2. Subject to VI below, a member country may not use its control of capital movements to restrict payments for current transactions or to delay unduly the transfer of funds in settlement of commitments.

* Alternative A

Limitation on Controls of Capital Movements.

Member countries may control international capital movements but no member country may exercise such controls in a manner which will restrict payments for current transactions or which will unduly delay the transfer of funds in settlement of commitments, except as provided in Article VI, Section 2, and Article X.

VI. Apportionment of Scarce Currencies

1. When it becomes evident to the Fund that the demand for a member country's currency may soon exhaust the Fund's holdings of that currency, the Fund shall so inform member countries and propose an equitable method of apportioning the scarce currency. When a currency is thus declared scarce, the Fund shall issue a report embodying the causes of the scarcity and containing recommendations designed to bring it to an end.

2. A decision by the Fund to apportion a scarce currency shall operate as an authorization to a member country, after consultation with the Fund, temporarily to restrict the freedom of exchange operations in the affected currency, and in determining the manner of restricting the demand and rationing the limited supply among its nationals, the member country shall have complete jurisdiction.

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Alternative ASection 1. General Scarcity

When the Fund finds that a general scarcity of a particular currency is developing, the Fund may so inform member countries and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. In the preparation of such report there shall participate a representative of the member country the currency of which is involved.

Section 2. Scarcity of the Fund's Holdings

When it becomes evident to the Fund that the demand for a member country's currency seriously threatens the Fund's ability to supply that currency, the Fund shall formally declare such currency scarce and shall thenceforth apportion the existing and accruing supply of the scarce currency with due regard to the relative needs of member countries and the general international economic situation and any other pertinent considerations. The Fund shall issue a report either before or after declaring such currency scarce. The formal declaration shall operate as an authorization to each member country, after consultation with the Fund, temporarily to restrict the freedom of exchange operations in the affected currency; and, in determining the manner of restricting the demand and rationing the limited supply among its nationals, the member country shall have complete jurisdiction subject to the provisions of Article IX, Section 3.

VII. Management of the Fund

1. The Fund shall be governed by a board on which each member will be represented and by an executive committee. The executive committee shall consist of at least nine members including the representatives of the five countries with the largest quotas.

Alternative A#Section . Board of Directors.

(a) The administration of the Fund shall be vested in a Board of Directors consisting of one director and one alternate appointed by each member country in such manner as it may determine. Directors and alternates shall serve for five years, subject to the pleasure of their respective governments, and may be reappointed. Any alternate may participate in all activities of the Board but he shall not vote except in the absence of his director. The Board shall select from its members a chairman who shall serve for a period of two years.

(b) The Board of Directors may delegate to the Executive Committee authority to exercise, until the next meeting of the Board, any powers of the Board, except the power to make uniform changes in the par values of all member currencies, the power to suspend countries from membership, and the power to liquidate the Fund. Delegated powers shall be exercised in a manner consistent with the purposes and policies of the Fund and the general practices of the Board.

(c) The Board of Directors shall hold an annual meeting and such other meetings as may be provided for by the Board or convened by the Executive Committee. Meetings of the Board shall be convened by the Executive Committee whenever requested by member countries having twenty-five per cent of the aggregate votes. Annual meetings shall not be held in the same country more than once in five years.

(d) The Board may by regulation establish a procedure whereby the Executive Committee, when it deems such action to be in the best interests of the Fund, may poll the directors on specific questions in lieu of calling a meeting of the Board.

Alternative A continued

(c) Directors and alternates shall serve as such without compensation from the Fund, but the Fund shall pay such reasonable expenses as are incurred by the directors and alternates in attending any meetings of the Fund or any committee of the Fund.

#Section . The Executive Committee.

(a) There shall be an executive Committee consisting of the Managing Director, the directors representing the five member countries having the largest quotas and six other directors elected biennially by the directors who are not automatically members of the Committee. The Managing Director shall be chairman of the Committee. The Committee shall exercise all authority delegated to it by the Board of Directors, and shall be in continuous session at the principal office of the Fund. In the absence of any member of the Committee, his alternate on the Board may serve in his place. Members of the Committee shall be compensated by the Fund in an amount fixed by the Board.

Whenever a member country not having a director on the Executive Committee, has requested action or will be directly affected by a decision of the Executive Committee, the director representing such country shall be entitled to be present at the meeting of the Committee considering such request or decision, but he shall not be entitled to vote.

(b) In balloting for the elected members of the Committee, each director eligible to vote shall cast for one director all of the votes to which he is entitled under the first paragraph of Section 2 of this Article. The six persons receiving the greatest number of votes shall be members of the Committee, except that no person who receives less than sixteen per cent of the aggregate eligible votes shall be considered elected. When six persons are not elected on the initial balloting, a second balloting shall be held in which the person receiving the lowest number of votes shall be ineligible for election and in which there shall vote only those directors who votes for a person not elected and those directors all or part of whose votes for a person elected are deemed to have raised the votes cast for such person above

Alternative A continued

seventeen per cent of the aggregate eligible votes. In determining whether any part of a director's votes raised the total of any person above seventeen per cent, there shall be considered as not forming part of the excess the votes of the director casting the largest number of votes for such person, then the votes of the director casting the next largest number, and so on until the total reaches seventeen per cent. Any director whose votes are partly not in excess and partly in excess shall be eligible to vote in the second balloting only to the extent of the votes in excess. If enough additional persons are not elected on the second balloting to bring to six the total number each of whom has received at least sixteen per cent of the aggregate eligible votes, further ballots shall be taken on the same principles until six such persons have been elected, provided that after five persons are elected the sixth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

(c) Each director who is automatically a member of the Committee shall be entitled to cast the number of votes allotted under Section 2 of this Article to the country which he represents. Each elected member shall be entitled to cast the number of votes to which the directors who elected him would be entitled. A member whose election is due in part to his having received a portion of the votes of a particular director shall be entitled to vote only those votes of such director which contributed to his election. When the provisions of the second paragraph of Section 2 of this Article are applicable to a vote on any question, the votes to which a member of the Executive Committee would otherwise be entitled shall be increased or decreased proportionately. The Managing Director shall have no vote.

(d) The Executive Committee may appoint such committees as it deems advisable. Membership of such committees need not be limited to directors and alternates.

Alternative A continued#Section . The Managing Director.

The Board of Directors shall appoint and fix the compensation of a Managing Director of the Fund and one or more Assistant Managing Directors. The Managing Director shall be chief of the operating staff of the Fund and shall be a member ex officio of the Board of Directors.

Alternative B

Amend the wording to provide for the following:

- III (a) A Governing Council, consisting of Councillors appointed by all the Member Countries, each Member appointing one Councillor. Each Councillor may appoint a substitute if he is unable to be present. The Council shall meet at least once a year.
- (b) A Directorate, consisting say of 12 Directors, of whom, say 6 shall be appointed by the Members having the 6 largest quotas, (the remaining 6 Seats being filled by Directors appointed by Members chosen for this purpose by all the Councillors excluding those representing the members with the 6 largest quotas. This right of appointment by the members chosen for the purpose shall be for two years; at the end of this period any of the members may be chosen again or other members may be chosen. The persons chosen as Directors need not be Councillors. The Directorate shall meet not less than once every three months.
- (c) The Directorate shall co-opt as Chairman a suitable person who is not a Director. The Chairman may appoint a Director to act for him as Deputy Chairman. The Chairman of the Directorate, if he is not a Councillor, may attend and speak at meetings of the Council. He shall be eligible to be elected as Chairman of the Council.
- (d) The Directorate shall appoint a General Manager, being a person of knowledge and experience of the business.
- (e) The Chief Assistants of the General Manager shall be appointed by the Directorate, on the proposal of the General Manager. The General Manager and his Chief Assistants shall be appointed under contract determinable by six months' notice on either side. The continuance of the service of each of these officials shall be considered by the Directorate after every period of 5 years.

Alternative B continued

- (f) The Chairman, the General Manager and all the members of the staff shall be paid such salaries and expenses and serve under such conditions as the Directorate may determine.

Voting.

- (b) On the Directorate, the Director appointed by the United States shall cast 3 votes, the Director appointed by the United Kingdom shall cast 2 votes, and all other Directors shall cast 1 vote each. The co-opted Chairman shall only have a casting vote.

In order to constitute a quorum for the Directorate there must be present Directors representing not less than one-half of the total voting power of the Directorate and not less than six in number.

Rules of Procedure.

The Council and the Directorate shall draw up such Rules of Procedure as are necessary for the conduct of their business, in conformity with the provisions of the Statutes. The Council's Rules of Procedure shall, inter alia, determine the manner in which annual and other meetings of the Council shall be summoned, and the method of voting for the election of Directors.

Functions.

- (a) Council. In addition to the appointment of the Directorate, the Council shall have the following functions:
- (i) Power to invite non-signatory countries to become members;
 - (ii) the approval of a revision of quotas (II(2));
 - (iii) the approval of an agreed uniform change in the gold value of the currencies of members (IV(5));
 - (iv) the suspension of a member from the facilities of the Fund (III(2)(d));
 - (v) the requirement to a member to withdraw from the Fund (VII(1) as revised);
 - (vi) decisions on the interpretation of the Statute given on application by a member;

Alternative B continued

- (vii) receiving the Statement of Accounts and the Report of the Directorate at the Annual Meeting;
- (viii) to review the working of the Fund in the light of its Purposes and Policies (I);
- (ix) agreements for co-operation with other international organisations.

(b) Directorate.

The conduct of all the business of the Fund, other than that belonging, as above, to the Council, and other than that delegated by the Directorate to the Chairman, as provided below.

(c) The Chairman

- (i) the Chairman shall reside at the Headquarters of the Fund;
- (ii) the Directorate may delegate to the Chairman or Deputy Chairman the power of performing on their behalf all their functions except
 - (1) waiver of any of the conditions in III(2);
 - (2) the exercise of the options of the Fund in III(4);
 - (3) all decisions on the par value of member currencies in IV (1-4);
 - (4) all action relating to the apportionment of scarce currencies (VI).
 - (5) decision on the use of the resources of the Fund by a member who has withdrawn (VIII (4) as revised);
 - (6) decision on X(3) as revised and X(4) as revised;
 - (7) a formal interpretation of the Statute.

- (d) The General Manager shall conduct, under the general direction of the Chairman, the ordinary business of the Fund's work. Subject to the general control of the Directorate, he shall be responsible for internal organization and the appointment and dismissal of subordinate staff. The General Manager shall be responsible to the Directorate for the accounts.

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2. The distribution of voting power on the board and the executive committee shall be closely related to the quotas.

3. Subject to II, 2 and IV, 5, all matters shall be settled by a majority of the votes.

Alternative A

Voting

Each member country shall have two hundred fifty votes plus one additional vote for each part of its quota equivalent to one hundred thousand United States dollars of the weight and fineness in effect on July 1, 1944.

Whenever a vote is required under Article III, each member country shall be entitled to a number of votes modified from its normal number:

- (a) By the addition of one vote for the equivalent of each two hundred thousand United States dollars of the weight and fineness in effect on July 1, 1944 of net sales of its currency by the Fund (adjusted for its net transactions in gold), and
- (b) By the subtraction of one vote for the equivalent of each two hundred thousand such United States dollars of its net purchases of the currencies of other member countries from the Fund (adjusted for its net transactions in gold).

Except as otherwise specifically provided all matters before the Fund shall be decided by a majority of the aggregate votes cast.

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Alternative B

(a) On the General Council the number of votes which each Councillor can cast shall be related to the quota of the member appointing the Councillor;

Where under the Statutes a special majority (e.g. four-fifths, etc.) of votes is required for a decision taken by the Council, this means four-fifths of the total voting power.

A quorum for the Council shall consist of not less than two-thirds of the total voting power of the Councillors.

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4. The Fund shall publish at short intervals a statement of its position showing the extent of its holdings of member currencies and of gold and its transactions in gold.

Alternative A

*Section . Publication of Reports

The Fund shall publish an annual report containing an audited statement of its accounts and shall issue at intervals of three months or less, a summary statement of its transactions and its holdings of gold and currencies of member countries.

The Fund may publish such other reports as it deems desirable for carrying out its purposes and policies.

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Joint Statement - no provisions

The following material has been suggested as an addition to Article VII.

Alternative A# Section. Depositories.

(a) Each member country shall designate as a depository for the Fund its central bank or, if it has no central bank, such other institution as may be acceptable to the Fund. The holdings of the Fund of the currency of each member country in an amount not less than that deemed by the Fund to be necessary for its operations, shall be deposited in an account in the name of the Fund in the depository in that country.

The Fund shall accept from any member country in lieu of any part of the currency of that country not needed by the Fund in its operations, notes or other form of indebtedness, issued by the Government of the country, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by a credit to the currency account of the Fund in that country.

(b) The Fund may hold other assets, including gold, in designated depositories in the four member countries having the largest quotas and in such other depositories as the Fund may select. At least one-half of the holdings of gold of the Fund shall be deposited in the designated depository in the country in which the Fund has its principal office.

Section. Relationship to other International Organizations.

(to be inserted later)

Section. Location of Offices.

The principal office of the Fund shall be located in the member country having the largest quota, and agencies or branch offices may be established in any member country or member countries,

Section. Distribution of Net Income of the Fund.

Net income of the Fund shall be distributed annually in the following manner:

- (1) Fifty per cent to surplus until the surplus is equal to ten per cent of the aggregate quotas;
- (2) Such amount to each member country as will give it a return of two per cent on the average amount during the year by which seventy-five per cent of its quota exceeds the holdings of the Fund of its currency; and
- (3) The balance to the member countries in proportion to their quotas.

When the surplus has reached ten per cent of the aggregate quotas, all of the net income shall be distributed to the member countries as provided in (2) and (3) above. Payments to each member country shall be made in its own currency.

Section. Miscellaneous Powers.

In order to carry out its purposes and policies, the Fund shall have the following powers in addition to those specified elsewhere in this Agreement:

- (1) To adopt, alter and use an official seal;
- (2) To make contracts;
- (3) To acquire, own, lease or dispose of such real and personal property as may be necessary to conduct the business of the Fund;
- (4) To sue and complain in any court of competent jurisdiction;
- (5) To select, employ and fix the compensation of such officers, employees, attorneys, and agents as shall be necessary to conduct the business of the Fund; to define their authority and duties, require bonds of them and fix the penalties thereof, and to dismiss at pleasure such officers, employees, attorneys, and agents; and
- (6) To promulgate, amend, and repeal by-laws, rules and regulations necessary or appropriate to further the purposes

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Art. VII
Additional Sections

and policies of the Fund.

Alternative B

The Council shall have power to make such arrangements or agreements as may be necessary or desirable for cooperation between the Fund on the one hand and other International Economic Organizations and the World Organization on the other hand.

These arrangements or agreements must be approved by a 3/5 majority vote.

VIII. Withdrawal from the Fund

1. A member country may withdraw from the Fund by giving notice in writing.

Alternative A*Right of Member Countries to Withdraw.

Any member country may withdraw from membership in the Fund at any time by serving written notice on the Fund at its principal office. Withdrawal shall become effective on the date such notice is received.

Alternative B

A member country may withdraw from the Fund by giving notice in writing and the right of withdrawal shall not be prejudiced by membership of the Fund being made a condition of membership of any other international body.

Joint Statement - no provision

The following material has been suggested as an addition to Article VIII.

Alternative A.#Suspension of Membership.

A member country failing to meet any of its obligations under this Agreement may be suspended from membership by decision of a majority of the member countries, each of which for this purpose shall have one vote, to be cast by its director or alternate. At the end of one year from the date of suspension, the country shall automatically cease to be a member of the Fund unless a majority of the member countries, voting in the same manner as for suspension, has previously restored the country to good standing.

While under suspension, a country shall be denied all the privileges of membership except that of withdrawal, but shall be subject to all its obligations.

Alternative B

If the Fund finds that a member persists, after having received a special notice from the Fund, in acting in a manner inconsistent with the purposes and policies of the Fund, the Fund may, at its option, either:

- (a) give notice that the member is suspended from making further use of the Fund's resources without the approval of the Fund, or
- (b) require that member to withdraw from the Fund.

2. The reciprocal obligations of the Fund and the country are to be liquidated within a reasonable time.

3. After a member country has given notice in writing of its withdrawal from the Fund, the Fund may not dispose of its holdings of the country's currency except in accordance with the arrangements made under 2, above. After a country has given notice of withdrawal, its use of the resources of the Fund is subject to the approval of the Fund.

Alternative A

#Settlement of Accounts with Countries Ceasing to Be Members.

When a country ceases to be a member, settlement of reciprocal accounts between the Fund and such country shall be made with reasonable dispatch, not to exceed three years from the date the country ceases to be a member.

The Fund shall be obligated to pay to such country the amount of its quota plus any other amounts due it from the Fund, less any amounts due to the Fund from such country - including charges accruing after the country ceases to be a member - but no payment shall be made before six months from the date it ceased to be a member. Such payments shall be made in the currency of the country held by the Fund and, in the event the holdings of such currency are insufficient, the remainder shall be paid in gold or in such other manner as may be agreed. Currency of the country to be used to meet the Fund's obligations to it shall be set aside for that purpose; but no payment shall be made to the country until the Fund's holdings of its currency in excess of the Fund's obligations to the country are released.

If the Fund and the country do not reach agreement promptly on the method of settling their account, the country shall be obligated to redeem such excess currency in gold or in gold-convertible exchange within a period of not less than three years to be determined by the Fund. Pending redemption by the country of its excess currency, but not before six months from the date the country ceases to be a member, the Fund may liquidate such currency in an orderly manner in any market; and the country unconditionally guarantees the unrestricted use of such currency in the purchase of goods or in the

payment of other obligations to it or to its nationals. The country further guarantees such currency against exchange depreciation until it has been used or redeemed.

Any member country desiring to obtain the currency of a former member country shall acquire the currency, if available, by purchase from the Fund.

In the event the Fund goes into liquidation within six months of the date upon which any country ceases to be a member, all rights of such member shall be determined by the provisions governing liquidation instead of the provisions governing settlement of accounts with countries ceasing to be members of the Fund.

Alternative B

3. On the withdrawal of a member under (1) or (2) above, the reciprocal obligations of the Fund and the member are to be liquidated within a reasonable time.
4. On the withdrawal of a member under (1) or (2) above, the Fund may not dispose of the member's currency except in accordance with arrangements made under (3) above. After the withdrawal of a member under (1) or (2) above, its use of the resources of the Fund is subject to the approval of the Fund.

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Joint Statement. No provision.

The following material has been suggested as an addition to Article VIII.

#Liquidation of the Fund

The Fund may be voted into liquidation only by a majority of the aggregate votes. In an emergency, the Executive Committee may by a majority vote temporarily suspend all transactions of the Fund pending an opportunity for further consideration and action by the Board.

Upon being voted into liquidation, the Fund shall forthwith cease engaging in any activities except those incident to an orderly liquidation of its assets and the settlement of its obligations.

The obligations of the Fund, other than the repayment of quotas, shall be a prior claim on all the assets of the Fund. In meeting each such obligation the Fund shall use its holdings of the currency in which the obligation is due. If these holdings are insufficient, it shall use its gold. If this is insufficient to complete the payment, the remainder shall be covered by drawing on the currencies held by the Fund as far as possible in proportion to the quotas of those countries.

The net assets of the Fund remaining shall be distributed as follows:

- (a) The Fund shall determine a percentage for each country by dividing its holdings of the currency of such country by the quota of such country.
- (b) All countries shall have returned to them in their own currencies a proportion of their quotas equal to the smallest percentage determined in (a).
- (c) The country having the next lowest percentage under (a) above shall then have returned to it the remainder of its currency held by the Fund and the country whose currency holdings have been exhausted shall have returned to it an

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equivalent proportion of its quota in gold. If there is not sufficient gold, then the currency of the country having the second lowest percentage shall be divided between the two countries in such manner that each will have been repaid the same proportion of its quota. All other countries shall have paid to them amounts in their respective currencies which represent the same proportion of their quotas.

- (d) Further distributions shall be made in the manner provided in (c) above until the currencies of all countries have been exhausted.

Each member country shall redeem in gold or gold-convertible exchange its currency held by another member country as a result of liquidation. Such redemption shall be made with reasonable dispatch and, in any event, within three years unless the member country receiving such currency shall extend the period. Pending redemption of such currency in the aforesaid manner, a member country receiving it may liquidate it in any market at a rate not to exceed in any quarterly period one-twelfth of the amount held, and the member country obligated to redeem such currency unconditionally guarantees its unrestricted use in the purchase of goods or in the payment of other obligations to such country or to its nationals. Such country further guarantees such currency against exchange depreciation until it has been used or redeemed as aforesaid.

IX. Obligations of Member Countries

1. Not to buy gold at a price which exceeds the agreed parity of its currency by more than a prescribed margin and not to sell gold at a price which falls below the agreed parity by more than a prescribed margin.

Alternative A#Section . Purpose and Scope of Additional Undertakings.

In order to support the activities of the Fund and to foster the accomplishment of its purposes and policies, each member country, in addition to commitments appearing elsewhere in this Agreement, undertakes the performance of and agrees to the stipulations set forth below. This undertaking and agreement shall continue to be binding upon each member country during any periods of ineligibility to use the resources of the Fund and during suspension of membership, but it shall not be binding on any country after termination of membership.

*Section . Gold Purchases Based on Parity Prices.

No member country shall buy or sell gold at prices which vary from the agreed parity of its currency by more than a prescribed margin.

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2. Not to allow exchange transactions in its market in currencies of other members at rates outside a prescribed range based on the agreed parities.

Alternative A

#Foreign Exchange Dealings Based on Par Values.

Each member country undertakes, through appropriate measures authorized under this Agreement, not to permit within its jurisdiction an appreciation or depreciation of the exchange value of its own currency in terms of gold beyond the prescribed range of parity.

(Transfer Article III, Section 5, rephrased as follows, to Article IX, as section 3)

Alternative A

3. To buy balances held with it by another member with that member's currency or with gold, if that member represents either that the balances in question have been currently acquired or that their conversion is needed for making current payments which are consistent with the provisions of the Fund. This obligation shall not relate to transactions involving:

- (a) capital transfers,
- (b) holdings of currency which have accumulated as a result of transactions of a current account nature effected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X (2) below;
- (c) the provision of a currency which has been declared scarce under VI above;

nor shall it apply to a member who has ceased to be entitled under III (2) or VIII above to buy other members' currencies from the Fund in exchange for its own currency.

3. Not to impose restrictions on payments for current international transactions with other member countries (other than those involving capital transfers or in accordance with VI, above) or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund.

Alternative A

*Exchange Controls on Current Payments.

No member country shall impose restrictions on the repatriation of the proceeds of current international transactions with other member countries, or to engage in any discriminatory currency arrangements or multiple currency practices unless authorized under this Agreement, or approved by the Fund.

Alternative B

4. Not to impose restrictions save as otherwise provided on payments for current international transactions with other member countries, or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund.

Joint Statement—No Provisions

The following material has been suggested as an addition to Article IX:

#Section . Immunity of Assets of the Fund.

The Fund and its assets of whatsoever nature shall, wheresoever located and by whomsoever held, be exempt and immune from search seizure, attachment, execution, requisition, confiscation, moratorium and expropriation by any member country or any political subdivision thereof.

#Section . Immunity from Suit.

The Fund shall be exempt and immune from suit except when it consents to be sued.

#Section . Restrictions on Taxation of Fund, its Employees and Obligations.

(a) The Fund, its assets, property, income, activities, operations and transactions of whatsoever nature shall be exempt and immune from all taxation or liability for the collection or payment of any tax, including without limitation by reason of this enumeration, excises, duties, and imposts, imposed by any member country or any political subdivision or taxing authority thereof.

(b) No member country, or any political subdivision or taxing authority thereof shall impose or collect any tax on or measured by salaries or remunerations for personal services paid by the Fund to persons who are not citizens of such country.

(c) No member country, or any political subdivision or taxing authority thereof, shall impose or collect any taxation on any obligation or security issued by the Fund or any dividend or interest thereon, by whomsoever held or received, which discriminates against such obligation, dividend, or interest, because of its origin, or which is applicable with respect to such obligation, security, dividend, or interest because of the place or currency in which it is issued, made payable or paid, or because of the location of any office or place of business maintained by the Fund.

X. Transitional Arrangements

1. Since the Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war, the agreement of a member country to provisions III, 5 and IX, 3 above, shall not become operative until it is satisfied as to the arrangements at its disposal to facilitate the settlement of the balance of payments differences during the early post-war transition period by means which will not unduly encumber its facilities with the Fund.

2. During this transition period member countries may maintain and adapt to changing circumstances exchange regulations of the character which have been in operation during the war, but they shall undertake to withdraw as soon as possible by progressive stages any restrictions which impede multilateral clearing on current account. In their exchange policy they shall pay continuous regard to the principles and objectives of the Fund; and they shall take all possible measures to develop commercial and financial relations with other member countries which will facilitate international payments and the maintenance of exchange stability.

Alternative A

Section . Exchange Restrictions and Currency Arrangements and Practices Retained.

Since the Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war, member countries, during the early post-war transition period, may, notwithstanding the provisions of III, 5 and IX, 3, maintain and adapt to changing circumstances and introduce, where necessary, in the case of countries which have been occupied by the enemy, exchange regulations and currency arrangements and practices which impede payments and transfers for international transactions on current account. They undertake to withdraw as soon as possible by progressive stages all such restrictions, arrangements and practices. In their exchange policies member countries shall pay continuous regard to the purposes and policies of the Fund and shall take all possible measures to develop commercial and financial relations with other member countries which will facilitate international payments and the maintenance of exchange stability.

3. The Fund may make representations to any member that conditions are favorable to withdrawal of particular restrictions or for the general abandonment of the restrictions inconsistent with IX, 3 above. Not later than 3 years after coming into force of the Fund any member still retaining any restrictions inconsistent with IX, 3 shall consult with the Fund as to their further retention.

Alternative A

Section . Withdrawal of Exchange Restrictions.

The Fund may at any time make representations to any member country that conditions are favorable for the withdrawal of particular restrictions on exchange transactions or particular arrangements and practices, or for the general abandonment of such restrictions, arrangements and practices which are inconsistent with III, 5 or IX, 3. Not later than three years after the date on which the operations of the Fund commence any member country still retaining restrictions, arrangements or practices inconsistent with III, 5 or IX, 3 shall consult with the Fund as to their further retention and shall retain them only with the approval of the Fund.

Alternative B

After the establishment of the Fund, but before it commences operations, members shall notify the Fund whether or not they intend to avail themselves of the optional transitional arrangements under (1) or (2) above; and whether they are prepared to accept the obligations of IX(3) and (4). At any subsequent date a member may notify its acceptance of these obligations. Not later than three years from the coming into force of the Fund, and in each year thereafter, the Fund shall report on the restrictions still in force under (2) above, five years after the coming into force of the Fund, and each year thereafter, any member still retaining any restrictions inconsistent with IX(3) and (4) shall consult the Fund as to their further retention.

4. In its relations with member countries, the Fund shall recognize that the transition period is one of change and adjustment, and in deciding on its attitude to any proposals presented by members it shall give the member country the benefit of any reasonable doubt.

Alternative A

*Policy of the Fund During the Transition Period

In its relations with member countries, the Fund shall recognize that the early post-war transition period will be one of change and adjustment, and in making decisions in requests presented by any member country it shall give the benefit of any reasonable doubt to such country.

Alternative B

*Policy of the Fund During the Transition Period

In its relations with member countries, the Fund shall recognize that the early post-war transition period will be one of change and adjustment over a term of uncertain duration, and in making decisions on requests presented by any member country it shall give the benefit of any reasonable doubt to such country.

Alternative A (Continued)

#Section . Calling the Initial Meeting of the Fund.

Immediately after receipt of the evidences of acceptance of countries having sixty-five percent of the aggregate quotas established in II, 1, the government of the country accepting membership which has the largest quota shall invite to the initial meeting of the Fund, to be held in that country sixty days after the date of such invitation, all of the countries which shall have accepted membership in the Fund. Such countries shall be represented at the meeting by the directors or alternates they appoint to the Board of Directors of the Fund.

#Section . Agenda of the Initial Meeting.

At the initial meeting of the Board of Directors, the Board shall make provision for the organization of the Fund. In addition to such other action as it deems appropriate, it shall elect a chairman, elect an Executive Committee, and set a date for the operations of the Fund to begin, subject to Section 5 of this Article.

#Section . Fixing Initial Par Values.

The official value on July 1, 1944, of the currency of each member country in terms of gold or gold-convertible currency shall be the par value of that currency for purposes of the Fund, unless either the Fund or the member country concerned signifies within a period of ninety days from the effective date of this Agreement that such par value for a given currency is unsatisfactory. If either so signifies, the Fund and the member country shall, during this period or during an extended period to be determined by the Fund in the light of all relevant circumstances of the member country, agree upon a suitable rate. If agreement between the member country and the Fund is not reached during such period, as extended, the member country shall be deemed to have withdrawn from the Fund as of the date of the termination of such period.

The Fund shall begin exchange transactions at such date as it may determine after par values have been established for the currencies of members having sixty percent of the aggregate quotas fixed in II, 1, but in no event until one-hundred twenty days after the effective date of this

The following material has been suggested as an additional Article to put the Fund into operations:

#Alternative A

#Section . Acceptance of Membership in the Fund.

This Agreement shall be presented by the delegates to their respective governments for acceptance of membership. Each government that accepts membership shall sign this Agreement and, as soon as possible, deposit evidence of its acceptance with the Government of the United States of America, which shall transmit certified copies of all evidences of acceptance to the governments of all the countries represented at the United Nations Monetary and Financial Conference.

The Government of the United States of America shall also notify by telegram, cablegram or radiogram the governments of all of such countries immediately upon the deposit with it of each evidence of acceptance.

At the time it accepts membership, each government shall transmit to the Government of the United States of America one-twentieth of one percent of its quota in gold or gold-convertible exchange for the purpose of meeting administrative expenses. The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Directors of the Fund when the initial meeting has been called. If the initial meeting has not been called by January 1, 19 , the Government of the United States of America shall return such funds to the government that transmitted them.

#Section . Effective Date of the Agreement.

As soon as the evidences of the acceptance of membership by countries having sixty-five percent of the aggregate quotas established in II, 1, have been deposited, this Agreement shall come into force in respect of such countries.

Thereafter this Agreement shall come into force between the countries which shall have accepted membership and each country which subsequently deposits its evidence of acceptance on the date of such deposit.

Article A (Continued)

member country shall be deemed to be official holdings for the purposes of III, 7(a) and (b).

(Further definitions to be added)

#Section . Effect on Other International Commitments.

Nothing in this Agreement shall be deemed to affect in any way any existing or future international commitments regarding the non-discriminatory application of exchange restrictions or international undertakings for the progressive relaxation of barriers to trade.

Alternative B

- (1) The Fund shall have at all times the right to tender informal advice to any member on any matter arising under these statutes.
- (2) All questions which arise involving doubts or differences relating to the interpretation of the provisions of these Statutes shall be submitted to the Directorate of the Fund for their opinion. If the question is one which involves a dispute affecting particularly one (or more) member(s) and that (or those) member(s) are not represented on the Directorate by a Director appointed by it (or them) then that (or those) member(s) may appoint a representative to take part in the discussions of this question in the Directorate on the same footing as the Directors.
- (3) In any case where the Directorate has given an opinion under para. (2) above, a member may require that the question be submitted to the Council and the opinion of the Council is final. Pending the result of the reference to the Council, the Fund may (so as is necessary) act on the basis of the opinion of the Directorate.

Joint Statement—No Provisions

The following material has been suggested as an additional Article on interpretation of the Agreement:

Alternative A

Section . Interpretation.

All disagreements between two or more member countries concerning the interpretation of any of the provisions of this Agreement or of any amendments thereto, or of any rules, regulations or by-laws promulgated by the Fund, shall be settled by the Fund. Whenever a disagreement arises between the Fund and a country which has ceased to be a member, or between the Fund and any member country after liquidation of the Fund, such disagreement shall be submitted to arbitration.

#Section . Definitions.

(a) The term "currency" means every form of medium of exchange used within a member country which is defined in terms of the monetary unit of such country, including without limitation:

- (1) All paper money and coin issued or coined in accordance with the laws of such country;
- (2) All demand deposits in banks within such country; and
- (3) All bills, notes or other form of indebtedness substituted by member countries for part of the Fund's holdings of their currencies.

(b) The term "gold-convertible exchange" means any foreign currency, as defined above, or any evidences of indebtedness expressed in such currency having maturities of less than one year, available for use by the monetary authorities of a country, directly or indirectly, for the purchase of gold.

(c) The term "official holdings" means the holdings of a member country's government and central bank and of any governmental department, agency, establishment or corporation; without reduction for any liabilities, whether such liabilities are actual or potential, general or specific, external or internal.

All non-official holdings of gold and all non-official holdings of gold-convertible exchange in excess of one-fourth of the quota of the

Joint Statement ~~No Provisions~~

The following material has been suggested as an additional article on amendments:

Alternative A

Article XI

#Any member country which desires to introduce modifications in this Agreement shall communicate its proposals to the Fund. The Fund, if four-fifths of the aggregate votes deem it advisable, shall prepare a protocol, by dated circular letter, to the governments of all the member countries, asking whether they accept the proposed modifications. When the governments of member countries having four-fifths of the aggregate votes, have acceded, the Fund shall certify the fact by means of a proces verbal, which it shall communicate to the governments of all the member countries. The protocol will enter into force between all the member countries three months from the date of the proces verbal, unless a shorter period is specified in the protocol.

Alternative B

The Council shall have power to repeal, amend or add to the provisions of these Statutes by decisions taken by a 3/5 majority except that

- (a) a decision concurred in by all Councillors shall be required for _____
- (b) the Council shall have no power by any repeal, amendment or addition to _____

Agreement, or until the Fund shall have determined that major hostilities in the present conflict have ceased, whichever is the later. Exchange transactions in a currency, the par value of which has not become established when exchange transactions begin, shall begin when agreement has been reached with the Fund on a par value.

Alternative B

I A. Inauguration of the Fund.

1. When the Convention comes into force, the first meeting of the Council shall be held as soon as possible. The Councillor appointed by the Government in whose country the first meeting takes place shall take the Chair until the Council have appointed a Chairman.

2. The Council shall then proceed to the election of the Directorate and shall arrange for the first meeting of the Directorate to take place as soon as possible.

3. The Directorate at their first meeting shall appoint the Chairman and General Manager, shall request the payment by each member of such proportion of its subscription as is required, in the opinion of the Directorate, for the preliminary expenses of the Fund, and shall instruct the General Manager to make the necessary arrangements with regard to the taking of offices and the engaging of staff.

4. The Directorate shall then, as soon as may be, take steps to determine the par value of members' currencies in accordance with IV, and the provisions of IV shall come into operation.

5. Thereafter the Directorate shall, as soon as seems to them expedient, call up such further proportion of the subscription of each member as in their judgment is immediately required to provide facilities currently required by members, and as from the date of this call the whole of the provision of this Statute shall come into operation.

6. For the purpose of taking action under 4 and 5 above, the assent of Directors representing four-fifths of the total voting power of the Directorate shall be required.

Alternative B (Continued)

7. Thereafter the Directorate may, from time to time, call up such further instalments of the subscriptions due by members as may be required for the operation of the Fund.