

DIARY

Book 749

July 1-3, 1944

	Book	Page
Bretton Woods, New Hampshire		
International Monetary Conference: See Post-War Planning		
Business Conditions		
Haas memorandum on situation, week ending July 1, 1944 -		
7/3/44.....	749	317

Currency Stabilization
 International Monetary Conference at Bretton Woods, N.H.:
 See Post-War Planning

Financing, Government		
War Savings Bonds		
5th War Loan Drive		
Mrs. Churchill-Mrs. FDR-Mrs. HMJr broadcast,		
June 27, 1944.....		79
a) Mrs. Churchill thanked - 7/1/44.....		78
Philadelphia Navy Yard: Speech by HMJr		
Drafts - 7/3/44.....		297, 302,
(See also Book <u>750</u> , page 29)		304, 309
Reading copy - 7/3/44.....		305, 313
(See also Book <u>750</u> , page 1)		
Program (entire) as broadcast: See Book <u>750</u> , page 10		
a) Gamble congratulated by HMJr: Book <u>750</u> , page 43		
b) Admiral Draemel thanked: Book <u>750</u> , page 306		

Hungary
 See War Refugee Board

Italy		
Financing Relief and Rehabilitation in Italy: D.W. Bell		
memorandum - 7/1/44.....		108-A

Morgenthau, Mrs. Henry, Jr.		
5th War Loan Drive: Mrs. Churchill-Mrs. FDR-Mrs. HMJr		
broadcast, June 27, 1944.....		79
a) Mrs. Churchill thanked - 7/1/44.....		78

Navy Yard, Philadelphia
 See Speeches by HMJr

	Book	Page
Philadelphia Navy Yard		
See Speeches by HMJr		
Post-War Planning		
International Monetary Conference, Bretton Woods, N.H.		
I. Fund - salient points explained by White to		
American delegation - 7/1/44.....	749	1,143
<u>Quotas</u> - discussion by White.....		225
Larger quotas desired by small countries		
(See also Book 750, page 86)		
British Empire in its entirety will equal		
United States - possibly a little less		
China to rank fourth		
a) HMJr reports on private conversation		
with Kung - 7/10/44: Book 752, page 2		
U.S.S.R.: Misunderstanding concerning quota		
discussed by Russian delegation, White,		
Vinson, etc. - 7/3/44.....		289
a) Memorandum to Stepanov concerning.....		294
India's desire to be on par with China		
discussed: Book 750, page 87		
France: Quota discussion - 7/12/44: Book 753,		
page 15		
Gold participation discussed.....		5
a) U.S.S.R.: Effect of smaller or larger		
initial contribution discussed.....		8
(See also Book 750, page 87)		
Executive Committee: Plan for functioning		
described.....		13
International transactions - effect of change		
of par value discussed - 7/5/44: Book 750,		
page 93		
a) HMJr told of committee to negotiate		
with each of delegations; United States		
wants approximately 13% voting privilege		
over United Kingdom and all subsidiaries -		
7/5/44: Book 750, page 134		
Conference of American delegation with HMJr -		
7/9/44: Book 751, page 250, and Book 752,		
page 186		
a) Resumé given by Collado		
Latin American quotas discussed by American		
delegation - 7/10/44: Book 752, pages 1,40		
a) Mexican clause that brings in silver as		
collateral discussed by Walter Gardner		
(Federal Reserve) with American		
delegation - 7/10/44: Book 752, page 41		
India: Relation to British Government discussed..		13
Exchange Rates: Some flexibility advocated by		
White.....		17
a) Inflation-ridden countries - Fund attitude		
toward discussed.....		154
b) Further discussion in view of Keynes'		
request for reply - 7/5/44: Book 750,		
page 82		

	Book	Page
Post-War Planning (Continued)		
International Monetary Conference (Continued)		
I. <u>Fund</u> (Continued)		
<u>Quotas</u> (Continued)		
Sterling debt (debt of countries within the Dominion) discussed.....	749	18
Creditor and Debtor Countries: Pressure discussed.....		24
Risk in investment in Fund discussed.....		29
Gold holdings of United States Government discussed.....		30
Directors: Election and voting powers discussed.....		38,143
Operation of Fund to start with end of European phase of war.....		147
Newspaper opposition discussed by Wolcott and Tobey - 7/2/44.....		165
Fund merely a stabilisation fund or for longer term lending argued by White, Eccles, and Brown - 7/5/44: See Book 750, page 108		
II. <u>Bank</u> - salient points discussed by White - 7/2/44...		173
a) Proportion of subscription to Bank and to Fund discussed.....		184
b) Investment of small percentage of capital in equities disapproved by Brown.....		185
Salient points discussed by Acheson - 7/11/44: Book 752, page 218		
Instruction of American delegates at Conference - 7/12/44: Book 753, page 1		
a) Netherlands: Presence of de Iongh (manager, Bank of Mendelssohn) discussed: Book 753, page 23		
b) Poll on attitude toward Bank: Book 753, page 28		
<u>U. S. S. R.</u>		
I. <u>Fund</u>		
<u>Quota</u> - effect of larger or smaller contribution discussed - 7/1/44.....		8
(See also Book 750, page 87 - 7/5/44)		
Misunderstanding discussed by Russian delegation, White, Vinson, etc. - 7/3/44.....		289
a) Memorandum to Stepanov.....		294
Vinson-HMJr conversation after conference above - 7/6/44: Book 750, page 237		
American delegation conference to discuss quota - 7/6/44: Book 750, page 248		
American delegation conference to discuss provisions, interest rates, and rank with regard to quota - 7/7/44: Book 751, page 1		
Conference with Russian delegation on quota agreement; present: HMJr, Wolcott, Vinson, Luxford, Durbrow - 7/11/44: Book 752, page 202		
a) Delay caused by lack of decision by delegation decried by HMJr		
b) Harriman cable - 7/13/44: Book 753, pages 117,119		

Post-War Planning (Continued)

International Monetary Conference (Continued)

U.S.S.R. (Continued)

I. Fund (Continued)

Quota (Continued)

25% clause discussed by HMJr, Acheson, Vinson,
Wolcott, and White - 7/12/44: See Book 753,
page 40

- a) HMJr calls on Stepanov to explain
press misunderstanding: Book 753,
page 47

Conference of Russian delegation, HMJr,
Acheson, Vinson, and Wolcott - 7/14/44:
Book 754, page 14

- a) Still no reply to cable
- b) Harriman reports after discussion with
Vyshinsky - 7/14/44: Book 754, page 21

Conference of Russian delegation, HMJr, Vinson,
Wolcott, Acheson, White, and Luxford -
7/15/44: Book 754, page 115

- a) All unsettled questions discussed
- b) Report on conference made to Steering
Committee: Book 754, page 140

Discrepancy in press releases in United States
and U.S.S.R. decried by Russian Embassy;
correction asked - 7/18/44: Book 755,
page 240

II. Bank

Conference; present: HMJr, Vinson, Stepanov,
and Chechulin - 7/19/44: Book 756, page 40

- a) HMJr advocates no less position for
U.S.S.R. in Bank than in Fund

Conference of American delegation to discuss
Russian quota - 7/20/44: Book 756, page 126

Keynes' attitude toward Russian quota discussed -
7/20/44: Book 756, pages 147,167

- a) Lady Keynes' "anti-Soviet" attitude
discussed: Book 756, page 149

Fund and Bank

Conference; present: HMJr, Stepanov, Chechulin,
and Arutiunian - 7/22/44: Book 757, page 13-A

- a) Russian subscription increased to
\$1,200,000,000: Molotov approval transmitted
to HMJr by Stepanov

- 1) Agreement due wholly to Molotov's high
regard for HMJr

- 2) Harriman informed - 7/23/44: Book 757,
page 198

- a) Press statement (State Department) -
copy sent to Harriman - 7/31/44:
Book 759, page 243

	Book	Page
Post-War Planning (Continued)		
International Monetary Conference (Continued)		
Plenary Session (inaugural) - program for - 7/1/44.....	749	54, 55
a) Draft of FDR's message.....		59
b) HMJr's speech.....		62
Second Plenary Session - 7/3/44.....		201
Committee assignments discussed - 7/3/44.....		193, 207
Silver question discussed by American delegation - 7/3/44.....		220
Administrative responsibility of Secretary General of the Conference and Secretary General of the U.S. delegation: Bell asks for clear understanding - 7/3/44.....		295

- R -

Roosevelt, Eleanor		
5th War Loan Drive: Mrs. Churchill-Mrs. FDR-Mrs. HMJr broadcast, June 27, 1944.....		79

- S -

Speeches by HMJr		
International Monetary Conference, Bretton Woods, N.H. - 7/1/44.....		55, 62
Philadelphia Navy Yard speech for 5th War Loan Drive, July 4, 1944		
Drafts - 7/3/44.....		297, 302, 304, 309
Reading copy - 7/3/44.....		305, 313
" " - 7/4/44: See Book 750, page 1		
Program (entire) as broadcast - 7/4/44: Book 750, page 10		

- T -

Taxation		
Comparison of income and excess profits taxes, by Federal Reserve Districts, June 1943 and June 1944 - 7/1/44.....		108

- W -

War Refugee Board		
Reports		
June 26-July 1, 1944.....		109
July 3-8, 1944: See Book 751, page 208		
" 10-15, 1944: Book 758, page 57		
" 17-22, 1944: Book 757, page 128		
Hungarian Situation: Pehle memorandum for members of War Refugee Board - 7/15/44: Book 754, page 204		

Bretton Woods, N.H.
July 1, 1944
10:30 a.m.

INSTRUCTION OF AMERICAN DELEGATES - FUND

- Present: Mr. Acheson
- Mr. White
- Mr. Eccles
- Mr. Collado
- Mr. Luxford
- Judge Vinson
- Senator Wagner
- Mr. Spence
- Mr. Wolcott
- Senator Tobey
- Mr. Brown
- Mr. Sweetser
- Mrs. Morgenthau
- Dr. Goldenweiser
- Mr. Smith
- Miss Newcomer
- Mrs. Klotz
- Mr. Somers

H.M.JR: Gentlemen, I think we might get started.

I thought, if it was agreeable to you, I would ask Mr. White if he would explain to us what the salient points are for the Fund and the Bank, which, after having conferred for two weeks at Atlantic City, the experts feel are the things that we as American delegates should attempt to get out of this Conference.

Now, they have been working down there for two weeks with fifteen other countries, and I told them not to get into too many details, but just to give us a broad outline of what the American experts feel are in the interest of our country as a result of the work in Atlantic City.

So if you would bear with us, I am going to ask Mr. White to proceed.

MR. WHITE: The chief purpose of these meetings was to ascertain what the differences of opinion were, what other countries wanted, what were the difficulties that we had to contend with, what we are expected to contend with, and what are the major issues which appear to be troubling the various delegates; so that we could report back to the delegates at the first meeting here so as to provide the basis for discussion among the delegates to determine what positions to take on the

various points. There was no attempt made either to get any agreement or to insist on any position whatsoever. It was chiefly for exploratory purposes so we would be in a position to report here what are the major differences, and in that way you can find your next moves during the week.

I will confine myself to the major differences. There were fifteen countries represented by some outstanding men in the field, a great many of them. There were about seventy-five there, and naturally there was discussion on a great many technical points which we needn't take any time with now. They will appear as the sub-committees develop, but the major issues are the ones, as the Secretary requested, that I will call to your attention.

(Mr. Smith enters the conference)

MR. WHITE: The first one - I will deal with the Fund first and then with the Bank.

With the Fund, the first major issue is the question of quotas. The quotas would indicate how much countries are expected to participate - how much money they put up, and what rights they have, or privileges they have, to utilize the resources of the Fund.

Now, in the quotas we find the following major situations. In the first place, all countries want larger quotas, but the countries that will give the most trouble, and about which a great deal of discussion in the group here will have to take place, are as follows: China insists that she shall have fourth place. They don't care whether that fourth place is much above the third or much below the fifth, but it has to be the fourth place. France is insisting on fifth place and India is insisting on fifth place. India claims that she has four hundred million population; she is helping in the war; she is a major power and needs to be treated as such, and is insisting on fifth place and has sent a pretty high-powered delegation here.

H.M.JR: May I interrupt? Mr. Wolcott, the Republican Senior Member of Weights and Coinage, and Mr. Reed, isn't it?--

MR. WOLCOTT: Yes.

MRS. KLOTZ: They have six pages out for them.

H.M.JR: And for Somers, too?

MRS. KLOTZ: For both of them. I have covered it in every way I could.

H.M.JR: They are paging them? And Miss Newcomer, too?

MR. WHITE: Yes.

H.M.JR: Just check.

(Mrs. Klotz leaves the conference temporarily)

H.M.JR: I will see Congressmen Somers and Reed and tell them as much as I can.

I am sorry to interrupt you, but I think we will get off to a good start among the Americans with their help.

MR. WHITE: Those are the large countries. The smaller countries all want larger quotas. The most troublesome will be Australia, who is participating to an extent far beyond the proper roll of a country of her size and importance. But they are going to insist on a larger quota and some other things that I suggested before. The South American countries would like a larger quota.

Now, it is the South American countries who in this are going to be important to us for reasons that we will discuss later. So you will want to consider how far you can go in meeting their desires, and it won't take very much, because they are all small quotas and small countries.

The British Empire, as a whole, would, of course, like larger quotas. England is supporting, as presumably she has to, at least in the meetings, Australia's claim for a much larger quota, and India's claim for a larger position. Our position has been as follows right along, and this is the understanding we have had even before the Conference, and we have never receded one step from that position: One, that the maximum quota - the aggregate quotas - will not be more than around eight

billion two or three hundred million dollars, depending on how many countries come in, and certain other factors-- that is the maximum aggregate quotas; that our own quota will not be larger than two and three-quarters billion.

The third point is that the British Empire will not have more than the United States - the whole British Empire together will not have more, and should have a little less.

The fourth point that we have indicated to the British, though not to the others, is that China will have fourth place.

Those are the four factors that we have stood by. This business of China we have not discussed publicly - I mean, even at the meetings, but we have that tentative understanding with China, which as they understand, is tentative upon approval of this group, because we, as technicians, could not commit the Delegation to anything.

That is the story with regard to quotas, very briefly.

MR. TOBEY: What about Russia?

MR. WHITE: Russia will get third place and she will have about ten percent of the quotas. There is no problem - I mean, there is general agreement there as long as she has third place.

MR. WAGNER: When you speak of the British Empire you mean the Commonwealth?

MR. WHITE: Everything. U.K. alone will have much less than we have, but we have indicated very definitely that no matter what is done with their quotas among themselves, the total must not be more than the United States quota alone.

MR. SPENCE: It ought to be.

MR. WAGNER: It ought to be a little less.

MR. WHITE: It should be, but they have India, Canada, Australia, New Zealand, and colonies. It should be less.

The next point of importance is the amount of gold participation, the amount of gold they put in the Fund to begin with. The provision reads that a country puts in either one-fourth of its quota - in other words, if United States has a quota of two and a half billion, one-fourth will be in gold - or ten percent of its total gold holdings, whichever is less.

For example, ten percent of our gold holdings would be over two billion dollars, therefore we take the other figure of twenty-five percent of our quota - about seven or eight hundred million, so that a country with small gold holdings will take the ten percent, and a country with very large gold holdings will take twenty-five percent of its quota, because its quota is smaller than its aggregate holdings - twenty-five percent of the quota will be smaller than ten percent.

Now then, there is only one problem with that - Russia. Russia is insisting on getting in original participation, a reduction of fifty percent. And her reason for that is, she says she has had terrific destruction and will need to spend a great deal of money on foreign goods during the first few years and that it is only reasonable to give her some consideration by virtue of the destruction.

However, she is not putting it forth on her basis alone; she wants that fifty percent to apply to all countries invaded by the enemy in which there has been a substantial amount of destruction, and she wants to vary that proportion from fifty percent in countries that have suffered the most destruction, to twenty-five percent in the countries that have suffered the least destruction. So there will be a concession, she is requesting from twenty-five to fifty percent of the gold participation, depending upon the amount of destruction. Of course, she feels the greatest destruction is with her and Greece, and they would get the fifty percent.

MR. WAGNER: May I interrupt you?

MR. WHITE: Yes, by all means.

MR. WAGNER: What are the gold holdings in the different countries?

MR. WHITE: We have an idea, but we don't know.

They haven't given it as yet, but they will have to. Our guess would be that she has around a billion and a half. That is a guess. They will have to tell us when the time comes, and they are willing to tell us when the time comes.

H.M.JR: Could I point out, Harry, that what we have in mind as far as ours is concerned, we ~~have~~ our own Stabilization Fund with eight hundred million dollars--

MR. WHITE: A billion eight hundred million.

H.M.JR: ...of gold in it, and that if the Congress of the United States decides to go forward with this, that they would ~~weld~~ the present Stabilization Fund into the new one. And we have, as I say, a billion, eight, plus maybe thirty million over profit there. So we have that on hand. The position I have always taken is that is for a rainy day, or a very important day, and I would consider this of such importance that I would be willing, cheerfully, to have the present Stabilization fund melded into the new one. And I think we ought to know that, because we have our nest egg in hand which I so carefully guarded with the assistance of Congress, through all these years. I think it is an important thing to know that we have that much on hand. I think it is to Congress' credit that they protected that, and there is the money for this purpose now.

MR. WHITE: Needless to say, all the invaded countries are supporting Russia - France, Greece, Netherlands, Belgium, and so forth - China. Now, England has not been invaded to the extent that was indicated in the provision which Russia submitted, so England immediately took the position that there is something in that. They are not enthusiastic about it but if you are going to make a distinction of countries in need, then you do not take the amount of physical destruction, but you must logically include the deterioration in their international assets. And therefore, if anything is going to be accorded these other countries, England wants to get the same treatment, even though her physical destruction has been less. That is the position.

In other words, she is saying, "If you give it to Russia and France and the other countries, you have to give it to us, but we are willing that you don't give

it to any. But we will insist if you give it to them you give it to us."

That gives you the high-lights.

H.M.JR: Does that include - where do the Dominions like South Africa, Australia, Canada--

MR. WHITE: They wouldn't come under that, but India raised the question as to whether India has suffered any destruction. They began acting as though they would like to be included. But they probably could be excluded. But the other countries have not suffered any physical destruction, and those other countries, except Australia, couldn't take the position that their international position has deteriorated because Canada's and South Africa's has improved - but Australia might make a case.

MR. ECCLES: India has improved, too.

MR. WHITE: Yes and no; you can make a case either way. She would say no. I think we could make a good case to the contrary. It depends on how you want to value the sterling holdings, for instance.

There is a subsidiary question which will give us a good deal of trouble, but it is not a major question - it is more technical. It is a question as to what you include in gold holdings, because we figure ten percent or twenty-five. It makes a difference. It makes a difference for other purposes in the operation of the Fund. England wants to include as offsets - wants to deduct from her gold holdings - certain liabilities which she claims are equivalent to gold liabilities. I will merely mention that in passing and go into that in greater detail when it comes up before us.

Newly mined gold raises another question, exclusively by Russia. Russia, using the same reasoning in which they say that countries that have been invaded ought to be accorded lower gold participation, says that countries that have suffered severely from the war ought to be permitted to utilize their newly mined gold during the next five years in their own way and not have it pass through the Fund, which would make a smaller amount available to her. That, again, is a technical point. It is of the same category as the original position, the difference being that Russia

happens to be the only country that mines any substantial amount of gold of the invaded countries, so that it applies to Russia alone. But she is insisting on a period of five years, during which she shall not be required to put in a portion of her newly mined gold, which is required by the provision. In that, Russia has receded from a stronger point which she took in her earlier discussions.

The position she had taken was that she shall not put it in during the period of reconstruction, and figured that the period of reconstruction might take twenty or thirty years. She has now brought that down, so it represents on her part some kind of a compromise and we have not taken any position with respect to that.

MR. WAGNER: What are the gold-producing countries?

MR. WHITE: The biggest one is South Africa - about eight hundred million a year, I would say. The next is the United States. The next would be Russia, probably, though we have never known the exact figures of Russia. And third (to Bernstein) - what would that be?

MR. BERNSTEIN: Canada.

MR. WHITE: And then Mexico would follow. They come pretty much down the list. Then Peru produces some gold, and a lot of countries produce a little gold - Australia produced some - India - but those are the big gold-producing countries - South Africa, United States, Russia, and Canada.

MR. ACHESON: May I ask a question at this point?

H.M.JR: If you please. Look, let's be very informal.

MR. ACHESON: What is the effect on the operation of the Fund, or on the burden upon the United States, of this Russian request of decreasing the initial contribution in gold?

MR. WHITE: Very little, very little. I think that will have to be explained, but it is part of the detail and we can do that later. But you will find the net effect is small. Of course, if we extend it to Britain and all the other countries it becomes more significant and we ought to oppose it. Russia is the spearhead of that and we were going to suggest for your consideration - though we haven't talked it over even

among ourselves - some way in which we can satisfy Russia in an entirely different direction, outside the Fund arrangement, which would maybe get her to withdraw this claim completely so that it would save us having to apply it to all the other countries. But it would not be of major importance; it would be of minor importance.

MR. ACHESON: What I was getting at is that the general tendency here is for a number of countries, for one reason or another, to decrease their gold contributions. Now, in what direction does that affect the Fund? In what direction does it affect us?

MR. WHITE: Well, it gives the Fund less gold resources, and the less gold resources it has, and the fewer resources it has to buy whatever currency happens to become scarce - chiefly dollars. So it makes it necessary for the Fund to obtain dollars another way, but the magnitudes of which they are talking, you will find, are pretty small.

For example, I will give you some picture of the magnitude. Russia's share of gold participation in the first place would probably be ten percent of her holdings. Now, that might be around one hundred and twenty-five million dollars. That is what she is supposed to put in. If she is given a fifty percent reduction, she puts in sixty-two and a half million dollars. Those are pretty small amounts. Of course, if we spread it over the other countries, it is increasing--

MR. TOBEY: From a factual standpoint, Russia has a case there.

MR. WHITE: Yes, she has a strong case; no question about that. But there wouldn't be as much difficulty satisfying her if England didn't take that position, you see.

Now, those are the things that you will have to thrash out and iron out. But whether England would recede from her position, or whether the other countries might make some compromise - those are the things--

MR. TOBEY: Might I ask a question on this matter at Atlantic City? Did you denote any attitude on the part of these nations of the old horse trading proposition of asking more than they expect and coming down to a minimum eventually?

- 10 -

MR. WHITE: I think so. We didn't do any trading, but there was an indication in a number of countries that they felt there was no harm in trying.

H.M.JR: Senator Tobey, anything that Mr. White or his people did in Atlantic City is available to you and available to the American Delegation.

MR. TOBEY: I appreciate that. I am merely asking the attitude down there. He can size that up.

MR. WHITE: That would be my judgment. I would like to ask Mr. Luxford and Mr. Bernstein what their reaction was.

MR. LUXFORD: I am sure that is true, that many of them would put in a request realizing probably that it would never go into the final document, but they have made their show. They are making a fight for something so they can go back to their country and say they have made a fight. They may withdraw it later on..

MR. TOBEY: It is perfectly understandable.

MR. BROWN: I think, Senator Tobey, in those Atlantic City conferences that a lot of the small nations put in claims which they don't expect to get. I think your two major difficulties are going to be with the British and with the Russians. The British have a very strong bloc at home which believes they are better off keeping the sterling blocked and not going in it, just as any plan that is put up is going to have very rough sledding in the House of Commons. They may give something, but they will break off if we insist on too much. As far as the Russians are concerned, I don't know how they have traded otherwise, but here they say nothing. One of them will raise his hand in a subcommittee and ask for a recess and come back after ten minutes with a typewritten statement which says, "This is the Russian position." Somebody asks them the reason for it, then they read the memorandum over again and say, "This is the Russians' position."

MR. WHITE: That is the way they operate.

MR. BROWN: Russia doesn't need the Fund. It has a complete system of state trading - state industry. It doesn't make any difference to them whether the ruble is five cents or five dollars.

- 11 -

They want to get some other things; they would like to keep a market for newly mined gold. I have the idea that in the case of the British, for one reason, and in the case of the Russians for another, that we are going to have a good deal of difficulty trading with them.

As far as the other countries are concerned, my impression there is that they will put forward all the claims they can, they will make a great many valuable technical suggestions and suggest improvements. There are some extraordinarily able men from the Netherlands and some other countries there. When you get all through they will take what the United Kingdom and the United States and Russia agree on. Is that a fair statement?

MR. WHITE: Yes, I think that is, with possibly one qualification with regard to Russia - you have described exactly what their trading method is. Their argument consists of a statement of position which they have got out in the caucus and received their instructions. As you will see when you get on, they get it very formally and they make a statement and they don't budge from it, and they don't recede one iota.

However, it is true for reasons which I think we will point out later, that the Fund needs Russia. I mean, you can't have a cannon on board ship that isn't tied down because that can do a lot of harm if they are not in.

MR. TOBEY: And world cooperation must have Russia.

MR. WHITE: That is right, and she would like to cooperate, she has given every indication. But on the other hand, she has certain things to gain, too. They are very tough bargainers, but I think the shoe is not always on that foot. It is quite right what he says about Britain; they can't be pushed too far or they will break off because they will have difficulty in Parliament for opposite reasons.

H.M.JR: To illustrate the point that Senator Tobey raises, Mexico, for home consumption is going to raise the silver question; we are told they are not going to press it too hard. So I mean, these fellows are good horse traders, but I think among our delegates we have a couple of pretty good horse traders, outside of myself - I trade cows--

- 12 -

MR. TOBEY: Same germ behind it all.

H.M.JR: That is the idea. David Harum comes from New York and I have read the book.

Go ahead, Harry.

MR. WHITE: Russia is raising the problem on exchange rates which I won't take up this morning because it is more technical and probably belongs in some other meeting.

Then comes the question of voting power. We, of course, are taking the position that voting power and participation is approximately the same. The more money you put in, the more votes you have, and those votes carry right through. There has been some objection on the part of some of the smaller countries that there ought to be more votes given to begin with merely because they are countries, before you begin to give them additional votes for their participation. In other words, you start everybody off with twenty-five votes. They want to start with a hundred votes.

MR. WAGNER: Irrespective of their population or anything?

MR. WHITE: Yes, because each country claims that this is a responsibility for maintaining world monetary stability and even though they are small, they have a special interest quite aside from their financial status or their wealth or population which ought to be accorded in any international organization. Then you begin to count from there.

Well, there will be, as I say, a demand on the part of the small countries, particularly, to get more votes, and we, on the other hand, don't want to budge, because the more votes you give the small countries, the less our proportion of influence in votes, because there are maybe thirty, forty, or fifty members and you give them a lot of votes and we don't get any more votes than they do to begin with, but we do get a lot more votes on the basis of our participation. So our position is, the more votes we give them, the less is our proportion of votes, and it is proportion that will count in the decision, of course. That takes a particular point of importance with respect to the management and the election of the Executive Committee.

The Executive Committee will function as the chief operating unit and the question which was discussed at considerable length was how it shall be elected, and there you have a line-up between two groups, the major powers, particularly led by the United Kingdom. Our position has been, in this case, the one that the small countries like. But U.K. wants the election in such a way that there will be certain permanent members of the Executive Committee.

That was our proposal, that the countries with the five largest quotas, United States, United Kingdom, Russia, China, and the fifth, which may be France or India or whatever other country is the fifth, will have permanent members of the Executive Committee, and there will be either four or six. That is being discussed - who will be elected from all the other members.

Now, the proposal which the American technical people made was a proposal for a first cousin to proportional representation, which will give the smaller countries a chance - a rather technical way of electing, but that is the essence of it. U.K. wanted to have straight voting which would give the small countries no chance.

Now there is a conflict between them and the small countries, and even Australia has taken the position of the small countries against U.K. We have stayed out of that fight completely. That is going on - between all the small countries and U.K., as to how the other four or six members of the Executive Committee shall be elected. That is pretty important because that is the managing group, and the group that will make many of the decisions.

MR. WAGNER: You speak about India separately every once in awhile. They are part of the Commonwealth, aren't they?

MR. WHITE: It depends on whether they are asking or taking.

MR. WAGNER: Our attitude is that they are one of the British--

H.M.JR: Let's ask Mr. Acheson. Do you mind answering that? I am not trying to put you on the spot, but how does the State Department consider them?

MR. ACHESON: Practically as a Dominion. The fact

- 14 -

of the matter is true, as Harry says, that the degree of control which the British Government exercises, or appears to exercise over India depends on what is going on. They can exercise a very high degree of control, or they can not, as they choose.

MR. WAGNER: What is our attitude toward them?

MR. ACHESON: Our attitude is to treat them like a Dominion.

MR. WHITE: There is an issue between England and India which they are coming here to thrash out - to use this Conference as a jumping-off board - as a forum or sounding board. We are out of it, but India has come up and has notified me very informally of certain things they are going to do. There will probably be a good deal of fuss about it in the discussions, but it really doesn't affect us. We will keep out of it.

In the first place, she wants to get an equal place with China, which she doesn't expect to get, but she is embarking on the general educational program that India is a big nation, too, and it is about time people recognized her.

H.M.JR: May I say this, that from what Mr. White tells me - and I think we have all got to be careful - I take it that Lord Keynes, as the Chairman of the English Delegation, is having his hands full with the British Empire, and this is more or less - I hope they are not going to use this Conference to settle their own problems - but he has his hands full. Is that right?

MR. WHITE: That is right.

H.M.JR: He has an incipient revolution on his hands, and we will all have to - we will let the British Empire fight it out without making us a cat's paw.

MR. WHITE: That is right.

MR. ACHESON: I think so.

H.M.JR: We had a little incident. At this United Nations thing, the Fifth Avenue Association, the Indian Delegation was seated after Liberia, I believe, and he practically walked out of the Waldorf Astoria because he didn't think he was seated properly. But those are things that I am to let the State Department worry about.

MR. TOBEY: Mr. Acheson, I apprehend that in any movement for international cooperation that equation is bound to be present, isn't it?

MR. ACHESON: Yes.

MR. WHITE: The Indian Delegation itself presents, nominally, a united front. Actually you have two groups. You have the pro-English group as well as the English advisers who are supposed to defend India's position, and who will do so, nominally.

You have, along with them - India has been able to get certain delegates who represent what they would call the mass of Indians - they are not the British Government. So there are things going on even within their own representation which will make trouble.

Am I going into too much detail, Mr. Secretary?

H.M.JR: I don't think so. You seem to be covering ground very rapidly. Would anybody like Mr. White to proceed differently? Is it all right?

MR. TOBEY: I think it is fine.

H.M.JR: You have unanimous approval, so far. It is the first day, Harry! It is still the honeymoon.

MR. WHITE: Period! Until the questions begin--

MR. TOBEY: Yours and mine has lasted a good many years.

H.M.JR: That is right.

MR. WHITE: On the voting power, some of the countries have taken the position that maximum voting power should be limited and that means the United States - that there should be some maximum limit. We take the position that there shouldn't be. That will be one of the things that will be discussed.

They would want to limit us to either twenty percent or somewhere around there, even though we have a larger quota which entitles us to more votes. They say that no country in an international organization ought to have more than whatever "A" is. We have taken the position that should not be so.

MR. WAGNER: What is our position?

MR. WHITE: That we get as many votes as we are entitled to by virtue of our participation. It depends on what the quota is, but probably five percent, or so. Whether it is twenty or twenty-five is important.

One of the major issues between the United States and the U.K. is in the degree of flexibility of exchanges, the conditions under which a country can alter its exchange rate. England has receded very considerably from positions which she has taken earlier and has gone a long way toward our position, but there is some difference left.

In other words, the British people, thinking of years in the '20's, at which time they had a depression, you remember, a long depression - it wasn't intense, but it persisted for many years and they were on the gold standard then, and the British financiers and economists - many of them led by Keynes - said that the reason they were having that persistent depression was because their sterling was over-valued and they ought to be able to change it by ten percent, but being on the gold standard they couldn't change it by ten percent and you had a fight on in England running over a period of many years in which you had these forces, one wanting to depreciate, the other saying, "No, you have to stick to the gold standard even if you have got depression. That isn't going to help you."

Now, having had that depression, and having gone off the gold standard since - being forced off in '31 - the people who advocated at that time that they ought to go down, are completely in the ascendency and now the British people, almost as a whole, with the exception of some banking groups, say that they are never going to be in a position like that again, in which they are tied to the gold standard and have to suffer a depression merely to suit somebody's notions of monetary theories.

And so they will never go back to the gold standard as long as the people feel as they do. It will certainly not be in the foreseeable future. One of the things they want to be very certain of is that this doesn't force them to do so. Therefore they will object to a plan which, to them, would be a return to the gold standard.

They realize, however, that this plan provides them the degree of flexibility that they needed. Had this

plan been in effect in 1923 or '24, they would not have had a depression because they would have been able, under this plan, to make the change in an orderly fashion as a result of multilateral agreement without the consequences that took place in the '30's. So they feel that there is enough flexibility here, although they would like a little more - which we are adamant on. But they asked for a great deal more and they are coming in our direction. Our position is quite the opposite.

We look upon the trouble in the '30's, where you had competitive depression of exchange rates, where country after country went off of gold and the currency began to depreciate in France, Belgium, England, and so forth, and where you had complete monetary destruction and chaos, we say the world cannot stand that again. You can't correct that situation by asking the countries to go back on the gold standard because there are probably two countries in the world who are prepared to go back on the gold standard at all - possibly the United States and one other. You will never get the others.

H.M.JR: Who is the other?

MR. WHITE: Switzerland, probably - possibly Sweden.

H.M.JR: How about Russia?

MR. WHITE: No - yes and no. It doesn't make much difference to her because she can do what she wants with her rates and keep her exchange rate the same. That is the point Ned Brown made. It doesn't matter to her; she can adjust herself to either and play a lone hand.

MR. TOBEY: She uses, as I understand, a theory of relativity.

MR. WHITE: That is what it amounts to. She can adjust herself to what the others do and play on them because she has a domestic economy in which she can sell at a loss, charge whatever she wants for exports, and so forth.

MR. ECCLES: She has perpetual exchange control.

- 18 -

MR. WHITE: Of a very rigid kind - exchange and trade control - state buying and selling.

Now, the reason I dwell on this is because this has basic importance. Therefore we feel that unless there is something like that, what you are going to get is a return of the '30's with floating exchanges, unilateral decision as to what they are going to do with their exchange rates and exchange depreciation. So we want to prevent that, and we prevent that by producing some flexibility in what would otherwise be a very rigid arrangement which no country would accept.

So the alternative is to have a little flexibility or to have monetary chaos. Now, England wants a little more flexibility. We haven't been ready to accede to it. We think we have enough that is necessary to achieve the purposes we want, which is stability and strength - and stability requires some flexibility, in our judgment. That is one of the big issues between the two countries. That is why England cannot make too many compromises. If she does, her Parliament will throw it out.

H.M.JR: May I interrupt you? Aside from this - but you can't separate it, and I think whatever we say here is in confidence, in a sense - but the problem that the State Department and Treasury and the President have had opposite Churchill and his government, which has been very difficult for over a year now, is the question of, first, their dollar balances, and second, Mr. Churchill always, when he is over here, brings up this question of the debt, the sterling debt which England has accumulated due to her expenditures in the Middle East and in India. They have this enormous sterling debt hanging over their heads. No one representing England has ever been willing to come to grips with the Treasury on this thing. They keep talking about it. It is a worry, it is a cloud they have hanging over them on the horizon, but they have never been willing to say - although I have said to them a number of times, "Let's be realistic about this and get down and talk about it. What are you going to do?" But they haven't been willing to do it, and you may hear about it as we go along. But there it is. Due to the war, and due to their expenditures, they have accumulated this enormous sterling debt which they are worried about, and they realize that when the war is over they have got to meet this situation.

But from our standpoint, I have said to Lord Halifax and to different representatives of the British, "Now, let's sit down and be practical. What are you going to do about it?" But up to now, to use the American vernacular, they have only griped about it. But they won't get down and say, "Well, let's fight this thing out - let's argue it out." But it is there, and in any discussions the British will have with us they will always have that very difficult problem of their own - their own debt to their own Dominions or to the other countries.

MR. WHITE: Yes, this sterling debt is not the domestic debt, but the debts of foreign countries.

H.M.JR : Within the Dominion.

MR. WHITE: That is right. It is one of the things India is going to fight about.

H.M.JR: But I wanted to explain. If you think it should be explained further - that will always be in the foreground in their mind in any discussion they have with us. Is that right, Harry?

MR. WHITE: It is a very important problem. They have, confidentially - they expect to have the equivalent of seven billion dollars which are deposits of foreign countries in England, which those foreign countries are entitled to, but England won't let them take out because she can't afford it. India will have the largest share of that, and one of the things that India wants to fight about is that some arrangement shall be made through her to force England's hand to release some of that. That is a fact between England and India.

H.M.JR: But I wanted to explain that that is in the mind of the English representatives because it is a great worry. It is a great worry that Mr. Churchill and successive Chancellors of the Exchequer have. It is getting successively worse, and they don't know how to meet it.

So, whatever they argue with us, that is always back here in their mind.

MR. WAGNER: When you spoke of foreign countries, you mean Commonwealths?

MR. WHITE: Both, but mostly Commonwealth countries, India, Argentina, Portugal, and a few others. But the bulk is within their own Dominion.

MR. ECCLES: Isn't it true that that blocked sterling that they have is terribly important from the standpoint of the Fund, that some idea as to the way they are going to meet that problem - because, in fact the only way they can meet it will be through their exports, and their ability to export, as they are going to feel, has a very close relationship to the exchange value of sterling, and therefore the thing is all tied together.

MR. WHITE: Oh, yes, it is all tied together.

H.M.JR: I just wanted to point that out.

Will you go ahead, Harry?

MR. WHITE: I think we might pursue that one point further, that in this question of trying to get enough flexibility so that you will avoid a depression in those countries and yet not get that degree of flexibility which will permit anything like what happened in the '30's, there is a view which has been expressed and, curiously, it is a very naive view, even though it comes from high professional sources, that if you have an arrangement with England and tied the dollar sterling rate, that is all you need, and maybe a few of the others will gather around.

Well, that assumption is completely unreal. The trouble doesn't come from the dollar sterling rate in the first instance - it hasn't, historically, and it won't again. The trouble is from these smaller countries at first. It will come from France or Belgium. Last time it began in Australia or the South American countries. As each country gets into trouble and begins to depreciate its exchange, it catches on to not the next country, geographically, but the country closest to her from the point of view of competition. And you find the little countries go one after another, and more and more it spreads like ripples and the first thing you know the large countries like France, the Netherlands, and the United Kingdom are affected.

So if you can take care of the dollar sterling rate-- the whole situation is an absurd and unrealistic approach, because if you took care of the most troublesome spots, which are the smaller countries, then the dollar sterling

rate wouldn't be of any trouble. And when you speak of the smaller countries, individually they are not important, but as they begin to accumulate, country after country, and you get twenty, thirty, or forty countries in monetary trouble, then all the major countries are in trouble as well.

I say that because you frequently hear the people say, "Let's be cautious about this; let's make an arrangement with just England."

Leon Frazer said, "Let's lend England five billion dollars and take care of the dollar sterling rate. That is the most important."

It is true it is the most important, but from this point of view it is the others who make the trouble.

H.M.JR: Dr. Kelchner has asked me to come out a minute. He wants to know about the twelve o'clock meeting. At twelve o'clock the Chairmen of the various Delegations meet.

Might I just take a minute to explain so that you will all know. This is Dr. Goldenweiser in back there, who is the senior technician for the Federal Reserve, Mr. Luxford, who is counsel for the American Delegation, Mr. Bernstein, who is first deputy to Harry White, and Mr. Pete Collado, I take it, who is senior technician for State Department. They all will be available to all of us for advice. I have asked Mr. McDermott to be here.

MR. SMITH: He is here now.

H.M.JR: This Conference is being run by the State Department, not only being run by them, but also paid for. Mr. Kelchner is really the Secretary General, and in that way is in charge of the running of it. Mr. McDermott is in charge of all press relations. Mr. McDermott has asked me to say to you gentlemen that it would be helpful to him that any formal statement that any of you would care to make, if there is an occasion, would go through either Mr. Smith, who is here in charge of press relations for the American Delegation, or Mr. McDermott, who is in charge for the whole Conference.

All of you will be button-holed by various members of the press and I think it would be helpful if you will

work as a team, and if there is any formal statement to be made, if you would consult with Mr. Smith, who would consult with Mr. McDermott. Mr. Arthur Sweetser is here as one of my assistants representing OWI.

As I say, I do hope that all of us can work as a team and present a united front, not only towards the other delegations, but towards the press.

I can say this, in this room, as far as I am concerned, as Chairman of not only the American Delegation, but of this Conference, this has no party politics; there are no party politics in this. That is not only very definitely the President's wish - after all, this is like the war; I think it is bigger than either the Republican or the Democratic Party. It is something which we can hope to attain for one hundred and thirty-five million people, and for the rest of the world, and I think we are very fortunate in having both Senator Tobey and Congressman Wolcott here, because in the contacts I have had with both of them as Members of the Delegation, and as Republican Members of the Senate and Congress, I couldn't have a finer attitude from both of them.

I again want to say, both for the President and for myself, this is not a party Conference, and they are not looking for any advantage, and I am only going to say it once, because if I say it too often I would be protesting it too much - but in my conference this morning I was fortunate enough to have a few minutes with Senator Tobey beforehand, and I opened my press conference by quoting the very fine statement that he had made to me. If anybody came here to this meeting with cynicism in their heart - I didn't say they had better go home, but that was the inference - that this was our first opportunity to show the world that we want to take part in a World Conference - world participation.

Is that correct?

MR. TOBEY: That is quite correct. In my heart, I mean it.

H.M.JR: I think if that would be our approach in this, and our attitude not only meeting other delegations, but meeting the press - I mean, all of us will be button-holed. To illustrate - Mr. Suarez of Mexico immediately button-holed me in the Treasury and everything was lovely and he said, "I just wanted a little thing, just a little thing, Mr. Secretary." I said, "What is that?"

He said, "All I want is just silver," see? Just that little thing he wanted was silver introduced.

Well, I laughed - joked with him, and said that that was something to take up, but I hoped he wouldn't press.

I said, "Why don't you give us oil? We could use oil much better than silver." He laughed.

So again, I think if we play this as a team, if we have any differences, let's have them here in the room and over the bar in the room here, but don't--

MR. WAGNER: Where is the bar?

H.M.JR: It will be set up right back of you, there, for the benefit of you gentlemen.

But as I say, we have gotten off to a good start. We have some very good New Hampshire sunshine and weather, and let's play this as a team, looking over a broad horizon for future generations. We have all got a great opportunity here, and with that little statement, if I can be excused to have Dr. Kelchner tell me what he wants me to say at twelve o'clock - I will be back in a minute.

MR. WHITE: Shall we go on?

H.M.JR: Please go right ahead.

(The Secretary leaves the conference temporarily)

MR. WHITE: There is just one word I want to say, also, about the two-nation approach, that I would like to discuss that with you at some length later, because one of the most major difficulties - one of the major errors in the two-key-country approach I haven't touched upon, and that is the consequent creation of major blocs which would do more to threaten world economic peace and possibly political peace than even chaos in the currencies, because you merely substitute very powerful groups who will rally around and pull each other around with potentials which might be very disastrous.

I will touch upon that some other time.

- 24 -

The next important point of difference is the pressure on creditor and debtor countries, in the sense that most of the other countries feel that in the next three, five, or seven years the United States will be the country that will be putting pressure on the monetary systems of the rest of the world, on their gold holdings, and so forth, by virtue of the fact that the United States will be cornering a larger proportion of the world markets and will be in a position to develop what we call an export surplus, not only of goods, but of services as well, to the extent that other countries will be in the position where they will be able to pay only with their gold or foreign exchange, and the amount of such gold and foreign exchange is quite limited; and that we will not pursue a policy which will enable them to pay with goods and services, so that we will be putting pressure on their resources until they have to break down.

Therefore they say that some of the responsibility of maintaining--

(Mr. Somers enters the conference)

MR. WHITE: (To Somers) What you have missed I will give you later.

They feel that the countries who have that responsibility ought to be subject to some pressure through the Fund, either in the way of interest charges, or something - penalty charges which we will indicate later - to force the countries, if they can, or to influence the countries if they can - the United States, particularly - to adopt a policy which will put less pressure on their exchange and enable them to sell more goods here.

We have been perfectly adamant on that point. We have taken the position of absolutely no, on that. And that has created a good deal of discussion and will continue to create some.

MR. ECCLES: What penalty idea do they have, Harry?

MR. WHITE: The mechanics of it are two-fold: One of them is that if they buy dollars in the Fund they want to charge us an inverse interest rate, a penalty, because that is a symptom of the fact that those countries need more dollars and they want to put a charge on us.

And there is another way in which they want to do it.

MR. ECCLES: Instead of us charging them interest, they want to charge us interest, as a lender.

MR. WHITE: Which is the opposite of what we are standing for, but that is one of their points which you will hear a good deal about.

Keynes had some of it in his original plan and it constantly crops up with all the countries - they keep referring to that point.

The opposite of that is that we want to charge them, not for that reason, but for another reason, and that is, the Stabilization Fund is designed for a special purpose, and only for a special purpose, and that purpose is to prevent competitive depreciation of currencies and a race for lower rates and cut-throat competition in the international field with the use of devices which can serve only to finally end up in a free-for-all fight with disastrous results for everybody. It wants to prevent that. And it uses as an instrumentality the Stabilization Fund which enables countries to pursue a reasonable policy.

Now, the Fund must be constantly used and restored like a revolving fund by the countries who use it. They have to restore it. Now, the countries who use it are, in a sense, the debtor countries - the countries who will need currency of other countries.

Now, what we had proposed was that as countries buy more exchange from the Fund in exchange for their own money, they have to pay - we don't call it an interest charge, though it might be - what it is, they have to pay a deterrent charge, it is a charge--

MR. ECCLES: Service charge.

MR. WHITE: It is a charge that they to pay. Now, we have wanted that charge to grow in two different directions: One, the more currency a country buys from the Fund - and I will illustrate it in a minute - the more currency it buys, it pays higher rates of interest - higher charges for the additional amounts. It starts with a very low charge and then as it resorts to the Fund more and more, it pays more and more for each amount, so that is an increasingly deterrent factor for them to use the Fund's resources.

(The Secretary re-enters the conference)

H.M.JR: Excuse me. They would like the American Delegates to have their picture taken here now, and then I am going downstairs to meet the Chairmen of the other delegations. But if you would keep right on with this meeting, you see, and Dr. Kelchner and Mr. McDermott and I will go downstairs. But if this meeting would continue--

And to show you the difficulties we are working under, the manager of the hotel is under the slight influence of liquor! So if Mr. McDermott would have our pictures taken now, and then we will go downstairs.

(The American Delegation is photographed)

MR. WHITE: This is what I suggest we do for the rest of the time, if agreeable. If not, please indicate. I just have a couple of more points on the Fund, then I thought I might go very briefly and take a much shorter time on the Bank. That might occupy another half hour or so. Then we will call it a day, or ask any questions, if that would be agreeable.

MR. WOLCOTT: We shouldn't try to absorb too much at one time.

MR. WHITE: Maybe we ought to just take the Fund today and take the Bank this afternoon or tomorrow. How would that be - because we don't come to the Bank for some time, anyway?

MR. ACHESON: I think we had better stick to the Fund today.

MR. WHITE: Then I had better finish these couple of points.

MR. VINSON: I think that if we have any time after you conclude on the Fund that shortly Senator Tobey and Senator Wagner, and Congressman Wolcott and Congressman Somers, who was not present yesterday - it might be well for them to get a picture of the mechanics.

MR. WAGNER: I think, before we go further, you ought to explain the Einstein relativity you talk so much about.

MR. TOBEY: Well, you know men in statescraft say lots of things they can't explain. You ought to know that.

MR. WAGNER: I know it about myself, yes.

MR. TOBEY: It is a disease.

MR. WAGNER: When you referred to it, I thought you were familiar with it.

MR. VINSON: A filibuster is not in order.

MR. WHITE: You remember, I was pointing to the charges. I said they grow in two directions and that is, the more a country takes, it has to pay for additional increments. For example, supposing China wants to buy sterling. It buys over the first year, let's say, a hundred million dollars' worth of sterling; the next year it buys another hundred million dollars' worth. Of course, it pays for it with its own currency. The first hundred million will cost very little; the second hundred million, there will be a slight increase; the third hundred million will be a still greater increase.

MR. WAGNER: What is the purpose of the increase?

MR. WHITE: To discourage her buying and put pressure on her to do other things the Fund suggests to bring her balances of payment into order, so that she will be discouraged from buying more and encouraged, as we will see in a moment, to buy back her yuan, paying back in gold or sterling, so that the Fund has about the same resources after a few years - the same make-up.

MR. TOBEY: But of course if the exigencies of a member nation were more acute, that penalty in the form of increased interest wouldn't hold them very long, would it?

MR. WHITE: It is not supposed to. That is exactly the same point; as it becomes more acute they should resort to the fund. The idea of the Fund, the characteristic feature--

(Mr. Tobey leaves the conference)

MR. WHITE: If you don't mind, I will go on with what I was saying.

- 28 -

Now, that is the increase in one direction. Now, supposing China has bought, as I say, over two years, three hundred million dollars worth of sterling, paying for it in yuan. She doesn't buy back the yuan that is in the Fund - her currency which is in the Fund. She is supposed to buy it back in time, because this is a revolving Fund, just like a man is supposed to pay his loan back in a bank, eventually. It is a short-term loan. If she doesn't pay it back at the end of the second year, the charges increase. The third year they increase still more, and the fourth year. They constantly increase as time goes on. So there is pressure in two directions for her to buy as little as necessary, and to keep it out as little as necessary, but never to reach the point, as I say, never, I mean not to reach the point where she is confronted with no alternative, because that is when the break comes.

The characteristic of the Fund is flexibility, always with increasing difficulty of pulling, so that you are always able to help a country, but under such conditions which assure that she will do the basic things which are necessary to correct the situation while you are helping her.

Now, countries accept that principle, in general, but they don't like the magnitude of the charges which we have put. Well, naturally we would put them at - I mean, they might go down--

MR. SOMERS: Mr. White, aren't we sort of defeating the fundamental purpose of the thing if we put too heavy a penalty on? A country has to be weak before it goes to you for sterling, and then if you put a heavy penalty you just keep weakening it more and more until you bring about its collapse, just as these finance companies do to the man who goes in and borrows money. He never pays off.

MR. WHITE: That would be true if you put too heavy a burden. But we are talking about a quarter of a percent. In the second place, it is not necessarily the weak country that comes to the Fund. It has many other things it can do. The purpose of the Fund - it is a Stabilization Fund; it isn't the source of long-term credit which the other institutions are; it is the purpose of the Fund to help them out over a period of time which would permit them to so shape their policies so as to correct the basic causes and restore equilibrium in their balances of payments.

That takes time; sometimes it takes a year, two, three, four - maybe seven years, depending upon the country and depending upon the time. What you do is create additional inducements. They are never that strong to bring about the situation that you say, which would be the case if the burdens were very heavy, but the rates we are talking about, as you will find, are fairly small. They begin with half a percent and then increase.

Now, countries should do something. They are confronted with a situation about which they must do something. They cannot use the Fund for the purpose of resorting to it and then never repurchasing their currencies. That would defeat the purpose of the Fund. So it is necessary to find a medium ground between not imposing a greater burden and not having so slight a burden that there isn't inducement for them to do the things which are in their own interest to do, as well as in the Fund's interest. I think that will become a little clearer when we take up that specific point and see the conditions under which they resort to the Fund and then the conditions under which they restore it.

One point may be worth repeating, that the Fund is always worth the same amount in gold; it always has the same value. If you start with an eight billion dollar Fund, it is always worth eight billion. If a currency depreciates, either by one circumstance or another, or if there should be a default or liquidation, a country has to put in more of its currency to make up the difference. So the money in the Fund is always worth the same amount. It is always worth eight billion dollars.

I might digress - I don't know whether it is worth while - but you have heard the expression about throwing money down a rat hole - two and a half billion - it might be worth explaining why that is completely unrelated to the investment in the Fund. I don't know whether - this will take about five minutes to explain - I think it may be worth while because it is an important element in the Fund - there is very little risk in the Fund. Any one who understands the Fund realizes that we have risked very little. I would say the only risk you have is another major war in which countries will just violate all their obligations. But outside of that, the risk is almost negligible in this Fund.

The reason for that is this: Some think that when the United States puts dollars in the Fund and foreign countries use those dollars, putting in their own currencies,

they say, "Well, there are no more dollars in the Fund and all you have got are poorer currencies."

What they don't understand is the basic mechanism of the Fund. As they buy dollars, if we say that other countries buy dollars, they substitute their currencies for the dollars in the Fund, so that the Fund is always worth eight billion dollars.

Now, are their currencies good? Actually they are as good as gold for the purposes in the Fund. Why? How can anybody make that statement?

Well, if you understand the mechanism, you see what happens. Our gold that is in Fort Knox, on international transactions--

(Miss Newcomer enters the conference)

MR. WHITE: How do you do, Miss Newcomer. (Mr. White introduces Miss Newcomer to the delegates)

The gold that is in Fort Knox can be used for only one purpose outside of domestic monetary reserves, and that is to buy foreign exchange. That is why the United States is in an enviable position; that is why we are in a powerful position in this Conference; that is why we dominate practically the financial world, because we have the where-with-all to buy any currency we want, you see. If only England was in that position, or any of the other countries, it would be a very different story. They can't. They can't buy with sterling. India, for example, as I pointed out before, has more sterling now than she knows what to do with. She can't take it out and she can't spend it anywhere. But with our gold we can buy any currency. That is the important thing about our gold.

Now, let's go back to the Fund. As the dollars in the Fund get lower and lower, and they get lower and lower because other countries are buying dollars and they need those to pay for the goods they buy here, then our ability - our privilege of buying all the other currencies with dollars increases so that the less dollars there are in the Fund, the more valuable do other currencies become to us, so that, in effect, they are as good as gold. You can buy any currency. You only need currency to spend in that country.

Let's take France, for example. You might say the franc is a weak currency, yet if we need it we have to pay gold for it. With this Fund, if we need francs we could pay for them with dollars, which to us is equivalent to the same, but it does mean that our rights to buy francs, you see, increases as dollars get lower. You needn't understand now how it works.

When we want to buy anything in francs, francs are just the same as gold, and you can buy the francs at the rate which is already fixed ahead of time.

So, if you understand the mechanism, and I am positive I could make that clear in a few minutes - it is a pretty technical matter and we will have more chance at it - but if anyone understands the mechanism they will realize that what we put in the Fund remains there, and is as good as gold at any time. And anyone who says that you are throwing money down a rat hole, or exchanging good money for a lot of cheap currencies because the dollars will be gone and you will have nothing but yuans and pesos, he just doesn't understand.

MR. SPENCE: Will there always be the same amount of gold in the Fund?

MR. WHITE: No, the currency will always be worth the same amount of gold. The gold will be used for the purpose of dollars if they get scarce. Other countries need money because they are borrowing--

MR. SPENCE: Is there a minimum of gold that will always be in the Fund?

MR. WHITE: There will be constant in-flows, because they have to pay in gold for certain purposes, but there is no minimum fixed. They may use all the gold that they may have over a period of several years.

There will be, as we figure it - what is it, Mr. Bernstein, about how much gold will the U.S. hold?

MR. BERNSTEIN: I would say around eighteen hundred million dollars.

MR. WHITE: The Fund will start with a little less than two billion dollars worth of gold, and the rest in various currencies. They will not use any of the gold until other countries have some of the currencies in the Fund - probably chiefly dollars, because that is where the

pressure is likely to come over the next few years. When the dollars are mostly gone, or all gone, then they will probably use gold to begin to buy. So they will pay us gold for the dollars that we give them - just an exchange.

MR. WAGNER: Supposing they want our dollars and they haven't got gold?

MR. WHITE: You mean, suppose the Fund is all out of gold?

MR. WAGNER: No, the individual country - you are talking about the individual country wanting to buy dollars.

MR. WHITE: Oh, if they have no gold - no, I was meaning the Fund would buy dollars. The Fund starts with almost two billion dollars' worth of gold. They won't need to use that at all at first, but the time may well come within two, three, four or five or six years - you can't tell, because we don't know what the trade picture will look like - but the time may well come when they need more of a particular currency - probably dollars - it may be Canadian dollars or it may be one of the other currencies. At that time the Fund must get more of the scarce currency to be able to sell to its members, at which time it will use gold for that purpose.

If it buys - let's say it buys Canadian dollars. It will use the gold to buy from the Canadian Treasury, central bank, Canadian dollars; or if it is U.S. dollars it will use the gold to buy from the Federal Reserve Bank, the Federal Reserve System, dollars, and give them gold in exchange.

MR. ECCLES: Harry, you said the dollars would always be worth their amount in gold.

MR. WHITE: I said the equivalent. They are just as good as gold for purposes of international trade.

MR. ECCLES: Yes, for purposes of trade. If the demand for dollars in gold was such - which it may well be in the next few years - that the amount of dollars in gold in the Fund would be entirely used up, and then if we should want to withdraw - if the Fund should reach a point where it wasn't working and there should be a liquidation, then in that case, of course, we would get neither dollars nor gold, but would have a claim on a Fund which would be made up of these various currencies.

MR. WHITE: Yes.

MR. ECCLES: So that is the risk - that is the chance. But as long as the Fund is operative, then our dollars in that Fund are worth the same as gold in international trade.

MR. WHITE: That is right. Let's take the first point. You are quite right. Now the Fund - it can't use up its gold in dollars in a few years because there are checks on it. It has to be done more slowly than that. Even if it used up its dollars in gold, the Fund functions almost exactly the same; even if the Fund then has the power to borrow, if it wishes it can borrow if somebody will lend it - the Fund may come to the Federal Reserve Board and say, "This is the circumstance; we are going to be out of dollars and other countries need dollars to pay for exports. If you want to continue to export more, we will need more dollars, somehow. Do you want to lend it to us?"

Now, the Board at that time will decide whether they do or don't. If they do, there are more dollars. They may lend it under certain conditions. If they don't, there are no more dollars. If there are no more dollars in the Fund--

MR. ECCLES: The Open Market Committee!

MR. WHITE: That will be some Fund - won't it! At that point, even if the Fund has no dollars, the assumption that it doesn't work again arises from the fact that the people don't understand, because all that means is that the countries have to use the other forty-nine or fifty-nine currencies in the world, that they would have to reduce their purchases or shift some of their purchases. That doesn't mean all, because they always have an incoming stream of dollars every time they export, but they will have to shift some of their purchases to other countries.

That is exactly what they would have to do in the absence of the Fund, and it is exactly what we want them to do if we don't want to increase our exports, so the Fund begins to be most efficient at that point, instead of breaking down. Now, that is something that isn't understood. It doesn't mean we stop exporting - no. It means that our exports either diminish or do not continue to increase and they adjust their balance of payments - they are encouraged or forced to adjust their balance of payments much more quickly this way, and more orderly.

If you didn't have the Fund, and they reached the limit of their dollars in gold, then is where your trouble begins - oh, long before the limit is reached.

MR. ECCLES: Harry, I wanted to ask a question. I think it may be of importance to the delegation in connection with this discussion, and that is the right of the various countries to call upon the Fund - the question of whether or not, without questioning, without restraint, they can borrow up to the amount of their contribution to the Fund, twenty-five percent a year, and so forth, or would restraints be put upon them if it was felt that this equilibrium that happened to develop in that country could be corrected without using the Fund to the extent that they were using it?

For instance, the out-flow of capital in the form of payment of debts or for - oh, any other purposes. I mean, it seems to me that that is an issue - the amount of restraint upon the use of the Fund is going to be one of the basic issues in these negotiations.

MR. WHITE: I am glad you raised that point because it is one of the issues, and it is a very important point. You see, as the Fund is operated, a country can buy exchange as it needs only up to a certain rate each year. They can go beyond that rate if the Executive Committee or the Board or Council, or whatever operates the Fund, believes that it is essential and desirable from the point of view of that country and from the other countries, to give it a little more assistance. There is no absolute limit. That is one of the beauties of the Fund.

It has perfect flexibility to the extent in which it can help countries and perfect flexibility in the extent to which it can adjust many things to prevent breakdowns. Now, one of the flexibilities is that they can exceed what we call their quota each year if the Board of Directors feels that the situation warrants it. Some may draw very little; some may draw as much as they can.

MR. TOBEY: If they haven't used it the first year, they can add to it the second?

MR. WHITE: No, only during the twelve-month period.

MR. BROWN: Some of the other countries have raised that question.

DR. WHITE: To be accumulative? I say no, because I know in our minds we are going to say no to that. It is our proposal, the twelve-month period. If they don't utilize it, it is because they didn't need it. If they didn't need it, there is no reason for it to be accumulative. It is not like preferred stock dividends.

I was coming back to the point which Marriner raised. The question is, shall these countries have the right to draw up to twenty-five percent, or does the Fund have any jurisdiction to say, "It is true you haven't used your twenty-five percent, but we don't think you should, for such and such reasons." The British and a number of the other countries--the Dutch, British, Greece, and so forth--have insisted that it shall be a matter of right, so they can plan ahead so that the central banks can know that this is what we can have access to and plan ahead. The American Delegation has taken the persistent attitude that it is not a matter of right; that the function of the Fund is to help them maintain stability; and if a country is pursuing such policies, either monetary or commercial or inflationary policies, so that in its own interests it is not being helped but you are merely making possible a postponement of the necessary corrective factors, that the Board of Directors shall have the authority to say, "You can only get so much, even though the quota is so much." And that is the way the provision now reads; but it reads in a way that is not too easy to see if you read it quickly. What it says is that they must use the funds in accordance with the purposes and the objectives of the Fund.

If they are buying exchange for purposes which do not help equilibrium but serve to postpone the restoration of equilibrium, then the Fund can say, "No, you can't get this, but less."

MR. ACHESON: Does it put that decision in the Board of Directors?

DR. WHITE: Yes, and that is one of the bones of contention.

MR. ECCLES: That is a very important matter. We have assumed it was a matter of right, and therefore instead of this being a Stabilization Fund, it was merely a four-year installment lending fund.

DR. WHITE: Yes. There are two things: One is, the foreign countries always speak of it as a matter of right.

Secondly, the clause limiting it is in accord with the purposes, and so forth, so as to give broad powers.

But even notwithstanding that, the effect of the charges will be such that a country will not resort to the Fund.

MR. ECCLES: The managers of the Fund couldn't well refuse the loan of twenty-five percent, certainly. It is expected that that is about what they would need, unless they have a very good reason, unless they can prove--unless in their judgment it should be entirely out of accord with the purposes of the Fund.

DR. WHITE: That should be. I don't think the Fund should butt into every country's business and say, "We don't like this or that."

MR. ECCLES: But it is an obvious thing that should be prevented. There should be some rights to tell them to halt and not give them the right to help to destroy the Fund. That would be the effect of it, if it weren't being used in accordance with the purposes.

DR. WHITE: No, it wouldn't destroy it. It would be merely less effective.

MR. BROWN: I think it would be fair to say, Mr. White, that the technical experts at Atlantic City, every single one of them that I heard, started out saying that the agreement as drawn gave them a right in the discussions. The British and others began to weaken in the interpretation of the statement of principles as it was written, but a recognition of the fact that if a country was "condemnation"--which was a favorite word of Lord Keynes--then the management of the Fund ought to have some right to check them.

But as it is drawn, unless you can go back to the very general language that it is for the purposes of the Fund, I think it is pretty arguable if that statement of principles doesn't give them the right.

DR. WHITE: I wouldn't put it that way. I would put it, rather, this way: There is no question as to the authority of the Fund to say no; but it would have to defend its position by that statement which says that the funds must be used in accord with the objectives. I don't think I know in drafting that, and we were very careful in drafting that--it has been the subject of long discussions. Our lawyers

c/d

- 37 -

have taken the position that beyond question that gives adequate powers.

MR. LUXFORD: That is clearly true. The Fund has the right at any point where it is satisfied that a country is not using the assets of the Fund for the furtherance of its purposes to stop the whole business.

Now, in drafting that, you have to keep in mind that other countries have to sell this same proposition, and the language gives us clearly that right, but we have tried to avoid emphasizing any more than you have to.

DR. WHITE: But I think Ned is right in saying that the Fund would and should hesitate to reduce or refuse a request unless they were on pretty excellent ground.

MR. BROWN: I go beyond that. I say that there are technical experts at Atlantic City who would dispute Luxford's statement that the Fund would have a right to refuse and say that they have an inherent right to it. That is going to be a major item of dispute.

MR. ECCLES: The position of the American Delegation should be, it seems to me--

DR. WHITE: There has never been any question in the minds of the American Delegation or in the minds of the lawyers as to the interpretation. If there is any question, it ought to be changed.

MR. ECCLES: I brought that up, because I thought that was the major point of difference.

DR. WHITE: As between us and the other countries, they want that changed.

MR. ECCLES: Our Delegation should understand this and a few of the other important points.

DR. WHITE: I am very glad you raised it. But let's make clear that point. Our Delegation has stuck to those grounds. Our lawyers have told us that is the authority, and the other Delegation have tried to interpret by their discussion--create a background which would make it more difficult later for the management to do that, and have tried to modify the language in such way that it would be much more

- 38 -

of a right than a judgment. And we have never receded beyond the point where we are certain that right exists.

MR. WAGNER: Did you discuss the question of Directors today? How we would secure the Directors?

DR. WHITE: That is one of the important points on this matter.

MR. WAGNER: We haven't discussed it yet?

DR. WHITE: One of the items of contention--the only thing I have said about it--is how the Directors were to be elected. The five major Directors automatically become part of the Executive Committee. The contention is how shall the other four be elected. And that is part of the major issue.

MR. WAGNER: You were talking about what the Directors should or should not do.

DR. WHITE: We haven't discussed that yet.

MR. WAGNER: If we are not in control, what difference does it make what our attitude should be?

DR. WHITE: The Directors are in control.

MR. BROWN: You understand the Directors vote somewhat like the chairman of a delegation at a national convention. The United States will have a great many more votes as the Director of the United States in the Board of Directors than a representative of any other country. Just as the chairman of the New York delegation might get up in the Republican or Democratic Convention and announce he was casting 128 votes for what-will-you or the candidate, and then the representative of the Nevada delegation would get up and cast six.

Now, they are Directors, but their voting power is related to the quotas of the various countries.

MR. WAGNER: I didn't hear what that voting power would be.

DR. WHITE: I merely said it would be great on the part of the countries that handle it. We will want to go into that, and also the powers of the Directors.

e/d

- 39 -

MR. SPENCE: That will depend on our quota, to a great extent?

DR. WHITE: Yes.

MR. SPENCE: If our quota is two billion, 750 million, could you tell us what?

DR. WHITE: I should think about twenty-five percent.

MR. BERNSTEIN: It is just about twenty-five percent.

DR. WHITE: Then of course we would have a lot of other countries that would vote with us.

There is another point. The major countries are not those from whom you have to worry about their resort to their quotas, because those countries have a very strong sense of fiduciary responsibility--England, Netherlands, Canada. They don't behave in a manner that would suggest they are pursuing policies that are bad. You don't have those countries in mind. You have a host of other smaller countries whose sense of financial conservatism and soundness--

MR. WAGNER: Someone might say on the outside they may all gang up on us.

DR. WHITE: On us?

MR. WAGNER: Yes.

DR. WHITE: They can't.

MR. ECCLES: There are too many conflicting interests.

DR. WHITE: Because every time country "A" buys out of the Fund, there is less in dollars for everybody else to buy. So everybody is interested to see that people buy as little as possible.

Secondly, our votes increase. I didn't mention that. One of the provisions we have is that the votes of the country whose currency is being bought increases the more they buy it, and the countries who do the buying decrease.

MR. SPENCE: Suppose all of our gold is depleted. How would you purchase rare currencies? Don't you need gold for that purpose?

DR. WHITE: What do you mean?

MR. SPENCE: I mean, if the gold would disappear from the Fund eventually. Is that possible?

DR. WHITE: Possible, not likely--but possible.

MR. SPENCE: Then could you acquire rare currencies?

DR. WHITE: Only if that country wanted to lend it to the Fund.

MR. ECCLES: If it had currencies in the Fund.

DR. WHITE: They wouldn't use the gold as long as they have currencies in it. You begin to use the gold after a particular currency is scarce.

MR. SPENCE: Do you think it is very improbable that it would be depleted?

DR. WHITE: Improbable? It is hard to know. It couldn't take place before three or four or five years. It is hard to know how much we are going to buy, how quickly Europe and the other countries are going to get into the export markets, what kind of tariff policy we will pursue, what kind of credit policy we will pursue. It is impossible to say. Anyone who says he knows is talking through his hat. He doesn't know. There are too many uncertainties. It is likely during the next few years there will be a greater demand for the dollars than any other currencies. It is not only likely, but to be expected, that dollars in the next few years will begin to be diminished in the Fund. The question is the rate at which that takes place, because there are checks on what each country can do.

In the second place, one of the things we haven't touched upon at all, which bears importantly on that, is that UNRRA has already taken some of the insistent demands-- will take some--off of the Army relief, and that the Bank will have an important effect in supplying long-term capital to the very countries who might give the greatest pressure. So that there will not be a resort to the Fund.

In addition to that, we must bear in mind, also, that the South American countries and some, many, of the European countries whom you ordinarily would not look to to have

g/d

- 41 -

large gold and foreign exchange resources, have more now than they have had in their lives. Every one of the South American countries have very substantial holdings. Sweden, Portugal, China, Switzerland have very large gold holdings.

MR. WAGNER: Where do they get them from?

DR. WHITE: During the war they were able to sell and weren't able to buy, so they were forced to save.

MR. WAGNER: Did we give them a good deal?

DR. WHITE: In South America we bought the bulk, but we didn't sell them anything, so they had the money that they otherwise would have spent.

Now they will spend a good deal of that surplus over the next few years, but that means that they resort to the Fund very much more slowly, because one of the requirements, for example, is that when a country wants to buy currency, it has to pay half with gold, unless it has very little gold, unless it has gold which is less than its quota. A country like Greece has very little gold.

MR. ECCLES: That is a provision of the Fund?

DR. WHITE: Yes.

MR. ECCLES: That it must pay half?

DR. WHITE: Yes. Also, there is another provision that if it accumulates any gold, it has to buy back its own currency by half. That was in answer to your question, Mr. Spence. I said there is a constant incoming stream of gold. But it is possible.

MR. ECCLES: Those are some of the objections that some of them raise--that there is some objection to that provision.

DR. WHITE: Yes, but that is the provision I think the Delegation will want to stand on.

MR. ACHESON: Harry, don't these questions raise a very fundamental matter of principle and objective here which, if properly solved, will answer most of the objections that have been made to the Fund, domestically, and will make the thing work? In other words, the Fund is a mechanism for a

- 42 -

limited purpose, and that limited purpose is to smooth out short-range fluctuations.

MR. WHITE: Yes, if you include a short-range three-five-six-seven year, which is short-range in these matters.

MR. ACHESON: All right, or whatever the period is. But it is not to take care, and cannot take care, of all the factors that make for dis-equilibrium.

It cannot make up for maldistribution of capital or wrong movement of capital on a large scale.

It can't make up for erroneous commercial policies, and if it is used for those purposes, then it will go "bust" and justify the criticisms.

If it is not used for those purposes, but keeps itself in a comparatively narrow field, saying these other things must be done in other ways, then it will be all right.

MR. WHITE: It can't go "bust." Aside from that, I will agree with you.

MR. ACHESON: In the sense that it won't work any more.

MR. WHITE: That is impossible. What you can say is it won't work as well.

MR. ACHESON: It seems to me you have something pretty fundamental here, because if people can draw on the Fund without end, for any purpose, good, bad, and indifferent, and if the machinery isn't strong enough to resist that, then a good many of the criticisms will be justified.

DR. WHITE: It is only partly true. Obviously, there is a point there as we have said, that the Fund ought to have the authority to see that the result of the Fund is not abused. We think it does have that authority.

But even if it abused, that isn't our last line of protection, by any manner of means. There are other protections. In the first place, they can only do it at a certain rate. In the second place, the longer they keep their currencies in the Fund without repurchasing--and every country can repurchase--it means the more they must pull their belt in. They do exactly what they would have to do without the Fund, except they have to pursue more reasonable tactics.

This question of resort to the Fund means that you are giving the Fund additional influence beyond anything that exists in the absence of it; but the continued resort to the Fund, which in nine cases out of ten would be quite legitimate and quite reasonable, doesn't in any way suggest that if countries resort to the Fund then a few of the scarce currencies are gone.

To say that, as I say, is to misunderstand the whole nature of the operations. It merely means that certain currencies are not available. Dollars may not be available. Dollars are not available now at all. You could get the dollars the same way you get them now. How does that country get dollars? It exports goods to the United States; it can borrow; it uses its gold. It does that, anyhow. It can borrow. It does that, anyhow.

MR. ECCLES: It might not go "bust", but if it should run out of dollars and practically run out of gold, it isn't a very effective instrument for carrying out the objectives.

DR. WHITE: No, I don't accept that at all. That is fundamental. We have got to understand that, because I don't think that will happen. But even if it does, that only means there is one currency out of fifty they can't buy in the Fund. They can still buy forty-nine.

MR. BERNSTEIN: They still buy that currency, too; but they don't buy it in the quantities that they would wish, because there is a constant influx of dollars and gold into the Fund under the provisions of the Fund. Those dollars and the gold that accumulate and come into the Fund regularly would still be available for sale.

It would not be as large an amount as other countries wish. So the Fund would still deal in every currency, but its dealing in one currency would be somewhat less than otherwise.

DR. WHITE: It sounds sophisticated to say that when the dollars are gone it is "bust." But it is just dead wrong. This Delegation has to understand how this Fund works, because it is, we think, an excellent instrument which we have protected at every phase.

I agree a hundred percent with what Dean Acheson said, that this cannot solve all your problems. If it could, it would be a miracle. It has a certain specialized function, but there are other things that have to be done. You have to supply long-term capital. That is why we are suggesting a Bank. You have to have relief--proper commercial policy. But that doesn't mean that this cannot continue indefinitely to provide a very important function. And let us bear in mind that we are overlooking one important aspect in concentrating on this point for a moment. One of the very important things this Fund does, equally important, is that countries agree not to alter their exchanges, except through multilateral action.

A country has to withdraw in order to do this. If it withdraws, the liquidation provisions, as we would like to see them, as we have drafted them--I don't know what we will come out with, that is one of the things that we will have to discuss, since there are some differences of opinion among the delegates--will be such that there is virtually no risk. So even if the Fund is liquidated, you will get your funds back in the equivalent of gold; that is, either in purchasing power in that country of gold which is the same thing though it may take you three or four years to get it. So the reason why I stress this point is because that is a very common misunderstanding on the part of some commentators who should know better--that you put dollars in and the dollars will be gone, and three or four or five years later the gold will be gone; that you can't stop it from doing that, and the Fund goes bad. That just isn't true.

MR. ECCLES: Harry, it seems to me it like a loan. However, if you liquidate the Fund, it is true that we would have a claim on foreign gold. Any time we make a foreign loan, we have that.

3/a

- 45 -

DR. WHITE: No, no. They just default.

MR. ECCLES: I know, but they default because--

DR. WHITE: Local currency?

MR. ECCLES: There are a good many loans that would be paid here in this country if our commercial policy had been such as to make it possible.

DR. WHITE: A transfer problem. Well, we have gotten that protected. But you can't compare the protective devices here with the protective devices there.

MR. ECCLES: That is right. You have a mechanism here, and the other way you didn't have it.

DR. WHITE: We have a way of liquidating that transfer problem which doesn't exist under circumstances of any kind of default.

MR. ACHESON: Harry, the point that I was trying to stress was not so much whether the Fund would be "bust" or go into that, but if you follow the principles which are laid down, and if there is this check against indiscriminate borrowing, then the Fund never should get to the point where it exhausts its dollars or exhausts its gold, because then we are not going to get anywhere, achieve the purposes of the Fund by doing this.

The movement which brings that about is caused by other things. It is caused by something which has to be adjusted by loans of capital or by changes of commercial policy. Therefore, there is no use using the Fund. You are not getting anywhere by using the Fund. If you adhere strictly to the principles, if the Directors exercise that control, you will not try to do something with this Fund which is beyond the purposes and beyond the powers of the Fund. Isn't that true?

DR. WHITE: Yes, but I'd like to add two things to that, because they are important: We mustn't think of this Fund merely as United States against the rest of the world. These problems exist between all countries, and therefore the fact that they may not be dollars doesn't mean the same influences don't go in between France and Belgium, between Holland and England, and that the effect-

iveness of the Fund operates among those other countries that have the same trouble. They can't all operate that way. I mean, you never can get in a situation where more than a few countries' currencies are scarce or even half a dozen. If one currency is scarce, the other increases.

Therefore, I would agree that if the Fund has utilized all one particular currency and all the gold--and that would take you some period--can it continue to operate even in that currency?

In the first place, it will operate in the other fifty. That is very important. We, after all, only have ten percent of the world trade. The way you hear some people talk, you'd think you have all the trade in the world. There is ninety percent of the trade you need to keep stable without the dollars. It isn't even as little as ten percent, because the difference is not ten or nothing; it is the difference between eleven and ten, nine and ten, and eight and ten. It is that difference which we are manipulating with.

So the Fund still continues to operate between ninety and ninety-five percent of the trade; I am saying, even if the dollars are gone. It is in our interest that trade between those other countries are stable, because we still do the bulk of our trade outside of this Fund.

The second point, the Fund itself helps achieve that, because one of the things that the Fund does, it doesn't permit flights of capital, so that I would say that if we, for example--they all think we are likely to be the worst offender in that sense--do not have the type of commercial policy which enables countries to maintain equilibrium and the gold and dollars in the Fund have gone, you don't assume, even with dollars now, the Fund has another important power. It was given specifically for that reason; namely, the Fund can go to the Federal Reserve Board and say, "We want to borrow another half a billion or another billion dollars or another two billion or three billion." I don't mean they borrow it at once; they borrow so much a month over a period of years.

Now, supposing they come to the Board and they say the dollars are gone. They would come to the Board before that. They would say, "The dollars are gone and we are spending our gold. The next year, at the rate we are going,

we will need more dollars from the Fund. If we don't get more dollars, the Fund will not have more dollars to sell."

That doesn't mean that other countries won't have dollars from their other sources. They have gold exports, and so forth. But the Fund will not be able to give them additional dollars.

At that point the Board will say to itself--it will get into a huddle with the Committee, and the monetary authority will say, "Do we want to lend that Fund any money?" Remember, the loan to the Fund is pretty good. It isn't like a loan to one government or to a small country or a corporation. It is a loan to all the rest of the governments in the world.

Now, the Federal Reserve Board would say, "Do we want to lend that Fund any money? If we do lend it, then our exporters will be able to sell more goods. If we don't lend it, our exporters won't be able to sell more goods. Shall we lend it and help our exporters, or shall we not lend it and not help our exporters?" If we have a boom period, or if there is good employment, they might very well say to themselves, "We don't want to lend any more money, because we have got all the business we can handle. If you want to buy any more, you'd better buy them where you have the currency with other countries."

In other words, if there is substantial unemployment in the United States, they may say, "Yes, we don't want more unemployment; we want less. We'll lend the Fund for the next year"--let's say--"a hundred million dollars every quarter."

Whatever the rate is, it is a constant rate. It isn't a once-for-all decision. And we'll help our exporters. That is one of the important things in the Fund. As I say, it has flexibility. Its resources aren't limited to the eight billion dollars. In addition to the eight billion dollars, it has borrowing capacity which consists of the borrowing rights of all the governments together, and never in world history has there been a loan as safe as that, because you are not lending to one government but fifty governments who are all responsible for the repayment of that currency.

MR. ECCLES: Harry, if the Fund had used up dollars entirely and it was then a question of borrowing additional

dollars in order to provide exporters with a market, you would want to say, "Well, now, is this a continuous process of lending, such as we had in this country from '21 to '28, in which this country loaned the world, say, eight billion dollars, and the only way you are going to get repayment is sooner or later reverse the action and have the importers take more goods"? So that in making a loan, you would naturally say, "Is this a temporary loan to meet a temporary situation, or is this trend and is our commercial policy in this country such that other countries can't pay off even the Fund--that is, they can't pay off the Fund--therefore how could they pay off the loan?"

So that, as I say, what this Fund seems to me to do, which is of value, is two things: It does establish the rate of the various exchanges of the countries of the world on a multilateral basis and it provides a mechanism for keeping orderly exchanges. Now, that is in itself very important.

Another thing that it does, it points up very directly the position of the creditor nations. It puts the pressure on the creditor nations to recognize realistically that foreign trade is not just a means of selling goods; that a country that expects to sell goods and services has got to be prepared to buy goods and services or take gold or give long-term credits which are bad because you never know when you are going to get paid. It does point up for the first time that relationship.

Now, this country has thought in terms of its whole life of itself as being a debtor nation. We turned to being a creditor nation, and we pursue the policy of a debtor nation. This Fund, it seems to me, will point up and put the pressure not on the debtor, but this Fund enables the debtor to put the pressure on the creditor.

DR. WHITE: Yes, only to this extent: Merely by virtue of making the facts clear.

MR. ECCLES: That is right.

DR. WHITE: It points it up so anybody who runs can read.

Now, I'd like to make a couple of additional suggestions, and then I'll stop, because the Secretary told me not to go beyond that.

DR. GOLDENWEISER: What I wanted to say is to point up a little this thing about how the other countries pay us.

DR. WHITE: That was the point I was going to bring up.

DR. GOLDENWEISER: The fact that they come to it only for the net balance, this Fund in no way intrferes with the regular workings of an exchange market. If a country sells goods to America, it gets dollars for them, and when it buys goods from America, it pays its currency and gets the dollars. It is only when it finds that the two don't match and that there is a balance, that they have more demand for dollars than they have supply of dollars, that they come to the Fund.

So that the great bulk of world trade will continue without any reference to this Fund, and that the Fund will not be called upon to make--and in no way interfere with the regular channels of international trade and exchange transactions and the way banks deal with the customers. None of that is interfered with. They only come to the Fund when they find themselves short on the net. And I think that perhaps hasn't been pointed up.

DR. WHITE: I am glad you did. I think that is quite in order.

I'd like to add one other point. You said when the Federal Reserve Board of the United States should lend a billion dollars, let's say, over a period of a year or two to the Fund in order for American exporters to export a billion dollars--you say they have not been able to buy back the original currency--how can they buy that back?

In the first place, they are not paying anything back; they are buying back. Now, let's see what happens under normal circumstances without the Fund, and then compare it with the Fund.

Under normal circumstances without the Fund, if other countries are coming to you to buy more goods, they pay for it in gold. Correct?

MR. ECCLES: That is right.

DR. WHITE: What do we with the gold, and what good is the gold? We stick it in Fort Knox, don't we? To say it is

no good is nonsense. It is very good only for one purpose. Let's keep that in mind. I am not speaking of domestic monetary reserves. That one purpose is when you want to take that gold and buy other currencies, because you are buying goods from them. Right?

Now, that is exactly what you do when you lend money to the Fund. When you lend money to the Fund, they owe you. The Fund owes you in dollars or local currency. Now, that local currency is always there whenever you want to spend it. You can always buy any currency that is in the Fund in exactly the same way as if you paid for it in gold, only this time you don't pay for it in gold.

MR. ECCLES: I would sooner have that in the gold, but I'd be afraid I'd get the gold in addition.

DR. WHITE: I agree with you.

MR. ECCLES: If we could take a choice of whether you would take the currencies and if we could change the law so that the foreign currencies would be accepted as a part of the reserve set-up, whereas gold is, then I would say, "Let's take the currencies instead of the gold." Let them keep the gold and take the currencies.

But the difficulty which would confront me would be that you would take the currencies by making the loan to the Fund, call on them, and that would not stop them necessarily from selling us all the gold they have, anyway. Now, if we can control the gold, then that is another story.

DR. WHITE: But this fund does more to prevent that situation coming about by introducing something entirely new in the situation, and that is the judgment of another organization of that character, of an international organization of that character. It grows right along as the thing grows; it is not something that happens like that. These destructions grow gradually in from two to six years, and this Fund makes it possible for you gradually to get out of those difficulties. If you don't have the Fund, then you have no such influence, and instead of getting gradually out of the Fund, you find that countries at once begin to depreciate their exchanges, set up impossible import quotas, engage in multiple practices just like Germany did. That is exactly the position Germany was in.

9/a

- 51 -

Now, countries will be in that position again. Unless there is some such Fund, you will have an identical repetition of the situation in the thirties, and all that we are participating in--and I object strenuously to having it called a contribution, because there is virtually very little risk in this--all we are doing is participating to the extent of two and a half billion dollars which is what we have, anyway, laid aside in order to assure economic peace in the post-war world.

And we have surrounded this thing with protective devices at every point. That doesn't mean it is without risk. Sure, if the world is at war and a country says, "Yes, you have balances here, but try and get them," nothing can protect you against that kind of relationship.

DR. GOLDENWEISER: Just one other thing that I'd like to point up. That is going back to the fact that recourse to the Fund by the foreign countries is subject to control of the Fund; that is, I think, going to be one of the main issues, as it was pointed out. I think that while the present language is such that the lawyers feel that without being offensive it gives the Fund that right, there is going to be a great deal of language proposed which is more elegant, that sounds as though it in substance didn't change the thing very much, that is going to, by imperceptible steps, diminish that assurance; and I think that it will be awfully important for the American Delegation to watch its step in not yielding one single inch on that front, because I think that is fundamental to the success of the Conference.

DR. WHITE: Dr. Goldenweiser, do you feel--there has never been any doubt in my mind, because all the lawyers say we are amply protected.

DR. GOLDENWEISER: I have no doubt at all that as it stands now it is perfectly all right, because it does say that they can only take it in accordance with the purposes of the Fund, and the interpretation of that lies in the hands of the Board of Directors and that is adequate protection.

I have perfect confidence, in addition to the common sense of it, that the legal people have gone over it. But you must be awfully careful about not having any modification in that language and anything in the legislative history of that language from now on that would give any of the countries any right to leave here with the thought that that isn't so.

DR. WHITE: That is something that you gentlemen par-

ticularly will be in a position to judge, because you are all lawyers. When you come to that position, we will show you.

MR. WOLCOTT: Mr. White, on that score have there been any provisions suggested for sanctions which the Board might enforce in compliance with the purposes?

DR. WHITE: No. There have been some suggestions, but we have never taken them seriously, because we didn't want anyone to interfere in our affairs to that extent. We feel that with the other countries the sanctions lie in this respect, that if they want more assistance, they have to fulfill the conditions which the Board lays down. If they don't fulfill the conditions, they can't get the additional assistance.

MR. WOLCOTT: The sanctions, then, would be keeping that country from further participation by a shut-off of loans, or something?

DR. WHITE: By further resort to these additional resources. In addition to that, there are certain other economic measures, so that a country will pretty much have to not run counter to the views of the Executive Committee if it wants additional assistance, unless it wished to withdraw. And if it withdraws from the Fund, I think you will find the Fund is amply protected, and a country would hesitate a long time unless it was a powerful country like the United States.

We could withdraw, because we have adequate gold and credit, and so forth. But a small country, if it were to withdraw, would be a signal to all the creditors that that is a bad country to do business with. Their exchange is no longer stable.

MR. WOLCOTT: If it withdraws for other purposes, it would indicate they are not a safe country to do business with.

DR. WHITE: Unless it was a major country like the United States; particularly if it withdraws as a result of not wishing to abide by proper monetary policy. All these things would be known. There would be nothing behind the scenes.

MR. WAGNER: Like being kicked out of a bank.

MR. TOBEY: The general plan contemplated a year's notice for withdrawal?

DR. WHITE: Yes, we did that for our own sake. We felt if we wanted to get out, we wanted to get out. And we figured that we would trim it down to a year, and in general I think most countries feel that that is satisfactory to them, because it enables them quite appropriately to tell their Congress they are sovereign. They can always withdraw. Of course, that sovereignty exists more with us than with some of the small countries, because we can withdraw with impunity. Many of the small countries could not withdraw without taking the psychological consequences.

MR. TOBEY: Is a year still required?

DR. WHITE: No, just notice. There are measures in there to protect the assets.

MR. TOBEY: Which are distributed pro rata?

DR. WHITE: Yes, it is a pretty complicated business, because we have tried to tie the thing up as strongly as we could. But a country would get out what it put in. It might have to wait two or three or four years. It is possible that in a general liquidation there could be some losses.

MR. ECCLES: We would withdraw dollars in gold that we put in to the extent it was there.

DR. WHITE: Yes, and to the extent it isn't there. There are provisions for making it good in time.

DR. GOLDENWEISER: What you get is the obligation of those governments and very primary obligations, because they are in currencies.

DR. WHITE: And currency which they guarantee to protect against depreciation and which they guarantee shall be protected against exchange controls; and moreover, if they don't protect it, then there are arrangements among the member countries to use that currency first. Our lawyers have done a job.

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

INAUGURAL PLENARY SESSION

July 1, 1944

Assembly Hall, 3:00 p.m.

Convening of the Conference by the Secretary General.

Message from the President of the United States.

Responses on behalf of the visiting delegations by the following:

Address by the Chairman of the Delegation of China, the Honorable Hsiang-Hsi Kung.

Address by the Chairman of the Delegation of Czechoslovakia, the Honorable Ladislav Feierabend.

Appointment by the Temporary President of the Members of the following Committees:

Committee on Credentials

Committee on Rules and Regulations

Committee on Nominations

Address by the Chairman of the Delegation of Mexico, the Honorable Eduardo Suarez.

Address by the Chairman of the Delegation of Brazil, the Honorable Arthur de SOUZA Costa.

Address by the Chairman of the Delegation of Canada, the Honorable J. L. Ilsley.

Address by the Chairman of the Delegation of the Union of Soviet Socialist Republics, the Honorable M. S. Stepanov.

Election of the Permanent President of the Conference.

Adjournment.

"The Star Spangled Banner".

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UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
INAUGURAL PLENARY SESSION

July 1, 1944

Assembly Hall, 3:00 p.m.

Convening of the Conference by the Secretary General.

Secretary General Kelchner:

The United Nations Monetary and Financial Conference is hereby convened.

It is the generally accepted practice for the host government to designate the Temporary President of an international conference held under its auspices. Accordingly, President Roosevelt has designated as Temporary President of the Conference the Honorable Henry Morgenthau, Jr., Secretary of the Treasury of the United States.

Secretary Morgenthau:

"President Roosevelt has sent a special message to the Conference and I can think of no more fitting way to welcome you than to have this message delivered to you at this time. I request the Secretary General to read President Roosevelt's message."

(The Secretary General will read the message.)

Secretary Morgenthau:

"The Chair recognizes the Chairman of the Delegation of China."

(Dr. Kung will deliver his address.)

Secretary Morgenthau:

"The Chair recognizes the Chairman of the Delegation of Czechoslovakia."

(Mr. Feilerabend will deliver his address.)

Secretary Morgenthau:

"It is customary to appoint certain temporary committees for the purpose of effecting the organization of the Conference. The draft regulations which have been circulated provide for the appointment by the Temporary President of a Committee on Credentials, which Committee will examine the credentials of the various delegations and report to the next plenary session; a Committee on Rules and Regulations, which will examine the draft regulations and report to the next plenary session; and a Committee on Nominations, which will bring in also at the next plenary session nominations for various officers of the Conference.

"The Chair recognizes the Chairman of the Delegation of India."

(Mr. Raisman will move that the proposal to appoint three temporary committees be adopted and that the Temporary President be authorized to name the members of the committees.)

Secretary Morgenthau:

"You have heard the motion of the Chairman of the Delegation of India that the Temporary Chairman be authorized to appoint members of the committees suggested. Is there a second to that motion?"

(The motion is seconded.)

Secretary Morgenthau:

"The motion has been moved and seconded; all in favor say 'aye'; those opposed 'no'. The motion is carried.

-3-

"The Chairman appoints the following members of the Committee on Credentials: The Chairmen of the Delegations of Cuba, The Netherlands, the Union of South Africa, Liberia and Norway.

"As Members of the Committee on Rules and Regulations the Chairman appoints the Chairmen of the Delegations of China, Nicaragua, Poland, Australia, and Iraq.

"As Members of the Committee on Nominations, the Chairman appoints the Chairmen of the Delegations of New Zealand, Luxembourg, Honduras, Iceland and Peru.

"The Chair recognizes the Chairman of the Delegation of Mexico."

(Mr. Suárez will give his address nominating Secretary Morgenthau as President of the Conference.)

Secretary Morgenthau:

"The Chair recognizes the Chairman of the Delegation of Brazil:"

(Mr. de SOUZA Costa will give his address seconding the nomination of Secretary Morgenthau as President of the Conference.)

Secretary Morgenthau:

"The Chair recognizes the Chairman of the Delegation of Canada."

(Mr. Ilsley will give his address seconding the nomination of Secretary Morgenthau as President of the Conference.)

Secretary Morgenthau:

"The Chair recognizes the Chairman of the Delegation of the Union of Soviet Socialist Republics."

-4-

(Mr. Stepanov will give his address seconding the nomination of Secretary Morgenthau as President of the Conference.)

Secretary Morgenthau:

are there any other nominations

"You have heard the nomination. Those favoring the election of the nominee, say 'aye'; opposed 'no'.

(Secretary Morgenthau will read his address.)

"The Chair declares the meeting adjourned."

("The Star Spangled Banner")

Members of the Conference:

I welcome you to this quiet meeting place with confidence and with hope. It is fitting, I think, that even while the battle for liberation is at its peak, the representatives of free men should gather to take counsel with one another respecting the shape of the future which we are to win. I am grateful to you for making the long journey here, grateful to your governments for their ready acceptance of my invitation to this meeting.

The war has prodded us into the healthy habit of coming together in conference when we have common problems to discuss and solve. We have done this, with notable success, in regard to various phases of the war and in regard to measures which must be taken immediately after the war is won, such as relief and rehabilitation and distribution of the world's food supplies. But these are essentially emergency matters. At Bretton Woods, you who come from many lands are meeting for the first time to talk over proposals for an enduring program of future economic cooperation and peaceful progress.

~~The problems you are to discuss constitute, of course, but are~~

The program you are to discuss relates to somewhat technical financial and monetary problems and constitutes, of course, but one phase of the arrangements which must be made to ensure an orderly, harmonious world. But it is a most vital phase, weighted with meaning for ordinary men and women ~~everywhere~~ ^{everywhere}. ~~It~~ It concerns nothing less than the basis upon which they will be able to exchange with one another the natural riches of the earth and the products of their own industry and ingenuity. Commerce is the life blood of a free society. We must see to it that the arteries which carry that blood stream are not clogged again, as they have been in the past, by artificial barriers ~~through a~~ ^{through a} created ~~senseless~~ senseless economic rivalry.

Economic diseases are highly communicable. It follows, therefore, that the economic health of every country is a proper matter of concern to all its neighbors, near and distant. When the stimulus of loans or investments ~~is~~ ^{is} necessary to recovery, ~~these~~ ^{these} must be available on terms which will be advantageous to lenders and borrowers alike. For only through a ~~dynamic and~~ ^{dynamic and} soundly expanding world economy can the living standards of individual nations be advanced to levels which will permit a full realization of our hopes for the future.

The spirit in which you carry on these discussions will set a pattern for future friendly consultations among nations in their common interest. The hopeful gaze of a great many million human beings will be lifted momentarily

from the smoke and wreckage of the battle fronts to this quiet place in New Hampshire -- lifted for a sign that men of different nationalities have learned how to compose their differences and how to work together as friends. I know that you will approach your task with a high sense of responsibility to them. The things that we need to do can be done only in concert. This conference affords the first concrete test of our capacity to cooperate in peace as we have in war. The world's hopes will soar or falter as we meet this test.

62

Reading copy of Secretary's speech at opening
session of Monetary Conference - July 1, 1944.

Fellow Delegates and Members of the Conference:

You have given me an honor and an opportunity.

I accept the presidency of this conference with gratitude for the confidence you have reposed in me. I accept it also with deep humility. For I know that what we do here will shape to a significant degree the nature of the world in which we are to live - and the nature of the world in which men and women younger than ourselves must round out their lives and seek the fulfillment of their hopes. All of you, I know, share this sense of responsibility.)

We are more likely to be successful in the work before us if we see it in perspective. Our agenda is concerned specifically with the monetary and investment field.

- 2 -

It should be viewed, however, as part of a broader program of agreed action among nations to bring about the expansion of production, employment and trade contemplated in the Atlantic Charter and in Article VII of the mutual aid agreements concluded by the United States with many of the United Nations. Whatever we accomplish here must be supplemented and buttressed by other action having this end in view.

President Roosevelt has made it clear that we are not asked to make definitive agreements binding on any nation, but that proposals here formulated are to be referred to our respective governments for acceptance or rejection.

- 3 -

Our task, then, is to confer, and to reach understanding and agreement, upon certain basic measures which must be recommended to our governments for the establishment of a sound and stable economic relationship among us.

We can accomplish this task only if we approach it not as bargainers but as partners - not as rivals but as men who recognize that their common welfare depends, in peace as in war, upon mutual trust and joint endeavor. It is not an easy task that is before us; but I believe, if we devote ourselves to it in this spirit, earnestly and sincerely, that what we achieve here will have the greatest historical significance. Men and women everywhere will look to this meeting for a sign that the unity welded among us by war will endure in peace.

- 4 -

Through cooperation we are now overcoming the most fearful and formidable threat ever to be raised against our security and freedom. In time, with God's grace, the scourge of war will be lifted from us. But we shall delude ourselves if we regard victory as synonymous with freedom and security. Victory in this war will give us simply the opportunity to mould, through our common effort, a world that is, in truth, secure and free.

[We are to concern ourselves here with essential steps in the creation of a dynamic world economy in which the people of every nation will be able to realize their potentialities in peace; will be able, through their industry, their inventiveness, their thrift, to raise their own standards of living and enjoy, increasingly, the fruits of material progress on an earth infinitely blessed with natural riches.

- 5 -

This is the indispensable cornerstone of freedom and security. All else must be built upon this. For freedom of opportunity is the foundation for all other freedoms. 7

I hope that this conference will focus its attention upon two elementary economic axioms. The first of these is this: that prosperity has no fixed limits. It is not a finite substance to be diminished by division. On the contrary, the more of it that other nations enjoy, the more each nation will have for itself. There is a tragic fallacy in the notion that any country is liable to lose its customers by promoting greater production and higher living standards among them. Good customers are prosperous customers. The point can be illustrated very simply from the foreign trade experience of my own country.

- 6 -

In the prewar decade, about 20 per cent of our exports went to the 47 million people in the highly industrialized United Kingdom; less than three per cent went to the 450 million people in China.

The second axiom is a corollary of the first.

Prosperity, like peace, is indivisible. We cannot afford to have it scattered here or there among the fortunate or to enjoy it at the expense of others.

Poverty, wherever it exists, is menacing to us all and undermines the well-being of each of us. It can no more be localized than war, but spreads and saps the economic strength of all the more favored areas of the earth.

- 7 -

We know now that the thread of economic life in every nation is inseparably woven into a fabric of world economy. Let any thread become frayed and the entire fabric is weakened. No nation, however great and strong, can remain immune.

All of us have seen the great economic tragedy of our time. We saw the world-wide depression of the 1930's. We saw currency disorders develop and spread from land to land, destroying the basis for international trade and international investment and even international faith. In their wake, we saw unemployment and wretchedness - idle tools, wasted wealth. We saw their victims fall prey, in places to demagogues and dictators. We saw bewilderment and bitterness become the breeders of fascism, and, finally, of war.

- 8 -

In many countries, controls and restrictions were set up without regard to their effect on other countries. Some countries, in a desperate attempt to grasp a share of the shrinking volume of world trade, aggravated the disorder by resorting to competitive depreciation of currency. Much of our economic ingenuity was expended in the fashioning of devices to hamper and limit the free movement of goods. These devices became economic weapons with which the earliest phase of our present war was fought by the Fascist dictators. There was an ironic inevitability in this process. Economic aggression can have no other offspring than war. It is as dangerous as it is futile.

- 9 -

We know now that economic conflict must develop when nations endeavor separately to deal with economic ills which are international in scope. To deal with the problems of international exchange and of international investment is beyond the capacity of any one country, or of any two or three countries. These are multilateral problems, to be solved only by multilateral cooperation. They are fixed and permanent problems, not merely transitional considerations of the postwar reconstruction. They are problems not limited in importance to foreign exchange traders and bankers but are vital factors in the flow of raw materials and finished goods, in the maintenance of high levels of production and consumption, in the establishment of a satisfactory standard of living for all the people of all the countries on this earth.

- 10 -

Throughout the past decade, the Government of the United States has sought in many directions to promote joint action among the nations of the world. In the realm of monetary and financial problems, this Government undertook, as far back as 1936, to facilitate the maintenance of orderly exchanges by entering into the Tri-Partite Agreement with England and France, under which they, and subsequently Belgium, the Netherlands and Switzerland, agreed with us to consult on foreign exchange questions before important steps were taken. This policy of consultation was extended in the bi-lateral exchange arrangements which we set up, starting in 1937, with our neighbors on the American continents.

- 11 -

In 1941, we began to study the possibility of international cooperation on a multilateral basis as a means of establishing a stable and orderly system of international currency relationships and to revive international investment. Our technical staff - soon joined by the experts of other nations - undertook the preparation of practical proposals, designed to implement international monetary and financial cooperation. The opinions of these technicians, as reported in the joint public statement which they have issued, reveal a common belief that the disruption of foreign exchanges can be prevented, and the collapse of monetary systems can be avoided, and a sound currency basis for the balanced growth of international trade can be provided, if we are forehanded enough to plan ahead of time - and to plan together.

It is the consensus of these technical experts that the solution lies in a permanent institution for consultation and cooperation on international monetary, finance and economic problems. The formulation of a definite proposal for a Stabilization Fund of the United and Associated Nations is one of the items on our agenda.

But provision for monetary stabilization alone will not meet the need for the rehabilitation of war-wrecked economies. It is not, in fact, designed toward that end. It is proposed, rather as a permanent mechanism to promote exchange stability. Even to discharge this function effectively, it must be supplemented by many other measures to remove impediments to world trade.

- 13 -

For long-range reconstruction purposes, international loans on a broad scale will be imperative. We have in mind a need wholly apart from the problem of immediate aid which is being undertaken by the United Nations Relief and Rehabilitation Administration. The need which we seek to meet through the second proposal on our agenda is for loans to provide capital for economic reconstruction, loans for which adequate security may be available and which will provide the opportunity for investment, under proper safeguards, of capital from many lands. The technicians have prepared the outline of a plan for an International Bank for Postwar Reconstruction which will investigate the opportunities for loans of this character, will recommend and supervise them and, if advisable, furnish to investors guaranties of their repayment.

- 14 -

I shall not attempt here to discuss these proposals in detail. That is the task of this conference. It is a task the performance of which calls for wisdom, for statesmanship, above all for good will.

slow The transcendent fact of contemporary life is this - that the world is a community. On battlefronts the world over, the young men of all our united countries have been dying together - dying for a common purpose. It is not beyond our powers to enable the young men of all our countries to live together - to pour their energies, their skills, their aspirations into mutual enrichment and peaceful progress. Our final responsibility is to them. As they prosper or perish, the work which we do here will be judged.

- 15 -

The opportunity before us has been bought with blood.

Let us meet it with faith in one another, with faith in
our common future, which these men fought to make free.

July 1, 1944

My dear Mrs. Churchill:

I want to express to you my personal appreciation and the appreciation of the women of America for your splendid radio talk last Tuesday.

Your vivid description of the situation in England gave Americans at home a renewed understanding of the immensity of this terrible struggle and all that we are fighting for. I know that it meant much to the families of our men and women overseas to hear you express so eloquently the spirit of comradeship that prevails among British and Americans who are working side by side in this common effort.

We feel that you have made a real contribution to our Fifth War Loan Drive, and we thank you most sincerely for your splendid cooperation.

Very sincerely yours,

Elinor F. Morgenthau
(Mrs. Henry Morgenthau, Jr.)

Mrs. Winston Churchill
Number Ten Downing Street
London, England

Air Mail 7/6/44

COLUMBIA BROADCASTING SYSTEM

FOR LADIES ONLY

TUESDAY, JUNE 27, 1944

5:00 - 5:15 P.M., EWT

CUE: (COLUMBIA BROADCASTING SYSTEM)
(.....30 seconds.....)

1 ANNCR: This program is for women and for the Fifth War Loan. Sitting beside me in the CBS studio in New York are Mrs. Franklin D. Roosevelt, wife of the President of the United States, Mrs. Henry Morgenthau Jr., wife of the Secretary of the Treasury, and Mrs. Hazel Russ, war worker and wife of a war worker, while in our studio in London is Mrs. Winston Churchill, wife of the Prime Minister of Great Britain. These eminent ladies have come to our microphones this afternoon to discuss the contributions the women of America and England are making to the war effort. And here is Mrs. Morgenthau.

MRS. M: Thank you Mr. _____. Fellow female citizens... You have been told time and again what your country expects of you, but rarely has anyone taken the time to tell you what sort of a job you are doing for your country. Perhaps no woman has had as great an opportunity to examine at first hand the war work of American women, as Mrs. Roosevelt has had. And so I have asked her to tell you some of the things she has seen.

(MORE)

MRS. M: Today there are sixteen and a half million women employed in America's war effort. This is nearly one third of the total working force, and it is 58% higher than it was four years ago.

And this figure does not include the millions of women who work long hours as volunteers for the Red Cross, The O.P.A., the A.W.V.S., the various canteens and the U.S.O centers across the country. Nor does it include the hundreds and hundreds of young girls who volunteer during the summer for work on the farms. Mrs. Morgenthau I believe you have a group of these young girls working on your farm up at Beacon, New York, haven't you?

MRS. M: Yes, they just arrived from college last week.

MRS. R: How are they working out?

MRS. M: Excellently. Of course, the first week, there were a lot of sore muscles from strawberry picking and peach thinning. And a lot of very sore sunburned backs.

MRS. R: I imagine so, but you couldn't get the crops in without them, could you?

MRS. M: No, it would be impossible. Crops have to be harvested when they are ripe. In a couple of days they begin to rot. These girls are doing a real service at my place, and on many other farms all over the country.

(MORE)

MRS. R: Yes, crops won't wait. So women harvest them. Blood won't wait, so women staff the blood banks. Sickness won't wait, so women wear the cheery blue of Nurse's Aides, and replace many a registered nurse for duty at the front lines

The battle won't wait, so a WAC peels potatoes and another soldier marches to the front. The war won't wait, so women slip on slacks and overalls, and run turret lathes, and overhead cranes, and riveting machines. It's tremendously inspiring. And it's such an immense undertaking that it is difficult to appreciate its enormity. So instead of speaking in astronomical statistics, we will speak of the individual. We have asked a woman war worker to join us here this afternoon. Ladies, I would like you to meet Mrs. Hazel Russ.

MRS. RUSS: How do you do.

MRS. R: Mrs. Russ will you tell us something about yourself.

MRS. RUSS: Well, there isn't much to tell. Like a great many other women, I work at the Kearney Works of the Western Electric Company over in New Jersey.

MRS. R: How many women are employed there now, Mrs. Russ?

MRS. RUSS: 25,000.

MRS. R: And what kind of work do you do?

MRS. RUSS: I operate a drill press.

MRS. R: What does the drill press make?

MRS. RUSS: I can't tell that even to you, Mrs. Roosevelt.

(MORE)

MRS. R: (LAUGHING) I see, a military secret.

MRS. RUSS: Yes. Much of the work we do at Kearney is on very secret equipment. But I can say that it gives me a great satisfaction to know that equipment may be the means of bringing my boy safely back home.

MRS. R: Your son is in the service?

MRS. RUSS: Very much so. He was in the North African Invasion. He was wounded and got the Purple Heart in Tunisia. He was in the invasion of Sicily and he is now fighting in Normandy.

MRS. R: Good luck to him! Well, he is indeed a veteran!

MRS. M: Mrs. Russ, there are a couple of questions I'd like to ask you.

MRS. R: I have a suspicion, Mrs. Russ, that War Bonds are about to be mentioned.

MRS. M: Yes, indeed. You can't discuss the war effort without talking about War Bonds. Would you mind telling us about your personal War Bond program, Mrs. Russ?

MRS. RUSS: Well, you see, since my husband works, I don't need the money I earn to live on, so I invest my salary in War Bonds. And my husband buys a bond each week on the payroll-deduction plan. And then, during the Fifth War Loan, we're each buying two extra Bonds.

MRS. M: Well, that's a pretty thorough program.

MRS. RUSS: Yes, we're doing it for my son.

(MORE)

MRS. M: I think a mother with a boy in service realizes more fully than anyone else how important it is to buy the bonds that will buy the guns he fights with.

MRS. RUSS: Well, that's quite true, but I didn't exactly mean that when I said we were doing it for our boy. You see he's engaged to a girl in _____. And we want to build up a nest egg for him, so that he'll get a good start when he comes home and gets married to _____.

MRS. M: What a lovely idea.

MRS. RUSS: We have just reached the \$2,000 mark. And we won't stop until my son gets home.

MRS. R: Good for you, Mrs. Russ, and we all hope he will be back very soon.

MRS. RUSS: Thank you, Mrs. Roosevelt.

MRS. R: Thank you for being with us, Mrs. Russ. I am sure she will not mind if I say that Mrs. Russ is not an exceptional woman. She is typical of women I have met and talked to, all over America, women who have turned to the service of their country in countless ways. Women who realize that this is a total war, a people's war, and there is no place anywhere for the sluggard and the laggard, and the slacker.

The bombs and machine guns of the enemy are no respecter of sex or age, or creed or color. And the plans of the German High Command and the Imperial Japanese Staff include the slavery of women as well as the enslavement of men. We here in America are so fortunate that we have

never felt the sting of the German lash, or the nameless obscenities of Japanese torture. We are so fortunate that our towns and cities remain standing, solid and beautiful in the clear American light. That we have never known the horror of searching through the ruins of our homes for the broken bodies of our loved ones. To be so fortunate is to be obligated to serve our country all the more. Our neighbor across the Atlantic has not been so fortunate. The English woman's face is sterner today as she goes about her wartime duties. She knows what war is, because she is serving in a combat zone. In London where it is now late evening, there is sitting a very good friend of mine who knows well how well the English woman is doing her job. She is the wife of the Prime Minister of Great Britain. Mrs. Churchill, will you tell the women of America about the women of England.

SWITCH TO

MRS. CHURCHILL: (FOUR TO FIVE MINUTES)

MRS. C:

On D-plus-twenty Day of the opening of the Western Front we celebrate the fall and the liberation of France. I'm happy and honored to join Mrs. Roosevelt and Mrs. Morgenthau in a message to the people of America in the interest of the Fifth War Loan Drive.

(MORE)

I'm no stranger to these campaigns. When I was in Washington last September I saw the launching of America's Third War Loan Drive, and Mr. Morgenthau sold my husband the first Bond. I have vivid memories of the infectious enthusiasm which marked that campaign, and so I can imagine what you are all thinking and doing now this very day.

We in Britain have had a number of war savings drives to which our people, like yours, have given without stint. You may like to know the names we give to those campaigns, for I think those names are not only picturesque, but sum up in themselves the course of this war. Our first National Savings Week began in June, 1940. That June, like this June, was a June the world will never forget -- the month of the fall of France, of the retreat from Dunkirk, and of the Dunkirk spirit, our finest hour. Since then we've had War Weapons Week, Warships Week, Tanks and Tax, Wings for Victory Week -- what a stirring title that is -- and Raise the Standard. These names spell out the progress of the United Nations from the bottom of the Valley of the Shadows to more than halfway up the hill. Our latest is named "Salute the Soldier". Doesn't that express the emotions of all of us today? We salute with pride and love the soldiers of our two nations and our staunch allies, whose achievements and prowess are today ringing around the world. Through your War Loan Drive, as through our National Savings Weeks, we can express at least some part of our

(MORE)

gratitude and admiration.

I spoke just now of the summer of 1940. Our thoughts go back to it in this far distant summer of 1944. It was then that my husband said, "We shall fight on the beaches; we shall fight on the landing grounds; we shall fight in the fields and on the streets." Today our soldiers and your soldiers are fighting on the beaches and the landing grounds, but they are not the beaches of Britain -- they are the beaches of France. They are the beaches the Germans have held in their grip for four long years, and now it is with your noble aid and under your command that this magical -- may I say, miraculous change -- has been wrought.

I could not speak to America without saying something of the American soldiers in Britain, your sons, your husbands or brothers. We've taken them to our hearts. I think a simplest and best expression of this is the phrase I so often hear, "How the children love them." Bring a child and an American soldier together and both will be happy.

One of the good things that will come out of this terrible war are these friendships. We can never now think of an American as a stranger. They're part of our daily life. They've blended into our familiar English background. Many of them seem to know London as well as our Cockneys. We prize them for their kindness, their tact, their natural dignity and their sense of human values, and how stalwart and handsome they look. We're glad to have such friends.

(MORE)

They share our experiences - grim and gay. I like to see them from my windows looking at the flowers or feeding the ducks in St. James's Park.

In these new days (?) of flying bombs I've heard many stories of American soldiers going to the rescue of victims, helping to dig out poor people buried under rubble and tending hurt and frightened children. (Very low here... hard to pick up....more than...bombs to people who have shared such experiences."

Under Gen. Eisenhower, Supreme Commander, whose twin qualities of heart and mind are felt by millions who have never seen him, the allied armies are fused into one. Out of that unity have sprung the strength and efficiency we see on the battlefield today. Let us give the joint forces of our united peoples every ounce of support in their tremendous enterprise. Let us see them through.

I return you now to Mrs. Franklin D. Roosevelt in New York.
MRS. R: That is an inspiring report Mrs. Churchill, and one that we are grateful to you for giving to us.

MRS. M: Yes, Mrs. Churchill, the experience that you and your fellow citizens have had in war savings drives has been of tremendous value to us in conducting our War Bond Campaigns. American women too, have done a staggering job during each one of our War Bond Drives. Thousands of them have volunteered to push the doorbells and tramp the streets and roads of the country to make the personal and direct appeal which is so

(MORE)

MRS. M;
CONT.-

vitally important in selling a bond. It is no exaggeration to say that not a single state would have made its quota in any Drive had it not been for the combined, tireless effort of these patriotic men and women. It isn't easy, and sometimes it isn't even pleasant to try to separate people from their money. But these thousands of anonymous volunteer salesmen have devoted millions of hours to doing just that. Thanks to them, the American People realize more fully their financial responsibility in themselves, and their government, which is in the final analysis, themselves. They realize now that buying War Bonds is not a sacrifice. It is the world's best investment. Every three dollars grows to four dollars in ten years. And they realize that their money will mean so much more to them in the future than it can mean now, when so many things are not available for purchase by civilians. And so many things that are available are of inferior quality, or are priced beyond any sensible relationship to their value.

MRS. R:

Yes, Mrs. Morgenthau; those economic reasons are absolutely sound, and would be sufficient reason for the purchase of War Bonds, without the other reasons which appeal a little more to the heart than to the head. We must buy War Bonds. We must buy them regularly each week, and then during the War Bond Drive we must buy extra Bonds.

(MORE)

- 11 -

ANNOUNCER: You have just heard a special broadcast for the Fifth War Loan with Mrs. Franklin D. Roosevelt, wife of the President of the United States, Mrs. Henry Morgenthau, wife of the Secretary of the Treasury, and Mrs. Hazel Russ, war worker, and wife of a war worker, speaking from New York, from London Mrs. Winston Churchill, wife of the Prime Minister of Great Britain. "Back the Attack. Buy More Than Before."

This is CBS, the COLUMBIA ... BROADCASTING SYSTEM

-fade theme 20 seconds-

WABC.....NEW YORK

June 29, 1944

Women's Broadcast

Mr. Gamble

Per telephone conversation today Mr. Keatley of the State Department advised they would transmit a letter to Moscow today to tell them that the broadcast was over and to close the case.

hsh

Regraded Unclassified

25

June 26, 1944

Dear Mr. Keatley:

You have been kind enough to forward the invitation to Madame Molotov to appear on a Fifth War Loan program with Mrs. Roosevelt, Mrs. Churchill and Mrs. Morgenthau. Hearing nothing from our original communication, delivered by your department, we asked you to follow this up. On June 15 you advised us that this had been submitted to the Russian desk.

We assumed that because we did not hear, there were some complications that could not be ironed out and consequently have gone ahead with the program. Therefore, it will not be necessary for you to do any more on this. The program is going on the air Tuesday, June 27.

I do want you to know, however, that we here at the Treasury appreciate your courteous handling of this request.

Sincerely yours,

Ted R. Gamble,
National Director,
War Finance Division.

Mr. G. Harold Keatley,
Assistant Chief,
Division of Communications and Records,
State Department,
Washington 25, D. C.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF
COMMUNICATIONS
AND RECORDS ⁹²

FBM-119

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

Moscow

Dated June 13, 1944

Rec'd 3:47 a.m., 14th.

Secretary of State,
Washington.

DEPARTMENT OF STATE

JUN 15 1944

DIVISION OF
COMMUNICATIONS & RECORDS

2116, June 13, 8 p.m.

The Embassy took up the question of Mrs. Morgenthau's invitation (Department's 1471, June 10, 7 p.m.) on June 9 and June 12 with the chief of the American Section of the Foreign Office and stressed its urgency. The chief of the American Section stated that he would look into the matter.

HARRIMAN

RB
WGB

C O P Y

THE UNDER SECRETARY OF STATE
WASHINGTON

June 10, 1944

Dear Mr. Gamble:

Thank you for your note of June 9 enclosing a message to Madame Chiang Kai-shek from Mrs. Morgenthau. The message has been sent this morning exactly as you submitted it.

With best wishes,

Sincerely yours,

)S(Edward R. Stettinius, Jr.

Mr. Ted R. Gamble,
National Director,
War Finance Division,
Treasury Department.

June 9, 1944

Mrs. Morgenthau told me today that Mr. Gamble will handle this matter from now on, including letting the Chinese and Russian Ambassadors know what is being done. She said that we did not need to worry about it at all.

Mrs. McHugh

June 9, 1944

Mr. Gamble

M. K. McHugh

Mrs. Morgenthau asked that I send you a copy
of this letter which she received from Ambassador Halifax.

BRITISH EMBASSY,
WASHINGTON 8, D. C.

June 8th, 1944.

Personal

Dear Mrs. Morgenthau,

Thank you very much for your letter of
June 5th, which I was very glad to get.

I hope the programme will go well.

Yours very sincerely,

Halifax

Mrs. Henry Morgenthau, Jr.,
War Finance Division,
Treasury Department,
Washington, D.C.

June 9, 1944

Dear Mr. Stettinius:

We will appreciate it very much if you will have the attached message transmitted as quickly as possible to Madam Chiang Kai-Shek.

Unfortunately, due to circumstances beyond our control we will not be able to avail ourselves of her part in our War Bond program.

Sincerely,

Ted R. Gamble,
National Director,
War Finance Division.

Honorable Edward R. Stettinius, Jr.,
Under Secretary of State,
Washington 25, D. C.

TRG:ecb

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

CABLEGRAM

MADAM CHIANG KAI-SHEK

FROM _____
BUREAU TREASURY DEPARTMENT
CHG. APPROPRIATION EXPENSES OF LOANS

U. S. GOVERNMENT PRINTING OFFICE 10-1723

THANK YOU FOR YOUR FRIENDLY AND AFFIRMATIVE CABLE IN ANSWER TO MY INVITATION OF MAY 26. I AM TERRIBLY SORRY TO HAVE TO INFORM YOU THAT THE NETWORK RADIO PEOPLE AS A MATTER OF LONG STANDING PRACTICE HAVE A RULING FORBIDDING THE USE OF TRANSCRIBED MESSAGES ON A LIVE PROGRAM AND CONSEQUENTLY WILL HAVE TO FORGO THE PLEASURE OF HAVING YOU JOIN US.

MRS HENRY MORGENTHAU, JR.

Mr. Gamble is preparing an answer to
Madame Chiang Kai-shek and will have
it ready this afternoon - Wednesday.

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C. 25



In reply refer to
FE 811.51/6515

DEPARTMENT OF STATE
WASHINGTON

June 5, 1944

My dear Mr. Secretary:

With further reference to your letter of May 22, 1944, Madame Chiang Kai-shek has replied as follows to Mrs. Morgenthau's message:

"I received your cablegram of May 26. After consultation with my doctors they unanimously insist that I must leave Chungking before heat begins in July as I have been ill for several months. But I am eager to do my part and wonder whether it will be feasible if I make a record to be sent to you before I leave. If suggestion is acceptable, please inform me subject on which you wish me to speak, also duration."

Sincerely yours,

E. A. Tamm
Acting Secretary

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



June 5, 1944

Memorandum

To: Mr. Gamble
From: Mrs. Morgenthau

I am enclosing herewith copy of a letter which I have written to Lord Halifax today.

When the final arrangements are made, would you please have some one inform the Ministry of Information.

June 5, 1944

My dear Mr. Ambassador:

Through the State Department, I sent the following message to Mrs. Churchill:

"In the interest of the United States Fifth War Loan Drive, a special women's radio program is planned for some time the week of June eighteen stop I would be honored to have you join with Mrs. Roosevelt and myself stop I am also inviting Mme. Molotov and Mme. Chiang Kai-shek to appear with us stop We believe such a program in addition to helping Bond Drive will demonstrate to the world the solidarity of the women of the United Nations stop Would appreciate an early reply."

I was very happy to receive the following answer from her:

"I am honored to accept your invitation to join Mrs. Roosevelt and yourself in the women's radio programme in July. Thank you so much for asking me. Clementine Churchill."

I thought you would like to know about this, and we will be glad to keep the Ministry of Information informed when the final arrangements have been made.

With kind regards,

Sincerely yours,

Mrs. Henry Morgenthau, Jr.

The Right Honorable the Viscount Halifax, K.G.,
Ambassador Extraordinary and Plenipotentiary,
British Embassy,
Washington, D.C.

June 5, 1944

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With kind regards,

Sincerely yours,

Mrs. Henry Morgenthau, Jr.

The Right Honorable the Viscount Halifax, K.G.,
Ambassador Extraordinary and Plenipotentiary,
British Embassy,
Washington, D.C.



In reply refer to
BC

DEPARTMENT OF STATE
WASHINGTON

June 1, 1944

Dear Henry:

With further reference to your letter of May 22, 1944, Mrs. Winston Churchill has replied as follows to Mrs. Morgenthau's message:

"I am honored to accept your invitation to join Mrs. Roosevelt and yourself in the women's radio programme in July. Thank you so much for asking me. Clementine Churchill."

Sincerely yours,

Cordell Hull

The Honorable

Henry M. Morgenthau, Jr.,

Secretary of the Treasury.



photostat to Mr. [unclear] 103 6/3
Henry took carbon home for Mrs. M.

MAY 22 1944

Dear Cordell:

I will greatly appreciate your forwarding the attached cables to Mrs. Winston Churchill, Madame Chiang Kai-Chek and Madame Molotov. We are hoping to have a world-wide broadcast during the Fifth War Loan featuring these important women.

Anything you can do to expedite these cables will be very helpful to the Bond Drive.

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

Honorable Cordell Hull
Secretary of State
Washington, D. C.

Attachments

FS:vem

R

MME. MOLOTOV

IN THE INTEREST OF THE UNITED STATES FIFTH WAR LOAN DRIVE
A SPECIAL WOMENS RADIO PROGRAM IS PLANNED FOR SOME TIME
THE WEEK OF JUNE EIGHTEEN STOP I WOULD BE HONORED TO HAVE YOU
JOIN MRS. ROOSEVELT AND MYSELF STOP I AM ALSO INVITING
MRS. CHURCHILL AND MME. CHIANG KAI-CHEK TO APPEAR WITH US
STOP WE BELIEVE SUCH A PROGRAM IN ADDITION TO HELPING BOND
DRIVE WILL DEMONSTRATE TO THE WORLD THE SOLIDARITY OF THE
WOMEN OF THE UNITED NATIONS STOP WOULD APPRECIATE AN EARLY
REPLY.

MRS. HENRY MORGENTHAU, JR.

MRS. WINSTON CHURCHILL

IN THE INTEREST OF THE UNITED STATES FIFTH WAR LOAN DRIVE
A SPECIAL WOMENS RADIO PROGRAM IS PLANNED FOR SOME TIME
THE WEEK OF JUNE EIGHTEEN STOP I WOULD BE HONORED TO HAVE YOU
JOIN WITH MRS. ROOSEVELT AND MYSELF STOP I AM ALSO INVITING
MME MOLOTOV AND MME CHIANG KAI-CHEK TO APPEAR WITH US STOP
WE BELIEVE SUCH A PROGRAM IN ADDITION TO HELPING BOND DRIVE
WILL DEMONSTRATE TO THE WORLD THE SOLIDARITY OF THE WOMEN
OF THE UNITED NATIONS STOP WOULD APPRECIATE AN EARLY REPLY.

MRS. HENRY MORGENTHAU, JR.

RS

MME CHIANG KAI-CHEK

IN THE INTEREST OF THE UNITED STATES FIFTH WAR LOAN DRIVE
A SPECIAL WOMENS RADIO PROGRAM IS PLANNED FOR SOME TIME
THE WEEK OF JUNE EIGHTEEN STOP I WOULD BE HONORED TO HAVE
YOU JOIN MRS. ROOSEVELT AND MYSELF STOP I AM ALSO INVITING
MRS. CHURCHILL AND MME. MOLOTOV TO APPEAR WITH US STOP WE
BELIEVE SUCH A PROGRAM IN ADDITION TO HELPING BOND DRIVE WILL
DEMONSTRATE TO THE WORLD THE SOLIDARITY OF THE WOMEN OF THE
UNITED NATIONS STOP WOULD APPRECIATE AN EARLY REPLY.

MRS. HENRY MORGENTHAU, JR.

FD

7-1-44

INCOME AND EXCESS PROFITS TAXES

FOR JUNE 1944

AS COMPARED WITH JUNE 1943

BY

FEDERAL RESERVE DISTRICTS

	<u>June 1944</u>		<u>June 1943</u>
BOSTON	\$ 338,313,011.14	\$	258,490,469.34
NEW YORK	1,110,351,567.18		1,010,525,256.15
PHILADELPHIA	317,436,568.99		330,141,819.30
CLEVELAND	551,806,852.48		450,719,491.53
RICHMOND	272,252,238.00		218,487,780.31
ATLANTA	165,253,963.50		157,450,735.21
CHICAGO	836,940,185.52		694,114,598.72
ST. LOUIS	130,318,267.46		109,044,745.80
MINNEAPOLIS	71,802,624.36		74,673,867.95
KANSAS CITY	136,876,796.86		134,057,356.27
DALLAS	103,268,809.07		94,393,902.66
SAN FRANCISCO	<u>393,682,986.72</u>		<u>257,526,696.77</u>
TOTAL, FEDERAL RESERVE BANKS . \$	4,428,303,871.28	\$	3,789,626,720.01
TERRITORY OF HAWAII	* <u>1,350,497.70</u>		** <u>1,570,782.68</u>
GRAND TOTAL	\$ <u>4,429,654,368.98</u>	\$	<u>3,791,197,502.69</u>

* Reports June 10 - 30, 1944 Incl. not yet received.

** Reports June 15, 16, 17, etc. not yet received.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 1, 1944

TO Secretary Morgenthau

FROM Mr. D. W. Bell

Subject: Financing Relief and Rehabilitation in Italy.

The following is a proposed Treasury program for financing relief and rehabilitation in Italy:

- (1) The proposal to use Lend-Lease for relief and rehabilitation supplies on a basis of cash reimbursement in lire is not deemed desirable by Treasury.
- (2) As an alternative it is suggested that we apply to Italy on a retroactive basis the principle adopted for the western European countries of making the dollars used for troop pay available to pay for relief and rehabilitation supplies.

Acceptance of this proposal will be subject to approval of appropriate Congressional committees.

- (3) The U. S. and British Governments should ask UNRRA to take part of the burden and should accept any aid which UNRRA will give.
- (4) The Army should continue to furnish civilian supplies at least until October 1, 1944.
- (5) A program should be initiated to build up the AF accounts. The foreign exchange in these accounts should be made available immediately for payment for supplies which the Army cannot or will not furnish and for necessary reconstruction goods not otherwise provided for.

- 2 -

- (6) The problem of financing reconstruction in Italy should not be dealt with at present. Meanwhile, the possibility of furnishing such supplies under Section 3-C of the Lend-Lease Act or the mechanism of the Export-Import Bank should be explored.

The main point of this program is to make available for relief and rehabilitation supplies the dollars used for the pay of troops in Italy. The following are the advantages of this proposal:

- (a) This is the policy which will be applied to Belgium, the Netherlands and Norway and is consistent with the President's policy of treating Italy as a liberated area rather than an occupied enemy country.
- (b) It will be politically difficult for the British to avoid following a similar policy. This would mean that the British would undertake a larger share of the cost of relief and rehabilitation in Italy than by any other method.
- (c) If the principle is applied retroactively as we recommend, it would mean making available about \$120 million and the equivalent of \$80 million in sterling. In addition, it would give Italy currently about \$15 million and the equivalent of about \$10 million sterling monthly. This would probably provide enough foreign exchange to do the full relief and rehabilitation job during the next year.
- (d) Our long run financial position would be better under this arrangement. By using the dollars in the special account now in payment for supplies to Italy, we will be returning to the U. S. the full amount of dollars used for troop pay, which we will undoubtedly be turning over to Italy at some point. If, on the other hand, these dollars are merely thrown

- 3 -

into the settlement of all claims against Italy and Italian counterclaims, we might have to share these assets with other countries that have claims against Italy. In addition, we would not be foreclosing the possibility of adding the cost of the pay of our troops to our claims against Italy.

- (e) Such a policy would give the final blow to any allegations that the expenditures of our troops are causing inflation in Italy because we would then be bringing in supplies at least equal in value to the total expenditures of our troops in Italy.

We believe a better case can be made to Congress for this proposal than for the F.E.A. proposal or for a proposal to give Italy relief and rehabilitation supplies on straight Lend-Lease or on credit.

sub

Report of the War Refugee Board
for the Week of June 26 - July 1, 1944

TEMPORARY HAVENS FOR REFUGEES IN THE UNITED STATES

Ambassador Murphy and Board Representative Ackermann are continuing to work out details involved in the evacuation of the 1,000 refugees from southern Italy.

According to newspaper reports from Bari, hundreds of refugees have been crowding the offices of the Allied Control Commission to register their desire to be included in the group that is to come to this country.

The War Relocation Authority has arranged to send a representative to accompany these refugees to the United States.

Meanwhile we have cabled Murphy and Ackermann for certain specific information in connection with the refugees selected for evacuation, including breakdowns by age, sex, marital status, religion, languages spoken, occupations and professions, and countries of origin.

President's Message to Congress Publicized

Ambassador Harriman has advised us that the Moscow press on June 27 published the text of the President's special message to Congress with respect to our plans to provide a haven for these refugees from southern Italy.

According to a cable from Minister Harrison in Bern, the President's message was also communicated to the Swiss Foreign Office and to 145 newspapers in Switzerland. It was reported that assurances were received that every leading newspaper in the country would carry the message in full. Harrison also indicated that editorial comment on the President's action had been furnished seven influential German-language and French-language Swiss papers, all with extensive coverage. Swiss Radio coverage was also arranged. Efforts were to be directed toward transmitting the substance of the President's message from Switzerland to enemy territory through all available channels.

- 2 -

COOPERATION WITH GREAT BRITAIN

In the course of recent discussions with the British, certain information was requested with respect to Treasury licenses authorizing refugee rescue and relief operations in enemy territory. We have now advised Mr. Thorold of the British Embassy that, as of June 1, the total amount authorized by the Treasury for such operations is \$2,088,100. Although this is the total amount authorized to be remitted to neutral countries, the amount actually sent is considerably less.

With respect to the third method of financing permitted by the licenses under question - the use of free currency in enemy territory, only a very small fraction of the total amount authorized has been used in this manner, according to reports presently available. Cables are now being sent to the U.S. Missions concerned requesting reports on the total amount, if any, of free currency sent into enemy territory under such licenses.

British Response Re Other Temporary Havens

Ambassador Winant has reported from London the substance of a memorandum from the British Foreign Office with respect to our proposal that refugees escaping from enemy territory to southern Italy be removed as soon as possible to temporary havens elsewhere. In this memorandum the Foreign Office stated that it agrees emphatically with our views that the escape of refugees from the Balkans to Italy should in no way be discouraged. Toward this end, it was said that British military authorities in the Middle East remain prepared to accommodate some 40,000 Yugoslav refugees in Egypt provided the United Nations Relief and Rehabilitation Administration succeeds in obtaining the necessary medical staff. In the absence of the required personnel, however, British military authorities doubt that they can accommodate more than the 25,000 who have already arrived in Egypt. The British indicated that they are therefore pressing the European headquarters of UNRRA on this matter.

The Foreign Office also indicated that as soon as the Rumanian Red Cross, the Swiss authorities in Rumania, and the International Red Cross, in conjunction with the Jewish Agency for Palestine, can make the necessary arrangements, a British ship can be ready on thirty days' notice to proceed to Constanza for the evacuation of Jewish refugees. While the Foreign Office felt that the German Government is no more likely to grant the necessary safe-conduct in this

case than in that of the "S.S. Tari," it was said that nevertheless the matter would be actively pursued.

At the same time the Foreign Office indicated that it is examining the proposal that Sicily might be used as a temporary haven for refugees.

In connection with our belief that Camp Lyautey at Fedhala should not be opened to refugees from Italy but should be kept available for refugees arriving from Spain, complete agreement was expressed.

With respect to our proposal that the British grant Palestine certificates to Jewish refugees in liberated Italy, the British feel that since these refugees are in an area where they are safe from enemy persecution, preference should be given under the limited quota allotted for immigration into Palestine to those Jews elsewhere whose lives are still in danger as a result of enemy oppression. The Foreign Office concluded by pointing out that while considerable numbers of Yugoslav refugees from Hungary have already been received in Palestine, and while they do not doubt the desirability of moving other refugees from southern Italy for operational reasons, it believes that alternative places of refuge should be used to the greatest possible extent.

FOOD PARCELS TO UNASSIMILATED CIVILIANS

We have been advised from Algiers that the sale of salvageable food packages on board the "S.S. Christina" for allocation to French concentration and refugee camps, at a price to be decided by the International Red Cross, is acceptable to the French Committee. This decision has been transmitted by the Committee to a French representative in Washington, and negotiations are continuing here.

Efforts to obtain the agreement of the Belgian Government-in-Exile, which holds part title to the food packages, are also continuing.

Other Approaches to Germans Proposed

In view of the disappointingly negative answer which we received from the International Red Cross in response to our proposal that InterCross attempt to obtain from the German and satellite governments assurances that Jews and other persons confined in Axis territory would be accorded treatment equal to that of civilian internees, we have asked Minister Harrison to approach the Swiss Government informally in the hope that

Swiss influence can be brought to bear upon German officials in this matter, in the interest of assuring the survival of these helpless peoples.

We have also addressed an appeal through the Apostolic Delegate in Washington to the Holy See, in the hope that the Holy See will find it appropriate to use its good offices with the German and satellite governments to alleviate the lot of Jews and other persons detained in enemy territory, at least to the extent of permitting them to receive standard packages under Intercross supervision.

CONDITIONS IN THE SATELLITE COUNTRIES

Secretary Hull at his radio and press conference on June 26 acclaimed the protest issued recently by the House Foreign Affairs Committee over the persecution and murder of Jews in Hungary. Secretary Hull asserted that there cannot be too many protests against the wholesale murder being practiced by the Nazis. Pointing out that the House Committee resolution demanded that the puppet Hungarian Government put an end to these assassinations, Secretary Hull reiterated in an extremely helpful manner this Government's intention of seeing to it that those who are guilty of such inhuman conduct are fittingly punished.

Spellman Statement Released

The statement recently forwarded to the Board by Archbishop Spellman of New York and directed toward Hungarians, has now been released by the Office of War Information. This statement is to be shortwaved to appropriate areas. At the same time, we have asked our Missions in Switzerland, Turkey, Portugal, Spain, and Sweden to promote such additional use of the statement as may be feasible on the part of local newspapers and radio stations in these various European countries. The statement is also to be brought to the attention of Hungarian and other satellite authorities through whatever channels are available.

Report from Jerusalem

According to a communication from Consul General Pinkerton in Jerusalem, a Jewish Agency representative has now furnished additional information on the matter of Jewish persecutions in Hungary and Rumania. Hundreds of thousands of Jews are said to have been interned in Hungarian camps and ghettos. The names of twenty-six such ghettos were forwarded.

- 5 -

Details were supplied by the Jewish Agency representative with respect to previous reports concerning the arrest of a number of Jewish leaders in Bucharest late in March. While intervention on the part of representatives of the local Jewish community is said to have effected the release of two of the persons arrested by the Rumanian police, all of the others are reported to be still under detention and are to be tried before a court martial. The charges brought against them are "activities harmful to the security of the state, communication with the enemy, and smuggling of Polish Jews to Rumania."

According to the recently arrived refugees from whom this information was obtained, there are reasons to believe that the authorities in Rumania are showing a tendency to alleviate the conditions of the Jews there in the hope that this may place them in a more favorable position with the Allies. It was thought that diplomatic intervention with respect to the persons still detained in Bucharest might therefore produce results. Contrary to the original report that only 12 to 15 persons remain in custody, it was indicated that there now appear to be some 26 persons involved.

Report from Bern

Board Representative McClelland has advised us that there is now no doubt but that the majority of the Jewish population east of the Danube, especially in eastern, northern, and northeastern Hungary, have been deported to Poland. McClelland indicated that information confirming this fact had come to him over the past two weeks from various reliable, independent sources.

Prior to the deportations there were said to have been two weeks to a month of brutal concentration, during which thousands of Jews were crowded together in primitive quarters without sufficient food, clothing, or water and without respect to health, sex, or age. Hungarian gendarmes are said to have carried out this action.

The actual large-scale deportations apparently began about May 15 and lasted until the middle of June, according to the information reaching McClelland. Some 12,000 persons per day were said to have been involved. It was reported that, characteristically, people were deported 60 to 70 per sealed freight wagon for a trip of two to three days, without adequate food or water.

The particular stretches of railroad used in these deportations were indicated to McClelland, who relayed to us without recommendation the fact that all his sources of information in Slovakia and Hungary had urged that vital sections of these lines, especially bridges, be bombed as the only possible means of slowing down or stopping future deportations.

According to the figures received by McClelland, at least 335,000 Jews have already been deported from Sub-Carpathian and Ruthenian areas, from Transylvania, and from the Tisz region. Some 350,000 Jews are said to have been concentrated in Budapest and environs.

McClelland also forwarded the names of individuals in the Hungarian Government who are said to bear the major responsibility for these persecutions.

Substantial Sums Sought for Rescue Work

Various private organizations in this country have been receiving appeals for substantial amounts of money to be used in efforts to stop deportations and to permit departures for safer countries. According to one such appeal, there is the possibility that an additional 8,000 persons can be rescued from the Balkans at an approximate cost of two to two and one-half million dollars. The American Jewish Joint Distribution Committee, to whom the appeal was addressed, has indicated that it is willing to underwrite these operations. Accordingly, we have cabled details of the proposal to Ambassador Steinhardt and Board Representative Hirschmann in Ankara, asking that they forward to us immediately their recommendations in the matter.

Another appeal indicated that some 2600 persons from the Balkans might be evacuated if the operations proposed could be underwritten to the extent of \$800,000. In these evacuations ships similar to the "Milka" and "Maritsa" would be used, without hope of safe-conduct, for transporting refugees to Istanbul. In view of the risks involved, responsibility would be shared by the Board, the Jewish Agency, and the Joint Distribution Committee. Under these conditions, the JDC has agreed to provide up to \$800,000 for the program contemplated. The recommendations of Steinhardt and Hirschmann have also been solicited in this connection.

EVACUATIONS TO AND THROUGH TURKEY

Minister Johnson has advised us from Stockholm that the Swedish Foreign Office has indicated, in response to our

request, that it will again sound out the Germans with respect to a safe-conduct for the "Bardaland" on the basis of our assurances that the refugees evacuated from the Balkans on this vessel would be taken to havens of refuge other than Palestine. A Foreign Office spokesman, however, indicated his belief that the Germans' previous refusal to grant a safe-conduct for the "Bardaland" is attributable to the general Nazi policy of preventing Jews from getting out of German-occupied territory to go anywhere, since to do otherwise would be contrary to the Nazi determination to exterminate all Jews. Despite these views, we are cabling Johnson that since human lives hang in the balance, we feel strongly that all possibilities for obtaining a German safe-conduct should be exhausted. We are therefore requesting that Johnson press the Swedish Government to take the action suggested.

Indemnity on the "Bardaland"

With respect to the indemnity claimed by the owners of the "Bardaland" covering the period during which the vessel was tied-up at Piraeus by our negotiations for its use, we have cabled Johnson that since only a preliminary estimate have been presented, we are withholding action pending submission of a final itemized claim.

The preliminary estimate of 80,000 kronor (approximately \$19,000) has meanwhile been discussed with a representative of the War Shipping Administration. The estimate submitted is considered by the WSA representative to be a reasonable indemnity under the circumstances.

Arrivals from Bulgaria

In a cable to Steinhardt and Hirschmann we are indicating that we were gratified to learn that Turkish border guards have been instructed not to turn back Jewish refugees at the Bulgarian border, notwithstanding their lack of Turkish visas. Since Steinhardt's cable confined itself to arrivals by rail, we are asking that inquiry be made as to whether these instructions to border guards extend to Jews and other persecuted people attempting to cross the Bulgarian border clandestinely on foot. Information is also being requested as to the number of refugees coming over the Bulgarian frontier without Turkish visas during the past month.

In another communication to Board Representative Hirschmann we are relaying a report to the effect that 1,000 Turkish pounds are demanded in Sofia for each Turkish visa. Hirschmann is being asked to investigate this report, and if verified, to endeavor to have the amount materially reduced.

- 8 -

Katzki Reaches Ankara

Herbert Katzki, who is to assist Hirschmann, reached Ankara on June 29.

EVACUATIONS TO AND THROUGH SWITZERLAND

Following discussions between Mr. Pehle and Swiss Minister Bruggmann in Washington, Ambassador Harrison and Board Representative McClelland in Bern were asked to discuss the refugee problem informally with the Swiss Foreign Office. We have suggested that this discussion emphasize the contribution Switzerland has made and is making to the refugee problem. We have also indicated that we would appreciate receiving from the Swiss Government, informally and confidentially, any and all suggestions on what can be done in the matter. Since certain phases of the problem can best be handled by informal arrangement with the Swiss Government rather than by formal requests to make demands on the German Government, we have indicated to Harrison and McClelland that where such action would be helpful, they are authorized to discuss particular problems with the Swiss Government on an informal basis before making formal requests.

Evacuation of Abandoned Children from France

According to a cable from our Embassy in Lima, the Peruvian Government has indicated that it is willing to receive up to 50 child refugees who have reached Switzerland from enemy territory, provided that they are of French or Belgian nationality and provided that Peru's responsibility begins at the port of Callao.

We have been advised by our Embassy in Paraguay that the Paraguayan Government is also willing to cooperate in our efforts to secure havens for these refugee children provided adequate financial assistance is made available. A copy of the note to this effect received from the Paraguayan Ministry of Foreign Relations was forwarded by the Embassy. With respect to the proposal that Paraguay notify the Swiss Government of its position in this matter, we were advised that the Paraguayan Government does not maintain a diplomatic mission in Switzerland.

EVACUATIONS TO AND THROUGH SWEDEN

We have now learned through Minister Johnaon that the Swedish Foreign Office has agreed to issue visas to some 60 central European Jews remaining in Finland, on condition that assurances be given as to the maintenance of this group in Sweden. The necessary assurances were promptly given by the Board, and this group of

- 9 -

refugees is expected to be evacuated shortly to Sweden on the same vessel that is to carry American and Allied groups from Finland.

Swedish Committee to Aid Stateless Refugees

Minister Johnson and Board Representative Olsen have also advised us that, largely as a result of their efforts, the city of Stockholm has sponsored the organization of a committee for the relief of stateless refugees. A central office is to be established for the purpose of assisting stateless refugees with their personal problems, in obtaining employment, and in obtaining direct relief in seriously distressed cases. Because of the urgency of the problem, Johnson and Olsen strongly recommended that American groups be found to make a joint contribution of \$10,000 to further the activities of this committee. It was pointed out that such an action would not only contribute materially to the effectiveness of this committee's program for stateless refugees, but would reflect the sincerity of American concern with refugee problems.

In order to facilitate the procurement of the funds requested, we are asking that information be furnished with respect to the former nationalities of the stateless refugees in question and with respect to the extent to which the group includes Jews. Information is also being requested as to the extent to which aid is being furnished such stateless refugees by organizations already receiving support from private American agencies.

Relief to Czechoslovaks in Sweden

According to another cable from Stockholm, discussions have been held with the "non-recognized" Czechoslovak Minister there concerning his difficulties in taking adequate care of the 800 Czechoslovak refugees in Sweden. It was indicated that only limited funds have been made available by the Czechoslovakian Government-in-Exile in London, and that it has therefore been almost impossible to render adequate assistance to many severe hardship cases, notably unemployables and children. It was urgently recommended that arrangements be made to provide the Czechoslovak relief organizations in Stockholm with \$2500 to help finance its activity. We have approached interested organizations on this matter and expect to be able to advise Johnson and Olsen of their decision at an early date.

- 10 -

Funds for Norwegian Rescue and Relief

In response to another cable from Johnson and Olsen, we have indicated that American Relief for Norway is willing to provide additional funds for certain relief activities in Norway and for the evacuation to Sweden of Jews in concentrations camps in Norway. Under the Treasury license issued upon the recommendation of the Board, American Relief for Norway will remit \$10,000 to Olsen, to be expended under his direction by such agencies as he may select for the operations envisioned. American Relief for Norway has indicated that it will furnish additional monthly remittances of \$10,000 each if the results on the use of the initial \$10,000 are satisfactory.

EVACUATIONS TO AND THROUGH PORTUGAL

Minister Norweb has advised us that the Mexican Legation in Lisbon has not yet received instructions from Mexico with respect to granting to certain Spanish and other refugees in hiding in Portugal the 500 residence visas to which the President of Mexico is reported to have agreed. It was reported that the Mexican Legation is already preparing lists but can do nothing further until authorization is received. Norweb also reported that efforts are continuing to arrange for the granting of U. S. transit visas in some appropriate manner, in view of the danger to the applicants if they should be apprehended by the International Police before they are in possession of both Mexican residence and U. S. visas.

RECOGNITION OF LATIN AMERICAN PASSPORTS

In a cable to Harrison and McClelland in Bern we are noting the fact that United States practice is not to authorize the extension of passports beyond their two-year period of validity. Since Swiss authorities, acting in their capacity as protecting power, issue Swiss certificates of identity to the holders of expired U. S. passports, we are suggesting that a similar practice, if necessary, be adopted in the case of passports issued in the names of other American republics whose interests in enemy territory are protected by Switzerland. Harrison and McClelland are to discuss this matter with appropriate Swiss authorities and endeavor to obtain their cooperation in developing some procedure to assure the continued protection of holders of expired Latin American passports.

We are also asking that Harrison and McClelland confirm through the Swiss Government our assumption that German authorities will accept recognition by the United States of the status of all Jews interned in German camps and bearing

- 11 -

Latin American identity documents as a basis for their treatment and eligibility for exchange. Since it would appear, on the basis of this assumption, that affirmative approaches by individual Latin American countries may not be considered essential by the Germans, we are asking that Harrison and McClelland explore with Swiss authorities the possibility of proceeding on this basis.

We are also drawing to the attention of Harrison and McClelland the problem of persons in enemy-controlled areas in whose names Latin American documents have been issued but who are not in physical possession of these documents because delivery has been impossible. In order that such persons may be included among those eligible for exchange, we are asking for their names, ages, and last known addresses. We are also asking that Harrison and McClelland forward to us their views, along with the informal opinion of Swiss authorities, as to the advisability of making such a list available to the Germans in an effort to protect the persons involved.

We are pointing out that the term "German-controlled" territory or areas, as used in our negotiations relating to the protection of persons holding documents issued in the names of American republics, includes Hungary. If, in the opinion of Harrison and McClelland, there is any possibility of doubt on this score, Swiss authorities are to be informed accordingly and asked to transmit such information to German and Hungarian authorities.

Haitian Action Again To Be Urged

According to one report from McClelland, the Haitian Legation in Bern was recently approached by an interested Jewish organization with respect to four persons holding passports issued in the name of Haiti, who were among the persons listed as removed from Vittel. The Haitian Legation there is said to have informed this Jewish delegation that such documents were fraudulent and of no value, as far as it was concerned.

Since this report from Bern makes prompt action on the part of Haiti all the more urgent, we are asking the U. S. Embassy in Haiti to attempt to expedite affirmative action on the part of the Haitian Foreign Office, including the prompt transmission of an appropriate message to the Haitian Legation at Bern affirming the validity of passports issued in Haiti's name and held by persons subject to enemy persecution.

- 12 -

Salvadoran Government Reorganized

Because of the recent complete reorganization of the Salvadoran Foreign Office, Ambassador Thurston has again taken up with the Foreign Office the matter of extending protection to refugees holding documents issued in the name of El Salvador. The text of a note sent on May 20 by the Salvador Minister for Foreign Affairs to the Spanish Minister was given Thurston and subsequently forwarded to the Board.

Since it is not clear in what respect this note modified the previous request made to Spain as a result of our approaches, we have asked Thurston to investigate the matter and send us his conclusions.

In view of the fact that the Swiss Government, which acts as the Salvadoran protecting power in enemy territory, has received a formal declaration from El Salvador recognizing Salvadoran passports held by Jews in Germany and in German-occupied territories, we have also asked that the Salvadoran Government be requested to take no steps which might weaken this declaration or confuse Swiss authorities as to its continuing validity.

Ecuador and Nicaragua Being Pressed

In cables to our Missions in Ecuador and Nicaragua we are asking that efforts be continued to persuade the Governments of Ecuador and Nicaragua to take more affirmative action in connection with safeguarding from enemy persecution persons holding passports issued in the names of these two countries.

(Signed) J. W. Pehle

J. W. Pehle
Executive Director

ORIGINAL TEXT OF TELEGRAM SENT

FROM: SECRETARY OF STATE, WASHINGTON
TO: AMEMBASSY, QUITO
DATED: JULY 1, 1944
NUMBER: 570

CONFIDENTIAL

Reference is made to your A-245 of May 6. By communication dated June 13, Swiss government has informed Minister Harrison that it has received no request from Ecuador to safeguard persons holding passports issued in the name of Ecuador from enemy persecution.

Please urgently ascertain actual situation and endeavor to cable us date and text of Ecuadorean telegram referred to in section 2 of your A-245.

HULL

CABLE TO AMERICAN EMBASSY, LONDON

The War Refugee Board requests that you deliver the following message to Dr. N. Barou, 55 New Cavendish Street, London W.1, England:

QUOTE Understand you informed of important resolution adopted by Emergency Advisory Committee for Political Defense of the American Republics and transmitted to the governments of these Republics on May 31. This resolution endorses the position taken by the United States Government that persons belonging to persecuted groups in enemy territory holding documents issued in the name of certain American Republics must be treated by the enemy as nationals of such countries for all purposes. By the terms of this resolution, all such persons would be considered eligible for exchange.

Since Palestine certificates authorize the admission of holders thereof to territory under the control of the British Government, the War Refugee Board has always considered that the exchange of Palestine certificates holders for enemy nationals is a matter that can be handled by the British Government more correctly, and therefore with more probability of success, than the United States.

Kindly advise us urgently of steps taken by you.

WORLD JEWISH CONGRESS
LEON KUBOWITZKI UNQUOTE

July 1, 1944
9:00 a.m.

BAksin:ar 6/29/44

CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM

The War Refugee Board requests that you deliver the following message to Dr. Itschak Gruenbaum, Jewish Agency for Palestine, Jerusalem:

QUOTE Understand you informed of important resolution adopted by Emergency Advisory Committee for Political Defense of the American Republics and transmitted to the governments of these Republics on May 31. This resolution endorses the position taken by the United States Government that persons belonging to persecuted groups in enemy territory holding documents issued in the name of certain American Republics must be treated by the enemy as nationals of such countries for all purposes. By the terms of this resolution, all such persons would be considered eligible for exchange.

Since Palestine certificates authorize the admission of holders thereof to territory under the control of the British Government, the War Refugee Board has always considered that the exchange of Palestine certificate holders for enemy nationals is a matter that can be handled by the British Government more correctly, and therefore with more probability of success, than the United States.

Kindly advise us urgently of steps taken by you.

**WORLD JEWISH CONGRESS
LEON KUBOWITZKI UNQUOTE**

9:00 a.m.
July 1, 1944

Bakzin:ar 6/29/44

CABLE TO AMBASSADOR NORWEG AND DESTER, LISBON, PORTUGAL

The War Refugee Board requests that you deliver the following message to Elijah Dobkin, Tivoli Hotel, Lisbon, Portugal:

QUOTE Astonished my June 20 unanswered. JDC accepted principal Jewagency's program received from Shwarz. Cable me immediately 510 West 118 maximum certificates you can allocate next months monthly Spain Portugal refugees which categories acceptable defacto if dejure British instructions unchanged. Your confidential information this paragraph may give new prospects my negotiations JDC.

ISRAEL MEREMINSKI UNQUOTE

THIS IS WEB CABLE TO LISBON NO. 46

11:05 a.m.
July 1, 1944

RAKsinar 6/30/44

LFG
Distribution of true
reading only by special
arrangement. (SECRET W)

July 1, 1944

5 p.m.

AMBASSY,

LISBON

1887

War Refugee Board cable no. 44 follows.

Procurement of report at earliest opportunity from representatives in Portugal of organizations listed below giving total in dollar equivalent in amount of free currency, if any, sent into enemy territory during period ended June 1 pursuant to section 1 (c) of the respective Treasury licenses requested by Department, War Refugee Board and Treasury. Where exact figures are not available estimates may, of course, be given. Joint Distribution Committee, W-2184; Jewish Labor Committee, W-2177; World Jewish Congress, pursuant to authorization of Dexter, WRB representative Lisbon; and Unitarian Service Committee, W-2167.

HULL
(GLW)

WEB:MMV:KG S/CR WE SWP WT

KEM - 965

PLAIN

Lisbon

Dated July 1, 1944

Rec'd 2:50 a.m., 2nd.

Secretary of State,
Washington.

2055, First, noon.

Referring Department's telegram 1845.

Doing all possible secure widest possible publicity
Portugal. Also following suggestions final paragraph.

WEB 90.

NORWEB

KDA

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Lisbon
TO: Secretary of State, Washington
DATED: July 1, 1944
NUMBER: 2054

CONFIDENTIAL

The first part of this week a group of some 32 Hungarian Jews, among whom were members of the most wealthy and prominent Hungarian Jewish capitalists and industrialists, arrived here. Mr. W. Billits, director of the Manfred Weiss airplane factory, Dr. George Hoff and son, Baron Eugene Weiss and family, Dr. Maurice Kornfeld and family, Mr. Zoltan Fenyvesi and wife, Francis Demanfhner and family and Dr. Francis Chorin and family are the most outstanding among the group.

These people came from Berlin via Lufthansa planes and only after reaching Barcelona were they given passports. Portuguese and Spanish visas (the former issued at Berlin) were affixed to these passports. Previous knowledge that the visas were to be issued is denied by the authorities of Portugal, and inquiry as to whose authority was invoked is being made. The Portuguese authorities are requiring this group to proceed (for enforced residence) to Curia near Coimbra.

All kinds of rumors are current, and a great amount of mystery in connection with the presence of the group here exists. Some of the rumors indicate that this prominent group of Jews has been allowed by the Germans to leave in order to arrange peace terms through intermediary of influential controlling Jewish leaders in Great Britain and the United States while other rumors suggest the United States Government is involved in unfreezing certain monies belonging to the group.

That such rumors are intended to create suspicion and foster misunderstanding in Moscow in an effort to create schism between her Allies and Russia is, of course, a grave peril.

NORME

DCB/GPW
7/12/44

**DISTRIBUTION OF TRUE
READING ONLY BY SPECIAL
ARRANGEMENT. (SECRET W)**

July 1, 1944

7 p.m.

AMLEGATION,

STOCKHOLM

1310

**The War Refugee Board cable 39 below, referring to
Stockholm's 2224 of June 20, is for Olsen.**

**Your efforts in organizing committee deeply appreciated
by Board. Please advise with respect to former nationalities
of stateless refugees in question and the extent to which
group includes Jews in order to facilitate procurement of
funds. Also kindly advise to what extent Mossiska
Forsamlingen or other organizations receiving support from
American voluntary agencies have granted aid to persons in
this group. Please inform why aid is inadequate or has
been terminated if any persons in the group receive or
have received such aid.**

**HULL
(GLW)**

**WEB:MMV:KG
7/1/44**

NON

S/CR

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

July 1, 1944

9 p.m.

AMLEGATION
STOCKHOLM
1313

The War Refugee Board cable 38 below is for Olsen.

Willingness to provide funds for program outlined in Stockholm's WRB nos. 18 of May 19 and 22 of May 31 in addition to funds being provided by them for operations covered by License No. W-2152, text of which was cabled to Stockholm in Department's 619 of April 8, expressed by American Relief for Norway, Incorporated. Organization in question will remit \$10,000 to you, as WRB representative and under new Treasury license issued on recommendation of Board, to be expended by such agencies as you may select for the operations and under your direction. Please report disposition of this amount and results achieved thereby. American Relief for Norway, Incorporated, proposes to furnish additional monthly remittances of \$10,000 each if results on use of this \$10,000 are satisfactory.

Board has arranged, through contact with Dr. Conrad Hoffman, for provision of funds for relief of Christian Jews in occupied Europe (reference Stockholm's WRB nos. 17 of May 19 and 24 of June 2) by Board of National Missions of the Presbyterian Church in the United States. Treasury has issued license to Presbyterians, on recommendation of Board, permitting remittance of \$5,000 to Reverend Birger Pernow, Director of Svenska Israels Missionen, Stockholm, providing that expenditures made by Pernow are such as you as WRB representative may authorize. Use of \$5,000 remittance above should be reported through you. Procurement additional funds for this program will be attempted.

HULL
(GLW)

WRB:MMV:KG:

NOE

WT

SWP

S/CR

LMS
Distribution of true
reading only by special
arrangement. (SECRET W)

July 1, 1944

Midnight

AMLEGATION,

STOCKHOLM.
1319

War Refugee Board cable no. 40 for Olsen follows.

Procurement of report at earliest opportunity from Evensen and Traumael giving total in dollar equivalent of amount of free currency, if any, sent into enemy territory during period ended June 1 pursuant to Section 1 (c) of Treasury license W-2152 requested by Department, War Refugee Board and Treasury. Where exact figures are not available estimates may of course be given.

HULL
(GLW)

WRB:MMV:KG
7/1/44

NOE

WT

SWP S/CR

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, STOCKHOLM
TO: Secretary of State, Washington
DATED: July 1, 1944
NUMBER: 2404

CONFIDENTIAL

Reference is made herein to the Department's telegram of June 30, no. 1301 and also to the Department's no. 1295, dated June 30.

On Monday afternoon, July 3, at approximately 5 p.m. the ship BIRGERJARL, which is owned by Stockholm's Rederiaktiebolag Svea, will leave Stockholm for Abo, Finland. On Tuesday at 8 a.m. the train connection will leave Helsinki, reaching shipside at Abo about 1 p.m. the same day and the ship is expected to sail from Abo on Tuesday about 5 p.m. and to arrive Stockholm Wednesday, July 5 at approximately 8 a.m.

A desire to be included in the evacuation had, up to noon today, been expressed by only 45 United States nationals of the 312 total of native-born and naturalized United States nationals in Finland. By Tuesday July 4, Gullion estimated at the same time that possibly no more than a total of 100 persons would be ready to depart. A large proportion of the central European refugees, as mentioned in Helsinki's 513, June 27, for whom the War Refugee Board has guaranteed maintenance and the Foreign Office has authorized issuance of visas, would be included in this total.

With respect to the possibility of effecting evacuation Gullion has approached the Finnish Government and he understands that they will interpose no difficulties. Gullion and the other members of the former Legation staff at Helsinki will be permitted to leave Finland aboard the evacuation vessel, according to his understanding. Since it will enable Gullion to complete the necessary documentation it is hoped that this will prove feasible. Rather than rely upon the Swiss representative to do so Gullion will sign the letters of identification himself.

Both the Swiss and the Swedes have been requested to assist in making known the availability of the evacuation vessel and the scheduled date of departure, also Gullion has circularized as many as possible of the nationals involved. (The request of the Belgian Government to protect its interests in Finland has been accepted by the Swedish Government).

In order to facilitate the entrance of their respective nationals by the Swedish authorities, the representatives of

the British,

-2-

the British, Belgian, Italian and American Legations will meet the BIRGERJARL upon its arrival in Stockholm and the other nationals will be received by Olsen. For account of WRB. Arrangements for appropriate living quarters are being made by Olsen through the Swedish Red Cross and local Jewish organizations. Gullion stated, in a telephone conversation at 5:30 this afternoon that the Swiss representative at Helsinki is being somewhat difficult about taking over our interests and those of the countries we formerly protected in Finland since no direct authorization from his Government at Bern has been received as yet by the Swiss representative. Although he might be delayed if the Swiss Minister has not in the meantime received satisfactory instructions, Gullion added that he still hoped to leave with the evacuees on Tuesday.

JOHNSON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Legation, Stockholm
TO: The Secretary of State, Washington
DATE: July 1, 1944
NUMBER: 2412 (SECTION ONE)

SECRET

Boheman has advised me that information just received from Budapest concerning treatment of Jews is so terrible that it is hard to believe and that there are no words to qualify its description. He said that of the total number of Jews in Hungary originally not more than four hundred thousand remain now and these are mostly in Budapest. He also said that the others of whom there were well over six hundred thousand (this is a conservative estimate) have been either deported to Germany to uncertain destinations or killed. According to the evidence, these people are now being killed en masse by the Germans and large numbers are being taken to a place across the Hungarian frontier in Poland where there is an establishment at which gas is used for killing people. It is said by Boheman that these people of all ages, children, women and men, are transported to this isolated spot in box cars packed in like sardines and that upon arrival many are already dead. Those who have survived the trip are stripped naked, given a small square object which resembles a piece of soap and told that at the bath house they must bathe themselves. The "bath house" does in fact look like a big bathing establishment being a large building which has been built by the Germans. Into a large room with a total capacity of two thousand packed together closely the victims are pushed. No regard is given to sex or age and all are completely naked. When the atmosphere of the hall has been heated by this mass of bodies a fine powder is let down over the whole area by opening a contraption in the ceiling. When the heated atmosphere comes in contact with this powder a poisonous gas is formed which kills all occupants of the room. Trucks then take out the bodies, and burning follows. Jews in Hungary have been successful in getting an appeal through the King of Sweden and I am advised by Boheman that under the signature of the King a telegram has been sent through their Legation to Horthy appealing to him in Humanity's name to do what he can to stop this horrible massacre of a defenseless people and to save the lives of those who are left. It is not known by Boheman whether an opportunity to see Horthy to deliver this message will be given to the Swedish Minister at Budapest. The message will be delivered to the Foreign Office if he is not permitted to see the Regent and it will be published here as soon as the Government of Sweden has received confirmation of its delivery in any form.

JOHNSON

DCR:MPL
7/3/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Legation, Stockholm
TO: The Secretary of State, Washington
DATE: July 1, 1944
NUMBER: 2412 (SECTION TWO)

SECRET

The Hungarian Jews, in spite of all their difficulties, have collected money to the equivalent of 2,000,000 Swedish crowns to be used in aiding the Jews and this has been turned over to the Swedish Legation in Budapest. Wallenberg who is going to the Swedish Legation at Budapest as an attache to handle refugee matters, was highly praised by Boheman who said that if our War Refugee Board could formulate some form of directive for him which the Foreign Office will be glad to transmit, it would be of great help to Wallenberg. There is no doubt in my mind as to the sincerity of Wallenberg's purpose because I have talked to him myself. I was told by Wallenberg that he wanted to be able to help effectively and to save lives and that he was not interested in going to Budapest merely to write reports to be sent to the Foreign Office. He himself is half Jewish, incidentally. I refer in this connection to my number 2360 dated June 28 (number 40 for the War Refugee Board) and to the suggested desirability of the formulas then by WRB of some directives for Wallenberg at the earliest possible moment. My number 2271 dated June 23 is referred to also. Provided the source is not (repeat not) revealed there is no objection on the part of Boheman to any publicity use we may desire to make of that portion of the foregoing which deals with the treatment of Jews in Hungary.

I have been advised by Boheman that he is now having copies made of the last reports from Budapest to which reference has been made above and that as soon as they are ready he will turn them over to me. Copies will be forwarded by air pouch and a summary will be given by cable.

JOHNSON

DCR:MPL
7/4/44

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

The War Refugee Board requests that you deliver the following message to Dr. Gerhart Riegner and Dr. Richard Lichtheim, 37 Quai Wilson, Geneva:

QUOTE Understand you informed of important resolution adopted by Emergency Advisory Committee for Political Defense of the American Republics and transmitted to the governments of these Republics on May 31. This resolution endorses the position taken by the United States Government that persons belonging to persecuted groups in enemy territory holding documents issued in the name of certain American Republics must be treated by the enemy as nationals of such countries for all purposes. By the terms of this resolution, all such persons would be considered eligible for exchange.

Since Palestine certificates authorize the admission of holders thereof to territory under the control of the British Government, the War Refugee Board has always considered that the exchange of Palestine certificate holders for enemy nationals is a matter that can be handled by the British Government more correctly, and therefore with more probability of success, than the United States.

Kindly advise us urgently of steps taken by you.

WORLD JEWISH CONGRESS
LEON KUBOWITZKI UNQUOTE

THIS IS WRB CABLE TO BERN NO. 66

11:05 a.m.
July 1, 1944

BAksin:ar 6/29/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Legation, Bern
 DATED: July 1, 1944
 NUMBER: 2241

CONFIDENTIAL

TO HARRISON FOR McCLELLAND, BERN

Department, War Refugee Board and Treasury request that you obtain as soon as possible from the representatives in Switzerland of the organizations listed below a report giving the total in dollar equivalent of the amount of free currency, if any, sent into enemy territory during the period ending June first pursuant to section 1 (c) of the respective Treasury licenses. Estimates may, of course, be given where exact figures are not available.

American Committee for Christian Refugees	-W-2150
Jewish Labor Committee	-W-2126
Joint Distribution Committee	-W-2106
International Rescue and Relief Committee	-W-2138
Union of Orthodox Rabbis	-W-2117
World Jewish Congress	-W-2115

THIS IS WRB CABLE TO BERN NO. 65

CABLE TO AMERICAN CONSULATE GENERAL, ISTANBUL, TURKEY

The War Refugee Board requests that you deliver the following message to Zeev Shind, Istanbul, Turkey:

QUOTE Yours June 20 received immediately utilized after informed all concerned. JDC accepted principle Jewagency's plan 2600 refugees as submitted by Shwarts. Cabled Remes inform Barlas. Barlas cable Monter 460 May refugees yours 1712 if difference due your special motorboats action cable which assistance motor and other boats money etcetera from here necessary strengthen your special program also cable your recent information Maluts Lochan and his special needs.

ISRAEL MEREMINSKI UNQUOTE

11:05 a.m.
July 1, 1944

Baksintar 6/30/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMEMBASSY, ANKARA
DATED: July 1, 1944
NUMBER 591

CONFIDENTIAL

FROM WAR REFUGEE BOARD TO STEINHARDT.

Please deliver the following message to Dr. Joseph Schwartz, c/o American Embassy, Ankara, from Moses A. Leavitt of the American Jewish Joint Distribution Committee:

"Regarding proposal finance evacuation from Balkans we arrived following decision after serious consideration. While we appreciate your Magnes Resnik recommendations in view risks involved we believe responsibility for boats operating without safeconduct should be shared by War Refugee Board Jewish Agency and Joint Distribution Committee. In light present situation we ready accept responsibility and War Refugee Board is prepared to assume such responsibility subject to concurrence of Steinhardt and Hirschmann. We approve therefore program up to \$800,000 for 2600 persons and hope amount can be reduced by refugee participation Jewish Agency. We prepared provide 500,000 Swiss francs. Cable to whom francs should be paid in Switzerland. Also cable banking instructions for remittance to Turkey or Palestine as and when sums required. Essential that refugees be warned in advance of risks involved in such voyages and assume Barlas will be instructed accordingly. It is essential that arrangements be worked out whereby Resnik and Hirschmann will be kept continuously advised of all plans of Barlas for such trips and that Hirschmann Resnik approve each project. If possible we would prefer making our remittances directly to Resnik for him to pay out as and when required by Barlas. We cabled Resnik to give Hirschmann his complete wholehearted cooperation."

THIS IS WRB CABLE TO ANKARA NO. 66.

RE
Distribution of true
reading only by special
arrangement. (SECRET W)

July 1, 1944

4 p.m.

SECRET

AMBASSY,

ANKARA.

592

The War Refugee Board cable 61 below is for Hirschmann.

The following cable received from Lisbon

QUOTE British Embassy Ankara has telegraphed British Legation Lisbon stating number Jewish refugees Constanza 1,300 not 5,000 as claimed by Joint here. Suggested transhipment from Istanbul by rail also questioned by British representatives Ankara who claim inadequacy rail facilities for even this smaller number UNQUOTE

It is assumed a plan can be evolved, in view your talk with Secretary General of the Foreign Office referred to in Ankara's 1066 of June 14, for transhipment of refugees arriving in Istanbul on Turkish ships to Palestine by rail.

HULL
(GHW)

WEB:MMV:KG
7/1/44

RE

RE
Distribution of true
reading only by special
arrangement. (SECRET W)

July 1, 1944

6 p.m.

AMEMBASSY,

ANKARA.

594

Reference is made in WEB cable 69 below to Hirschmann to Embassy's 1104 of June 19.

Knowledge of instructions to Turkish border guards not to turn back Jewish refugees at Bulgarian border notwithstanding lack of Turkish visas very interesting to Board. Board had no previous intimation regarding any such instructions. Reports received here concerning non-admission cover incidents before issuance thereof, we therefore assume. Board notes that arrivals by rail only mentioned in your cable. Question thus arises whether Jews and other persecuted people trying to cross Bulgarian border clandestinely on foot or otherwise are covered by these instructions. Do these instructions extend to all clandestine refugees? Board hopes the instructions can be continued in effect and, if they do not now extend to those arriving at border by other means than rail, that such cases will be included therein. Please use your best judgment regarding means to fulfill these hopes.

Information concerning number of refugees crossing from Bulgarian frontier during past month without Turkish visas would be appreciated.

WEB:MMV:KG
6/30/44

S/OR

RE

HULL
(GLW)

MEMO
Distribution of true
reading only by special
arrangement. (SECRET W)

July 1, 1944

7 p.m.

AMBASSY,

ANKARA.

595

War Refugee Board cable no. 71 follows

Procurement of report at earliest opportunity from
Jacob Griffel giving total in dollar equivalent of amount
of free currency, if any, sent into enemy territory during
period ended June 1 pursuant to section 1 (c) of Treasury
license W-2166 requested by Department, War Refugee Board
and Treasury.

HULL
(GLW)

WEB:MMV:KG
7/1/44

HE WT SWP S/OR

NOT TO BE RE-TRANSMITTED

SECRET

OPTEL No. 214

Information received up to 10 A.M. 1st July 1944.

1. NAVAL

On 30th weather off NORMANDY prevented aircraft from observing fire for ships on Eastern flank. In the afternoon S.W. wind increased. Mine laying by aircraft continues nightly. 5 were shot down by cruisers on 28th/29th. Yesterday a Liberator sank a U-Boat north of the SHETLANDS, 30 crew seen in water.

2. MILITARY

France A further advance of 2½ miles has been made against the German forces in N.W. of peninsula. On British front S.W. of CAEN the most determined German counter attack yet delivered was repulsed on 29th. After a fairly quiet night, morning 30th spent in reorganising with little or no enemy opposition. Mopping up of isolate groups of Germans continues.

Italy In ADRIATIC sector Polish patrols have advanced some 3 miles across CHEINTI from which Germans have apparently withdrawn. In centre British and South African troops pressed on against strong German resistance astride LAKE TRASIMENO making advance up to 5 miles. Further West, French are in contact along their whole front running approximately East-West about 7 miles S. of SIENA. In coastal area, U.S. troops occupied POMARANCA and have made general advance. They have entered outskirts of CECINA

3. AIR OPERATIONS

Western Front 30th. Aircraft of bomber command bombed a flying bomb supply site in the ABBEVILLE/AMIENS area 554 tons and a concentration of German troops and armour near VILLERS BOCAGE 1092 tons. U.S. heavy bombers dropped total 283 tons on five airfields Northern FRANCE and BELGIUM. In addition to usual armed reconnaissance and standing patrols, 380 bombers and fighter bombers of A.E.A.F. attacked transport and fuel dumps behind the battle area. Enemy casualties 16:6:11, ours two bombers, two fighters missing. 30th/1st. Aircraft despatched: VIERZON railway centre 118 (14 missing); synthetic oil plant HOMBERG 40 Mosquitoes (1 missing) other tasks 41, Over VIERZON weather clear and attack concentrated. German activity - 29th/30th 118 flying bombs launched.

Balkans 28th/29th. Heavy and medium bombers, 5 missing, dropped 140 tons on GIURGIU oil installations. 30th. U.S. heavy bombers of XV Air Force unable to reach primary targets oil installations in Germany dropped 431 tons on railway centres BUDAPEST and CAPOSVAR, ZAGREB airfield and other objectives YUGOSLAVIA.

Bretton Woods, N.H.
July 2, 1944
10:15 a.m.

INSTRUCTION OF THE AMERICAN DELEGATION - FUND AND BANK

Present: Mr. White
Mr. Acheson
Mr. Eccles
Mr. Luxford
Judge Vinson
Senator Wagner
Senator Tobey
Mr. Collado
Mr. Spence
Mr. Wolcott
Mr. Brown
Mr. Sweetser
Mrs. Morgenthau
Dr. Goldenweiser
Mr. Smith
Miss Newcomer
Mr. Somers
Mrs. Klotz
Mr. Ness

H.M.JR: I think, gentlemen, if it is agreeable to you, if Mr. White would continue where he left off I think it would be very useful.

MR. WHITE: I think we were about through with the high-lights of the controversial points on the Fund.

MR. SPENCE: Not all. There is the question of Directors, for instance.

MR. WHITE: Yes, the question as to what powers they shall have.

MR. WAGNER: Where do they come from?

MR. WHITE: Well, on the Board of Directors - that is, we call it the Board of Directors - the British want to call it the Council - there is one member from each country. He has an alternate and they meet once a year

or oftener if they are called for some special problem. The work is done by an Executive Board, as I said, consisting of nine or eleven members - they haven't agreed on that. As I mentioned, the countries with the five largest quotas automatically have each a member on the Executive Committee. The other four or six, depending upon the total in the Executive Committee, are to be elected, and you remember I said that there was a controversy between the small countries and chiefly England as to how those shall be elected.

The American experts had proposed a system called proportional representation, if that might describe it, which gives the small countries some advantage. It gives them a better chance of being on. The British preferred another type which would probably favor the medium quota countries and that controversy is going on.

The American experts have not taken much of a position beyond the original proposal, since there are enough small countries to defend their own interests at the discussion.

The problem as to whether or not the Executive Committee shall exercise the authority for deciding on most problems has come up. A number of the delegates want to exclude from the authority of the Executive Committee certain important matters, and that is our view, too, that the Executive Committee ought not to decide on certain questions.

For example, the Executive Committee wouldn't have the power to alter the price of gold. The Executive Committee wouldn't have the authority to suspend a member country or to declare it in default.

Luxford, can you think of some?

MR. LUXFORD: Liquidating the Fund - the Executive Committee could not liquidate the Fund. That must be done by the over-all Board. There are several others of that type powers which are reserved for the Board rather than for the Executive Committee.

DR. GOLDENWEISER: Can you change the quota?

MR. WHITE: No, they can't, and it can't be changed without the approval of any country in any case, as well as by the Fund.

Now, there is a broader problem that centers around that which is the center of a pretty substantial controversy, chiefly between ourselves and the British. The British want the management of the Fund to be the important thing - the higher manager to make most of the decisions, because they want the operations of the Fund to approach the automatic.

We, on the other hand, believe that the Executive Committee ought to make important decisions, and not the manager, because the decisions are too important. They affect the interests of too many countries and therefore we believe they should not be left to a manager. And that is one of the points of discussion which you will hear more about.

We haven't been able to agree with the British as yet on that. One of the reasons why they would like a manager is because they want less of that type of control that Ned Brown was speaking about in which countries would feel that they can purchase from the Fund as a matter of right. The more a matter of right it becomes, the more automatic it becomes. We are taking the opposite view, that it is not a matter of right, it is a question of their being able to utilize the resources of the Fund; that is, various member countries being able to utilize the resources of the Fund only if such use contributes to reestablish equilibrium, and that involves, on many borderline cases, a lot of judgment. That judgment cannot be left to a manager, but to an Executive Committee.

There will be a lot of cases about which there will be no question, but there will be borderline cases and they will usually be important ones, because a decision to curtail the requests of any member country is an important decision; or the decision to let a country exceed its quota would be an important decision. We feel that those decisions ought to be made by an important group which would be the Executive Committee. There is that difference between the British and ourselves. It is a little too early to say what countries side with the British on that, and what countries side with us.

We do know, and I think it is fair to say - don't you, Mr. Bernstein, that the Dutch and, of course, Greece, will always side with U.K. no matter what it is - even more so than the Dominions. The Dutch will almost always side - they are almost like stooges - they always support the British. The rest of the smaller countries, I don't know.

MR. BERNSTEIN: I have a feeling that many of the Latin American Republics feel as we do, that it simply wouldn't be good to have too much automatic operation, that there should be a review of policies and purposes by the Executive Directors. And I have the feeling that Canada would agree with us.

MR. WHITE: I think China would, too.

MR. BROWN: I am not so sure about some of the smaller Latin American countries, however. The impression in the discussions I heard was that they would like it as a matter of right rather than a matter of descretion.

MR. WHITE: Yes, I think that is certainly true. I don't think that is true of Mexico or Brazil.

MR. BERNSTEIN: It wasn't true of the group we had at Atlantic City.

MR. BROWN: It was true of Mexico, for instance.

There is one other question, Dr. White, that developed at Atlantic City which I think is very important and on which there is a very marked difference of opinion, and that relates to the time when the Fund is going to go into operation; that is, when it is actually going to begin to buy and sell. The American position has been that - in the preliminary discussions - that it should not take place until after the termination of major hostilities in the present war - meaning both Germany and Japan. China sides with us on that. England, every other European country, and I think the South American countries, expressed the opinion that they are utterly unwilling to have any such late date for operation.

Now, the question is important because in my opinion if the Fund starts operation and actually deals in exchange before a country has gotten at least a minimum of economic stability, the Fund wouldn't work.

If a country like Greece, for instance, has a large part of its population starving and has access to the Fund, it will try to get access to the Fund for the purpose of feeding its people and not for the purpose of exchange stability. Even in the case of very important countries like France, where the future of the government is very uncertain, if there is going to be civil war, it is unsafe to deal in their exchange, and I think it is very important that the American position taken by the experts at Atlantic City be maintained. And I am sure you will have four-fifths of the other countries against you on that point.

- 5 -

MR. WHITE: I didn't know that the American experts took quite that position, Ned. Our position has been that they shouldn't begin operations until the European phase of the war is over - but the Far East - I don't think we have felt that operations could not begin after the European phase, with the lapse of time that is permitted by the regulations, which are substantial - because there is a period at which they first meet, and then they get organized, and there is a lapse of a number of months before they can begin operations. But there is one important provision in there that might make it amount to much the same thing, and that is that operations cannot take place with a country until the Fund agrees on the exchange rate with that country as being the more or less permanent one.

Now, none of the countries in the actual fighting - none of the occupied countries, rather - have an exchange rate which is appropriate to the post-war conditions, and one of the reasons for the necessity for the Fund to come into being as soon as possible is to provide some mechanism whereby these various countries can adjust their exchange rates and have it considered as a unilateral decision.

Now, for adjusting their exchange rates they are allowed, I think, six months, but that could be extended. But they can't begin operations until they state exactly what their permanent rate will be, and until the Fund has accepted it. Now, if you consider the time it will take to get this by the various parliaments and congresses, even if it emerges as an agreement here, and then there is a lapse of time before the first initial meeting is called, then there is a lapse of a couple of months before the first group is called to establish - and then there is another lapse of a few months before they are permitted to get organized - you are running into a long enough period, I think - a good deal of that question will become academic. But that hasn't been settled yet.

I didn't think that we took the position - and I am not sure we should - that we ought not to begin operations until the Far Eastern war is over. It depends upon when the Far Eastern war takes place. We did think that the Executive Committee could be permitted jurisdiction to determine when to begin operations in a particular currency. So much depends upon uncertain factors that I don't see how we could take a position of that kind, now.

We would expect that the Far East would be settled within six months, if we are optimistic - or a year, moderately. But the thing may drag out two or three years. To say it can't operate until the Pacific thing is closed is quite unwarranted.

MR. BROWN: That was in your proposal submitted at Atlantic City. It was explained that it meant both the Japanese and German wars.

MR. LUXFORD: I think that is right, Harry, as far as the text is concerned; but on the other hand, it certainly hasn't been resolved.

MR. BROWN: It hasn't been resolved, but our proposal was urged very definitely on that basis in Atlantic City.

MR. WHITE: That there has been a proposal not to begin operations until--

MR. LUXFORD: That is in one of the texts submitted, yes.

MR. WHITE: By whom?

MR. LUXFORD: I think one of our alternates.

MR. WHITE: Yes, but it is not ours.

MR. BROWN: It is.

MR. LUXFORD: We left a little flexibility there.

MR. WHITE: One of your boys may have slipped it in.

H.M.JR: Don't look at me!

MR. WHITE: However, that is still a basis for discussion.

H.M.JR: Harry, one of your boys!

MR. BROWN: I think it is important to set up a proposition that no dealings in a country's exchange shall take place until it is past the period where a considerable number of its people are facing actual starvation, and until there is at least a minimum of political stability.

- 7 -

MR. WHITE: We would agree with that.

MR. BROWN: I don't care what the machinery is, but a lot of these European countries would like to start up tomorrow if they could.

MR. WHITE: We have made allowances for that, and there is some justification for that - not tomorrow, but as I said before, it will be at least - under the most optimistic circumstance, the Fund couldn't operate even if Congress were to pass it within two months after they got it - which would be a miracle - it would take at least, I should think, a year.

MR. BROWN: I don't want to argue with you, Harry, except to state my own feelings. It is an important point on which there will be a radical degree of difference with England and with other countries, and that the American Delegation ought to consider that point very carefully.

I think it is quite as important as the voting power and the Directors, and some other things.

H.M.JR: I think the fact that you brought it up is important because there seems to be some difference of opinion in our own group.

MR. WHITE: That is what these meetings are for.

H.M.JR: Excuse me! I thought you had yours so well trained that there weren't any differences.

MR. WHITE: Well, it disturbs me! (Laughter)

MR. ECCLES: A country can't become a member of the Fund until its exchange rate is established. As I understand it, countries will agree to a participation in the Fund, to become members of the Fund, and it may be spread over a period of years before those who have agreed to become members of the Fund actually can participate as members of the Fund, because of a question of establishing an exchange rate.

Now, doesn't that automatically take care, to some extent, at least in the question that Ned Brown raises here, that if there are thirty or forty members who want to come into the Fund, those that participate in the operation of the Fund, the beginning will be only with those where an exchange rate has been agreed upon, and

there are going to be conditions in other countries - China, Greece, and other countries - where it may take some time before you can agree upon the rate, because certainly when they actually come in you have to have some feeling that the exchange rate established has some stability at the time; otherwise you immediately start off permitting a depreciation of exchange rates.

MR. WHITE: Yes, if I indicate the order of events I think it will bear out the point you are making. When they agree to participate as members, if enough countries agree to become members by action of their various parliaments and legislatures--

MR. ECCLES: How many would that be?

MR. WHITE: Sixty-five percent of the aggregate quotas, the major countries. It has to be United States and England.

MR. ECCLES: Two, anyway.

MR. WHITE: The Fund begins - actually there is a lapse of several months before they get the machinery started, then the countries are members. They are not full members; they are, shall I say, half members; the difference being that as half members they have all the obligations - they agree not to enter upon competitive depreciation; they agree to discuss their affairs multilaterally - to do many things - but they do not have access to the resources of the Fund until the Fund agrees with the member country on the permanence of the exchange rate. You said that might take a couple of years. It might in the case of China, because of the situation there. It is not likely to take - we would be surprised if it took anything like that with Europe if the war ended in Europe.

MR. ECCLES: You have to get rid of the revolutions, and the occupied countries would have to get some rehabilitation.

MR. WHITE: One of the ideas of this is to prevent revolutions. Some of the countries, I think you will find, will probably establish a rate of exchange in consultation with the Fund which will be satisfactory in the Fund, within a few months after the cessation of hostilities.

Now, it is true that there is greater need in those countries at that time for assistance of all kinds. It

- 9 -

is also true that there is greater need of assistance for the Fund. Now, we want the Fund to assist them at that time, even though they are in a more difficult position, because one of the purposes of the Fund is to reduce the acuteness of that position in Europe, as well as during the longer-range time.

The Fund can stand it; it is so arranged and constructed that it can stand it, because there is a rate which they cannot exceed, so that there is a ceiling to the amount which they can have access to in the Fund within the first year after they agreed to the Fund, and that ceiling was set for the specific purpose of providing some support to those countries who will very badly need it during the reconstruction period. And I think it would be--

MR. ECCLES: What ceiling do you mean?

MR. WHITE: The twenty-five percent rate. I think it would be a mistake to assume that you are going to wait until these countries are normally settled before this Fund begins to operate because that would be to throw away the very valuable aid that this Fund can be in preventing revolutions and in helping to reestablish those countries on some kind of a basis which will give promise of continued peace and prosperity.

We have put a limit on it, but we want it to be used by those countries during the initial period - take a country like Greece - yes, there is starvation there, there is wild inflation, and a completely upset economy, but the minute war stops you will have UNRRA coming in taking care of part of that, and it will take Greece at least a number of months before she can establish any kind of a permanent rate and reestablish her currency. She will get credits, probably, of one fashion or another. Now, she will also need some assistance from this. It isn't very much - Greece is a small country. She can't get very much even out of the Fund. Her quota is small. But the Fund should stand ready to help her at that point.

H.M.JR: May I interrupt a minute, Harry? What we have been doing in these countries so far - we try very hard to establish a rate of exchange, which we have in Italy, and we have met with a certain amount of success. I mean, we start with this military currency, and in Africa we started with gold seal currency. What we do is, we start with just as low a rate as possible. Now, in

- 10 -

France we started with a two-cent rate and notwithstanding General DeGaulle - Mr. Hopperot was in, the head of the French Mission, and I asked him point blank whether the people of France accepted this money, and he said, "Yes, readily."

We are now working on a rate for Germany. In every case we are trying to be as realistic as possible so that the jump-off from now until they begin to do business will not be a very sharp one. And as I say, in the case of France we have an understanding with the Minister of Finance that we will adjust it as often as it is necessary, so that they won't say, "Well, a two-cent rate - and we have to keep it, come hell or high water."

So I think, so far, Italy, France - the little piece that we have occupied - if we are successful in getting the rate that we think we should have, I think these rates which are being artificially established in the first instance will be helpful towards stability if the Fund is created.

I just wanted to put that in.

MR. WHITE: We haven't established a rate for Greece yet. That is why it is a preposterous rate.

HM. JR: We are not in there. But take the case of China, for instance. Dr. Kung holds out for a five-cent rate and the rate is about eighteen yuan to the dollar. But he is still running it and the time may come when he may, even before there is a Fund, say to us that he wants help in establishing a realistic rate.

MR. WHITE: He won't be eligible for any operations in the Fund until the rate he established was agreeable to the Fund, and of course, any rate that would be agreeable to the Fund wouldn't bear any resemblance to the present rate.

MR. BROWN: I don't want to argue the question too far, except to point out that I agree with you that we can't wait until there is complete economic and political stability of these countries, but I think you have got to get back past a minimum amount of political order--

(Mr. Wolcott enters the conference)

MR. BROWN: The question that Senator Wagner raises about the voting is important because these countries

- 11 -

whose rates are not established will have full votes, even before their own rates are established. You may not have the Chinese, or the French, or the Greek, or the Czechoslovak rate established, but under the plans that have been discussed, their Directors and their representatives on the Executive Committee would have equal votes, and since it only takes a majority of the Fund to establish a rate, the question which has to be considered and worked out pretty carefully, unless you run the risk of establishing a rate for a country--

MR. WHITE: Wait, I think there is some misunderstanding about an important matter. Maybe some of the things Ned said might be misleading. The voting in the Executive Committee is not - they don't have equal votes.

MR. BROWN: I understand that.

MR. WHITE: That means the United States, the United Kingdom, and Canada, with a few of the other countries dominating the situation. If all the other votes were piled together they couldn't control. The United States, and the United Kingdom, and Canada, and one or two others--

MR. BROWN: Yes, but the United Kingdom is quite apt to take a different opinion on that subject. It has been indicated in some of the discussions that it was felt they differed from the American experts as to how soon it should be started.

MR. WHITE: I didn't gather that. Maybe it was in private discussions.

MR. BROWN: It was in a full meeting of the Council.

H.M.JR: You Atlantic City boys better have a private meeting.

MR. WHITE: There is agreement between us except that they probably had some private conversations. However, that may all be raised again. That will appear in the--

MR. ECCLES: If a country doesn't like the rate that has been established for it by the Fund, of course it then withdraws.

- 12 -

MR. WHITE: It isn't that the Fund established it. They want to be very careful that that is not stated. What it is is that the Fund accepts the rate - the same thing. They don't come in or withdraw - I mean, they may come in at the beginning to be a member--

MR. ECCLES: But they haven't put the money in yet.

MR. WHITE: They have to put the money in when they become a member.

MR. ECCLES: They have to commit to put the money in, but if the Fund doesn't like the rate that they want to establish, then the money is never put in.

MR. WHITE: No, I think the money is called for at the beginning.

DR. GOLDENWEISER: How do they decide how much to put in if they have no rate?

MR. LUXFORD: You set the quota, but the quota will be fixed in terms of the gold, at the rate that is presently being worked out. They will have to pay in their full amount before you start operations in that currency.

MR. WHITE: That is what Marriner said, but I said at what point, after they agree to participation, is it calling for the money?

MR. LUXFORD: Frankly, it is open right now.

MR. BROWN: The discussion called for a rate of July 1, 1944, of whatever it was, and they would pay in at that rate.

MR. LUXFORD: That is in one of the drafts.

MR. WHITE: That will be one of the open discussions. But in any case, you are right, because if they don't agree on the rate, if they have put the money in, they can withdraw.

MR. WAGNER: Can I ask a question, Harry? I am one of the amateurs here, but I think in this matter I can probably speak for the other members of the Congress. I think we are going to be asked, as one of the first questions - here is a country which still has inflation, and you are going to establish a rate for them. Now, how are you going to establish the rate?

- 13 -

MR. WHITE: That is the way to stop inflation - to establish a rate and do other things at the same time. There is no sense in establishing a rate if that is all they did.

MR. WAGNER: How do you establish a rate that is feasible?

MR. WHITE: Take China, for example, as one of the extreme cases of inflation: China can agree with the Fund on a rate, no question about that. Now, whether she would be able to hold that rate would depend on her doing a lot of things.

You could pick a rate and say that this rate she has some chance of keeping, providing she does a lot of other things. The Fund would have to be satisfied that is in prospect.

MR. WAGNER: You say from the beginning, fix a rate; how is that to be determined?

MR. WHITE: We can agree, just as we agreed on the Italian rate. We knew in setting the Italian rate that we were setting it lower than the Italians and some of the other people wanted. We set it at one cent because we said that we wanted to set a rate that had an excellent chance of holding. If things improve, it can get stronger, which will be fine for Italy and everybody else, but it won't easily get weaker. The others wanted us to set it at three or two cents, but we were afraid it would begin to slip down to one. I think so far events have justified us. There is a one-cent rate. The Italians want to improve it - they want a two-cent rate, which is fine. But you have picked a rate which has an excellent chance of holding as the country recuperates gradually.

H.M.JR: Could I help out a little bit?

Bob, this thing, you see, we in the Treasury have had the experience of the Tripartite Agreement with England and France, and we had the unfortunate experience with France of successive depreciation and devaluation, and we have learned through experience. We have had experience with other countries, and now we have started, as I say, with not only North Africa French, but what was left of the French colonies. And I think in establishing these things that if this Fund is born they will have to be just as tough as we have been in these countries where we have gone. I have always felt, particularly on account of my experience vis-a-vis the French, that I would much rather err on the low side and find I have placed too low

- 14 -

a rate on the thing, and then gradually come up.

MR. WAGNER: Supposing the other countries are all against you on that proposition.

MR. WHITE: They couldn't be.

MR. ECCLES: It isn't to their interest to be.

H.M.JR: Because they will lose money on it. It is to everybody's interest, as I see it. It isn't a selfish one on our part to fix a rate so that the thing will get better. I mean, nothing is better for a country than to see its currency appreciate, and the most refreshing thing on this thing is the question of the French. They came over here - this Mendes-France, and I think it was his own suggestion - he said, "Now, we don't like the two-cent rate, but we realize that that is the best you can do, but we on our own want to suggest that this be readjusted as often as is necessary and the final settlement with you for your troops and your expenditures and everything else will be on the ultimate rate, and not on the month-to-month rate."

So all the time we are establishing precedents which we can use. Do you see? Immediately we said to the President, "The French formula is the best we have heard. We want that with all the other countries if and when we invade them."

He has accepted that, as has State and War, as a formula. So we are building precedent. So far, what we have done in these countries - we have gone along - we have had our share of success - and I think by the time this reaches Congress we will have been in other countries and we can show what we have done. So we in the Treasury, with the help of State and War Department, are not approaching this entirely as amateurs. I mean, we have definite examples that we can give you where so far we have been fortunate enough to be successful.

MR. WHITE: I think it should be made clear that all these problems you speak of exist, anyhow, without the Fund, except in a much more intensified form, because without the Fund they take unilateral action, and in taking unilateral action, they are always in favor of taking it on the low side, which forces the next country to meet the situation. They have to fix a rate and they have to meet their monetary, inflationary problems.

- 15 -

Now, all we do is introduce some multilateral decision so that they will pay attention to the effects of any decision on other countries, and also assist them in maintaining, so that many of these complex problems you speak of, and are very difficult in the post-war period, exist.

That is one of the reasons why we need the Fund - to help solve those problems.

H.M.JR: May I say, when you don't have something - for instance, the thing that the Army did in China was just unbelievable. We had nine hundred thousand people, or something like that, working on one airfield. That may be slightly exaggerated - I will minimize it. Dean Acheson's brother was there--

MR. WHITE: Two hundred thousand on one field.

H.M.JR: The expenditures have been just unbelievable. We have had to use all kinds of artificial devices in order to keep the thing down. Well, you can do it temporarily, but if we go into this thing after the Armistice - I mean, we can't do what we have done in China because in the final analysis we just had to say to General Stilwell, "You have got to do it as a soldier."

But the thing you are up against is - we have been in China where they are building these fields to take care of the B-29's, and the time and thought and effort is just unbelievable. Now multiply that about forty-four or fifty times, and you go into something like that, without something like this - the world will go crazy. You just can't do it.

It has taken the best brains that we have, and conference after conference, to handle this Chinese thing - to get over the period until these fields were finished. But we have done it, and we have done it at half the expense that we thought it would cost. But nobody has the time to do it for forty-four countries, or fifty countries. I don't know how many countries there are in the world, but you just can't do it.

MR. BROWN: Senator, again I don't want to discuss the details of it, but it seems to me that to get public acceptance of this plan - and I think properly so - the more assurance you can give the people of the United States that the Fund is not going to begin operations until there is some minimum of political stability and some minimum of economic stability - I don't think a

- 16 -

very high degree of either political or economic stability is necessary - the greater chance you have of acceptance.

Now, I don't care what the machinery--

MR. WHITE: Unquestionably.

MR. BROWN: I don't care what the machinery of the Fund is to accomplish that result. I don't particularly care, after the termination of both wars. I mean, if the Japanese war is in full blast, it is going to be a tremendous strain on sterling - on India, on Australia, and on the maintenance of their currency. It isn't going to affect Czechoslovakia, or France, or Greece; it is going to be important in the Dutch Netherlands--

MR. BROWN: I think it is perfectly possible, within the framework of these principles, to get a sufficient actual protection, but I think it is very important that we get it, and I think we are going to have difficulties in getting it unless we stand our ground, because I think the majority of other countries would like to see the Fund opened for business at the earliest possible moment.

That is the only point I want to make. I think it is something that the American Delegation, in considering a great many of these questions, have to bear in mind constantly.

MR. ECCLES: As I followed the discussions and the opposition, I know that the Federal Reserve people - we have had communications from every Reserve Bank, practically, and that is a reflection of the banker and business view, and I agree fully with Ned, that unless we can give assurance to the American public, that this thing would fail of getting enough support for passage. The base, almost, of this opposition centers right there; at least, it is one of the principal factors in the whole picture. Why they are against this approach, this sort of Fund is against the John Williams type of approach. And I think that you go quite a long way to meeting that opposition if what Ned mentioned here can be worked out.

MR. WAGNER: As to time?

MR. ECCLES: The time and conditions, yes.

MR. WHITE: Let's keep this in mind because it is very important, and something we are liable to overlook.

- 17 -

We are not playing tiddle-de-winks. You are dealing with countries who are politically unstable, economically unstable, and who are confronted with potentialities that are fearsome in their possibilities; and the necessity of our job is to help them to achieve political stability and begin economic reconstruction. If you are going to take the position that you are not going to help them - not take any risk - not take the risk of a loss of what is really a few dollars, which you can't lose on this thing in the long run - on the assumption that you are going to wait until they are well established - then you are not being conservative, you are being a gambler of the highest order. You are gambling with the political stability of Europe and the world.

Now, we don't want to take that risk; we don't want to take that gamble. That is why we want to do everything we can to help them achieve that degree of political stability and economic promise. That means that you have got to begin to assist them as soon as there is a reasonable degree of stability.

Now, the only question is, when does that reasonable degree appear? Obviously, when you have the armistice you don't make funds available the next day. In the first place, I needn't tell you gentlemen on the Hill, but it is going to take a long time to get this into operation, and then it is going to take months, and so forth, but without knowing the exact date of the end of the war, you can't know to what extent you have any influence over the timing, because it may take so long - the European war may be over in four or five months, and it may take a year for this to get going. But to assume that the Fund shouldn't begin to operate until these countries are well on the road to recovery is, as I say - in the first place, they will never get on the road to recovery if you don't help them, and in the second place, you already have the Fund protected, because they cannot draw but a certain amount over a twelve-month period. And to assume that the Fund is jeopardized by coming to the assistance of Europe when they most need it is, it seems to me, overlooking one of the most important aspects of this Fund.

Certainly there are risks. The risks are small in terms of money to the United States, but there are some risks. But there are a lot greater risks if you don't.

MR. VINSON: Is there any difference between you, Harry, and Mr. Brown, in the fact that there should be reasonable stability before it goes into operation?

- 18 -

Mr. White: I don't think so. There may be some difference between us as to what constitutes--

MR. VINSON: That would be determined by the Board.

MR. WHITE: That is right, but his opinion is that the Board might be biased in the other direction. I wonder whether that is so. Where do the interests of Canada and the United Kingdom and Holland lie, just to name only a few? It lies in political stability; it lies in hope for peace. Those countries have a high sense of responsibility for the dangers. They are not looking at this as something in a grab bag which they can take out - to hell with the world when they get through. In fact, England has told us a dozen times that she doesn't expect to utilize this Fund herself hardly at all because she thinks she can make the grade without resorting a great deal. But she will need the others. She knows what the others have to do, and England cannot have peace and prosperity unless Europe does, and we can't have it unless England and Europe does. So there isn't any difference on the principle; there may be on the timing.

MR. VINSON: There may be on the execution - on the administration.

MR. WHITE: That is right, as to what is reasonable. Well, naturally these small countries that are in trouble, overwhelmed with danger of being thrown out of office - if there is one thing you are certain about, people are not going to stand for prolonged unemployment in Europe. They will kick over the traces for Communism, or some other "ism." They are not going to stand for depressions, and so forth. Now, these governments know that. Naturally these governments are eager to do everything that is possible to prevent that. They want stability, improvement. So naturally they are going to press for assistance,

But to assume that they are coming with their hands to dig into somebody else's pockets is not fair to them and not realistic. So we mustn't too lightly assume that what is a reasonable period means you have to wait until there is stability.

Then the question of those bankers who feel this is an important point, the reason is they are smart enough to know, if you want to kill this thing the way to do it is not a frontal attack; they will never get to first base with the people; the people are too smart.

- 19 -

The people know something has to be done in the field of international monetary stability. Those fellows are too shrewd to expose them to that. They say, "We are all for this, but go gradually, take it easy, wait until the transitional period is over."

They know that within a few years after the end of the war you won't be able to get an international arrangement of this kind any more than you could fly. At least they figure they could kill it then. Their job now is to postpone it. This talk about a two-country approach - most of the people don't know, but the spearhead knows that England doesn't want a two-country approach, and that the other countries won't accept it.

Therefore they know that what they are actually doing is killing it - "Postpone it, wait until times are stable, wait until you see a little more clearly ahead of you."

That is a smart tactic.

MR. ECCLES: I think the answer to that, Harry, is that when you establish a rate you have got some idea that that rate is going to prevail.

MR. WHITE: Otherwise it would be senseless.

MR. ECCLES: That is right. That is the answer to that one. Establish a rate when there is a revolution going on, and when you have no basis upon which to establish it--

MR. WHITE: I don't think there is disagreement among any of us on that score. But we are not dealing with normal times, and we are not dealing with a situation in which we can sit back and wait.

You know, I would say, we have always felt that conservatism in its true sense, in its best sense, means not taking unnecessary risks. That is what conservatism means to me, not taking unnecessary risks. Well I hold that sometimes when you sit down and do nothing you are taking more risks than when you do something, and we are confronted with bad alternatives.

MR. TOBEY: If you would guide in the light of reason in troublous times, you must let your minds be bold.

MR. WHITE: That is fine. Boldness is sometimes much more conservative than caution. Caution is all right

- 20 -

when things are going pretty well, when nothing very bad can happen; then it is easy to go slowly and wait and see. When you are confronted with the potentialities existing in Europe today - Greece, Czechoslovakia, France - take France, the French are very eager to see this go in. You think they want the additional foreign exchange. They can't get very much out of it. They expect to get more out of credits than they do out of this. No, they want it because they are afraid of monetary instability after the war. Mendes-France is coming here, specially. He talked with the Secretary - had some long conferences with the various departments and the Secretary, flew back to Algiers to talk it over with his government and he is coming back. Why? One of the chief reasons is that France is worried, not that she may not be able to get a few hundred million dollars in credit. That wouldn't stand between her and instability. You are dealing with a country that deals in very large sums. She is afraid that the rate of exchange she has established she will not be able to hold.

As the Secretary said - he didn't tell you quite the whole story, but we don't think she can hold it, and we said if she wants it, all right. She knows she can't hold it, but for political reasons she had to take it.

Now then, she feels that it is vital to her economy to be able to have an international Fund in which there can be multilateral agreement on the rate - an orderly adjustment of the rate at that time. And having experienced '34, '35, and '36, which practically brought along civil war because of her monetary disturbances, she is scared to death about it.

It isn't because she wants the money and additional credits. Now, France is a key country in Europe. What happens to France will affect Belgium and Holland, and those countries are going to look to the Fund as a medium which will help to establish this orderly rate of exchange and give them some chance of maintaining it.

I repeated the remark to you of one of the leading economists who is here, Dr. ³ he is not known in this country - if the common people realized what is involved in these provisions, he said, they would pray every night for its success. Now, why? It isn't because of a few hundred million dollars that they can get for credits, because most of these countries can only get small amounts.

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It is because you are establishing an international medium that tackles cooperatively these major monetary and economic problems, and in order to help them tackle them successfully you have got to give them assistance. But we all agree you have to give them assistance under those conditions which will help them help themselves. That is our job.

DR. GOLDENWEISER: It is generally understood that you can't wait until stability is established because you would never get anywhere, because stability, as a matter of fact, never exists entirely.

On the other hand, it is also agreed that you can't start it before there is some point from which to start the development of stability, and I think it is a matter of interpretation. Beyond that point, of course, when that stability has been once established, then the introduction of this stabilizer will help bring about a great deal more of stability in the course of a short time, which is what we are hoping for, and which is being established.

You don't differ with that, do you, Mr. Brown?

MR. BROWN: Not at all. I don't think you can wait for any such degree of stability as Dewey, for instance, suggests. I think that is impossible. I am worried about the effect on the exchange of the United Kingdom and the Netherlands while the Japanese war--

MR. WHITE: That isn't going to affect them, because that is blocked. It won't help them, but the expenditures of India will be blocked. It makes it all the more necessary, getting those other countries on their feet.

MR. BROWN: When you said you thought we had discussed the major question, I am sure that as far as popular acceptance in this country and in Congress goes that that question, and the ability to be able to point out to the American people that the practical machinery of the Fund safeguards it, is essential for its acceptance, and I think you agree with me on that.

MR. WHITE: Absolutely. And I think that is the point Marriner makes. The best plan in the world is no good if you can't get Congress to accept it; therefore it is vital that you meet these oppositions.

MR. WAGNER: Don't misunderstand me, I am strong for stabilization of some kind, and I am going to rely on you experts to determine when that time is, but I say that is an important factor.

MR. WHITE: It is important.

MR. WAGNER: Speaking as an individual, now, of course.

MR. WHITE: It is an important factor, but it is one we have been conscious of, and one--

MR. TOBEY: I suppose--

MR. WHITE: You are apprised of the fact that you will get some saboteurs at this hotel doing all they can to stick a knife into this thing.

MR. WHITE: I would be surprised if that were not so because if this thing were being considered on its merits people would be looking at it objectively and saying, "We don't like this. We think this is better" - or "we think this is weak here and ought to be improved" - or "this ought to be changed," but that is not the approach at all. You haven't got the people who are interested in the objectives. They just pay lip service to it. They are interested in defeating this. The man who is interested in defeating it is a man who is going to resort to all kinds of devices, one of them being sabotage. He is going to try many attacks in different ways. It isn't a man - there is a group not interested in this. If they can't defeat it frontally, as they know they can't, because mass opinion is too smart for them - sometimes even the mass of people understand certain things. They don't know the technical details, but they appreciate the broader implications. So it is being attacked on several fronts. On one front you get the technicians of that group who are saying, "Wait - wait until the transition period is over. This thing may work out during good times, but it can't work both in good times and bad times. If it is fit for good times, then not for bad." It is like saying not to have a physician during an epidemic because physicians are being made for only normal times.

You have another group that is saying, "This is the wrong approach; it is something new." Of course it isn't new, but either they don't know or if they do know, they don't say, because it is merely an extension of what is already being done.

H.M.JR: Let's go on to the next thing, Harry.

MR. ECCLES: I am interested, though, in this question of saboteurs here. The countries represented here are sympathetic with getting this Fund. Certainly, I would think, the American group would be here for constructive purposes; unless they are connected with some group - why are they here?

H.M.JR: I don't know what the Senator meant, but I think his contribution was friendly.

MR. TOBEY: I am speaking of experiences I have had since I have been here - of approaches I have had from men showing animus and a very earnest desire to see this thing fail, and I came back to them. I speak of it because that type of vermin is here, and they will do the poisonous work. It may not have much effect, but they quote the New York Times editorials. I thought I would bring it up, not to prolong this discussion, but to let us know we have to be on guard.

H.M.JR: Like the chicken, or the egg - which comes first, the New York Times editorials or the saboteurs?

MR. WOLCOTT: I think what Senator Tobey says, we have to bear in mind. Within the hour I have had the charge thrown at me that this is throwing money down a rat hole. Now, Harry, in your press conferences, I wish you would stress that, because it might help. Senator Tobey and I get these things, probably, when you don't. We have been in the opposition so long that they think we are going to oppose everything that comes up. If the opposition has any voice here, they expect that Senator Tobey and I are going to be the opposition. It is becoming rather difficult for us, because all of the opposition spearheads on us. We don't want to do anything about it. Now the pressure is getting pretty strong. I think we have got to take cognizance of this opposition - this sabotaging, as you put it. You have got to cover it in your press conferences if you can.

MR. WHITE: Do you think it would be helpful to cover it in a press conference?

MR. WOLCOTT: I think so. In the last hour I have had the proposition put up to me that we are pouring money down a rat hole. I believe that next week there will be articles written along that line. They haven't had the benefit of your explanation of it.

The only way that you can offset that and perhaps beat them to it is to anticipate those arguments.

H.M.JR: Mr. Wolcott, without asking you to disclose anything - or Senator Tobey - are these American people? American newspaper people?

MR. WOLCOTT: Yes. We have got to be realistic about it.

MR. TOBEY: They are American newspaper people.

MR. BROWN: Oh, yes, Sam Crider is up here. He has talked to me. He doesn't know anything about it; he doesn't want to know anything about it - in this room. He wants to defeat it. He has done a good deal of writing for President Hoover and he just doesn't like it. I have argued with him.

MR. WHITE: They are influential writers. They are widely syndicated.

MR. TOBEY: Mr. Crider is specifically representing the Hearst papers. I would rather you didn't quote that from me, but it is true.

MR. BROWN: He told me he was arranging a syndicate of articles which were going to appear not only in the Hearst newspapers, but all over the country, and that Hearst was arranging the syndicate for him.

MR. WOLCOTT: As I have suggested at one of the preliminary conferences, if we are going to be successful with that, we have to have public sentiment with us because public sentiment will control whatever action is taken by the Congress, and I think we have got to begin and start building public sentiment right today and now.

H.M.JR: To be practical, what would you suggest, Mr. Wolcott?

MR. WOLCOTT: I made this one suggestion, that in the press conferences this opposition be anticipated. There have been hints about it, and the fact that the plan is bound to be a failure because, as Dr. Goldenweiser mentioned, many people think, probably as Charlie Dewey does, that we can't do anything here until all the currencies of all the countries have been established. They are putting the cart before the horse. I think

- 25 -

stressing your idea that this conference is designed to stabilize their currencies and keep them stable after they have been established, is going to be helpful in building up public sentiment for the plan. And that is done largely, of course, over the radio and the press.

MR. TOBEY: Mr. Chairman, I amplify what Jesse says. It seems to me, looking at the matter from the public opinion standpoint, utilizing the medium of the press to get this thing out and beat them to the punch, take the edge off this criticism, it is awfully important that we link this up as a very definite concomitant of our sincere purpose for world cooperation. There is the germ that is in the hearts of all of us, and back of that is desire for world peace and the constructive movement of the world at large. We mustn't lose sight of that. This only amplifies and implements the efforts of the nations of the world for world cooperation in a very practical manner, and by doing that we at once put a foundation under the thing, it seems to me, in the minds of the public, and that will appeal to them.

And then I also think that, and I say this entirely impersonally, that these press people should be encouraged to come to members of this Conference and get interviews along the lines - that we are yearning for this principle - and particularly come to the two Republican members who are here. Not that we will come out and do anything we should not do, but what we should do, which is to show we are here in a constructive way, and not a negative way, with a yearning in our hearts to see this successful.

I go a good deal farther than most of you here. I would put it - you take the maximum amount we put in this thing, if the whole thing is a failure, personally, I would put it in there and say we made a great try for something; even if we failed. So that part of the failing - of the losses - is to me a crass indictment of this inception here. Throw that out the window now, but come back to my thesis that we must link this with world cooperation in a very definite way to establish unity.

MR. WOLCOTT: We want to cooperate, and I think my position is pretty well placed. I want to see this Conference succeed, and I think we all want to; because we are expected to spearhead the opposition, which we are not going to do, and which we don't want to do, we have to have an awful lot of help - an awful lot of support. We don't know enough about the subject to answer all these questions ourselves.

- 26 -

H.M.JR: Mr. Wolcott, all I can say is this - I have been Secretary of the Treasury now - this is my eleventh year, and I have tried the best I can to run this thing on a basis that I am there serving one hundred and thirty-five million people, and those of you who watched us run the Stabilization Fund - we certainly haven't run it for the Democratic Party, and we haven't been accused of it.

As a matter of fact, I don't think we have ever had any paper attack us that we have misused the Stabilization Fund in any sense. It does seem to me that that is an example that you gentlemen could use. Here we have had this thing - Congress has renewed it four times - am I right?

MR. WAGNER: The Stabilization Fund, yes.

H.M.JR: And there is an example of what can be done aboveboard and in the interests of the country.

MR. WAGNER: It has been unanimous.

H.M.JR: It seems to me that is a fairly good example of what can be done without putting the money down a rat hole.

MR. WOLCOTT: May I suggest that there are perhaps three things which we have to have some help on. That is one of them, that we are pouring money down a rat hole. Another is that we might in some manner or other turn over the management of our domestic economy to an international Board. That is the second one. Probably that is more important than the first.

Then as I think of some others I will give them to you. Those are the two things that have been put to me.

MR. TOBEY: I will give you another one, that the existing Stabilization Fund is nothing new, that we just use this one we have now and carry on without creating all this machinery.

And fourth, there is a charge that a nation that might be a piker and have no moral principles could come into this Fund and use printing-press money, and be in regular standing with the other nations putting in good money. And when they draw out by giving a notice, they will divide up the assets - the money isn't worth a damn.

- 27 -

I say this merely because you are the experts and amplifying what my good friend Jesse has said, that we would like answers to these things.

MR. WOLCOTT: If you answer them in your press conference, it will relieve the pressure on us.

MR. SPENCE: The members of the press have complained to me about the secrecy of the meeting. I suppose it is absolutely necessary that it shall be, but I think it would be advisable to give them as much information as you can.

MR. WHITE: That is the Secretary's intention.

MR. SPENCE: Two or three of them have complained to me that they didn't know about the meeting in Atlantic City.

MR. WHITE: I think we ought to tell them about that.

MR. SPENCE: But they are going to write, and if you give them what you think they ought to write, I think it would be desirable.

H.M.JR: I read the New York Tribune this morning rather hastily. But certainly - and I look on that as a Republican Party organ - and there couldn't have been a more constructive story written out of Bretton Woods than was written in the New York Tribune this morning.

DR. GOLDENWEISER: I understand that John Crider has a rather favorable one in the Times this morning.

H.M.JR: John Crider has a favorable one in the Times. He has two stories, one on the business, and one on the comforts of the people. He writes one paragraph in which he says that in the morning they were uncomfortable and by night the thing was straightened out.

MR. TOBEY: Isn't it possible to get these pressmen together in the presence of this group here, and to impregnate them or stimulate them with the sincerity of purpose and the aspiration we have here, and a frank statement, and let them feel the unity that is in this room here for this cause, that it is a passion with us - something more than merely verbiage - and impress them? They are pretty hard-boiled, but nevertheless, they recognize when people are sincere. Let them have it with both barrels.

H.M.JR: In view of these suggestions - I have just sent for Mr. Fred Smith. I thought that he and Mr. Sweetser and Mr. McDermott and I could get together and in view of these very valuable suggestions made here in the last few minutes, plan something.

After all, as I say, between Mr. Sweetser and Mr. McDermott and Fred Smith, they ought to be able to take this thing and capitalize on it. With all sincerity, I think the attitude of both Senator Tobey and Mr. Wolcott are magnificent, and I think, if I may say so, that they are just a hundred percent good American citizens, and I will try to live up to their standards.

MR. TOBEY: There is nothing extraneous - nothing here - no barriers at all, as I see it.

H.M.JR: After all, we picked you gentlemen not because you were handsome, but because you were ranking members of these Committees.

MR. TOBEY: Thereby hangs a tale, but I won't take that up!

H.M.JR: May I just say that the Lord is with us.

MR. WAGNER: I would like to say for Charlie Tobey, we have been on committee together and he puts patriotism above politics, any time - always has. That is why I knew he was here, and Jesse, too, in our conferences.

MR. SPENCE: I would like to say the same for Jesse Wolcott, too.

H.M.JR: Anyway, I think when these press people come - we will have a little talk and plan something for this afternoon. You might ask, also, for Mr. McDermott. Then we can get them together. I think if they will all listen--

MR. TOBEY: Mr. Chairman, I realize that bringing up this matter of saboteurs - I was digressing from the trend of the meeting.

MR. VINSON: Nothing could have been more important, I think, Senator.

MR. WOLCOTT: One other thought right there - that it is possible, and it is designed to establish the price of specific commodities. For example, wheat, we will say.

Many have the idea that we could pick out one commodity, so the wheat people might be opposed to it, or the corn people might be opposed to it. They don't view it as an over-all stabilization; they feel that we can manipulate, through the Fund, the price of specific commodities.

I think that should be covered.

MR. WHITE: I didn't realize that.

H.M.JR: Wait a minute.

MR. WOLCOTT: No, I don't think you have been getting some of these. The wheat people are very much concerned about this Conference.

H.M.JR: You mean they think that through international action we can affect the price of wheat?

MR. WOLCOTT: That is right. That misconception of the whole thing has gone on.

MR. WHITE: The only way to affect the price of wheat is to raise it by helping countries to be prosperous so they will be able to buy more wheat.

H.M.JR: I wish they could affect the price of string beans! We sold one hundred and thirty-five bushels yesterday for a dollar and a half, which is half as much as we got last year.

MR. VINSON: Don't look at me, Mr. Secretary!

H.M.JR: So if you will please get busy, Mr. Vinson - if you can do something, will you do something for my string beans, please?

MR. WOLCOTT: We got this during the Price Control Act, that they were price conscious in Congress on specific items - cotton particularly. They think, through manipulation of these funds in some mystical manner or other, that we can raise the price of Mediterranean cotton to the prejudice of American cotton.

MR. WHITE: Interesting. I hadn't heard that.

MR. VINSON: Well, the ideas have just started.

MR. WHITE: I am afraid so, yes.

- 30 -

MR. WOLCOTT: I shouldn't have brought up cotton, I guess.

MR. WAGNER: Oh, you did well.

H.M.JR: It is an interesting thing that in this group there is no representative of a cotton State.

MR. WOLCOTT: Very unusual.

MR. SPENCE: We would probably have had a resolution introduced before this! (Laughter)

MR. SOMERS: The suggestion I was about to make was either covered by the Senator or by my colleague here on my left.

H.M.JR: Wouldn't you amplify it, please?

MR. SOMERS: Well, the two suggestions I was about to make at that time were, one; that Charlie Dewey should be answered immediately, because he has fifty-four Members of Congress signing a proposal which might disrupt this proposal of ours, and some of them are important Members, Mr. Wadsworth of New York, for instance, and several others.

In addition to that, I would like to suggest that these newspapermen be called together, and that Mr. White speak to them as he has spoken to us. Let them ask any questions, and let him answer directly as he answers us. I think that would have a very beneficial effect.

That was all, and I think both of those things were covered.

H.M.JR: Well, it is planned that Mr. White meet with them at three this afternoon.

MR. WHITE: I think, Mr. Secretary, probably in the few minutes remaining it would be well to cover the Bank and drop the Fund. Then we can go back to these. All these points will be re-raised again for special consideration.

H.M.JR: Mr. Sweetser, you were making notes, I notice. You can tell McDermott what happened here between you and Fred Smith, and I expect some very bright ideas in the not-too-distant future.

MR. SWEETSER: We were arranging to have lunch this noon together, all of us, and to talk with Mr. White about his conference this afternoon. That has been very widely advertised. I think all the press will be there, and I think some of them will be there with knives, and they will bring out all these particular points. One other thing I would like to mention - because we were talking about what Senator Tobey said - we are coming close to the 4th of July and some idea of having some recognition of that in the Conference, if we could arrange it, and that would give a chance for a speech or declaration about national independence leading on to interdependence. I thought that we might be able to work up something of that sort, and we were thinking of Senator Tobey in connection with it.

As far as OWI is concerned, itself, our people would like to get just as many statements as they can get from the different members of the delegation, which they would use first to send abroad on the short wave, but which at the same time they would like to give out domestically, so you get a double-barreled arrangement. They like a statement from the overseas side every day, so there will be a chance for everyone on the delegation to make such a statement. It should be short - three minutes or so. And you could take up exactly the lines that Senator Tobey mentioned about world interdependence.

MR. WHITE: Could I take up very briefly the Bank, then you can raise whatever questions you want on it. Then we will come back to the Fund.

The Bank, as you know, is a Bank for the United and Associated Nations, with a capital of ten billion dollars, in which countries subscribe. This is different from the Fund. The Fund is just a participation in which there is no risk of loss, in our judgment, at all.

This is different from the Fund. This is a Bank in which you have ten billion dollars' worth of capital and its business, its chief business, in fact, is the simple one of helping to promote private investment to foreign governments for special projects of reconstruction and development.

The way in which it would work is as follows: There would be a sum of probably twenty percent of the total subscription called up at first from all the members. It may be less than that, but that is the maximum - twenty percent.

Members can subscribe in varying proportions. The proportions are determined by a formula which takes into consideration a country's national income and the amount of gold and foreign exchange resources. The net result is that the United States would subscribe a little less than a third; the United Kingdom probably about a half of the U.S., and so on, down the line.

Now, the Bank has two separate operations, one important, the other much less important. The important operation which I will take up first is that the Bank guarantees loans which are made by private investors through the regular channels of underwriting houses, and by its guarantee, agrees obviously to pay up in case of default.

Loans can be made only to foreign countries when the governments of those foreign countries guarantee them, so that the investor has for his investment, the guarantee of the government to whom the loan is made; or if it is a municipality, then the government has to guarantee it as well as the municipality. He has the additional guarantee of the Bank which represents, in effect, the guarantee of the thirty or forty governments of the nations who subscribe.

As far as the investment is concerned, he couldn't get a safer one. Therefore he would accept a lower rate of interest. Now, the Bank would have a pretty substantial charge for taking care of that guarantee, and the fees which it would collect. The charges which it would make for guaranteeing it would go into a reserve to build up against possible defaults in the later years.

No further money would be called for from the governments unless there was a default on the service, in which case the countries would contribute - the way England's proposal has it, they would contribute gold - all the countries would contribute gold to meet the default. Other countries haven't discussed that in any detail and we don't know how acceptable it would be to other countries, but we assume that would have a good chance of being accepted. The Bank guarantees the loans of private investors. Why should that warrant the creation of a bank of that kind? The situation is that there probably has never been a time in history when countries are more in need of capital to reconstruct their economy, get back on a working basis, and also develop some of the necessary industries without which they couldn't have any hope for full employment or anything like it.

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- 33 -

MR. TOBEY: Wouldn't it be better to say they need tremendous sums of capital which can only be supplied by foreign governments?

DR. WHITE: Possibly we could amend it a little further. They need tremendous sums of capital, only part of which they can supply locally.

MR. TOBEY: I'd put it that way, because it puts the whole pyramid on us in the public imagination.

DR. WHITE: They would supply a substantial amount locally. That is one of the requirements of the Fund. But they can't supply it all. They need imports. They need import machinery, they need import raw materials, they need to import technical--

MR. TOBEY: Bring out self-participation there which softens the blow in the public mind.

DR. WHITE: They do have to supply a substantial amount of the necessary capital for construction locally. We can go into details and show how that is protected at this end.

Now, unless these countries get that capital, you will not be able to stabilize those countries on any kind of a sound basis. It is just impossible. They need too much. And they must have it within the next few years to begin with, to get started.

Now, that being so, the question then becomes, who is going to supply it? Now, the American technicians have felt that it is unfair, unjust, to put the burden on the American tax-payer for the risk or fault, because a lot of these loans are risky. You take loans to Greece, to Yugoslavia, to Czechoslovakia, then you have Norway and France and you probably will have Italy after they come into the fold; even the enemy countries after they get to a stage where you want to help them so you won't have communism and anarchy and chaos-- even they will need assistance.

Now, they are pretty risky loans. I am not talking about loans to England or Holland, who has good credit. Unless there is severe destruction in the course of the war, she ought to be able to borrow in the private markets. England certainly ought to be able to. It may even be possible for France to borrow a little. But you have some twenty or thirty countries where the risk is high. You can't expect the private investor to take those risks. He would take them

only if he wants to gamble at eight or ten percent or an eight percent interest loan, like after the end of the war, and underwriters buy and sell it at high rates. The country simply cannot pay those rates. They will default; so they must get capital and get it at reasonable rates of interest, and they must get it for long periods of time so they can pay the things back.

You cannot expect the American investor to supply capital under those conditions. There has to be some assistance from the Government. We feel that the American tax-payer ought not to be called upon to bear that entire risk--I mean, when the Government guarantees it, it is the tax-payer who pays. We say that the benefits that come to the world as a whole from reconstruction and development, from preventing civil wars and depressions--we say those benefits accrue to the world as a whole, not only to the United States. Therefore, we feel that the world as a whole ought to bear the risk of loss. And that is what this Bank does. Should there be a default, the loss does not fall on the United States, but it falls on all the Governments in proportion to their subscription.

Of course, we are the richest, most powerful nation. It is only to be expected that we would bear a larger share, but we only bear a share and not the whole, as would be true of most schemes which you hear suggested, like the Dewey scheme.

The Dewey scheme would have the United States extend all the capital; even though it is smaller, it is more costly. It is smaller because it can't loan that much, but you get back much less of what you loan. You stand to lose much more.

MR. VINSON: How is it smaller?

DR. WHITE: He has six hundred million dollars. His proposal is six hundred million. How he gets that, I don't know. Why not a hundred million; why not anything? Six hundred million couldn't begin to do the job of loans. These countries need capital at the rate of probably a billion and a half to two billions a year. You are dealing with some fifty countries with greater capital needs than ever in history, and the risk of loss in this to all the subscribers is small, because you don't have one Government guaranteeing it; you have the borrowing government guaranteeing it. You have all the governments in the world guaranteeing it who

stand between the American tax-payer and the default.

DR. GOLDENWEISER: It might be helpful if you mention-- perhaps they all have it in mind--but one of the provisions is that neither the guarantee nor the loans will be made by this Bank unless they can't get it outside on reasonable terms.

DR. WHITE: That is a good point. There is no desire to interfere with the private market. In other words, what we say is that to the extent that private underwriters and bankers could make the loan, fine. If they took care of it, the Bank wouldn't do a nickel's worth of business, and that would be fine. But it is only to the extent that private investors will not, and all the people say they will not who are conversant with the monetary market. You can't expect them to.

MR. WAGNER: ... On a larger scale like our FHA. Marriner, the bill you introduced here a short time ago is along the same line, isn't it?

MR. ECCLES: Yes.

MR. SPENCE. The Bank will make no direct loans?

DR. WHITE: I was coming to that with the twenty percent, but I was speaking of the bulk of its business. The bulk of its business will be ninety or ninety-five percent of these guaranteed loans, not on direct loans. But I wanted to make clear, this capital must be forthcoming if you are to have peace and prosperity. We say the American tax-payer ought to bear only his legitimate share.

MR. ECCLES: Harry, that guarantee by the Bank is a proportionate guarantee.

DR. WHITE: That is, we guarantee up to the amount of the share of our participation.

MR. VINSON: ...Joint and several obligations.

DR. WHITE: You are talking in legal terms.

MR. VINSON: If it is a guarantee up to our participation, it seems to me it is several.

DR. WHITE: It is a guarantee up to our participation; it is limited liability.

H.M.JR: Mr. Brown?

MR. BROWN: I was just going to say, I think after you left Atlantic City the English proposals, our proposals, put forward in the discussion, not at all conclusive, were while each nation's obligations are limited by its total amount of uncalled capital, subscription, that the obligations of the several nations to make their uncalled subscriptions are joint and several. That is, if any one country falls down, such as Greece or Guatamala, why the United Kingdom and Russia and the United States and all the other solvent countries would have--

MR. VINSON: That would be joint and several, but limited to the amount of participation.

MR. BROWN: Just like the case of a national bank. It used to be where you had a double liability on the stock and it affected some of the other stockholders who were insolvent and relieved the stockholders from paying up. On the other hand, a man couldn't be made to pay gold. In other words, if all the countries except the United States defaulted, the United States would have to make up the difference up to the amount of its subscription. Isn't that right?

DR. GOLDENWEISER: But not beyond that amount. And of course that is an impossible hypothesis.

H.M.JR: That would be the worst.

MR. WOLCOTT: The total amount of our liability under any circumstance would be the total amount of our subscription.

DR. WHITE: If everybody failed. But, you see, this charge that they have all goes into a reserve. No country defaults for some time. So you are beginning to accumulate a reserve right away as against potential defaults.

MR. WOLCOTT: It would be impossible for us to lose all of our subscription.

DR. WHITE: I would say that is impossible.

MR. ECCLES: Let's take an actual case. Here is an American investor who loans a million dollars, guaranteed by the Bank, to Poland. That loan defaults. That investor wants dollars. And we are a participant in the Fund to the

5/a

- 37 -

extent of thirty percent. Would he get thirty percent in dollars and fifteen percent in sterling and a certain percentage in the currencies of other countries, or would he get the full amount in dollars?

DR. WHITE: He would get it in gold, the equivalent of dollars. You remember I said the default would be met in gold.

MR. ECCLES: Can only a country that can put up gold for its participation come into the Bank?

DR. WHITE: Oh, yes, it has to put up some gold to begin with, but they have to pay the defaults in gold.

MR. ECCLES: When they can't, the countries who pay it in gold have to take care of it. Well, of course it is equivalent to paying it in dollars.

DR. WHITE: Not in our dollars. When a country defaults--and there isn't enough in gold assets accumulated in the Fund to make it--then you call on the other countries in gold. All countries have very substantial amounts of gold. These defaults can never amount to very much. Let's say on a billion dollars it could mean thirty million dollars for forty countries.

MR. ECCLES: Then the American investor who had the guarantee really gets paid in dollars.

DR. WHITE: Yes, as far as he is concerned, he gets dollars; he loses nothing. He can't lose. It is the safest kind of an investment. For that reason, the whole risk is reduced--for two reasons: It is less risky to undertake loans not only for the investor, but also for the borrower. In the first place, if the Bank guarantees a loan, it has to make certain that the loan is to be used for a productive project. In other words, you can't have the kind of loans that we had in the Twenties--many of them. The Bank wouldn't guarantee that type of loan. It not only has to be productive, but the rate of interest has to be reasonable, and the term of years has to be long. Now, those three factors will do more to reduce the actual risk of default than probably any three you can think of.

MR. ECCLES: Yes, the competition would force an extremely low rate. We'll have such an excess of capital for investment that the investors would be seeking these guaranteed loans, and the rate would be--

6/d

DR. WHITE: They should be low.

MR. ECCLES: Yes, the competition for the loans would make them extremely low.

DR. WHITE: That would reduce the risk, because it is much easier for a country to repay a loan when it has borrowed at reasonable profits. So the risk is reduced, of defaults. If there is a default, the burden upon the tax-payer will be one-third, a little less than one-third, what it would be had America made the whole loan--well, more than that. I think many of the men in discussing it felt that no country would dare default to an international organization of this kind.

We are discussing certain consequences that would follow. An international organization of this kind can put pressure on a country that no country could afford to do, because it is imperialistic, it is butting in. But if you have thirty or forty nations doing it, it becomes a very different story. The country cannot accuse a particular country of being imperialistic.

Also, there is another provision. You speak of default. A country rarely defaults in payment of local currency. It is a transfer problem. Isn't that right?

MR. ECCLES: Yes.

DR. WHITE: Therefore, we get paid in local currency, anyhow. Now, the Bank will have certain rights to transfer that local currency, which no individual currency in a Bank could have. That is one of the things being discussed.

So if you consider this thing in the large, this is the cheapest possible kind of instrument to almost assure recovery in foreign countries, because if a Bank like this operates successfully, you can get enough foreign loans over the critical period of the next three or four years, and that is the critical period in this as distinct from the Fund, which will operate equally well or more effectively even later.

MR. ECCLES: This will supplement the Fund, because it will provide the country that gets ~~these~~ loans with the currency that otherwise would be--

- 39 -

DR. WHITE: That is right. In other words, this Bank very greatly strengthens the effectiveness of the Fund, and the Fund helps the Bank because the Fund gives some assurance to the investors that they can withdraw their earnings and that the interest and dividends which they earn on their foreign investments will not be subject to the monetary disturbances and disruptions such as their past investments are.

I'd like to go back to that, because it ties up with this. One of the effects of the Fund which we haven't mentioned is that with the establishment of the Fund you will find American corporations much more willing to establish branch plants in these foreign countries, because one of the conditions of the Fund which we haven't mentioned--and I think it is important, don't you, Ned?--about the withdrawal of dividends as being current earnings--

Let's say the General Motors Company establishes a plant in Brazil. As it has been in the past, they have earned local currency. Now, they weren't at all certain that they could withdraw those currencies. Sometimes they would re-invest them. But under the Fund arrangement, these current earnings on investments must be treated just like payment for exports and imports, and are not subject to exchange controls.

I digressed because I forgot to mention that important fact. That would mean that you would have a considerable stimulus for the kind of investment which is best for the country and best for us.

The establishment of branch banks in all the foreign countries--we have done some of that. They will do a great deal more with the Fund. The Bank will greatly strengthen the other, because it will supply dollars.

MR. BROWN: I think there will be a lot of discussion.

MR. ECCLES: You mean exercise some control over the foreign investment so that the burden upon making the transfer--

DR. WHITE: You have complete control over the foreign investment in this sense through the Bank. The Bank cannot make the loan without the approval of the American Government.

- 40 -

MR. ECCLES: I was thinking of a private corporation establishing plants on the assumption that they could withdraw dividends, and it would not be subject to exchange control; to the extent that that may be done extensively, it may well put a burden upon the Fund of making a transfer.

DR. WHITE: It doesn't put the burden upon the Fund, but you are right that it puts a burden upon the country, and it would be one of the functions of the Fund to watch that. That is very true. But they would do that not by going to the particular company. They wouldn't interfere with the company's business and say, "You can't put a plant there." But they might say to the country, "You are getting more foreign investments than we think your trade can handle, because you are not setting aside something," and so forth and so on.

MR. ECCLES: Provide the dividends, that is right.

DR. WHITE: Now, there may be some loans which the public will not undertake, and so the Bank has the authority within that twenty percent to make direct loans, itself. It has to be guaranteed by the Government and guaranteed by the Bank in the same way against losses.

There is a further requirement: If any new loan is made out of that twenty percent, the money has to be spent in the country where the currency is spent.

I will have to explain that a little. That is an important point. A country borrows ten million dollars. Let's say Yugoslavia borrows the equivalent of ten million dollars. But there are many currencies in the Fund. There are dollars and sterling and francs, and so forth.

Now, Yugoslavia would determine roughly--these are only rough approximations--what proportion she wants to spend in what country. She knows approximately what she wants to buy. She can't borrow unless she does know. She has a definite project. She decides she wants to spend about half of it, some in the United States and some in England, and some somewhere else.

The Fund agrees to the loan. Now, the Fund gives her five million dollars out of the ten that has to be spent in the United States. For what she spends in England, the Fund gives her sterling. For what she spends in the other countries, she is given those other currencies, so that all the currencies which are in the Fund are utilizable, not only dollars.

- 41 -

But that applies only to direct loans. What the United States lends out of the Fund has to be spent in the United States for American exports. What England lends in sterling will have to be spent in England, and so forth.

MR. ECCLES: That doesn't apply to the guaranty.

DR. WHITE: No, we don't interfere with that. They can borrow the money from a private investor. They always have had that privilege. Frequently, as you know--

MR. ECCLES: We have had some complaint about it.

DR. WHITE: There are many details in the Bank. The voting is in the same proportion as your subscription, and each country has absolute veto power on the use of its Funds in direct loans.

In other words, let's take that same illustration. Yugoslavia might want to borrow and spend the money in the United States. If we are having full employment like we have now, if that would continue, we don't need any foreign business if they can get it elsewhere. The American representative on instructions from the American Government would say, "No, we don't want to make any loans; it will only be inflationary here. Better buy in this or that country. If you put the business here it will only mean more inflation." So if the United States didn't wish the loan to be made, it wouldn't be made. Just as if England didn't want the sterling portion to be made. They would have to lend it somewhere else.

So the Bank cannot deal with any one country in any way without the approval of that government. So the Bank can't come in the American market in any way and deal in the American market, either through the sale of its securities or in any other fashion.

MR. ECCLES: How about the guaranty?

DR. WHITE: ...without the approval of the Americans.

Then there is another provision which I think would be interesting along that line. The Bank can, if it wants to, borrow money in a country, but only with the approval of that member and only if somebody wants to lend the money. But if it wanted to increase its assets that way--

- 42 -

DR. GOLDENWEISER: You mean if the twenty percent wasn't enough, wouldn't give them enough dollars, they can get more dollars; but they have in the first place to get permission of the country and of an investor who is willing to buy.

MR. SPENCE: Would a country subscribe to the Bank in the same proportion it would to the Fund?

DR. WHITE: No, it is somewhat different, if you take a few other factors into consideration; but it is approximately the same. Ours would be a little higher. I think if all the countries join, ours would be three billion instead of two and three quarters. There is some difference, but that is roughly it. We are the largest subscriber. United Kingdom is the second. There are some differences in the third, fourth, or fifth on that basis. They subscribe partly in gold and partly in their local currency. That is an interesting aspect of it. The part that they subscribe in their local currency doesn't cost them anything until it is used. They don't have to provide it in cash. If they wish, they can have their cash invested in treasury bills.

DR. GOLDENWEISER: You are talking about the Fund or the Bank?

DR. WHITE: About the Bank. No, they have to put cash in the Fund.

That is to make it easy for some countries who may have difficulty in borrowing to avoid a contingency until the money is needed. When the money is needed, they have to supply the cash.

MR. ECCLES: A country wanting a loan to buy in this country from the Bank could possibly borrow the full amount in dollars. I mean, it isn't a pro rata.

DR. WHITE: No, he doesn't specify what money he needs. He has no choice.

MR. ECCLES: He has to merely tell where he spends it.

DR. WHITE: When he presents the invoices, the plans, that money is paid by the Bank. He spends it in the United States, the American manufacturer gets dollars; he spends it in England, the British exporter gets sterling.

- 43 -

MR. ECCLES: It is all decided beforehand, because the government has to decide whether they want the money spent.

DR. WHITE: But it is not spent down to the last nickel.

MR. BROWN: All loans made by the Bank have to be expressed in gold, which practically means they could be expressed in dollars.

DR. WHITE: Expressed in dollars, but not spent in dollars.

MR. BROWN: But it is expressed in terms of gold.

MR. ECCLES: You would have to have stability of currency to make the Bank operate.

DR. WHITE: It would certainly be hard if you didn't have stability, but I think loans could be made even if it weren't in existence.

MR. BROWN: One question, Harry, that I think is important on the original American plan. There is a clause that provided that the Bank could invest a small percentage of its capital in equities. The American experts said that on reconsideration they thought that that proposal should be dropped. Luxford, I think, suggested that the Americans do it. The English, to my surprise, said they put it in only because the suggestion came from America and it was the judgment of the English Delegation that that ought to be dropped out.

DR. WHITE: I think in our own defense we put it in because the SEC wanted it.

MR. BROWN: I am very clear in my own mind. I'd like to argue with the delegates that that provision for direct equity should be struck out, and also the similar provision that the Fund could provide in the case of private individuals a direct investment, dividends, amortization, and so forth, which would be transferable without any exchange restrictions in the future. I think that is a very bad proposal, myself, and the English thought it was for two reasons: In the first place, we have tremendous investments, particularly in Canada and South America, which provisions would only

- 44 -

apply as to future investments which would work greatly against American industries already established. In the second place, I think there would be danger, particularly in Latin America and in a great many countries at least sufficient for the government in power to get an exemption that would put an absolutely intolerable burden on the exchange facilities of the country and would very seriously interfere with the working of the Fund.

I think it was the judgment of the American experts after discussion that that was probably the case, and it was the view of the English, to my complete and great surprise. I don't know what country originally suggested it.

DR. WHITE: SEC suggested both. They pushed us around a good deal on that. I think some of the State men thought, too, that it would be very helpful if we could get some equities investment. We said we would include them both, thinking that in the discussions that would follow there'd be ample time to consider them.

There are two separate points. One is the purchase of foreign stocks and investment, and the other a more technical matter, guarantee of withdrawal against exchange controls. You will find the American experts--particularly the Treasury--will pull out of that without much coaxing.

MR. BROWN: The English want it out.

MR. ECCLES: Is there any relationship between the amount of money that a country may borrow from the Bank and its participation in the Bank?

DR. WHITE: None whatsoever.

The desire to borrow gold for monetary stabilization purposes on the part of many of the countries is important. It has been proposed by many of the other countries.

DR. GOLDENWEISER: On the one you just mentioned, I should think our answer would be negative. I don't think that borrowing gold for stabilization, domestic stabilization purposes, is a capital investment in the sense that this Fund should function. My own judgment would be that we ought not to be willing to.

- 45 -

DR. WHITE: I would think that would be the judgment of this group after consideration.

The second point, some countries, led by Czechoslovakia, want to be able to borrow not for a special project which we have indicated, like a power plant or public utilities or a railway, but to restore her inventories which have all been despoiled by the Germans. She has taken this position. She says a certain amount of inventory is not working capital, but permanent capital, because you never dip very much below it. You always have to have a certain amount of inventory.

Now they said, "Here Germany will leave us with denuded stocks of inventory. We have to build those up and they have to remain at that level to be sure we turn it over. But we have to replace it." They want to be able to borrow for that purpose.

One of the things that the Bank does not do, which the American group has insisted on its not doing, is to make short-term or medium-term loans. We have said there were adequate institutions all over the world to take care of short-term loans, if they are meritorious. That also applies to three or five-year loans, we think. There is some doubt about that. And whether this would be the type of a five-year loan or whether it would be a long-term loan, or whether the Bank should undertake it is one of the problems that will come before you. Those are the only other two points.

MR. TOBEY: Are those made on the trust receipts?

DR. WHITE: Except it isn't a single item.

H.M.JR: Gentlemen, this has gone on several hours. I know it has been useful to me. I don't know just what is on this afternoon. Is there anything that the American delegates are expected to do this afternoon?

DR. WHITE: No, they have the afternoon free as far as any committee meetings are concerned, but tomorrow morning they begin, and sometime tomorrow, I think probably preferably after the plenary session, we'll want to meet, in addition to other purposes, to indicate the assignment and what the program will be.

H.M.JR: I would very much like to have a meeting at ten o'clock tomorrow morning here.

DR. WHITE: I think the plenary session is at ten.

- 46 -

MR. BROWN: I should like to make a suggestion, if I may. I suggest that Miss Newcomer, Senator Tobey, Mr. Wolcott and I get together and talk to the press to show that we are all together on this thing, along with those in the Government.

MR. WAGNER: What are you--a Republican or a Democrat?

MR. BROWN: I think I am regarded by the newspaper reporters as entirely independent of the Administration, so I think I could help.

H.M.JR: Why don't you tell them what you did in 1940, as long as you are boasting?

MR. VINSON: He doesn't like to do it!

DR. WHITE: As long as you confine yourselves to generalities, but if you let the press go into details, they might take the position that the Conference hasn't started yet.

H.M.JR: Mr. Sweetser, Mr. Smith, and Mr. McDermott are waiting on something now, and I'll pass this along. Your suggestion is a good one, Ned.

I have this suggestion to make in regard to public relations. What would you gentlemen think? I happen to know Mr. Eugene Sloan on a purely official basis. If I asked him--he's with General Motors--to send up the man who handles their foreign exchange problems, what would you think? They have such a man. Then if I asked International Harvester--whoever their man is--and possibly General Electric. Those, I think, are the three outstanding companies that do business around the world.

DR. WHITE: Do you know whom General Motors has as Vice President?

H.M.JR: Yes, but that is all right. Some of these companies do business around the world. Ask them to send somebody up here. Whom does International Harvester have?

MR. BROWN: I don't know, I am sorry to say. I know we have four International Harvester directors on our Bank Board. They all feel the need of monetary stabilization, but I don't know who handles it.

- 47 -

H.M.JR: I could get hold of the President. We'll have some of them come up here. What would you people think of that?

MR. WAGNER: You mean now? Yes.

MR. WOLCOTT: I think the timing is the essence there. I am not so sure but what the Secretary's conference might be premature.

MR. VINSON: I just think we mustn't flush too quickly. We really haven't gotten under way. We haven't gotten started.

MR. WOLCOTT: Let them build up a little foundation, first, then we will put the superstructure on.

MR. VINSON: I think the Fourth of July suggestion is a very happy one. It will be a good day for thought, and a real message can come forth.

H.M.JR: They are working on a speech with Senator Wagner now, I believe, for tomorrow.

MR. WAGNER: Yes.

H.M.JR: Then they thought if Senator Tobey was agreeable, they would work with him for a talk for the Fourth of July. That is what, as I understand it from Mr. Sweetser, is in the works now. I don't think they are going to ask the English to make a Fourth of July oration, though!

These people are working very hard, and I think that they will get to Mr. Brown's suggestion very promptly.

Mrs. Morgenthau gave me a very good suggestion, that if Miss Newcomer, as soon as possible, could get a statement out to people like the League of Women Voters and the Federated Women's Club, and the Business and Professional Clubs, giving them just simple facts of this thing before their opinion jells, do you see, Miss Newcomer, so at least they would know the facts before they come out against us. If you would be thinking about that--

MISS NEWCOMER: All right.

H.M.JR: So that the thinking women of America could get something from you as promptly as possible.

- 48 -

Mrs. Klotz tells me that the plenary session is at ten. Could we meet at nine-thirty tomorrow morning here just to sort of see where we are? I'd like to meet with you people every morning. So if it is agreeable, if that isn't too early, we will meet at nine-thirty here.

MR. WOLCOTT: May I announce, also, that I am arranging a party to climb Mount Washington this afternoon, if anyone would like to come along?

MR. VINSON: Seriously, that is just purely a bluff!

H.M.JR: I would be glad to meet you on top of Mount Washington and walk down with you.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
 TO: Secretary of State, Washington
 DATE: July 2, 1944
 NUMBER: 2437

CONFIDENTIAL

Reference is made herein to the Legation's July 1 cable no. 2404.

According to estimate of Gullion evacuation party, including Central European Jewish refugees, will not total more than approximately one hundred thirty persons. Although these Central European Jewish refugees have had longer notice than others, at 4:30 p.m. on July 3 they still did not know which of their number would be aboard the special train which leaves tomorrow morning for Abo from Helsinki. As a result of this lack of cooperation on the part of Jewish refugees Gullion has found it impossible to obtain exit visas for evacuation group in Helsinki, and it has been necessary to postpone passport formalities to arrival at Abo of the party. This afternoon Gullion was informed by the Head of Jewish Community at Helsinki that seventy Jews had told him they would leave but he expected that only about twenty-five would actually appear, and who these twenty-five would be he did not know.

It is Gullion's plan to drive to Abo from Helsinki and to have another car follow him to pick him up should a breakdown occur. Furthermore he expects to travel to Stockholm from Abo with Eric Lindahl and John Vanderlieth aboard the BIRGER JAEL. Former Legation staff's other three American members will proceed to Stockholm via air.

The steamship line, anticipating the possibility that there might be an overflow of persons desiring to be included in evacuation party at the last minute, has agreed to take all passenger overflow on the regular run of a vessel which leaves Abo about the same time as departure of BIRGER JAEL is scheduled.

Two meals will be served to evacuees on vessel and doctor and nurse will be on board.

In connection with currency problem, as result of Finland's exchange position evacuees are having difficulty in securing Kroner drafts in Finland. However, Swedish Riksbank has stated that without further consideration it cannot guarantee purchase of Finnmarks from evacuees. Evacuees who do not succeed in securing kronor drafts will accordingly have to take their chances upon arrival as regards purchase of Swedish crowns with Finnmarks.

JOHNSON

NOT TO BE RE-TRANSMITTED

COPY NO. 71

SECRET

OPTEL No. 215

Information received up to 10 a.m., 2nd July, 1944.

1. NAVAL

A swept channel has been established from the Western Assault Sector to the outer harbour of CHERBOURG. Yesterday shelling of Eastern anchorage increased causing further restriction in unloading. On 30th one of H.M. Battleships and two of H.M. Cruisers bombarded German concentrations.

2. MILITARY

FRANCE. Unconfirmed report states all resistance ceased in CAP-DE-LA HAGUE Peninsula. In spite of many attacks, mostly in about 2 company strength supported by armour, against British salient across the ODON, all our positions remain intact while German losses both in infantry and tanks have been severe.

ITALY. In ADRIATIC Sector Poles have advanced against slight resistance and occupied PORTO RECANTI and RECANTI. Italian reconnaissance units reached area VILLA POTENZIA, 3 miles north of MACERATA. Troops of Indian Division found CAMERINO clear of enemy. Slight advances on remainder of front by U.K. South African and French, while U.S. troops crossed river CECINA on broad front.

3. AIR OPERATIONS

WESTERN FRONT. 30th/1st. 630 tons on VIERZON and 55 011 Plant HOMBERG.

1st. In cloudy weather escorted Halifaxes (1 missing) Lancasters, Mosquitoes and Liberators (1 missing) bombed 3 flying bomb supply sites, releasing 1120 tons with unobserved results. Escorting fighters (2 missing) destroyed 8 German aircraft and damaged 8 others.

1st/2nd. Only 16 aircraft despatched. All returned safely.

German activity from 6 a.m. 30th to 6 a.m. 1st. 169 flying bombs launched, 40 destroyed by fighters, 18 by A.A., 4 by balloons, total 62. During 24 hours ended 6 a.m. 2nd, 169 flying bombs launched of which 135 crossed coast.

ITALY. 30th. 250 sorties flown against railways in the north and 86 Allied light bombers and fighters operated in the battle area.

Bretton Woods, N.H.
 July 3, 1944
 9:30 a.m.

APPOINTMENTS TO COMMITTEES

Present: Mr. Acheson Mr. Kelchner
 Mr. Collado Mr. Wagner
 Miss Newcomer Mr. Eccles
 Mrs. Morgenthau
 Dr. Goldenweiser
 Mr. Ness
 Mr. Somers
 Mr. Spence
 Mr. Luxford
 Mr. Sweetser
 Mr. Bernstein
 Mr. Brown
 Mrs. Klotz
 Mr. Wolcott
 Mr. White
 Mr. McDermott

H.M.JR: Bernstein, while we are waiting, did anything happen in any of the committees yesterday that the delegates should know about?

MR. BERNSTEIN: No, sir. We are still polishing the draft, but nothing has been done. The first committee meetings, I believe, are tomorrow.

H.M.JR: I see.

(Mr. Wolcott enters the conference)

H.M.JR: Nothing has happened at all during the day?

MR. BERNSTEIN: Nothing except refining papers that we have, and they will be distributed in a day or so.

(Mr. White and Mr. McDermott enter the conference)

H.M.JR: Dr. White, do you want to tell the delegates anything that happened yesterday?

MR. WHITE: Yes, the boys were meeting all day with the British representatives and they were trying to eliminate some of the grounds of differences on the

- 2 -

minor things, and to arrive at a common formulation for the purpose of submission to the Commissions. They are not attempting to get an agreement on the major issues which I described briefly in the past two meetings. They are merely trying to get a formulation of each of those differences, and eliminate as many of the minor differences as possible so that the Commissions can go forward with a copy that is streamlined so far as the minor variations are concerned, and high-lighting the major differences so the Committees can begin working much more effectively than they otherwise would.

The British had thought that they would have to submit a separate draft after they had seen the results of our draft of the Atlantic City Conference. They recognized that that would have mixed things up considerably, and so they were eager to see what could be done to avoid that. That is what the men are working on now. They have got about three-fourths of the way through.

MR. LUXFORD: Approximately so.

MR. WHITE: They will get through by today and by tomorrow morning the completed draft will be mimeographed and will be ready for distribution to the Committees. The first half of the afternoon will be given to the Commissions.

MR. LUXFORD: I think it will probably be around press time tomorrow afternoon that the completed document will be ready.

MR. WHITE: We will have the first part earlier, and the completed document then.

I had a long discussion with Keynes. He asked me to see him about the question of quotas. They are having a table resulting from discussions, conferences which they have had among themselves all morning. They feared that any introduction of quotas which will call for a retreat on any one of the major countries, or a reduction on any one of the major countries as a result of conferences around the table will have unfortunate consequences - be public - and then the country will have to accept a smaller quota.

Therefore we are trying to work out something that if there are going to be any changes it will be on the up side, so that they will be cutting them all. We will

try to have that ready today for consideration by this group. That table will be one of the important things to come before this group before it is given out to anybody, so that we will have a chance to discuss it here.

We have got some Committee assignments that I would like to suggest.

H.M.JR: Please.

MR. WHITE: So we can break up the work, I would like to get more of the technical people to participate because from now on we will be taking up specific matters.

Now, we are pretty short-handed. We have a lot of men, but for one reason or another there are so many things to be done, and the Secretariat which is connected with the Conference itself has continually robbed us of man after man, which they have said they absolutely had to have. Men that we had expected to use for other work are now being taken over by the Secretariat to act as Secretaries and Assistant Secretaries of the various Committees.

Dean, will you say a word about their role? I don't think it is generally recognized or appreciated why it is necessary to put people that we had thought to use as advisers in the Secretariat, and why that eliminates them from acting in the capacity of advisers.

MR. ACHESON: Yes. The function of the Secretariat of the Conference is to serve all the forty-four countries here on the Commissions and the Committees. One of the most important things that a host country can do is to provide a Secretariat which has such a high degree of technical competence that it has the confidence of all the countries. These secretaries are the people who, after a discussion, have got to formulate what is regarded as the sense of the committee meeting. They must be people in whom all the countries have complete confidence as to their ability and their disinterestedness, and their ability to guide the Committee. It is particularly important where you have as large an international conference as this, with a great many small countries without technical advisers with them, because those countries will rely on the Secretary of the Committee who is an international official for this purpose and is advising them. Therefore these men can do a tremendous job in guiding these countries and in formulating the conclusions in a way which is acceptable to everybody.

At the Conference at Hot Springs, and in the UNRRA Conference at Atlantic City, all of the countries expressed their great appreciation for the high quality of the Secretariat. They said not even in the heyday of the League of Nations had they been at meetings where the people who were serving them were so well qualified and so eminent in the field.

Therefore it would seem to me that the very best people that we could get would not be too good to be Secretaries of these Committees. I want to urge any of the men who are here on our staff who are asked to be Secretaries of Committees, to do it. It is a service to the country and to this Conference.

H.M.JR : Who does the asking?

MR. WHITE: I do - Dean and I, and the Secretary General.

We have had only a couple of problems there - reluctance to shift from advisers to Secretaries because in their judgment that cuts them out of discussions of this character and similar. But there has been no problem from the point of view of refusals. I merely wanted to indicate why there will be many fewer advisers than we had originally intended, and why we are very short-handed on doing a lot of work, which will not be the advisory work, but there is a lot of drafting and conferences which are going on all the time at the lower level.

The best men - I am sure Dean didn't mean to give the impression that the best men are serving in a Secretarial capacity. There are a certain number of economic advisers you have--

MR. ACHESON: I think I said the best men are none too good for the job of Secretaries of the Committees.

MR. WHITE: Now, the setup is as follows, for your consideration, so far as the delegates here and advisers here are concerned: In addition to these matters that I have mentioned, there has, of course, been going on in the last two days a good deal of conferring and shuffling around with the Committees to get the appropriate countries and the appropriate designations. As you will appreciate, there are many considerations. Every country has to have a place. We are particularly interested in some Committees and not in others.

- 5 -

Some have to have men of the foreign countries in some Committees who not only speak English well, but also know the Fund, and all that has meant a good deal of maneuvering. Many countries take great pains to make certain they get on the important Committees, and there is a good deal of competition, and so forth. But I think they have done an excellent job.

Nash, who is head of the Nominating Committee, I understand - I wasn't present at the meeting, I conferred with the Secretarial Staff before he went in and found him very helpful - and he, in general, took our slate right through and put it over very nicely. So that angle is taken care of.

Now, on the Commission there will be U.S., Chairman of the Commission, which is the International Monetary Fund, and Vice-Chairman, Venezuela. It is not an important job at all; it is just to give them a place.

The Reporting Delegate, which is important, will be Canada. They do their job very ably. The Secretary will be Stinebower, State Department, who is an excellent man, and his assistant will be Miss Duiles.

(Mr. Wagner enters the conference)

In Commission One, that Commission will break down into four Committees. The delegates can all attend the Commission One, because the meetings of Commission One and Commission Two and Commission Three are staggered so that they can all attend any one of the Commission meetings.

The first Commission meeting will be this afternoon. That will be merely for purposes of organization, but I think it would be helpful if some of the delegates will come if possible.

H.M.JR: What time and where?

MR. WHITE: I think it is two o'clock.

MR. KELCHNER: Two o'clock in the auditorium.

MR. WHITE: The next one is when?

MR. DELCHNER: Three-thirty, also in the auditorium, and Commission Three at five o'clock in the auditorium.

- 6 -

MR. ACHESON: Are they setting up tables?

MR. KELCHNER: Yes, and the Plenary Session this morning is ten o'clock.

MR. WHITE: Now these four Committees - China is the Chairman, Greece is the Reporting Delegate - very competent person, Varvaressos. The Secretary is William Brown of the State Department, and Assistant Secretary is J.P. Young from the State Department.

The operations of the Fund - now, that is one of the very important Committees from our point of view, and we wanted the U.S.S.R. to be Chairman of that very much. The reason was, not that we wanted the U.S.S.R. so much, but there had to be a big country, and we might otherwise have had to take some other country. They didn't want to take it because they were afraid they couldn't handle it. I had a conversation with them and we worked out a compromise. Jessup had a good suggestion that as soon as they get in the Chair, or whenever they please, thereafter, he is going to appoint a Vice-Chairman who will be an American, and the Vice-Chairman will take over whenever the Chairman doesn't wish to, which will probably be most of the time. That means that we have to have a Vice-Chairman - one of our delegates.

Now, I think you want to decide on who that will be. The men whom we had assigned, the delegates who we thought should attend that Committee were Mr. Eccles, Mr. Brown, and Senator Tobey. Now, I think it will be Mr. Brown who will be most familiar with it. And Eccles - his position ought to be the Vice-Chairman and take over. Then we will have to indicate which delegate in each one of these meetings will represent the U.S. in discussion, and will take care of calling on the appropriate American people to discuss the matter. That Committee is very important. The Americans have got to be prepared to defend their position on almost every point, and to oppose points. The technicians, of course, know that already, and we will discuss those with the delegates prior to the Committee meetings. That is one decision that can wait until tomorrow.

On Committee One we thought that Judge Vinson and Miss Newcomer would have the prime responsibility; and on Committee Three, Senator Wagner and Congressman Wolcott; and on Committee Four, Mr. Acheson and Mr. Crowley.

(Mr. Eccles enters the conference)

- 7 -

Then we have assigned some of the technicians to each of these Committees, and in order for us to keep track of our own technical people, to see that they are all busy, and some are not too busy, and others not busy enough, and because we think that we will be better able to serve you, it will be very helpful if anybody who wants anything from the technicians to be prepared, ought to be with them at any Committee, would operate through Mr. Bernstein, who is Secretary General of this Delegation. He knows all the technicians and will know where they are. He will be able to supply any of them for any particular meeting if they are not already assigned.

Now, Commission Two, which is the Bank, has four Committees, numbers five, six, seven, and eight. There the line-up will be slightly different. Committee Five will be Congressman Vinson and Senator Tobey, because the work is much similar to what they might do on the other Committees, and similar arrangements are made with the others. We don't need to go into that now because they won't break up until Tuesday and we will meet before then.

The time is getting short, so I think I will have to postpone the remainder until after the Commission meeting.

MR. ACHESON: Are we going to meet again after this meeting?

MR. WHITE: The important thing is to meet sometime before the Committees meet tomorrow morning. That is when the important work begins and it would be desirable to meet for possibly a half hour before the Commission meets this afternoon. There are a few other things we want to discuss, but it would be desirable if it were possible to meet a half hour before the Commission, and certainly a longer meeting of an hour or an hour and a half tomorrow morning.

MR. KELCHNER: How would twelve o'clock noon be, Mr. Secretary?

MR. ACHESON: The Commission meets at two.

MR. KELCHNER: The Plenary Session meets at ten o'clock.

MR. ECCLES: Right after that?

MR. WHITE: Right after, irrespective of the time.

H.M.JR: I would like a little break, if I may. I haven't had a chance to talk with White, so if it is just the same, couldn't we meet here at twelve o'clock? Does that interfere with anybody's plans?

MR. VINSON: How long will the meeting last, Mr. Secretary?

H.M.JR: Let's put it this way. Give me thirty minutes from the time the Plenary Session breaks, whatever the time is - thirty minutes after that thing breaks, would you gentlemen and ladies come here?

MR. KELCHNER: With regard to the seating this morning, the spokesmen for the Delegations will be seated around a "U" table, the delegates and advisers flanked on either side or in the back. I would suggest that this group sit around the sides of the table insofar as possible. Hereafter the same seating arrangements will be maintained.

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

SECOND PLENARY SESSION

July 3, 1944

Assembly Hall, 10 a.m.

Secretary Morgenthau:

"The Second Plenary Session of the United Nations Monetary and Financial Conference is hereby convened.

"I recognize the Chairman of the Delegation of Cuba who will present the Report of the Committee on Credentials."

(Dr. Montouliou will then read the Report of the Committee on Credentials.)

○ Secretary Morgenthau:

"I recognize the Chairman of the Delegation of the Union of South Africa."

(Mr. Gie will second the motion to accept the Report of the Committee on Credentials.)

Secretary Morgenthau:

"It has been moved and seconded that the Report of the Committee on Credentials shall be approved by the Conference. Are there any objections? (Pause)

"I hear no objections. All those in favor of the Report, please say 'aye' (pause); opposed 'no'. The 'ayes' have it and the Report stands approved.

○ "I now recognize Dr. Kung, the Chairman of the Committee on Rules and Regulations of the Conference, who will present the Report of the Committee."

(Dr. Kung will read the Report of the Committee on Rules and Regulations and will move its adoption.)

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(Dr. Kung will read the Report of the Committee on Rules and Regulations and will move its adoption.)

Secretary Morgenthau:

"With reference to that part of the Report of the Committee on Rules and Regulations which makes a slight change in Article 28 in the interest of clarity, the Chair understands that the Committee had in mind making it plain that Article 28 refers to additional matters which it might be desired to bring into the discussion. In regard to these new matters Article 28 requires delivery to the Secretary General and special advance distribution. Article 28 of the regulations, in the understanding of the Chair, is not intended to apply to the ordinary exchange of views or amendments endorsed in the normal course of Committee discussions. The Chair understands, however, that any important amendments to any text which is under consideration by a committee or commission will not be submitted to the committee or commission for any final expression of its views until after a lapse of time sufficient to enable the delegations to give careful consideration to the proposed modifications of the text. Of course, like all other rules of the Conference, this procedure might be varied, if considered desirable by unanimous consent.

"I recognize the Chairman of the Delegation of Poland."

(Dr. Grosfeld will second the motion.)

Secretary Morgenthau:

"Do I hear any objections? -- (pause) -- I hear no objections. All those in favor say 'aye' -- (pause) --; opposed 'no'. The 'ayes' have it. The Regulations are approved.

-2a-

"I recognize the Chairman of the Delegation of New Zealand, Mr. Nash."

(Mr. Nash will present the Report of the Committee on Nominations and move that it be received.)

Secretary Morgenthau:

"You have heard the Report of the Committee on Nominations which the Chairman has moved be received. Unless there is objection the Report will be received. Do I hear objections?" (There being no objection Secretary Morgenthau will say that the Report has been received.)

Secretary Morgenthau:

"I recognize the Chairman of the Delegation from New Zealand, Mr. Nash."

(Mr. Nash will move the election of four Vice Presidents of the Conference).

Secretary Morgenthau:

"I recognize the Chairman of the Delegation of Luxembourg, Mr. Le Gallais."

(Mr. Le Gallais will second the nominations for the four Vice Presidents.)

Secretary Morgenthau:

"You have heard the motion made and seconded. Do I hear any objections; --(pause) -- I hear no objections. All those in favor say 'aye' -- (pause); opposed, 'no'. 'Ayes' have it. The four Vice Presidents are elected."

Secretary Morgenthau:

"I recognize the Chairman of the Delegation of New Zealand, Mr. Nash."

(Mr. Nash will move the election of the Steering Committee.)

Secretary Morgenthau:

"I recognize the Chairman of the Delegation of Peru, Mr. Beltran."

(Mr. Beltran will second the motion for the election of the Steering Committee.)

Secretary Morgenthau:

"You have heard the motion made and seconded. Do I hear any objections; -- (pause) -- I hear no objections. All those in favor say 'aye' -- (pause); opposed 'no'. 'Ayes' have it."

Secretary Morgenthau:

"I recognize the Chairman of the Delegation of New Zealand, Mr. Nash."

(Mr. Nash will move the election of the Chairman, Vice Chairman and Reporting Delegates of Commission I, together with its respective committees and officers thereof.)

Secretary Morgenthau:

"I recognize the Chairman of the Delegation of Honduras,

Mr. Cáceres."

(Mr. Cáceres will second the motion for the election of the Delegates participating in Commission I and its Committees. He will make a short speech in support of the recommended panel).

Secretary Morgenthau:

"You have heard the motion made and seconded. Do I hear any objections; -- (pause) -- I hear no objections. All those in favor say 'aye' -- (pause) -- opposed 'no'. 'Ayes' have it."

Secretary Morgenthau:

"I recognize the Chairman of the Delegation of New Zealand, Mr. Nash."

(Mr. Nash will move the election of the Chairman, Vice Chairman and Reporting Delegates of Commission II, together with its respective committees and officers thereof).

Secretary Morgenthau:

"I recognize the Chairman of the Delegation of Iceland, Mr. Sigurdsson."

(Mr. Sigurdsson will second the motion for the election of the Chairman, Vice Chairman and Reporting Delegates of Commission II together with its respective committees and officers thereof).

Secretary Morgenthau:

"You have heard the motion made and seconded. Do I hear any objections; -- (pause) -- I hear no objections. All those in favor say 'aye' -- (pause); opposed 'no'. 'Ayes' have it."

-5-

Secretary Morgenthau:

"I recognize the Chairman of the Delegation of New Zealand, Mr. Nash."

(Mr. Nash will move the election of the Chairman, Vice Chairman and Reporting Delegates of Commission III.)

Secretary Morgenthau:

"I recognize the Chairman of the Delegation of Peru, Mr. Beltran."

(Mr. Beltran will second the motion for the election of the officers of Commission III.)

Secretary Morgenthau:

"You have heard the motion made and seconded. Do I hear any objections; --(pause) -- I hear no objections. All those in favor say 'aye' -- (pause); opposed 'no'. 'Ayes' have it."

Secretary Morgenthau:

"I recognize the Chairman of the Delegation of Peru."

(Mr. Beltran will move the adoption of a resolution regarding July 4th.)

Secretary Morgenthau:

"Do I hear a second to the motion?"

"Senator Tobey, a Member of the United States Delegation and United States Senator from the State of New Hampshire."

(Senator Tobey will address the meeting.)

Secretary Morgenthau:

"You have heard the motion. Those in favor say 'aye'. (Pause) -- Opposed 'no'. The motion is carried.

"There being no further business, I declare the meeting adjourned."

Bretton Woods
July 3, 1944
11:30 a.m.

COMMITTEE ASSIGNMENTS - OVERSEAS BROADCASTS -
SILVER QUESTION

Present: Mr. Somers
Mr. Spence
Judge Vinson
Mr. Wolcott
Miss Newcomer
Mr. Acheson
Dr. Goldenweiser
Mr. Smith
Mrs. Klotz
Mr. Brown
Mr. Eccles
Dr. White
Dr. Kelchner
Senator Wagner

H.M.JR: I have had a chance to go over--I don't know but what we can give this to you afterwards--these various Committees.

This Committee One, Purposes, Policies, and Quotas--that is on Commission One. I am going to ask Judge Vinson and Miss Newcomer to go on that. I am asking Judge Vinson to be the leader of that.

Then this Committee Two, Operations of the Fund, I am asking Mr. Brown and Mr. Eccles and Congressman Wolcott to go on that, because as I understand there is some question about the Russians not wanting to be Chairman all the time. So we have to appoint a Vice Chairman. I am going to ask Mr. Eccles to be Vice Chairman of that, and Mr. Brown to be the leader.

DR. WHITE: I don't think the Russians will be Chairmen at all, except in the beginning.

MR. ECCLES: Does that mean I will have to preside?

H.M.JR: When the Russian doesn't want to.

MR. ECCLES: I am willing to go on, but I don't want to take the position of presiding.

- 2 -

H.M.JR: Well, the Russian will be the Chairman.

MR. ECCLES: Yes, I know; but the way this apparently works out, just let me just represent. I am only going to stay here, I think, the balance of the week. So don't put me on, except as a member of the Committee. I am willing to work on the Committee.

DR. WHITE: Well--

H.M.JR: Let's leave it with the same members on-- Mr. Brown, Mr. Eccles, Congressman Wolcott--and we will still leave it with Mr. Brown, the leader.

MR. ECCLES: Some other nation could do that, couldn't they, Harry--act as Vice Chairman there? I think we might be more effective if that were done, anyway.

H.M.JR: Well, we can think about it.

Then Committee Three is Organization and Management. I am asking Senator Wagner and Senator Tobey to go on that, and Senator Wagner to be the leader.

And the next Committee is Form and Status of the Fund: Congressman Spence, Mr. Acheson to be leader, and Mr. Crowley to be a member.

Then Commission Number Two, Bank for Reconstruction and Development. Committee Five is Purposes, Policies, and Capital Subscription of the Bank: Judge Vinson to be a member, Senator Tobey to be leader.

And then Committee Six, Operations of the Bank: Governor Eccles to be a member, Mr. Crowley to be leader, and Mr. Brown to be a member.

Number Seven, Organization and Management: Congressman Wolcott to be leader, Miss Newcomer to be a member--

(Senator Wagner enters conference)

MR. WAGNER: I am late again!

H.M.JR: Number Eight, Form and Status of the Bank: Congressman Spence to be leader and Mr. Acheson to be a member.

Now, if those assignments aren't agreeable, I wish any

- 3 -

of you would speak up, please. And Congressman Somers and Congressman Reed, please feel free to attend all or any of these meetings you would like to. You will be welcome at all.

Are there any suggestions that you have to make? We'd be pleased to receive them.

Now, is there anybody not perfectly happy? Who would like to do a little swapping?

DR. WHITE: Some of those Committee meetings are going to be staggered so that even though you are assigned to one Committee, you can participate in others, if you are interested.

I gather that the role of the leader will be to indicate who is going to talk.

H.M.JW: As we explained the other day at that meeting in the Treasury, the role of the leader is to be the leader, and it is up to him to call on any other American delegate or adviser to assist him. But he will have to assume the leadership for the American Delegation on that particular Committee which he is assigned to.

Now, this will be rapidly typed, and each member will receive his assignments and assignments of all the Delegations. And the advisers--I didn't read them off, but every group except Committee Seven has two advisers.

DR. WHITE: There will be at least two.

H.M.JR: Can you, within an hour or two, get this typed for these people?

DR. WHITE: Glad to.

H.M.JR: When do these various Commissions begin to sit?

DR. WHITE: Commission Number One at two o'clock.

DR. KELCHNER: Number One at two o'clock; Commission Number Two at three-thirty; Commission Three at five o'clock. They all meet in the Auditorium.

DR. WHITE: They'll probably be duplicates of the Plenary Session.

- 4 -

DR. KELCHNER: Somewhat. They'll merely be organizing meetings. There'll be an announcement, of course, of the election of the officers, and then the Chair will take over and proceed. That will vary, I suppose, according to the desires of the respective Chairmen.

H.M.JR: Dr. Kelchner, I don't understand. You say Commission Number One meets at two. Now, take Committee One.

DR. KELCHNER: That will not meet today--just the Commissions. And each Commission, I should think, in their meeting this afternoon, would determine the policy to be followed with regard to their respective Committees.

H.M.JR: Have you got a formula and agenda worked out the way you had this morning?

DR. KELCHNER: That is what Dr. White was speaking about a little while ago, about the scheduling of our Committee meetings. They will have to be flexible.

DR. WHITE: Yes, the Committees are chairmanned by the Chairmen of the Commissions. An American will be Chairman of Commission One; United Kingdom of Commission Two--Keynes--; Commission Three will be Mexico.

H.M.JR: But who presides at Commission One this afternoon?

DR. WHITE: An American.

H.M.JR: Who is it?

DR. WHITE: I presume that will be my job, because that is all technical discussion.

H.M.JR: You reluctantly accept!

DR. WHITE: I accept reluctantly and inevitably!

H.M.JR: You preside at that?

DR. WHITE: Yes, Keynes presides at his, and that is broken up into the Committees. The Committees will report back to this. The importance of why we need somebody to Chairman this, who knows the complete matter, is that he should prevent coming to a vote on matters which he doesn't

- 5 -

wish to come to a vote on, and in general arranging the discussion in such way that we are never caught with an agreement among the Commission on something that we don't want, because then it is too late.

Then it goes to the Plenary Session, and you don't have any chance. So the reason I spoke up was because it is pretty obviously a technical job, completely.

H.M.JR: I don't know anybody more competent.

Do you have something?

DR. KELCHNER: May I raise a question? Mr. McDermott, just before I came in, inquired as to whether or not the Commission meetings this afternoon would be public, open to the press. The regulations provided, of course, that the meetings of the technical Commissions and their Committees shall be private unless otherwise ordered by a majority vote of the Delegations. The meetings of the General Committee shall be private. The reason McDermott raised the point, he said that they had heard that Lord Keynes would be making a few remarks, and wondered whether the press could be present. That would be in violation of the regulations. I wonder how the Delegation feels with regard to that?

MR. VINSON: Who orders it?

DR. KELCHNER: The majority of the Delegation. It has to be a vote. The regulations were adopted this morning.

MR. VINSON: Do you mean it is a majority of the delegates who are members of the Commission?

DR. KELCHNER: No, no, it would be of the Conference, according to the regulations--plenary session of the Conference.

MR. ACHESON: Wouldn't you decide it in the Commission, itself?

DR. KELCHNER: Each Commission decide?

MR. ACHESON: What is the provision?

DR. KELCHNER: No, that is the policy of the Conference, itself.

- 6 -

MR. VINSON: If that is the policy, doesn't the language of the rules and regulations answer your question?

DR. KELCHNER: It does answer the question. The only question is, since this is an organization meeting, whether we should forget the regulations for the opening session. I think it would be establishing a bad precedent, however.

MR. VINSON: Better not start this early in the game, amending the rules.

DR. WHITE: If they want his remarks, he can give them to him.

DR. KELCHNER: They can be handed to the press textually.

H.M.JR: Can you envisage anything happening at Commission Number One which you wouldn't want the press to know about?

DR. WHITE: No, it is a bore!

H.M.JR: I was approached. I told Mr. Kelchner about it. If nothing is going to happen--

DR. WHITE: That is only the first meeting, however, and the others are very important.

H.M.JR: You wouldn't want the press there?

DR. WHITE: Not in the other meetings.

MR. SWEETSER: Mr. Secretary, it is a difficult thing to have a shifting policy, because you never can tell where you are going to get caught. If the press are in at the first session and then excluded at later sessions, you are in difficulty.

H.M.JR: I am just raising the question as to whether at subsequent ones you don't want the press.

DR. WHITE: I think it would be difficult, because the most important discussions on the most controversial points will come in, because the Committees will not be able to agree on the most important differences of opinion. It will have to come before the Commission, and--I don't know--I should

- 7 -

imagine that the press ought not to be there during those discussions.

MR. ACHESON: I should think that was very clear.

H.M.JR: That they should not?

MR. ACHESON: ...should not be present at the Committee or Commission meetings.

H.M.JR: You have your answer, then.

MR. ACHESON: You are going to have complaint about it, but I think the thing to do is not be rattled by the complaint.

MR. SWEETSER: I think you can take the position that all these things are going to come back to the Plenary Session in the end, and these are negotiating and business meetings. I think the press will complain, but a great many of them will understand that.

DR. WHITE: They will complain, but they don't expect to be permitted in. There is less excuse for it than ordinarily, because you promised to keep them abreast.

MR. ACHESON: Somebody will have a conference for them every day.

DR. WHITE: Yes, I understand there is a conference today.

H.M.JR: What time?

DR. WHITE: It wasn't set. At first it was set for three, but these Commissions interfere.

MR. SMITH: We would like to have it--

DR. WHITE: ...after the Second Commission. That is at three-thirty. It will probably be over in less than an hour. So if you make it at four-thirty, it will be quite adequate.

H.M.JR: Is there anything else at this time?

DR. KELCHNER: May I raise, in connection with the handling of the press, one question--the matter of mechanics?

- 8 -

It is very important, however. If the press are not going to be present, should the doors be guarded, so to speak, and should the individuals going into the meeting be required to show their passes? Otherwise, there is no check; no way of preventing anyone going into the meetings. I'd like to have an answer.

H.M.JR: I'd like to have Mr. Sweetser answer that.

MR. SWEETSER: I think you will have to have a control like that; if the meetings are closed meetings and they are open only to official delegates, you have to have somebody on the door to keep other people out. Otherwise, they will walk in.

H.M.JR: There is your answer.

Fred, do you agree on that?

MR. SMITH: Sure. If it is going to be closed, you have to keep them closed. One man getting in can make a lot of trouble.

MR. BROWN: You speak of passes--

DR. WHITE: Everybody has one.

MR. BROWN: I haven't received any.

MR. WOLCOTT: I have two. I'll give you one.

MR. VINSON: How does that give you the check you really want?

DR. WHITE: It doesn't, because I had to get it. I am sure they must have issued one for me which somebody else has.

DR. KELCHNER: They were sent to the Secretary of the Delegation.

H.M.JR: What else is there?

Now, I take it that as many of you as can be will be at the two o'clock and stay through, and then we'll get organized.

- 9 -

DR. WHITE: There won't be anything much important this afternoon, but I think you ought to have at least an hour, if not two hours, meeting between now and tomorrow morning. The evening might be the best time.

H.M.JR: Then why not let's say we will meet here at eight-thirty tonight?

DR. WHITE: I think that would be a good time.

H.M.JR: Is that all right? Is it spoiling anyone's poker game?

MR. SPENCE: Eight-thirty? No.

MR. VINSON: I haven't been invited to any poker games yet. It is a very good suggestion!

MR. ECCLES: One of the Delegations, the French, have invited me to dinner. But there will be other members.

H.M.JR: Let's get here as near eight-thirty as possible.

MR. ECCLES: It is just a question of getting through the dinner. Sometimes some of the tables are awfully slow.

H.M.JR: Let's say eight-thirty, anyway. You could excuse yourself--say you have a poker game to go to!

Then we have this afternoon. Dr. White will get this thing typed up, and we'll see each other definitely at eight-thirty here. Is that all right?

Anything else, Mr. White?

MR. ACHESON: There is one point I'd like to get straightened out. If you are going to preside over Commission One, is there going to be another delegate who sits in the United States seat, or not? What do the rules say about that?

DR. KELCHNER: That is provided for, the same as this morning's plenary session when Judge Vinson occupied--

MR. ACHESON: I didn't notice you assigned anybody to that.

DR. WHITE: Oh, yes. Oh--to the Commission--oh, no. That is right; we didn't assign a leader of the Commission.

- 10 -

MR. ACHESON: That is a matter that you will want to work out very closely.

H.M.JR: You stay behind a minute, Mr. White, and we will consult with each other. A leader for the Commission?

MR. ACHESON: Just as this morning when you were presiding over the Plenary Session, Judge Vinson sat in the U.S. seat, so when Mr. White presides over Commission One, unless you have somebody in the U.S. seat, it will be vacant. And under the rule, the Chairman does not vote. Therefore you want somebody there.

You will have to work that out very closely.

H.M.JR: That will have to be from Commissions Two and Three.

MR. WHITE: One, Two, and Three need leaders in the same way that the subcommittees have them. And of course they need advisers, but all the advisers of the Committees will become the advisers of the Commission.

The mechanics of that table is extremely difficult for us to operate under effectively when we have to discuss these problems, because the leader of the Delegation will be sitting at the table the way you have it.

There are a number of things that come up; he wants to talk to the advisers, or one of the other Delegates or the adviser wants to whisper something in his ear, and with that kind of arrangement - I don't quite see the mechanics of it. It seems to me to make the thing impossible.

Would it be possible to extend that oval table to make it twice as big so at least two or three Delegates could sit at the table, and then the rest would be closer?

MR. KELCHNER: I should think it would work out better this way. It has proven more effective at other conferences than spreading them out along the table. It also points up the respective size of the Delegations. If the U.S. has three or five members at the table--

MR. WHITE: I am suggesting two or three for each, at least, because the leader in this problem will, in most cases, have very little familiarity with the subject matter, and you can't expect them, every time

- 11 -

anything comes up, to be constantly looking around and shuffling around. The mere mechanics of this thing is such that he has got to have one of either the leading advisers, or another Delegate, if possible, right behind him or at his side.

MR. KELCHNER: That is the usual way - right at his elbow - right back of him.

MR. WHITE: I am positive that will lead to all kinds of confusion, because it is a little different from the ordinary. Ordinarily the leader of a Delegation knows all about it, and he can talk a good deal and turn around occasionally. But the leaders of many of the Delegations are not familiar with the material - they haven't had an opportunity to see it. It will take them a number of days to catch up.

In order for this thing to run smoothly, so far as the U.S. Delegation - you see, Mr. Secretary, the British Delegation consists of the equivalent of our technicians.

H.M.JR: I read about that in the New York Times.

MR. WHITE: What I mean is, they will be the ones who perform the role. Keynes, for example, doesn't need any - very rarely he may turn - therefore he can handle it - and any one of them could handle the leadership.

MR. KELCHNER: May I suggest in that connection, that I think that when the Committees get down to work, that that will work out satisfactorily, because the Committees will be less formal and the people can sit at table.

MR. WHITE: I hope so, but I am skeptical.

MR. KELCHNER: But I suggest at Commission meetings that they be kept more formal. •

MR. WHITE: I remain skeptical, but if it doesn't work, we will come back at you.

H.M.JR: What else?

MR. SWEETSER: Mr. Secretary, we have a little problem with the OWI and overseas. I find out they would like to have a great deal of material especially from the different members of the American Delegation. They want two kinds of things: First, statements on more or

less current news which can be sent immediately by wire to New York, and then over all the various broadcasting services to Europe; and second, more feature material - more general material - which can be put onto recording and sent down to New York by train.

Now, they want just as much as they can get, and I have been discussing it with them. There are two ways of doing it, one would be to have one or two people in the Delegation who would do it regularly; they would take a statement every day or every other day, right through, or else divide it up among the members of the Delegation. But it does mean a certain amount of work and they would like to feel free, if they can, to draw upon members of the Delegation as the need comes up.

H.M.JR: May I suggest that you work that out with Mr. Smith. Anything that the two of you agree on, I am sure the American Delegates will be glad to cooperate in.

MR. SMITH: McDermott will have to clear all of that.

MR. SWEETSER: I just wanted to explain that, to make clear that this is a very necessary and useful thing, and if we could feel free to call on you--

H.M.JR: If you and Mr. McDermott and Mr. Smith will work it out, I am sure the Delegates will be glad to cooperate, but I feel that is the responsibility of you people.

Anybody else?

Is anybody going to walk up the mountain this afternoon?

MR. WOLCOTT: That is why I got my pass yesterday, I didn't know but what I would be leaving the grounds.

MR. VINSON: Engagements this afternoon will prevent Mr. Wolcott's excursion.

MR. WOLCOTT: Senator Wagner was the only one.

MR. WAGNER: Yes, I missed you up there yesterday.

MR. WOLCOTT: Later on will we have a list of the alternate members of the Committees, especially those on which we serve?

MR. WHITE: Yes, the Secretariat will prepare that.

MR. KELCHNER: Just as soon as the Delegation submits their respective panels, of course, a composite list of the Committee and Commission membership will be prepared and circulated. I would imagine it would be a couple of days, however, before the complete slate can be circulated, because some Delegations are slow in getting in their respective panels.

MR. WHITE: It would be desirable - I don't know where we can work the time in - for the Delegates who are assigned to a particular Committee to get together with the advisers to that Committee before that Committee opens up - to spend at least an hour with them. I don't know when we can work that in. It may be that we might be able to work it in sometime this afternoon. I mean, it is crowding it today, but I don't know what else to suggest.

H.M.JR: I might suggest this, that each group of advisers - they might have breakfast together tomorrow morning.

MR. WHITE: That would be very helpful - if they could make an appointment downstairs, let's say at half past eight, or something like that, and spend an hour over breakfast.

H.M.JR: My people outside will assist you if you want to make those arrangements - if you tell them outside.

MR. BROWN: The only difficulty to talking at breakfast is that you find a Chinaman who understands English perfectly well sitting a half foot behind you. I had that experience this morning. One of the American technicians wanted to speak to me. Obviously a Chinaman was listening. I stopped him. Unless you have breakfast in your room, it is almost impossible to hold a breakfast meeting.

MR. WHITE: If you could forego the morning meeting tomorrow and substitute the evening meeting tonight - then they could have from nine to ten tomorrow with the advisers of their particular Committee and get at least a survey.

H.M.JR: I thought you were going to suggest that they forego breakfast!

- 14 -

MR. WHITE: Some of them could, very well!

MR. WOLCOTT: You are not getting personal, are you?

MR. SPENCE: Won't the Committees have regular meetings?

MR. WHITE: That can be arranged.

H.M.JR: Well, we will leave it this way. You get this list and each of you on the Committee, with your experts, will get together with them tomorrow morning before your Committee meets and we will not have any morning meeting here. How is that?

MR. WHITE: The evening meeting will be at eight-thirty and we will take as much time - there won't be any end hour, but there will be a beginning hour.

MR. SMITH: Senator Wagner wasn't here when you read his name.

H.M.JR: He will get the list. You are on two or three different Committees, Bob.

MR. WAGNER: I didn't know I would be on any.

H.M.JR: Have you got your pass for two o'clock this afternoon?

MR. WAGNER: Yes.

MR. WHITE: Who hasn't a pass?

(Mr. Somers and Mr. Brown raise hands)

MR. WHITE: Mr. Kelchner will take care of that.

MR. WOLCOTT: I have an extra one which I must turn back to the Transportation desk.

H.M.JR: I have no pass, and Mrs. Morgenthau needs a pass.

MR. WOLCOTT: Mr. Secretary, does the Delegation want to anticipate that you might receive a letter from the silver bloc in the Senate in the next twenty-four hours, and take any action on it? I might say that I already have.

H.M.JR: Could we wait until tonight?

MR. WHITE: The action is pretty simple because Mexico is bringing up the silver thing.

MR. BROWN: There is a resolution in the Times signed by twenty-five Senators.

MR. WOLCOTT: That must be it. I know it is coming.

MR. SPENCE: I have seen the letter.

H.M.JR: I always, on silver, give the most intelligent explanation I can. When I first was in the Treasury in my complete innocence, I went to Senator Ashurst and said, "As the Senior Senator from Arizona, and the Senior Senator of the silver bloc, would you mind sitting down and explaining to me why you are for silver?"

He drew himself up said, "My dear boy, I learned about silver at my mother's breast. I could no more discuss silver with you than I could discuss religion."

I said, "Senator, I understand perfectly." And that is the best explanation!

MR. WHITE: The only difference is that a man doesn't exchange his religion - well, never mind!

H.M.JR: Anyway, I think if that is coming, and we know it, maybe we can take a look at this evening. Twenty-five Senators is not even a third?

MR. WAGNER: Twenty-three. I am back here where I belong.

MR. WHITE: Give it the consideration it deserves.

H.M.JR: We will let you and Senator Tobey, a committee of two, draft an answer.

MR. WAGNER: I see. Harry, will you be around?

MR. WOLCOTT: On my own behalf I have answered it in this way: I offered an amendment on two different occasions to prevent the remonetization of silver, and it was adopted. So I said that in order for me to be consistent, if there was any virtue in being consistent,

that I felt that I would have to oppose in the Congress the remonetization of silver if the Conference did the very unusual thing of adopting it as part of the program. That is all.

H.M.JR: Well, talking for myself, in the words of Mr. Coolidge, I am "agin" silver. So I don't think that with me you will have any trouble.

MR. WHITE: I don't think the request they are making will affect the domestic monetary policy with respect to silver. The request that Mexico is making, and the request that I am sure the Senators are making, would be, all they expect to get is to some way introduce silver along with gold in the settlement of international balances in such a way that it has some status.

There will be plenty of time to discuss it, but I think there may be an opportunity to satisfy them without in any way conflicting with any theories with regard to silver that you may have.

MR. WOLCOTT: They are virtually asking that bimetalization replace gold.

MR. WHITE: Yes, I think that is what they are asking for, but I think they will take a lot less.

H.M.JR: Mr. Somers, may I bring Congressman Smith of Ohio up here?

I don't think, Mr. Wolcott, you are going to have any trouble with this group.

MR. WOLCOTT: I haven't had any trouble. I thought I sensed the attitude.

H.M.JR: In Kentucky, there is only gold in "them thar hills."

MR. WOLCOTT: The only thing I wanted to do was let the Delegation know what I have already said about it, and if there was any difference about it, perhaps I should be forewarned, because I couldn't imagine we were going to change the whole program at this late date.

MR. SPENCE: I think we ought to take a stand for gold - don't you understand? We have all the gold in the world down there.

MR. WHITE: There is a little more that you will get.

H.M.JR: Mr. Wolcott made his position clear and I think he will find--

MR. SPENCE: How about Cuba?

MR. WHITE: They will get a number of countries and it will be a matter of much discussion later.

H.M.JR: I think most of the discussion will take place in the Halls of Congress.

All right, gentlemen.

Bretton Woods, N.H.
 July 3, 1944
 8:30 p.m.

INSTRUCTION OF THE AMERICAN DELEGATION - QUOTAS OF THE FUND

Present: Mr. White Dr. Goldenweiser
 Mr. Bernstein Mr. Durbrow
 Mr. Spence Mr. Wolcott
 Miss Newcomer
 Mr. Sweetser
 Mrs. Morgenthau
 Mr. Brown
 Senator Wagner
 Mr. Cox
 Mr. Collado
 Mr. Ness
 Mrs. Klotz
 Mr. Acheson
 Mr. Luxford
 Mr. Vinson
 Mr. Angell
 Mr. Cohen

H.M.JR: May I compliment you all on your punctuality?
 I hope that doesn't mean you didn't have a good dinner.

We entertained the Russians this afternoon. They seemed to be in a very good humor. We drank to the fall of Minsk, which has been announced by Marshal Stalin in an Order of the Day.

MR. WAGNER: Harry, Lord Keynes - is he the Lord?

MR. WHITE: Yes.

MR. WAGNER: He talked longer than you did.

MR. WHITE: Well, he is a better man.

MR. WAGNER: Well, I don't agree with that!

MR. VINSON: If that is the way you judge it, we will start a filibuster, sure enough!

H.M.JR: The National City Bank has a bulletin out which I understand is very critical.

MR. WHITE: They have done it several times. They have sent us preliminary drafts.

H.M.JR: If you will proceed, please, Mr. White--

MR. WHITE: Well, tomorrow morning, of course, the Committees will meet and various delegates and advisers will be present at those meetings, and I thought what we might do is to go over those things that are coming up tomorrow - concentrate on the matters about which there is a substantial difference, to see what position we should take - let the Delegation decide.

There are two major problems which we might begin with. The first one is the question of quotas. It is something that all the countries are extremely interested in and they are all asking about it, and they all expect to participate in the discussions on them, and it will give us considerable trouble.

We had attempted to decide what the quotas will be on the basis of a reasonable formula - a formula that gave attention to a country's foreign trade, to its gold holdings, to its national income, to its balance of payments, and we weighted it, and mixed it up, and came out with a result, and then we applied that result to the various countries, and we adjusted those that seemed to be way out of line, and we got a certain set of figures.

The British have been working on it in an effort to increase the quotas of the Commonwealth countries, particularly India and Australia and Egypt, and also Greece, but particularly India and Australia.

They have therefore cut substantially into many of the other countries, chiefly the Latin American countries, and increased India and Australia. The British agree with us that they will support our figure of a maximum aggregate of eight billion.

As a matter of fact, our aggregate was eight billion three hundred and fifty million. We said, roughly, eight, but there is a three hundred and fifty million more that we would go. That was the case in the earlier discussions. Since then we have taken the position that we think that eight billion would be the maximum, and that we will have difficulty getting that from the delegation, but we are going to try to get the delegation to agree to eight billion.

So we are receding from our figure, going down, because of the Delegation. They feel that that is a reasonable approach, that will give us something to bargain with. They say they will support the eight billion. Therefore, if any country gets more, it must be out of some other country, and so they have increased the Commonwealth countries and diminished the others.

They are extremely eager to get an agreement between the United States and England before these quotas are submitted. The reason, they say, is that it will be extremely difficult for a country to accept a lower quota than the one that is indicated on any table which is bound to be published - which will be published - and the people at home will regard it as a serious defeat. For example, they were put on the table as a hundred million and finally ended up with eighty million, or something of that sort and no delegation could go back home and meet the charge that they weren't good negotiators and they lost out on it. That is why they want to try to settle that issue beforehand.

Now, they are not particularly interested in what the reaction will be in most countries, but they are interested in what the reaction will be with respect to India and Australia.

(Mr. Wolcott enters the conference)

MR. WHITE: Australia, they say, is very insistent, and we have already had discussions and know Australia is very rambunctious about this and is almost belligerent in the attitude that she should have a much larger quota than what she suspects she is going to be accorded.

Now then, they give us a list of quotas and I will give you some of the larger ones. We have had a couple of meetings among ourselves, the technicians, and we have tentatively agreed to present to you another list of quotas, which is different in some of the countries than the British, in the expectation that after we get your views as to what the appropriate approach would be, we would go to the British and say, "This is what our delegates want," and they either have to go in or we will present other quotas. They will present theirs and we will present ours, and it will go into the Committee. There will be a cat-and-dog fight, anyhow, because every country will want to change.

Our safeguard is, however, that if the maximum is fixed, any increase that a country gets has to come out of some other country. That means there are defenders and we don't have to be constantly defending the position. It will be a struggle between countries.

England doesn't want to go into this Conference and be arguing for an increase in the Dominions at the expense of all other countries. She feels that wouldn't look so good for her, to put it mildly. Therefore she wants our agreement before.

Now, Mr. Secretary, what I would suggest - I would take about four of the large countries and show what the differences are and what the figures are.

H.M.JR: All right.

MR. WHITE: The United States, England has down as twenty-seven hundred and fifty. We have put twenty-six hundred for reasons, really, of strategy of bargaining, because we expected to go to twenty-seven fifty. The United Kingdom has thirteen hundred; we have made it twelve hundred and fifty. The U.S.S.R., they have made eight hundred and we have made eight hundred. The U.S.S.R. is not satisfied with that, incidentally. They have come to see me, and will try to get more.

China, they have made four hundred and fifty, and we have made four hundred and fifty. China will not be satisfied with that and will probably try to get six hundred and be satisfied with five.

France, we have each made four hundred. I will mention two more and then we will discuss those. They have put India as four hundred and we have made India three hundred and twenty-five. And Australia, they have put at two hundred and we have made one hundred and fifty. Those are some of the countries.

Now I will open it up for discussion.

MR. VINSON: I thought Australia wanted three hundred.

MR. WHITE: Australia wanted three hundred, but England agreed that if we would accept two hundred, she would not fight for more for Australia, but Australia will fight for it herself, but England will not back her. She won't oppose her; she might even say a few words

publicly in favor, but she has informed us that two hundred would satisfy her. So when Australia hears one hundred and fifty, probably the Delegation will get up and walk out.

MR. COX: Have the British got an objection to going above the eight billion?

MR. WHITE: They would be delighted.

MR. COX: If countries like Russia and China go up--

MR. WHITE: They would be delighted.

MR. COX: What is the disadvantage, from the American public standpoint, if the others go up as long as you don't lose your voting position?

MR. WHITE: Well, speaking for the technical people, we don't mind going up a couple of hundred million, but we think we had better start at eight billion. We don't want to go more than a few hundred million because we think that is adequate.

H.M.JR: I take it everybody knows Oscar Cox, General Counsel for FEA, on loan to us?

Go ahead, Mr. Cox.

MR. COX: The only question I see, Harry, is if Keynes' view is right, that as a matter of public prestige most countries wouldn't want to take a cut, then they will be gratified if they got an increase. So within the limits of direct effect on the voting, I should think if the U.S.S.R. and China wanted an increase, it would seem on the face of it to be desirable to let them have it.

MR. WHITE: Well, we have in mind that we will have to increase these figures. We have put them low for that reason.

MR. VINSON: Everybody else will want an increase, too.

MR. WHITE: Yes, but many of them we don't have to consider. We would like to increase the small Latin American countries because you can give them an increase and it makes very little difference in the total.

- 6 -

H.M.JR: May I interrupt? I think if you would say which Committee this goes to, who is the leader and who is on it, so those particular gentlemen would be particularly on their toes on this--

MR. WHITE: I should. It is Committee One. Unfortunately I left the names.

MR. VINSON: Miss Newcomer and I.

H.M.JR: It is on my desk, Mrs. Klotz.

MR. VINSON: We know.

MR. WHITE: We were talking it over.

H.M.JR: Who were their advisers, so they would know? I thought it would be a way to get the team together.

MR. WHITE: Goldenweiser, Collado, and Ed Munson.

H.M.JR: Is Ed Munson here?

MR. WHITE: No.

MR. BROWN: Mr. White - correct me if my view is wrong - on this question of quotas, it seems to me it is primarily a matter for the State Department and nobody else, from the domestic standpoint. We want to decide what our over-all liability is, I mean, whether that is two and a half billion or two and three quarters billion - we want to be sure from our own collective viewpoint that the entire British Dominions and India and the United Kingdom don't have more than we do. Russia is necessary to winning the war. She wants ten percent, or some such amount. It seems to me the past and probable foreign trade, need of exchange, can justify it. I am perfectly willing to say that it is well worth while to give them a much larger quota than they would otherwise be entitled to because of their military importance and their importance in the post-war world.

To my mind, and you may disagree with me, it is foolish from purely trade considerations to give China more than India. On the other hand, if we are going to beat Japan we have got to keep China happy. And again, I am perfectly willing to agree that China has got to get more.

- 7 -

But what you give the other nations is of relative unimportance, from my own point of view. I mean, both France and India, for instance, ought to be given more than China from a strictly trade and exchange stabilization basis. From the point of view of respective influence in the post-war world, clearly Russia and China ought to be given more than India or France.

A balancing of those factors, it seems to me, has to be left to our State Department, and so far as I am concerned, as a member of this Committee, I am not a member of this particular subcommittee - I realize that - and I would leave it almost entirely to the State Department.

I don't know - Congressman Vinson and Miss Newcomer are on this subcommittee - I think that that is wholly Goldenweiser's point of view, and if the other members of the Committee agree with me to dispose of it - if I am wrong in my general approach to the subject - I am very ignorant and I would be glad to be corrected - but it seems to me, in the shortness of the time, that it is better to state the position as I see it as a member of this Delegation. And I do it with all humility.

(Dr. Goldenweiser enters the conference)

H.M.JR: I don't know whether Mr. Acheson wants to speak at this time, or Mr. Collado.

MR. ACHESON: I think that approach is right, Mr. Secretary. It seems to me that what you have to start out with is the soundness of the British idea that you cannot let out any quota which is going to be reduced; you just can't do that because you will have a crisis on your hands that isn't worthwhile.

If you will decide what the top amount is going to be, state it considerably lower, and then decide where the other items are going to go, we shall work it out. I don't mean the State Department - all of us together. I think you can be guided to some extent by what the State Department says. But the main order of countries, I think, is right, the way we have it on the list. But we must start below ~~what~~ we are going to end up with. You cannot announce to a country that we think its quota ought to be a hundred and end up with fifty.

H.M.JR: May I ask you this? Do you think the

- 8 -

approach should be, well, we know pretty much what our own can be, and then there is so much left over, and let these other countries fight for it?

MR. ACHESON: No, I think we have to take an active part in guiding the result.

H.M.JR: You do?

MR. ACHESON: Yes, I think Mr. Brown is entirely right that on the decision about China - that has to be a political China, and the decision about Russia, also, at this time. I don't think that the problem of Australia is difficult at all.

H.M.JR: You mean we would throw our weight in favor of Russia and China, say, as against the Dominions?

MR. ACHESON: Yes, most certainly so.

H.M.JR: Is that what it gets down to?

MR. ACHESON: Yes.

H.M.JR: Well, I think on a thing like this, if Judge Vinson, who is the leader of this group - we are all sort of groping - I think if you would ask questions to satisfy yourself, and satisfy Miss Newcomer, that you can present it properly.

I think that that might be a good way to proceed. I think if you would cross-examine these various witnesses, and then come to a conclusion with Miss Newcomer, and then say, "This is the way we would like to proceed" - is that agreeable to the other American Delegates?

Now, you are entirely familiar, as a practicing attorney - so would you mind sort of acting as leader, now, and satisfy us by cross-examining the people around the room who are experts, and then say, "Well, this is the way I would like to proceed." Is that agreeable?

MR. VINSON: You do me too much credit, Mr. Secretary. Miss Newcomer is the leader, but I am perfectly willing to ask questions.

MISS NEWCOMER: I think that is a mistake. This morning you were appointed leader, and I certainly think you should be.

- 9 -

H.M.JR: On this thing - I don't know how recent it is, but you are down as leader.

MR. VINSON: Commission One - no, Committee One - Miss Newcomer is leader of Committee One.

H.M.JR: Well, I apologize.

MISS NEWCOMER: I think Judge Vinson should be leader. I would very much like to defer to him.

MR. WHITE: There was a change made after you saw it.

MR. VINSON: I am delighted to be inquisitive.

H.M.JR: May I start over again? Pardon me. How would you like to proceed, Miss Newcomer?

MISS NEWCOMER: I would like very much to have Judge Vinson be the leader. I think it would be much more appropriate.

H.M.JR: Could we do this for this purpose, just for this evening, and then we could settle it later on. Is that all right? I got mixed up on my papers, here.

You will have to believe me, because it comes first here, Mr. Vinson. So, if it is agreeable - then afterwards the two of you talk it over and settle it between you. That will be quite satisfactory to me. But because of your judicial training, would you mind proceeding the way I suggested?

MR. VINSON: I would be very happy to get all the information I can, because this is the first time--

H.M.JR: You sort of set the pattern for other leaders.

MR. VINSON: This is the first time that the figures of the quotas have been discussed. We heard some figures mentioned for our country, and I believe that possibly Russia - they were wanting ten percent, and as I understood it, they would be satisfied with ten percent.

MR. WHITE: They now claim it is ten percent of the votes and not the quota, which would make it closer to nine hundred million than eight. There is room for some

- 10 -

difference of opinion about that, but that is the position they are now taking, that they will want more. Whether that is just bargaining, or what, I don't know, but they saw me today. It will be in that vicinity, plus or minus.

MR. VINSON: What were the suggestions to the smaller countries? In one memorandum, as I recall it, it was suggested that ten percent of the total quota, or eight hundred million dollars, might be used to augment the quotas of the smaller countries.

MR. WHITE: That is what we have done - not the smaller countries - all the countries. It was used chiefly to augment China and Russia because when we apply the formula we worked out, China fell far below, as Mr. Brown says, if you take it on any trade basis or gold holding basis prior to the war.

MR. VINSON: What would China rate on that basis?

MR. WHITE: Maybe four hundred million dollars, at the most.

MR. VINSON: And what have we tentatively thought of in connection with China?

MR. WHITE: We think we can settle for five hundred, but we have four hundred and fifty down here.

MR. VINSON: How much of the eight hundred million did you allocate to China?

MR. WHITE: I should say about a hundred and fifty million. We took ten percent of all of them, which we have restored now, and then took that eight hundred million and distributed it over many countries, and China we brought up to five hundred million.

DR. GOLDENWEISER: Does the total add up to eight billion?

MR. WHITE: Yes, seven billion nine hundred and eighty.

MR. VINSON: If you would go up to the eight and a half billion, what could you do with the five hundred million? Could you reasonably meet the demands?

- 11 -

MR. WHITE: Oh, yes, don't you think so?

MR. BERNSTEIN: Yes, sir. I think that extra five hundred million would make it possible to meet the wishes of China, Russia, and a few others without cutting anyone else.

MR. WHITE: I think there would be a little to spare.

MR. VINSON: I take it that is what you had in mind?

MR. WHITE: Yes, we hoped to get not quite up to eight, five, but if we got to eight, three-fifty - but in our conversation with Keynes we told him we are finding the delegates are pretty stubborn on this, and we didn't think we could get even up to eight billion.

MR. VINSON: If you take Keynes' suggestion, that is without the five hundred million - right?

MR. WHITE: Yes, his figure is eight billion straight, and they said they would support us on that eight billion as an outside amount, although he asked - he said, "It would be very helpful if you could increase that by a couple of hundred million, which would solve our problem."

I said I didn't think we could.

MR. ACHESON: What would you decide on as the top figure, just in your own mind?

MR. WHITE: Something less than eight, five - eight, four or eight, three and a half.

MR. ACHESON: What would you cut this total to in order to have a kitty to negotiate - seven, five?

MR. WHITE: We cut it to seventy-nine hundred.

MR. ACHESON: But you have sort of gone all-out on this. Supposing you wanted to cut everybody back to the lowest point which they were likely to get, and therefore suppose you took a figure of seven, five. Would that be too low?

MR. WHITE: I think so.

MR. BERNSTEIN: I don't think we could start with seven, five without explaining why it is that the joint statement

- 12 -

speaks of eight billion. What we could do is to raise ours and keep the total at eight billion; that would be reducing the others. Then when we give way, give way by reducing ours and adding to the others.

MR. VINSON: Why don't you start with eight and then subtract your ten percent and say that that eight hundred million might be allocated where it should go.

MR. ACHESON: That is more or less the same idea I was getting at.

MR. VINSON: You start with eight, but you want ten percent to play with, so you at first allocate your seven point two billion and then use your eight hundred for spread.

MR. ACHESON: What Mr. Bernstein is saying is that you then come out with something less than eight, and you have got to have something--

MR. VINSON: How would that be less than eight?

MR. ACHESON: You are taking off your ten percent--

MR. VINSON: But you put it back on - no, not in accordance with the formula, but in accordance with special conditions.

MR. ACHESON: Not at the outset. You mean to put it back on later on.

MR. VINSON: That is right.

MR. ACHESON: Then you put it down at the bottom as a kitty and you have everybody grabbing for it; whereas, if, for instance, you said, "Surely we talked about eight, but we find the Members of Congress are tough, they just say we can't, we have to have seven, five. So we have cut it back to seven, five" Then as we go along we can get it finally up to eight, three or four.

MR. ACHESON: If you have a pool you are going to have a lot of claimants.

MR. BERNSTEIN: If we reduce by eight hundred million and present a table showing seven point two, and say that there are eight hundred million left to be distributed, we will then have forty-four claimants for the eight hundred million.

- 13 -

MR. VINSON: I didn't have that in mind at all. I had in mind getting this package wrapped up before we went into committee, and in the conversations with the British have your seven point two and work out your eight. I didn't have in mind presenting this to the Committee as seven point two.

MR. WHITE: That is about what was done, Judge - that is just what was done. We took the ten percent and we allocated it around so that the total remained just about eight billion. But now he is taking that and readjusting that.

MR. VINSON: They had you at eight billion, and now they have upped the ante.

MR. WHITE: No, it is still eight billion.

MR. VINSON: No, but we want to ante up.

MR. WHITE: They want the ante of the Commonwealth up, but they have taken the others down, so the total remains eight billion.

MR. VINSON: I thought you said a minute ago that they said they wanted two hundred million more.

MR. WHITE: They said they would very much like to have two or three hundred million more, which would solve all their problems. They wouldn't have to take it away from a small country, and they could give a little more to the Commonwealth. But I told them I didn't think the Delegation would agree to that, that they would have to work within the eight billion limit.

H.M.JR: What is there of credit about the eight billion dollar figure?

MR. WHITE: Nothing, except we didn't want to give our top figure to begin with because we knew we would have to bargain it up. We wanted to leave something to bargain with.

H.M.JR: But do I take it that we are ready to go up to eight, three or eight, four?

MR. WHITE: The technicians are. We told them when we had the discussion at the joint conference that it

amounted to eight billion four, and then we said to call it about eight billion, because it will be a little easier to talk that way and it wouldn't seem as though we have worked it out to four digits in a rough formula. And that will give us a little leeway of a few hundred million dollars, and what surprises me very greatly is the British don't push us more on it, because we did make that statement, and I have taken the position now that I find that the delegates are being pretty adamant on this thing, and we are going to have a hard time getting eight billion.

H.M.JR: Well, I would just like to raise a question on approach, Judge Vinson. I would be largely guided by what this Delegation says. I know that the orthodox method is to go in and horse trade, see? There is also another method, to very carefully figure out what we think is fair and stick to it and say we are a one-price house.

DR. GOLDENWEISER: That is a very much better method, Mr. Secretary.

H.M.JR: I just would like to raise the question for consideration, whether we want to go in on the David Harum basis or whether we want to very carefully consider it and say--

MR. VINSON: Are you speaking of going into committee?

H.M.JR: Yes.

MR. VINSON: I don't think we could go into committee and trade.

H.M.JR: Well, I just wondered, as a policy for the American Delegation, whether we don't want to decide, "Well, this is fair; that is our proposal," and then stick by it; using the vernacular, we are a one-price house and we don't want to get into a lot of bargaining. I know there are two methods, and I don't say which is the best, but I am just raising the point as a different method of approach.

MR. LUXFORD: Mr. Secretary, there is only one thing that worries me about that. I think if you did that, the countries would feel that the U.S. was trying to dictate the terms. That would be my fear of it. They would say, "What kind of a Conference is this? The U.S. comes in and is laying down terms - 'You get so much and we won't even talk about it.'"

- 15 -

If you would instead hold back a kitty, then say, "This is for you countries to decide, not us. We are only going to try to shape the larger aspects of it." But leave the balance in a democratic way for the countries to decide.

H.M.JR: I am raising the question--

MR. WHITE: I think there is something even more than that. I think that in the discussions which take place in the Committee that you go in at a very disastrous position if you go in with the limit you can accept, because they put up all kinds of strong arguments and either you become very stubborn and don't listen to their discussions, or if you have a little leeway - something to give in - eventually you can be convinced and make concessions and they regard you as reasonable. That is more nearly true of this than probably anything else in there.

They will make strong arguments for them, and if you can give them a little something, they feel that they have negotiated; they feel that you have been reasonable and gone beyond the limit that you expected in order to arrive at a common goal. You have sacrificed something. They have had to give something up, and you have given something up by increasing the total, and I think that they feel better. I think you much more quickly get unity, because if you start with your final figure they will keep pushing and pushing, because they don't believe we will stop there.

Nobody in any negotiations in international arrangements that I know of has ever given its final position first, whether it is naval strength, or whether it is anything very moderate, or whether it is a trade agreement.

MR. COX: The other question, Harry, isn't the public view of this fairly right, that the quotas, in a large part, represent responsibilities as well as benefits?

MR. WHITE: They do.

MR. COX: Now, from the American standpoint, a lot of people are going to figure out in terms of the quota, what the percentage of responsibility is in the U.S. as against the other countries.

- 16 -

Now, if you go up to eight billion four, and the American amount still remains two billion seven hundred and fifty, and has a degree of control on the votes, then if you increase by concession you get into a position - take Poland, for example, for reasons of prestige and what not, it is down tentatively at seventy-five million on the U.S. estimate, and a hundred million on the U.K.

I should think the U.S. Delegation wouldn't want to be in the position of opposing the twenty-five million dollar increase in the case of Poland, and similarly in the case of the Latin American countries, or some of the other countries.

The major problem would be not to increase the British Commonwealth to where the disproportion in terms of the U.S. quota is out of whack.

MR. WHITE: Pete, you have had a good deal of experience in these discussions with foreign countries. What is your judgment?

MR. COLLADO: I think that you can go in with a certain leeway to play with. I rather doubt whether you should try to get it down much below the eight billion in your first table. I think that the eight billion table, with a few little adjustments here and there on specific countries, can be presented and you still have three or four hundred. I should think you can take care of all your problems with that. I prefer not to try to get down to anything like seven, five; I think it would be very difficult. I think you will have to do a small amount of trading, and three, four, or five hundred million should be adequate for that purpose.

MR. WHITE: We have used the figure eight billion so much that it would be pretty difficult for us to defend going in with anything much lower. We can add it up so it is seven, nine hundred and ten, or something like that, and say that is about eight, but to make a substantial reduction, I think they would regard that either that we are retreating from a position, or that we are out to bargain:

MR. COLLADO: Another thing is that if you are prepared to have the U.S. go as high as the two, seventy-five, you have adequate voting to take care of any probable increase that you would give the Dominions, so

- 17 -

I think you have enough leeway there so you can start within that range.

MR. WHITE: Another thing I was going to suggest is, I wonder whether we might not hold some of these concessions in the quotas to get some other things that we want from them, or stop them from asking for some things that they want. That is particularly true of Russia. Russia is asking for some other things, and is pretty insistent.

H.M.JR: Who of your experts is particularly working with the Russians?

MR. WHITE: Mr. Bernstein, Luxford, and I.

H.M.JR: The Chairman of the Russian Delegation has asked to see me, and I have asked Durbrow to be there. Who else here knows this, Harry?

MR. WHITE: They have conducted conferences over a month, and they have all been present.

H.M.JR: Has Bernstein been present at them all?

MR. WHITE: Oh, yes, all of them - I would say all of the technical people except Oscar Cox.

H.M.JR: When I go down I will take Bernstein with me.

MR. ACHESON: Harry, how much do you have to have to trade on here?

MR. WHITE: Not more than three hundred million. That would be plenty. The Russians are a hundred million to a hundred and fifty million; the Dominions, maybe another hundred.

MR. BERNSTEIN: Including India.

MR. VINSON: What about China?

MR. WHITE: China will have to get at least five hundred, and it is going to be difficult to satisfy her with that because she expects closer to six.

MR. VINSON: What have you?

MR. WHITE: We are starting her with four hundred and fifty; we thought we would go up to five.

- 18 -

MR. VINSON: What about the smaller countries? U.K. has a larger figure than we have. Now your five hundred million has already run out.

MR. WHITE: Well, but you can increase the smaller ones. They are so small - there are about ten Central American countries that have three to five million dollars each, so you can give them a few millions.

MR. VINSON: How about the European countries?

MR. WHITE: The major ones that may require some increase are France and possibly Netherlands, and Poland might have to be moved up to a hundred million.

MR. VINSON: That is twenty-five million more. The thought I have in mind is that your five hundred million is already gone.

MR. WHITE: Well, that is all you need.

MR. VINSON: I mean you are past it; if you take one hundred and fifty million for Russia - and how much for the British Dominions?

MR. WHITE: I don't know. I can calculate it. Why don't you do so tomorrow?

MR. BERNSTEIN: Suppose you have one hundred and fifty million for Russia, a hundred million for China, maybe one hundred and fifty for the British Dominions, and fifty - that is four hundred - that will leave you a hundred for the rest of the world, which is probably enough, since the European countries, except France, are not likely to be pressing for increases in quotas.

MR. COLLADO: I calculated it here crudely while we were talking, and without allowing for France I have come out with only three hundred and fifty million in increases, including all the Dominions.

MR. BERNSTEIN: That doesn't include a hundred million for the little countries.

MR. COLLADO: It includes fifty.

MR. VINSON: What are your figures?

MR. COLLADO: Well, I have got the Russians at a hundred to a hundred and fifty; I have got the Chinese at fifty more--

MR. WHITE: That would bring them up to five.

MR. COLLADO: That is right. Then the next one is India, I increased them twenty-five; I increased the Belgians twenty-five, and I am not at all sure you need to. I increased the Australians by twenty-five, which is splitting the difference with the British on Australia - that is not particularly good justification for doing it, either. I have increased - let's see - there is a little difficulty here on Brazil and Mexico. I left the rest of the Dominions alone, and I have put down twenty-five, possibly, for Poland. On Peru and Mexico I should think you would move one up and the other down.

MR. WHITE: You think they should have the same?

MR. COLLADO: I think you should increase Brazil. I don't think it is big enough in proportion to Mexico. You have a hundred and twenty-five and a hundred, and I don't think that is good enough differentiation. The British have a hundred and fifty. I suggest that you might consider a hundred and fifty and seventy-five. Brazil is a tremendous country, twice the population.

MR. WHITE: I think you have to give Mexico a hundred million.

MR. COLLADO: I think if you give Mexico a hundred you will have to give Brazil a hundred and fifty. That only adds up to three hundred and seventy-five.

DR. GOLDENWEISER: What is your total, Pete?

MR. COLLADO: With the U.S. at twenty-seven fifty, I have just made changes from this list, it would come to about eight, three-fifty.

MR. VINSON: Well, you had Russia either a hundred or a hundred and fifty; I take it you added in a hundred.

MR. COLLADO: That is right.

MR. WHITE: The Judge is asking, if you start with eight billion and raise it five hundred, how do you get eight, three-fifty?

MR. COLLADO: I only raised it three hundred and a quarter. I started with nine, seven-eighth, so I ended up with eight, three ought five.

MR. BERNSTEIN: Mr. Secretary, there is always the possibility of getting a little more by reducing our own quota from twenty-seven hundred and fifty to twenty-five hundred. That would give us some to play with, provided always that the sum of the quotas of the British empire doesn't get too close to ours.

MR. COLLADO: If you make all the increases I mentioned, the British total votes would be twenty-four forty-five. If you reduced our quota to twenty-five hundred, we would have twenty-five and a quarter; so we are still a little ahead. If we stay at twenty-seven fifty, we would have twenty-seven seventy-five.

DR. GOLDENWEISER: Wouldn't it be a great deal easier to get American support if the difference between us and the British Empire was more than just a trifle?

MR. WHITE: It would be.

H.M.JR: What do you think about it?

MR. ACHESON: I think it would.

H.M.JR: Mr. Wolcott?

MR. WOLCOTT: There would always be the fear that somebody would think that Great Britain could get some of the smaller countries to go along and offset that.

DR. GOLDENWEISER: Mr. Secretary, I have had absolutely no experience in international negotiations, and perhaps ought not to say anything, but my feeling is that it isn't a dignified situation for America to bargain with all these people about little items of twenty-five or fifty million dollars. I think we would be in a stronger position if we either come out with no total at all and just say, "Well, now, these are the calculations; let's work it out," or else give them a figure and say, "This is where we stand, insofar as the Committee is concerned, and if there is any change in that we will have to get special ratification from the Delegation as a whole."

I think these people will find it something of a help to them if they can say, "Well, Uncle Sam was hard-boiled and just wouldn't yield, and that is absolutely as much as we could get."

- 21 -

MR. LUXFORD: It would make them more mad at us, though. Why should we be the scape-goat for thirty-nine other countries?

MR. VINSON: And then let U.K. say that they wanted increases for them.

MR. LUXFORD: That is right. Why should we be put in that position?

MR. WHITE: I don't know, but I don't think they regard that as a virtue, particularly. They regard that as being stubborn and dictatorial. If you say that this is what it is, and you are not going to budge from it, that is all right after there have been negotiations and you have given way, and then you say that we have given in as far as we can, and then stick to it. But to start right crack off the bat and say, "This is our top limit"--

MR. GOLDENWEISER: I don't want to prolong this, but the only point I would want to make is that we could say that the total Fund for which the U.S. would stand is so much - eight billion, or eight two, or eight three, and out of that amount the U.S. feels that it is absolutely necessary for it to have so much, and the rest of it they can divide among themselves, and let them bargain with each other. But then they wouldn't get very far, because any increase for any one would mean a decrease for another.

MR. ANGELL: Would it be possible to go into this with an agreement with the British, so to speak, so there would be a kitty of a hundred million for trading purposes?

MR. WHITE: You could. You don't have to tell them what you have in mind. If you are ready to do that after you have struggled along a bit--

MR. LUXFORD : The British wouldn't give any away.

MR. VINSON: The trouble with that is the British would be making the fight and would be getting the credit.

MR. LUXFORD: That is right.

MR. WHITE: You mean if you told them. I think it is much better for them to support you.

MR. VINSON: Or if you don't tell them - if they make the fight and win the game!

MR. WHITE: But they are not making the fight on the aggregate. They said they would support us on the total eight billion. Therefore it is a question of getting something out of somebody else's or their own quota. They can give up some of their own quota if they want to help their Dominions. At some time in the discussions, after no progress has been made, then would seem to me to be the appropriate time for us to say, "Well, in order to get an agreement on this thing, we are willing to up it a little here, and then you can be the one to put it where you want it. But if you just go in and say it is eight billion - "We will take so much; boys, divide the rest among yourselves," you are taking one of the most dominant factors out of the discussion that can attain any kind of peace. You are letting it become a cat-and-dog fight.

MR. ANGELL: You don't want to be completely and flatly dictatorial.

MR. WHITE: That is right.

H.M.JR: If you people will excuse me, I will go down and see what the Russians want, and I will come back. I would like you to come, Mr. Bernstein. Mr. Collado, do you mind coming along?

(The Secretary and Mr. Bernstein and Mr. Collado leave the conference temporarily)

MR. WHITE: I think if the Delegation feels that they are willing to go on the eight billion four, that there will be no trouble getting an agreement, but I think in order to do that properly, we have got to say that it is eight billion and let them fight around. They have got to fight around for a couple of days and get nowhere.

But if you come right in at the beginning - they are accustomed to bargaining and negotiating, and they will prolong the discussion interminably because they wouldn't believe that is your final figure.

So if you go in with the eight billion, and if the Delegation feels they are willing to raise that three hundred million on some such basis - as Mr. Brown said, about making up their own minds on other grounds, then I think if Judge Vinson is going to be the leader, then he can repeat that that is the maximum as of now, and give

various reasons, and then they will begin discussing among themselves who is going to get an increase at whose expense. And then at some point along there, after things look pretty much mixed up, the Judge can say, or a committee can work out and come back with a report that the U.S. has made some concessions. They will think we are great guys and everybody is happy.

It would seem to me that would be the approach, if the group feels they can exceed eight billion by several hundred million. I am sure if we had told the British we were willing to go to eight and a half billion you would find that they would put us in a spot where it would be necessary to go to nine or be adamant, because they would like to satisfy the claims of their Dominions. Why not?

MR. ACHESON: I think that is right, Harry. If you will take what you think the top is - take off whatever you want to negotiate with - if it is four or five hundred million, you will come out somewhere about seven billion, eight hundred and something. Work it out on that basis - do not get anybody higher than you will end up with - and have some arguments referred to a Committee, and you will come out just about right.

MR. WHITE: The Committee will come back with concessions, and the Committee will go out at a time when things look pretty mixed up; it will come back with concessions and you may be able to get a concession here and there out of England.

At that point you can say you are adamant and remain there.

MR. LUXFORD: You can almost force the group to accept the Committee's report before we indicate whether we will take it or not, in which event the only person holding out will be the U.S., until the other countries have indicated they are willing to go ahead.

MR. WHITE: Then there is something else I mentioned before about the negotiations. We are going to have some trouble with the Russians on two points, their newly mined gold, and the concession on their gold holdings. Now, we have a very nice bargaining card here. They are interested in a larger quota. It seems to me it might be worth trying to say that after they haven't been able to get anywhere, that we can up them, that we are willing to up them one hundred and fifty million providing they abandon their

claim for this gold reduction. They might do that, because this might look better to them. That gold reduction they want is going to give us trouble because all the countries will want it if they get it.

I think that is the way those things are done. They may be smarter negotiators, but, shucks, we have plenty of good negotiators here besides the technicians - a lot better.

MR. WOLCOTT: Wouldn't it be helpful to our Delegation on that Committee if we gave them the figure that we felt that they shouldn't go beyond, and give them to understand that if they found themselves in a position where they had to go above that, that they could bargain up to a certain point and come back to us and be relieved of the obligation, and stick to that figure?

It would give them the argument that they couldn't go above that figure without coming back to us, and then they could advise us as to how adamant they wanted us to continue in the matter.

MR. WHITE: That might be an approach. I am a little bit worried, though, about not going in there with a table which England and the U.S. wouldn't approximately support.

In other words, the argument ought to be on a few countries, but if you go in there saying, "This is our maximum; see what you can do about it," why they will be weeks at it. You see, we have spent many, many hours at conferences - I under-state it - in trying to arrive at some such formula, and every country that we talked to wanted to change the formula, and so forth - so it is very easy to have the days run by unless the discussion is crystallized around a relatively few countries and around relatively small amounts. I mean, it seems to me you have to go in with a table which the U.S., as one of the participants, should have some views on. I don't think the U.S. can take the position of "Well, this is the maximum; this is what we want, come and get it; the rest divide up among yourselves." It would seem to create, I think, the wrong impression.

This is an international thing; we are all trying to work out what is reasonable. The U.S. has some ideas; England has some ideas; other countries have ideas. When

you start with a list of figures - if you start with a list of figures like this, for example - let me pick out a country - Guatamala has five million; she knows approximately where she is, and the most she might ask for is a couple of million more. That takes care of, oh, twenty countries right off the bat that have small amounts.

MR. VINSON: If an agreement were reached with the British, what about a subcommittee bringing in the table? If we bring a table in tomorrow, it has got to be some kind of a table - U.K. may get the advantage in fighting for the other countries--

MR. WHITE: I think there is an advantage in having the subcommittee bring it in. The question is, who is going to present it at a subcommittee. Now, you can try to work out an agreement ahead of time with the British. That is what they want, and that is what we are considering - their figures. But I don't know whether you could get an agreement with them.

MR. WAGNER: Couldn't one of the smaller countries ask for a subcommittee?

MR. WHITE: Oh, yes, any one of them could ask.

MR. WAGNER: I mean on the question of asking for one.

MR. WHITE: It wasn't so much asking for the subcommittee as it was who is going to present the table. You see, somebody has to present it, otherwise, if this Committee starts from scratch they might come out with an entirely different--

MR. VINSON: But if you had an agreement between the British and ourselves, and there was a joint submission of it to the subcommittee, then you would take the curse of dictation off of it, and it seems to me it might take away the disadvantage that would come to us in Britain fighting for the increases which we are willing to give.

MR. WHITE: Yes, I think that is a possibility. If I understand you correctly, you would have an understanding with England as to what you finally want to end up with, but agree with England that it is better to give some lower figures which we submit jointly, and that she will agree not to argue for any increases. Let the other countries argue for increases.

Then it can go back to a Committee and at that point we can give the additional amounts and the arrangements which you have agreed to prior.

Is that it?

MR. VINSON: I was thinking about the subcommittee first.

MR. WHITE: Yes, I would say the subcommittee - you get an agreement with England on the outside. The thing is referred to a subcommittee by the Chairman, one of the American Delegates requests that the matter be turned over to the subcommittee, of which the Americans and British will be members. At that subcommittee there will be presented a table by the British, on which you will have had prior agreement with the British, and an American will agree, but the table wouldn't present the final word. You will have had another extra agreement as to the final word, which the British are cognizant of.

MR. VINSON: That is my thought.

MR. LUXFORD: There is one variant of that, Harry. I am still afraid the British might get around on the side after they come out of the Committee and say, "You fight hard, now," especially to those countries they know you are going to raise, so they will sound like they are giving support to these countries and get some of the indirect benefits of our concessions.

Why can't the subcommittee report out the base figures that we start with, then there will be complaints from all over in the Committee about it, but don't take the British into your confidence that we are willing to make the raises.

MR. ECCLES: Harry, how would it be to agree on our quota that we would be willing to recede from - reduce it if we had to - agree upon the British quota and Dominions, as one, so that we would establish the amount of our quota in relation to the British and the Dominion quota? That relation would have to be maintained.

Now, we could concede some of ours; they would have to concede a certain proportion of theirs. That would be the British and ourselves conceding to the other countries.

MR. WHITE: I think that is a good suggestion.

MR. ECCLES: You might agree on Russia separately - maybe China with the British - and that would be final. Now, when all the rest of them come in, whatever they get will come from the U.K. and the Dominions, and from the U.S.

But we want, when the final result comes out, to have maintained the differential, and then we would be willing to concede, but the British would likewise have to concede.

We couldn't take advantage of them and they couldn't take advantage of us. And between the two of us, we would have to satisfy the smaller countries by giving a proportionate amount of the respective quotas.

MR. WHITE: I think that has interesting possibilities. One of the things that disturbed us about letting our quota go down, which we are very glad to do, was the fact that if we let our quota go down below a certain point, there isn't enough difference in the voting power between the British and ourselves.

MR. VINSON: If you have the proportion decline in the British quote--

MR. WHITE: It solves that problem.

MR. ECCLES: I don't care what figure you go to.

MR. WHITE: I think that is an interesting suggestion.

MR. ECCLES: Whether it is from the eight hundred - if we want to reduce our proportion from the two seven-fifty, and the British and Dominions from what they have, whether it is from a higher figure - we then have to attempt to satisfy the smaller countries between the two of us.

MR. ANGELL: The only catch in that is that you are increasing the quotas of some of the Dominions, even if U.K. goes down and the Dominions go up--

MR. WHITE: He said the British Empire. That is where the difficulty will be.

MR. ECCLES: But after all, we can't--

MR. ANGELL: Australia goes up fifty but the U.K. goes down fifty. If it is a total, that is fine.

MR. ECCLES: That is the only way you can handle it.

That is an internal situation and they can handle it; we shouldn't attempt to get into it - we shouldn't take a position there.

MR. WHITE: I think something could be worked out. We could keep that principle in mind. In other words, if there is any attempt to increase, we will say we are ready to have our quota reduced provided the ratio of our votes to the British Empire's votes remains the same.

If you have that, and you don't have to confine yourself in the earlier part to any specific ceiling, if you go in with an eight billion ceiling as has been suggested, throw it into a Committee, let the Committee come out with a report on which there will be controversy, then throw it back into the Committee. At that point the Committee will make adjustments and concede some increase which will make adjustments very much easier. I think the thing could be settled in two days - two or three days.

While the subcommittee is working on it, the work of the main Committee could go forward so that even if the subcommittee took two days to fight the thing out, I think it can be worked out. But whether it is necessary to get an agreement with the British not only as to the schedule, but what you are going to do, I don't know.

Why wouldn't it be possible to get agreement with the British, meet them as closely as we can on these many points on an eight billion dollar limit? They are not going to be wholly satisfied, but they might be willing to submit a table on that basis, and they are going to say, "Now, this is not going to satisfy Australia, and this is not going to satisfy India," and we will have to support them.

MR. ECCLES: Let them take some off of their own to satisfy them.

MR. WHITE: Yes, every approach has some advantages and disadvantages, but I think that the end-all settlement is within sight if the Delegates are willing to go up as far as eight billion four hundred million. There is no shadow of doubt there can be an agreement. So it is merely a question of tactics.

The one thing that worries Mr. Luxford is that the British will get the kudos for having upped them. You might say, "So what?" Suppose Australia and India do feel England has gone to bat for them. I don't know why we

should object very much to that.

MR. LUXFORD: I wouldn't either, on that basis, but I don't want England fighting for everybody's increase and the end result will be it is at our expense.

MR. ECCLES: If it comes off the British proportion it wouldn't be.

MR. LUXFORD: That is one of the advantages of that.

MR. COX: As I add up these figures, the British have asked for an increase of one hundred and eighty-five million for the U.K. and the Dominions and India. Now, I gather that wouldn't create very much of a disproportion as against the two, seven-fifty.

MR. WHITE: No.

MR. COX: Suppose you say that we agree with that one hundred and eighty-five million increase; if you agree, that would bring up the seven, nine-eighty with no other cuts or changes, if you agree that any increases or adjustments to be made upward would be in the same proportion for us and the British Empire.

MR. WHITE: She would be delighted; how are you going to take care of the U.S.S.R. and China?

MR. ECCLES: That is why I wanted to include those in a fixed amount and leave the rest to be settled.

MR. COLLADO: If you add that, that gives you a certain amount of difficulty with your small Latin American countries because that is where it is coming from.

MR. COX: I am assuming you have two sources; one is a reduction in the U.S. and the British Commonwealth countries, if they want to give on that, and the other is your three hundred and fifty million you are going above the eight billion, if necessary.

MR. ANGELL: If you give one hundred and seventy-five to the British Empire, without increasing ours, then you have the two pretty close together.

MR. ECCLES: Increase ours the same amount; then we start from there, both conceding to meet the other's requirements.

MR. ACHESON: Can't you do all that in the subcommittee? It seems to me you are not going to fool anybody. They know that we are working on this list.

MR. WHITE: We have handled this for a year and a half.

MR. ACHESON: I would put it out somewhere in the neighborhood of seven billion eight-fifty. You have worked on the formula. And be very sure that you have gotten the Latin American countries right so the British are not fighting for them. Then I think your subcommittee could settle it.

MR. WHITE: It is easy enough to take care of the Latin American countries by calling them all in separately and saying that we will take care of them all.

MR. COLLADO: I think you will probably have to do that, but that is only a small item.

MR. ACHESON: Get them right, so they are satisfied.

MR. WHITE: In fact, I think you can do most of it outside the meeting. I think there are two major decisions, one of tactics, and the other is end result.

Now, if the Delegation feels that they are willing to let the figures go up to, as I say, eight, three-fifty or eight, four, so they can have another crack at it after they see what it looks like, then I think that we can try to work out the tactics, get to as close agreement as you can with the British on the basis of the eight billion. Go in with that, and then make our bilateral discussions confidential discussions with the various Latin American countries, telling them we will up it a little bit, or something of that sort, and we will do the same thing with China, and let Russia fight it out with us at the meeting. I think the thing can be handled.

Make it as nearly right as you can in the first place, but on an eight billion dollar limit, and also use the technique that Marriner suggested, that if Britain wants the colonies to get any more than what we have suggested, let it come out of her total, or out of ours, proportionately, so it won't affect the votes.

(The Secretary, Mr. Bernstein, and Mr. Durbrow re-enter the conference)

- 31 -

H.M.JR: Let me report what happened downstairs. These two gentlemen will assist me.

The Chairman of this Russian Delegation seems to be very much disturbed, and he said in view of the conversation which you had this afternoon with them in regard to the quotas, it doesn't agree with their previous understanding which they have here, and which they have with Moscow. They said that in an earlier conversation you left them under the impression - Professor Chechulin - that they would have ten percent of the total amount, amounting to eight hundred million, and that they could add one third to that, or approximately a billion dollars. If that is incorrect, they would immediately have to communicate with Moscow, because that is the impression that Moscow has, and you will bear me out--

MR. DURBROW: May I suggest, sir, the impression, when the experts left here from Washington to go back there, they knew about the eight hundred million dollars, but Moscow said that they wanted to have the quota around a billion dollars to bring it a little bit nearer the British quota. My impression is the instructions he got after discussions three months ago in Moscow - they wanted a billion dollars.

H.M.JR: I gathered - and you can bear me out - that they are not trading, that they are very much disturbed.

MR. DURBROW: Yes, sir.

H.M.JR: They said Mr. White told them there was a great hurry about this thing, and this would be taken up tomorrow. They immediately wanted - I don't know - leave to get something off to Russia. So they asked me - they apologized for taking it up with me, but they felt, in view of this misunderstanding, that they wanted to take it up with me.

So I told them that I couldn't answer them at this time because the American Delegation and the experts were in session in this room - that we were discussing all quotas. I said that I would report this to the American Delegation and I would try to give them an answer tomorrow, but I couldn't promise them an answer, but that in case I couldn't get them an answer before I left, that Mr. Vinson was the leader of this group and would be Acting Chairman during my absence.

I didn't get the feeling that this was simply trading; I felt that this was something that they really were disturbed about. You were there--

MR. DURBROW: Very definitely, I did. He said quite categorically, "Since this is a matter that is going to be discussed tomorrow, if we are going to get a quota of only eight hundred million dollars, I must send a telegram right to Moscow to tell them about this."

There is one more thing, sir. He wants to know what the attitude of the American Delegation will be in regard to that particular request.

MR. WHITE: They asked to see me this afternoon, urgently. They came down and raised this question of the quota. I said that the Committee was going to take it up tomorrow and they could discuss it there. I said that our earlier discussions had been that we would support a ten percent quota for them, and that is the position we still would take as far as the technicians are concerned.

I said I hadn't cleared with the Delegation because we didn't have a Delegation at the time we had our discussions with them. But I said that the technicians would continue to support the position that we took, that we would give them ten percent.

They said they didn't think that was enough, and I said they were free to raise it at the Committee just the same as anybody else did, and I said they didn't have to decide at the Committee tomorrow, that they could merely say they want to study it, and that we would like to show them some of the tables that we were working on, not with reference to their quota, but with reference to some of the other quotas, so they would have a preview of it just as the English did, and we could get some of their reactions.

I said that since that may go into the Committee tomorrow, I wondered whether I couldn't show them sometime tomorrow morning, or tonight, after the Delegation had acted. So they got the thing probably confused with regard to this morning.

H.M.JR: That is not what Bernstein told me, either.

MR. WHITE: Bernstein wasn't there.

- 33 -

MR. BERNSTEIN: Mr. Secretary, they made the statement that at one stage we told them the quota would be ten percent of the aggregate; that would be eight hundred million dollars. Apparently at another time they have the feeling that they were told the quota would be increased by one-third, and they assumed that increase of one-third was based on the eight hundred million.

As I explained this evening, we had intended that one-third increase to be applied to what the data would show. The data would not show an eight hundred million dollar quota; that eight hundred million is after the increase is made -- a six hundred million or six hundred and thirty million quota increased by a third would bring it to eight hundred million or a little above.

MR. WHITE: That figure of a third probably originated from the fact that we said that in order to make the adjustment which would bring it up to the ten percent which they first requested, we were going to deduct ten percent on the quota; that would leave about eight hundred million dollars to be distributed. We said we thought about a third of that added to their quota would bring it up. We said we didn't know exactly, because we didn't have the exact figures.

H.M.JR: Harry, are you talking of the conferences at Bretton Woods, Atlantic City, or Washington?

MR. WHITE: The conferences which took place in Washington for a period of many days, discussing that very point. They communicated back, I suppose, because they didn't give us any answer. What they must have done was to add that third onto their eight hundred million instead of deducting the ten percent previously.

H.M.JR: That is what they did. I am quite sure from the way they talked that they feel that Moscow thinks that they are going to get eight hundred million plus ten percent, and before they can go into any meeting, or do anything more, if it is different they have to get new instructions.

MR. DURBROW: May I add one thing? They give the very definite impression that they want to have a quota near the British, and the way they put it, it looked to me as if it was a matter of prestige. I asked them the specific question and didn't have a chance to tell the Secretary - "You don't mean one similar to the United States?"

"Oh, no. That is too high, but we do want to have one near, but less, than the British one."

I got the impression that it was a matter of prestige.

MR. VINSON: Let me see if I understand the position that you took in Washington. At that time their quota figured out near six hundred million dollars?

MR. WHITE: Something like that.

MR. VINSON: And the third increase was a third of the figure that you arrived at - around six hundred million dollars - and this brought it up to eight hundred million or ten percent of the total quotas.

MR. WHITE: No, the third referred to something else. We took ten percent off all the quotas to get a kitty of eight hundred million, it was eight billion. We took ten percent of eight hundred million, which we said we could apply to Russia and China to adjust the formula, because we couldn't find quantitative measures which would fit the Russian case.

We went into a great deal of discussion about that, and there is no reason why there should have been any doubt about that figure. Then we said in dividing this ten percent, this eight hundred million, among the various countries that we thought ought to have it, probably about a third would go to Russia.

MR. ECCLES: A third added to that - what part of the eight hundred million did the Russians have?

MR. WHITE: After the ten percent was deducted from their quota, as well as the others, it was about five hundred-odd.

MR. BERNSTEIN: Close to six hundred million, I think.

MR. WHITE: So that was around eight hundred - eighty-five million. We said that would bring them up to ten percent of the quota. They then wanted ten percent of the votes and we said it would be almost ten percent of the votes - we said not quite, because many countries are getting some shares - all countries get some shares to begin with. We told them that meant their quota does not quite measure their votes. We went into a good deal of discussion on that.

They next raised the question at Atlantic City. They wanted to see our minutes - not in Atlantic City - before we went to Atlantic City - they wanted to see our minutes. We gave them a copy of the minutes. Then at Atlantic City they raised the question again. We re-explained it. Then they came to me today, disturbed about the same point, and I gave them the same explanation as I have just indicated, that the thing had come up in Committee and we would like to get their reaction to some of the other figures before they went in, so that we could have a sort of common front with England to support any particular position.

Now, what must have happened was in their cable back they used the figure of a third on top of the eight hundred million.

H.M.JR: That is what they did.

Well, let me ask Dean Acheson a question. In view of the world situation - I am just asking - why isn't it a reasonable request of the Russians that they should have about as much as the British, but a little bit less - in view of their world position?

MR. ACHESON: That is a hard thing to answer. From an economic point of view, I don't suppose it makes much sense, because they don't need it; they are not going to use it.

H.M.JR: But in the sense of a military power?

MR. ACHESON: I suppose from the point of view of military power, they ought to have as much as we have. They have developed more military power than we have. I think we have been talking here about adding somewhere in the neighborhood of a hundred million or a hundred and fifty million to the Russian quota. Isn't that right? That brings them to just about what they are talking about.

I think that the best thing to do with the Russians is to tell them that you think there is a complete misunderstanding about this, that we have been thinking of eight hundred million, that this error has been made, and in view of the misunderstanding, we are willing to go along and increase it to nine hundred and we think that solves the problem for them, and we hope they think so.

What is the British quota?

MR. DURBROW: Twelve-fifty.

He talked about a billion dollars and then explained it later, without using the figure, of being near but less than the British quota.

I am sorry I don't know the details, but I presume it is the voting power they are particularly interested in.

MR. ACHESON: I wouldn't be particularly alarmed at this effort on their part, would you?

MR. DURBROW: Not knowing very many of the details, I wouldn't be, either.

H.M.JR: But you would feel, though, that they will do nothing until they go back and cable?

MR. DURBROW: Very definitely, unless as soon as possible we can give them some assurances that their quota is going to be larger than eight hundred million dollars, they have definitely to wire back to Moscow before they can really take any part in the discussions, is my impression.

H.M.JR: Well--

MR. VINSON: If you take that literally, I think they could be assured that it would be more than eight hundred million dollars.

H.M.JR: What I was going to say, if we could arrive at anything tonight - knowing the Russian habits - they are just beginning to work now, at this hour - so if we arrive at anything and tell it to them, we will save at least twenty-four hours, if they get the message off tonight.

MR. WHITE: Of course, we all recognize that we can't make that decision. I assume the decision we make is final, but--

H.M.JR: What they are asking for is an expression of the view of the American Delegation. Isn't that correct?

MR. DURBROW: Yes, sir.

MR. WHITE: That is quite different.

H.M.JR: Am I not right? They wanted to know what the American Delegation thought.

MR. DURBROW: Yes, sir.

MR. BROWN: Is there any understanding with the United Kingdom as to the relative size of the Russian and U.K. quotas?

MR. WHITE: We told them about a ten percent commitment.

MR. BROWN: Suppose you raise that to thirteen. It seems to me you have to watch your step with U.K.

MR. COLLADO: Hadn't we better get some of these figures quite precise? We are talking in terms of eight hundred as against eight billion, which would be exactly ten percent. If you actually increase that by a third, that would be thirteen and a third percent and would be increasing it up to about ten seventy, which is pretty high. You can't increase it to ten seventy without keeping the others pretty low.

If you increased it here to nine or nine fifty, it would be meeting them approximately half way, which might be enough.

MR. WHITE: I don't see why we should increase them a third just because they made a mistake in communication. Is there any question in your mind, Morris, about the possibility of their making an error of that kind?

MR. BERNSTEIN: No, sir. I think we will haul out the minutes.

MR. LUXFORD: More than that, the mere fact that they were talking about the ten percent quota, or ten percent of the votes, spells out that their quota could not only be between eight and nine.

MR. WHITE: I think if you are willing to go to nine-fifty, there is no question that they will accept.

MR. COLLADO: I would think that nine or nine-fifty would be adequate. The question is when you want to use it, because that is upsetting your proportion.

MR. ANGELL: Would that be absolutely cleared with the British?

- 38 -

MR. WHITE: I don't know. We would certainly want to tell them. I don't know what their reaction would be, but as I say, I don't know which would be decisive. I suspect that our views on that matter would be decisive, but I don't think we can proceed on that assumption to begin with.

MR. ANGELL: Do you want to discuss it with the British to begin with?

MR. WHITE: Yes, because you will have to get the British support.

MR. ANGELL: Before you give it to the Russians?

MR. LUXFORD: There is one point there. Will the British use it as bargaining - if we want to raise theirs, they will want to raise some of the Dominions. Why can't we support the Russians on this position? We start, though, from the basis of eight. We give them assurance we will support them for more, but that is all.

MR. VINSON: That is the question I would like to ask. What was their precise statement in respect to sending the wire?

As I understood it, you stated that unless they were assured that the American Delegation would support a larger figure they would send the wire. Is that correct?

MR. DURBROW: Yes, sir. In connection with that they mentioned the figure of a billion dollars as the one that they had had the impression would be more or less their quota; then later on they brought in the British angle by saying they wanted something near the British but less.

H.MJR: A little less.

MR. VINSON: But what was the condition upon which they would not send the wire?

MR. BERNSTEIN: They asked the Secretary for his opinion.

H.M.JR: As I got it, if we supported them in this position, which is the impression in Moscow, it would not be necessary to send the wire. If it is not a billion dollars, but something else, then they would have to send a wire for instructions. That is the impression I got.

MR. BERNSTEIN: Mr. Secretary, we have other questions with the Russians and if we start in by giving them the whole of the request on quotas we will have given away the best thing we have in talking to the Russians while we still have untouched all of the other questions.

H.M.JR: Yes, but Mr. Bernstein, I started in 1933 at the President's request, when we first recognized the Russians - I mean, I started the negotiations with them when I was in Farm Credit and I have dealt with them ever since, and I feel I have had some experience and I have always felt that they were sincere.

Now, these people come tonight and say it is the opinion of Moscow through a remark that Mr. White made to Professor Chechulin that they could expect eight hundred million plus a third, and if that is not so they will have to so inform Moscow.

I believe they are sincere. If we don't want to give it to them we can say so. They say, "Will the American Delegation support that position, or will the American Delegation not support that position?"

MR. VINSON: But, Mr. Secretary, if the minutes show that their idea isn't supported as a fact, I just wonder whether we should start giving tonight. I have no doubt, if we were to say we will support nine hundred million, that tomorrow they would still say a billion or a billion, one, because that is a little less than a billion, two.

H.M.JR: Well, Judge, I don't know where Mr. White has kept the minutes; nobody knows but Mr. White.

MR. VINSON: He said he showed them to them in Washington.

MR. WHITE: What do you mean, I am the only person that knows?

H.M.JR: I don't understand your answer to me.

MR. WHITE: You said I am the only one that knows.

H.M.JR: Here, of us, have you minutes?

MR. WHITE: We have minutes of every meeting.

- 40 -

MR. VINSON: I understood him to say he hauled the minutes out and showed him the minutes.

MR. WHITE: They asked for the minutes and we gave them to them.

MR. BERNSTEIN: They asked for them before they left for Atlantic City. We gave them one of the sets of minutes in Washington, and they asked us then for two other sets of minutes and we gave them those the day we arrived in Atlantic City.

MR. WHITE: The minutes of all the conferences were taken, not stenotype minutes - they were just minutes written up of the significant decisions which were made.

H.M.JR: Let's stop arguing. Are there minutes on this particular question, or are there not minutes on this particular question?

MR. WHITE: There are minutes.

H.M.JR: Have you showed them these?

MR. WHITE: We gave them a copy of these particular minutes.

H.M.JR: What did they show?

MR. WHITE: The minutes showed that we had agreed to give them about ten percent of the quota and the disputable point at the time, which they were raising, was they claimed they were going to get ten percent of the votes. I said that we referred to ten percent of the quota - that it was ten percent of the quota, not of the votes.

I said that we had explained they would get ten percent of the quota and that would be approximately ten percent of the votes, but it would be something less.

Now, the specific words of the minutes, I don't remember. We can get the minutes.

H.M.JR: But that doesn't answer it. Are there minutes of the conversation which they said took place between you and Professor Chechulin in which they say that you said ten percent or eight hundred million dollars, plus one-third?

- 41 -

MR. WHITE: Which took place with him alone?

H.M.JR: I don't know. He said between you and Professor Chechulin.

MR. BERNSTEIN: Mr. Secretary, I have examined those minutes recently in giving them to the Russians. On different occasions there are different statements covering this point. One covers ten percent of the quota, eight hundred million dollars; on another occasion of what the data would show of the Russian quota. At that stage there is a statement that obviously an adjustment will be needed, and the figure one-third comes in then. They didn't take place the same day at all. Those are on different occasions and both of the facts are mentioned in the minutes.

H.M.JR: That isn't very helpful.

MR. COX: Mr. Secretary, don't you have this point in dealing with the Russians? Assuming either they understood it correctly, or it was a misunderstanding, they deal generally on instructions from Moscow on this issue, and I would accept the statement that if he was wrong, and the thing is eight hundred million, he has to cable back to Moscow to either get power to recede or to hold out for the billion, or slightly less than the British.

So it seems to me the issue is what you want to indicate to the Russians - what the view of the Russian Delegation was as to whether there was or was not a misunderstanding--

H.M.JR: If I may go on - I feel, either there was or wasn't a misunderstanding, and to tell them we will offer them nine hundred million dollars, I think that is a mistake. I think we should either say that Mr. White in his dealings meant the gross figure of eight hundred million, and that is what he had in his mind - and I said only Mr. White, and I mean he and his Department, would know - or we meant the other.

Now, if Mr. White knows what he meant - and his associates - if they will tell us, then it is up to us to support him and tell that to the Russians and ask them to get new instructions; or say, "You are right, and we, as American Delegates" - but I don't think we should bargain and then split it and say it is nine hundred million.

I would like Oscar Cox's advice on that.

MR. COX: I think you are right with this one exception, and that is that they ought to ask for new instructions, and because of the misunderstanding, as Bernstein says, there would obviously have to be some adjustment for unusual circumstances; then you say that we understood it was eight hundred million, but we will support some reasonable adjustment that probably wouldn't be up to a billion, or above a billion.

H.M.JR: Now, can I ask Mr. White if he or his associates would state for us what his impression is - what he meant to get to the Russians during his discussions in Washington with Professor Chechulin? What did you try to imply to them?

MR. WHITE: One reason for the possibility of a misunderstanding is that we never were very clear - never very specific - purposely so, with what the quotas were. That was not a point of careful discussion with any of the countries. We always took the position that the formula was not agreed upon, that it was a rough formula. We said we didn't know what the Russian data was; they didn't give us any data. We were guessing at what their national income was; we were guessing at their gold holdings. We said, "We don't know your figures, but as we figured it roughly the formula would give you a figure that is smaller than what would be appropriate for you." And at that time we had talked with them after the Chinese.

The Chinese had made a very strong plea for a larger amount on the basis which was very reasonable to us, that their trade data that we used during the periods of '33, '34, and '35, and '36, was very unfair to them, and the national income figures nobody knew, and we were trying to find some formula which would give China and Russia a higher rate - this was before Russia came - without giving India a high rate and some other countries a very small rate. We tried many formulas and many provisions. We weren't very successful.

Then the idea came to us, I don't remember whether it was suggested to us or came to us - there was so much discussion on it - that what we had to do was to apply the formula that we had worked out on the basis of whatever data we ourselves utilized; we would get a certain result, then we would take ten percent off everybody's quota. That would give us, roughly, eight hundred million dollars. Then we would divide that eight hundred million dollars in ways that would represent, in our judgment, forces and influences and factors which could not be susceptible of measurement.

- 43 -

That would enable us to give China as much as we could bargain with - as much as she felt she could have. It would enable us to apply more to Russia. China was glad of that. She said, "That is fine." That would give them, we thought, twenty-five and six hundred million, but we didn't know, because we didn't have their figures.

H.M.JR: You are talking China, now?

MR. WHITE: China was pleased with that. We left it vague. They were satisfied. Their insistence was the fourth place. We said the American technicians would back China for fourth place.

Then Russia came on the scene last. The question arose as to what their quota was. We said, "We don't have the figures to apply to the formula. You are not telling us how much gold you have got and we don't know what your national income is now. There is some question of the exchange rate."

We said, "We don't know your figures, but we have this eight hundred million dollars which we have lopped off the total, and part of that will be applied to your formula to bring you up to about ten percent."

How the figure of ten percent came - I think it was their suggestion, I don't remember.

MR. BERNSTEIN: It was their suggestion.

MR. LUXFORD: And they wanted ten percent of the quota; that was what they were asking for. Later they got to fussing around on whether it was votes or quotas, but it was still a range of eight to nine hundred million.

MR. WHITE: May I pursue this point?

Then I said, "Now, in order to bring it up to ten percent we use some data which gives us around six hundred million," in which we were guessing at their gold holdings. We said, "We don't know, but we will probably be able to give you a third of the kitty." We may not have used the word kitty, but a third of the eight hundred million to apply on their quota as reflected in the formula, less ten percent. Then that apparently satisfied.

H.M.JR: Repeat that. That is getting down - because this is the guts of the thing.

MR. WHITE: This was said over several meetings. We worked out a formula and we applied the formula to the data which we thought was Russia's - which were only guesses on our part - and we told them so - we said, "You can apply the formula to your own figures or give us the figures and we will apply it," and we gave them the formula. We made some guesses and we told them it was just a guess, and it wasn't accurate, and we said that even the formula wasn't acceptable all around.

But we said that the formula gives - I have forgotten now - somewhere around six hundred million dollars, according to the figures we had. We said, "We will bring your quota up to ten percent by dipping into this kitty of eight hundred million," and that eight hundred million, you remember, was obtained by cutting everybody's quota ten percent. We said we would dip into that kitty and probably about a third of it would be applied to Russia, and we said about a third would be applied to China, or something like that, and that would bring it up, we said, approximately to ten percent. We may have said - whether that will be around eight hundred or seven-fifty, I don't know - we weren't that exact.

The quotas were not a basis for discussion as to exactness. There were a number of other discussions which took place on other matters in which there was greater exactness. And I thought, on the whole, that they were satisfied with that quota.

Wasn't that your impression?

MR. BERNSTEIN: That was mine, too.

MR. LUXFORD: No question about it, Mr. Secretary, that that was the range we were talking about.

MR. WHITE: They may have gotten the idea, because of the language difficulties, that we said we would take a third of their quota and add it. That is apparently what they are talking about.

H.M.JR: Are you through, Luxford?

MR. LUXFORD: Yes.

MR. COLLADO: Mr. Secretary, I didn't attend all the meetings with the Russians, but I attended a great many of them, and I must say that I never had any reason to believe that they could ask for anything more than, conceivably, ten percent of the votes. There was some little argument of votes versus quota, but I have never heard anything else argued before.

Now, I remember very well at a meeting, a particularly grim meeting there sometime in the beginning of April, they came in and presented us with ten or twelve written points, and we went right through them all.

One of them was that there should be - the four major countries should have places on the Executive Committee and they proposed that the four major countries should have ten percent of the votes as a minimum each, and that the Executive Committee should state that countries with ten percent of the votes should automatically be on the Committee, and then at the same meeting they talked about having ten percent of the quota.

I remember we had quite a lengthy discussion at that meeting. It was pointed out that perhaps they should change the ten to nine percent of the votes to be on the Executive Committee, because the ten percent of the quota might be only nine percent of the votes. They had a very lengthy discussion of that. And I must say that there was nothing in any of those discussions that I attended that could possibly have given rise to eight hundred plus a third.

DR. GOLDENWEISER: I will support that, too, from my memory, Mr. Secretary.

MR. VINSON: If the data that the boys assembled figured out a quota of six hundred million dollars, and that quota were reduced ten percent, you would have a figure of five hundred and forty million. Then if you take one-third of eight hundred million dollars, which represents ten percent of the entire quota, you would have eight hundred and six and two-thirds million dollars.

MR. WHITE: It was something around that. We didn't deal with exact figures quite that way.

MR. VINSON: I say, though, that the figures come out to your eight hundred million dollars.

- 46 -

MR. WHITE: There is something else, now that I think of it. They asked us before the Atlantic City Conference for a written memorandum, and they wanted a written note and they wanted me to sign it. Did it include the quota, Morris - I have forgotten? I didn't want to sign any notes because I said this was not an agreement between governments. I said, "This is an understanding among technicians. So far as I know, the Secretary of the Treasury, or the Delegates, might kick the whole thing out the window" - that this was an acquiescence among technicians, but we said we would give them a memorandum, and we did give them a memorandum.

Was the question of quotas on that?

MR. BERNSTEIN: I think they wanted to know whether it would be ten percent - the quotas - something covering recommendations, and I am not sure whether the third one was exchange rates or votes.

H.M.JR: You didn't answer White. He asked you a question. Did you give them a memorandum before they went to Atlantic City?

MR. BERNSTEIN: No, we didn't give them a memorandum.

MR. WHITE: Didn't we?

MR. BERNSTEIN: We gave them copies of the meetings, not a memorandum.

MR. COX: Harry, is it possible--

MR. WHITE: They may have thought that ten percent of the quota was ten percent of the ten billion.

MR. COX: Let me raise this question. Is it possible that ten percent of what you are discussing - if generally the Fund was discussed as eight billion--

MR. ACHESON: My suggestion would be to say to the Russians that they have a misconception of the discussions and tell them what the discussions were in our impression of them. Say that we think it is desirable for them to report this to Moscow so that Moscow can be clear in its mind as to what went on; that if they want to raise this question again, we will give their position the most sympathetic consideration, and we will do what we can to help them out; that in all frankness we ought to say to

them we do not believe it is possible to satisfy the aspiration we have just told them about, because in view of the commitments to other countries it would take us above any limit which the Congress would approve.

MR. WHITE: I also remember earlier, there are some possible grounds for their confusion, because I remember earlier when we didn't speak of any exact figures and were talking in very rough figures, we said maybe the formula will work out and they might get even something almost up to a billion, maybe nine hundred million. We were just jockeying figures around because we said we didn't have any data, and the quotas we were not discussing. We were not discussing specific amounts, but the formula. So they might have misunderstood.

MR. LUXFORD: I think we ought to emphasize that when you are dealing with the Russians it is not like a conference here; you operate through a translator, and there is a very, very difficult language problem and you have got to translate through a translator, every statement. It is a highly technical discussion and I, for one, would say it would be altogether possible - going through those translations is very laborious - that very likely they could have misunderstood, although there is not a question on the part of any American that attended those discussions as to what the quotas were that we were talking about, yet going through that language difficulty, I can understand their misunderstanding.

H.M.JR: Well, Mr. Acheson made a suggestion here, and that was that we say to the Russians that if they are under the impression that it was to have been eight hundred million plus ten percent, that they must have misunderstood and that we, as American Delegates, naturally can't support that position, because it is due to a misunderstanding, and therefore they will have to ask for new instructions, or something like that.

MR. ACHESON: Yes, that we will consider it sympathetically, but we want to say in frankness that we don't believe we can satisfy the full amount.

H.M.JR: Don't you think we had better write out what we are going to say, so there won't be any misunderstanding?

MR. WHITE: There is some difficulty you want to consider in doing that. If you are going to put them

- 48 -

down for eight hundred million, and then you end up with nine hundred million or a billion, don't you think it would create some difficulties? If you think you are going to do that, you had better start with a higher figure. I was thinking of other countries, and of the United States and the American people.

MR. ANGELL: Mr. Secretary, do you think it would be worthwhile in anything sent to them to make quite clear the issue of fact involved about this third? Mr. White pointed out, the figures arrived at were arrived at in three stages; original formula figure, about six hundred minus ten percent, and then plus a third of the kitty. It is that third that has made all the difficulty, and that might be restated, too.

H.M.JR: Well, I would like to say this: I can see from the way Mr. White reports it that over a series of meetings it could be misunderstood, but I think, so there will be no further misunderstanding, we ought to write out what we are going to say to them and give them a sort of memorandum.

MR. DURBROW: Having spent some time there, I know the difficulty that we will have for a long time in getting any precise data to apply any formula to, and if you are going to put it down in writing, I should think you should have some definite understanding that this is based on guess-work data, because they are liable to hold you to that figure if you put it down that we don't know what their gold production is, or national income, and so forth--

MR. WHITE: They have a memorandum which explains all that.

H.M.JR: Might I suggest this? I don't know how tired all of you are, but I think this Committee, Judge Vinson and Miss Newcomer - I think that they, with Mr. White and whoever else he wants, certainly somebody from the State Department, should meet, if they could - the sooner the better - and draw up a memorandum which could be referred back to this group, the first thing tomorrow morning. I think this time we better give them something in writing.

I wouldn't want to trust myself to present it to them verbally.

MR. LUXFORD: Could I ask one question, Mr. Secretary? Should we canvass? I have a hunch that you don't have much in the way of bargaining with the Russians, and if you were to tell them now, not a figure, but notwithstanding this was our position all along, and this was our understanding, nevertheless, we are prepared to talk in terms of another hundred million; that is, we were thinking about that, notwithstanding this, that it would be reassuring to them, and it is not a problem, I believe, of bargaining with the Russians.

H.M.JR: Luxford, I agree with you entirely. In the first place, I think we ought to tell them there has been an honest misunderstanding, and you can certainly go into explanation of the series - and Professor Chechulin should be there.

Then, if it were left to me, I would tell them the figure.

MR. LUXFORD: You don't bargain with them.

H.M.JR: Because they can't bargain; they don't get that leeway. They are going to get another instruction of so much, and after all, we have to remember that this is, as far as I know, the first meeting of its kind where they have ever dealt in external problems. The Russians have never taken part in commercial proceedings or agreements among other nations. Do you know of any other? Isn't this about the first one?

MR. ACHESON: I don't know, Mr. Secretary.

H.M.JR: I don't know of any other.

MR. BROWN: They have two other demands.

H.M.JR: This is something quite new for them. I don't know of any other similar international conference that they have taken part in since they have been under this form of government.

MR. DURBROW: On a multilateral basis. Of course, they have many unilateral monetary and economic discussions with countries.

H.M.JR: But not multilateral.

MR. DURBROW: That is right, sir.

- 50 -

H.M.JR: I would like to suggest - I don't know how much staying-power you people have got, but if Judge Vinson and Miss Newcomer and Mr. White, and whoever he wants to associate with him, could draw up a sort of memorandum of what we could tell them the first thing tomorrow morning and then possibly refer it back to this group for its approval--

MR. WHITE: I think along the lines you and Mr. Luxford think, that you may obviate all that if you are willing to indicate to them that you are willing to fight for nine hundred and fifty million dollars for them, that you will forget all the others; and you don't have to renash, and at the same time we will explain in considerable detail what we said so that they will understand it, and make that very clear to them to show them we are not renegeing on our word, but that we, in the light of the general situation, and so forth and so on, are willing to up them.

Then they will feel, not that they have got us in a corner, but rather that they have made a mistake and we are being very nice about it in the light of other circumstances, and I think you will get their good will.

If you begin giving them memoranda which they cable back home - and back home. apparently, if they are sincere, has that understanding - they will think there is something funny either with the fellows who are communicating with them here, that they did a bad job, which they certainly wouldn't like to admit to the folks back home - or the fellows back home aren't sincere. and of the two, it seems likely that they have misled the people back home quite probably unintentionally.

H.M.JR: I am not going to say that.

MR. WHITE: It seems to me it is better to explain to them what the misunderstanding was, and add, nowever, in view of the circumstances, and so forth--

MR. LUXFORD: You lay down one figure; I wouldn't bargain. That is where your rule is very good. Lay down one figure and you are ready to go.

H.M.JR: I don't.

- 51 -

MR. WHITE: You agree to nine hundred and fifty million and that is going to be made up by our increasing the amount, and I think that might well satisfy them - whatever they cable home, this will satisfy them. To be sure, that will still leave their other claims, but we can be adamant on their other claims.

H.M.JR: What do you think?

MR. ACHESON: You might tell them that, at the same time.

MR. WHITE: We have already told them.

MR. VINSON: What do you think about that?

MR. ACHESON: I think if you are prepared to do it, irrespective of these other demands, I think that is all right. If you are not--

MR. WHITE: Well, you still have something for the demands. That is one hundred and fifty million.

MR. COLLADO: Before this came up we would say that.

MR. LUXFORD: We had already decided.

MR. WHITE: But we thought we would get something for it.

H.M.JR: May I say something, please? This is as good an illustration as we will have. We have appointed certain leaders for these different groups. I am going to ask these leaders, not only among ourselves, but opposite the others, to assume the responsibility and to see these--

MR. VINSON: Mr. Secretary, I am willing to assume any responsibility that the Delegation places upon me, but it seems to me that we are here for the purpose of having the voice of the Delegation as to what we, the Delegates who are on this Committee, shall do.

H.M.JR: I made a suggestion and I would like to know whether you think we will have it or not, and that is, I made the suggestion that you and Miss Newcomer and Mr. White and those associated with him, meet together and try to draw up something, and that you report back the first thing tomorrow morning.

MR. VINSON: But I thought that there was a sort of suggestion made subsequent to the time you made your

suggestion that it might be better to go to the figure, nine hundred and fifty million, notify them that we were going to stand on it, period.

MR. LUXFORD: Oh, the memorandum plus the advice on what we are willing to do.

MR. VINSON: I think the memorandum should be prepared in order to show our good faith. I think that suggestion should be carried out.

H.M.JR: Because it looks to me - I mean, the way you first stated it, that we say, "Well, this is kind of a misunderstanding, but we will split the difference with you." I would hate to be put in that position.

I think we have got to back up the work that Mr. White did in his preliminary meetings and say we are very sorry they misunderstood Mr. White, and notwithstanding that, and so forth and so on - but we have to hold up his hand.

MR. BROWN: Well, you have some other agreement with them about seventy-five percent on what they had otherwise contributed on gold, on account of their devastated--

MR. WHITE: We have, I think, four items of agreement among the technicians which doesn't bind our Government, with which our technicians do not bind this Delegation, but these are the four items of agreement: One, that they would be the third largest holders - there will be U.S., U.K., and Russia - that was clear; two, that they would be members of the Executive Committee; three, that we would concede the twenty-five percent reduction in gold because of the devastation; and four, that they would get ten percent of the quotas.

There was a difference, which is of a different character, that we would have some phraseology in one of the provisions which would permit them to make any change in their internal - what they call their internal value of the ruble - provided it doesn't affect international transactions. I think we got some language which they seemed to agree to.

Now, that is what we said we would concede. On their part, they said they wanted fifty percent reduction in the gold content, not twenty-five, and they don't want to put any newly mined gold in.

We said both those things were unacceptable to us, that we would give them twenty-five percent reduction, and we wanted newly mined gold. Those two last problems were never settled, and you remember the last cable - there were some unsettled points.

Now, have I missed anything, Luxford?

MR. LUXFORD: Not at all.

H.M.JR: Morris?

MR. BERNSTEIN: No, sir.

MR. COLLADO: That is right.

MR. BROWN: The only question I have is, if you give them one hundred and fifty, can you get them to stick to the newly mined gold?

MR. WHITE: They have never agreed to that and we never have. There was one further concession which we suggested, but we never came out with. We said we couldn't go anything with them on the newly mined gold, but they had a pretty fair case and we said what we might do is allow for the transition period of a few years in which the newly mined gold might not be used. We said one or two years. They have taken that scheme and made it five years. And they have compromised on the fifty percent reduction by saying make it from twenty-five to fifty for each country according to the extent of devastation. That is the nub of the major differences between us. So they are not committed to accept the seventy-five and we are not committed to have offered them that.

MR. ECCLES: Harry, this situation is an entirely different one from any other. It has to be dealt with separately. Why wouldn't it, in the light of that, be the realistic thing to do, to explain to them this misunderstanding, and to tell them that the American Delegation is sympathetic in considering an increase in the quota, that we are not prepared today to say just what that would be, that we would like to consider that in connection with this question of whether or not they put the newly mined gold in, and also with reference to the question of whether or not they put in the same proportion of gold that other nations are required to put in. They are very closely related.

Now, the U.K. is a very important partner in this whole situation. We then could go to the U.K. and say, "This is the Russian situation," instead of proposing - suggesting at this time - nine hundred and fifty million - I wouldn't do that. I would ~~leave~~ that out, and consider it altogether after you have discussed the thing with the U.K.

Now, I say nine hundred and fifty million. There is very little difference between nine hundred and fifty and a billion. It may well be that it would be desirable and advisable under all the circumstances to give them a billion dollars - to give them no concession whatever in the question of newly mined gold, and treat them like everyone else with reference to the twenty-five percent reduction.

MR. WHITE: We would like that because we would be ahead of the game. When we give them a concession on the gold, we have to give it to France, China, and a lot of others.

MR. ECCLES: That is right. You can't settle this Russian problem tonight or tomorrow. Explain this, and let them know that the door is open, that we are sympathetic in consideration of an increase in the quota in connection with these other factors. Then settle them altogether after you discuss the thing with the U.K.

You may say that the billion dollars, the ten percent vote, and eliminate the other factors would be the simple way to do it. That is what I would do.

MR. LUXFORD: If you would take just one item out of that, Mr. Eccles - I doubt whether you are going to get a settlement with the U.K. - I think the U.S. can say we will support Russia on this proposition, but I don't think there will be any particular disposition on the part of U.K. to join us in supporting Russia. We will have to be the ones to support Russia on this issue.

MR. ECCLES: I wouldn't tell Russia that it is a question of U.K. at all.

MR. LUXFORD: I don't mean even telling U.K. I don't know whether you are going to get any support from them.

MR. ECCLES: After all, if this Conference is going to work out, basically, you have to work it out with the U.K.

MR. WHITE: We have informed them of what the Russians asked, and what we have agreed to, and the British put one condition. They said, "If you give this twenty-five percent concession to Russia, you will have to extend it to England, and that is the only condition under which we will accept it."

MR. ECCLES: Give no concession on the twenty-five - on the question of newly mined gold - and it is a question of quota. Now, if Russia says, "We want ten percent of the votes, and we want a billion dollars, or we don't go," it would seem to me that we would do much better to give them the billion dollars, give them the ten percent quota, and eliminate the other factors in the picture.

If you are going to raise it - we are interested in the U.K., in keeping our position of relationship. So far as the public sentiment is concerned, you will get public support for the participation of Russia in this picture much quicker than you will in that of any other country, and I think that is the politics, it seems to me, of the situation.

I am like the Secretary, it is hard for me to see - well, why not a billion dollars here? And why quibble between nine hundred and fifty million and a billion? I wouldn't make the issue over fifty million, I would give them the billion.

MR. WHITE: If we could get the other.

MR. ECCLES: I would say we have gone the limit on this quota of a billion dollars.

MR. WHITE: I think that would be a good bargain.

MR. ECCLES: I wouldn't make a commitment at all, tonight.

MR. GOLDENWEISER: Did you mean, Mr. Eccles, that you would eliminate the twenty-five percent reduction altogether?

MR. ECCLES: Yes, by going to the billion dollars

and the ten percent, so that you don't open it up with all of the other delegates. Let them know that is what it does, and it complicates the whole issue terribly.

H.M.JR: Go ahead.

MR. DURBROW: I have a thought on the idea of using this increase up to nine hundred and fifty to a billion dollars as a bargaining point to get something from the Russians. I don't know how it has been before on these monetary matters, but that is not usually a good way to go at the Russians. The best way, I should say, is to explain very carefully the misunderstanding and then say that we are prepared - because apparently you are prepared to go to nine hundred and fifty - to support them in increasing this amount, and that the formula is not worked out completely, perhaps. "We naturally have to talk to the other delegates, but the American Delegation is prepared to support you to get a higher quota."

But if you start in saying, "If you get this, you will not get that," they will get very suspicious.

H.M.JR: Might I just say this, along the line Mr. Durbrow is talking. I think that we can say to them that the understanding which Moscow has, we think, is incorrect and we are very sorry. And go over the various talks we have had and simply say we are very sorry, that naturally we will approach this in a sympathetic manner, and not use any figure, but simply let them get that cable off and go no further than that.

That gives us time to talk with the British, and so forth and so on; but I am very reluctant to say, "Gentlemen, we are sorry we misunderstood it, but we will give you nine hundred and fifty; you asked for a billion."

MR. DURBROW: I agree very much on that.

H.M.JR: I would be very reluctant to do that. Say that we are sorry - "It has been an honest difference of opinion, with the language difficulty," and so forth, "and would you please inform Moscow of that fact. But we will approach this matter with a sympathetic attitude."

MR. DURBROW: Yes, sir, and that is what they really did ask for except they did give a figure themselves. They said, "We want to know what the attitude is of the American Delegation." And if we can give

then an indication that we will do what we can, but that we are not the only people in this Monetary Conference, and they can wire that to Moscow - explain the misunderstanding and say they have the sympathy of the American Delegation - but I really mean it very much - I don't think it is a very good idea to bring in this bargaining. Perhaps later on, sometime--

H.M.JR: Yes.

MR. WHITE: I don't think that Mr. Eccles necessarily meant you should do that at the beginning.

MR. ECCLES: I would just wire an explanation of the misunderstanding, and then discuss the thing with U.K. with the idea of going to the billion dollars and the ten percent, assuring them of those two things, but leaving out the complications because it complicates the whole issue.

MR. WHITE: That is exactly what we had in mind prior to the whole discussion that the Russians initiated by speaking to the Secretary. We said downstairs we would go up to nine hundred and fifty provided they would go to the twenty-five percent. We would have gone to a billion, but we said provided the twenty-five percent, which is giving us a lot of trouble.

We didn't realize at this time that they felt they were entitled to any more than eight hundred million; therefore, what we thought we were doing was answering parts of their desire for something, but giving them something in return. The only way that situation is changed, there has apparently been a misunderstanding which should be cleared up to begin with. Then the rest should proceed.

MR. VINSON: I would like to inquire as to the mechanics of the committee meeting in the morning. This is the first meeting of committee, and I have views in regard to how it should proceed, but it may very well be that Harry has a formula that he wants to follow.

H.M.JR: What are your views?

MR. VINSON: Well, just offhand, my thought was that we would take up the draft of the statement of principles of April 21st this year, and there would be submitted amendments or alternatives, that we would consider the draft by sections, and when the amendments

- 58 -

are discussed, if agreement is reached, all right; if agreement is not reached, all right.

Then, of course, the Committee would report to the Commission the matters that were not in agreement.

MR. WAGNER: All matters?

MR. VINSON: Well, the portion of the section to which no amendments or alternatives were proposed, of course, would be in the identical language of the section or the portion of the section in the statement of principles.

H.M.JR: Does anybody want to make any comment?

MR. WHITE: No, that is perfect; that is the way we prepared the document. We had the document here prepared just that way, in which there is the statement of the joint principles, and then there is beneath that the various alternate amendments and proposals which have been submitted on each provision by the various delegations, and one of the things we had hoped to do here tonight, if we hadn't been stymied by that Russian matter, was to go over them in sequence now so as to let the Delegation agree on the position it was going to take on these various points. I had hoped we would be able to do some of that tonight.

MR. VINSON: We just must know about that before those amendments or alternatives are taken up in committee, else we do not know the position of the Delegation.

MR. WHITE: Exactly. That is why we said we would meet tonight and take it as far as we could go, but we didn't anticipate this couple of hours' delay, and I still think that at least those who are in Committees One and Three, which meet early - you see, Committees Two and Four meet later and we can take care of them in the morning, but One and Three meet early - we are to meet at ten o'clock--

MR. WAGNER: What is Three, Harry?

MR. WHITE: Three is Management.

MR. WAGNER: That is what I am on.

MR. WHITE: Now, what I was going to say is, if we can take Committee One tonight and take Committee Three from nine to ten tomorrow morning, we will get far enough along so that you can carry through the first meeting. Where we are in difficulties, you can stall.

MR. VINSON: Well, I take it, in order to move - take, for instance, the question of quotas; if we should happen to get the quotas, why we would have to request that consideration of that section be passed.

MR. WHITE: Right.

MR. WOLCOTT: Wouldn't it be suggested that the burden would be upon those who are offering the alternatives to explain their positions first and that will give us an opportunity--

MR. WHITE: Quite, but unfortunately, many of them are ours, but that is the way it would be approached. The alternative would be presented by the country who explains why they want that alternative.

MR. VINSON: Getting down to brass tacks--

MR. WHITE: Page One in your draft.

MR. VINSON: On Section One, 1-A is Alternative A, which is the substitute for Section One.

MR. WHITE: Alternative A is always the American proposal, and usually you will find that they are not changing in substance but are better clarity in language which we have agreed on with the British, and so forth. They are marked with asterisks, and there is only one item which is a change in substance here, which is the last one.

MR. VINSON: Number Six.

MR. BERNSTEIN: That is the extra paragraph after that which is a shift in position.

MR. VINSON: That is a shift of position from the original one, from the top of the section to the bottom of the section.

MR. WHITE: Yes, that is right.

MR. BERNSTEIN: You drop the word "Policies" because United Kingdom people have said that that word "Policies" is a meaningless thing when added to the word "Purposes," and it only adds confusion in terms of what you are after. That has been done now, throughout the draft, and the "Purposes" remains.

MR. VINSON: Do I understand that U.K. agrees to the last sentence in Alternative A?

MR. BERNSTEIN: Yes, sir.

MR. WHITE: But no other country may. We have only cleared with U.K.

MR. BERNSTEIN: In fact, we know some other countries--

MR. COLLADO: What did you say, Harry - that it was a safe assumption that in Committee One they would never get beyond Purposes tomorrow morning? You have got all these miscellaneous alternatives.

MR. WHITE: No, I think they would get beyond Purposes, Pete. I think they wouldn't get beyond - my judgment would be - they only have an hour--

MR. VINSON: You have six alternatives.

MR. WHITE: Yes. You might not get beyond there, but I think you would get beyond the next point, too.

MR. COLLADO: That Brazilian might make a speech which would take twenty minutes.

MR. WHITE: Tomorrow is the short meeting. Instead of the nine to eleven o'clock meeting, they are going to be from ten to eleven-thirty.

MR. BERNSTEIN: I think it will take you at least three meetings to get through Purposes. The Australians will make a speech and the Indians will make a speech.

May I make an inquiry, Mr. White? I wonder whether it wouldn't be wise under any circumstances to hold off setting up a table of quotas and throwing it into the Committee for three or four days while the Operations Committee stews a little.

MR. WHITE: There is no disagreement, I take it, that when it comes to quotas we should pass, anyhow.

MR. COLLADO: It also says that Schedule A is to be added later.

MR. WHITE: I told the press we probably would have schedules tomorrow. I can merely say that the Committee hasn't decided to pass that.

MR. COLLADO: Couldn't you almost agree with the Chairman of the Committee that at the first meeting they should concentrate on Article One?

MR. WHITE: Unfortunately we haven't got many meetings. You have to push the thing as fast as you can. We are in a position to postpone certain things if you take other things.

MR. VINSON: Article One, you say?

MR. COLLADO: Article One is Section One. It is the same thing - Purposes. That runs through these first several pages.

MR. VINSON: If we want to do it, if we get through that tomorrow, why it is always in order to move to adjourn.

DR. GOLDENWEISER: I think, Judge Vinson, that it is hopeless to think that we can do more than that in an hour.

MR. VINSON: I have no idea that we will get through this Section One tomorrow.

DR. GOLDENWEISER: Because that is one of those sections that offers wonderful opportunity for oratory.

MR. WHITE: More than any other.

MR. COLLADO: It is the best.

MR. VINSON: What are the rules of debate?

MR. WHITE: You can make them. I don't know.

MR. VINSON: The Chairman, of course, will do that, I think.

MR. WHITE: I think that in discussion on this that the United States doesn't have to take much discussion on it, but the boys that will be with you will be able

to indicate whether they think something ought to be said, but I think you will probably find that most of the others will want to talk. Now, I am not quite sure how you want to handle that.

For example, they will logically take up Alternative A. Alternative A is always ours, merely because we drafted the document and did the mimeographing, so we could easily know what is ours. Now then, that means that somebody will have to get up to explain the changes and they might first call on--

MR. VINSON: Goldenweiser. I am assured he does know about it. You might skip the mere change in language and go to substance.

This thought just occurred to me. We could move as an alternative, paragraph one. There is no alternative to that, is there?

MR. BERNSTEIN: I don't think there is for One, but there are several for Two.

MR. VINSON: Then Alternative C is One, and Alternative E, you have--

MR. BERNSTEIN: Alternative B in Management has two.

MR. VINSON: But you have an asterisk there.

MR. BERNSTEIN: But you still have to consider it if you change the language.

DR. GOLDENWEISER: You will do better, Judge, I think, if you take each paragraph separately, rather than the whole thing. That is what you have in mind?

MR. VINSON: Then when you got through there, if there weren't any amendments, that is passed, unless there is some extraordinary situation. I don't know how you would go back, whether you would go back just as a matter of grace - if someone had an amendment to offer - or whether you would go back for unanimous consent. I am trying to get information as to what the rules of the Committee will be. It may be just catch as catch can.

MR. COLLADO: It is my impression, Judge, although I don't know, that the rules for the Committees will be quite informal. It is in the Commissions that you begin to get some formality.

DR. GOLDENWEISER: Just make one general rule, that anybody can talk as long as he pleases provided he doesn't say anything! Separate the business of the Committee from the talk.

Excuse me for facetiousness.

MR. WOLCOTT: There may be occasions when you have passed a paragraph that the change in language of the subsequent paragraph might necessitate a return to the paragraph that is passed. It shouldn't close the door to doing so.

MR. VINSON: If it informal, why of course we wouldn't have any trouble about that.

MR. WOLCOTT: The Senate does that.

MR. VINSON: The Senate hasn't any rules.

MR. ACHESON: What you do, then, is to take up all the alternatives to paragraph two.

MR. VINSON: That is right.

MR. ACHESON: Somebody talks about this paragraph two and you take up paragraph one, and there isn't any argument about paragraph one because there are no alternatives. That is fine, unless they are presented from the floor.

MR. COLLADO: You have got to go through the motions - the Chairman should go through the motions, at least, of asking whether there are any alternatives, because, after all, these are the alternatives of Atlantic City and there were thirty countries not represented.

MR. VINSON: I think that is the way to handle it.

MR. ACHESON: Now you come to Two; somebody presents Two in A and then you say you see that there is an alternative for Two in B and another one in C, and that is all. "Does anybody want to speak on these other alternatives?" Maybe nobody will. In that case, you

say, "Are we agreed on paragraph two in A?"

If nobody says anything - or if there is some argument, I think you would try to iron it out and get an idea of how much support there is. Support Alternative 2-A with the statement that there is some support for Alternative 2-A, but none for 2-C, or whatever it is, and go on down the line - not attempting to get a show of hands.

MR. VINSON: There are no votes to be taken, as I understand it. Right?

MR. ACHESON: Yes, but you can eliminate some of these things in the discussion - say it means the same thing. People will not press it so hard.

MR. SPENCE: There is no limit on debate?

MR. ACHESON: There is quite a limit, really.

MR. COLLADO: A little later in the week.

MR. ACHESON: They will only say a thing once - not again.

DR. GOLDENWEISER: This first section really is, in the proper sense of the word, a sort of overture to this whole operation, because everything that will develop in the course of the discussion are foreshadowed in that.

MR. BERNSTEIN: I think what Dr. Goldenweiser says is of the greatest importance. Whenever a country has a proposal that affects Management or Operations, it will affect the wording back in Purposes. So you will begin to feel what is going on in the other countries in this Committee on Purposes. You will find Australia the leader in this movement to get easier exchanges - proposing all sorts of things.

DR. GOLDENWEISER: For example, Number Four in our version says to promote exchange stability, and in Alternative B it says to secure orderly exchanges in exchange rates. That shows--

(The Secretary leaves the office temporarily)

- 65 -

H.M.JR: Could I have your attention a minute, please?

This is the suggested draft - a memorandum for Mr. Stepanov: "As we have explained to you orally, there has, unfortunately, been a misunderstanding between us regarding the amount of the Soviet quota. It was always our understanding that the Soviet quota would be in the neighborhood of eight hundred million dollars, approximately ten percent of the total quota for the whole Fund. Notwithstanding this regrettable misunderstanding, I want to assure you that the U.S. Delegation will associate itself with the Soviet Delegation in efforts to obtain an increase in the quota for the U.S.S.R. at this Conference."

MR. WAGNER: Sounds clear to me.

H.M.JR: Sounds very good to me. If that is all right - I think if Mr. Vinson will stay a minute, and some of the others who are directly interested in this, I would like to talk about what we will do with it in order to save time.

Fred, would you be willing, with Mr. White and Mr. Durbrow, to see the Russians now?

MR. VINSON: I am perfectly willing and ready.

MR. WHITE: See the Russians now? If the explanation has to be made, yes.

H.M.JR: Would you want to do it now or tomorrow morning?

MR. WHITE: I would rather do it now.

H.M.JR: (To Vinson) Could you do it now?

MR. VINSON: I certainly could.

H.M.JR: Are you available, Durbrow?

MR. DURBROW: I am perfectly willing, sir, but the translation--

MR. WHITE: They have it.

SECRET

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

July 3, 1944

Memorandum of conversation between Mr. Stepanov, Chairman of the Soviet Delegation and Mr. Harry D. White, United States Delegate. Other persons participating: Mr. N. F. Chechulin, Mr. A. M. Smirnov, Mr. N. A. Maletin, Judge F. M. Vinson, Mr. E. M. Bernstein, Mr. A. F. Luxford and Mr. Elbridge Durbrow.

After Mr. Morgenthau had read to Mr. Stepanov the prepared statement (copy attached) regarding the misunderstanding which apparently had arisen in regard to the Soviet quota and had assured Mr. Stepanov that the American Delegation would associate itself with an effort to obtain an increase in the Soviet quota, Mr. Harry White and other members of the Delegation explained carefully the American position.

Mr. White reviewed the previous discussions with the Soviet experts regarding the formula as well as the American estimate of the Russian quota which ensued therefrom, and explained in some detail how it might have been possible for a misunderstanding to have arisen. After this explanation, Mr. Stepanov explained that he could understand how, with the language difficulties and other complications of the extended discussions, a misunderstanding might have taken place. He explained further that, although the Soviet experts in Moscow may not have studied the American proposals as carefully as they might have, they had received the impression that on the basis of the American formula and adjustments thereof the quota for the Soviet Union would amount to approximately a billion dollars.

Mr. Stepanov added that when he had heard this afternoon that on the basis of the American delegations calculations the Soviet
quota

-2-

quota would amount to approximately \$800,000,000, he had felt obliged to ask to see Mr. Morgenthau in order to obtain a definite understanding of the American delegation's position, since his government had the impression that the Soviet quota would be a billion dollars or more which would bring it to a figure only slightly less than the quota of the United Kingdom.

In this connection, Mr. Stepanov emphasized that he felt that other considerations should be taken into account in fixing quotas than the purely economic considerations provided for in the American formula. He explained that the Soviet authorities in Moscow felt that the proposed formula was based upon past economic data such as foreign trade and that since it was hoped that the foreign trade of all countries would be increased, particularly that of the Soviet Union and the United States, the calculations for the quotas should be based upon future prospects rather than past statistics.

After further explanations by Mr. White, Mr. Stepanov asked whether the American delegation proposed to use the formula exclusively as a basis for setting the quotas for the various nations or whether it planned to set the quota, at least for the principal powers, by taking into consideration the other factors which do not enter into the formula.

Mr. White

Mr. White explained that it would be impossible arbitrarily to set the formula for all the countries participating in the Conference unless some yardstick could be used to establish an equitable base upon which final quotas could be established. He added that once the base had been established by using the formula it had always been the intention of the American delegation to make adjustments in the basic quotas by taking into consideration other than economic factors in order to establish the final quotas for each country. On this basis Mr. White explained that it had been possible for Mr. Morgenthau to give the written assurances to the Soviet delegation that the American delegation would associate itself with efforts to increase the Soviet quota.

After hearing this explanation Mr. Stepanov asked whether the American delegation planned to discuss the entire quota situation in the Committee or establish the quotas for the principal powers by private discussion out of the Committee. Mr. White explained the reason why it would be difficult to arbitrarily set the quotas completely out of Committee, but again assured Mr. Stepanov that the American delegation was prepared to give sympathetic consideration to the Soviet position.

Toward the end of the discussions Mr. Stepanov again referred to the relative positions of the United Kingdom and the Soviet Union and indicated that as soon as a figure had been set for the British quota it would be possible for the Soviet delegation to indicate what quota they felt their country was entitled to. When Mr. White replied that on the basis of the American formula, without giving
consideration

-4-

consideration to possible adjustments, calculations indicated that the British quota would be approximately \$1,250,000,000, Mr. Stepanov stated under such circumstances he felt that the Soviet quota should be about \$1,200,000,000.

In discussing this point Mr. White asked whether, if the British quota was reduced to \$900,000,000 the Soviet Government would be prepared to accept a quota of \$850,000,000. Mr. Stepanov said that he did not feel that his Government would be prepared to accept this figure particularly since he felt that the British Government would not accept such a small quota.

Before ending the discussion Mr. Stepanov asked specifically whether the questions of quotas would be discussed in the First Committee meeting tomorrow morning and expressed the hope that this question would not come up. Mr. White explained to Mr. Stepanov that before the Soviet delegation had brought up this question the American delegation had already decided it would not be advisable to discuss the quota question at the meetings of the Committee tomorrow.

CONCLUSIONS

The following are my personal conclusions as to the reasons for the position taken by the Soviet delegation:

1. Although there is a possibility that a misunderstanding took place as to the exact size of the Soviet quota, it is also possible that the misunderstanding was not as fundamental to the issue as it first appeared. The alacrity with which Mr. Stepanov admitted the possibility of a misunderstanding and the subsequent indications given by him that the Soviet authorities desired to

have

-5-

have a quota of at least a billion dollars give rise to the probability that the principal reason for bringing up the question was that the Soviet authorities had decided that they should make every effort, for reasons of prestige, to obtain a quota approximately as large as that of the United Kingdom.

2. Since the calculations based on the American formula would not give them a quota which approximated that of the United Kingdom, the Soviet delegation desired to make an effort to persuade the American delegation that the quotas for the large countries at least should be set arbitrarily out of Committee in order to assure a larger quota for the Soviet Union.

3. It appears probable that Mr. Stepanov' instructions require him to obtain, if possible, a quota of approximately a billion dollars and to make every effort to raise the Soviet quota so that it would be as near as possible that of the United Kingdom.

4. It also appears possible that they have "set their sights quite high" in order (a) to obtain for prestige reasons a higher quota and (b) to be in a position to reduce their demand on this point in return for concessions by the American delegation on the other points of difference which were not settled with the Soviet experts last spring.

E.Durbrow:GBA



UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

7/3/44

Memorandum to Mr. Stepanov:

As we have explained to you orally, there has unfortunately been a misunderstanding between us regarding the amount of the Soviet quota. It was always our understanding that the Soviet quota would be in the neighborhood of 800 million dollars i.e. approximately 10% of the total quota for the whole fund.

Notwithstanding this regrettable misunderstanding, I want to assure you that the U.S. delegation will associate itself with the Soviet delegation in efforts to obtain an increase in the quota for the U.S.S.R. at this conference.

Amiz

294-A July 3/44

Room 319

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

9.05 PM

Mr. Secretary:

The Chairman, Russian Delegation
would like very much to see the Secretary this
evening.

Dulov

July 3, 1944.

To: Warren Kelchner
Secretary General of Conference.

From: Charles Bell,
Secretary General of the
U.S. Delegation.

Since it was definitely understood in conference between Secretary Morgenthau, Dean Acheson, you and myself, that I would assist the hotel management in the interest of the conference and that I would not overlap in any way responsibilities of the State Department where their appropriations were involved without specific clearance from either Dean Acheson or you. It is my feeling that we must have some orderly procedure on all requests made of Treasury personnel and thus assure proper compliance to our verbal understanding.

Might I propose that in the future all requests made upon Treasury personnel for services, equipment and the like, involving expenditures from State Department appropriations, be routed to your office by members of your staff for approval and, in turn, routed to me.

1. Typically of the kind of items that are causing confusion, it is found that today members of your staff have requested members of my staff to detail from Washington eleven stenographers at the expense of the State Department without proper clearance from either you or I.

2. Arrangements were made for Miss Grace Waite to proceed from Washington to Bretton Woods without proper clearance.

3. An automatic electrical stapling machine was requested which would involve shipping expense and possible rental or purchase expense for a turn table for the

2. Cont'd.

mimeograph operations was requested which again involved trucking and possible purchase or rental.

Such items as the above should, in my opinion, have your approval particularly since you were not too enthusiastic about bringing on a turn table for the mimeograph when I discussed this with you in the lobby.

I want to again assure you that there is every willingness to assist the State Department and to make available to you every Treasury facility but I must insist upon your or Dean Acheson's clearance on all items involving expenditures, and further, that such request be made direct to me and not to Treasury personnel generally.

cc - Mr. Dean Acheson
Mr. Warren Kelchner
Mrs. H. Klotz ✓
Miss Polly Morris.

7/3/44

Drafts of Alan Barth's #1 and #2 speeches for HM, Jr's use on the Philadelphia Navy Yard program. Secretary preferred the #1 speech.

Mr. Schaefer came by to inform us of this change:

" cooperation with the sea forces of our Allies, the Atlantic"

ADDRESS BY SECRETARY MORGENTHAU

NAVY PROGRAM

INDEPENDENCE DAY

*Alan Barth's #1
speech with changes
as phoned in by
Mr. Smith*

7/2/44 299
*kept from
which
reading
copy was
made*

There could be no more appropriate occasion for a Navy program than Independence Day. For the simple fact is that the American people, in very large measure, owe their independence, now as in the past, to the strength and courage and resolution of their fighting forces at sea. The Navy has seen to it, over a period of 130 years, that no invader has set foot upon the soil of the United States.

During the past two and a half years, the Navy has served as America's first line of defense in two oceans at once. On this side of the world, in magnificent cooperation with the British and Canadian sea forces, the Atlantic Fleet broke the back of the U-boat menace upon which Hitler had pinned so much of his hopes. On the other side of the world, in the Coral Sea, at Midway and around the Solomon Islands, it stopped the Japanese Grand Fleet in its tracks. And just a fortnight ago, off the Marianas, it made that fleet turn tail and run for cover. Something tells me that the Japanese will not be able to remain under cover very much longer. Admiral Nimitz will see to that.

Today the United States has the greatest navy in the world. I think it will interest you to know that, from the founding of this Republic in 1789 up through the year 1940, we expended on our naval establishment a little over six and a half billion dollars. During the last four fiscal years, however, naval expenditures have amounted to almost 58 billion dollars -- approximately nine times as much as during the whole preceding century and a half of our history. And just a few days ago, because of the new needs of the war, Congress approved another naval appropriation of 33 billion dollars. This is more than twice the sum we set out to raise during the Fifth War Loan Drive.

The immediate task before our Armed Forces today is to beat back the Germans and the Japanese until they are crushed so completely that they can never again embark upon their mad scheme of world conquest. We are waging total war, and we cannot be content with anything less than total victory. If we fall short of that goal, all of this expenditure, all of this effort, will have been thrown away. Worse, we shall have betrayed basely all those who fought and died. I hazard the guess that we shall be tempted, both in the west and in the east, with some sort of false capitulation. Let us make sure, before we accept the enemy's surrender that it is real and unconditional and final.

(Punctuate with Navy music)

In these times, it takes a certain temerity for any civilian to present a citation to the fighting chief of a fighting fleet. But the personnel of the Navy have made so splendid a record, not only in their capacity as seamen but in their capacity as American citizens, that they merit the warmest public congratulation. They have not been content simply to take their ships and planes into battle. They have shared in the cost of building them. Two-thirds of the officers and the enlisted men and women of the Navy, Marine Corps and Coast Guard are now purchasing War Bonds regularly at the rate of about 300 million dollars a year. And during the Navy's current bond campaign, arrangements have been made to give each man and woman in uniform an opportunity to participate through the purchase of an additional bond.

Admiral King, I am honored, on behalf of the Treasury Department, to present to you, as Commander in Chief of the United States Fleet and Chief of Naval Operations, this citation for the Navy's outstanding contribution to the success of the War Bond program.

D. 12 # 1.

Secretary Morgenthau's 1-Minute Speech
on Navy Program

The civilian employees of the Navy have made ~~an~~ *a splendid*
~~outstandingly good~~ record in the War Bond Program. The
Philadelphia Navy Yard, where we are now, was the first
yard to receive the Secretary of the Navy's War Bond
Honor Flag in November 1942, and it has held a preeminent
place since that time with 97 per cent of all employees
now purchasing War Bonds regularly through Payroll Savings.
During the
~~In the~~ first five months of 1944 more than 93 per cent
of all the civilian employees of the Navy were ~~enrolled~~ *participating* in
the Payroll Savings Plan, and purchased War Bonds aggregating
more than 12 per cent of the total payroll. For the Fifth
War Loan Drive, a goal of an extra \$100 Bond over and above
payroll deduction has been established for every civilian
employee.

Secretary Forrestal, It gives me great pleasure to

-2-

present to you, on behalf of the Treasury Department,
this honor flag in token of the magnificent ^{contribution to the} War Bond ^{program}
~~record amassed~~ by the Navy's civilian employees.

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Secretary Morgenthau's 1-Minute Speech
on Navy Program

*draft from
which retaining
copy was made.
7/2/44*

The civilian employees of the Navy have made a splendid record in the War Bond Program. The Philadelphia Navy Yard, where we are now, was the first yard to receive the Secretary of the Navy's War Bond Honor Flag in November 1942, and it has held a preeminent place since that time with 97 percent of all employees now purchasing War Bonds regularly through Payroll Savings.

During the first five months of 1944, more than 93 percent of all the civilian employees of the Navy were participating in the Payroll Savings Plan, and purchased War Bonds aggregating more than 12 percent of the total payroll. For the Fifth War Loan Drive, a goal of an extra \$100 Bond over and above payroll deduction has been established for every civilian employee.

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ADDRESS BY SECRETARY MORGENTHAU

NAVY PROGRAM
INDEPENDENCE DAY

revised by Mr. Smith
at written words
- 11/14/44

(Orig. N. M. Allan
Barth's #1 speech)
(book)

There could be no more appropriate occasion for a Navy program than Independence Day. For the simple fact is that the American people, in very large measure, owe their independence, now as in the past, to the strength and courage and resolution of their fighting forces at sea. The Navy has seen to it, over a period of 130 years, that no ~~swamy~~ invader has set foot upon the soil of the United States.

During the past two and a half years, the Navy has served as America's first line of defense in two oceans at once. ^A It has helped its Allies to drive the German U-boat menace from the Atlantic and to open the highway for our assaults upon Hitler's European dungeon. On the other side of the world, it stopped the Japanese Grand Fleet in its tracks, in the Coral Sea, at Midway and around the Solomon Islands. And just a fortnight ago, off the Marianas, it made that fleet turn tail and run for cover. Something tells me that the Japanese will not be able to remain under cover very much longer. Admiral Nimitz will see to that.

Today the United States has the greatest navy in the world.

Alan
Brant

I think it will interest you to know that, from the founding of this ^{republic} ~~country~~ in 1789 up through the year 1940, we expended on our naval establishment a little over six and a half billion dollars. During the last four fiscal years, however, naval expenditures have amounted to almost 58 billion dollars -- approximately nine times as much as during the whole preceding century and a half of our history. And just a few days ago ^(B) Congress approved another naval appropriation of 33 billion dollars, ^T ^{??} more than twice the sum we ~~are attempting~~ ^{to} to raise during the Fifth War Loan Drive.

^(C) It is clear, I think, that the American people intend to maintain a great Navy in the future. It has two vital tasks before it. The first of these is to play its essential role in beating back the forces of aggression until they are crushed so completely that they can never again embark upon their mad scheme of world conquest. We are waging total war and we cannot be content with anything less than total victory. If we fall short of that goal, we shall have basely betrayed all those who fought and died to attain it. I hazard the guess that we shall be tempted, both in the west and in the east,

campaign, arrangements have been made to give each man and woman in uniform an opportunity to participate through the purchase of an additional bond.

Admiral King, I am honored, on behalf of the Treasury Department, to present to you, as Commander in Chief of the United States Fleet and Chief of Naval Operations, this citation for the Navy's outstanding contribution to the success of the War Bond program.

(Signal of I)
Mr. Baruch's 2 Speech

6/30/44
prepared by Baruch

draft #1

not used

~~There could be no more appropriate occasion~~

~~than Independence Day~~

There could be no more appropriate occasion for a Navy program than Independence Day. For the simple fact is that the American people, in very large measure, owe their independence, now as in the past, to the ~~stout hearts, the stout arms and the stout ships of~~ ^{strength, courage and resolution} their fighting forces at sea. ~~For~~ ^{Over a span of} 130 years, the Navy has seen to it that no ~~army~~ invader has ~~ever~~ set foot upon the soil of the United States.

~~During the past two and a half years, the Navy has~~ ^{During the past two and a half years, the Navy has} ~~That record has had its toughest test in the~~ ^{That record has had its toughest test in the} ~~severed as America's first line of defense in two oceans during~~ ^{severed as America's first line of defense in two oceans during} ~~past two and a half years.~~ ^{past two and a half years.} The little men who talk over the radio ~~from Tokyo assured us at the beginning of this war that~~ ^{thanks to their sneak attack at Pearl Harbor} the United States Navy was at the bottom of the Pacific Ocean. If so, it has shown rather marvellous powers of recuperation. The Japanese must have been quite surprised by the state of its health in the Coral Sea, ~~They were overwhelmed by its vigor at Midway~~ ^{and} Around the Solomon Islands, ~~they discovered that it had convalesced completely.~~ And off the Marianas ~~just~~ just a fortnight ago, they apparently came to the conclusion that the best policy they could pursue was to

pretend that they had never heard of our Pacific fleet. Something tells me, however, that they will not be able to go on ignoring it much longer. Admiral Nimitz will see to that.

~~The Navy's job in the Atlantic, if less spectacular than in the Pacific, has been no less heroic and no less vital to the winning of the war.~~ *on this side of the world,*
In magnificent cooperation with the British and Canadian sea forces, the Atlantic fleet beat back the U-boat menace upon which Hitler had pinned so much of his hopes. They tell me that the sea voyage to England today is about as safe as a cruise on the Great Lakes. If the combined Allied navies had not made it so, there could have been no invasion of North Africa and Italy, and no landings on the Norman coast of France. ~~The Navy delivered the men and the material.~~

Today the United States has the greatest Navy in the world.

I think it will interest you to know that from the founding of this *Republic* ~~country~~ in 1789 up through the year 1940, we expended on our naval establishment a little over six and a half billion dollars. During the last four fiscal years, however, ~~from July 1941 through June 30, 1944~~ *from July 1941 through June 30, 1944* naval expenditures have amounted to almost 58 billion dollars -- approximately nine times as much as during the whole

preceding century and a half of our history. And just a few days ago Congress approved another naval appropriation of 33 billion dollars -- more than twice the sum we are attempting to raise during the Fifth War Loan drive.

The men of the United States Navy have not been content simply to take ~~the~~ ^{their} planes and ships into battle. They have been sharing in the cost of building them. ~~xxxxxx~~ About two-thirds of the officers and enlisted personnel of the Navy, Marine Corps and Coast Guard are now purchasing war bonds regularly at the rate of approximately ~~332~~ 300 million dollara a year. And during the Navy's current campaign, ~~which will end on the final day of the Treasury's Fifth War Loan,~~ arrangements have been made to give each ~~xxxxxxxxxxxx~~ man and woman in uniform an opportunity to participate through the purchase of an additional bond.

~~It gives me special pride and pleasure~~
~~It seems especially fitting that the men and women of the Navy should share in this way in a program directed primarily at civilians. For ours is a citizens' navy. And those who serve the ships have ~~xxxxxxxx~~ an essential part of play in the shaping of our economic and political future. War bonds are an instrument designed~~

In these times, it takes a certain temerity for any civilian to offer a citation to the fighting chief of a fighting fleet. But the personnel of the Navy have made so splendid a record, not only in their capacity as seamen but in their capacity as American citizens, that they merit the warmest public congratulation. ~~Through you, Admiral King~~ I salute all of them, Admiral King, through you. On behalf of the Treasury Department, I am honored to present to you, as Commander in Chief of the United States Fleet and Chief of Naval Operations, this citation for the Navy's outstanding contribution to the War Bond program.

~~SP~~

Mr Alan Barth's
2 speech
As revised by Vin Gordon
7/1/44.

Draft # 2

There could be no more appropriate occasion for a Navy program than Independence Day. For the simple fact is that the American people, in very large measure, owe their independence, now as in the past, to the strength, courage and resolution of their fighting forces at sea. Over a span of 130 years, the Navy has seen to it that no invader has set foot upon the soil of the United States.

During the past two and a half years, the Navy has served as America's first line of defense in two oceans at once. The little men who talk over the radio from Tokyo assured us at the beginning of this war that, thanks to their sneak attack on Pearl Harbor, the United States Navy was at the bottom of the Pacific Ocean. If so, it has shown rather marvelous powers of recuperation. The Japanese must have been quite surprised by the state of its health in the Coral Sea, at Midway and around the Solomon Islands. And off the Marianas just a fortnight ago, they apparently came to the conclusion that the best policy they could pursue was to pretend that they

- 2 -

had never heard of our Pacific fleet. Something tells me, however, that they will not be able to go on ignoring it much longer. Admiral Nimitz will see to that.

On this side of the world, in magnificent cooperation with the British and Canadian sea forces, the Atlantic fleet beat back the U-boat menace upon which Hitler had pinned so much of his hopes. They tell me that the sea voyage to England today is about as safe as a cruise on the Great Lakes. If the combined Allied navies had not made it so, there could have been no invasion of North Africa and Italy, and no landings on the Normandy coast of France.

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- 3 -

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The men of the United States Navy have not been content simply to take their planes and ships into battle. They have been sharing in the cost of building them. About two-thirds of the officers and enlisted personnel of the Navy, Marine Corps and Coast Guard are now purchasing war bonds regularly at the rate of approximately 300 million dollars a year. And during the Navy's current campaign, arrangements have been made to give each man and woman in uniform an opportunity to participate through the purchase of an additional bond.

In these times, it takes a certain temerity for any civilian to offer a citation to the fighting chief of a fighting fleet. But the personnel of the Navy have made so splendid a record, not only in their capacity as seamen but in their capacity as American citizens, that they merit the warmest public congratulation. I salute all of them, Admiral King, through you. On behalf

- 4 -

of the Treasury Department, I am honored to present to you, as Commander-in-Chief of the United States Fleet and Chief of Naval Operations, this citation for the Navy's outstanding contribution to the War Bond program.

TREASURY DEPARTMENT

317

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE July 3, 1944

TO Secretary Morgenthau
FROM Mr. Hass
Subject: The Business Situation,
Week ending July 1, 1944.

Summary

Steel operations: Confronted with heavy demands for steel for shell production and other war needs, steel operations are being hampered by a manpower shortage estimated to total about 50,000 workers. Steel operations last week dropped 1.6 points to 95.7 percent of capacity, the lowest level since early January. More than 30 open hearth furnaces are now shut down due to a lack of labor.

Consumer goods: The tight steel supply situation is adversely affecting the outlook for production of consumer goods, including such items as refrigerators and enamel ware. Civilian paper supplies are expected to show a further tightening, while third quarter demand for lumber has been scaled down 12 percent in order to match supplies. On the other hand, wool supplies are abundant, and restrictions on aluminum have been relaxed.

Stock market: Swelled by heavy trading in low-priced stocks, transactions on the New York Exchange during June were the largest since May 1940, and totaled nearly 38 million shares as compared with 17 million in May. Stock prices showed only a small net gain last week despite a 15 percent increase in trading activity. Industrial stock prices in London continue to move gradually higher and at the close of last week were 44 percent higher than on the eve of the outbreak of war in Europe.

Commodity prices: A continued advance in cotton prices and higher prices for wheat and steers last week caused a rise to a new high in the BLS index of 28 basic commodities. This index has shown a very gradual advance for 9 consecutive weeks. In the week ended June 24 the general wholesale price index was unchanged from the previous week.

Farm prices: The index of farm prices declined 1 point to 193 in June, but prices continued to average 114 percent of parity, the same as in May. A year ago the parity ratio was 119 percent.

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- 2 -

Repercussions of invasion successes on domestic economy

Allied successes in launching the invasion of France, together with gains in Italy, on the Russian front, and in the Pacific, have been accompanied by shifting undercurrents in the domestic economy which reflect increasing preoccupation over the prospects of resuming normal peace time activities. In the stock market, heavy buying has occurred in the securities of companies expected to benefit from the release of huge deferred demands, with low-priced stocks of marginal automobile producers featuring market activity. At the same time increased attention has been focused on planning for reconversion, with some observers critical of the progress thus far achieved.

While war workers' morale apparently improved with the initial invasion reports, subsequent military successes seem to have been accompanied by some recurrence of restiveness and a loss of workers in war plants. Moreover, near the end of last week, labor troubles tied up the main plant of the Timken Roller Bearing Company, one of the largest bearing manufacturers in the country, leaving 9,000 workers idle, despite the existing critical need for bearings in the war program. (The strikers have since agreed to return to work.) Effective July 1, the WMC has put into effect new nation-wide hiring controls designed to achieve more efficient utilization of manpower, but it remains to be seen how successful the new program will be in actual practice.

Steel operations decline

Work stoppages due to labor troubles are reported to have increased in the steel industry recently, but the major problem confronting the industry is the over-all manpower shortage. This factor, together with the adverse effects of hot weather and repair delays caused steel operations last week to drop 1.6 points to 95.7 percent of capacity, the lowest operating rate since early January. (See Chart 1, upper section.) It will be noted that operations in the corresponding week last year showed an even sharper decline but that was due to the fact that the 1943 week included the Independence Day holiday, adverse effects of which will be felt one week later in 1944. Steel operations for the holiday week this year, as shown on the chart, are scheduled at 94.3 percent.

- 3 -

More than 30 open hearth furnaces are now shut down due to a lack of labor, thus causing a monthly production loss of about 200,000 tons of ingots. Moreover, several hundred thousand tons additional per month are being lost owing to delays in furnace repairs. According to WPB estimates, the steel industry is now short about 50,000 workers, and meetings of steel industry and labor advisory committees are scheduled for the early part of this month in an effort to solve the problem.

Despite manpower shortages and other operating difficulties, enlarged capacity has enabled the steel industry in 1944 to maintain ingot tonnage above year-earlier levels, with the cumulative gain to June 1 amounting to nearly 1 million tons. (Refer to Chart 1, lower section.) Nevertheless, the industry continues to be hard pressed to keep up with demand. The Iron Age reported last week that "heavy requirements for the shell steel program and the Maritime Commission have the effect of further tightening a steel market which is now tighter than at any time during the past few years."

Consumer goods production hampered by steel shortage

In contrast to the prevalent optimism over prospects for civilian goods production, the Director of the Office of Civilian Requirements last week indicated that demands for more tanks, heavy artillery shells and landing craft will adversely affect the outlook for consumers' goods made of steel. Specifically it was stated that refrigerator production is likely to be held up, while plans to remove stoves from rationing have been delayed. Likewise the tight steel situation will delay a proposed increase in enamel ware output. Support for this pessimistic appraisal of the steel supply situation was seen in a subsequent statement from the WPB that steel production in the third quarter might fall short of allotments already made for war and essential civilian needs.

Numerous other materials in short supply

In addition to the shortage of steel, further tightening in civilian paper supplies is expected, while supplies of lumber and lumber products are short of demand. In this connection it has just been announced that third quarter lumber demands of the Army, Navy and industry had to be scaled down about 12 percent in order to match available supplies. Soft coal production thus far this year has risen about 11 percent above last year's levels. Nevertheless, a WPB official last week predicted that production would fall 38 million tons short of requirements in the 12 months ending

- 4 -

March 31, 1945, and stressed the need of conserving coal supplies. Cotton textiles are in short supply, but the wool situation is characterized by the OCR Director as "the only comfortable situation in the entire economy." However, even in this instance lack of manpower is militating against letting up on restrictions.

Department store stocks above last year's levels

In the face of shortages in many lines and an expanded sales volume, department stores continue to maintain stocks substantially above the pre-war levels of 1935-39, although a considerable portion of the gain is due to the intervening rise in prices. (See Chart 2.) At the end of May, seasonally-adjusted department store stocks were 46 percent above the 1935-39 average, and 11 percent above last year's level. The relative success of department store managers in maintaining total stocks at fairly high levels apparently has been due in large measure to their ability to secure women's apparel and accessories. At the end of April stocks of these items (excluding basement departments) were 25 percent higher than a year earlier, as compared with a gain in total stocks of only 11 percent. Home furnishings and piece goods showed declines of 4 percent and 1 percent, respectively.

Department store sales in May rose more than seasonally, and the FRB adjusted index of sales rose 10 points to 183, thus attaining the third highest level on record. (Refer to Chart 2.) Sales gains over 1943 levels narrowed considerably in the first 2 weeks in June but widened to 15 percent in the week ended June 24.

Stock prices show only small rise despite heavy trading

The post-invasion burst of activity in the stock market continued during the past week, with daily average trading on the New York Exchange exceeding 1,800,000 shares, or about 15 percent more than in the previous week. The Dow-Jones industrial average, however, failed to penetrate the recent high reached on June 20, and at the close on Saturday was only 1 point higher than a week earlier. The railroad and utility stock averages showed only fractional changes for the week.

Stock trading continues to be featured by heavy activity in low-priced stocks, with the average closing price of the ten most active issues on Friday dropping to \$5.61. Expanded by this activity, total stock transactions on the New York Exchange last month were the largest since May 1940, and totaled nearly 38 million shares as compared with only 17 million in May.

- 5 -

Meanwhile, industrial stock prices in London continue to forge gradually ahead to new wartime highs. (See Chart 3.) At the close of last week the London industrial stock price average was 44 percent higher than on the eve of the outbreak of war in Europe, whereas industrial stock prices in New York were only 10 percent higher.

Commodity prices higher

Commodity prices tended to strengthen last week, partly in reflection of the belief that the Price Stabilization Extension Act will result in higher prices for some sub-parity commodities. The Dow-Jones futures index rose 1 percent, while the BLS spot index of 28 basic commodities moved up 0.1 percent to a new high. The latter index has shown a very gradual rise for nine consecutive weeks, due largely to rising prices for cotton and rosin. (See Chart 4.)

Cotton prices were up noticeably at the early part of last week, but failed to hold all of their gains. Wheat prices rose moderately on heavy mill buying. Since wheat was substantially lower in June than during the preceding month, a reduction in the millers' subsidy is expected for July. However, with wheat prices below parity, it is feared that the Government may take action to bolster prices in accordance with the Stabilization Act. Prices of steers rose 1.6 percent. The spectacular rise in gum rosin prices came to a halt last week with the OPA's imposition of ceiling prices.

The OPA has ordered cotton textile mills to increase prices on about one-third of all items produced, in accordance with the recently-enacted price control law. Mr. Bowles estimated the average increase at $7\frac{1}{2}$ percent, or about \$150 million yearly, but said part might be absorbed before reaching the retail level.

The BLS all-commodity index was unchanged in the week ended June 24, with farm product prices steadying after the decline of the previous week. This index, having moved in a very narrow range for more than a year, is now only 0.6 percent above the level of a year ago, although it is 38.3 percent above the pre-war August 1939 average.

Farm prices in June slightly lower

The index of farm prices in June declined slightly for the second consecutive month, but it continued within the narrow range of the past fifteen months. At 193 the index is 1 point below the May level and is 2 points lower than in June last year. (See Chart 5.)

- 6 -

Lower prices for fruits, grains, meat animals and dairy products in June more than offset advances in the prices of cotton, truck crops, and eggs. Peach prices were sharply lower than last year, reflecting this year's larger crop, which is estimated to be 60 percent more than the short crop of 1943. Average prices for most farm product groups (except truck crops) are now appreciably higher than a year ago, but offsetting these increases, prices of meat animals and poultry and eggs are considerably lower.

Farm prices in June continued to average 114 percent of parity, the same as in May, since the index of prices paid (including interest and taxes) was unchanged, and the slight decline in the index of prices received was insufficient to change the parity ratio. A year ago, however, the parity ratio stood at 119 percent. Wheat, cotton, and eggs were the only principal farm products sold in June whose prices were below parity. Cotton prices were 4 percent below; wheat, 5 percent; and eggs, 6 percent.

Egg prices substantially higher

With egg production declining seasonally and market receipts falling off, egg prices have risen substantially in recent weeks. Prices which only a few weeks ago had been hovering around support levels are now approaching ceiling levels in some markets. Egg prices have shown a larger rise in the mid-Western markets than in the Eastern, and prices of top quality eggs have registered a steeper rise than prices of poorer grades. In the Chicago market, wholesale prices of fresh standard eggs have risen almost 4 cents in the five weeks ending June 24, but they are still considerably below the levels of a year ago. (See Chart 6, upper section.)

The seasonal decline in egg receipts at the four leading markets during the latter part of May was steeper than that of last year, and receipts during the first three weeks of June fell considerably below those of last year. (See Chart 6, lower section.) Although production during May (the latest month available) was at record levels for that month, 3 percent above May 1943, the increase over last year's levels has been narrowing considerably since January.

As a result of declining production and the rise in prices, Government support buying of shell eggs has practically ceased during the last two weeks. (Up to mid-June the WFA

- 7 -

had purchased around 5 million cases of shell eggs to support prices.) In fact the WFA is reported now to be supplying dryers with some of its storage-held eggs, and dealers are beginning to withdraw eggs from storage to supply the shell egg market.

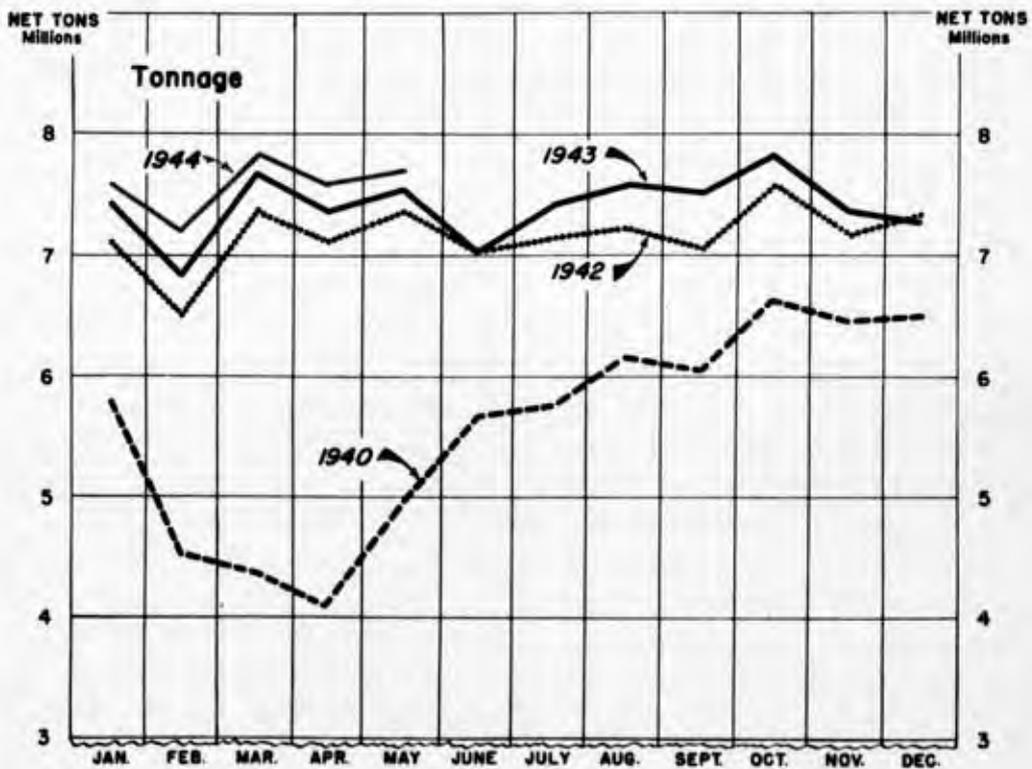
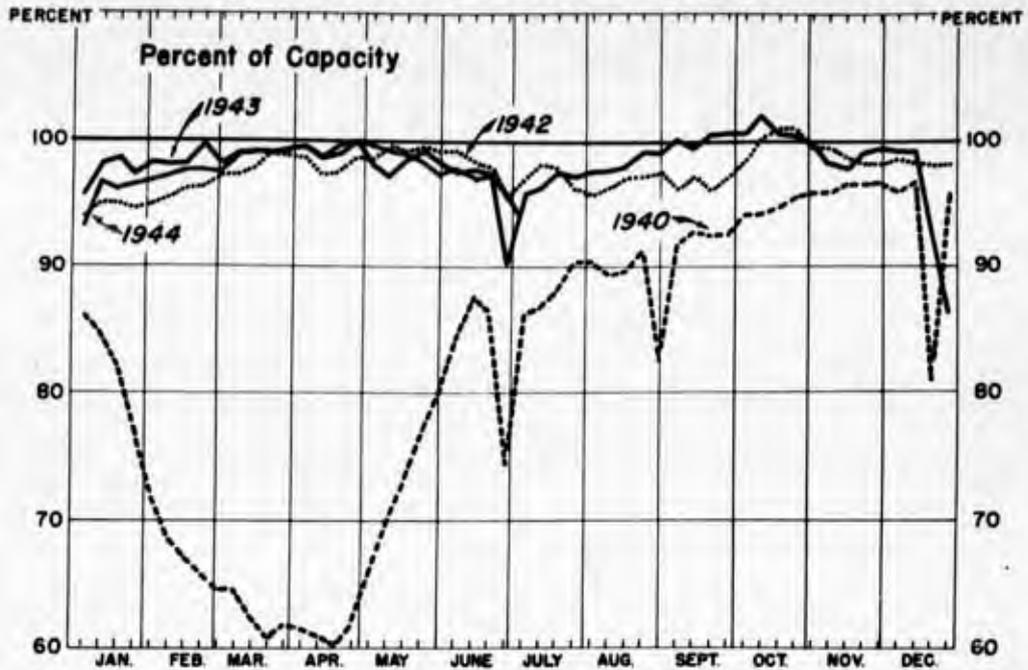
It appears likely that egg prices will reach ceiling levels in the relatively near future and will probably remain there until next winter. (Ceiling prices, however, provide for seasonal upward adjustments.) The Department of Agriculture indicated last week that egg production will decline more from now until winter than during the comparable period of last year, since continued heavy culling of laying flocks is in prospect and fewer birds are being raised for replacement. The decline in production, however, will be partly cushioned by the record stocks now on hand. Cold storage holdings of shell eggs on June 1 were 18 percent above those of a year ago.

Hog production down sharply

Hog production will decline very sharply this year according to the June pig report of the Department of Agriculture. It is estimated that the total 1944 pig crop will be about 87,925,000 head, which would be 28 percent below 1943 and 16 percent below 1942, but larger than any other year on record. The spring pig crop is estimated at 24 percent below the record spring crop of 1943, while farrowing intentions indicate that the fall pig crop will show a decrease of 33 percent from 1943. The food production goals call for only about a 16 percent reduction in the 1944 pig crop.

The reduction in the pig crop does not indicate any immediate curtailment in pork production, since the supply of hogs available for marketing during the 4 months June to September will be about as large as a year ago. In the longer outlook, the reduced hog production should result in more feed being made available for beef and dairy cattle, poultry, and other uses.

STEEL INGOT PRODUCTION



Office of the Secretary of the Treasury
Division of Research and Statistics

Source: American Iron and Steel Institute

C-53E

DEPARTMENT STORE SALES AND STOCKS

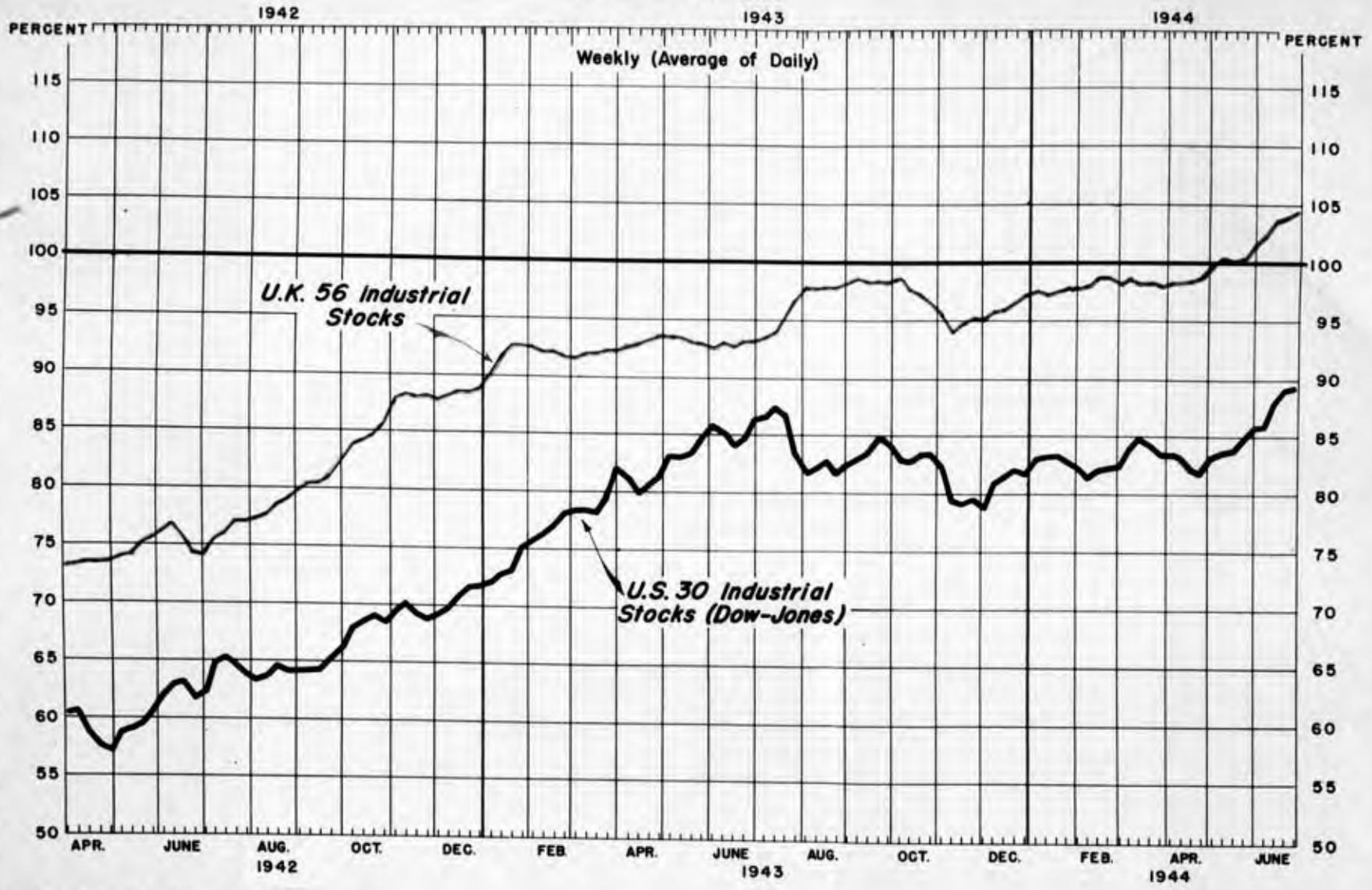
Dollar Values, 1935-'39=100, Adjusted



Source: Federal Reserve Board

INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

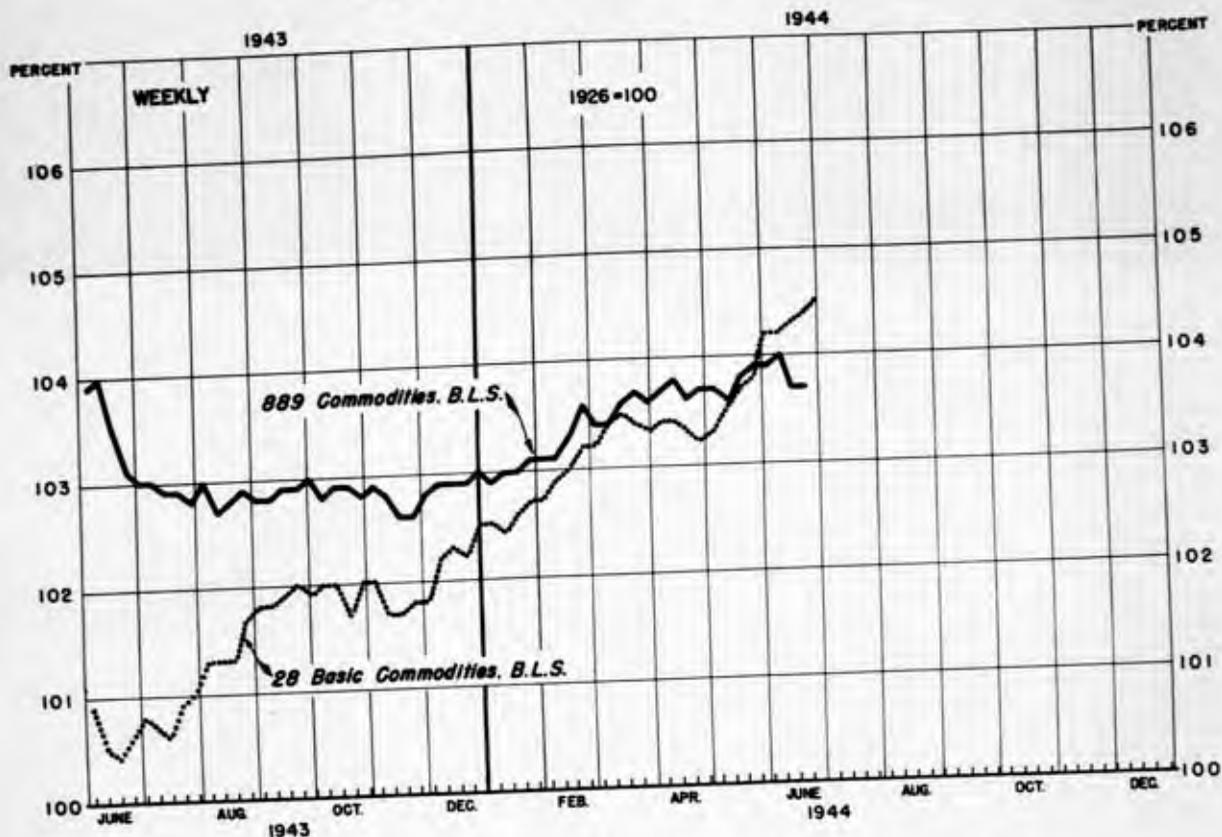
AUGUST 1936 = 100



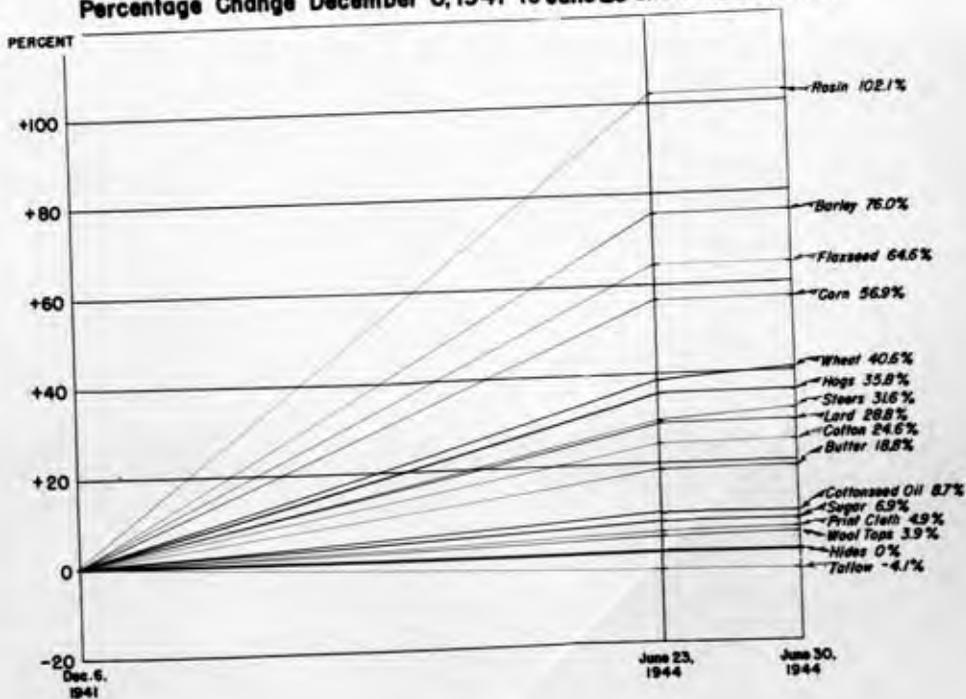
Office of the Secretary of the Treasury
Division of Research and Statistics

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WHOLESALE COMMODITY PRICES



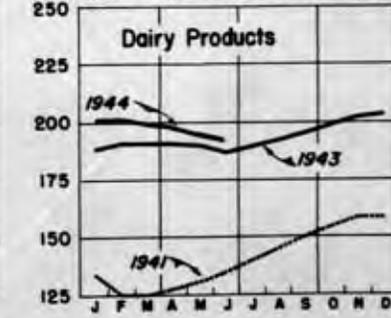
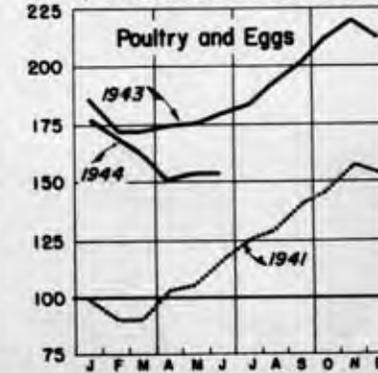
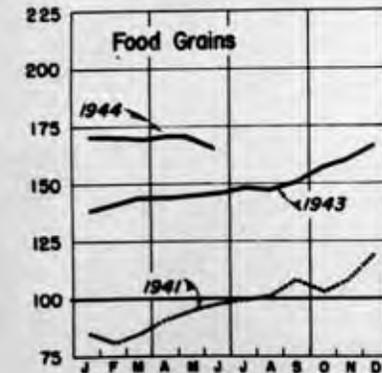
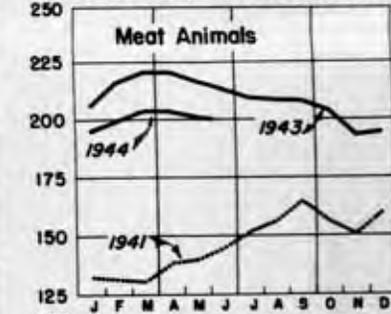
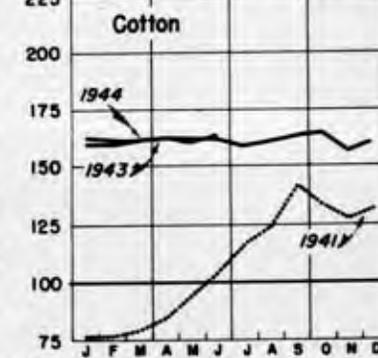
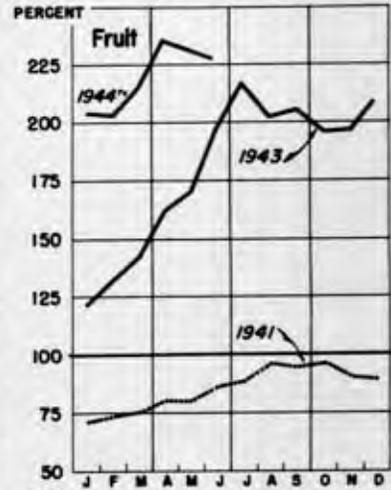
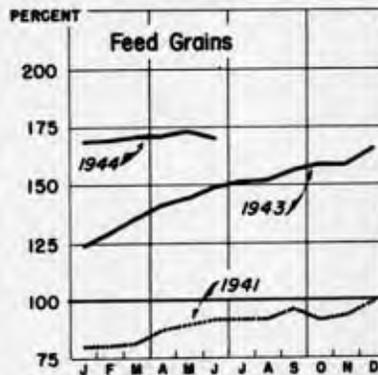
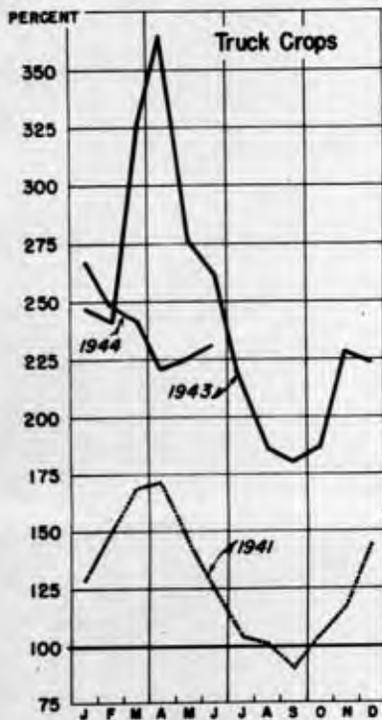
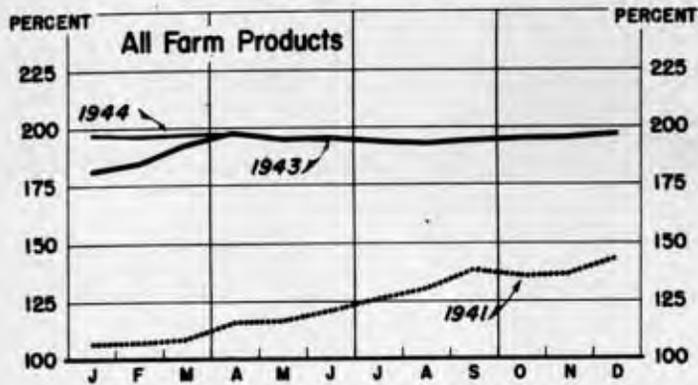
SELECTED BASIC COMMODITIES
Percentage Change December 6, 1941 to June 23 and June 30, 1944



327

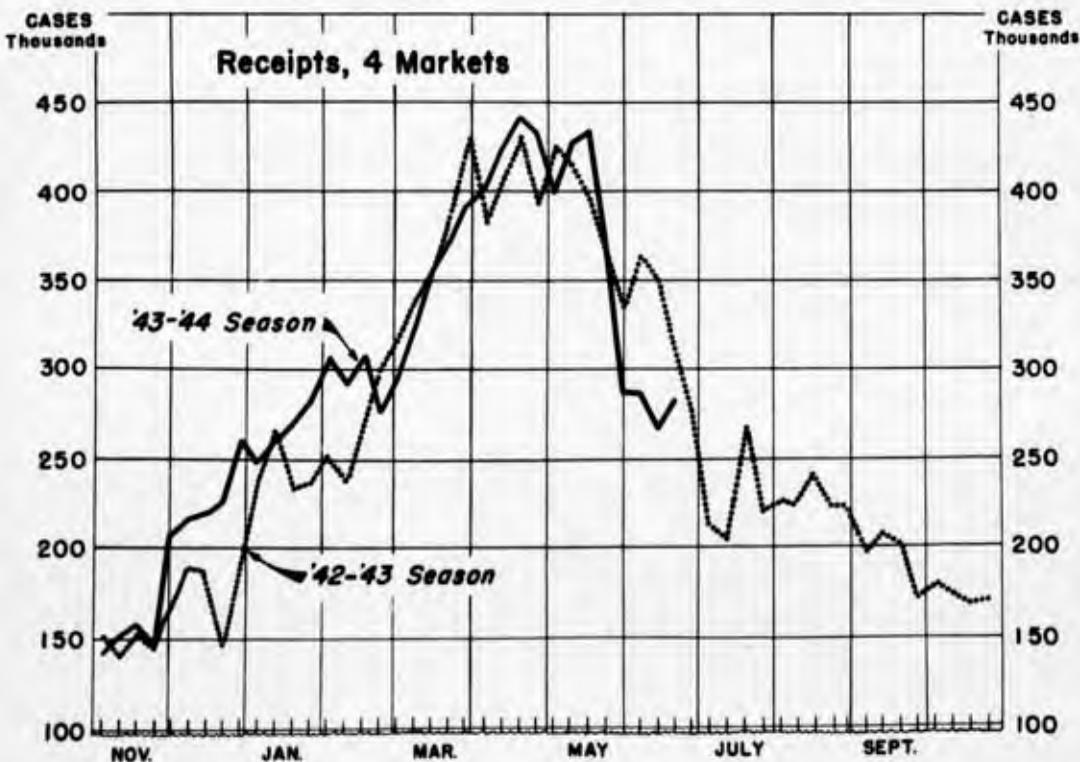
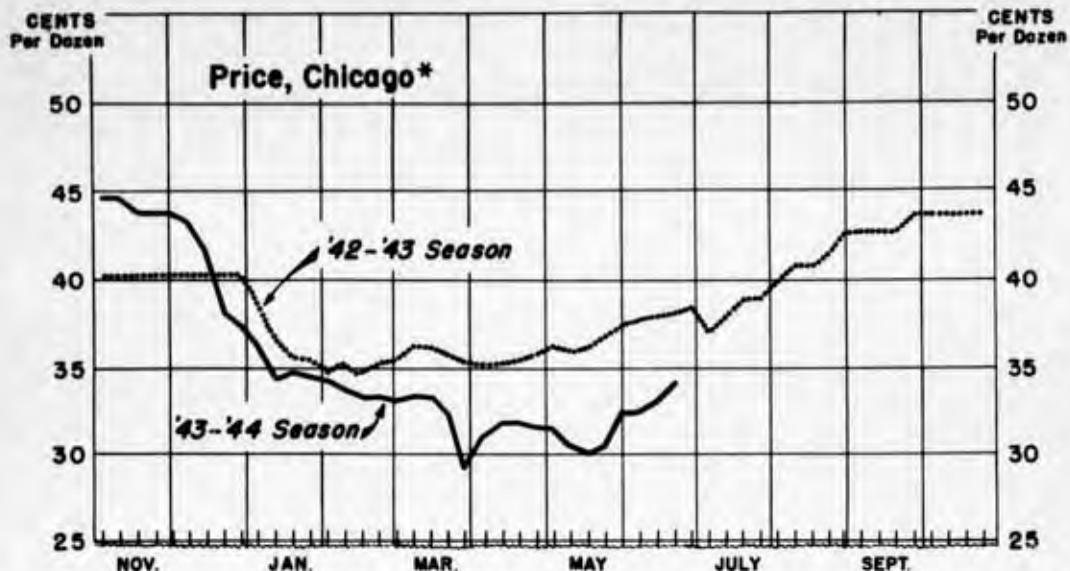
AVERAGE PRICES RECEIVED BY FARMERS

Indexes, August 1909-July 1914=100



EGG PRICES AND RECEIPTS

Year Beginning in November



* Weekly average, fresh standards. Previous to July 17, 1943 certain comparable grades used.

AIRGRAM

SECRET

FROM American Embassy
San Salvador, El Salvador
DATED July 3, 1944
REC'D: July 8, 8 am

Secretary of State
Washington

A-279, July 3, 1944

Department's airgram No. A-189 of June 16, 5:55 p.m.

In a note dated June 29, the Foreign Minister states that on that date he sent a note to the Advisory Committee which reads in translation as follows:

"San Salvador, Republic of El Salvador, June 29, 1944. Honorable Mr. President: Upon acknowledging to Your Excellency the receipt of the Recommendation approved by that organization, regarding the exchange of persons between American and German countries, permit me to make the following observations: The Recommendations of the Emergency Committee are just and eminently humanitarian; and my Government immediately approves them without reservation. As for the Republic of El Salvador, we do not have information that there are persons to whom documents of identity or naturalization have been issued, who are in the conditions set forth in the Recommendations adopted by the Committee. There are in German territory a few Salvadorans whose present situation the Government has not been able to ascertain; and outside of Germany there are five Salvadorans who should be repatriated. Promptly, by reason of the declaration of war against the Axis nations, El Salvador first watched and then sent to an American concentration camp various persons belonging to the Axis nations. At present there are no dangerous elements in our territory, who deserve that treatment. My Government will begin direct negotiations regarding the repatriation of the Salvadorans who are still in Europe; and in any case it will be pleased to count on the cooperation of the Honorable Committee."

711.5
GG/mdm

GADE

No. 3655

Stockholm, July 5, 1944.

**Subject: Transmitting Dissident Hungarian
Minister's Letter Concerning American
Warning to Hungary.**

UNRESTRICTED

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to transmit a copy of a letter addressed to me on June 27 by Dr. Antal Ullsein-Reviszky, the dissident Hungarian Minister in Stockholm, in which he argues that the Hungarian nation, itself a victim of Nazi oppression, is unfortunately unable to heed the warning contained in the recent resolution of the Committee for Foreign Affairs of the House of Representatives.

Dr. Ullsein-Reviszky's letter bore no indication of having emanated from the Hungarian Legation and was signed by him as a private individual, without any official title.

Respectfully yours,

Herschel V. Johnson.

Enclosure:

As stated above.

File No. 711
HPC:FEN

Original to the Department
for possible exaliding.

Enclosure No. 1 to despatch No. 3633 of July 3, 1944
from the American Legation at Stockholm.

COPY

Stockholm, June 27th, 1944.

Mr. Minister:

The news papers have registered a warning addressed to Hungary on the 21st of June by the Committee for Foreign Affairs of the House of Representatives of the United States of America in order to stop prosecuting Jews.

May I, Mr. Minister, draw your attention to the fact that Hungary ceased to be an independent State since the 19th of March day of the nazi putsch and occupation of the country. The Hungarian nation being actually itself a victim of nazi oppression and atrocities is unfortunately unable to react to any humanitarian reasoning. As soon as Hungary recovers her freedom not only will the Jews be rehabilitated by the nation itself will give exemplary punishment to the persecutors of the Jews.

I should be very grateful, Mr. Minister, if you would kindly transmit the above to Mr. Bloom President of the Foreign Affairs Committee.

Believe me,

yours sincerely

Signed: Dr. A. Ullein-Revisky

His Excellency
Mr. Herschel V. Johnson
Minister of the United States
of America

STOCKHOLM.

PARAPHRASE OF TELEGRAM SENT

TO: American Consulate General, Naples
FROM: Secretary of State, Washington
DATE: July 3, 1944
NUMBER: 298

CONFIDENTIAL

This is to inform you that approximately a week ago ciphers were sent for future use in Rome and for present use in Naples. It is not possible to send them for Bari or points where there are no missions or consulates.

The foregoing is in reference to your June 20 cable No. 247 and Ackermann's message No. 2.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Consul, Jerusalem
DATED: July 3, 1944
NUMBER: 122

CONFIDENTIAL

Please deliver the following message from the War Refugee Board, Pehle, to Chaim Schein, 31 Masestr, Tel-Aviv:

QUOTE. Every effort being made to safeguard victims of enemy persecution and special program has been evolved for those holding passports issued in names of American republics. I am referring your message to Department of State which is charged with making the necessary arrangements to effectuate such program. UNQUOTE.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Lisbon
DATED: July 3, 1944
NUMBER: 1900

CONFIDENTIAL

The Governments of the United States and Great Britain have agreed that in furtherance of their joint policy to use every means available consistent with the successful prosecution of the war to bring about the rescue of the victims of German persecution in imminent danger of death a joint approach should be made to the Portuguese Government in the sense of the following:

QUOTE The Governments of the United States and Great Britain are appreciative of the assistance already rendered by the Portuguese Government to refugees who have fled from German-controlled Europe as the result of persecution on account of race, religion, or political belief. The Governments of the United States and Great Britain believe, however, that if the persecuted minority groups still remaining in German-controlled Europe have further assurances that, if they are able to make their way to neutral territory, they will be received and their minimum material needs provided for until such time as they can be moved onward to other havens of refuge or repatriated to their homeland, the rescue of still greater numbers from inhuman oppression might be effected. If such assurances are not forthcoming, it is feared that the death toll among the persecuted minority groups will continue to increase.

The Governments of the United States and Great Britain in furtherance of their joint policy to use every available means consistent with the successful prosecution of the war to bring about the rescue of victims of German oppression in imminent danger of death, appeal to the humanitarianism of the Portuguese Government in behalf of these persecuted persons in the hope that the Portuguese Government will find it possible to adopt an even more liberal policy than heretofore as regards the reception and temporary care of refugees from German-controlled Europe.

The Governments of the United States and Great Britain wish to assure the Portuguese Government that for their part they will be glad to arrange for the provision of such additional food and other supplies as may be required to meet the added burden on Portuguese resources resulting from the temporary care of refugees, as well as funds if needed. The Governments of the United States and Great Britain wish further to assure the Portuguese Government that they will make every effort to arrange for the onward movement to other havens of refuge of such refugees as may be received by Portugal. UNQUOTE

2

You are requested to concert with your British colleague who is expected shortly to receive instructions substantially in the sense of the above.

Similar joint approaches are being made to the Swedish, Turkish, Swiss, and Spanish Governments.

HULL

CABLE TO AMBASSADOR HAYES, MADRID, SPAIN

1. Department and Board appreciate your 1397 of April 21, 2384 of April 24, and 2459 of May 11, with enclosures.

Kindly advise whether, subsequently to your note 2410 of May 11, Spanish authorities have made any effort to protect Jews in enemy-controlled territory holding documents issued in the name of Latin American countries and to secure the return to Vittel or Compiègne of any such persons previously removed therefrom.

2. Please note that the term QUOTE German-controlled UNQUOTE territory or areas as used in this message and in all other communications dealing with protection of persons holding documents issued in the names of American republics includes Hungary. Should there be any possibility of doubt on this score, the Spanish authorities should be informed accordingly.

1:40 p.m.
July 3, 1944

BAksin:ar 6/30/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Madrid
DATED: July 3, 1944
NUMBER: 1887

CONFIDENTIAL

The Governments of the United States and Great Britain have agreed that in furtherance of their joint policy to use every means available consistent with the successful prosecution of the war to bring about the rescue of the victims of German persecution in imminent danger of death a joint approach should be made to the Spanish Government in the sense of the following:

QUOTE The Governments of the United States and Great Britain are appreciative of the assistance already rendered by the Spanish Government to refugees who have fled from German-controlled Europe as the result of persecution on account of race, religion, or political belief. The Governments of the United States and Great Britain believe, however, that if the persecuted minority groups still remaining in German-controlled Europe have further assurances that, if they are able to make their way to neutral territory, they will be received and their minimum material needs provided for until such time as they can be moved onward to other havens of refuge or repatriated to their homeland, the rescue of still greater numbers from inhuman oppression might be effected. If such assurances are not forthcoming, it is feared that the death toll among the persecuted minority groups will continue to increase.

The Governments of the United States and Great Britain in furtherance of their joint policy to use every available means consistent with the successful prosecution of the war to bring about the rescue of victims of German oppression in imminent danger of death, appeal to the humanitarianism of the Spanish Government in behalf of these persecuted persons in the hope that the Spanish Government will find it possible to adopt an even more liberal policy than heretofore as regards the reception and temporary care of refugees from German-controlled Europe.

The Governments of the United States and Great Britain wish to assure the Spanish Government that for their part they will be glad to arrange for the provision of such additional food and other supplies as may be required to meet the added burden on Spanish resources resulting from the temporary care of refugees, as well as funds if needed. The Governments of the United States and Great Britain wish further to assure the Spanish Government that they will make every effort to arrange for the onward movement

-2-

onward movement to other havens of refuge of such refugees as may be received by Spain. UNQUOTE

You are requested to concert with your British colleague who is expected shortly to receive instructions substantially in the sense of the above.

Similar joint approaches are being made to the Swedish, Turk, Portuguese, and Swiss Governments.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, STOCKHOLM
TO: Secretary of State, Washington
DATED: July 3, 1944
NUMBER: 2444

CONFIDENTIAL

Reference is made herein to the Department's 1323, July 3, and the Legation's 2437, July 3.

Gullion reports that up to 9:30 p.m. tonight Finnish exit visas and Swedish entry visa had been obtained for 28 British, 49 Americans, 4 Belgians, 7 Canadians, 57 Jewish refugees, 2 Polish, 1 Dutch, 5 Italians, 1 Estonian and 4 stateless.

On board the BIRGERJARL there will be five of the Legation personnel including one Finn and one Dane.

Entry visas were refused by the Swedes for 62 Jewish refugees on separate list from group of 57. If any of this 62 group appear at Abo they will, however, be taken along in anticipation of receiving permission to enter Sweden when support there is guaranteed by the WRB. Not more than 25 Jews will actually appear in time to join the evacuation party is the belief of the head of the Jewish Community at Helsinki.

JOHNSON

CABLE TO MINISTER JOHNSON AT STOCKHOLM AND OLSEN

S E C R E T

For your information and guidance as well as Wallenberg's in your discretion there is herewith repeated to you the substance of a message sent by the Board to AmLegation Bern: QUOTE In view of consistent neutral press reports carrying Berlin and Budapest datelines and other information to the effect that the eight hundred thousand Jews in Hungary are being segregated in ghettos and concentrated in camps, there seems little doubt that the pattern heretofore set in Poland and repeated elsewhere is again being followed. In an effort to develop means to forestall the effectuation of the ultimate ends of such program, that is mass-executions either before or after deportation, consideration has been given to the advisability of requesting the Swiss Government to address an inquiry on behalf of this Government to appropriate authorities in Hungary asking them to state their intentions with respect to the future treatment to be accorded to Jews in ghettos and concentration camps and specifically whether they contemplate forced deportations to Poland or elsewhere or the imposition of discriminatory reductions in food rations, or the adoption other measures which like those mentioned will be tantamount to mass-execution. At the same time, the Swiss government would be requested to remind the same authorities of the grave view that this Government takes with respect to the persecution of Jews and other minorities and of the determination of this Government to see to it that all those who share the responsibility for such acts are dealt with in accordance with the President's statement of March 24, 1944. Also at the same time the fact of this Government's request of the Swiss Government and the nature thereof would be given the widest possible publicity in Hungary through broadcasts in the Hungarian language and such other means as may be practicable. UNQUOTE

The reply received is in substance as follows: QUOTE A note requesting transmission of inquiry to Hungarian Government, as suggested, has been delivered to the Swiss Foreign Office. This note requests an indication of the intentions of Hungary as regards further treatment of Jews with special reference to forced deportations, discriminatory reductions of food rations or adoption of similar measures that amount to mass execution and reminding them of the grave view which the United States takes regarding persecution of Jews and other minorities and the United States' determination to punish those sharing the responsibility in accordance with the March 24 warning by the President.

The Foreign Office has accepted the note as presented and will transmit verbatim as annex to the note to the authorities of Hungary. It has been agreed by the Swiss to report the date of the delivery of the note.

-2-

It is recommended that the foregoing be given no publicity pending receipt of information of delivery of the note by the Swiss to the Hungarians and that no mention of Swiss intermediary be made should publicity then appear to be advisable. UNQUOTE

Board expects verbatim text of note and date of Swiss action momentarily. You will be kept advised so that Wallenberg may be in a position at your discretion to note and report any reaction and take advantage thereof if circumstances favorable.

THIS IS WRB STOCKHOLM CABLE NO. 42

1:40 p.m.
July 5, 1944

LSLesser:als 7/1/44

7/3/47

S E C R E T

CABLE TO MINISTER JOHNSON AT STOCKHOLM AND OLSEN

Bohm, Andersen and Polen Hjalpen reports received. Reference your 2231, 2344, and 2360 of June 21, 27 and 28, your 31, 39 and 40 to War Refugee Board. While it is difficult to attempt precisely to outline program from here, the following general approach is suggested:

Since money and favorable post-war consideration may motivate action impeding, relaxing or slowing down tempo of persecution and facilitate escapes and concealments, it should be ascertained in what quarters such inducements may be effective. In this connection, contact should be established, at discretion, with appropriate persons mentioned in Department's 1246 of June 23 and such others as may become known. If circumstances warrant funds will be made available at neutral bank for post-war use or in part in local currency now, procured against blocked counter-value here or in neutral bank. For latter purpose local funds may be procurable from appropriate persons mentioned in Department's 1246 such as (c) in first group and such others as may become known. Whenever a concrete proposal based on financial arrangements of substantial character or on favorable post-war consideration is broached, the matter should be referred to the Board for clearance, which will require evidence of effectiveness and good faith in the meantime. In order to care for less substantial transactions a fund of \$50,000 will be placed at Olsen's disposal which may be used in his discretion in addition to the fund already available to him for discretionary use.

The problem may be dealt with on various levels such as high official, low official and unofficial, central and local. In connection with unofficial channels an informed source suggests that ships and barges going down the Danube are generally empty and may afford a means of escape for a limited number of refugees in the guise of seamen or otherwise. Same source suggests that skippers can be approached on financial basis and crews through so-called communist channels. Board is also advised that railroad line from Budapest to Mohacs, said to be about ten miles from partisan-controlled Yugoslave territory, might afford similar opportunities if contacts made with trainmen through what are termed communist channels. Board further advised that Transylvanian Unitarian Church, socialist and partisan groups may be in a position because of geographical situation and absence of real occupation to shelter refugees if they can reach that area. In addition, Board believes that Roman Catholic clergy and Nuncio may be helpful both in action and with advice.

Further in connection with lower official and unofficial channels the following list of persons, secured from same sources as list given in Department's 1246 may be useful: In or near Budapest: (a) Dezso Vilmanyi, said to be former official in the Police Headquarters in Budapest, in 1939 transferred to the Police Department in the Ministry of Interior, in

charge of passport matters and to have granted many persons passports for consideration. Also said to have ingratiated himself with the Arrowcross Party and was counted among their fellow travelers by them, but that Jews could always count on his favors if they met his terms, in cash; (b) Zoltan Timke, said to be Chief Prosecutor, Superior Court of Hungary, a chauvinist and reactionary, but opposed to the Nazis. It is said that he can be depended on to help Jews of reactionary and financial - commercial background; (c) Colonel Denes Deak-Horvath, said to be wealthy, independent, and politically unaffiliated. It is said that he is Chairman of Barcs Farmers' Granary Cooperative, General Manager of Hungarian Food Supply Co. It is also said that since 1940, he has been one of the leaders of the action protecting Polish refugees in Hungary and that he was fined for violation of the anti-Jewish laws. He is also said to have close connections with certain members of the present Hungarian government through which he may render useful services to our cause, notably with Anthony Kunder, the present minister of commerce; (d) Rezse Koszeghy, said to be 49 years of age, a native of Hungary of German-Swabian descent, and a former official of the National Bank of Hungary who is now general manager of a textile and fur concern. Said to be trustworthy as assistant and go between and to have a student son in Switzerland. Said to have good contact with rank and file in government officers; (e) Dr. Jenő Bozoky, said to be a lawyer who for a number of years very skillfully played the role of an ardent Nazi and anti-Semite, with the objective of helping distressed or endangered Jews and liberals.

With reference to high official channels exploration may be made of the possibility, suggested by pages 29 and following of Bohm's report, of evacuation of Jews and persons similarly situated belonging to specific groups such as (a) holders of Palestine certificates, (b) holders of visas for entry into neutral countries, (c) persons to whom the issuance of visas for entry into an American republic is authorized provided they appear personally therefor before a consular office in a neutral country, (d) persons holding passports or consular documents issued in the names of American republics, or who are under the protection of a neutral country as indicated by Bohm at page 26, (e) women and children, (f) aged and infirm men, and (g) parents, husbands, wives, children, etc., of American citizens.

You should advise Wallenberg of the foregoing to the extent that you deem advisable and inform him that the same constitutes a general outline of a program which the Board believes can be pursued. While he cannot, of course, act as the Board's representative, nor purport to act in its name, he can, whenever advisable, indicate that as a Swede he is free to communicate with Stockholm where a representative of the Board is stationed. He may thus express his willingness to lay before the Board's representative specific proposals if in any particular case he should deem so doing to

- 3 -

be advisable, or if by reason of the nature of the proposal Olsen's or the Board's approval is necessary. Wallenberg should have with him copies of the President's statement of March 24, Department's 502 of March 24, the Statement of the Senate Foreign Relations Committee, Department's of June , the Statement of the House Foreign Affairs Committee, Department's circular of June 28, and Archbishop Spellman's statement, Department's 1283 of June 29. These he might on proper occasions call to the attention of appropriate persons, expressing the view, having just come from outside German-controlled territory, that there is no question of American determination to see to it that those who share the guilt will be punished, but that helpful conduct now may result in more favorable consideration than actions heretofore might warrant.

Wallenberg should consult with the representative of the International Red Cross and impress upon him the urgent need of increasing Intercross representation in Hungary and intercession in an effort to secure permission to visit and inspect concentration camps, ghettos and other places of detention. Wallenberg might undertake also to see whether such permission might be granted him and his colleagues. To the extent that you deem it advisable you may call Wallenberg's attention to Bohm's suggestions so that he may undertake to determine their feasibility and whether they offer channels through which effective measures can be taken. Please express to the Foreign Office and to Wallenberg the Board's sincere appreciation for their wholehearted cooperation. The Board is aware of Sweden's great concern and active measures of assistance for the victims of Nazi persecution and is confident that through cooperation such as has been evidenced in this and other instances, further lives will be saved.

THIS IS WRB STOCKHOLM CABLE NO.

41

1:40 p.m.
July 3, 1944

July 5, 1944

8 p.m.

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

AMEMBAYTON,
STOCKHOLM.

1327

FOR THE MINISTER

The Governments of the United States and Great Britain have agreed, in furtherance of their joint policy to use every available means consistent with the successful prosecution of the war to bring about the rescue of victims of enemy oppression in imminent danger of death, jointly to approach the Swedish Government in regard to the reception and care of refugees with a view to renewing assurances previously made concerning additional imports, if needed, to assist the Swedish Government in meeting the needs of refugees admitted to Sweden.

After consulting with your British colleague, who has already received general instructions in the matter, a joint approach should be made to the Swedish Government in the sense of the following:

QUOTE The Governments of the United States and Great Britain desire to confirm the statements made in the joint communication from the two Governments dated January 19, 1944 in regard to increases in Swedish blockade quotas, if required, in the event that it should become possible for the Swedish Government to afford asylum to additional children evacuated from Germany or German-occupied territories.

The Governments of the United States and Great Britain wish to express again their admiration for the humanitarian policy followed by the Swedish Government in affording asylum to refugees, both child and adult, from Denmark, Finland, and other areas under German domination and wish to renew assurances previously made that should the Swedish Government so desire, the Governments of the United States and Great Britain are ready to give prompt and sympathetic consideration to requests for increases in Swedish blockade quotas in order to ease the burden on Swedish resources resulting from the temporary care of refugees already received in Sweden and those who may subsequently be received under the liberal and humanitarian Swedish policy in this regard. UNQUOTE

A similar

-2- #1527, July 3, 8 p.m., to Stockholm.

A similar joint approach is being made to the Government of Switzerland. Joint approaches also are being made to the Governments of Turkey, Spain, and Portugal expressing the hope that they will adopt a more liberal policy as regards the reception and temporary care of refugees and offering to arrange for the provision of such additional imports and funds as may be required to ease the burden on local resources arising from the care of such refugees as may be received.

HULL
(GEN)

SWP:RDK:ELJ

7-1-44

NOB

WRB

S/CR

BC

EH

MEMO-83
Distribution of true
reading only by special
arrangement. (SECRET-V)

Stockholm

Dated July 3, 1944

Rec'd 11:45 a.m.

Secretary of State,

Washington.

2420, July 3, noon.

Following is paraphrase of message for World Jewish Congress, New York, from Congress Committee, Stockholm. This our No. 45 for War Refugee Board.

Deportation of all Hungarian Jews ordered before July 15 reliable sources report. Importance of United Nations help in hindering this mass deportation which would liquidate almost last big Jewish community in Europe is essential. Confirmation from Rumania to Threnprels that last amount from Sweden transferred and distributed through Swedish channels. Changed at twelve and one half times official rate. Used for feeding and clothing poor Jewish, mostly children. Threnprels employed by leading Rumanian Jew to procure further help from America and Sweden. Confirmation by Swedish Minister at Bucharest funds badly needed. Small Swedish collections being transferred next few days but large sums necessary. Important the World Jewish Congress hasten transfer of \$10,000 to Threnprels and secure additional funds for Rumanian help from other sources.

JOHNSON

WGB
CSB

S E C R E T

CABLE TO MINISTER HARRISON AT BERN AND McCLELLAND

A neutral government is about to dispatch new attache to its legation Budapest as result of message similar to that contained in Department's 1805 of May 25, War Refugee Board's 26. He is generally familiar with Board's program and has had extensive conversations with Board's representative concerning immediate problems, which he is prepared to attempt to deal with through any available channels on practical basis. He is prepared also to operate on specific projects suggested by Board. In line with your 3390 of May 27, you may desire that he contact specific persons or undertake specific projects. If so, please advise the Board promptly.

THIS IS WRB BERN CABLE NO. 68.

1:40 p.m.
July 3, 1944

LSLesser:als 7/3/44

CABLE TO HARRISON FOR McCLELLAND, BERN

Please deliver the following message to Rene Berthelet,
Waserstrasse, 14, Zurich, from the International Rescue and Relief
Committee:

"Cable immediately Leon Denenberg American Consulate
Istanbul our representative working on rescue from Hungary
Roumania Bulgaria and establish contact. Still awaiting
reply to our 26 and subsequent case cables. Transmitted
5000 service social. Sending same amount middle July. Ask
Fexiere send all possible assistance via Intercross to
Largo Caballero Camp Oranienburg.

FRANK KINGDON"

THIS IS WEB CABLE TO BERN NO. 67.

July 3, 1944
11:30 a.m.

BAKsinar 6/30/44

PARAPHRASE OF TELEGRAM SENT

TO: Americal Legation, Bern
FROM: Secretary of State, Washington
DATE: July 3, 1944
NUMBER: 2236

CONFIDENTIAL

Reference is made herewith to Department's March 18 telegram No. 891.

This is to inform you that provisions concerning issuance of immigration visas to refugee children which was mentioned in reference cable has been extended to 1945, July 1 of that year. For issuance July through October the nonpreference quota immigration numbers given below were allotted to Zurich:

German 609 to 3008; Belgian 31 to 200; French 83 to 382; Polish 162 to 761; Netherland 81 to 360; and Csechoslovak 63 to 312.

This is 25% monthly. Additional allotment will be made then. It is requested that you inform consuls and current information as to developments would be appreciated by the Department.

HULL

July 5, 1944

352

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

8 page

AMBASSADOR,

BERN.

2259

FOR THE MINISTER.

The Governments of the United States and Great Britain have agreed, in furtherance of their joint policy to use every available means consistent with the successful prosecution of the war to bring about the rescue of victims of enemy oppression in imminent danger of death, jointly to approach the Swiss Government in regard to the reception and care of refugees with a view to rendering assurances previously made concerning additional imports, if needed, to meet the needs of refugees admitted to Switzerland.

After consulting with your British colleague, who has received general instructions in the matter, a joint approach should be made to the Swiss Government in the sense of the following:

QUOTE The Governments of the United States and Great Britain desire again to express their admiration for the humanitarian policy which has been followed by the Government of Switzerland in giving asylum and care to the large numbers of refugees who have made their way to Switzerland.

The Governments of the United States and Great Britain desire to reaffirm their willingness to arrange for the provision of such additional imports as may be required to ease the burden on Swiss resources resulting from the temporary care of refugees already received in Switzerland or those who may subsequently be received under the liberal and humanitarian Swiss policy in this regard. UNQUOTE.

A similar joint approach is being made to the Government of Sweden. Joint approaches also are being made to the Governments of Turkey, Spain, and Portugal expressing the hope that they will adopt a more liberal policy as regards the reception and temporary care of refugees and offering to arrange for the provision of such additional imports and funds as may be required to ease the burden on local resources arising from the care of such refugees as may be received.

HULL
(GDM)

SECURITY 7-5-44
NO

RE WRB RH S/CR

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 3, 1944
NUMBER: 4221

CONFIDENTIAL

Reference is made herewith to Department's cable of June 5, no. 1921, WRB no. 31.

The June 27 note received from the Foreign Office June 29 encloses two notices dated June 20. In my no. 4223 today I am transmitting English translation. There follows by airmail a copy and translation of both notices.

HARRISON

BJR - 254

Bern

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

Dated July 3, 1944

Rec'd 7:23 p.m.

Secretary of State,
Washington.

4223, July 3, noon (SECTION ONE)

Notice number one: Swiss Legation Berlin has no knowledge of camps Bostortost Silesia and Bergau near Dresden but will nevertheless immediately undertake all necessary measures with a view to establishing both nature and object thereof. Reports concerning said camps will be transmitted earliest possible.

For some time in connection with foregoing there have been held internment camp of Bergenbelsen near Celle, Hanover whose inclusion civilian exchanges is contemplated but not possessing American citizenship or citizenship other Swiss represented countries.

"Alien relatives" that is, those close relatives of American nationals not possessing American citizenship are not being admitted internment camps reserved for nationals of American nations. While awaiting exchange they are detained in above-mentioned temporary camp in which are held, for example, persons approved for Palestine Civilian Exchange but not possessing British nationality. (Note: Please see penultimate paragraph Department's 1846, May 27, indicating more lenient attitude in this regard).

It is appropriate to indicate with respect to remainder of Department's 1921 that to the knowledge of Swiss Legation no authentic national of American nations has been deported or otherwise deprived of rights resulting from his American nationality except for Venezuelan family Malkowsky and Chilean families Gorlin and Frunkin on whose behalf Swiss Legation made repeated representations as a result of their removal during April from Vittel.

German authorities continue to treat persons in question as nationals of American nations even in cases where respective governments on basis of information furnished by Swiss authorities have not definitely ruled regarding their status.

Polish and

-2- #4223, July 3, noon (SECTION ONE) from Bern.

Polish and other Eastern European Jews, it is quite possible, thought it advisable to obtain a false Latin American passport. German authorities have subjected them to general treatment accorded to eastern Jews having established that these documents not authentic. As persons concerned have not had possibility approach Swiss authorities cases this character not generally known to the Legation.

Formal assurances limited to persons who were on May 11 in civilian internment camps reserved for nationals of American continent were only given on that date by German Foreign Office to Swiss Legation.

No protection could be assured persons possessing more or less doubtful passports in eastern territories except by furnishing appropriate lists to German Government and communicating declarations similar to those which Honduras and Venezuela recently made in stating even more the declaration regarding all identity papers of Latin American countries of every kind found to be in possession of persons concerned.

HARRISON

RB
WSB

GEM-330

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

Bern

Dated July 3, 1944

Rec'd noon.

Secretary of State,
Washington.

4223, July 3, noon (SECTION TWO)

Notice two.

A. None of persons removed from Vittel had been able furnish proof Latin American nationality according statement made May 3 by chief competent section German Foreign Office to representative Swiss Legation Berlin in reply to latter's request. For most part these persons are Jews from east who previously claim to be Paraguayan nationals or nationals other American countries. They were assimilated on the basis of this delaration with nationals of countries at war with Germany and under protection Swiss Legation. They were consequently interned in camps reserved for nationals of Latin American Republics, United States and Great Britain.

These persons it developed in due course possessed no proof of nationality which they claimed. Consequently they were removed from camp where they had no right to be. It was further stated by competent German Foreign Office official that he could not accede to Legation's request for list of persons removed from Vittel because question merely involved internal German police measures and persons concerned had no right to Swiss protection. (Legation's telegram No. 3171, May 18 summarized this representation). Deportation measures taken at Vittel and Compiegne have effected no United States national according to the statements secret Counselor Sethe. The Swiss Foreign Office transmitted during April to Swiss Legation Berlin the list bearing 238 names deported from Vittel as result of measures taken by Germans which received from American Legation.

None of these persons appeared in Swiss Legation's register of United States nationals - it was established following examination. Swiss Consulate at Paris somewhat later forwarded list of 163 persons deported from interment camps to the Swiss Legation. The authorities of occupation furnished this list and none of these persons claimed American nationality.

United States

-2-#4223, July 3, noon (SECTION TWO) from Bern.

United States false passports are practically nonexistent. German authorities have shown greatest reserve regarding deportation American nationals as this fact is shown to them. It is against persons claiming Latin American citizenship that "Cleaning" of internment camps is directed. It rests on fact that Jewish population in Poland and other Eastern European regions is in possession very large number false Costa Rican, Guatemalan, Haitian, Honduran, Ecuadoran, Paraguayan and Nicaraguan passports.

B. It was disclosed by an examination of two lists of persons removed from Compiègne and Vittel camps forwarded to Swiss Legation that large number internees concerned alleged to be Paraguayan citizens. Swiss Legation has not been able to determine whether persons concerned have claim to Paraguayan citizenship because Spanish Embassy Berlin represents Paraguayan interests in Germany and occupied countries.

HARRISON

WSB
RR

LFG-156

Bern

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

Dated July 3, 1944

Rec'd 5:13 p.m.

Secretary of State,
Washington.

4223, July 3, Noon, (SECTION THREE)

Among persons appearing on lists in question only following bearing numbers corresponding to those of list from Swiss Consulate Paris (Note: Transmitted to Department with Legation's airmail 8466, June 12 pursuant Department's telegram No. 2001, June 10) were known to Swiss Legation:

143 Saul Malcowsky, Venezuelan; 144 Sara Malcowsky, Venezuelan; 145 Maurice Malcowsky, Venezuelan; 1 Eugenia Gorlin, Chilean; 2 Anna Frumkin, Chilean; 3 Hermine Frumkin, Chilean.

Chilean Legation Bern stated in note November 4 1943 that as passports of Gorlin and Frumkin families were issued by Chilean Consulate Kobe, they were to be considered invalid as all documents issued by this Consular representation. It was declared by Chinese Legation in note of March 30, 1944 that deportation above named persons had come to its attention and Swiss Legation Berlin was requested by it to undertake on their behalf all necessary representations.

German Foreign Office in notes dated May 5 and June 20 considered cases of Gorlin and Frumkin families and strong representations for return to an internment camp of these Chileans were made. On behalf of Malcowsky family similar representations made.

C. Authorization of German authorities have been sought by Swiss Legation to have representative Swiss Consulate Paris visit Vittel Camp with a view to informing American internees of communications from their Government (Note: Please see penultimate paragraph Department's 1222, April 10 and its 1269, April 13). Camp will be visited near future as authorization given in principle.

D. Every opportunity taken by German authorities to reiterate that there has been deported no internee

able furnish

-2- #4223, July 3, Noon, (SECTION THREE), from Bern

able furnish proof Latin America citizenship or American nationality. Relatively large number of persons, German authorities observed, claimed citizenship of South America Republic supporting this with documents evidently false or being able furnish slightest proof. These persons never left Polish territory and Spanish is not spoken by them. Right is claimed by German Foreign Police to assimilate bearers of false documents with rest of population of Poland or other occupied countries and not to recognize subject false document.

HARRISON

WMB WFS

BAS -378

Bern

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

Dated July 3, 1944

Rec'd 4:40 a.m. 4th

Secretary of State,
Washington.

4223, July 3, noon (SECTION FOUR)

Swiss Legation Berlin following representation made by American Legation to chief of Federal Political Department requested and on May 11 obtained from German Foreign Office formal assurance that henceforth there would not be subjected to deportation action even bearers of doubtful Latin American identity papers on the condition that persons concerned already in internment camps for citizens American continent. On May 15 Swiss Minister at Berlin forwarded to chief of Federal Political Department a circumstantial report on subject. No new case of deportation bearers South American identity papers reported since this representation. It has not been possible to provide any assurance for bearers of doubtful South American identity papers who were not already on May 11 in internment camps.

E. With regard to request that Swiss authorities protest to German authorities against their action in passing on "merits of individual claims of persons holding United States or Latin American documentation" it must be pointed out in admitting that above quoted term envisages priority claims for civilian exchange that Swiss Legation has often indicated to German authorities that North and South American citizens included in civilian exchange groups were often persons other than those proposed and recommended by Swiss Legation and in whom greatest interest shown by American Government.

German Foreign Office replied to these strong oral representations that German Government also had to accept persons in whom it had only secondary interest and had no voice in composition German Civilian repatriation groups in America. German authorities unable in circumstances to admit that strong American representatives were well founded.

According to

-2- #4223, July 3, noon (SECTION FOUR) from Bern.

According to view Swiss Legation owing to the fact that exchange groups constituted in Germany by domestic authorities particularly police no substantial consideration being given to Swiss Legation's suggestions satisfactory composition exchange groups can be only obtained through exchange by interested governments prior to departure of groups of formal lists. Except in cases of Malcowsky, Gorlin and Frumkin families no person able show valid claim to citizenship of American country has been deprived of rights pertaining there to during 1944 to knowledge Swill Legation. Additionally several hundred citizens of United States and Latin America protected by Swiss Legation whose papers forwarded through intermediary competent authorities ("pending case") not yet recognized countries concerned. Nevertheless these persons thus far permitted remain in internment camps foreseen for citizens of American Continent. German authorities in certain number cases this category already awaiting decision for one or two years formerly inquired recently whether one or another citizens of American countries is effectively recognized by his government as such and whether he is accepted for civilian exchange.

F. All Latin American countries represented in Germany by Swiss Legation Berlin except that Sweden represents Mexico, and Spain represents Bolivia and Paraguay. The matter in question (note: recognition of individual claims to nationality of Latin American countries pending review of case by government concerned) has been taken up with Swiss Legation by no Latin American country which Switzerland represents. Only Venezuela and Honduras during first half of June signified to German authorities that all bearers of identity papers issued by Venezuelan Honduran Governments are to be treated in accordance with international regulations applicable civilian internes.

End notices.

End of message.

HARRISON

BB
WSB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 3, 1944
NUMBER: 4225

CONFIDENTIAL

It is stated in Swiss note of July 1, pursuant first paragraph notice number one summarized in Legation's cable of July 3, no. 4223, that Swiss Legation in Berlin confirms answer from German Foreign Office that no internment camp exists bearing names Bostrost in Silesia and Bergau near Dresden. It is suggested by Swiss Legation in Berlin that Bergau camp may be Bergen-Belsen near Celle, Hanover, which is a special camp for assembling exchangeable persons (especially Jews) who do not possess nationality of states which Switzerland represents. The second camp might well concern former internment camp for British men at Tostin Silesia.

With a view to undertaking inquiry concerning deported persons, a representative of the Swiss Legation in Berlin will visit Vittel camp early in July.

Foregoing has reference to American Interests, Germany.

HARRISON

DCR:VAG 7/7/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern.
TO: Department of State, Washington
DATED: July 3, 1944
NUMBER: 4237

CONFIDENTIAL

With reference to the Department's message (WEB 36) of June 2, Number 2149, the information given in my cable of July 3, Number 4225, with regard to designations of camps may be interesting.

This is in connection with American interests in Germany.

HARRISON.

DCR:LCW 7/6/44

CABLE TO AMERICAN CONSULATE GENERAL, ISTANBUL, TURKEY

The War Refugee Board requests that you deliver the following message to Mr. Leon P. Denenberg:

QUOTE Received your interesting report of June 19. Eagerly awaiting further details. Certainly approve man for Hungary if feasible. List follows of endangered political Hungarians. Transmitted your messages pat to which he replies, "Zionist Organization of America cabled Barlas representing Jewish agency Istanbul our first list containing 168 names Hungarian Jewish notables for certificates additional list of 600 more will follow. Please take care facilities exit. Have provided relief refugees Shanghai through Polish Embassy. However inform future possibilities and contacts. Working concerning your request names Roumanian Jews. Advice will follow. Use list of Barlas in case other rescue facilities. Cable all data available situation Polish Jews regards." Cabled Bertholet contact you Istanbul. You cable us names most endangered people claiming possession Western Hemisphere nationality.

SHERRA STRUNSKY
INTERNATIONAL RESCUE AND RELIEF COMMITTEE
UNQUOTE

July 3, 1944
1:40 p.m.

Raksinar 6/30/44

FEM-374
Distribution of true
reading only by special
arrangement. (SECRET W)

Ankara

Dated July 3, 1944

Rec'd 4:30 a.m., 4th.

Secretary of State,
Washington.
1202 2002, July 3, 11 a.m.
FOR WRB FROM THE AMBASSADOR
Ankara No. 83.

As requested appropriate efforts are being made by the Embassy to obtain publicity in the Turk press and through the Turk radio stations for the statement of Archbishop Spellman. I have taken the liberty of deleting from the text of the statement the reference to "Whether under attack by the Mongols and Turks in centuries past, or in our own times under the bitter persecution of Bela Kun and his cruel cohorts" as it seems to me undesirable to offend Turk susceptibilities or to remind the Hungarians of the persecution to which they were subjected by Bela Kun, generally believed to have been a Jew.

STEINHARDT

JMS WTD

MJB-368

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

Ankara

Dated July 3, 1944

Rec'd 4:05 a.m., 4th

Washington.

1195, July 3, 7 p.m.

FOR LEAVITT JOINT DISTRIBUTION COMMITTEE NEW YORK CITY FROM JOSEPH SCHWARZ.

Have arrived here with Judah Magnes. Examining extent of obligations incurred here in connection with all phases rescue work and amounts we being called upon to pay. While not ready with final figures believe it important to indicate approximate totals so that you may be enabled to make some provision on your books and help in preparing your case for the allotment committee. 1943 balance for transportation refugees from Istanbul to Haifa approximately \$16,500 covering 185 persons. For similar transportation for approximately 2,100 persons from January through May this year approximately \$150,000. This includes 1200 persons who came by sea from Rumanian port, 342 persons who came by sea from Greece and balance persons who came through Bulgaria by overland route for the maintenance of these groups in Turkey approximately \$14,000. Above figures do not include cost of sea transportation which estimated at \$500,000; this is exclusive of projects for future emigration concerning which I cabled from Jerusalem. We are asking for no appropriations until careful check-up to determine final figures but would request you transfer immediately \$50,000 to British Passport Control Office, Istanbul for use of Chaim Barlas as advance against transportation costs Istanbul to Haifa. Will cable final figures at the earliest opportunity address in care of American Consulate General, Istanbul .

STEINHARDT

CAW WSB

HIS-589

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

Ankara

Dated July 3, 1944

Rec'd 3:39 a.m., July 5

Secretary of State,

Washington.

¹²¹¹~~3011~~, July 3, 11 p.m.

The War Refugee Board Ankara No. 84. Please deliver following message from Joseph Schwartz, JDC for Moses Leavitt;

Please transfer \$100,000 to Hollantse Bank, Istanbul, account Gilbert Simond International Red Cross for purchase additional food or shoes for Rumania, Theresienstadt, Slovakia, et cetera. Also advise status application for license purchase 20,000 pairs shoes. This is the proposal concerning which we cabled month ago. Still hopeful obtain favorable rates though not certain. Address American Consulate, Istanbul.

STEINHARDT

RB RR

SECRETOPTTEL No. 216

Information received up to 10 a.m., 3rd July, 1944.

1. NAVAL

Owing to shelling, unloading in most eastern assault area suspended. Two minesweepers sunk by mines off CHERBOURG yesterday. The port of PIOMBINO was opened for tank landing ships and tank landing craft on 20th.

2. MILITARY

FRANCE. Officer commanding remaining German troops in N.W. corner CHERBOURG Peninsula surrendered 1st. Counter attacks against bridgehead over ODON have been repulsed with considerable loss to the enemy in infantry and armour and German concentrations have been successfully broken up by artillery.

ITALY. Poles have occupied OSINIO. East of LAKE TRASIMENO German withdrawal continues and U.K. troops have reached ST. SEVERINO 8 miles N.E. of CAMERINO and are 10 miles S. of GUBBIO. West of the lake U.K. and South African troops occupied FOIANO and SINALONGA respectively, latter without contact. French troops are within two miles of SIENA and further west U.S. armoured formations have advanced another three miles towards VOLTERRA. CECINA is firmly in U.S. hands and heavy fighting continues N.E. of the town.

BURMA. Our troops advancing from the north are now established within five miles of UKHRUL and have carried out small raid on UKHRUL itself.

RUSSIA. In central sector Russians have reached a point 45 miles west POLOTSK; have cut the railways POLOTSK-MOTODECZNO and MINSK-MOTODECZNO and have reached a point 16 miles E.N.E. of MINSK. Advancing from SLUTSK they have cut the railway MINSK - BARANOWICZE, 40 miles N.E. of latter town.

3. AIR OPERATIONS

WESTERN FRONT. 2nd. 665 heavy bombers (1 missing) dropped 2,721 tons on flying bomb supply and launching sites; at one site photographs show bombing well concentrated on aiming point but elsewhere results difficult to assess owing to cloud. Little offensive activity over NORMANDY owing to adverse weather; a bridge over ORNE hit; 13 enemy aircraft destroyed; four Allied missing.

ITALY AND YUGOSLAVIA. 1st. 531 medium, light and fighter bombers attacked objectives in north and central ITALY, Fighters over YUGOSLAVIA destroyed or damaged eight locomotives, 17 motor vehicles and 74 railway wagons.

HUNGARY. 2nd. 670 U.S. heavy bombers dropped 1,324 tons on four railway centres, two oil refineries and an airfield all in BUDAPEST area. Enemy casualties by bombers and escorting fighters 57, 14, 15. Allied - 16 bombers, 8 fighters missing.

German activity from 6 a.m., 1st, to 6 a.m., 2nd. 169 flying bombs launched, 19 destroyed by fighters, 12 by A.A., and 13 by balloons, total 44.

During 24 hours ending 6 a.m., 3rd, 113 flying bombs launched of which 91 crossed coast. None operated between 3.15 p.m. 2nd and 12.45 a.m. 3rd.