

DIARY

Book 752

July 10-11, 1944

- A -

	Book	Page
Appointments and Resignations (Bernstein, E. M. (Glasser, Harold Promoted to \$8000 - 7/11/44.....	752	291,292

- B -

Bank for International Settlements See Post-War Planning: International Monetary Conference, Bretton Woods, New Hampshire Bernstein, E. M. See Appointments and Resignations Business Conditions Haas memorandum on situation, week ending July 8, 1944 - 7/10/44.....		96
---	--	----

- D -

Dickerson, C. A. See Procurement Division: Surplus Property, Disposal of		
---	--	--

- G -

Glasser, Harold See Appointments and Resignations		
--	--	--

- L -

Lend-Lease Weekly reports July 11, 1944..... " 18, 1944: See Book 755, page 273 " 25, 1944: Book 758, page 50 U.S.S.R.: Cargo availability for July 1944 - 7/10/44..... United Kingdom: Aircraft despatched, weeks ending June 23 and 30, 1944 - British Air Commission report - 7/11/44.....		311 109 313
---	--	-------------------------------

- P -

Post-War Planning International Monetary Conference, Bretton Woods, N.H. Bank for International Settlements Proposal by Norway for dissolution discussed by American delegation - 7/10/44..... (See also Book 755, pages 170,203 - 7/18/44) a) Cochran (Merle) reports on BIS reviewed by HMJr: See Book 755, page 177 b) United States proposal outlined: Book 755, pages 191,214		50
---	--	----

Post-War Planning (Continued)

International Monetary Conference (Continued)

Bank for International Settlements (Continued)

HMJr-Hull conversation reported to American delegation -
7/18/44: See Book 755, page 210

Acheson-Brown reaction against tying Resolution to
Fund discussed by HMJr, White, Luxford, Vinson, and
Schmidt - 7/19/44: Book 756, page 44

Keynes' extreme displeasure and proceedings to date
reported by HMJr to Vinson, White, Luxford, and
Schmidt - 7/19/44: Book 756, page 53

a) Keynes' suggestion reported by Vinson:
Book 756, page 62

b) Keynes' memorandum to HMJr after talking to
British delegation - 7/19/44: Book 756, page 70

Conference; present: HMJr, Vinson, Luxford, White,
and Schmidt - 7/20/44: Book 756, page 119

a) Motion suggested by Luxford based on Keynes'
draft

Netherlands' attitude discussed by American delegation -
7/20/44: Book 756, page 134

Conference; present: HMJr, Keynes, Acheson, Wolcott,
Vinson, White, Luxford, Schmidt, Bolton, and Ronald -
7/20/44: Book 756, page 137

"Fund shall have right to communicate views
informally to any members on any matter" -
discussion of British point of view - 7/10/44..... 752 54
(For clause see page 89)

Charges (minimum percentage) payable by a country on
Fund's holdings of its currency in excess of its
quota - discussion by American delegation - 7/10/44.. 84
(See page 90)

Scarce Currency: Discussion by American delegation -
7/11/44..... 177

"Public Ignores Bretton Woods" - Office of War
Information report - 7/11/44..... 277

Revenue Revision: "Twin Cities Tax Plan" - resumé of -
7/10/44..... 93

Procurement Division

Surplus Property, Disposal of

Dickerson, C. A. (Merchandising Chief for Paper):
Experience record - 7/10/44..... 107

Special items valued in excess of \$50,000, as of
July 10, 1944 - 7/11/44..... 293

Revenue Revision
See Post-War Planning

Taxation

"Twin Cities Tax Plan": See Post-War Planning
"Twin Cities Tax Plan"
See Post-War Planning

U.S.S.R.

See Lend-Lease

Bretton Woods
July 10, 1944
9:00 a.m.

QUOTAS - LATIN AND SOUTH AMERICA

Present:	Dr. Goldenweiser	Mr. Acheson
	Mr. Cox	Mr. Angell
	Mr. Luxford	Mr. Ness
	Mr. Wright	Mr. Bernstein
	Mr. Miller	Mr. Keed.
	Mr. Ivan White	Mr. Wolcott
	Miss Newcomer	
	Mr. Durbrow	
	Mr. Spence	
	Mr. Wagner	
	Mr. Vinson	
	Mr. Brown	
	Mrs. Morgenthau	
	Mrs. Klotz	
	Mr. White	
	Mr. Gardner	
	Mr. Eccles	

H.M.JR: I think we had better start. I think Mr. White's Commission starts at nine-thirty.

MR. WHITE: I have just decided to postpone it until this afternoon because the reports of the various Committees which are mimeographed and supposed to be in the hands of the various Delegates last night, to give them an opportunity to go over it carefully and be in a position to vote one way or another, or at least to know the stand they are going to take, were not distributed until this morning; and as one reads it over, it is too complicated to expect Delegates to be able to follow it and discuss the matter intelligently. So we decided to postpone it until two-thirty this afternoon. There is other work that can be done, anyway.

H.M.JR: Then I am stuck with the American Delegation for the morning.

MR. WHITE: That is right.

H.M.JR: Gentlemen, the Quota Committee met yesterday and I don't know how good a horse trader I am - I never

liked that sort of thing, and have never done very much of it.

Anyway, I feel that as President of the Conference, and Chairman of the American Delegation, I don't like to bear down on these people. So I was fairly gentle with them - maybe I was too gentle. But I feel as the host here it is difficult for me to tell them, "You take this and like it."

But I think the other members of this Committee felt that we would have difficulty with the Netherlands. They took what we suggested to them; they didn't accept it. They said they would cable London. On the other hand, they did not seem upset.

(Mr. Acheson and Mr. Angell enter the conference)

H.M.JR: In the case of Czechoslovakia, he got quite emotional and European. He said he had, sometime during the past year, figured it out according to some formula that it was going to be one hundred and sixty-five million dollars, and we were only offering him a hundred; and then he compared himself to France and some of the others in the export business, and he got quite excited.

We let him get excited and we told him to think it over, that the Quota Committee was available and I was available, and would he please think about it.

(Mr. Ness enters the conference)

H.M.JR: In the case of Chile we did a little fumbling on our papers, so we took to loafing until we could get our papers, which showed forty-five million. I don't think they were too upset because, after all, we had a figure of fifty in mind.

Then I was a little under the weather last night before the thunder storm came; after the thunder storm came, it sort of cleared things up for me. I was lying here and Dr. Kung came down. Well, I saw him alone, which may have been foolish. He informed me that in Asia, Europe, and the United States it has been published that he was to get six hundred million dollars. So I told him that I didn't have the advantage that he did of reading all the papers, and I hadn't seen it. He is very adamant about it.

(Mr. Bernstein enters the conference)

H.M.JR: We have a round-about way of finding out a few things that are going on in the Chinese Delegation and I am fearful that their Kuomintang has taken a position on this thing, politically, and just how difficult they are going to be, I don't know. He, on his own accord, brought up the question - he was going to see the President tomorrow and did I want him to take up this question with the President? So I said no, that so far I hadn't bothered the President with anything, that the President was busy with military matters and I thought it was a mistake, and I had full power to act.

"Well, then, what about the foreign exchange question?"

I said that the President directed me - and I explained that - and that Mr. Stimson had written me a letter asking that I act on behalf of the War Department, not only in this country, but in the Asiatic field - for them on this matter, and we have our very good working arrangement with the State Department.

So we were doing a little talking. I don't know whether we can stall them on the six hundred million until the end of the week, but it will be the end of the week before we could get down to talking with him on a settlement on their rate question, which involves a great deal of money.

And I had asked that General Clay, who is Deputy to General Somervell, who has handled this, and Professor Acheson, to come to Bretton Woods to advise with me, because the check will be drawn on the War Department so I naturally want them present. And I thought if Mr. Acheson would direct one of his assistants - if Mr. Vincent, who went with Henry Wallace is back - whether he could come directly here to bring me up to date and sit in on this Conference.

MR. ACHESON: We will get whoever knows all about it; if Vincent is back, we will get him.

H.M.JR: If it could be Vincent - who is he?

MR. ACHESON: John Carter Vincent.

H.M.JR: We won't get to this before Thursday, and we have Sol Adler here - he has just returned from Chungking - I mean our Treasury man.

Well, I would like to stop there. If any of you members of the Quota Committee would like to embroider what I have said, I will appreciate it.

MR. ACHESON: I think on Chile and Czechoslovakia there is more excitement than you had thought. The Chileans are quite upset. I don't think there is anything we can do about it; I think we will just have to stay firm.

H.M.JR: Weren't we willing to go up five million?

MR. VINSON: We had come down five; we had the fifty million figure but when Colombia was increased from twenty million up to forty-five, the figure we had yesterday was forty-five million for Chile.

MR. ACHESON: The Chileans wanted the third largest in South America. Cuba now is the third largest with fifty, therefore they want to be up with Cuba. They also want to be ahead of the Colombians.

MR. WRIGHT: I talked to them later this morning. They just don't want anybody above them except Brazil and Mexico, as of this morning.

H.M.JR: Would you mind repeating?

MR. WRIGHT: As of this morning they are perfectly willing to have someone tie with them for third place, but they don't want anyone ahead of them except Brazil and Mexico. That is as of fifteen minutes ago.

H.M.JR: If we are going to talk on South America, could I just break in and let Mr. Luxford report his conversation with Mr. Machado in regard to the voting? I think if he could give that report - it all fits in - so could we just break off a minute?

MR. LUXFORD: I would just report that after talking with Machado last night - he spearheaded the fight for two Elective Directors from Latin America who are the whole Fund--

H.M.JR: Give us that radio voice - talk a little louder.

MR. LUXFORD: Thank you.

He was extremely pleased at getting the two sure seats for the American Republics, and apparently everyone is pleased now, except Brazil, and on the basis of some discussions some of us had with Brazil this morning, there is good reason to believe that perhaps Brazil, too, will fall in line on that proposal.

MR. ACHESON: Oh, good.

MR. LUXFORD: If they do, then you have a pretty strong bargaining position with all of the American Republics, including Chile. We have given them some very substantial concessions when it comes to representatives, so you may not have to be nearly so lenient on the question of increasing quotas by another five million. I would say further that the Latin American countries are really operating as a unit.

Machado came in and showed me a table of all the quotas of the Latin American countries. Obviously he has talked to every one of them. He has compiled a chart now so he knows what the quota of every country is. They have a pretty definite machine, and he assured me we could get a vote on any issue we wanted to, and get the support of the whole group if we would just let them know in advance, because they are so happy about having two positions cinched on the Directorate.

MR. ACHESON: How did you get Brazil around?

MR. LUXFORD: Well, Machado had breakfast with the Minister this morning and I also spoke to Boucas. He explained to them that they would have a better chance of naming a Director in the American Republic technique than they ever would if they went their own way. That is, now it only takes about four thousand votes to elect a Director in the American Republic setup, whereas it would take over five to do it in the over-all picture. So he is just telling them - "You have a choice between two uncertainties, and this is the better of the two."

But we still have another meeting as soon as this is over, with the Brazilians, to see if we can't button it up.

H.M.JR: I thought that was right along the lines - would you want to proceed, Dean, please, after hearing this, on the South American issue? You were saying something.

MR. ACHESON: I was just saying that this Chilean thing will probably cost you ten million dollars, if you raise Chile and raise Colombia. I think you are going to need that before you get through with the Czechs, who are really quite up in arms about that.

H.M.JR: Would it be agreeable to the American Delegation if, for the moment, we concentrate on the American hemisphere and let's put everything on the table, if that would be agreeable, because I have another thing. Could we possibly settle the American hemisphere first and then approach Europe? Do you think that is an intelligent way?

MR. ACHESON: Yes.

H.M.JR: All right, because I have silver here. If we could make Mexico happy, you see - would you mind reading that (hands Mr. Luxford memorandum)?

If it is agreeable to everybody, let's see if we can't, in our own minds, settle the approach on the North and South Americas.

MR. LUXFORD: This is from the Mexican Delegation, dated July 10: "My dear Mr. Morgenthau: I wish to make reference to the conversation we had on Saturday last during which you were kind enough to ask me to express informally the views of the Mexican Delegation regarding silver. Mr. Monteros has informed me that at the suggestion of the American Delegation he had agreed to postpone the discussion of the first Mexican proposal in order to see if some agreement was possible regarding the inclusion of silver among the collateral securities which the Fund might take when waiving the conditions set forth in Article Three, Section Two of the proposed draft. He has informed me also that he has discussed with members of your staff some satisfactory wording which would be submitted to our Delegation for approval.

"On this point I wish to state that we believe that such inclusion could not constitute in any manner a deviation from the fundamental principles underlying the Fund's transactions, inasmuch as the Fund may waive the conditions of Article Three, Section Two even without any security at all. On the other hand, we feel certain that you appreciate fully the extent to which this specific reference to silver may help us gain public support for the Fund in Mexico.

"Regarding our main proposal, I am submitting herewith three alternative proposed drafts, any one of which would, in the same order as presented, satisfy our position. As regards this second proposal, we believe that it would be reasonable. Conscious as we are of the general prejudices against silver, we do not wish to insist on a thorough and extensive analysis of the international aspects of the silver question; rather we are taking the position, in conformity with Mexico's long-standing policy of fair dealing in international monetary matters, that we are willing and ready to cooperate in any reasonable world monetary scheme, although as you well know, Mexico may not need, for some time, to avail itself of the facilities which such a scheme may entail.

"Therefore we believe that if the Fund is established it should at least give a fair trial to silver, and that if the verdict is favorable, the Fund should have authority to extend its support to silver in monetary metal which might prove to be as useful to the international community as to many peoples in the world.

"I feel certain, Mr. Secretary, that you will agree that Mexico's position is more than reasonable. I appeal to you to support our modest requirements. By so doing you will undoubtedly further the cause of international cooperation to which all of us are committed without in any way altering the basic principles of the Fund.

"I shall be at your disposal in order to discuss this matter further if you find it necessary. --Suarez."

Here are the proposals: Alternative A: "The Fund shall determine the feasibility of using silver collaterally with gold for settlement of international balances, and shall take such action as it deems adequate to promote such use."

Alternative B: "The Fund shall take such action as it deems adequate in order to protect the stability of silver in the international markets."

Alternative C: "That the Fund shall determine the proper role and function of silver within the international monetary structure, and shall carry out whatever policy it deems appropriate to further that role and function."

At first reading it looks quite clear that the last alternative is perhaps the most innocuous.

MR. VINSON: Would you read the proposals again, please?

MR. LUXFORD: Surely. Keep in mind that all of these are alternative proposals and, as I see it now, without prejudice to their position, using silver as collateral.

(Mr. Luxford re-reads the foregoing alternatives)

MR. WHITE: He had a small committee meeting at which he submitted some of these with some changes, and we agreed among ourselves that the third alternative was the only possible one that could be adopted, and we thought probably we might be all right. We asked him to make it as innocuous as possible. The first two they don't really expect to get, they just put them down; they think they have a chance of getting the third.

H.M.JR: What is the third?

MR. LUXFORD: It simply states, in effect, that the Fund will consider what role silver should have in the international picture and carry out whatever it deems appropriate to further that role.

H.M.JR: That has nothing to do with taking silver at eighty percent collateral?

MR. BROWN: That is another clause which Mr. Gardner got which I think is innocuous.

MR. WHITE: They want the other one in.

MR. LUXFORD: They want that, also.

MR. BROWN: It might be that Mr. Gardner would read it.

MR. GARDNER: I could perhaps distribute it at this point. (Mr. Gardner distributes document)

MR. WHITE: Incidentally, they couldn't postpone that meeting until this afternoon so they made it eleven-thirty.

H.M.JR: Which meeting?

MR. WHITE: The Commission meeting which I thought we could postpone until two-thirty, which means we would like to end here about ten-fifteen. We will need at least an hour to go over our position--

H.M.JR: Mr. White, I will try my best to cooperate with you.

MR. WHITE: Thank you. No man can do better.

H.M.JR: Gardner, would you speak, please?

MR. GARDNER: Yes. This is the last paragraph of Alternative A, Section 2. The article closes by saying that the Fund may waive those conditions and this is the new language under which the Fund may waive the conditions that apply to a member who is buying foreign exchange from the Fund: "The Fund may, in its discretion, and on terms which safeguard its interests, waive any of these conditions especially in the case of members with a record of avoiding undue use of the Fund's resources. In making such waiver it shall take into consideration large" - I believe that word "large" may come out - "...periodic or exceptional requirements of members."

Then the Mexican language: ("The Fund shall also take into account a member's willingness to pledge as collateral gold, silver, securities, or other acceptable assets having a value sufficient in the opinion of the Fund to protect its interests; and may require as a condition of such waiver the pledge of such collateral.")

Was there a question of putting market value in there, Mr. Brown, or was that deliberately ruled out? I thought yesterday that was going to be "market value."

MR. BROWN: I might explain the history of it. While you were out of the conference, Monteros got a lot of resolutions which were tying up the work of Committee Two. Bernstein was with me there. I suggested to Monteros, with Mr. Bernstein's approval, that he postpone discussion without in any way committing the Delegation on the belief that Bernstein and I had in this clause which refers to collateral, that some mention might be made of silver, which would mean absolutely nothing, but which would give the Mexican Delegation a chance when they get back to Mexico to say that they got the word "silver" into the agreement.

Subsequently, the idea - still while you were away - was discussed with the British Delegation - Keynes, who said he disliked the use of the word "silver" but in order to placate Mexico and Bolivia and Peru, and some of the other Latin American countries who are strongly

supporting the Mexican suggestion, said he was willing the word "silver" should be included in a collateral clause. The Mexican language is bracketed.

I think the first half of this sentence represents an effort by France, which has gummed up the works by asking for accumulative access in the Fund, to withdraw from its position without losing its national dignity. Monteros was a member of that committee.

So far as the general discussions go, he thought that if the Mexican silver thing was put in with the withdrawal by France - which the first sentence really largely amounts to, in my opinion - that it would make it easier.

Personally, subject to discussion, I don't see that this thing means a single thing, or adds a single thing to the agreement, but it means the Mexicans can go back and report that silver is recognized as having some value for collateral purposes.

H.M.JR: You are satisfied with that part which is in brackets, but you are not satisfied with the other?

MR. BROWN: I haven't fully considered the other part. I am satisfied with the bracketed part.

H.M.JR: Do you recommend to the American Delegation that we accept that part? Is that the idea?

MR. BROWN: I would, myself - the bracketed part.

H.M.JR: Gentlemen, what is your pleasure on the bracketed part? We are just trying to straighten out North and South America at the moment.

MR. COX: Mr. Secretary, may I just add one sentence, that the position of Mexico and Peru and Bolivia, I should think, is enough disconnected from the position of the special Silver Committee and the Congressmen representatives of the Silver States so you really have North and South America involved in those two proposals.

H.M.JR: In the bracketed part?

MR. COX: Yes.

MR. BROWN: I have had nothing to do with these other alternate suggestions which Mr. Luxford drew up. I think that some of the Silver Senators would regard this as having gotten recognition for political purposes, but I am not a Congressman and I don't know them.

Marriner, you come from a Silver State. Do you think this would be of any political value?

MR. ECCLES: Why, I think as long as Congress authorizes the purchase of domestic silver at seventy-some-odd cents, I think that is what they are interested in rather than just verbiage. That takes care of the silver end of it. It is being taken care of now and no doubt will continue to be.

H.M.JR: We have a definite proposal before this American Delegation. This sentence which is bracketed here, I would like the American Delegation to express their views - whether we should accept that part which is bracketed.

MR. ECCLES: I think we should accept it. Silver does have some collateral value as a commodity. We are just recognizing the collateral value, whatever it is.

MR. VINSON: And, of course, it could be used as collateral without the inclusion of the specific word "silver." Now, my notion is - Senator Wagner may be closer in touch with some of the Senators - but my guess is that just the word "silver" in the plan will help us in the silver bloc.

MR. WAGNER: I think so. Four years ago I was Chairman of the Platform Committee and we had difficulty and finally we got in the word "silver" and that seemed to satisfy all. I am trying to get a copy of the platform. I don't know just what we said, but they all rejoiced. I see no objection to it.

H.M.JR: Does anybody see any objection to this so-called bracketed part?

MR. WOLCOTT: I think, Mr. Secretary, it should be the very last thing we should do, and I think we should put you in a position where you can fight against all of these things. I don't think we should be in too much of a hurry to accept this.

H.M.JR: Just among ourselves, so we understand each other - Mr. Wolcott?

MR. WOLCOTT: I say that I don't think we should give it out. We will leave that to your discretion and you can give it out at the proper time.

H.M.JR: For trading purposes. But if the Quota Committee could feel that the Delegation approved this or disapproved it, it might help us with Chile or with Mexico.

MR. WHITE: There is no problem we have with Mexico, so there really is no trading.

MR. LUXFORD: I think that is what Mr. Wolcott had in mind; hold this back and take it at the last minute to get them to withdraw these alternatives.

MR. WOLCOTT: Yes.

H.M.JR: I think your advice is excellent, but I would like to know, as Chairman of the Delegation, whether I have the approval of the Delegation of this bracketed part or not, to use at the appropriate time.

MR. WOLCOTT: It would be all right with me.

H.M.JR: Anybody else?

(No reply)

Then I take it the American Delegation approves this bracketed part and I will so consider it, and we will use it to the best advantage and at the right time, with the advice of this Quota Committee.

Now, that being settled, let's go back again once more to this letter of Mr. Suarez. He sent some messenger down here, knowing that we had a nine-thirty meeting, and said would I please read it before the nine-thirty meeting. And what is your pleasure in regard to this letter?

Do I understand, Ned, that you have been studying this thing - I mean, the question of trying to delay the whole proceedings in Committee Two? I think Mr. Bernstein will bear me out - he said he thought the language had been found in the waiver clause which would do it. So far as these three alternatives are concerned,

- 13 -

I never heard of them or discussed them with anybody.

MR. WHITE: They were just drafted late last night.

H.M.JR: Do you want to take these and, with those people associated with you, and study them and report back tomorrow morning?

MR. BROWN: I don't, because I think it is too fundamental a question of policy. Personally, I don't like any of them, and I think that Mexico would be largely satisfied with mere inclusion of this waiver clause and pretty nearly willing to drop the three alternatives, from the little impression I have gotten. I haven't been in Commission Three which has discussed silver.

MR. LUXFORD: We haven't discussed silver.

MR. ECCLES: They didn't bring it before Three; they brought it before Two. That was the trouble.

MR. WHITE : They are going to introduce it in Three and they are merely requesting your reaction before they do so. In response to the Secretary's request that they tell him just what they want, they had intended to introduce the stronger clause in Three - and they are going to introduce it in three.

H.M.JR: When?

MR. WHITE: When the Commission meets, either today or tomorrow.

MR. VINSON: Mr. Secretary, I think that the matter is so fundamental that we ought to consider it and act upon it at some subsequent meeting.

MR. LUXFORD: In the meantime, simply advise the Finance Minister that we have the matter under consideration?

MR. VINSON: Yes.

H.M.JR: What Commission does that fall to?

MR. WHITE: Commission Three.

H.M.JR: Who is the leader?

MR. WHITE: The waiver clause which has already passed belongs to Committee Two of Commission One.

H.M.JR: Who is the American leader on Three?

MR. WHITE: Does anybody here remember who is on Commission Three? Senator Wagner, I think - we didn't know who was going to be put on.

MR. WAGNER: I haven't heard of it before.

MR. WHITE: Well, Three hasn't met yet, and they didn't know what they were going to take up until a couple of days ago. Nothing has yet come up on the thing.

H.M.JR: Will you be willing to take this?

MR. WAGNER: I will take anything that I am asked to do. I am so ignorant of the subject that I think it would be better to have someone else there. I am not talking about being modest about anything, I just know I don't know, which helps a little.

H.M.JR: Inasmuch as you are going to be the American leader in Three, might I hand this letter to you? (Hands letter from Mr. Suarez to the Senator)

Among either the Delegates or the experts, there are plenty of people around here who understand the silver problem - the State Department, the Federal Reserve, and the Treasury - so there are plenty of people to advise you.

MR. WAGNER: If it involves silver, Mr. Chairman, I think it would be better to have somebody else than a man from New York, because we are a gold State.

MR. ECCLES: West Point - looks to me like it might be a silver State--

H.M.JR: We are neither silver nor gold; we are not a producer. Listen, the fellows down in the Bowery don't care one way or the other.

MR. WAGNER: I know what they care about!

H.M.JR: Five-cent beer?

MR. BROWN: Mr. Secretary - just for a second on this waiver - we will have a fight in Commission One or Committee Two unless this thing can be at least introduced by Mexico as an alternative at the Commission meeting. That is what their case is. It applies to one of the most important sections of the whole Fund document; that is the right of access to the Fund.

MR. WHITE: I thought it was already agreed to accept that.

MR. BROWN: Except that Congress and Mr. Wolcott and the Secretary, I understand, didn't want to accept it unless these other questions are disposed of. I think it is a mechanical thing. It is almost impossible to handle it.

H.M.JR: No, excuse me. What Congressman Wolcott said was - or I understood him to say that the American Delegation, having approved it, it was at my discretion to use it at the appropriate time.

MR. WOLCOTT: Right. I didn't think we should close the door against your being able to use it at the appropriate time.

MR. BROWN: You can't postpone it in the committee work, Jesse. I think you have either to accept it or pass it. I think it would be unfortunate if we went into the Committee without clearing the language of the English.

MR. WHITE: Ned's point is that if you are going to use that as a bargaining power for the other, it has to be settled before this morning.

H.M.JR: Which does?

MR. WHITE: The second one. Because if you are going to say, "We will support you on this waiver if you withdraw the other," then that decision would have to be made this morning, because this morning that matter will come up and we will have to take a position on it, and you will lose whatever bargaining power you may have. You can't postpone it.

MR. WOLCOTT: Would it come up in the Commission this morning?

MR. WHITE: Yes.

MR. WOLCOTT: Have we adopted it in the Committee?

MR. BROWN: No.

MR. WOLCOTT: Then how is it coming up in the Committee?

MR. BROWN: Because they will propose it as an alternative in Commission, provided they know the U.S. will support them in it.

MR. GARDNER: I think what will happen is this. The underlined language coming out of the Committee headed by Mr. Istel will be presented at the next opportunity, and the moment that that is presented, the Mexicans want to follow with their additional language. That is the psychological moment for them.

MR. WHITE: It will be possible, since we are in control of that, to defer that immediately back, if you have time.

MR. WOLCOTT: Possibly. I don't have clearly in my mind the machinery of this. I understood that we passed everything in the Commission which hadn't been discussed in the Committees.

MR. WHITE: Well, owing to the lateness of the date, they have taken the position that a lot of the subcommittees of the Committees, instead of reporting back, have been transferred into a subcommittee to report directly to the Commissions.

MR. WOLCOTT: Assuming that we want to leave this with the Secretary to use, and that it would be premature and not to our benefit to discuss this in Committee because the Secretary might want to use it as leverage against something else, couldn't that be passed?

MR. WHITE: Yes, I think we could take the second part and refer it back to a committee that way. We could take the first part and either act on that or take the position that, in lieu of the additional material which is being presented, more study is required.

MR. WOLCOTT: You control that?

MR. WHITE: Yes.

MR. WOLCOTT: I think, with all due respect to the technicians and everyone else, in respect to silver, that is no longer an economic question; it is purely and simply a political question.

H.M.JR: No argument there.

MR. GARDNER: I hope, Mr. Secretary, the Delegation will have an opportunity to pass on this underlined language, which is that of the Istel Committee, because I am a technician who is on that Committee and have deferred giving approval to this language until I could clear.

H.M.JR: Mr. Gardner, give me a minute and I will come back to that language. In view of what Mr. Wolcott has been saying, I mean, I was at the point of asking Senator Wagner whether he would handle this for me, and he made his usual over-modest statement.

MR. WAGNER: It wasn't over-modest.

H.M.JR: But you also said you would do anything you were asked to do.

MR. WAGNER: Well, of course I will. We all feel that way, I am sure.

H.M.JR: I am going to ask him to do it now. I take it from what the conversation has been that Senator Wagner would have twenty-four hours in which to turn around on this thing?

MR. WHITE: Yes. There is this problem, however; we are depending on Mexico, both because of their ability and because of their gold which will help us out in any tight spots. Those tight spots may begin from the moment the Commission begins.

Now, if you keep them in suspense about this they may not be depended upon, because this is their big thing. So if the thing could be settled, if possible, this morning, I think it would be very helpful.

H.M.JR: I don't think he can settle it here.

MR. WHITE: No, no.

- 18 -

H.M.JR: If we break up at approximately quarter past ten, would Senator Wagner be free to go into it at that time?

MR. WAGNER: With whom?

MR. WHITE: I think the same Committee that is considering it. Anyone who is interested can go right downstairs in the office, and I certainly think that Mr. Eccles and Mr. Wolcott and Mr. Brown should be there, and I think all the Congressmen who are available should be there, because that is strictly a political question. Anybody else who is interested can go right downstairs.

H.M.JR: Then why don't we say the members of Congress, plus Mr. Brown and Mr. Eccles, and the technicians, and gather - and who from the Treasury?

MR. WHITE: Well, I think that Mr. Gardner is enough on the technical aspects.

H.M.JR: Anybody from State?

MR. ACHESON: I don't think we need anybody, but Mr. Wright can help you.

H.M.JR: Right after this meeting - would that be agreeable to you?

MR. WAGNER: Is it to the other gentlemen?

(General agreement)

MR. WHITE: We could go right downstairs. There is a committee room right next to our office. We can meet there.

MR. WAGNER: What is that number?

H.M.JR: W-1.

MR. LUXFORD: Is it the thought that this subcommittee will decide what attitude we are going to take on these other proposals, so they can right then and there advise Mexico, for instance, "If you will withdraw these, we will accept the other"?

MR. WHITE: That is what we hoped for.

- 19 -

H.M.JR: May I ask--

MR. WAGNER: I understand our Committee is to discuss this thing among ourselves and reach a conclusion and come back to the full Committee here.

H.M.JR: What Mr. Luxford said - if you would be willing to do it in the interest of speed, I am more than willing to delegate full authority to act for this group opposite Mexico, and if necessary, if you feel like sending for Mexico and making a bargain with her then and there, fine.

MR. WAGNER: Is that the wish of the Delegation here?

H.M.JR: Would that be agreeable to the Delegation?

MR. BERNSTEIN: I understood what we were doing with this waiver decision on silver was to agree on the principle of it. As Mr. Brown mentioned, in order to be sure of putting it through in Committee Two, we ought to see what the U.K. experts should say about that language. They will agree to silver, somehow, and it may be that the Committee will want to be able to tell the Mexicans that they think they can put this language through.

MR. VINSON: But the big point is, gentlemen, that the alternatives that have been suggested here this morning in this letter have to be decided at some time. If we have agreed on the language in the brackets, as far as our Delegation is concerned, if that will take the alternatives out, fine. But we certainly must stop, look, and listen before either one of those proposals find their way - the alternatives - find their way into the plan, because as I heard it read, you are giving power to the Fund to determine what part silver shall play hereafter. That means that you will have in the discussion in Congress and in our country as well as other countries, the possibility of going toward bi-metallism, and it is clear to me that we as a Delegation must stop, look, and listen before these alternative proposals would be adopted.

MR. BROWN: Mr. Secretary, may I make this suggestion to you? I would be willing to say for myself - I don't know whether the other Delegates are concerned -

that I would be opposed to any one of these three alternatives, but I would tell Mexico that we will support this bracketed language but that we will oppose any one of the three alternatives suggested.

Now, they may later bring up some others, but to my mind any one of those three alternatives should be rejected by the American Delegation. If they want to bring up some later, we can discuss it de novo, but we have made our attitude pretty clear and, based solely on my talk with Monteros, my impression is that he will fight to the end.

He expects to lose, and he is prepared to lose, and he would really prefer to lose, but he would like to get this in for political purposes, and it means nothing.

Now, I would like to have somebody from the State Department who is familiar with Mexico - Collado, or somebody - maybe Mr. Wright - he isn't present - but I think, with all due deference to the subcommittee and the Delegation, that we could pretty nearly vote those two alternatives down.

What do you think, Marriner?

MR. ECCLES: I don't know why you can't settle it now, so far as I am concerned, because I agree with Ned completely. I think that you would have a lot of trouble with some of the other Delegations if you put that in. If you try to placate Mexico you just open up a Pandora's box elsewhere.

Certainly when the issue came before our Congress you would have the whole question of bimetallism discussed again. I don't think it makes any sense in our monetary system. I think we should recognize it very frankly.

MR. ACHESON: I think Mr. Wright's view is that the Mexicans will fuss about this for a little, but I think you can get by with it.

There is a point in connection with what Judge Vinson said, that if anybody is considering any of those three alternatives, they ought to be very careful; particularly "C" which you said was the least innocuous, I think has a back-lash.

MR. WHITE: "A" and "B" have worse.

MR. ACHESON: "C" says the Fund shall determine it.

MR. WHITE: You read "A" and "B" more carefully and you will see that they are worse.

MR. VINSON: Then they are all bad. "C" will give rise to a debate in the Congress on the fact that you are turning over to an international body the determination of the place of silver in international settlements, which the Silver Senators think they have a place in. I will bet you they will object to the language.

MR. WHITE: You couldn't bet any better. That is why we will object to it. I think the Silver Senators would think they had a great victory if they got any one of them, and even "C"--

MR. VINSON: As I understand it they will probably think they got a great victory in taking the bracketed language.

MR. WRIGHT: Mr. Chairman, I feel we can satisfy Mexico on the one provision - on the bracketed provision - and if they do bring in something that is to the satisfaction of the entire group - pretty innocuous - just mention silver again.

MR. VINSON: Yes, mention it twice.

MR. WRIGHT: I don't see any reason to mention it twice.

MR. WHITE: Let's get this clear. They are asking for the support of the American Delegation. Obviously, they would very much like to get it. But if they don't get it, that is no reason why they should - but say they put it in Commission Three, anyhow. That is no reason why we should endorse it - but I mean, it will be in.

MR. WRIGHT: They will make a rumpus, but we don't have to follow. The real thing they want is that bracketed language.

H.M.JR: Let me see if I can interpret what has been said. What you gentlemen have been saying is, there is no use going into the meeting because most of you are opposed to these suggestions of Mr. Suarez; therefore Senator Wagner, if he would, might see him, with somebody from the State Department, and simply tell him

it is agreeable to us to give him the bracketed language, we having first checked with the English Delegation that the bracketed language is agreeable with them.

MR. WAGNER: Why wouldn't it be better to see the entire Committee rather than just the one man.

MR. VINSON: I think that is the way to handle it.

H.M.JR: All right, see the whole Committee and tell them we can go along with the bracketed language, having first cleared with the English, and simply say, "Look, old man, we will go along with you on this; we can't go along with you on the others; and we hope that you will be agreeable."

MR. WAGNER: I was going to ask, supposing we haven't got the word "silver" in there in this bracket. Couldn't it be used as collateral, anyway?

MR. VINSON: Yes.

MR. BROWN: It can be used under the agreement.

MR. WAGNER: They will say, "You are not giving us anything; we are getting it anyway."

MR. WRIGHT: They are getting something politically, Senator. If they can go home and use the word "silver" that will fix them up.

MR. BROWN: Monteros told me it would be a great thing, politically, for them in Mexico, and it meant absolutely nothing. He knows it means nothing.

H.M.JR: Now, Bob, have you enough of the attitude of the Delegation?

MR. WAGNER: I sure have!

H.M.JR: Will you take it on?

MR. BROWN: It is agreeable to you if we told them we would have nothing to do with the three agreements?

- 23 -

MR. WOLCOTT: The House has passed overwhelmingly on this thing on three different occasions. I wouldn't attempt to sell this to the House; if we were turning over to the Fund something which we refused to do on our own initiative, we couldn't do it.

MR. VINSON: Period!

H.M.JR: Again, have you got enough?

MR. WAGNER: When do we meet together, now we are all here?

H.M.JR: I would suggest immediately after the adjournment of this meeting.

MR. WRIGHT: Unless you want to mess up your commission meeting this morning.

MR. WHITE: It depends on when we start.

MR. VINSON: Mr. Chairman, if that is determined, Mr. Gardner has a question as to the underscored language.

H.M.JR: Senator Wagner asked a question and it hasn't been settled yet.

MR. VINSON: I thought you had just turned it over to him.

H.M.JR: He was asking - just one minute--

MR. WAGNER: No, I wanted to find out when the Committee that is here now, Brown, Eccles, Wolcott, Spence, Reed - we were to meet, I understand, and we meet now, right after this conference is over down at W-1, I think it is. You are all notified.

MR. WHITE: Send for Suarez immediately and he will be there in a few minutes.

MR. WRIGHT: You don't want the British first?

- 24 -

MR. WHITE: I don't see why. All we are saying is what we will support, and on this the British can have no legitimate objection to including the language. We don't have to speak to them about that.

H.M. JR: I don't see what harm there is in speaking to the British. It takes only a couple of minutes.

MR. WRIGHT: I hope it is what we agreed on. We would be in an embarrassing position.

H.M. JR: Yes, I said so.

MR. VINSON: Mr. Chairman, let's let the Delegation delegate to this Committee to approve any change in the draft that the United Kingdom may present in this bracketed language.

H.M. JR: I go further than that; I said earlier that I gave this subcommittee full power to act to agree on a conclusion and come back and tell us what they did.

MR. VINSON: I was just leaving off the last part in regard to any minor changes in the draft without reporting to the Delegation.

H.M. JR: All right. They can come back with an accomplished fact. All right, Bob?

MR. WAGNER: Yes. I said maybe--

MR. WHITE: It is clear they may go to Commission Three. I don't know - they may get enough votes to defeat it. But before it comes to a vote in the Commission, we will have to find out how many votes there are, before it comes to a vote. This is not the end.

MR. WOLCOTT: I feel very strongly that we are going up against an awful lot of opposition in Congress.

MR. BROWN: They can't put anything into the Fund by agreement of the action of Commission Three.

- 25 -

MR. WHITE: I don't think so; I don't know.

H.M.JR: Can we go ahead to the underlined language, if Mr. Gardner wants some guidance? Let's discuss that.

Mr. Gardner, give us the pros and cons.

MR. GARDNER: This is all that is left of an alternative that the French introduced, which would liberalize the quotas instead of holding countries in their use of the quotas down to twenty-five percent a year, which is the American provision - so that no country can ever draw more than twenty-five percent a year without the consent of the Fund. The French wish to make that cumulative, twenty-five percent the first year, up to fifty percent the next, seventy-five, and in four years' time they would have the whole quota lying open to them whether they had made any use of it or not. They would have the right to draw the whole quota overnight.

We opposed that, and as a substitute for that, this language here was developed which says that if you are drawing more than twenty-five percent of your quota a year, you must have the consent of the Fund, but the Fund can give that consent subject to this language which is underlined. That, too, seems rather innocuous. The Fund doesn't have to let a country draw more, but it may, and it does indicate it should give sympathetic consideration to those countries which have large seasonal movements like Australia - Australia was also interested in this French suggestion - or which may, from time to time, have very substantial adverse balances because they are one-crop countries, and so forth. The Latin Americans are also interested - Brazil is very much interested. But it seems to be rather innocuous because nothing can be done without the Fund's consent.

MR. ECCLES: What about Australia, on this, Walter?

MR. GARDNER: Australia is the only one in this Group, Istel Committee, which said that they would still have to reserve, but they were very mild about it.

- 26 -

They apparently are on orders to make their case, but it was perfectly clear it would be a routine case if this language got through.

MR. BROWN: What about the Russians? They accepted the French proposal.

MR. GARDNER: The Russians back us in rejecting the French proposal on this.

MR. BROWN: They have changed, already?

MR. WHITE: Yes.

H.M.JR: What is your pleasure, lady and gentlemen?

MR. ECCLES: Well, this gets over a pretty tough spot that we couldn't get settled in the Committee. It went to the Commission and the Commission referred it back to the Committee and the Committee referred it to a sub-committee, and apparently this would clarify it. It says the French - it satisfies the Russians who supported the French, and although it doesn't completely meet the objections of the Australians, it makes their objection less vigorous. They would be more mild in pressing for their position. Isn't that right, Walter?

MR. GARDNER: Yes, definitely. It means they will put up with sympathetic consideration rather than a right to draw.

MR. BROWN: What do you think of it, Harry?

MR. WHITE: I think what Walter and Marriner said is correct. I think we ought to take the word "large" out. It gives a misleading impression. I think it is a happy solution to a difficult problem, although we would have liked the whole thing out if we had our choice. I would urge that they take the word "large" out. I think it saves the face of a number of countries without making any material difference.

H.M.JR: Anybody else like to speak on this question?

- 27 -

MR. COX: I have one suggestion on a possible minor change in language. It looks as if you are placing a premium on the non-use of the Fund, which publicly raises some questions as to why you do it. You might say the same thing by saying, in the case of members, it lines the Fund up with the limit of the quota.

MR. GARDNER: That is exactly what you do. You place a premium on avoiding undue use.

MR. WHITE: I don't know how to get around it, Oscar, because the assumption is that someone can make undue use, and we are supposed to protect it against that. If you can think of some better word--

MR. BERNSTEIN: You might use the words "limited use."

MR. WHITE: Or, "...members with an excellent record in the use of the Fund."

MR. ANGELL: "Moderate use."

MR. WHITE: Well, any moderate use should be prohibited. I think they might be able to improve on that phrase and have them accept it.

H.M.JR: Let's understand each other. Judge Vinson is the leader in Commission One, so you will have to handle this.

Do I take it that this underlined language, changing or eliminating the word "large" is agreeable to the American Delegation?

MR. ECCLES: They just suggested they thought they could improve on it. I would suggest that it be left - approving the thing in principle and leaving it up to the technicians to maybe improve on the language in that section that refers to avoiding undue use of the Fund, and possibly do something else.

- 28 -

H.M.JR: You have heard Mr. Eccles' suggestion that the American Delegation approve of this in principle. If there are any improvements that can be made, we will leave it to Judge Vinson, the leader, to work it out with his assistants.

MR. GARDNER: I might say, Mr. Secretary, that this, too, will require quick action. This language has been agreed by the Committee and the French, and Mr. Istel is anxious to refer it to Commission.

H.M.JR: The Judge is not on the Silver Committee so right after this adjourns, if he has nothing else to do, if he would concentrate on that--

MR. VINSON: That is all right.

H.M.JR: There is no reason why this and the silver thing shouldn't be settled before lunch time.

MR. WAGNER: All right.

MR. VINSON: Mr. Secretary--

H.M.JR: If you please--

MR. VINSON: There is an ad hoc committee which has been appointed to consider the question of the newly-mined gold and also the reduced participation in gold. I would like to have the instructions of the Delegation as to the extent to which I should go in expressing our opposition to the effort, as I see it, to materially weaken the Fund.

As you will remember, both of these issues were submitted to the Russians as part of the consideration for increasing the quota to a billion, two hundred million dollars, and I think that it was the viewpoint of the Delegation, and the American position, to oppose the alternatives that have been presented in each of these issues.

- 29 -

You will recall that a member country may pay in gold twenty-five percent of the quota or ten percent of the gold holdings, whichever is less. Now it is proposed in the devastated and occupied countries to further reduce the contribution in gold. I feel that it is an impairment of the strength of the Fund.

As I understand it, that is the American position because they opposed. I have been informed that in a subcommittee handling the matter, they have isolated the United Kingdom, prior to the amendment that the Committee adopted, and as I understand it, the United States had no support in the subcommittee. They limited the reduction of the gold subscription to devastated or occupied countries. That takes the United Kingdom out and makes it unable to utilize - takes them out of the class of countries that might reduce their gold subscription.

That, of course, strengthens our hand, because I assume that from the conversations that have gone before that the United Kingdom would take the position that if you reduce the gold subscription in the devastated or occupied territories, that they would say they had been attacked - devastated - and so forth. But in my judgment, and in the judgment of the technicians and the Delegation - because we have had this matter under consideration several times - weakens the Fund initially.

What I would like to know is just how strong you desire the American position to be stated. I think as a practical matter, the weakening of the Fund in this respect weakens our position in securing the adoption of the Fund in the Congress.

MR. WHITE: I don't think we can take a position on that now, for this reason: You have given the Russians alternatives and included in those alternatives that you would go back to the original position in the event they accepted nine hundred million. In that original position we agreed with them that we were supporting the twenty-five

- 30 -

percent reduction, or rather, it had been the understanding there would be a support of twenty-five percent, and also the newly-mined gold provision.

Now, I don't know whether they are going to come back with that - they may not--

MR. VINSON: Russia hasn't given any consideration to our viewpoint in regard to the matter, because they haven't answered us with reference to which one of the proposals they will take, and they are now presenting their claim to the subcommittee, seeking to secure this proposal, and in the event they agreed upon one billion, two, they would also have this provision which, as I understood it, was one of the more important concessions that we sought Russia to yield.

MR. WHITE: Yes, Judge, I am merely suggesting that the matter be deferred for discussion, so that if they accept the twelve hundred, then you can oppose it.

On the other hand, if they say, "All right, in no circumstance will we take the nine hundred," then we are in a little different position.

MR. VINSON: If they accept the one billion, two, they accept it upon the terms submitted; they would yield about the newly-mined gold and the reduced participation.

MR. WHITE: But the reduced participation is now wanted by other countries so we would have to oppose it. But supposing the Russians come back with nine hundred, and my understanding was they were going to notify you on Monday, I think.

MR. VINSON: That is right.

MR. WHITE: So we would expect to hear from them today. I am wondering whether it wouldn't be desirable to just defer that until at least tomorrow. By then you will have heard the Russian position, and I think you will be in a clearer situation.

- 31 -

MR. VINSON: I will undertake to get the ad hoc Committee if it is called today, to be deferred. Is that the consensus of opinion?

MR. WAGNER: Stand pat, you mean?

MR. VINSON: To defer consideration until we hear from Russia.

MR. WAGNER: Yes.

MR. VINSON: And of course, then we will know where we stand.

MR. WHITE: You couldn't very well tell them the reasons, could you?

MR. VINSON: I wouldn't hardly think so. I could tell the Russians that we didn't think they ought to push this matter, and then maybe secure it, and then say we want one billion, two, also.

MR. WHITE: Quite right.

MR. SPENCE: Wouldn't that be a violation of their agreement, if they take the one billion, two?

MR. VINSON: Of course, they haven't yet told us, and every little bit added to what you have makes a little bit more.

MR. WHITE: They have got to be in a position where they fight this thing, because if they are in the opposite position at this time, then they will be licked before they start. They don't know the answers, or at least the people lower down are supposed to go into the committee meetings and still try to get what they initially did, so they could have no objections to deferment, and that would solve the problem for another day.

MR. SPENCE: If they accept the one billion, two, they yield on the others, don't they?

- 32 -

MR. WHITE: That is right. Then we would only have to oppose the other countries which want the reduction, which would be a simple matter.

MR. VINSON: Perhaps this is a practical question; how do the votes add up on the ad hoc committee if Russia doesn't yield on this?

MR. WHITE: Do you remember who is on there - what countries? They will be supported by all the liberated countries, and on the twenty-five percent reduction; they will not be supported on the gold mining, because Russia is the only gold-mining country. India might support her, but that is all. And even if the ad hoc committee did favor it, I think they could be defeated in the Commission.

MR. VINSON: I understand, then, that the purpose will be to secure deferment of this discussion until tomorrow, until we hear from Russia.

MR. WOLCOTT: Haven't we a pretty good argument against that with respect to the terms and conditions under which the neutrals and the enemy countries may participate later on? The precedent that devastation will be considered in lieu of gold, perhaps Germany will have a right later on to come in and say, "We were devastated and you will have to put us on an even keel with you; we have got to take into consideration the fact that we were devastated, we haven't got the gold, and so we have to rebuild Germany, in order to put us on an equilibrium with you people."

MR. WHITE: It would play a much greater role, not with Germany, because I suppose by the time we get through with her she won't have any gold, and won't be able to mine any, but the countries who have the gold and who would come in, are not the ones who are devastated, so I don't know that that is a - in Germany we expect that whatever gold she has will be taken away.

MR. VINSON: I think I have the understanding as to the course to follow.

- 33 -

H.M.JR: Now, Mr. White asked to adjourn at fifteen.

MR. WHITE: Unfortunately, there are a couple of points--

H.M.JR: You mean you want to take up a couple of points?

MR. WHITE: I think you ought to take up a couple of points.

H.M.JR: Then that doesn't count?

MR. WHITE: No, I didn't think we would take so long before getting to them.

H.M.JR: What do you want to do now, put the clock back?

MR. WHITE: One is, I received a letter from Keynes marked "personal" and "private" which there is no reason to be, either, as far as the American Delegation is concerned. I will read it very quickly because it gives the arguments: "The location of the Bank and the Fund. I see that there has been tabled a proposal that the Bank as well as the Fund should be situated in the member country having the largest quota. I am tabling a postponing proposal for the Bank exactly similar to that which I have put in for the Fund.

"This seems to me a most difficult matter to settle here and now, whatever the outcome may be, since the seat of international bodies in general is now under special consideration at the Foreign Office. I think we shall all be able to see our way clearer about this at a later date.

"I write particularly to tell you that I have just had a telegram from the Chancellor of the Exchequer to say that I must not agree to anything on the matter of location without his express authority. This is an extra reason, since this will be an issue most difficult to discuss by cable, why if you can possibly see your way to it this issue should

be put off. We shall certainly want to meet your views about it to the utmost extent possible, but you will appreciate that there are many valid arguments against a draft by which all these bodies are placed in America. One would have to think about it a great deal before one was sure this was wise from everybody's point of view. Though that there are arguments both ways I am very well aware." (Letter to Mr. White, dated July 9, 1944)

The only comment I would like to make on this, if you don't get this settled in the Conference, it certainly is reduced, and that is why they want to postpone. Maybe they hope to get some arrangement whereby they will get some and we will get others. I think it is important enough for us to push the issue here in Conference where I am sure we will get a favorable vote. I don't know the British reaction, but that might come up this morning.

They have tabled a resolution and we can either defer it or we can get a vote on it, unless the British make a motion.

H.M.JR: I would like to ask the Congressional Delegation, in getting this sort of thing through Congress how important would it be in your mind if you knew in advance where the Fund and the Bank were going to be located - or if it was just up in the air and you didn't know where it was going to be located?

MR. WOLCOTT: I think, Mr. Secretary, it would have a very material effect. We have several questions involving Great Britain which are very embarrassing to Congress - what is going to happen to her outposts here in the Western Hemisphere, and several things like that. We are all pretty well tied up, and there has always been a certain jealousy that the financial center of the world is London, England.

We think that the Congress will take the attitude that if we are going to participate in the Fund and the Bank to the extent that we are, that we should have the Fund and the Bank - the Directors should have the benefit of American thought, be influenced by American thought and British thought. I think it is a very material thing.

H.M.JR: I take it then, your feeling is that if it could be settled that the base of operations is the U.S.A. that would help get it through?

- 35 -

MR. WOLCOTT: I think so, materially.

MR. SPENCE: I think it would have a very powerful effect on the Government.

MR. REED: There is no question it would have a marked effect favorable to the whole proposition.

H.M.JR: Senator Wagner?

MR. WAGNER: I agree with the Congressman. I think it would almost be fatal not--

H.M.JR: Then the answer is fairly obvious that we have got to fight it out here and now.

MR. WOLCOTT: It has to be determined before we submit it to Congress, anyway.

H.M.JR: Well, this is the place to do it. If it is left in the air, the inference could perfectly well be made - well, we didn't want to do it here, because--

MR. WHITE: Well, the public will know that we have withdrawn it. That is what makes it serious, because that was in our earlier draft. They will know it was withdrawn and they will read into it even more than might otherwise be the case.

MR. WAGNER: Why did we withdraw it?

MR. WHITE: We would be withdrawing it if we didn't do this.

H.M.JR: Unless some Delegate feels otherwise, I would like to have Mr. White answer Mr. Keynes that we feel that the matter has to be settled here at Bretton Woods.

MR. WAGNER: And how it should be settled, too!

MR. WHITE: They know if it is settled, that is the way it is going to be.

- 36 -

MR. SPENCE: If it is settled, it will be settled in our favor here?

MR. WHITE: That is right, with the possibility of reflecting or expressing the views that were expressed by the Congressmen and Senators here, it would be much easier to deal with Keynes.

H.M.JR: You can tell them that these Congressional Members are adamant on it.

MR. WHITE: Now, they will try to postpone, and so forth, and there will be several things up their sleeve, but we will push for it.

H.M.JR: You had better get a cable off to John Anderson at once.

MR. WHITE: That is his affair. I don't think we have to wait until they agree.

H.M.JR: Something else, Mr. White?

MR. WHITE: I have another one here. I am afraid it will take longer to discuss and I am afraid we need the time more. Walter, that is the one that you wanted to raise, which I think everybody agrees is important--

MR. GARDNER: It would be put off until tomorrow.

MR. WHITE: I think it could be put off.

H.M.JR: Now, just before we adjourn, is it the pleasure of the Delegates that we meet again at nine o'clock tomorrow morning?

MR. WHITE: I am afraid between now and tomorrow there will probably have to be other decisions and other discussions. I would suggest the possibility of an evening meeting. We will have to make decisions pretty rapidly now.

- 37 -

MR. BERNSTEIN: May I have one minute of the Delegation's time on the meeting of the Committee you appointed yesterday on charges?

H.M.JR: If you wait one minute, I will give you the minute. But let's just have this question up. Do you feel we should meet tonight?

MR. WHITE: I think so.

H.M.JR: What time can you people comfortably be here?

MR. ECCLES: Eight-thirty or nine o'clock.

MR. WHITE: We are having a Bank meeting tomorrow night. I wondered, could we meet at five o'clock, by any chance, here - or four-thirty to six-thirty?

H.M.JR: Instead of tonight, do you mean?

MR. WHITE: No, sir. People here have another meeting tonight. Dean, what do you think? That is your baby on the Bank.

MR. ACHESON: I thought if we had the meeting tonight on the memoranda we are drawing we might be able to shorten the work for the Delegation.

MR. WHITE: I am pretty sure that things will come up here that will need action, but they may not. Could you set it tentatively for four-thirty, or something like that?

H.M.JR: Yes, I have nothing to do but this. Let's set it at four-thirty. If we don't get through, we can meet again tonight.

MR. ACHESON: What do you have in mind for four-thirty?

MR. WHITE: The meeting here for the things that will come up today. We are pushing through on the Fund

- 38 -

now, and there are a number of decisions that may have to be made. If none such appear as a result of the discussions, then the meeting needn't be held in the afternoon.

MR. WAGNER: The Russians will have notified us by that time?

MR. WHITE: Supposed to today.

H.M.JR: I think it is a good thing we should meet and if there is no business, we will adjourn.

MR. WAGNER: Go out and get drunk.

MR. WHITE: You don't have to go out!

MR. WAGNER: I haven't been in so long; I don't know just what you do.

MR. ACHESON: You have not decided the Chilean question.

H.M.JR: I am willing to let the Quota Committee settle it, so White can go ahead with his meeting. Let's say we will meet at four-thirty.

Now Mr. Bernstein wants one minute.

MR. BERNSTEIN: Your Committee on Charges met yesterday and they are all in agreement that we reject the two major changes proposed by the U.K. and accept one minor change. If we could have the approval of the Delegation, Mr. Gardner could go back to the British technicians and present the views of the American Delegation.

H.M.JR: You had better state them.

MR. BERNSTEIN: We had explained to the Delegation what they were before last week, and since the changes are so minor we thought, with the unanimous approval of the Committee you appointed yesterday, we might avoid going through another explanation of the other technicians.

- 39 -

H.M.JR: What is your pleasure?

MR. BERNSTEIN: My suggestion is that this Delegation approves what the Committee did yesterday and authorizes Mr. Gardner to go back to the British technicians.

H.M.JR: I don't know what they are--

MR. WHITE: You need more than a minute, then.

H.M.JR: I don't know what they are, and Senator Wagner doesn't. I think you had better do it at four-thirty.

MR. WAGNER: The fact I don't, isn't important.

H.M.JR: But I don't know, either. I would like to know, too. Then I will see you all at four-thirty.

Bretton Woods, N. H.
 July 10, 1944
 4:30 p.m.

FUND-QUOTAS-PUBLICATION OF MONETARY REPORTS

Present: Mr. Sweetser Mr. Collado
 Mr. Durbrow Mr. Wright
 Miss Newcomer Mr. Eccles
 Mr. Wagner Mr. Bernstein
 Mr. Cox Mrs. Klotz
 Judge Vinson
 Mr. Acheson
 Mr. Luxford
 Mr. White
 Mr. Spence
 Mr. Brown
 Mr. Wolcott
 Mr. Somers
 Mr. Miller
 Mr. Ness
 Mr. Angell
 Dr. Goldenweiser
 Mr. Gardner
 Mrs. Morgenthau

H.M.JR: Gentlemen, Walter Gardner told me when we broke up this morning that he had something he and Mr. Bernstein wanted to whisk before the Committee.

MR. GARDNER: Shall we start on those two matters?

MR. LUXFORD: The charges.

MR. GARDNER: There was a third matter that wasn't quite settled at the morning meeting, that was the Committee language.

H.M.JR: Here is the American Delegation. Make the best use of your time, if you would, please.

MR. GARDNER: Would it be possible, first, to get that cleared?

H.M.JR: Clear anything that you have on your mind.

-2-

MR. GARDNER: Have you preserved your papers that were passed out this morning on this matter of the waiver in which the discussion was mainly devoted to the Mexican sentence that brought in silver as collateral? There also was the Istel Committee language on which we had some further talk afterwards. Possibly Senator Wagner would want to report upon that part of our meeting.

MR. WAGNER: We had a full attendance with only one Congressman who apparently was otherwise engaged, missing.

MR. GARDNER: Well the language of the Istel Committee that we have to deal with was that--

H.M.JR: This isn't the matter that came up before Senator Wagner?

MR. WAGNER: No, we discussed it after we got through with the foreign representatives.

H.M.JR: The reason I am taking up Walter Gardner first is that he saw me last after the meeting and he asked whether he couldn't--

MR. WAGNER: I thought we were going to talk about charges before we got on the silver question.

MR. GARDNER: This is also something that has to come before the Commission as soon as possible.

H.M.JR: Would you rather do charges first?

MR. WAGNER: Oh, no, no I have no preferences at all.

MR. GARDNER: All three are of almost equal importance, but this I hope you can finish in just a few minutes and have it out of your way, because it was discussed this morning. You recall the language, "The Fund shall also take into account a member's willingness to pledge as collateral gold, silver, securities, or other acceptable assets having a value sufficient in the opinion of the Fund to protect its interests; and may require as a condition of such waiver the pledge of such collateral."

-3-

Then the French language "especially in the case of members with a record of avoiding undue use of the Fund's resources. In making such waiver it shall take into consideration large periodic or exceptional requirements of members." There were two words in that which were questioned, as I recall this morning. First, avoiding undue use of the Fund's resources. The idea, I think was looked upon as good, that the countries that do make a sparing use of this Fund and do after they have employed, those countries ought to receive special consideration. But the idea that any country should be permitted to make undue use of the Fund, which seems to be implied in this language, raised a question in this group. I would like to suggest a different language, especially in the case of members with a record of avoiding large or continuous use of the Fund's resources, as being really what the group had in mind in using the word "undue". Undue sounds as if it were illegitimate, but large or continuous may be legitimate but it starts something you want to encourage.

The second word which was questioned this morning was large periodic or exceptional requirements.

But should we discuss undue first?

MR. WAGNER: I don't think that particular sentence-- the words were discussed this morning. We did discuss undue. But your proposal now sounds better to me.

(Mrs. Klotz enters conference)

MR. WHITE: It is a definite improvement over undue

-4-

DR. GOLDENWEISER: I should think, Mr. Secretary, that large and continuous ought to be satisfactory language.

MR. GARDNER: If that is the case, then I think the French would themselves really accept it and we could leave it to Mr. Istel to clear with the Committee, if it is agreeable to the American Delegation.

H.M.JR: Now, don't go too fast. Is it clear to everybody here?

MR. WOLCOTT: No. I know what you have in mind, but you have the word "large" used in the next sentence. You use it in a second meaning in the other sentence.

MR. GARDNER: I think it was questioned in the second sentence. The thought was that might come out.

MR. WOLCOTT: If that comes out it would be all right. You wouldn't want to use the word large in two different ways with two different meanings.

H.M.JR: Anybody else have a question? I think, if you would read it just once more to make sure.

MR. GARDNER: I'll read the whole sentence, and indicate where the French language begins. "The Fund may in its discretion and on terms which safeguard its interests, waive any of these conditions". Now the French language. "Especially in the case of members with a record of avoiding large or continuous use of the Fund's resources. In making such waiver, it shall take into consideration periodic or exceptional requirements of members."

MR. WAGNER: Sounds all right to me.

H.M.JR: Everybody satisfied? (No reply) All right. You have thirty-three and a third percent success now.

MR. GARDNER: Good!

-5-

H.M.JR: Incidentally, Oscar, could you find out where Bernstein is? Is he lost or stolen?

MR. GARDNER: I may say that I happened to pass him going to this meeting and he said he was not coming.

MR. LUXFORD: I think he had something he had to work out this afternoon.

MR. WHITE: And Senator Wagner and whoever he wants with him must go to that five o'clock meeting of Commission Three.

MR. GARDNER: I think the next thing to clear up is representations.

H.M.JR: Just so we understand. Who is going to Commission Three?

MR. WHITE: Senator Wagner is in charge and he should go. Anybody else who is interested or anybody else among the technicians that he wants, should go.

MR. WAGNER: I think Luxford is going with me.

MR. WHITE: Luxford and one of the State Department boys, and probably Pete ought to go, too.

H.M.JR: Then I am going to ask Senator Wagner-- Walter Gardner, you will just have to step aside for a minute while I ask Senator Wagner to make a report on what he did this morning, please.

MR. WAGNER: Of course, we discussed the matter that Mr. Gardner talked about afterwards. We met the Delegation, the Committee met the Delegation and we explained to them the best we could, every one of the members of the Committee participating in the discussion and expressing their individual views to the Delegation from Mexico. And we told them pretty definitely that the Delegates couldn't agree to any one of those three alternatives. They argued

-6-

quite at length but very decently. They thought that the third one would be--certainly they didn't see any objection to that and we explained to them that the words seemed to be all right, but the implications may not be, and that it is a psychological question, in addition to being a mere question of words, and that we would have difficulty in Congress with any one of the three alternatives adopted. And they accepted our views on that. I mean, they were disappointed but accepted the views. Then they suggested some additional words that may be put somewhere, such as, I don't recall exactly, the other members of the Committee might correct me, they said something like this. "The Fund be authorized to investigate, or rather, to study, any question that deals with Monetary policies." Were those the words? Those aren't the exact words, I know. Do you remember exactly what they were?

MR. GARDNER: I don't recall that they had the exact words--studying monetary problems of interest to members.

MR. WAGNER: We emphasized there were two things: First, the word "silver" shouldn't be mentioned, and secondly, that the proposal should not come from Mexico, because there, again, would be the implication that it is a silver question or the study wouldn't be sought. So they agreed to that, too. Now, how we are to do it, I don't know.

MR. ECCLES: They agreed to let that come up in Commission Three, and they would submit the exact language of their suggestion, and would not hold up the taking up in Committee Two of Commission One, the proposal that we discussed this morning and agreed upon.

MR. WAGNER: I think that I made the suggestion that they ought not to propose it.

MR. ECCLES: That's right. They agreed they wouldn't. But the point is, they were willing to let this go through, the language in the brackets that we considered this morning, to go through in Committee Two of Commission One,

-7-

and have somebody else bring this other up in Commission Three, and they would submit today or tomorrow, some exact language that they would suggest, either our Delegation or the Cubans, would bring up.

H.M.JR: That is agreeable, Senator Wagner, to your group?

MR. WAGNER: Absolutely. Each one of us discussed the matter with them. It wasn't any one-man proposition.

MR. WOLCOTT: As I understood it, they were going to submit some proposed language to us before it came up and we could agree on it.

H.M.JR: That sounds like a good day's work.

MR. WAGNER: I might just add that they are as smart as other people, too; when we tried to persuade them this bracketed language that we thought was sufficient, they recognized that that was already there, so they weren't much deceived by that. And we didn't try to deceive them.

MR. BROWN: They acknowledged it would be of value to them on the political home front in Mexico.

H.M.JR: Well, now, does that conclude the report on the Mexican thing?

MR. WAGNER: Yes.

MR. BROWN: One thing I would like to add. I think that Senator Wagner and Congressman Spence and Wolcott and Reed who were present decided not to clear the language of the United Kingdom before taking it up with the Mexicans, on the theory that there would be danger that there might be a feeling in the Congress that we were giving too much to the United Kingdom, and before the language coming into Committee, somebody has to clear it with the British. Otherwise, they will object. They have agreed in principal to include the word "silver", but they may object to the use of the word "securities" or "assets" or something of the sort.

-8-

H.M.JR: Was that up to the American Delegation to do that or will the Mexicans do it?

MR. BROWN: It is up to us to do it.

H.M.JR: Senator Wagner, will you take that on?

MR. WAGNER: Yes. I should have added that the Congressional Delegation that was there, all asserted the same thing, that any one of those three alternatives would have a difficult time in Congress, and probably it would be the end of our effort to bring about a monetary fund.

H.M.JR: Well--

MR. WAGNER: That is the end of that.

H.M.JR: Everybody has heard Senator Wagner's report. Does anybody want to raise any question? If not, we adopt it. And might I just say at this point, Mrs. Morgenthau and I had lunch with the Belgian Delegation and there was a Czech there and also a Netherlander, and the fact that the Congressional Delegation is here and working as hard as they are, impresses the foreigners very, very favorably. They think it is most unusual. They like it and they think it is a good omen for the ultimate disposal of the work here, and I thought you gentlemen might like to hear that.

MR. WAGNER: You are getting some free dinners, aren't you?

H.M.JR: Well, they are all free up here. They are all on the taxpayer, so it doesn't make much difference where I eat.

MR. WHITE: Try and get one.

H.M.JR: We all get three meals and a dollar a day play money.

-9-

MR. WHITE: You get your free meals if you go in the dining room.

H.M.JR: Now, what else Senator Wagner?

MR. WAGNER: Nothing else that I have to report, unless there is some inquiry made.

H.M.JR: No, we have adopted your suggestion.

Now wasn't there another Committee this morning?

(Mr. Bernstein enters conference)

Was it just Senator Wagner's Committee? Oh, I asked Mr. Acheson whether he wouldn't--and the others of the Quota--wouldn't see Chile. That was the thing, and I gather that they didn't have an opportunity.

MR. ACHESON: Yes.

H.M.JR: Oh, there you are. Hello.

MR. ACHESON: I spent several hours with the Chileans with Mr. White. The Chileans are quite unhappy and they make the sole point that they want to have the same quota as Cuba. They don't care about having it raised, but they would like to have Cuba lowered. They said we ought to do that. We couldn't raise Chile because then we would start raising everybody and we would come to the end of the money and would have a lot of trouble. We said the same thing over again for about three hours, at the end of which they said they would telegraph their Government, but I think they have accepted it.

H.M.JR: What do you recommend?

MR. ACHESON: I would just leave it alone.

H.M.JR: In the vernacular we sit tight.

MR. ACHESON: Yes, that is what I would do.

-10-

H.M.JR: Right.

MR. GARDNER: There is something--

H.M.JR: I am going to get you the song entitled, "Take it Easy!" Those of you who go to Commission Three, is there anybody who has to go to Commission Three who would like to bring something up? It is five of five now.

MR. WAGNER: There isn't anything there to bring up, is there?

H.M.JR: There is a number of things we want to discuss that Gardner and Bernstein have. Would it be agreeable to you that those of us who stay behind--would it be agreeable that either what Bernstein or Gardner bring up, that we say "All right we will give them approval?" Or did you want to hear it?

MR. WAGNER: No, I don't want to hear. I will ask afterwards about it.

H.M.JR: But those of you who go, would you give the rest of the American Delegation authority to go ahead and clear what Bernstein and Gardner want?

MR. WAGNER: Surely, I will.

H.M.JR: Well then if you would stay as long as you can--

Are you going to Commission Three, Bernstein?

MR. BERNSTEIN: No, sir.

MR. WHITE: Congressman Somers ought to go, because I don't know how much silver or other things might be discussed. There is also one other question that would interest the Committee.

H.M.JR: That would be Congressman Somers and Congressman Reed. Is Congressman Reed here?

-11-

MR. WAGNER: He was at the meeting. He was very faithful there.

MR. WHITE: I don't know whether anything would come up.

H.M. JR: Congressman Somers, would you attend Commission Three with Senator Wagner?

MR. SOMERS: Surely, Mr. Secretary.

MR. BROWN: There is one thing I would like to speak about in connection with Three. The Delegate of Norway wants to move that the Bank of International Settlements be dissolved. He ought to be ruled out on a point of order, because the Netherlands will rise to the defense of the BIS, and it is not for Commission Three. Keilhau is a difficult man to deal with.

MR. LUXFORD: How are you going to stop it on a point of order? I don't know how you have an agenda there. If they want to discuss it, that is what Commission Three is for.

MR. BROWN: All right. You will have a disagreeable time.

MR. VINSON: What could be done, though, about its dissolution?

MR. LUXFORD: Most of these countries are stockholders in the Bank.

MR. VINSON: Well, I know, but they can take any action that they want to take--

MR. BROWN: Well, I am in a particularly difficult position, because in 1929 State Department and the Treasury Department, under the Hoover Administration, requested our Bank to join with the First, New York and Morgan in organizing a bank. The former President of the First National Bank was chairman of the conference which was attended by State and Treasury Department representatives

-12-

and American shares which were distributed to the public, none of which we own or have owned since 1935. The voting right on those shares lies in the hands of the First National Bank of New York and the First National Bank of Chicago, and Bryan spoke to me and said that if Keilhau made an attack on McKittrick, that he wanted to answer it. He thinks it is unfortunate it should be brought up. I don't know whether it is possible to squelch him, but the Bank ought to be dissolved, but I mean the place to discuss the dissolution is not here.

H.M.JR: You think it should be dissolved?

MR. BROWN: I think it should be dissolved, but I don't think it should be discussed here and I don't think that personal attacks and defenses of McKittrick's would do any good in this Conference.

MR. WAGNER: There was a judge we used to have that never wanted to hear both sides because it would confuse his mind, but we have to try. (Laughter)

MR. BROWN: But, Luxford, remember that I am in a--

MR. LUXFORD: I understand, but I think we would be in a difficult position if we tried to resist the action of Norway.

MR. BROWN: All right, then allow Bryan to reply, that's all.

(Mr. Somers and Mr. Luxford leave conference)

MR. GARDNER: As a member of the Istel Committee I shall tell them we have no objection to this language. He will report to the Commission his point. It shouldn't come in before Senator Wagner has cleared the Mexican point, because as soon as the Istel language is introduced, the Mexican wants to jump up and introduce his. Is this something--I mean, shall I hold up? Istel knows nothing

-13-

of the Mexican addendum to this language of his. I can't tell him to hold it up because an addendum is coming. But would this be definitely cleared, this language with the British? You are clearing the Mexican language with the British as the next step. Should I possibly hold Istel up until I hear from you that you have cleared with the British?

MR. WHITE: You mean Commission Three?

MR. GARDNER: No, this is the waiver language.

MR. WHITE: That is Commission Three and that is where he is going.

MR. GARDNER: I know, but the Senator is clearing up this Mexican language with the British. That has to be ready when the French language goes in.

MR. WHITE: But neither goes in until tomorrow.

MR. GARDNER: He will report to the Committee, otherwise.

H.M.JR: May I suggest that as soon as Commission Three is over you look up Senator Wagner and get together with him?

MR. WAGNER: I wouldn't take the responsibility myself. I am not a one man fellow.

H.M.JR: None of us is.

(Mr. Wagner leaves conference)

Look, you can work it out with Senator Wagner. That is agreeable to the American Delegation, isn't it, which language comes first, the French language or the Mexican language?

MR. ECCLES: It is a question of clearing with the British this afternoon sometime so you can clear it with the French by tomorrow morning's meeting. That's all there is to it.

-14-

H.M.JR: Now incidentally, do we want anything out of the French?

MR. GARDNER: No.

H.M.JR: Too bad.

MR. WHITE: We have already taken quite a slice out of them.

H.M.JR: Because we have given them an awful lot in Washington.

MR. WHITE: These boys don't know that yet.

H.M.JR: Nobody else does.

MR. WHITE: Has Mendes-France looked you up yet?

H.M.JR: No, because it is a question of Mr. Churchill and Mr. Roosevelt giving out a simultaneous release. Very, very much in the room, the deGaulle thing went extremely well and at one o'clock today the President approved all the drafts--I mean Mr. Dan Bell and Mr. Jimmy Dunn and Mr. McCloy and Admiral Leahy called on the President with a detailed draft. He has approved the whole thing. The question of how it should be released to the public, he is working it out with Mr. Churchill and with General deGaulle. The French don't know yet, either, but I thought you people might like to know it.

MR. WHITE: The French have been cooperating here a hundred percent so far.

H.M.JR: I am very pleased that I went down and had a little part in it. The President told us to draft the thing and we drafted it. It was all approved along the lines he approved it the other day, but I think that is a great step forward in the war effort. The amusing thing is, when the President wouldn't seem to recognize deGaulle, some of the unfriendly papers were criticizing the President.

-15-

Now he is indicating he is going along with deGaulle, the same papers aren't sure deGaulle is the right man. But that, as I say, is being worked out between the President and Mr. Churchill and deGaulle, but I thought the group here might like to know, because it is monetary largely, and it is successful. But please don't mention it outside the room. I don't think the press has been notified in Washington. Now, Mr. Gardner, you have been very patient. You have thirty-three and a third percent and if you would continue.

MR. GARDNER: This paper that has been passed out deals with a matter on which the British have a great deal of feeling, the matter of the right of the Fund to make reports to members and possibly to publish those reports. What we have done is to roll together the British suggestion and our own, with some modification in our own. The British suggestion is the first sentence which is innocuous. "The Fund shall have at all times the right to communicate the views informally to any members on any matter arising under this Agreement". Then comes the question as to whether those views can be embodied in a report which would be published, and the important words, from the British standpoint that we think may be reasonable, are those, "if the member agrees" in that next sentence. "The Fund may, if the member agrees, publish a report to that member with regard to its monetary or economic conditions and developments, which tend, or may tend, to produce a serious disequilibrium in the international balance of payments of members." It has to be something that affects the rest of the members. This next sentence merely means that we are making a report to the British. The British representative can be at hand an observer. "If the member has not among the Executive Directors a Director, appointed by it, the provisions of Article VII, Sec. apply." That's all that that means. And finally, "The Fund shall not publish a report which would involve changes in the fundamental structure of the economic organization of members." (Refers to Document A, attached)

-16-

This has all been cleared with various countries on a Committee that was appointed to consider it, and it can be cleared with the British in this little phrase "if the member agrees", if it is acceptable to the American Delegation. That means that the Fund cannot go over the Head of a Government and publish a report with which the Government is in disagreement or publications of which it would resent.

H.M. JR: Ladies and gentlemen, you have heard this. Are there any questions?

MR. WOLCOTT: It is kind of peculiar language "The Fund may, if the member agrees, publish a report to that member."

MR. COX: You mean publish a report about a member which can be made public.

MR. GARDNER: I am not certain whether "to that member" belongs in there. It could come out perhaps.

MR. WHITE: Keynes made a very great issue on that. He has compromised a little on his position, so he has gone some way, but he said he thought that particularly the United States Government would not wish any language other than is there, because supposing the Fund, he says, publishes a report saying that the United States Government ought to balance its budget, or that the OPA--

MR. GARDNER: Or couldn't OPA--

MR. WHITE: After the war. He gave some illustrations that were very far-fetched, but he did think that Governments might resent the possibility that the Fund could have the power to publish. It has been our thought, originally, that one of the important powers, which the Fund would possess, and we weren't thinking of the large countries, but of many of the others, would be to publish a report stating what the situation was, and analyzing it, not necessarily making recommendations, but as we all know, reports can be written

-17-

in such way that it points very clearly to some change being required. It would be an assistance to the Fund in helping to influence the Monetary policy or economic policy of any country that was pursuing a policy that the Fund regarded as inimical to the interests of the whole. We thought that the substance of that influence would largely be the published report, because a world body that publishes a report of that character would have some influence. So I think some of us were very reluctant to see that be left out. But the British are very adamant and it may be that Americans might not like that in there.

MR. GARDNER: I think we are inclined to agree that the Fund would very rarely make use of its power to publish the report. It would in general deal informally with the member and exercise its influence that way, but it would be useful to have that power in the background.

MR. WHITE: This business of subduing reports is usually not in the best interests of everybody, but--

MR. ECCLES: I don't know how that would apply to a country. We wouldn't be likely to be using the Fund, borrowing from the Fund.

MR. WHITE: We would be subject to that more than anybody else, not to this but to another one. You see, there is another provision which says that if and when a country's currency is becoming scarce--do you remember--they can publish a report to that--

MR. ECCLES: Ought to reduce the tariff.

MR. WHITE: That's right. So that unless you want this to cover the other--

MR. GARDNER: Even before the dollar becomes scarce, you could use this. Say we were creating a serious disequilibrium by failing to balance or adjust it.

MR. WHITE: We are not protected by this. What we had in mind is some country that has bought exchange from the Fund and is not coming to the Fund any more or

-18-

even is coming, in order to strengthen the hand of the Fund, it should have the authority to do that. However, they seem to feel pretty adamant on it and this represents a compromise from their views.

MR. ECCLES: Well, do I understand, then, in the other session that you referred to, dealing with scarce currencies, that they are in a position there to publish a report without our consent?

MR. WHITE: As I remember--would the lawyers say whether this is an overall--does this neutralize an earlier provision giving specific--

MR. COLLADO: In Section Two of the scarce currency, when they actually declare currency scarce, they are required to issue a report. It is permissive, but when the actual scarcity is formally announced, they are required to issue a report.

MR. WHITE: And this wouldn't neutralize?

MR. ECCLES: I certainly would not approve of that kind of a set-up, because in the one case they can go ahead and issue a public report criticizing American policy for a policy that they may be pursuing that these help to create a condition of scarce currency that would certainly be just as objectional from the standpoint of the Congressional Delegation as anything I can think of, and at the same time, exclude from the provisions the right to publish a report where either the British or someone else was pursuing a policy that we felt or that the Fund felt was an improper policy. It certainly ought to work all the way.

MR. WHITE: You think they both ought to be this way or the other way?

MR. ECCLES: Absolutely. I would not object to their both being the other way. I would prefer it. I think if this Fund is going to be effective, that after all, there is a group of impartial representatives of the countries of the world that are trying to maintain through the

-19-

management of the Fund, currency stabilization and to prohibit them from either saying to this country or any other country what in their views, based upon their studies, needs to be done, in order to meet the situation. It seems to me to weaken the Fund terrifically on both sides.

MR. WHITE: I think you have a very excellent bargaining point with the English, because the English are very eager.

MR. ECCLES: You take Keynes' speech in the House of Lords, there. He was very anxious to point out the wrong policy that America was pursuing and that has been pointed out by our critics in a good many instances, to the attitude of the British, and I think that to accept this compromise here and leave in that portion of the agreement covering scarce currency, the right of the Fund to criticize us for our policy, that it tends to bring about a condition of scarce currency--I think it would be something that we couldn't possibly accept.

MR. WHITE: Wonder whether we couldn't put it this way: I think the best chance you have of getting the British to withdraw, and if the British withdrew I don't think anybody else would object, would be to insist that they both be treated alike. If they are willing to forego the other reports, in order to get this in, then they are sincere they don't want it and I don't think it is wise to push it, but if, in other words, they could be budged, then that is the way to do it.

MR. ACHESON: But is it going to make any sense in the other work, because in the scarce currency report, it may not be the country whose currency is scarce who has caused the trouble at all. It may be somebody else. What member, then, do you have to have consent? Any member it is referred to?

MR. WHITE: You mean supposing the report deals with a lot of countries and not one?

-20-

MR. ACHESON: It may be that the currency becomes scarce because a lot of countries are buying a lot of luxury goods and doing silly things they shouldn't do.

MR. BERNSTEIN: I think it is a general report that is contemplated under scarce currency and would be made available to every member country.

MR. ACHESON: Therefore, it doesn't seem to me that that is a case where any particular country is singled out.

MR. BROWN: If a country whose currency is declared scarce concurs--

MR. ECCLES: That's right.

MR. COLLADO: There is a further point that in most cases that a country that is declared scarce is going to insist on a careful explanation of why it is declared scarce. United States isn't going to have the dollars declared scarce lightly by a few people who say why.

MR. GARDNER: In the preparation of such report and so on and so forth which is involved. That means a United States representative participates in the report on the scarcity of the dollars.

MR. ECCLES: But isn't this true, that very likely there is just as much reason for the dollars to become a scarce currency, due to our trade policy, due to the use of the dollars unwisely by countries that use the Fund?

MR. WHITE: It is equally possible, but the tendency of the foreign countries is always to assume that the fault is all ours.

MR. ECCLES: Right, and the report would direct likely the criticism toward our side.

MR. WHITE: Not at all unlikely.

-21-

Then maybe what we want is this with that other language you just suggested on the other, that if the member country, the scarce currency member agrees, then if the report is one which doesn't seem to point its finger entirely at us, unless we really are responsible--

MR. BERNSTEIN: Would it be easier to say "all reports" and then make it general for the agreement and then where it says scarce currency, then speak of the report being issued?

MR. WHITE: I think we could work it out in the language and get some direction as to policy.

MR. COX: One other possibility on policy is basically the Truman Committee procedure which could be translated this way, "The Fund may, after consultation with the member concerned, publish a report with regard to the Monetary or economic conditions of the member and developments which tend or may tend to produce a serious disequilibrium. It is not consent, but you give them a chance to put in their position. It seems to me on the scarce currency and on this question, one of the most important elements as Keynes pointed out in his speech and other people have pointed out, is the publicity that comes from the direction towards the balance of trade argument or the non-disequilibrium. If you can't publish reports, how do you straighten them out, since your other sanctions may not be sufficient to do it other than public opinion?"

MR. WHITE: It is public opinion which is the motivating force.

MR. COX: You weaken it here if any member says, "I don't want this published."

DR. GOLDENWEISER: Mr. Secretary, I have felt its importance for this reason, aside from those that have been brought out, that it is the only way that you have to reach any country that has joined this Fund and isn't using it at the time. Otherwise, a country can be a member in good standing of the Fund and pursue any policy it pleases and there is absolutely no way of calling attention to it.

-22-

It seems to me that any country that joins the Fund ought to recognize that it undertakes the obligation in so far as it is feasible to live up to its purposes and policies, whether or not at that time it is using it. I have felt that it is very important and I had a lot of talks with Keynes about that. He is extremely strong on the other side, but I would greatly regret to see it go out.

MR. WHITE: I suggested to him to increase the proportion of votes necessary to issue a report; if a member doesn't wish it, it might be some protection. Make it three-quarters instead of half. But I think it would be interesting to try that suggestion of Marriner's out and try it out on them and find out. They may give in. He claims it is a matter of prime importance in England, and he says he won't be budged on it, but that doesn't mean he won't.

H.M.JR: In order to keep moving, unless somebody--I understand Mr. White and Mr. Walter Gardner are handling this matter. I suggest that they consult with Mr. Keynes and see what they can do.

MR. WHITE: He will be consulted by Mr. Gardner. I think there are others who have been in on it, too.

H.M.JR: Do you feel you have sufficient authority to go ahead?

MR. WHITE: I get the sense of the meeting, which is, as I gather it, in favor of trying to push it through and if we can't push it through, to modify the wording of the scarce currency to give us some protection.

H.M.JR: And you report back the results.

MR. WHITE: All right, sir.

H.M.JR: Is that the second leg of your stool?

MR. GARDNER: Yes, sir, I think so. Is it clear we prefer to have that phrase "if the member agrees" out in both places and if not, get it in both places?

-23-

MR. WHITE: We feel it is out in the other.

MR. ECCLES: I would be my idea to get it out in both places. Certainly your sanctions are weak enough now and if you take this out you have a document here that hasn't very much strength left to it.

MR. WHITE: I would be glad to have the Fund have the authority to make a report if it criticizes the United States. We are not above criticism in all our policies. It might help the legislators.

MR. ECCLES: But I would like to be able to criticize the other fellow, too.

MR. WHITE: That is what we are after, here. I think we have the sense of the meeting.

H.M.JR: All right, Walter Gardner on that?

MR. GARDNER: I think that is all right.

(Distributes Table marked B, attached)

I think this is the third matter.

MR. WOLCOTT: I think maybe I was thinking a little slowly here, but is it my understanding that we are going to take that "if a member agrees" out?

MR. WHITE: If I understood the meaning, the feeling of this group is that the first order of desirability is to take "if the member agrees"-if we can't take it out here, then put something in the provisions dealing with scarce currency to give the scarce-currency country, likely to be the United States, equal protection.

MR. WOLCOTT: I think are you going to run slap up against the idea that you are turning a lot of authority to criticize the economic domestic authority of the United States over to an international board.

-24-

MR. ECCLES: We ought to take it out in the other one, if you take it out here.

MR. VINSON: What this is saying is, as I understand it, that you don't think it ought to be taken out here.

MR. COX: Doesn't the last sentence cover that to some extent?

MR. GARDNER: You would prefer to add it to both rather than remove it?

MR. WOLCOTT: It should be consistent, of course, but I think it should be in both to meet that criticism. I am just thinking in the future a bit.

H.M.JR: May I just say, I think the point that Mr. Wolcott makes is important? Whatever the language is, it should be so that the net result doesn't give the American public the impression that the Stabilization Board is in a position to criticize our domestic economy.

MR. WOLCOTT: I have this practical example of it. I have just been through this OPA fight down there and we all agreed that it was balancing OPA on pretty sensitive scales throughout the whole fight. Well, without the consent of the United States, if the Fund had been in existence then and come out and made some statement in respect to the economic conditions of the United States, which has some relationship to OPA, it probably would have been the force which might have created a little disequilibrium in the Congress which might have swayed the Congress either one way or the other. It might have been the difference as to whether we would or would not have had an OPA.

MR. COX: But the report is limited to those actions which produce a serious disequilibrium in the international balance of payments and the last sentence says the Fund shall not--

MR. WHITE: That language is broad enough so that it can be given on the grounds that the OPA was not

-25-

preventing prices in rising in the way it had been administered. It is easy enough to draw a connection with almost any legislation at all, "which may tend--." That means anything which affects the price level, anything which affects trade, and so forth, could be the subject of a report. I think the Congressman is quite right in saying that a report on that could have been done under this. The only protection we have is that the board would be very reluctant to issue reports on any matters unless they were very sure of the ground. That may not be adequate protection.

MR. COX: How about saying "which directly tends to produce a serious--"

MR. WHITE: Yes, I think that "may tend" should come out, because anything may tend, practically.

MR. VINSON: Well, the line between directly and indirectly sometimes is a little fuzzy.

MR. BROWN: I think Congressman Wolcott's point is that from a point of view of Congressman sentiment, he wants it out in both places.

MR. WHITE: He wants "the member agrees" in both places.

MR. BROWN: I think Dr. Goldenweiser's point is, he thinks that is a mistake because it loses the force of public opinion behind the Fund.

MR. WOLCOTT: Politics in the Congress, it isn't what you are, it is what the people think you are, a great many times.

H.M.JR: Well, Mr. White and Mr. Wolcott, do you have the consensus?

MR. WHITE: No, the last point raised is in the opposite direction in which we were first headed for and reraises the issue.

-26-

H.M.JR: Do you mind doing whatever questioning you wish?

MR. WHITE: The question is being raised and is gathering support that it would be desirable from the Congressional point of view to require permission of the member country who is the subject of the report before the report can be published, which I would gather was the opposite of the earlier consensus.

MR. WOLCOTT: I wouldn't want to stand on what I have said alone.

MR. WHITE: I think it is important.

MR. WOLCOTT: I would like to hear Mr. Spence or some of the other members.

H.M.JR: What do you think, Mr. Spence?

MR. SPENCE: It seems to me that these reports will be critical of the Government and you have to get the consent of the Government before they are published, that very few will ever be published. Is that true?

MR. WHITE: That's right.

MR. SPENCE: I don't think we ought to submit to having domestic policies constantly criticized by the Fund. It doesn't seem to me that would be the procedure.

MR. WHITE: On the other hand, those who are opposed to the Fund in general have stated repeatedly, as we have heard it, both in the press and in discussions--one of the big points they make is that you are not going to the roots of the difficulties, that a country is pursuing a monetary policy which can only lead to disequilibrium and all you are doing is palliating the evil.

MR. ECCLES: Furnishing them dollars.

-27-

MR. WHITE: Now what are you doing to see that they change this policy? Now our answer has been a reasonable one. We have said, if they come to the Fund, they can not get more under certain conditions unless they pursue a policy that would not lead to disequilibrium. However, they point out that there is a strong suggestion of a right of those countries to come to the Fund and there is no indication that there is no right. Now, when, we have been able to answer that up to now by saying "You are overlooking this phrase which permits the Fund to make a report public and we have said if the body justifies it and gathers international prestige so that a report coming from that body which represents the views presumably of a lot of other countries, pointing a finger at a particular country and saying the policies which you are pursuing are thus and thus," we said that will have tremendous effect and strengthen the hands of those in any country who are looking to follow the right policies. And there are always people in every country who are trying to follow what they think are the right policies. So we have been able to answer that. Now you are depriving us, or Keynes would deprive us in part of that reply. They would say, "if the member country agrees." They would say the member is appointed by the Government. Are you going to get a member who will agree to the report indicating his own administration? They say the answer is no. It is between the devil and the deep sea on that thing.

MR. SPENCE: Certainly the worst offenders would probably be those who would be less apt to agree. The United States probably would not disagree.

MR. VINSON: It is just--

MR. ECCLES: Taking all the teeth out of the thing. We weakened the sanctions the other day and now you pull these teeth and all the critics have to say about it is justified.

MR. VINSON: Well if you multiply the sanctions then the critics would find other reasons. They would say they were too severe.

-28-

MR. WHITE: I think the critics aren't going to vote for this anyhow. But I think there is merit in their position. I don't know how we can avoid--

MR. WOLCOTT: Well, tomorrow there will be released by Robert Taft, a blast at this whole situation. I think we ought to take into consideration foreseeing some of the arguments against the Fund and meet them.

H.M.JR: There will be one tomorrow?

MR. WOLCOTT: Yes, he sent me a preview of it which I have turned over to Senator Wagner, and one of the criticisms is that we turn over some part of the management of our domestic economy to an international board. Now I am just trying to protect the Fund and give it all the power that it needs to do this job and at the same time dissipate some of the argument they may have in Congress that we are turning over the management of our domestic economy to an international board.

MR. VINSON: Putting it another way, what you are trying to do is to get a Fund.

MR. WOLCOTT: Yes.

MR. WHITE: Of course we could try to get this three-quarters vote. That would give us power and also give England power, because England could amass three quarters.

MR. WOLCOTT: I am just trying to anticipate some of the other arguments. Maybe you are right. The offsetting arguments are that we haven't teeth enough in it.

MR. ECCLES: We are putting all this money into a Fund and have no teeth to keep it from being dissipated through wrong policies.

MR. WOLCOTT: Of course, we can't meet all the arguments. Where it can be done without weakening the Fund, I think we should.

-29-

DR. GOLDENWEISER: I may say, that I won't have any objection to a large majority being required. I don't believe that this is particularly important to either us or England, because both of the countries are being criticized very freely and can take criticism. It is a question more as to whether the smaller countries who are dependent upon public opinion would dislike incurring criticism that such a report would contain. I think that those countries are also the ones that are most likely to pursue a reckless policy and we ought to have, if possible, that particular method of attempting to keep them in line or at least make it uncomfortable for them.

MR. WHITE: You can almost ruin a small country as far as their chances of raising credits by a report that there is danger that lies in one of the small countries; it could indicate the policy they are pursuing is bad. Then you will find their credit will be very quickly affected, and so forth. That is why it is a tremendous weapon. But if a small country doesn't mind, it is a good weapon if it is wisely used. I think one of the objections of some of the small countries is that they are afraid to quote this Times editorial, they say that board is liable to be filled with bankers that think the way to heaven is to balance your budget. The first thing you know you will have a report saying that such a country is having an unbalanced budget, and so on and so forth. So they are afraid of that.

MR. VINSON: To publish a report at a proper time might either foster or promote internal turmoil or even revolution in certain countries, I would think.

MR. SPENCE: It would require a majority vote to publish a report, wouldn't it? It would have to be the action of the board.

MR. COX: One other possible way of doing this and that is to say the Fund may, after consultation with the member concerned, publish a report with regard to the

-30-

monetary or economic conditions of the member and developments which directly tend to produce a serious disequilibrium in the International balances of payment, provided, however, this is very rough, "that no report shall be published which primarily concerns the domestic monetary and economic conditions of a member."

MR. WHITE: Put it in with one hand and take it out with the other.

MR. ACHESON: I would like to suggest still another thought, Mr. Secretary. That is, that we leave the scarce currency provisions alone, because in the first place that has gone through the Committees and Commission and you will just get into an awful lot of trouble and it is different from this one. I think in regard to that, it is very important that a report should be issued stating why this action has been taken. This particular provision, you might well require a two-thirds majority. That would be in accord with the action which was taken by the Commission on food and agriculture, which had very much the same question. There, there are certain countries, Canada is one, we are another, who have certain agriculture problems that other countries like to criticize. Therefore it was thought that before they criticize them there should be a substantial majority in favor of it and a very mature judgment. Two thirds was picked out as the amount which killed off crackpot criticisms which nobody except the country concerned was equally interested in.

MR. WHITE: Two-thirds of the countries or votes?

MR. ACHESON: Votes.

MR. WHITE: That of course would protect, because all the United States would need would be to gather six more votes. You have those in anything you want to do. That practically gives us a veto. That is what it would be in

-31-

fact. You have over a quarter of the votes and in order to collect the other eight percent, if you couldn't, the report ought to be public.

MR. GARDNER: But that veto would not apply to scarce currency.

MR. ECCLES: I can't agree with Dean on that. I don't see any distinction, very much of a distinction. I think they both lead to the same place, the possibility if the Fund criticized a country for pursuing a policy that either creates a condition of scarce currency or that creates a condition of disequilibrium within a country that may be due to other reasons. It all ends up in a criticism of a country, and that, after all, personally, I don't object to the right of the Fund to make these reports. I think they should be made, if a majority of the countries of the world who are members of the Fund feel that either this country is pursuing a wrong policy that creates scarce currency or the British or some other country is pursuing a policy that tends to make for disequilibrium and will bring about a request for a change of the exchange rate or devaluation. Now it doesn't make any difference. It all affects the question of world stabilization, and if this body is going to be effective in the management of the Fund, they certainly should have a right to make a report as they see it. And no country should go into this Fund unless they are willing to have an international body of this sort make its report when a majority of the countries of the world feel that this report should be made.

Now, that doesn't bind any administration or bind any Congress, but I won't compromise this thing with the British unless we go back to the question of scarce currency.

MR. COLLADO: I don't think the people in this discussion fully realized that when a situation develops in

-32-

which you are going to declare the dollar scarce, you have a major world depression, a tremendous situation. You don't declare a dollar scarce lightly. That would be a very serious action and situation. I feel very strongly we ought to keep the scarce currency provision the way it is, the way we have agreed, the way it has been cleared through the Committee and the Commission. If you want to do some minor variation, this one I think is much less important.

H.M.JR: Mr. Wolcott?

MR. WOLCOTT: I think in respect to scarce currency you are dealing with the fact accomplished as opposed to a matter of opinion in this respect. I think that is the difference. If currencies are scarce, they are scarce. They are either scarce or not scarce, so it doesn't make very much difference. It is self-evident that they are scarce and the report won't do anything but state a fact that is existent. But here is a question that is open to a matter of opinion on the part of the board.

H.M.JR: Well then, as to scarce currencies, you thought to go along the way they had it in the first instance? That's right? You had better state it over again. We have had so much discussion.

MR. GARDNER: We haven't been reading it here today. I have it right here before me.

MR. ECCLES: Describe it.

MR. GARDNER: If the Fund decides that a scarcity is developing in a particular currency, it may issue a report and may, as a matter of fact, decide to bring that scarcity to an end. If, nevertheless, the scarcity goes on, it can actually declare a scarce currency and ration it. At that point it has to issue another report. Although the member of the scarce currency country participates in the report, it can't stop its being issued.

-33-

MR. ECCLES: Does that mean that they could criticize our domestic policy with reference to tariffs, as one of the reasons for the creation of a scarce currency?

MR. WHITE: Very difficult.

MR. ECCLES: Now I see no reason why they could issue a report of that sort, critical really to the action that Congress has taken, or the failure of the Congress to take an action, any more than we should be able, or the Fund should be able, to criticize the British or any other country for a policy that we felt they were pursuing that was bringing them to a position where they were going to request the right to devalue. I mean, each case, as I said a moment ago, results in a criticism of the failure of a Government to take certain action or a criticism of a Government for taking action. In either case--

MR. WHITE: Would Dean's solution satisfy us? Supposing we left the scarce currencies as is and put in two-thirds here and were able to get the British to accept the two-thirds?

MR. ECCLES: Well it looks like you are still out-traded.

MR. WHITE: Well, two thirds gives us a veto.

MR. BROWN: I think what Dean wants to prevent--I can remember shortly after Cuba received its independence from Spain and still had no roads or important improvements and voted a large bond issue to build a national opera house in Havana.

MR. BROWN: They got a large opera house that was undoubtedly built as a foreign loan. Mexico built a large opera house.

MR. WHITE: How do you like operas?

-34-

MR. BERNSTEIN: Mr. Insull built an opera house, too, out of the money of the shareholders.

MR. BROWN: He didn't build it with Government money. It is that sort of expenditure they are floating foreign loans for, or if Columbia floats a bond issue to build a road around the Andes that gets washed out in the first season as it did, the Fund can say you are piling up something which will bust your foreign exchange position. It won't be popular with the Latin Americas. I would favor a compromise that the State Department suggested, two-thirds or three-fourths. I don't see if a currency is declared scarce, how you can avoid issuing a report because that is going to mean that every country in the world has a right to discriminate against exports from the United States.

MR. WHITE: Sorry to take all this time, Mr. Secretary, but we talked it over and decided it was a very important matter and should be thoroughly canvassed here.

H.M.JR: Mr. White, we are taking the time because it is important. Let me see if I can get this thing straight: As I gather from listening to Mr. Wolcott and Mr. Spence--if I am not correct, please correct me--they don't see any objection to having the report the way Mr. Walter Gardner described it in regard to scarce currencies?

MR. GARDNER: Well, excepting I didn't have in mind that they would recommend domestic policies that might correct the evil. If that is in there, of course it stands in the same position as this does.

H.M.JR: If I can serve any function here, I want to be sure that at least before we take any action, everybody understands it. I think we had better let them have the whole thing, Walter.

MR. GARDNER: "If the Fund finds a general scarcity

-35-

of a particular currency is developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. In the preparation of such report, there shall participate a representative of the member, the currency of which is involved," that is, before the currency is declared scarce. That is the first provision.

Then what they do when it is declared scarce is quite a long piece. I could read that too, but if they find it necessary to declare it scarce, they issue another report.

MR. WOLCOTT: That is enough to indicate that they are in about the same position, I think.

MR. SPENCE: I don't feel that their power to issue reports should be curtailed. I think it is very essential they should issue them, but the thing that strikes me is that when we delegate to them this power to make a report as to our domestic policies, in a sense we are delegating that power for the purpose of acting upon it some way. It seems to me it is pretty close to delegating to them legislative power, and I like to find some line of demarcation there where you could grant them the right to make a report without any limitation, but prevent them from going too far in their recommendations of domestic policies.

MR. WHITE: I think there is a provision that might be included along with this in your evaluation of it and that is that the Governments agree to give serious consideration to the reports. Now whether you would think that was protection or not, there is no implication that the Government has to follow it. All that is asked for is that it be given serious consideration. Russia was particularly desirous of avoiding any implication that a country has to accept recommendations and we had to explain that our interpretation of consideration was that a country would

-36-

would promise to consider it. In our use of the terminology, consider it being like some of our letters in which we write back and promise to give the matter the consideration it deserves and throw it in the basket or something like that.

MR. COX: Isn't it true, Harry, though, that you have to face up to this central issue in terms of the kind of objections that Bob Taft will make and that is that you are giving up sovereignty here in that you are delegating to an international body powers that ought to be in the Congress and Government of the United States? Now this report, whether you can draw a precise and right line, is supposed to be limited to the effect that this has on international balance of payment. It isn't supposed to be a report that deals solely with domestic relations.

MR. WHITE: Let's take tariff. Jessie's point is the best illustration. What is tariff?

MR. COX: Tariff has both aspects.

MR. WHITE: That's right. But I mean one of the certain things is that they could make a report saying our tariff policy was to protect.

MR. COX: That's right. Now suppose they do. That doesn't mean that Ways or Means or Congress as a whole has to reduce our tariffs.

MR. WHITE: No, I think they would look at the report and say, "Look at the foreign countries trying to--"

MR. COX: Harry, the other consideration it seems to me from the long range political thing and I think the informed people will blow you out of the water on it, is how can you have an international organization aimed at any objective, unless by cooperation and voluntary choice, you go in and agree that all people are bound by the same rules. You can secede if you don't like the

-37-

organization or you set up safeguards to protect them and you assume they are reasonable men without meddling in policies that are primarily domestic. But you can't have your cake and eat it too and it seems to me where the publicity is so important, with the best choice of language you will still have to meet frontally the main issue involved. And if you weaken your publicity, then the informed people will say you haven't a Fund that can stabilize, because what are you going to do?

MR. WHITE: That's the way I feel as a technician. I think we are all agreed without question that it is desirable to have that, but the sole consideration that has now come to the front is of a different character, which is true of many of the problems we have been discussing and that is, will the public reaction and Congressional reaction to this power be of a character which would make it much more difficult to secure passage? If it is, then I think the technical consequences must go by the board, because I don't think it will affect very seriously the operations of the Fund in the near future or not seriously enough so it need be decisive.

MR. COX: But doesn't Dean's point answer both arguments, because if you get the publicity-- and the second point is that if you require a two-thirds vote as a practical matter, if the United States doesn't vote you don't get a report adversely criticising it.

MR. GARDNER: That two-thirds vote doesn't apply to the scarce currency provisions and that is the provision in which the report will be issued to the--

MR. COX: Well, will it? They haven't the report addressed to any country.

MR. ANGELL: May I emphasize this angle? What is at issue here is not a proposal for a surrender of sovereignty by the United States over any of these questions. What is involved is simply having the United States consent to allowing an international organization to

-38-

make recommendations to the United States about matters of United States policy. United States is entirely free to disregard those recommendations. They surrender no sovereignty.

H.M.JR: May I ask a question for my education? Either you or Mr. Sweetser can answer that. Take the International Narcotic Board. That isn't a correct description, but whatever it is, at Geneva. Supposing it found there was excess smuggling in the United States, that we weren't conducting ourselves properly? Didn't they get out reports in regard to narcotics and use of narcotics?

MR. WHITE: Definitely!

MR. SWEETSER: They have power to impose a section in that case.

H.M.JR: Would you mind describing the procedure in connection with narcotics?

MR. ACHESON: They would make a report and request other States not to make further exports to the State in question which is a very strong sanction.

MR. COX: It is even stronger than this.

MR. WHITE: Yes, but that is narcotics. Everybody is against that.

DR. GOLDENWEISER: The BIS has issued a great many reports in which it has freely criticized the policies in the United States and I bet nobody here has even read them.

H.M.JR: That's why we want to dissolve them.(Laughter)

MR. WHITE: Because nobody has read them?

-39-

H.M.JR: Because they have made the reports. Is there anything, Professor Angell, in this narcotic thing which could be at all--

MR. ANGELL: I don't know anything particular about that narcotic set-up but I should think that is a different kettle of fish because there is power there to require action. Here there is no power to require action. All that is at issue here is our consenting to letting the Fund make recommendations to us. We don't have to pay any attention to the recommendations at all if we don't want to. I think in point of fact the importance of that recommendation for the United States is small but for other countries, the smaller countries, it is very large.

H.M.JR: In order not to be personal but to narrow this down, if Mr. Angell would take on Mr. Wolcott, just try and see if you can convince Mr. Wolcott.

MR. WOLCOTT: You don't have to convince me.

H.M.JR: No, but I mean if you would be the devil's advocate on this thing. You are trying to protect us and you are being, if I may say so, most useful. But I am trying to narrow it down.

MR. WOLCOTT: I know this, I think all of us here in Congress realize the possibilities of a flag-waving speech, and if I was talking to the House against this Fund, I wouldn't bother about the gold points. I wouldn't bother about the rates of exchange. Nobody understands that in the House. I would wave the flag on this here.

H.M.JR: I think that it is terribly important that we make it impossible for Mr. Wolcott to wave the flag!
(Laughter)

MR. WOLCOTT: I will wave it in the other direction.

-40-

MR. ANGELL: Mr. Wolcott can state the facts as they are. It is a perfectly adequate answer. It may not be a powerful answer but it is correct.

MR. WHITE: You would say wave the flag with reason and it always loses out.

H.M.JR: Don't misunderstand me, Mr. Wolcott, you are rendering a real service.

MR. WOLCOTT: No, I understand. I am trying to look into the future and bring out some of the suggestions that might be raised.

MR. ANGELL: It may be politically we can--

MR. WOLCOTT: Perhaps they should publish them, it has been argued; it offsets any feeling that members of Congress might have if we set up an organization to criticize our domestic policies.

DR. GOLDENWEISER: May I ask Congressman Wolcott a question? Wouldn't it help you some if you could say that this Fund will make a lot of these little countries take notice; we don't want them to join the Fund to get credit for being respectable and get the benefit of the stability that this Fund is supposed to bring in the world, and yet they could do that and they could thumb their noses at it and do what they please and we even didn't have the right to tell them so?

MR. WOLCOTT: That is the reasonable approach to it, Doctor.

DR. GOLDENWEISER: It won't carry any weight.

H.M.JR: I will answer for him; may I? From what the Congressman has said, he is being so sincere, the answer is no.

-41-

DR. GOLDENWEISER: That is what I wanted to know.

MR. COX: The flag-waving thing, wouldn't it carry weight if you had a two-thirds vote, if you say as a practical matter they couldn't publish a report adversely criticizing the Fund unless it consented in fact?

MR. WHITE: It is more than the two-thirds vote in the ordinary sense. That must be made clear. On a country basis, it is practically a five-sixth vote.

MR. ANGELL: Practically a veto.

MR. WHITE: As far as the United States and as far as Great Britain, I think it would be acceptable, but I should think the small countries would object. In fact, Keynes said, "If you don't agree with me on this, I will go to the floor of the Commission." He was pretty sure he could defeat us there or at least that is what he thought, because he could rally every small country.

MR. ECCLES: But he expects to keep this section with reference to scarce currency, where they can criticize us for what he would consider an improper trade policy, and it seems to me that when he is confronted with a change in that section, if he doesn't consent to this, that is another story.

MR. WOLCOTT: Why is Lord Keynes so insistent that the language of the member say--

MR. GARDNER: He says that the labor government feels very keenly about that, because their bankers made them toe the line back there in 1930, approximately, and now as they look forward to perhaps coming into power again, they are very sensitive about what another international financial body might have to say about this policy.

MR. SWEETSER: Mr. Secretary, you have a better analogy in the history of the League than the opium.

-42-

There were some dozen loans that were issued by the League through the Financial Committee. That Committee always had the right and the obligation of receiving reports from the country in question and commenting on them in any way they wanted to, and very often those comments were very severe. So that is very much along the lines of this.

MR. ECCLES: But we didn't either join the League or the Bank.

MR. SWEETSER: But I am speaking about the criticism of small countries.

MR. COX: How about the ILO? Does that put out any reports?

MR. SWEETSER: No, it doesn't put out that kind of reports. There is the obligation in the ILO that all conventions are sent to the member states and they must present them to their Parliament.

MR. WOLCOTT: I think Senator Wagner is a pretty good weather vein with respect to political psychology. Why don't you talk to him and see what his idea is?

H.M. JR: You mean you want to let this go over?

MR. WOLCOTT: I don't think Brent and I want to take the burden of saying either yes or no on this. I think Senator Wagner has a clearer conception of the political effect of it probably than I have. I have more faith in his judgment than I have in my own.

MR. WHITE: I think if all the Congress would get together it would be very helpful.

MR. ANGELL: May I ask Mr. Wolcott if he thought he would be safe on the floor if that clause is left in, with the consent of the member required? Because if so, you might suggest to the Delegation they let the clause stand

-43-

that way, because in fact we are protected very well by the scarce currency provisions.

MR. WOLCOTT: I wonder why it wouldn't be well to present it to Senator Wagner?

MR. WHITE: I don't know who suggested it, but just so you people don't get in any trouble tonight, might I suggest that the Congressional Delegation meet tonight some place convenient to them and discuss this thing amongst yourselves and then report back to the American Delegation at nine o'clock tomorrow morning how you feel the thing best be handled?

MR. WOLCOTT: I think we should have somebody with us.

MR. WHITE: I think Dr. Goldenweiser might present the case to them.

H.M.JR: All right.

MR. BROWN: Goldie has a meeting tonight. What about Angell?

H.M.JR: Professor Angell, are you busy?

MR. ANGELL: No, sir.

H.M.JR: Well, is anyone available?

MR. WHITE: We were going to have a meeting there, but there is across the hall--

H.M.JR: W3?

MR. BERNSTEIN: Room B.

MR. ANGELL: There is an eight-thirty bank meeting.

-44-

H.M.JR: Well, Walter Gardner, what about you?

MR. GARDNER: I can be there.

H.M.JR: What time, Gentlemen of the Congress, would you like to meet?

MR. WOLCOTT: Any time is all right with me.

MR. SPENCE: Would eight o'clock be satisfactory?

MR. WOLCOTT: All right.

H.M.JR: Mrs. Klotz, will you see the other Congressmen, Reed, Somers, Wagner, who else?

MRS. KLOTZ: That's all.

MR. ECCLES: Tobey and Somers.

H.M.JR: Dr. White's office at eight o'clock.

MR. SPENCE: That is where we were this afternoon.

H.M.JR: And who else?

MR. WHITE: Mr. Gardner.

H.M.JR: Goldenweiser and Gardner, Mrs. Klotz.

MR. WHITE: You will present Dean Acheson's suggestion, also?

DR. GOLDENWEISER: Yes.

H.M.JR: Well, then we are going to pass that over to you gentlemen who will meet at eight o'clock tonight and will advise us at nine o'clock tomorrow morning how you feel it can be best handled, having it in mind to get it through Congress. Now, do you want to take up the next thing?

-45-

MR. BERNSTEIN: I will leave it to Mr. Gardner, Mr. Secretary.

MR. WHITE: Mr. Gardner can make it very brief.

MR. GARDNER: I wonder if we couldn't take up the next and see if it's readily acceptable. Then it is finished business and may otherwise have to go over to tomorrow. Is that satisfactory?

H.M.JR: It is with me, if it is with the rest of the Delegation.

MR. GARDNER: This other matter, then, the last of three legs , has to do--

MR. WHITE: On your last leg, Walter?

MR. GARDNER: Has to do with the charges that would be levied to deter members from making more use of the resources of the Fund than is absolutely necessary for them to make. Now, the first charge is a charge that the Fund makes for selling exchange to the member. Members come to the Fund to get foreign exchange and the Fund charges them for that foreign exchange. When they buy the foreign exchange they put their own currency in the Fund and as that currency accumulates we have set here a table of charges that would be levied upon the member's own currency in the Fund. That is, if the British come to the Fund for dollars, the Fund would charge them for the dollars and then the sterling accumulates in payment for the dollars, and the Fund levies the deterrent charges which are based both upon the amount of sterling that will accumulate and upon the length of time which it stays in the Fund. Now, on the charge for exchange, we wanted to charge three-fourths of one percent. The British would like to shave it to five-eighths. The technicians feel that we should not grant that to them, but should stay with our three-fourths of one percent. These deterrent charges, the Americans have a maximum of five percent, the British wanted to cut it to four percent. We think that should not be granted,

-46-

but we should keep the maximum at five percent.

Also this table of charges, in our conception of it, has been a table of minimum charges. We wanted to make sure that the management of the Fund didn't charge anything less than this, because with the considerable interest it might vote for lower charges. These are minimum charges, but if market rates for money rose higher, we want the Fund to have the liberty to set a higher schedule of charges. Now the British would make these charges the only charges that the Fund could levy. It levies these and no other. If it wants to change them it would have to be by some amendment process, whereas under our scheme the minimum charges can be changed by majority vote.

MR. BROWN: Can't be lowered.

MR. GARDNER: The technicians feel we should stick to that ground too and not yield to the British. We think, in other words, we can bring the British around, if we make just one concession, which is to adopt this table of rates which in brief involves the concession of one-eighth of one percent a year on the table that was considered previously by the Delegation. I could go into more detail if you wish, but I think that is enough.

MR. BERNSTEIN: Mr. Secretary, all of the six Congressmen who joined in the discussion have agreed with the technicians on the report Mr. Gardner presented.

MR. ECCLES: Except Senator Wagner who wasn't there.

H.M.JR: But somebody has talked to them in the meantime?

MR. GARDNER: I believe that is the case. I think Luxford talked to him.

H.M.JR: Since this morning, I think.

-47-

MR. GARDNER: That's right. Luxford told me he had talked with him and he agreed.

H.M.JR: Well, are there any objections?

MR. WOLCOTT: I notice it is three-eighths for the first year.

MR. GARDNER: That is the same as ours. We had nothing for the first six months and three-fourths for the last six months which works out three-eighths for the year. The British changed that slightly but it comes out the same rate every year.

MR. WHITE: There will be plenty of objection by the other countries.

H.M.JR: Are there any objections on the part of the American Delegation? Mr. Acheson said before he left he was heartily in favor of this. Again I ask, are there any objections? If not, Mr. Gardner, you have the approval of the American Delegation. Now you have three legs to your stool. I suggest you sit on it! (Laughter) There is just one point in tying that up. If we let the British know that we would be prepared to go along with them on this very slight concession, would it perhaps be better nevertheless to ask them to put in our original set of rates and let them put in this slightly different set and make our concession in Committee rather than in advance? Now look, my father always taught me something. You appear before the judge. The judge says fine. Now stop arguing.

MR. GARDNER: It is a question of what we tell the British.

H.M.JR: Use your own judgment.

MR. GARDNER: Fine.

-48-

MR. WOLCOTT: I would like to ask Collado. I think it is a mistake in point of view of prestige and from the point of view of Congress for United States to put in a higher position and then recede from it. I think it looks as if we are beaten in the Conference and I think the public impression in the United States would be dammed bad. Pardon me. I forget there are some ladies present. I think it would be much better to go to the British and say we are going to put it in and you have to support us.

H.M.JR: You have heard what Mr. Brown said. Will you keep that uppermost in your mind?

MR. GARDNER: Good.

H.M.JR: Any other suggestions?

MR. BROWN: You agree with that don't you, Collado?

MR. COLLADO: Yes.

MR. DURBROW: I thought it advisable to ask our Russian friends whether they have received a reply to the proposal mailed the other day. They said on Monday.

MR. WHITE: I don't think they need to be asked.

H.M.JR: I was going to say the same thing. I wouldn't show anxiety. I wouldn't ask them.

MR. DURBROW: Well, there is always a possibility with them that they will delay and delay and hope at the end we will have to rush things so much we will make some concessions.

H.M.JR: I wouldn't ask them today, anyhow.

MR. DURBROW: All right, sir.

-49-

H.M.JR: We are meeting again at nine-thirty tomorrow morning, here, if you please.

The Fund shall have at all times the right to communicate the views informally to any member on any matter arising under this Agreement. The Fund may, if the member agrees, publish a report to that member with regard to its monetary or economic conditions and developments which tend, or may tend, to produce a serious disequilibrium in the international balance of payments of members. If the member has not among the Executive Directors a Director appointed by it, the provisions of Article VII, Sec. ____ apply. The Fund shall not publish a report which would involve changes in the fundamental structure of the economic organization of members.

B

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

Marginal Charges

Amount of country's currency held by Fund as percentage of country's quota	Per cent per annum payable on excess currency during									
	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	7th Year	8th Year	9th Year	10th Year
101 - 125	3/8 %	1	1 1/2	2	2 1/2	3	3 1/2	4*	4 1/2	5
126 - 150	1	1 1/2	2	2 1/2	3	3 1/2	4*	4 1/2	5	5
151 - 175	1 1/2	2	2 1/2	3	3 1/2	4*	4 1/2	5	5	5
176 - 200	2	2 1/2	3	3 1/2	4*	4 1/2	5	5	5	5
201 - 225	2 1/2	3	3 1/2	4*	4 1/2	5	5	5	5	5
226 - 250	3	3 1/2	4*	4 1/2	5	5	5	5	5	5

Additional
amounts

Corresponding increases
up to 5%

† No payment in first three months; 1/2% in next nine.

* At this point the Fund and the member shall consider ways and means by which the Fund's holdings of the member's currency can be reduced.

Note: No charge is made on use of the Fund resources in an amount equivalent to a member's gold subscription.

THE WHITE HOUSE
WASHINGTON

July 10, 1944

Dear Henry:

I meant to give you the enclosed clipping the other day while we were receiving General de Gaulle but maybe it is just as well I didn't as you might not have appreciated my blasphemous language! Why do you allow yourself to be so closely allied with people of this sort?!

My love to you.

Anna

Hon. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington 25, D. C.

Your Opportunity to Back the Men Overseas

The Secretary of the Treasury, Washington

June 6, 1944



WILLIAM RANDOLPH HEARST

Mr. William Randolph Hearst,
Wynton, McCloud, California
Dear Mr. Hearst,

Newspapers and the radio can play an important role in increasing the sale of War Bonds by engaging in special sales campaigns. The 'V-Army' campaign now being conducted by your newspapers and the Blue Network is a signal instance of the kind of cooperation that will provide our forces with the necessary equipment through the purchase of War Bonds and Stamps.

The purchase of extra War Bonds during the Fifth War Loan drive is an opportunity for the home front to back the men overseas who are on the brink of the greatest clash of armed forces in the history of the world.

Sincerely yours, Henry Morgenthau Jr.

(For news story on Fifth War Loan Campaign see Page 8.)



SECRETARY MORGENTHAU

WEATHER FORECAST

SEATTLE AND VICINITY: Fair today except for low cloudiness. Partly cloudy tomorrow. Maximum temperature today 78; minimum tomorrow morning 56.

Seattle Post-Intelligencer

AMERICA FIRST



Post-Intelligencer Telephone, Me. 7001

Post-Intelligencer Office, 600 Pine St.

VOL. CXXVI, NO. 100

SEATTLE, SUNDAY, JUNE 11, 1944

5*

15c per copy

G. I. Bill Receives O. K. of Congress Joint Committee

Measure Gives Educational And Other Benefits

WASHINGTON, June 10.—(AP)—A joint congressional committee settled all its differences today and unanimously ap-

Seattle to Pay Old Glory Homage

By E. J. Mitchell
Old Glory waves around the world this week more proudly, courageously and challeng-

ANOTHER JAP NAVAL FORCE PUT TO ROUT

One of 5 Destroyers Seeking To Aid Biak Garrison Possibly Damaged; Nips Desperate

By Frank Robertson
GENERAL MacARTHUR'S HEADQUARTERS, New Guinea, June 11 (Sunday).—(I.N.S.)—A squadron of five Japanese destroyers approaching Biak Island from the northwest at night was engaged by Allied naval forces, turned tail and fled at top speed with one being possibly damaged by long-range fire.

GERMANS TURN TO MAKE STAND ABOVE ROME

Allied Army's Plan to Destroy Enemy's Troops Completely Seems Near Achievement

ALLIED HEADQUARTERS IN ITALY, June 10.—(AP)—Nazi forces in Italy, fleeing northward in a rout that the Allied command declared had become a "catastrophe," turned to make a stand of stubborn but not fully disclosed proportions late today around a village some miles northeast of Viterbo, which is 40 miles above Rome.
George Turkey, Associated Press

Yanks Near Cherbourg; Planes Hit Nazis From Seized French Airfields

Some French Greet, Others Fight Allies

By Clark Lee
WITH UNITED STATES FORCES IN FRANCE, June 10.—(Delayed)—(I.N.S.)—Some Frenchmen, and at least one in an effort to stop invasion forces, which hit in this area. While a majority of the French I have spoken to, or

Fighters, Bombers Pound Foe From Former German Bases; 2 Towns Taken; Enemy Withdraws

SUPREME HEADQUARTERS ALLIED EXPEDITIONARY FORCE, June 11 (Sunday).—(AP)—United States troops smashed a third of the way across the Normandy Peninsula yesterday in a drive to seal off the main port of Cherbourg and capture the

Late

Retraced Unclassified

July 10, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Shere *MS*

Subject: Twin Cities Tax Plan

(For your information; no action required)

The so-called Twin Cities Tax Plan, just announced, is a program for postwar taxation formulated by a group of 34 Minneapolis and St. Paul businessmen and industrialists. The "participating members" of this group are listed on the first attached sheet. Estimated revenues under the program are shown on the second sheet attached.

Highlights of the plan

1. Repeal excess profits tax, capital stock tax, and declared-value excess profits tax.
2. Continue corporation normal and surtax rates at present levels.
3. Allow individuals to exclude from taxable income 40 percent of dividends received. This is designed to reduce the double taxation of corporate earnings, and to provide incentives to invest.
4. Permit net operating losses, both individual and corporate, to be carried forward for five years.
5. Enact a 5 percent retail sales tax with no exemptions.
6. a. If the sales tax is adopted, sharply reduce individual income tax rates (to a combined normal and surtax level ranging from 10 to 60 percent), and fix personal exemptions at \$600 for single persons, \$1,400 for married persons, and \$400 for each dependent.
b. If the sales tax is not adopted, reduce individual rates less sharply (to a level ranging from 16 to 75 percent), and fix exemptions at \$500, \$1,200, and \$350.
7. Reduce the tax on capital gains to a maximum of 12½ percent.
8. Retain current tax payment and withholding.
9. Retain excise taxes at approximately the rates in effect in 1943.

Members of the Participating Group in
the Twin Cities Tax Plan

The 34 persons who formulated the Twin Cities Tax Plan were divided into two groups: 1) "a participating group" and 2) "a consulting group." The following list includes only the 21 members of the participating group.

Julian B. Baird, vice president, First National Bank,
St. Paul

James F. Bell, board chairman, General Mills, Inc.,
Minneapolis

C. K. Blandin, president, Blandin Paper Co., St. Paul

Daniel F. Bull, president, Cream of Wheat Corp.,
Minneapolis

Frederic Crosby, director, General Mills, Inc.

C. Nelson Dayton, president, The Dayton Co.,
Minneapolis

Paul V. Eames, president, Shevlin, Carpenter & Clarke
Co., Minneapolis

Shirley S. Ford, president, Northwestern National Bank
of Minneapolis

C. L. Horn, president, Federal Cartridge Corp.,
Minneapolis

Willard L. Huff, vice president, Minneapolis-Honeywell
Regulator Co.

C. T. Jaffray, board chairman, Soo Line Railroad,
Minneapolis

Lyndon M. King, vice president, Northrup, King & Co.,
Minneapolis

W. C. MacFarlane, president, Minneapolis-Moline Power
Implement Co., Minneapolis

William L. McKnight, president, Minnesota Mining &
Manufacturing Co.

Frank McNally, board chairman, B. F. Nelson Manufactur-
ing Co., Minneapolis

David W. Onan, president, D. W. Onan & Sons, Minneapolis

Roy C. Resch, president, McQuay, Inc., Minneapolis

Walter Seeger, president, Seeger Refrigerator Co.,
St. Paul

D. J. Strouse, president, Twin City Rapid Transit Co.

Lyman E. Wakefield, president, First National Bank,
Minneapolis

F. F. Weyerhaeuser, president, Weyerhaeuser Sales Co.,
St. Paul

Estimated revenues of the Twin Cities Tax Plan
at a \$120 billion national income level 1/

(In billions)

<u>Income, estate and gift</u>		
Individual income tax	\$5.0	
Corporation income tax	5.0	
Estate and gift taxes	0.5	\$10.5
<u>Excises, sales, and customs</u>		
Excise taxes	4.0	
Sales	2.8	
Customs	0.4	7.2
<u>Miscellaneous revenues</u>		.4
Total		<u>\$18.1</u>

1/ These estimates were made by the Twin Cities group.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE July 10, 1944

TO Secretary Morgenthau
 FROM Mr. Hagg
 Subject: The Business Situation,
 Week ended July 8, 1944.

Summary

Stock market: Stock prices scored further gains last week, and at the close on Saturday industrial and utility stocks stood at the highest levels since 1940, while railroad stocks reached a new peak since 1937. The Dow-Jones average of 65 stocks has risen 6 percent since the invasion of France. Industrial stock prices in London advanced gradually to new wartime highs last week.

Commodity prices: Government actions implementing the Price Control Extension Act tended to strengthen commodity markets last week. The Dow-Jones futures index rose noticeably, but the BLS spot index of 28 basic commodities was practically unchanged. In the week ended July 1 the general wholesale price index broke out of the narrow range of the past 16 months advancing 0.4 percent to a new high of 104.1 percent of the 1926 average.

National income: The annual rate of income payments in May rose to \$155.0 billions from \$154.1 billions in the previous month. Despite the rise, the annual rate of May was still slightly below the wartime peak reached last February. All major income components during the month showed gains over last year's levels except interest and dividends which were slightly lower.

Farm income: Gains in cash farm income contributed to the upturn in the annual rate of national income payments in May. Cash farm income in 1944 has run consistently above year-earlier levels, with the cumulative gain in the first 5 months of the year amounting to 11 percent. Receipts from both crops and livestock have been well above those of the corresponding period last year.

Retail trade: After advancing to a very high level in May, department store sales declined more than seasonally in June and the FRB adjusted index of sales dropped to 175 from 183 in the previous month. Dollar sales volume of department stores in the first half of 1944 was 7 percent above that of the corresponding period last year.

- - - -

- 2 -

Stock prices show further gains

The Dow-Jones stock averages moved up to new highs for the current rise at the beginning of last week, and at the close on Saturday, industrial and utility stock prices stood at the highest levels since 1940 while railroad stocks were at a new peak since 1937. (See Chart 1.) The Dow-Jones average of 65 stocks at the end of the week was 1.4 percent higher than a week earlier, and more than 6 percent higher than on the eve of the invasion of France.

Prices of railroad securities strengthened noticeably last week, although second-grade railroad bonds are still below pre-invasion levels. On the other hand, the Dow-Jones average of railroad stock prices has shown a rise of nearly 7 percent since June 5, thus running counter to a rather popular belief that Allied military successes would be followed by weakness in railroad stock prices.

In connection with the general rise in stock prices since the invasion got under way, it is of interest that the market value of shares listed on the New York Exchange rose to \$53,068 millions at the end of June from \$50,964 millions at the end of May, a rise of over 4 percent. Meanwhile industrial stock prices in London have continued their extended rise, with the net gain since D-Day amounting to 3 percent.

Commodity markets show strength

Government actions implementing the Price Control Extension Act had a bullish influence on commodity markets last week, with futures prices rising noticeably although spot prices showed irregular tendencies. Reflecting strength in grains and cotton, the Dow-Jones futures index rose 0.6 percent following a 1.0 percent rise in the previous week, while Moody's spot index rose slightly. (See Chart 2.)

The announcement of an advance in the CCC's selling price of cotton together with private forecasts of a relatively low cotton acreage this year bolstered cotton prices. Both spot and futures prices made appreciable advances, with July futures reaching the highest level since the 1927-28 season. The increase in the CCC's selling price from 22.32 to 22.70 cents a pound on middling 15/16 inch cotton was necessitated by an amendment to the Price Control Act which

- 3 -

requires the use of a higher parity formula in determining the price. The cotton parity price itself was unchanged last month.

Grain futures, particularly oats and rye, showed noticeable strength last week. On the other hand, cash wheat prices were slightly lower and oats prices were unchanged. Cash rye, however, rose substantially. Bullish influences in the grain markets were the WFA's action raising the Government loan rate on wheat about 7 cents, from 85 to 90 percent of parity, and reports of CCC buying of wheat in the open market. Market observers interpreted the increase in the loan rate as the first move to carry out the provision of the Price Control Act which requires the Government to take "all lawful means" to assure farmers of parity prices. Heavier marketings of the new wheat crop held cash wheat prices down.

Hog prices last week rose above support levels for the first time in more than two months. Prices of weights outside the support program, however, have shown advances during the past few weeks. Rosin prices, following the imposition of price ceilings by the OPA, have now declined for the second successive week. This has offset increases for other farm products in the BLS basic commodity index, leaving the combined index unchanged. (See Chart 3.)

All-commodity index at new high

Due chiefly to sharp advances in prices of most agricultural products, the BLS general index of wholesale prices in the week ended July 1 rose 0.4 percent to a new high at 104.1 percent of the 1926 average. (Refer to Chart 3.) This marks a break-through of the narrow range in which the index has been moving during the past 16 months. The index is now 1.1 percent higher than a year ago and is 38.8 percent above the pre-war August 1939 average.

Fruit and vegetable prices were up 8.6 percent in the latest week, with substantially higher prices reported for oranges and onions, and for apples in the New York and Portland, Oregon, markets. Egg prices advanced 7 percent. Grain and cotton prices rose moderately and alfalfa hay was up 10 percent. Wholesale prices of farm products have risen 1.3 percent in the past month, but they are still slightly below the levels of a year ago.

- 4 -

Dairy supplies seasonally larger

With dairy production reaching a seasonal peak last month, all dairy products for the first time in months appeared ample to meet consumer demand under rationing, the WFA stated last week. Fluid milk supplies were considerably above consumer demands, necessitating heavy diversions to cream, butter, condensed and dried milk, and cheese. Adequate supplies of butter were available despite the Government's set-aside requirements of 50 percent of production. The ration value of cheese was lowered from 12 to 10 points in June, and sales of perishable cheeses were temporarily removed from rationing during the last weeks of the month.

While milk production in some areas may have attained record levels last month, total production during the first five months of the year has been at approximately the same level as in 1943. The milk-feed and the butterfat-feed ratios (including Government dairy payments) were moderately lower in May than in the same month of 1943. However, comparatively greater declines have occurred in other livestock-feed ratios, particularly in the case of hogs and eggs, hence price relationships are now more favorable to the production of milk than of other livestock products.

The Department of Agriculture now expects milk production to continue the pattern of 1943, with total production amounting to 118 billion pounds, the same as last year. Creamery butter production, which has been running substantially below a year ago, may be about 5 percent lower, but output of most other products may be slightly larger. Production at the levels forecast would mean that civilian supplies later in the year would be reduced somewhat from present levels.

Pastures deteriorating

The above-average pasture conditions of recent months, which have contributed to the high level of milk production, appear to have deteriorated in recent weeks. High temperatures and scanty rainfall have occurred during the past month over much of the eastern half of the country, and rain is now needed in all central and southern states from the Mississippi Valley eastward. Drought conditions have become serious in the eastern portions of Virginia and

- 5 -

North Carolina and in southern Maryland, while Kentucky and Tennessee are rapidly becoming very dry. Parched pastures, according to press reports, have noticeably affected milk production in eastern Virginia. (It may be recalled that a drought occurred in Virginia and Maryland later in the summer last year.) On the other hand, pasture conditions continue unusually favorable in the northern Plains area, northern Rocky Mountain States and much of the Great Basin.

Annual rate of income payments higher in May

After declining moderately in the previous two months, the annual rate of national income payments again turned upward in May and totaled \$155.0 billions as compared with \$154.1 billions in the previous month. The May figure, however, was still a little below the wartime peak rate of \$155.2 billions reached last February. (See Chart 4.) Due largely to the customary April to May decline in interest and dividend disbursements, total income payments in May were lower than in the previous month. However, the aggregate decline was less than seasonal, thus indicating an actual rise in the annual rate of payments.

National income payments in May were 9 percent above last year's level, with all major components except interest and dividend payments showing gains over May 1943 figures. (Refer to Chart 4.) Reflecting the steady expansion in payments to members of the armed forces and dependents, Government salaries and wages in May were 23 percent higher than a year earlier, thus showing by far the widest gain of any major group. Factory payrolls showed a further slight decline in May, but were still about 4 percent above the corresponding month last year.

In the face of the small decrease in factory payrolls in May, the American Iron and Steel Institute reported that steel industry payrolls rose to a new peak in that period. Despite an employment drop in the steel industry of 74,000 workers, or about 12 percent, payrolls were 6 percent higher than in May 1943. The increase was due to the fact that the average wage earner in the industry worked 47.5 hours per week in May 1944 as compared with only 41.9 hours per week a year earlier, and received an average wage of \$1.18 per hour as compared with \$1.13 per hour in May 1943.

Cash farm income gains

In addition to increased payments to the armed services, an upturn in agricultural income contributed substantially

- 6 -

to the rise in the annual rate of income payments in May. Cash farm income during the month was about 3 percent higher than in April, due to a greater than usual increase in receipts from livestock and livestock products. Cash income from meat animals rose slightly above the April level, while receipts from dairy products rose 17 percent, showing a greater than seasonal rise. Cash income from crops in May was lower than in the previous month, in line with the usual seasonal pattern.

Cash farm income in 1944 has run consistently above year-earlier levels, although the 5 percent gain shown in May was the smallest thus far this year. (See Chart 5.) In contrast, the cumulative gain for the first 5 months of the year was 11 percent. Receipts from both crops and livestock have been well above the corresponding period in 1943 despite the lower volume of crops sold and the somewhat lower prices received for meat animals.

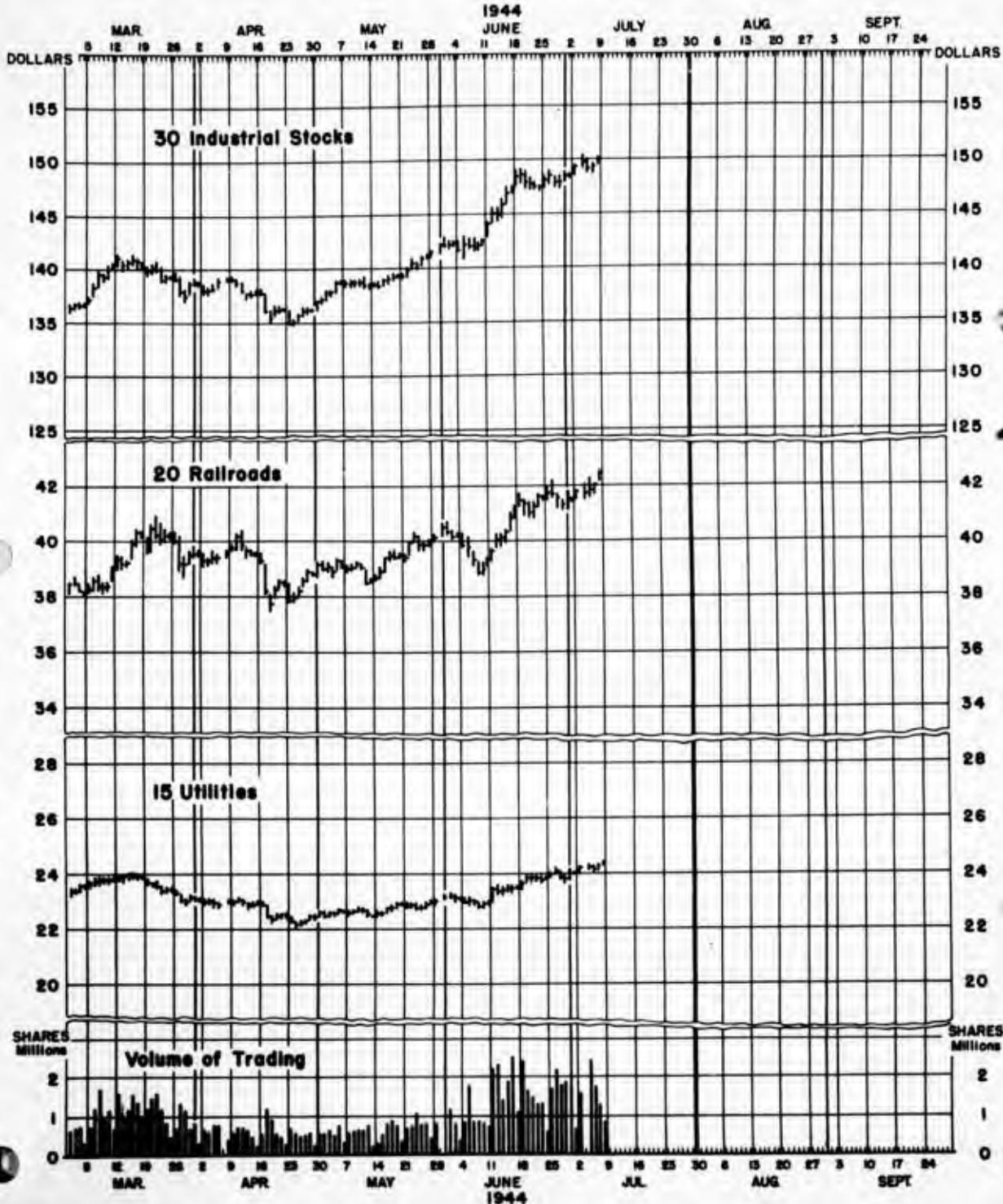
Rural sales of general merchandise in 1944 have failed to keep pace with the gain in cash farm income, due no doubt to existing shortages in many types of goods. Sales in May declined more than seasonally although a fractional gain was shown over last year's level. (Refer to Chart 5.) Complete sales figures are not yet available for June, but sales of Sears, Roebuck and Company during the month were 11 percent above June 1943, or about the same year-to-year sales gain as was shown by the company in the preceding 4 months.

Department store sales gained in first
half of 1944

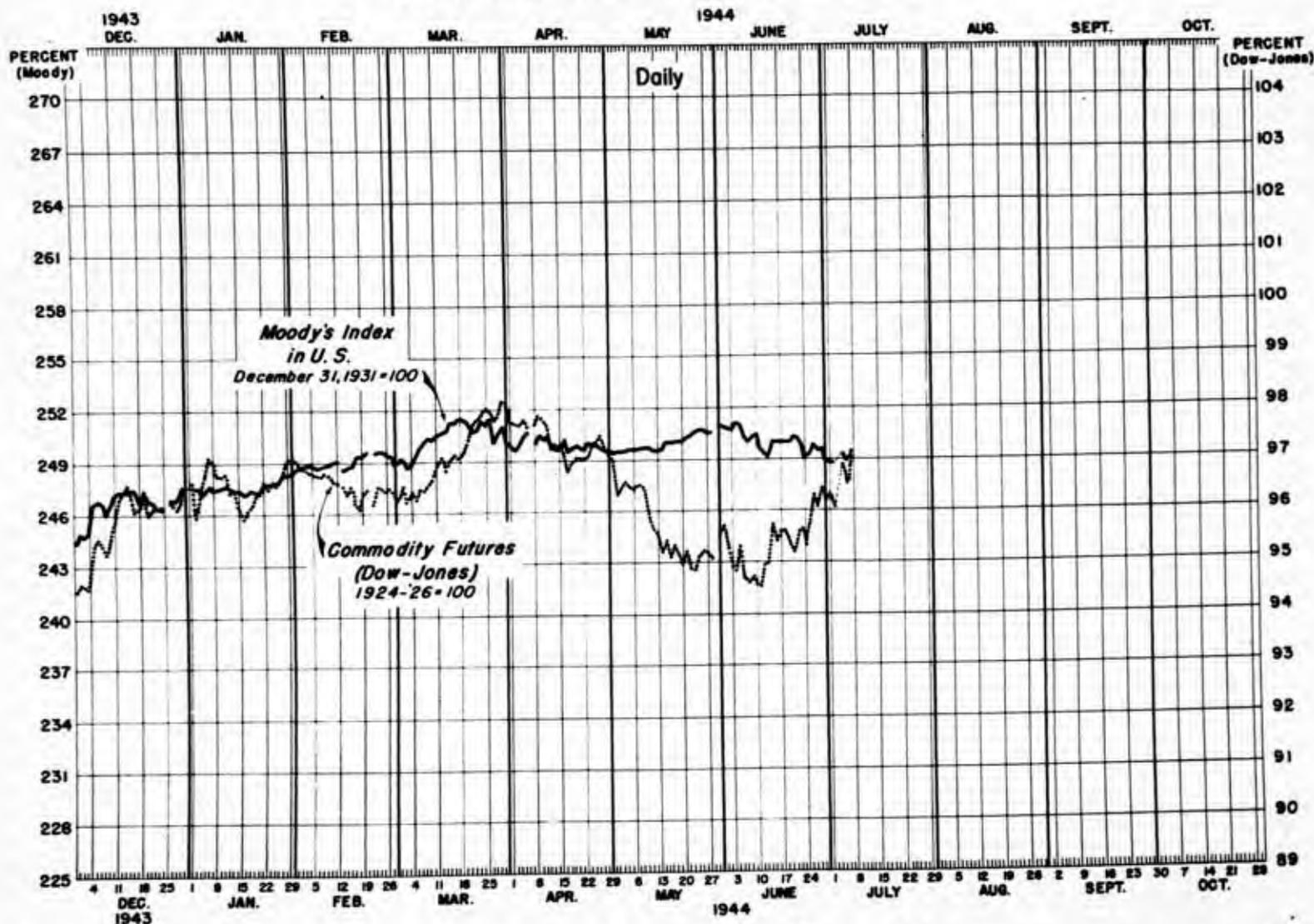
Although department store sales in the latter part of June did not decline as rapidly as a year earlier, total sales for the month showed a greater than seasonal decrease, and the FRB adjusted index of sales dropped to 175 from 183 in the previous month. In this connection, however, it should be noted that the index in May stood at the third highest level on record. Cumulative sales figures now available for the first half of the year reveal a gain in dollar sales of 7 percent over the first half of 1943. All Federal Reserve Districts scored gains, but the Atlanta and Dallas districts made the strongest showings with increases of 20 percent and 17 percent, respectively.

STOCK PRICES, DOW-JONES AVERAGES

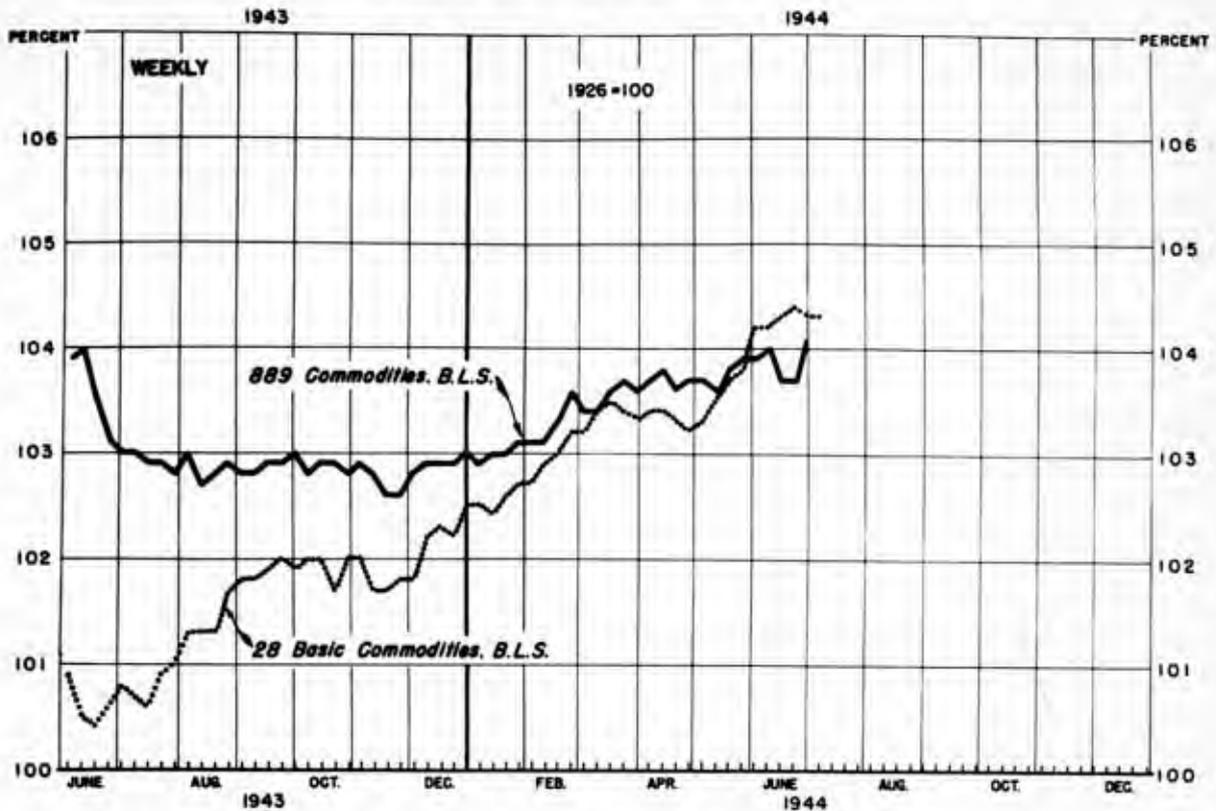
Daily



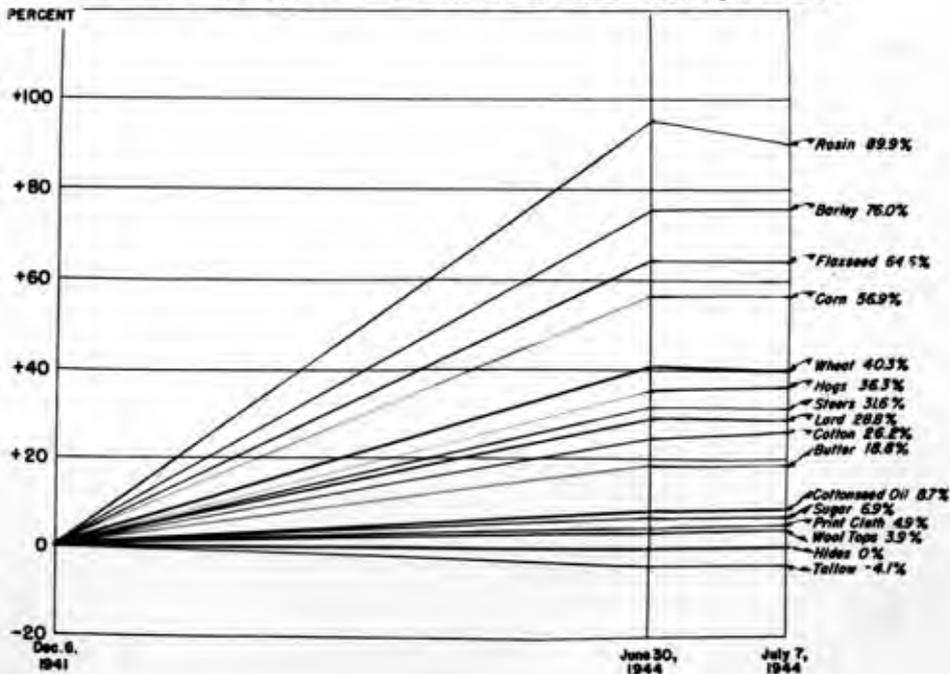
COMMODITY PRICE INDEXES IN U.S.



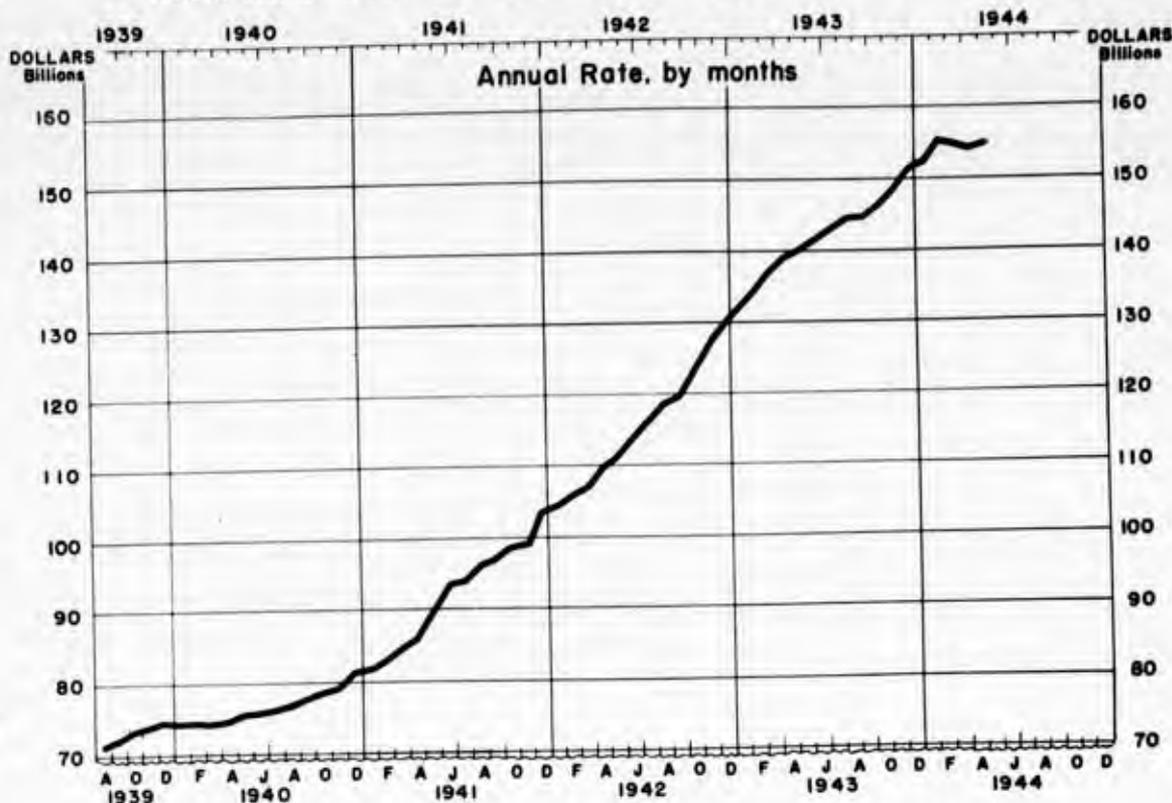
WHOLESALE COMMODITY PRICES



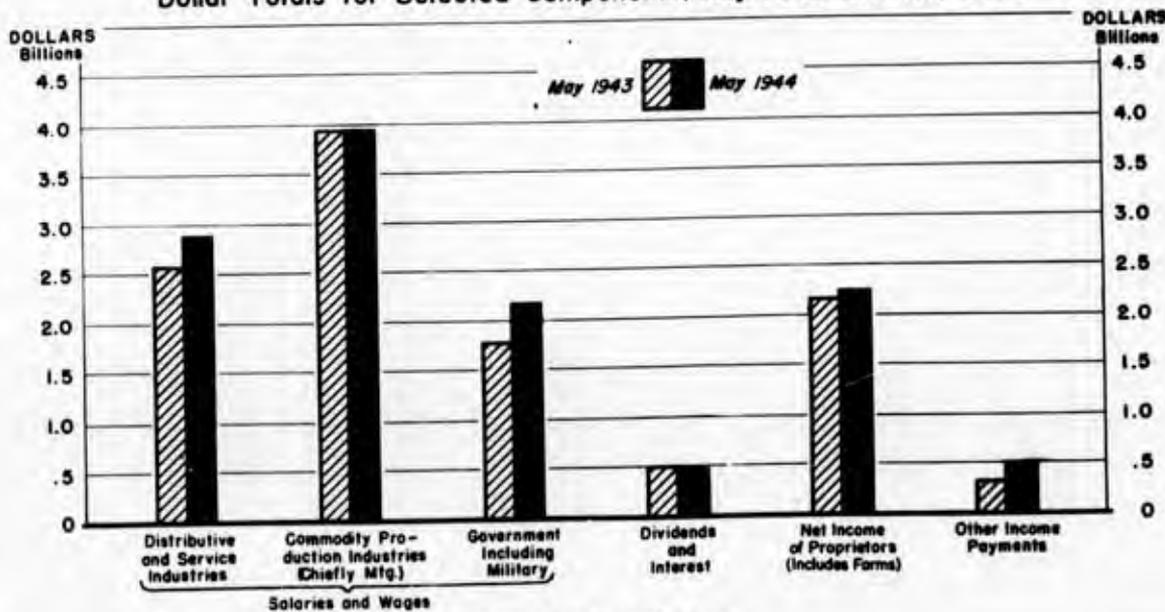
SELECTED BASIC COMMODITIES
 Percentage Change December 6, 1941 to June 30 and July 7, 1944



NATIONAL INCOME PAYMENTS AND COMPONENTS

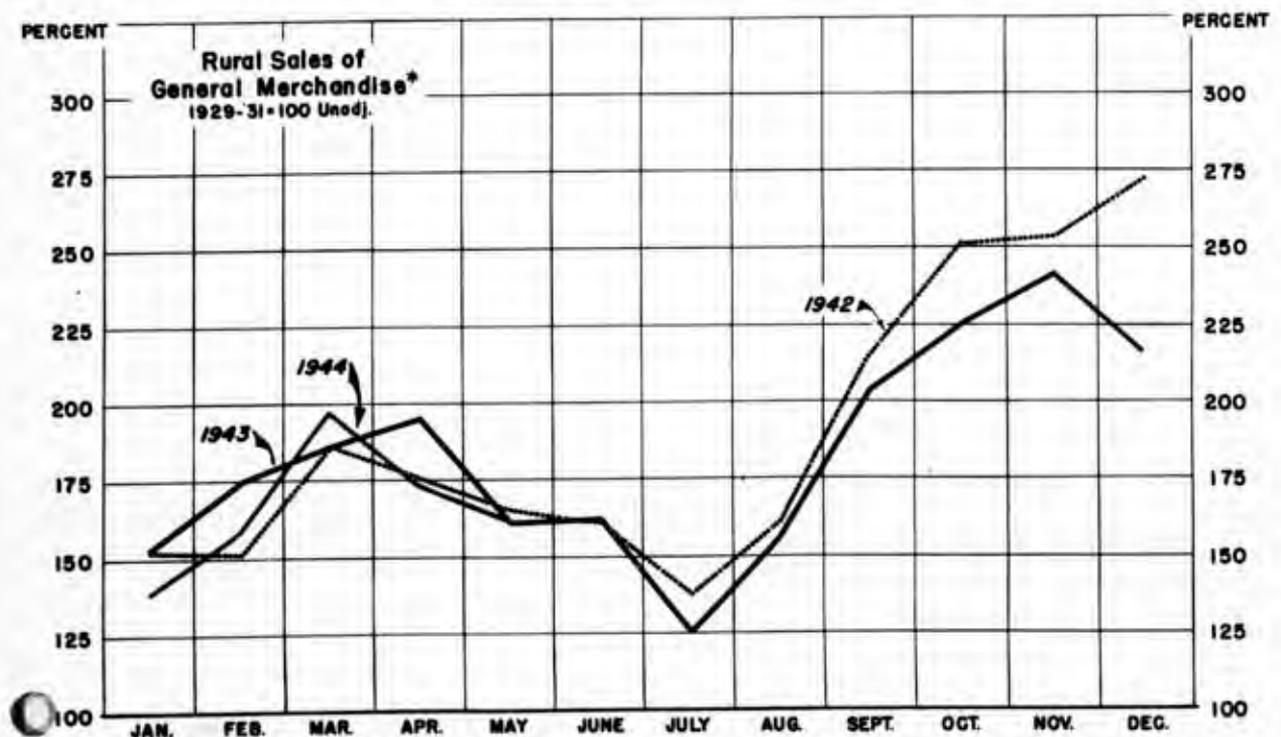
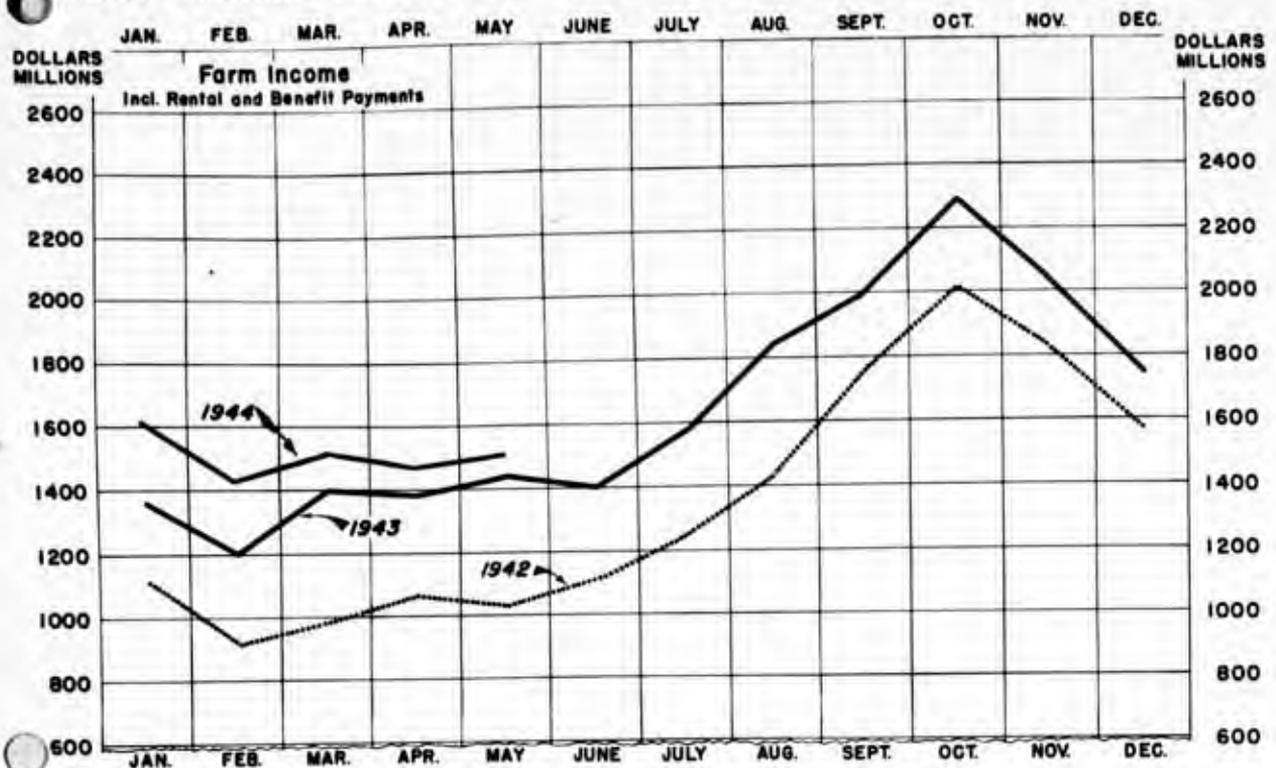


Dollar Totals for Selected Components, May 1943 and May 1944



Source: Department of Commerce

FARM INCOME AND RURAL SALES OF GENERAL MERCHANDISE



* Dept. of Commerce index of dollar sales of general merchandise in small towns and rural areas.



TREASURY DEPARTMENT

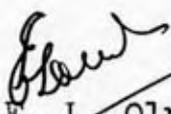
WASHINGTON 25

July 10, 1944



MEMORANDUM TO THE SECRETARY

Attached is the experience record of C. A. Dickerson, Merchandising Chief for Paper, for the Surplus Property Division.


E. L. Olrich
Assistant to the Secretary

Attachment

July 10, 1944

C. A. DICKERSON
(PAPER MERCHANDISING CHIEF)

Business Experience:

Prior to 1917	Printing Machinery Salesman
1917	Salesman Sabin Robbins Paper Company Cincinnati, Ohio Later, elected Vice President
1941	Elected Treasurer and General Manager of above company.
1943	Elected President of same company.

Mr. Dickerson resides in Chicago where his principal activity is as director of sales for the company.

109

Copy to Maj. Gen. Burns via messenger

7/10/44 3:00 p.m.

JUL 10 1944

My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet government indicating the availability of cargo for July.

The inventory of material in storage as of July 1, 1944, was 290,521 tons or 30,486 tons less than the June 1st inventory. Production scheduled for July shows a decrease of 33,100 tons as compared with June.

Yours sincerely,

15/ D. W. Bell

The President

The White House

WFBrennan/jj
(7-8-44)

*Sent via S. L. Aguit
7/10/44 3:00 p.m.*

TREASURY DEPARTMENT - U. S. S. R.
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING JULY, 1944

SECRET

<u>COMMODITY</u>	<u>STORAGE JULY 1, 1944</u>	<u>PRODUCTION DURING JULY</u>	<u>TOTAL AVAILABLE</u>	<u>PRIORITY CARGOES FOR PORT AREAS SPECIFIED TO DATE FOR JULY</u>
ALUMINUM	13,201	1,479	14,680	
AUTOMOTIVE EQUIPMENT AND PARTS		3	3	
BEARINGS	497	553	1,050	
BRASS AND BRONZE	19,838	2,594	22,432	9,744
CHEMICALS	9,228		9,228	5,079
CLOTHING AND TEXTILES		183	183	
CONSTRUCTION MACHINERY		254	254	
COPPER IN VARIOUS FORMS	22,963	7,934	30,897	5,618
FERRO-ALLOY	405		405	
GRAPHITE PRODUCTS	1,571		1,571	
HAND AND CUTTING TOOLS		2	2	
INDUSTRIAL MACHINERY	78,377	27,745	106,122	30,483*
LEAD AND LEAD ALLOYS	18		18	
NICKEL AND NICKEL PRODUCTS	230	7	237	56
NON-FERROUS METALS, OTHER	420		420	420
NON-METALLIC MINERALS		4,148	4,148	
PAPER AND PAPER PRODUCTS	1,709	718	2,427	1,809
PLASTICS	3,041		3,041	
RUBBER	2,500	15,216	17,716	5,880
STEEL, ALLOY AND SPECIAL	14,414	78	14,492	12,247
STEEL, CARBON	60,601	4,202	64,803	8,568
STEEL, PIPE AND TUBING	51,677	924	52,601	4,368
STEEL, RAILS	9,187	2,684	11,871	11,871
TIN PLATE	541		541	541
ZINC	103		103	
TOTAL	290,521	68,724	359,245	96,684

*In addition, all available tonnage applicable to the Oil Refinery Program is classed as priority cargo for prompt shipment to ports.

CABLE TO ALGIERS

From War Refugee Board to Chapin for Ackermann or Saxon.

Please deliver following message to Howard Brooks
from Edward Cahill of Unitarian Service Committee:

"Three delighted and heartily approve splendid
work you are doing in Algiers difficulty here is
getting prompt action from members medical staff and
formal authorization from University of Minnesota admin-
istration expect definitive program in writing shortly
and clearance with members of Mission your impatience
understandable but please sympathize with difficulties
here."

THIS IS WRB CABLE TO ALGIERS NO. 32

9:50 a.m.
July 10, 1944

EBTowler:agr 7-8-44

San Salvador, El Salvador, July 10, 1944

113

No. 1806

CONFIDENTIAL

SUBJECT: Inter-Governmental Committee on Refugees.

The Honorable
The Secretary of State
Washington

Sir:

With reference to the Department's circular telegram of December 10, 1943, with regard to the problem of refugees from Nazi tyranny, I have the honor to transmit herewith a translation of a self-explanatory note from the Minister for Foreign Affairs, dated July 7, 1944, which has been received by me today:

NATIONAL PALACE:

San Salvador, July 7, 1944.

MINISTRY OF FOREIGN RELATIONS
REPUBLIC OF EL SALVADOR, C.A.

DIPLOMATIC SECTION

A-855-D-1479

Sir:

With reference to your Embassy's esteemed note no. 217 of December 11, 1943, I have the honor to bring to your knowledge the contents of a communication which this Foreign Office is sending today to the Honorable Director of the Inter-Governmental Committee on Refugees, 11 Regent Street, London, S.W.1, which says: 'Sir: Referring to your esteemed note of May 25 last and other communications in which you invite El Salvador to become a member of the Inter-Governmental Committee on Refugees, I inform you that the Government of this Republic regards with deep sympathy the noble efforts carried out by that Institution to save, maintain and transport all those persons whom the fury of war has turned from their homes. The joint work to this end, of the United States, Great Britain and the Soviet Union deserves warm approval; but the adherence of this Government requires legislative authorization with respect to the sharing of the administrative expenses of the Committee.

We must.

We must, therefore, to our regret, wait until in one of the coming years there is included in the Budget an appropriation for the said humanitarian purpose. Accept my distinguished consideration. JULIO E. AVILA.'

I renew to you, Sir, the assurances of my distinguished consideration.

/s/ Julio E. Avila

Honorable Gerhard Gade
Charge d'Affaires ad interim
of the United States of America,
San Salvador.'

Respectfully yours.

Gerhard Gade
Charge d'Affaires a.i.

711
GG/MDM

CABLE TO WINANT FROM WAR REFUGEE BOARD

Please deliver the following message to Mr Herbert Emerson from Paul Baerwald, American Jewish Joint Distribution Committee:

"Joseph Schwartz now Turkey recently advised us possibility exists rescue substantial number refugees from Balkans and requested \$3,000,000 for transportation costs which we immediately authorized. In addition Joint Distribution Committee forced meet heavy demands other areas. In our discussions with you and Malin you generously indicated that if our funds were urgently needed for rescue purposes and we lacked resources to continue our credit operations the IGC would consider sympathetically specific proposals to assume part of our current credit operations. We believe this time has come and we would therefore respectfully request IGC to consider assuming obligations as from July first to end of 1944 following credit authorizations which we have organized: Rumania \$40,000 monthly, Hungary \$25,000 monthly, France \$100,000 monthly, North Italy \$10,000 monthly. Total for six months \$1,050,000. Reports from Saly Mayer confirm that Rumania is utilizing fully \$40,000 credit and he states additional sums required and that large loans are possible. IGC may wish to consider increasing total authorization for Rumania from \$40,000 to perhaps \$80,000 to \$100,000 monthly for its account. Similarly an increase for Hungary is urgent in light tragic situation there and IGC may wish authorize an increase. Should these proposals meet with approval of IGC we respectfully suggest Malin proceed Lisbon and work out with our office there appropriate measures for notifying Saly Mayer."

4:35 p.m.
July 10, 1944

NAL:FR:db 7/8/44

CABLE TO WINANT, LONDON, FOR SIR HERBERT EMERSON FROM FEHLE

Please deliver the following message to Sir Herbert Emerson from John W. Fehle, Executive Director of War Refugee Board:

"The text of this Government's reply to British Government's Aide Memoire of March 27, 1944, is now in London and, if not already seen by you will, I am sure, be made available by Winant.

Because of the urgency of the present situation particularly in the Balkans I earnestly hope that it will be possible to start at once credit scheme mentioned in the Aide Memoire, with IGC using JDC as its agent in the several countries where need is desperate.

In this connection JDC now has opportunity to spend at least four million dollars additional on productive rescue operations from Balkans. There is general agreement among all responsible agencies in Near East, now coordinating their rescue activities under one committee in Ankara, that substantial numbers may now be saved. There is further evidence of a growing willingness in Rumania to cooperate. Under these conditions I believe that IGC has an excellent opportunity to initiate credit operations. Immediate assurance that IGC will underwrite credit operations already organized, as described in cable from Baerwald to you, will enable JDC to proceed immediately with new rescue opportunities. I earnestly hope that IGC will find it possible immediately to underwrite credit operations to the extent indicated."

4:35 p.m.
July 10, 1944

FH:AA:db 7/8/44

London

Dated July 10, 1944

Rec'd 9:42 p.m.

Secretary of State,

Washington.

5436, Tenth

Embassy's 5355, sixth. Editorial in NEWS CHRONICLE states that Nazis, in frenzied hatred against Jews, have piled horror upon horror to a point beyond which it would seem that even they could not go. But it adds that "in what is now happening in Hungary, a new climax of savagery and beastliness seems to have been reached." Telling of deportation of Hungarian Jews to Poland, where it is reported some 400,000 victims are marked down for destruction in Hitler's gas chambers, editorial continues: "Our minds cannot take in the full implications of murder on this scale. ***The crimes of the Huns and Vandals, which made hideous the so-called Dark Ages, become by comparison insignificant. What are we going to do about it? At the moment unfortunately we can do little --though it may not be long now before the Red Armies are in Hungary. But, because of our present helplessness in the face of these appalling brutalities, we must resolve all the more firmly that those who are in any way responsible for them shall presently be brought to justice. And such reparation as is possible must be made to the families of those who have been murdered."

Please furnish copy to War Refugee Boards.

WINANT

JT

DSB-217

PLAIN

London

Dated July 10, 1944

Rec'd 11:59 p.m.

Secretary of State,
Washington.

5439, tenth

CONFIDENTIAL LIMITED DISTRIBUTION FOR DEPARTMENT
AND WAR REFUGEE BOARD.

Copies of license No. W-2215 issued to French Relief
Fund, Inc. sent Guiguy and Roua on July 6 as directed in
your telegram 5256, July 4.

WINANT

JT

No. 3672

Stockholm, July 10, 1944.

Subject: Transmitting Report on Deportation and
Annihilation of Hungarian Jews.

CONFIDENTIAL(SECRET AS TO SOURCE)

The Honorable
The Secretary of State,
Washington.

Sir:

With reference to the Legation's telegrams No. 2510 July 7, 4 p.m. and No. 2511 July 7, 5 p.m., I have the honor to transmit a careful translation of the report dated June 24, 1944 which is understood to have been prepared by the Swedish Legation in Budapest on the subject of the deportation and annihilation of the Jews in Hungary.

The present enclosure should be read in connection with the report which was forwarded under cover of my despatch No. 3593 of June 26, 1944. When making the present report available to the Legation, the Swedish Foreign Ministry stated that "it is highly desirable that in case of publication the source of information should not be mentioned". The Ministry has promised to furnish the enclosures to the report as soon as they can be copied, and the Legation will forward them promptly.

Respectfully yours,

Herschel V. Johnson.

Enclosure:

Report as described.

File No. 800
HFCJr:FEM

Original to the Department
for possible oralizing.

Memorandum

The decrees previously mentioned relating to the Jews in Hungary have subsequently been supplemented with a number of new regulations issued by the Hungarian Ministry of the Interior, too long to be quoted here. Briefly, it may be said that, according to fully reliable information, all Jews in the region of the country east of a line drawn from Kassa in the north via Miskolc and Szolnok to Szeged in the south as well as those in the southern part of Hungary extending to the German frontier have either been brought together in internment camps with terrible sanitary conditions or temporarily gathered in ghettos for gradual transfer to such camps when the latter are emptied; all such imprisoned Jews, men, women, children, and old people, appear subsequently to have been loaded into cattle cars and sent partly to Germany, partly to the Polish "Generalgouvernement". According to the data most recently available this deportation had reached a total of 420,000 persons by the middle of last week; the remaining ones, with the exception of 180,000 men age 18-48 inducted for military labor service in Hungary, are believed to number approximately 300,000; according to previous information these last ones were also to be deported before the end of this month; now the date by which Hungary is to be completely "Go-Jewed" is said to be the fifteenth of July next.

The Jews still remaining are about a quarter of a million human beings residing chiefly in Budapest and its suburbs. At an earlier date there is said to have existed a plan for the gathering of the Jewish population of the capital in early June in three different ghetto districts. The violent bombing of some ten Hungarian cities on June 2, however, seems to have caused both a postponement and a change of these plans. For fear that Budapest would also be subjected to violent destruction, and that during the raids the ghetto districts might perhaps be spared, a different arrangement was made. The Jewish population was ordered to move together into certain designated houses spread all over the city. A list of the houses in which Jews until further notice were allowed to live was compiled and published; it contained chiefly houses already inhabited principally by Jews; a David star painted at the entrance was to mark each of these houses as a "Jew house"; the Jews living in other houses were ordered to move out within a time limit of five days (later extended to seven with Saturday, June 24 as expiration date) and were permitted to take with them as much of their household goods as they were able to transport.

As the Jews

As the Jews were forbidden to use any other vehicle than a pushcart or a horse-cart, of which only a few are available in Budapest, they naturally could only move a small portion of their belongings.

Through this and the previous measures the Jews have been deprived of practically all of their belongings. They have had to put up with living eight to ten persons in one room. Furthermore, an order has been issued forbidding Jews to be outdoors at any other time than three definite day hours (2-5), and to receive visitors in their apartments. In order to avoid the sensation which a deportation of a quarter of a million people in the daytime would create, it is said to be the intention to arrest the Budapest Jews gradually during nightly house searches and ransies and to remove them for internment or deportation. Also Christian houses are to be searched, whenever denounced. In order to catch the not inconsiderable number of Jews hidden by Christian friends: it is said that thousands of such denunciations are being received, creating a feeling of disgust even among the German officials receiving them. For the carrying out of the arrests a special Gendarmerie corps now seems to be used, headed by the ill-famed "executioner from Ujvidek", a certain General Zald, who once upon a time fled to Germany, but has now returned and been installed as an executioner in Budapest.

The deportation of the Jews of the capital, which as mentioned above is intended to be completed within three weeks, plans the bulk of these unfortunate men face to face with a terrible fate. It is believed that those who are fortunate enough to possess sufficient ability to work will be sent to German industrial plants, where they have prospects of receiving fairly good treatment; the others, however, such as children, weak women, and old persons will be deported to the annihilation camps at Auschwitz-Birkenau near Katowits in Poland (for information on which see the supplement attached to this report).

As far as it has been able to wish the small staff at its disposal, the Swedish Legation has endeavored first of all to assist persons having Swedish connections and to create a possibility for more effective intervention by a telegraphic request for increased authority. Its experience has been the very worst. The majority of those provided with "protective" papers have subsequently been unable even to communicate with the Legation, and letters have sometimes been returned as undeliverable. Personal visits, which of course could only be undertaken in extremely few cases, have proven unfeasible or ineffective. In many cases the Legation's notes, some of which were addressed to the Ministry for Foreign Affairs and some to the Military officials, have been kindly received and a

reply promised

reply promised in a few days, but these promises have practically never been fulfilled. The difficulty of achieving anything of importance has, of course, been increased by the present regime's evident annoyance because of the broken-off trade relations and the absence of a normal Hungarian diplomatic representation in Stockholm. Thus it has not been possible to obtain compliance with even the most reasonable demands. It would not be unreasonable to expect, for example, that at least those Jews who as recipients of Swedish passports have been accorded a status equal to that of Swedish citizens, were allowed to remain free until it were possible to transport them to their home country. But instead of consenting to this, the Hungarian authorities have stated that all alien Jews will be interned after July 1. To oral inquiries directed to the Ministry for Foreign Affairs as to whether it would not be possible at least to intern these persons in special camps placed under the protection and care of the neutral power, it has not been possible to obtain anything but vague replies.

A couple of fresh experiences may be cited as illuminative of the manner in which the Hungarian and German officials in these cases blame each other. A German officer -- an eyewitness -- recently in the greatest confidence expressed to a member of the Legation his repugnance to the unnatural cruelty displayed in connection with the transportation of Hungarian deportees; when the sealed cattle cars (whose small air holes had been closed) were opened at the frontier station, with German Red Cross nurses waiting to serve refreshments and passenger cars ready to continue their transportation, the Hungarian cars were found to contain numerous corpses, among which emaciated, white-haired, desperate human beings were squeezed in. When during a conversation with a journalist closely associated with the present regime it was pointed out that, if they wished to get rid of the Hungarian Jews, it would be more humane to let them emigrate to a country to which they have immigration permits, rather than tormenting and annihilating them, the reply was that "it does not concern any outsider what the Hungarian government does with its citizens". To this was added that "each people has a natural right to retaliate". The objection that small minor children can not have been able to sin against the Nation only called forth the retort that the two persons engaged in the conversation evidently did not understand each other, which undoubtedly was true.

The following reports, whose veracity naturally can not be checked, but which are believed to be apt to throw

additional light

additional light on the conditions described above, are forwarded herewith:

1. Report on Arrests and Deportations of the Jewish Council of Budapest.
2. Report on the Annihilation Camp at Auschwitz prepared by two Slovakian Jews escaped from it.
3. Condensed Summary of the above.
4. Narrative of a Woman escaped from the Auschwitz Camp.

Budapest, June 24, 1944

CABLE TO AMBASSADOR NORWEB AND MANN, LISBON, FROM WAR REFUGEE BOARD.

Unless Mann has pressing reasons not (repeat not) known to us for remaining in Lisbon, it is requested that he return to Washington at the earliest possible moment for conference. It will be appreciated if Norweb will do everything possible to expedite Mann's departure. If there are any difficulties in arranging priority for immediate transportation, please advise in order that the matter may be taken up here.

THIS IS WRB CABLE TO LISBON NO. 55

2:50 p.m.
July 10, 1944

JBF:ro 7/10/44

GEM-304

PLAIN

Lisbon

Dated July 10, 1944

Rec'd 3:40 a.m., 11th

Secretary of State,

Washington.

2120, Tenth, 4 p.m.

JDC 28 WRB 99 FROM PILPEL FOR LEAVITT SCHWARTZ

Istanbul informs us sixth boat steamer KESBECK arrived Istanbul with 742 passengers, including 263 children, of whom 200 Transnistrian orphans, 206 women and 273 men. Entire group scheduled depart for Palestine by train today.

NORWEB

JJM WFS

GEM-304

PLAIN

Lisbon

Dated July 10, 1944

Rec'd 3:40 a.m., 11th

Secretary of State,

Washington.

2120, Tenth, 4 p.m.

JDC 28 WRB 99 FROM PILPEL FOR LEAVITT SCHWARTZ

Istanbul informs us sixth boat steamer KESBECK arrived Istanbul with 742 passengers, including 263 children, of whom 200 Transnistrian orphans, 206 women and 273 men. Entire group scheduled depart for Palestine by train today.

NORWEB

JJM WFS

No. 2

AMERICAN CONSULATE GENERAL

CONFIDENTIAL

Barcelona, Spain, July 10, 1944.

Subject: Refugee and Relief Work during the First Six Months of 1944.

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Consulate General's despatch of January 3, 1944, entitled "Summary of Refugee Work in 1943".

Military Refugees

During the first six months of 1944, the refugee work of this Consulate General consisted primarily in the release, protection, and care of American military refugees. Altogether, 139 American aviators were assisted by this office during the first six months of 1944. Of these, 20 were members of crews of American aircraft forced to land in Spanish territory and the remainder were American aviators who escaped from France. All of these men were evacuated from Spain by way of Gibraltar or are now being evacuated.

The above total does not include a few cases of American aviators who were apprehended by the Spanish Authorities in the region of Zaragoza after crossing the Spanish frontier. The Consulate General intervened in cases arising in the Zaragoza area only when, because of some difficulty, its assistance was requested by the British Vice Consul at Zaragoza, Mr. Antonio Valverde-Gil, who ordinarily dealt directly with the American Military Attache at Madrid. There is no American representative at Zaragoza which is about two hundred miles from Barcelona.

Present Procedure in Military Refugee Cases

Arrangements have been made with private individuals at frontier zones to notify this office of the arrival of American aviators and, if possible, to have the aviators themselves speak with the Consulate General by telephone. In some cases notification is received from local officials but they cannot be relied on exclusively. If it is possible to speak to aviators by telephone, their names, ranks, and numbers can immediately be ascertained and sent to the Military Attaché for checking. In this case, a Consul or representative of this office can also go immediately to the provincial capital to which the American aviators are proceeding, bearing with him the necessary letter requesting the release of the aviators and assuming responsibility for them while they are on parole pending evacuation.

Where it is not possible to talk by telephone with an aviator and therefore not possible to be sure of his identity, letters to the local authorities are nevertheless drawn up but not presented until the escaped aviator either arrives at the provincial capital and can be interviewed or is visited at some place of detention prior to reaching the provincial capital.

At the present time, the provincial Military Governors have jurisdiction in all cases of civilian and military refugees of military age (20 to 40 years of age) until such refugees are taken over by some other branch of the government or evacuated from Spain. As, however, the Military Authorities frequently request the intervention of the Civil Police, it is often necessary to make representations to both Civil and Military officials. The cases of escaped aviators remain under the jurisdiction of the local authorities until a representative of the Spanish Air Ministry reaches the provincial capital with an order to take charge of them and conduct them to Alhama de Aragon whence they are evacuated to Gibraltar. The place of internment at Alhama de Aragon is a comfortable resort hotel.

Upon the release of an aviator to the Consulate General he is immediately clothed and lodged and given the necessary instructions. If the release is effected by an employee of the Consulate General, the employee notifies this office by telephone of the time of the release so that a consular officer can visit the man personally at the earliest opportunity and see to their needs. The man themselves and the hotel owners are in-

strusted to telephone to the Consulate General if any difficulty arises while they are in a provincial town where there is no permanent American representative.

During the first six months of 1944, it was possible to avoid the imprisonment of American aviators in almost all cases arising in this district. In the few cases where Americans were imprisoned the Consulate General obtained their release after not more than two or three days after detention.

Although many American military refugees arrived in Spain suffering from various injuries and illnesses requiring medical attention, there were only six cases requiring hospitalization in this district from January to July 1944. One of the men hospitalized was suffering from a shrapnel wound in the leg which healed in 15 days; two were suffering from exposure and mild cases of frost-bites; three men had very serious cases of frozen feet and were in a hospital in Barcelona for nearly three months before being flown to Gibraltar. It is presumed that they were taken by plane from Gibraltar to the United States. These three cases required a great deal of personal attention and the daily visit of the consular officer in charge of refugee matters.

Civilian Refugees

Only one American civilian refugee came into this district from France during the first six months of 1944. He was evacuated to North Africa and he intended to proceed to the United States from Casablanca.

The Consulate General's intervention was also necessary in many cases of stateless refugees in order to make sure that such refugees received necessary police protection and to eliminate any possibility of their being sent back to enemy territory.

The Consulate General also followed the cases of refugees of any nationality whatever who seemed to be in danger of not receiving the necessary protection or of being extradited to enemy territory.

Cooperation with Relief Agencies

The Consulate General continues to maintain close relations with the various consulates and other agencies in Barcelona handling refugees. In many cases of doubtful nationality, it was possible to obtain assistance

for refugees who had not succeeded by their own efforts in obtaining the help of any relief agency. The following were the principal agencies with which this office dealt:

- 1) Italian Consulate General: The cases of Italian refugees were handled by this Consulate General with the assistance of the French Red Cross and the Joint Distribution Committee up until the end of 1943 when the Italian cases were turned over to the Italian Consulate General which received funds for their maintenance from the National Catholic Welfare Board in the United States. There were frequent consultations with the Italian Consulate General as to the methods of distributing relief and as to the handling of individual cases during the period under review.
- 2) Office of American Relief Organizations in Spain: This office is located in Madrid and administers the funds of various American relief organizations such as the Friends' Service Committee, the National Catholic Welfare Board, the Unitarian Committee and the Joint Distribution Committee. In Barcelona, the Joint Distribution Committee acts as representative of the Office of American Relief Organizations. The Consulate General is frequently called upon for advice and assistance by the Joint Distribution Committee and has cooperated with it, especially in the protection of stateless refugees and in the preparation and forwarding to North Africa of applications for admission to the Refugee Center established there.
- 3) United Nations Relief and Rehabilitation Administration: A representative of the UNRRA came from North Africa to Barcelona in connection with the plan to evacuate refugees from Spain to the Refugee Center in North Africa. With his assistance, forms and instructions were drawn up and made available to refugees who wished to proceed to the Center. In June 1944, a first group of approximately 450 refugees left Barcelona for the Refugee Center in North Africa. The Office of American Relief Organizations in Spain, assisted by the Joint Distribution Committee in Barcelona, handled the evacuation of this group from Spain.
- 4) War Refugee Board: In June 1944 a representative of the War Refugee Board visited Barcelona and discussed the refugee situation at some length with the Consulate General and the Joint Distribution Committee. During the stay of this representative in Barcelona it was possible

to show him in detail exactly how refugee cases were being handled and he expressed his satisfaction with the methods now being employed. He was able to see for himself that every bona-fide refugee crossing the Pyrenees into Spain was taken in charge and assisted by some consulate or organization.

According to this representative, the interest of the War Refugee Board was centered especially in the question of the escape of refugees from enemy territory. Various aspects of this question were discussed with him and he was given information as to the way in which refugees in occupied territory finally reach the hands of relief organizations in Barcelona. This highly confidential matter has been discussed by the representative of the War Refugee Board with the Embassy and it is believed that the Embassy has informed the Department concerning these discussions. The War Refugee Board's representative seemed well satisfied with the way in which the Consulate General had been acting as a kind of clearing-house for refugee cases of various categories and as a liaison office between relief organizations and the American Embassy.

5) National Catholic Welfare Board: A representative of the National Catholic Welfare Board came to Barcelona in June 1944 to revise the administration of relief for Italian refugees and certain stateless refugees of Austrian and German origin. This representative has been in close touch with the Consulate General which has assisted her in her investigations of individual cases and in her relations with the Italian Consulate General and the Joint Distribution Committee, both of which are administering funds provided by her board.

Respectfully yours,

David McK. Key
American Consul General

320 TWF/mn

Original to the Department (enclid)
Two copies to the Embassy, Madrid.

LFG - 236
Distribution of true
reading only by special
arrangement. (SECRET W)

Madrid

Dated July 10, 1944

Rec'd 9:42 p.m.

Secretary of State,

Washington.

2389, July 9, 11 p.m.

Embassy has been informed by Spanish Ministry of Foreign Affairs that subsequent to receipt of our note 2410 of May 11 Ministry instructed Spanish Embassies in Berlin and Vichy to endeavor to obtain return to Vettel persons reported to have been transferred to unknown German prison but no positive results have as yet been reported. Department's 1889, July 4, 3 p.m.

High official of Ministry has also stated that all Spanish diplomatic and consular representatives in areas under German occupation or control including Hungary have been instructed to render all possible assistance to Jews and other persons in imminent danger of death or persecution regardless of nationality and that their efforts have been responsible for the saving of an unknown number of lives.

Spanish Government has already been instrumental in saving from imminent deportation to Poland approximately 500 Sephardic Jews who have been allowed to leave German concentration camps and proceed to Spain on strength of documentation provided by Spanish diplomatic and consular representatives. Majority of these persons have been transferred to Fedhala center and Spanish Government is now negotiating with German Government for similar release of additional 160 Sephardites together with group consisting of approximately 50 Jewish Rabbis and their families. It is also cooperating with representatives of Jewish organizations in Tangier in effort to bring 500 Jewish children out of Hungary to temporary haven in Spanish Morocco.

Embassy has throughout endeavored to keep Spanish Government fully informed as to attitude of United States Government in these matters as set forth in numerous telegrams from Department and War Refugee Board and can report that Spanish Government itself appears to be seriously concerned over inhuman persecution of innocent persons and disposed to cooperate in their rescue.

- 2 -

Repeated to Lisbon by Courier.

BUTTERWORTH

WSB RR

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid
TO: Secretary of State, Washington
DATED: July 10, 1944
NUMBER: 2395

SECRET

Reference is made herewith to the Department's July 8 telegram no. 1929 and to its May 16 telegram no. 1384. Transportation to Lisbon by rail for fifteen members of supplementary exchange group is being arranged by the Embassy. July 15 is the approximate date on which it is expected they will leave Irun.

Five members of the Fleurima family, Fkorecka, and Muller Silberstein will be brought to Madrid and placed in care of Blickenstaff's organization pending transfer to Fedhala refugee center, at War Refugee Board's expense. This is in accordance with the procedure set forth in Department's second telegram under reference, final paragraph.

On June 25 twenty-two members of German exchange group left Spain for Germany. Hohenberger, who is still detained in Barcelona awaiting delivery of counterpart Louis, remains here.

The foregoing message has been repeated as telegram no. 573 for the information of our Embassy in London and as no. 174 to Lisbon.

BUTTERWORTH

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid
TO: Secretary of State, Washington
DATED: July 10, 1944
NUMBER: 2396

SECRET

Reference is made in the following to the Department's June 26 telegram, No. 1814.

The American Consul at San Sebastian has furnished us with the information requested in the cable under reference. He reports that father, Maurice Fleurima, is bearer of Haitian passport P-11 valid for one year, issued January 17, 1941, at Rotterdam; revalidated for two years by Haitian Legation at Bern on July 22, 1943, and amended by the latter to include bearer's wife and three children who accompany him. It is claimed by Maurice Fleurima that he has three sisters and a brother living in Grande Riviere Hippe, Anse-A-Veau, Sud Haiti, and wife, who apparently is a native of the Netherlands, declares that her brother Leopold can be reached at the Boston Broadcasting Company in care of the Netherlands Program.

For the period from June 20 through June 30 funds were advanced for the Fleurima family's subsistence and necessary personal expenses, in accordance with telegram from the Department under reference, against promissory notes. However, in view of Department's July 4 telegram No. 1890, Blickenstaff will advance funds for period beginning July 1 for account of War Refugee Board in accordance with the Department's May 16 telegram No. 1384, last paragraph.

BUTTERWORTH

CABLE TO STOCKHOLM

To Johnson for Olsen from War Refugee Board

Please deliver following message to Rabbi Wilhelm Wolbe, 11 Olefsgotten Strasse, Stockholm, from Vaad Hahatzala Emergency Committee:

"Have forwarded to Rabbi Chaim Szmulewicz Shanghai via Polish Consul and Sternbuch in Switzerland 214,300 Swiss francs for distribution among rabbis and rabbinical scholars in Shanghai Stop Contact Szmulewicz inquire if above sums received and distributed as instructed Stop Cooperate with Olsen and endeavor send courier to Lithuania with funds for rescue of great rabbis and religious leaders."

THIS IS WRB CABLE TO STOCKHOLM NO. 51

4:35 p.m.
July 10, 1944

EBTowler:agr 7-8-44

S E C R E T

CABLE TO MINISTER JOHNSON AT STOCKHOLM FOR OLSEN

In view of matter contained page twenty-six of Bohn report, and as an experimental matter, please deliver the following message from the War Refugee Board to Mr. Edstrom, Chairman of the Board of the A.S.E.A., Vasteras: QUOTE Leopold Aschner, managing director of the United Incandescent Lamps and Electric Co. of Budapest and his wife and son are being detained in a concentration camp by Hungarian authorities and are in imminent danger of deportation to Poland and death solely because they are Jewish. Please appeal to the Utrikes-department to take Aschner and his family under Swedish protection, to issue to them such documents as may enable them to secure refuge in Sweden, and to take such other action as may be possible to safeguard their lives. Please advise me through Iver Olsen, American Legation, of action taken. I will personally appreciate anything you can do. Signed Gerard Swope, President, General Electric Co., New York. UNQUOTE.

If Edstrom complies with foregoing request, and his appeal is successful, an avenue may be opened to secure Swedish protection for a larger number of persons than Bohm indicates are now receiving such protection. Please keep Board advised.

THIS IS WRB STOCKHOLM CABLE NO. 49.

9:05 a.m.
July 10, 1944

LSLesser:als 7/8/44

CABLE TO JOHNSON FOR OLSEN, STOCKHOLM, FROM WAR REFUGEE BOARD

Reference Legation's No. 2466 July 5.

Please contact Mosaiska Foersamlingen immediately and advise them that JDC hopes they will assume responsibility for expenses in connection with evacuation and maintenance of Jewish refugees from Finland. JDC would appreciate report from Mosaiska Foersamlingen as to number of such refugees, cost of transportation from Finland to Sweden and estimate of amount needed for maintenance in Sweden for next three months. Please ask Mosaiska Foersamlingen to send such report promptly to JDC New York and to the JDC Lisbon office.

The object of the foregoing is to bring these refugees under the care of Mosaiska Foersamlingen which is supported in part by the JDC. From Board standpoint it is desirable that as many as possible of these refugees be maintained by private sources. Please report to Board whether Mosaiska Foersamlingen will adequately take care of situation.

THIS IS WRB CABLE TO STOCKHOLM NO. 50

9:50 a.m.
July 10, 1944

FH:db 7/8/44

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

July 10, 1944

7 p.m.

AMLEGATION,

STOCKHOLM

1363

The WEB cable 47 below is for Olsen.

The following is the substance of a message received from Amlegation, Bern: QUOTE From reliable sources we learn that confidential instructions to border control authorities to facilitate the admission of Jewish refugees from Hungary for transit Romanian territory have been issued by the Romanian Government. UNQUOTE

The following is the substance of a further message from Bern indicating the nature of the reliable source referred to: QUOTE A message in code, received by air on June 2 from the Prime Minister of Romania, was the basis for the information. Statement was made by the Romanian delegate to ICRC, Soneriu, that he was able to give formal assurance (it is presumed for the ears of the Allies) that Jews coming from Hungary into Romania would not only be allowed to cross the border secretly but that their safety would be looked out for by the Romanians. The fact that the few Jews who are able to reach the frontier of Romania do not seem to find the Romanians making things difficult for them is borne out by word received from Jewish sources in Budapest. UNQUOTE.

WEB:MMV:OMH
7/8/44

NOE

HULL
(GLW)

SE

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

July 10, 1944

6 p.m.

AMLEGATION,

STOCKHOLM

1364

The WEB cable 48 below is for Olsen

It may be of the utmost importance to future program of the Board to have available precise information concerning location of Hungarian detention centers for Jews including the place across the Hungarian frontier in Poland referred to in Section 1 of your 2412 of July 1. Using all channels available to you including Wallenberg, please secure such information and transmit it to the Board as promptly as possible.

HULL
(GLW)

WEB:MMV:OMH
7/8/44

NOB

EE

S/CR

BB-147
Distribution of true
reading only by special
arrangement (SECRET W)

Stockholm

Dated July 10, 1944

Rec'd 5:45 p.m.

Secretary of State

Washington

2548, July 10, 8 p.m.

Foreign Office now states there is definitely no possibility of reopening with Germans the matter of safe conduct for BARDALAND (as proposed in Department's 1213 June 16, 10 p.m., being War Refugee Board cable 27) on basis of assurances that refugees would not be taken to Palestine.

JOHNSON

JT WTD

SECRET

1. Please express to the Swiss Foreign Office the Department's and the Board's sincere appreciation for its cooperation and efforts as reflected in your 4288 of July 3. Please consult with appropriate officials of the Swiss Foreign Office in an urgent endeavor to secure their prompt further assistance by intervention and otherwise in rescuing the Malkowsky, Frumkin and Gerlin families from QUOTE general treatment accorded to eastern Jews UNQUOTE which according to your 4295 of July 6 and all other available information is but an euphemism for cold-blooded slaughter.

2. Please continue making representations in strongest terms on behalf of these families and all others to whom documents have been issued in the name of any American republic. This Government is unable to accept the German position based on the alleged falsity of some such documents and must insist as heretofore that only the government in whose name document has been issued and not (repeat not) Germany may deny its validity and that unless and until such government expressly and specifically denies validity of a document issued in its name Germany must accord the person to whom such document has been issued the treatment, rights, immunities and privileges to which nationals of the country in whose name the document is issued are entitled. Furthermore, this Government can no (repeat not) accept the distinction sought to be drawn between issues of such documents who are now in internment camps and those issues who are elsewhere, and this is without regard to whether such persons have a knowledge of Spanish or any other language or were settled in Poland or any other country. Accordingly this Government takes a most serious view of German consignment of any persons to whom documents have been issued in the name of an American republic to the QUOTE general treatment accorded to eastern Jews UNQUOTE and must insist upon the return by the Germans to internment camps reserved for nationals of American republics of all persons to whom such documents have been issued who have been removed from such camps for consignment to such QUOTE treatment UNQUOTE or similar treatment.

3. Please endeavor through any unofficial channels that may be available to you to convey the sense of the following to appropriate German and satellite officials in foreign offices and foreign police; Foreign office and other officials who bear any responsibility for the consignment of persons to whom documents have been issued in the name of an American republic to the QUOTE general treatment accorded to eastern Jews UNQUOTE or similar treatment must expect personally to bear the consequences. If American republics, horrified by the bestiality and brutality of Nazi mass-slaughter accord to some persons the protection

- 2 -

of their passports or other documents, individual officials of the German and satellite foreign offices and foreign police ought to be anxious to avail themselves of such or any other opportunity to save innocent lives. If, instead, they indulge in fine reasoning and take action which is tantamount to sentencing such persons to persecution or death, they thereby assume the responsibility and invite the consequences therefor. Furthermore, their failure to seize every available opportunity to save lives will be considered as strong evidence of their concurrence with the policy of mass-slaughters of Jews and other civilian populations and their participation in such crimes, the consequences for which formed the subject of President Roosevelt's statement of March 24.

4. The Department and Board are confident that the Swiss Foreign Office recognizes that although the safety of citizens of the United States is the paramount concern of the American Government, the American people and Government are gravely concerned with the safety of the victims of Nazi persecution without regard to the nationality or stateless status of such victims. This grave concern has been manifested in many ways including the creation by the President of the War Refugee Board, and in the solemn warnings heretofore issued by President Roosevelt, Secretary of State Hull, the Senate Foreign Relations Committee and the House of Representatives Foreign Affairs Committee. As a consequence of this concern, and in view of Germany's open espousal of a policy of exterminating Jews and other civilian peoples, the Swiss Foreign Office will understand why this Government is unable to accept the German view that removal of persons claiming nationality of an American republic from internment camps for subjection to the QUOTE general treatment accorded to eastern Jews UNQUOTE involves merely QUOTE internal German police measures UNQUOTE. Knowing Switzerland's humanitarian traditions and the great assistance she has been to victims of persecution from the earliest times to the present, the Department and Board are confident that the Swiss Foreign Office will find a way to intercede further on this score to secure from the Germans adequate assurances for the safety of all persons to whom passports and other documents have been issued in the name of an American republic whether such persons are in internment camps or elsewhere or have been in internment camps and removed therefrom. Please also request the Swiss to attempt again to secure for the Board a list of all those claiming nationality of an American republic who have been deported from Vittel and similar camps. Assume your airmail 8466, June 12, contains list of 238 names supplied by you to Swiss as well as list of 163 names supplied by Swiss consulate, Paris. The importance of securing such lists, as well as the taking of the other measures indicated herein is emphasized by the fact, called to your attention by the Department's of , that Anna Frankin is of a citizen of the United State.

- 3 -

5. Regarding Section four your 4223, July 3, notice number two, Part E, this Government's position against German determination on QUOTE merits of individual claims of persons holding United States of Latin American documentation UNQUOTE relates not (repeat not) to priority of exchange or method of selection of individuals to be exchanged, but rather to the recognition of persons making such claims as being eligible for exchange, and the extension to them of treatment to which nationals of countries of which they claim nationality are entitled.

6. Regarding notice number two, Part F, refer Department's of WEB's 64 and Department's of WEB's 71. Further efforts being made to obtain various governments protected by Switzerland or Spain to request suitable action in Bern or Madrid. But without awaiting such requests, efforts should be persistently continued to obtain results on basis of this Government's attitude, and of attitude of such governments as have already communicated with Switzerland. In this connection, please discuss with Swiss officials informally the desirability of construing as liberally as possible, and of acting as speedily as possible upon any communications from any American republic touching upon the protection of persons from cruelty and persecution. Swiss officials certainly understand that the sole object involved is to save people from unprecedented bestiality and that delays in action brought about by a strict adherence to technicalities proper enough under ordinary circumstances merely result in these extraordinary times, in an additional number of innocent people being ruthlessly done to death.

7. In view of the situation in Hungary, special efforts should be devoted to obtaining German and Hungarian assurances with regard to the protection, eligibility for exchange, etc., of any persons in Hungary to whom documents in the name of an American republic have been issued. You are authorized to request Swiss authorities to make all necessary representations to this effect. In this connection, note is taken of your recommendation in last paragraph of notice one of your 4223.

4:35 p.m.
July 10, 1944

THIS IS WEB CABLE BERN NO. 78.

BAksin :als 7/10/44
LSLesser

CABLE TO BERN

From War Refugee Board to Harrison for McClelland.

Please deliver the following message to Adolph
Freudenberg, 41, Avenue de Champel, Geneva, from Leland
Rex Robinson of American Committee for Christian Refugees:

"Desire information number and status
Italian Protestant refugees Jewish or non-Jewish
in Switzerland."

THIS IS WRB CABLE TO BERN NO. 77

9:50 a.m.
July 10, 1944

EBTowler:agr 7-8-44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMLEGATION, BERN
DATED: July 10, 1944
NUMBER: 2366

CONFIDENTIAL

Please inform Mr. Hubert Clement and Mr. Antoine Krier, care of Luxembourg Consulate, Bern, that Treasury Department has issued license No. W-2231 to the Belgian War Relief Society, Inc., New York City, permitting them, as its disbursing trustees, to arrange for relief and rescue operations in enemy and enemy-occupied territory. The terms of this license are substantially identical to license No. W-1206, as amended, issued to JDC. In this connection, reference is made to Department's telegram No. 1906 of June 3, 1944. Under specific license, Belgian War Relief Society, Inc., will remit Swiss franc equivalent of \$90,000 to Mr. Clement and Mr. Krier for operations contemplated in license No. W-2231, which are approved by the Department, the War Refugee Board and the Treasury.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMLEGATION, BERN
DATED: July 10, 1944
NUMBER: 2367

CONFIDENTIAL

Reference is made to Department's telegram No. 838 of March 14, 1944. Please inform Noel Field, 12 Rue du Vieux College, Geneva, that Treasury has amended section 1 of license No. W-1249 so as to permit him to arrange for relief to displaced persons in France as well as to provide for support of medical work in refugee camps in France. Other terms and conditions of such license remain unchanged and are fully applicable to such arrangements as may be made for the relief of displaced persons in France. The operations permitted by such amendment are approved by the Department, the War Refugee Board and Treasury.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 10, 1944
NUMBER: 4387

CONFIDENTIAL

McClelland send the following for WEB with regard to message Number 2241 of July 1 from Department.

We are assembling the requested data. In this connection, we call attention to the fact that section referring to sending of free currency into enemy territory as a (three) rather than one (0) according to prototype license issued to Union of Orthodox Rabbis (see message of January 22, Number 229 of Department). Furthermore, rather than W-2115, license issued to World Jewish Congress (reference Department's message January 20, Number 197) is Y-2115.

HARRISON

DCR/GPW

7/12/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 10, 1944
NUMBER: 4388

SECRET

It is reported by Lichtheim Jewish Agency for Palestine, Geneva, that through efforts of Swiss and British Governments exchange was completed of 111 Germans for 283 Palestinian German and Dutch Jews carrying regularly issued Palestine certificates at Istanbul on July 5.

In connection with this subject, please refer to my message of April 29, Number 2738. With regard to Switzerland's operations and collaboration in assistance of victims of war, please refer to my message of July 7, Number 4324.

HARRISON

DCR/GPW

7/13/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 10, 1944
NUMBER: 4390

CONFIDENTIAL

The following message refers to the Department's June 28 circular cable concerning resolution regarding refugees in Europe by the House of Representatives.

On June 29 the text of this resolution was communicated to the Government of Switzerland. The Swiss press published the resolution widely. A copy for possible transmission to Hungary was furnished to a leading Hungarian.

HARRISON

**CABLE TO AMBASSADOR STEINHARDT AND IRA HIRSCHMANN, ANKARA,
FROM WAR REFUGEE BOARD**

Reference Ankara No. 78 for WRB (Embassy's 1125 of June 21).

For your information the following is text of cable received from McClelland in Bern under date of July 5, 1944:

"A message in code, received by air on June 2 from the Prime Minister of Rumania, was the basis for the information given in Paragraph 2 of our message of June 17 Number 3867.

Statement was made by the Rumanian delegate to ICRC, Soneriu, that he was able to give formal assurance (it is presumed for the ears of the Allies) that Jews coming from Hungary into Rumania would not only be allowed to cross the border secretly but that their safety would be looked out for by the Rumanians.

The fact that the few Jews who are able to reach the frontier of Rumania do not seem to find the Rumanians making things difficult for them is born out by word received from Jewish sources in Budapest."

THIS IS WRB CABLE TO ANKARA NO. 78

9:50 a.m.
July 10, 1944

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

July 10, 1944

6 p.m.

AMEMBASSY,

ANKARA.

621

The following War Refugee Board cable 75 from Pehle is for Robert F. Kelley, Counselor of Embassy.

Of the \$160,000 transferred to your account in the Banque Centrale de la Republique de Turquie, Ankara, by cable on April 11, 1944, please transfer \$10,000 to Ira A. Hirschmann for his use in connection with War Refugee Board operations. Also transfer \$50,000 to Mr. Iver C. Olsen, War Refugee Board Special Attache, United States Embassy, Stockholm, Sweden. Please confirm both transfers by cable.

HULL
(GLW)

WRB:MMV:OMH
7/6/44

NE

FA

BF

SWP

NJA -362
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Ankara

Dated July 10, 1944

Rec'd 11:25 a.m. 11th

Secretary of State,
Washington.

1248, July 10, 2 p.m.

FOR WEB FROM HIRSCHMAN

Ankara No. 92.

For your information 283 Jewish refugees arrived in Istanbul on July 6th from Bergen near Hanover, Germany, and 61 from Vittel, France, and proceeded immediately to Palestine under the supervision of the Turk Red Crescent. These refugees represented an exchange for 113 German nationals from Egypt, South Africa and Palestine. The difference between the numbers exchanged results from a deficit in a former exchange, in which the number of Jewish refugees was less than the number of the Germans.

For your further information the Jewish refugees were all close relatives of people now residing in Palestine. Palestine nationals also were in possession of certificates issued by the Palestine Government at the suggestion of the Jewish agency and transmitted by the British Government to the protecting power. The 283 refugees were chosen by the Gestapo on an unknown basis from a list of 800 submitted by the Jewish agency.

You are informed that there remain three to four thousand exchange certificates of the above mentioned character outstanding but the British state that they have no additional exchange material available. From the foregoing it would appear that a precedent has been established for similar exchanges provided additional German exchange material can be secured. The above may be significant in connection with plans which may be in progress involving the exchange of holders of Central and South American passports.

KELLEY

WTD:MEM

KD-268
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arrangement. (SECRET-W)

Ankara
Dated July 10, 1944
Rec'd 11:38 p.m.

153

Secretary of State
Washington

1249, July 10, 3 p.m.

FOR THE WAR REFUGEE BOARD FROM HIRSCHMANN.

Ankara No. 93

In exploring possible means of rescuing refugees from Hungary we are reminded of past experiences which indicated that the possession of visas to Palestine and overseas countries has had the effect of delaying deportations and in numerous cases of actually saving refugees and enabling them to emigrate. Recently, as reported in the Embassy's No. 1248, 253 refugees from Germany succeeded in reaching Palestine as the result of their securing visas for Palestine under an exchange for German nationals.

In view of the above, private agencies here, particularly JDC, urge that serious consideration be given to the suggestion made by the committee from Hungary, contained in the telegram which we understand was despatched by Ross McClelland from Bern, that American, Palestinian and Swedish visas be provided without delay in some form to a large number of persons in Hungary. It is urged that consideration be given to the issuance through the protecting power of numerous visitors visas or certificates outside the regular quota which may serve the same object on the grounds that the holders of such documents may enjoy immunity from deportation or may actually succeed in leaving Hungary thereby. In the event that they should succeed in escaping from Axis territory it is suggested that such refugees be assigned to free ports now being established in the United States, North Africa and other territories.

KELLEY

BB

RR

MJB-269
Distribution of true
reading only by special
arrangement. (SECRET W).

Ankara

Dated July 10, 1944

Rec'd 11:35 p.m.

Secretary of State,

Washington.

2043, July 10, 1 p.m.

FOR THE WAR REFUGEE BOARD FROM HIRSCHMANN. Ankara
number 91.

Any estimate of the number of refugees in Constanza can be only a conjecture as the number is reported to change from day to day. (Reference is made to Department's 592, July 1) obviously the number increases as refugees assemble for embarkation and decreases after a vessel carrying refugees has departed. As indicated in the Embassy's 1230, July 7 reporting my conversation with Cretzianu on July 5 transportation facilities in Rumania are confused and chaotic as a result chiefly of bombing.

I am making every effort to expedite the movement of the four Turkish and one Greek vessel from Constanza. It is reported that at the moment there is a concentration in Constanza of additional refugees, the number of whom is unknown.

RR CSB

KELLY

LL-128
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (RESTRICTED)

Istanbul

Dated July 10, 1944

Rec'd 4:18 p.m.

Secretary of State,

Washington.

404, July 10, 10 p.m.

FOR WAR REFUGEE BOARD FROM LEAVITT JOINT
DISTRIBUTION COMMITTEE NEW YORK FROM JOSEPT SCHWARTZ.

Steamship BC expected to arrive here next (*)
days from Constanza with 739 passengers.

It is important that you should transfer at
least 500 swiss francs to Salymayer immediately and
prepare additional 1,500,000 Swiss francs as soon as
possible in view of the fact that other ships are
also expected to arrive very soon.

BERRY

(*) Apparent Omission

MEM
WTD

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Istanbul
TO: Secretary of State, Washington
DATED: July 10, 1944
NUMBER: 406

CONFIDENTIAL

Following is for the War Refugee Board, for attention of Leavitt, Joint Distribution Committee, New York, signed Joseph Schwartz.

One. It is advised by Lightman that Buenos Aires groups sending second remittance \$15,000 for purposes indicated previously. First remittance of same amount applied for transportation and maintenance.

Two. Provided you can arrange to increase monthly remittances to Saly Mayer by 80,000 would seriously consider discontinuing those to Jewish agency. As the occasion requires, participation special projects would be considered. Inform urgently.

Three. The SS KESBEC arrived here with 742 passenger including 273 men, 206 women and 263 children (200 of whom are Transnistrian orphans). On July 11 entire leaves for Palestine by train.

BERRY

DCR:VAG 7/13/44

JIB

AIRGRAM

London

July 10, 1944

Rec'd July 15, 1944
8 a.m.Secretary of State,
Washington.

A-835, July 10, 1944

For Secretaries of State and Treasury.

DEPARTMENT OF STATE
DIVISION OF AIR

JUL 15 1944

COMMUNICATIONS
SECTION

The Statist of July 8 featured a discussion of the Bretton Woods conference which expressed optimism over the ultimate outcome of the conference and the opinion that unanimous agreement would be reached upon the broader issues. The Economist of the same date carried only a brief "Note" on the conference which outlined the organization of the conference commissions and reported Keynes' opening remarks on the proposed Bank. The July 8 issue of the Statesman and Nation made no mention of the conference.

The Statist describes the conference as "...the most important and pregnant international conference in world history. For not only is the outcome of the conference of crucial importance to all nations on the financial

-2- # A-835, July 10, 1944, from London

financial plans, but the conference is a prototype of others which, it may be hoped, will deal with non-financial international issues."

The article states that "Too much attention should not be given to the abbreviated and partly pessimistic reports of transactions to date which have reached this country" and goes on to say "There is, fortunately, no reason to doubt that in due course the delegates will come to unanimous decisions on at least the broader issues involved."

After stating that four commissions have been established to carry out the program of the conference, the article notes that there has been little news about the work of Mr. White's commission reported in this country but rather more about Lord Keynes' commission on the Bank.

The article states "It is premature to pass judgment on the Bank; but a sound beginning has been made." It expresses the view that the reported intention to have the Bank guarantee loans in approved cases but ordinarily to leave the actual provision of the funds to private sources should remove much of the antipathy towards the conference hitherto expressed in U.S. financial circles.

After

-3- #A-835, July 10, 1944, from London

After noting that much work lies ahead in providing adequate safeguards to the Bank in participating in loans with a "joint and several guarantee," the article states "What is of undoubted value in proposals so far made known on this side is the proposed expert investigation of all applications for accommodation and the resolve that funds raised under the auspices of the bank's guarantee shall be economically administered.... For its further effectiveness much obviously depends upon raising the political respectability and financial soundness of the weaker brethren - and this obviously lies outside the main scope of the conference."

A section of the article is devoted to stressing the importance of a multilateral approach to the problems of international trade and finance: "The notion of free dealing in all directions not only informs (sic) the Atlantic Charter but lies at the base of all progressive post-war proposals." It criticizes the tendency in certain British quarters, citing the Times of June 26, to suggest "'use of the British import market as a bargaining counter....to expand exports to the level required to meet the cost of imports' (asserting that) the

-4- #A-835, July 10, 1944, from London

the shortest way to a reversion to a contraction of overseas trade on the pre-war pattern would seem to lie in any attempt to drive bilateral bargains with our main suppliers."

The article closes with a note on the "Background of Full Employment" and emphasizes that while it would be difficult to exaggerate the importance of the monetary conference, the financial factor is "at best only an auxiliary factor in prosperity."

The Note in the Economist makes reference to both Mr. White's and Lord Keynes' opening addresses at the plenary sessions of their respective commissions but devotes its attention almost exclusively to a summary of Lord Keynes' remarks on the Bank. The article closes with a few remarks on the place of silver in the discussion in commenting on the commission headed by Senor Suarez. It notes that the Mexicans have allies in Congress on the silver issue and refers to the letter sent by the Chairman of the Senate Silver Committee to the President. However, the note concludes with the statement that "The chances of silver emerging from the conference with increased monetary status are less than slender."

WINANT

WHT/CDG:KGB

DEPARTMENT
OF
STATE KD-222

INCOMING
TELEGRAM
PLAIN

¹⁶¹
DIVISION OF
COMMUNICATIONS
AND RECORDS

London

Dated July 10, 1944

Rec'd 9:55 p.m.

Secretary of State
Washington

5437, Tenth

FOR THE SECRETARIES OF STATE AND TREASURY

Norman Crump in the Sunday TIMES (July 9) discussed the Bank plan, which he considers complementary to the Fund. Noting that stress is laid on the guarantee aspect on the Bank plan he suggests that although this is as it should be, "one point, however, must be borne in mind. A guarantee is only required when the prospective lender considers the proposition too risky to justify the advance of his own funds. Now it is understood that the proposed Bank will itself examine all proposals put before it, before it grants its guarantee.

This is a proper procedure, but it is to be hoped that the managers of the Bank will not take too conservative or stringent a view. Unless they are prepared to take risks, which the normal channels of finance are not prepared to take, they will grant very few guarantees, and so

DEPARTMENT OF STATE
JUL 12 1944
REC'D 9:55 P.M.

-2- #5437, Tenth, from London

guarantees, and so will fail to carry out the duties with which they will be charged." The Sunday TIMES also printed a Reuter report stating that the possibility is being discussed that "concessions should be made to occupied and devastated countries in determining their gold contributions to the monetary fund. The chief countries affected are those with substantial gold holdings, namely Russia, France, The Netherlands and Britain."

This Reuter report is also run in the July 10 FINANCIAL TIMES and FINANCIAL NEWS, the latter also reports the discussions on quota allocations; and the rejection of the Egyptian proposal on blocked balances. This article ends as follows:

"Well-informed banking observers in America, writes our New York correspondent, after witnessing the Bretton Woods proceedings for a week say privately that the conference will probably conclude with general expressions of unity but with a variety of major questions unsolved.

The meetings are regarded as being skillfully handled and by the time resolutions are adopted the opposition to the plan in America and elsewhere will be likely to be left with

-3- #5437, Tenth, from London

be left with nothing to shoot at."

"Economic Correspondent" opened an article in yesterdays OBSERVER by asking whether the delegates at Bretton Woods are "trying to agree on methods by which international trade is to be promoted or on methods by which the financial claims arising out of international trade are to be settled. This writer expects that it is from the commission working on the Bank plan that constructive proposals for rehabilitation and development policies are most likely to emerge. He refers to Keynes conception of the scheme as providing "a joint and several guarantee" and declares that the principle may indeed be followed with regard to some special projects of great magnitude such as the Danube Valley Authority Project. But he goes on to put the question:

"Would the British Government be prepared to share in the risk of financing a textile industry in Brazil--a rival to Lancashire? Would the American Government be pleased to pledge its credit to finance motor-car production in China? Where are these 'projects of common interest and advantage end' on whose merits 'all member countries throughout the world' are in agreement?"

Noting that

-4- #5437, Tenth, from London

Noting that Secretary Morgenthau emphasized the necessity of dealing multilaterally problems of international exchange and investment, this writer then asks:

"Is this really so? Is it possible, at the present juncture, to obtain universal assent to any concrete course of action? Many problems of international exchange and investment, surely, can be solved 'bilaterally' or within a regional framework. The great question overhanging this conference is still this: Are transactions and arrangements between pairs of countries or groups of likeminded nations to be ruled out even if they are designed to foster and expand trade between them?"

Adding that reconstruction will require government direction, and that in making decisions governments should in theory continuously consult and cooperate with all other governments, this writer doubts if this would be possible, and concludes his article:

"For Britain and for large parts of Europe it is essential that they should be able to act and plan together. If the continent of Europe were one single state, no one would doubt the right of France to view its economic dealings with Belgium differently from its dealings with, say, South America. Is such differentiation or

-5- #5437, Tenth, from London

entiation or 'discrimination' to be prohibited as long as France and Belgium are still separate political entities."

MANCHESTER GUARDIAN, July 10, runs a story dated New York, July 7, stating that despite the apparent desire of certain American newspapers that the United States should take an isolationist position in international trade and finance, it seems evident that the differences of opinion are no more than could have been expected and give no reason to believe that the conference will not end in success. However, this article adds:

"There is a disturbing amount of hostility in certain quarters of this country against the United States entering into international agreements with Great Britain, if the Keynes policies are to be followed in the United Kingdom in the post-war period. Hostility is expressed to a compensatory economy and the possibility that Britain might want cheap money while the United States wanted high value for the dollar. There is no reason to suppose, however, that this view represents the majority public opinion or the majority of Congress, which must approve all agreements made at Bretton Woods."

The TIMES Bretton Woods correspondent in July 10
issue reports an

-6- #5437, Tenth, from London

issue reports an atmosphere of confidence that agreement on both Fund and Bank will be reached. He indicates that the quota issue has not, as some critics have assumed, "reached the proportions of a 'controversy'" and suggests that what is important is that the United States delegation has accepted some modification as inevitable. He continues: "It goes without saying that in the American press this question is associated with that of 'voting strength', on which public opinion in this country is highly sensitive. In a radio discussion last night, for instance, one of the questions asked was whether it would be possible for the United States to be 'outvoted by the British Empire' -- to which an emphatic negative was given."

WIN/NT

JJM

WES

PARAPHRASE OF TELEGRAM SENT

167

FROM: Secretary of State, Washington
TO: American Legation, Beirut
DATED: July 10, 1944
NO.: 97

CONFIDENTIAL

Reference is made herewith to the Legation's July 7 Telegram No. 157.

The following message has been repeated to Algiers as the Department's telegram No. 2163 and to Cairo as No. 1763.

Consideration is now being given in connection with conferences and organizations of United and Associated Nations to the problem of the status of Lebanon and Syria. However, regardless of the conclusion that may be arrived at, there appears to be no possibility of extending an invitation to Lebanon and Syria to take part in the United Nations Monetary and Financial Conference which is already meeting at Bretton Woods and which is expected to end its sessions shortly. Evidently the reported fortnight adjournment of the conference is incorrect.

HULL

ef:copy
7-17-44

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 224

Information received up to 10 a.m., 10th July, 1944.

1. NAVAL

On 8th/9th one of H.M. Destroyer and one of H.M. Canadian Destroyers damaged enemy trawlers off ST. MALO. MTB's sank a trawler and damaged another off the Dutch coasts. One M.T.B. returned to harbour damaged and in tow.

2. MILITARY

NORMANDY. U.K. and Canadian troops have liberated CAEN. During 8th/9th patrols entered CAEN from N.E. and by midnight had almost reached town centre. Morning 9th town also broken into from north and west and by afternoon capture of whole town north and west of ORNE completed, suburbs south of river alone remaining in German hands. An important road bridge across the ORNE captured intact. Between TILLY and CAUMONT a British attack 8th made slight progress. German counter attack dawn 9th repulsed and 11 tanks claimed knocked out.

ITALY. Resistance remains strong along whole front. Indian troops have advanced slightly north of UMBERTIDE. U.S. forces have captured VOLTERRA and have advanced about 4 miles astride the SALINE-PONTERA Road.

RUSSIA. Russians report substantial advance with recapture 700 places N.E. of VILNA where street fighting continues. West of MINSK they have recaptured LIDA and NOVOGRODEK.

3. AIR OPERATIONS

WESTERN FRONT. 9th. 327 Bomber Command and 203 U.S. aircraft bombed objectives in FRANCE, including flying bomb launching sites - 1,305 tons; bridges south of LE MANS - 185; and two airfields - 85. 715 A.E.A.F. aircraft attacked communications, etc., in N.W. FRANCE and flew armed reconnaissances and defensive patrols over and south of battle area; German casualties 11, 1, 11. Ours - 5 bombers, 4 fighters missing.

ITALY. 8th. 87 medium bombers and 304 fighters attacked objectives Northern ITALY and 256 fighters flew offensive patrols.

AUSTRIA. 8th. 528 escorted Fortresses and Liberators dropped 1,076 tons on oil refineries and airfields VIENNA area. Enemy casualties 54, 15, 13. Ours - 17 bombers, 5 fighters missing.

RUMANIA. 9th. 226 escorted Fortresses and Liberators bombed two oil refineries PLOESTI 537 tons. Enemy casualties - 13, 1, 5. Ours 8 bombers missing.

4. GERMAN ACTIVITY

From 6 a.m. 8th to 6 a.m. 9th. Flying bombs launched - 81, destroyed by fighters - 38, A.A. - 11, balloons 1. Total 50.

During 24 hours ended 6 a.m. 10th about 90 flying bombs launched of which 56 crossed coast.

Bretton Woods, N.H.
July 11, 1944
9:30 a.m.

FUND: SCARCE CURRENCY REPORTS -
INITIAL OPERATIONS

- | | | |
|----------|-----------------|------------------|
| Present: | Mr. White | Mr. Spence |
| | Mr. Vinson | Mr. Luxford |
| | Mr. Wright | Mr. Miller |
| | Mr. Acheson | Mr. Ivan White |
| | Mr. Brown | Mr. Coe |
| | Mr. Angell | Mr. Cox |
| | Mr. Collado | Mr. Ness |
| | Mr. Durbrow | Mr. Gardner |
| | Mrs. Morgenthau | Dr. Goldenweiser |
| | Miss Newcomer | Mr. Smith |
| | Mrs. Klotz | Mr. Wagner |
| | Mr. Pearson | Mr. Eccles |
| | Mr. Reed | Mr. Kelchner |
| | | Mr. Wolcott |

H.M.JR: I made a great discovery this morning. Most likely I am the only person that didn't know it, but right by the pool to the left is a little path which takes you down to the golf course, and from there there is a road that runs for one or two miles to the left, and if anyone is interested in a walk with no cars, I strongly recommend it.

Is anybody in a hurry other than Mr. Coe?

MR. WHITE: Yes, well - oh, hurry to get out!

H.M.JR: Because Mr. Coe has whispered he is in a hurry. Is anybody in more of a hurry than Mr. Coe?

MR. WAGNER: We on Committee Three have to be there at ten o'clock and we are usually very prompt.

MR. LUXFORD: There is only one thing this morning that will come up, Senator.

MR. WAGNER: Where is Dr. Goldenweiser?

DR. GOLDENWEISER: Here.

MR. WAGNER: He can make the report.

MR. LUXFORD: The location of office is one of the first things on the agenda this morning. I think it will be very helpful to tell them the U.S. view.

MR. WAGNER: Why don't you tell them?

MR. LUXFORD: Well, they will understand it when Senator Wagner says the office must be in the U.S.

MR. WAGNER: Yes! (Laughter)

MR. WHITE: They will have the war between England and the U.S. allocated to Senator Wagner's statement.

H.M.JR: In your own impeccable language, would you state it, Senator Wagner?

MR. WAGNER: What?

H.M.JR: Would you say how you are going to present it?

MR. WAGNER: My attorney is going to present it.

H.M.JR: Well, I take it there is no question in anybody's mind that the office should be in the United States?

(Mr. Eccles enters the conference)

MR. WAGNER: That is right.

MR. WHITE: Could the announcement be delayed until they open it up in committee?

MR. WAGNER: I don't think we have to.

MR. WHITE: Because it will just make it more difficult, today of all days.

MR. WAGNER: It seems to me the last time we were on that question, Luxford, the overwhelming sentiment seemed to be for leaving the whole thing to the Fund and we shut up and didn't say anything about it. Who took our view?

MR. LUXFORD: Some of the American Republics would, but that is all.

H.M.JR: I understand from Mr. Luxford that the newspapermen, some of them, were familiar with this fight.

MR. WAGNER: I wonder how they become familiar with all these things, but every time one of them talks to me he knows everything about what is going on. I am sure I don't tell them. They don't ask me. They probably don't think I know enough about it. But somebody tells it.

H.M.JR: The suggestion I was going to make is that if the New York papers are in before ten o'clock you might see what they say on the location of the head office.

MR. WHITE: Mr. Secretary, if we could postpone it one day - because we hope to spend the better part of today in wrestling through whatever is left - the British and ourselves - on a lot of things, and if they are confronted with this at the meeting they are going to be even more difficult than they already are. So if it could be postponed until we have finished, say one day, it would help us.

MR. LUXFORD: I am sure we could postpone it, don't you think so, Senator?

MR. WAGNER: How?

MR. LUXFORD: We will just ask the Chairman to pass it over.

MR. WAGNER: I call him the boss, now! Yes, you suggest it to him.

H.M.JR: Anything else, Bob?

MR. WAGNER: Should we consider Dr. Goldenweiser's statement now?

H.M.JR: Let's just take care of Mr. Coe a minute? Is it a minute?

MR. COE: It is about three minutes, Mr. Secretary. It is about the program as a whole and the results from the fact that some of us have been looking at the calendar.

Roughly, I think, you have got until next Wednesday; Wednesday morning there ought to be a final Plenary Session.

H.M.JR: What is the date?

MR. COE: That is the 19th; today is the 11th. Wednesday morning there ought to be a final Plenary Session which winds up things. From past experience with this sort of thing, I think that means that you can't do much business on Tuesday. You will be busy clearing up final things. Monday, therefore, is practically the last day for getting agreement on final versions of anything that you are going to get agreement on.

Now, last week the Delegation - this Delegation and others - had the Fund as the major item of business, and it was pretty hard to schedule meetings and have the Delegation's caucus and argue among themselves on questions, and compromise things out.

This week, unless you manage to get the Fund wound up in the next day or two, you are going to have the Fund and the Bank, and I think, have an almost intolerable time trying to finish up.

And looking at the number of days available, it appears to me that everything of importance on the Fund - every compromise with the British, and so forth - excepting maybe one or two that you feel safe on leaving over - ought to be out of the way on Thursday, and that you ought to have a Commission meeting on the Fund on Thursday which virtually settles it.

Now, that means that all the material on the Fund has to get in today, which means, in practice, that Mr. Luxford, Mr. White, and several others, I think, have to talk turkey to the British on these technical points that they have been holding out on, and if you can't get agreed language, then put it in with different language and vote on it Thursday. That would leave for tomorrow--

H.M.JR: Let me interrupt you. Will that be before a Commission or Plenary Session?

MR. COE: No, this is on the theory that you have no Plenary Session until the end, and that you allow two Commission meetings on the Fund, one Thursday, in which you get practical agreement in the Commission on a final draft with all major compromises having been worked out before.

But even if you aim for that, you are going to find that there are a number of things left over and that you really haven't settled it, so that your last possible date on the Fund - and this I think you have to aim at, too - your last possible date on the Fund is a Commission meeting on this Fund, say, Saturday, which is a virtual formality, where everything certainly must be cleared out of the way.

(Mr. Wolcott enters the conference)

MR. COE: If you got all data in today on the Fund you could have sessions of the Committee on the Fund tomorrow and really wind up the Committees and, I think, wind up all these ad hoc committees which are around, like Relations with Non-Members, and so forth. They are taking up people's time and they are part of the reason why you can't get necessary compromises - can't find people, and can't get business done.

Now, so much on speeding up the Fund and getting it out of the way. Even with maximum speed, I think you can't finish up on committees on the Fund today. You have to do that tomorrow.

Even if you accomplish that tomorrow, then on Thursday you have to have a Commission meeting on the Fund which virtually settles it, and since you may not get everything settled, you have to aim at still a later session on it.

Now, it also means there is very little time for the Bank and very little time, for instance, for this Delegation to have sessions - I think it is impossible for the Delegation to have sessions such as it has had on the Fund in which hours are spent on discussing points. I think the Delegation has to get together on the Bank much faster if we are going to get through.

The tentative schedule we have put down for the Bank looks something like this: Only two days of committee meetings on the Bank, tomorrow and the next day. The Bank Commission meets this afternoon. There is a Drafting Committee on the Bank going, and there will be a Drafting Committee on the Fund going, I assume, straight through this period, which you can use to deal with language problems.

It seems to me that the best you can do on the Fund is get virtual agreement by Thursday, and the best you can do on the Bank is have it settled in a Commission meeting on Friday. And then for safety arrange that the final Commission session on the Bank - and this ought to be a formality - would be on Monday. And we haven't talked at all about Commission Three, but it will, through three subcommittees, be draining out a little manpower. We have arranged that it won't meet very much.

I think it is an awfully tough schedule and you have got to break down your forces and negotiate all essential compromises in a pretty short time or else run the danger that sheer difficulties of mechanics will hold up the Conference.

H.M.JR: I think it is very important that you brought this up. May I ask Dr. Kelchner when you run the train out of here for the Delegates?

MR. KELCHNER: The tentative plan is to run the trains the night of the 19th - seven and eight o'clock in the evening. That is for the Delegations - officials.

H.M.JR: So come what may, they go. That is one cut-off date.

MR. KELCHNER: Yes.

H.M.JR: Which cannot be changed?

MR. KELCHNER: Yes. That would mean that the final formal closing session would be on the 19th and it would be necessary to have the Executive Session - there is usually an Executive Session of the Conference two days before, where the documents are approved, statements made, and so forth, so that it will be possible to formulate and reproduce the final document for Commission to the last Plenary Session. That is necessary. So Monday would be the latest possible date.

MR. WHITE: May I add something to that?

H.M.JR: If you please. Just one second. Frank, do you have a meeting at ten, or something, that you are trying to make - because I want to get Senator Wagner straightened out?

MR. COE: No, sir, I thought this was important and wanted to make sure I got it in.

H.M.JR: Well, do you mind resting just one minute? I want to be sure that Senator Wagner has everything that he wants before ten o'clock, you see.

MR. WAGNER: Well, I don't want anything. I was going to ask, on this very question of the location of gold that we discussed a moment ago - have any of you met? I never know when you do and don't. Have any of you talked it over with the British to ascertain how they feel about it?

MR. WHITE: I might be able to answer that question. It was referred to a special committee. You know that the Russians raised the objections, and the Netherlands spoke for it at the last part of the Commission One meeting, and not wanting the matter to be discussed any further there, we referred it back to a committee.

Then the Russians sent a message to me - or the Deputy Minister came down to see me - and urged that the matter not be brought up for discussion in the subcommittee until they were able to discuss all the matters between us. They didn't want any disagreement between the U.S. and the U.S.S.R. in committees or commissions. They thought maybe it could be arranged and they asked me to postpone it.

I said we might be able to do it for one day, but not for longer, but I promised to postpone it for one day. So it is not going to be discussed in subcommittee for one day.

MR. WAGNER: Have they decided on the quota question, too?

MR. WHITE: No, they said they wanted to discuss all those things together, and they apparently either haven't heard or are not ready. Whether they are pursuing the tactics of delaying everything or not, I don't know; but they asked to delay consideration of the two questions which came up at the meeting and about which there was a difference of opinion at the Commission.

MR. WAGNER: We haven't reached an agreement on the location at all?

MR. WHITE: No.

H.M.JR: Now, what else? Have you got all your counselors together?

MR. WAGNER: Luxford, are you and I going?

MR. LUXFORD: Brenner and I are expecting to go.

H.M.JR: Now, while the Senator is here, does the Congressional Delegation want to make a report as to this question we raised about the Institution having the right to criticise other countries or not?

MR. WAGNER: I think Dr. Goldenweiser is ready to report on behalf of all of us.

DR. GOLDENWEISER: Mr. Secretary, we had the meeting last night with Senator Wagner and Congressman Pence and Somers and Wolcott, and later I had a little talk with Congressman Reed on this subject, and if you want it very brief, I think that after considerable discussion it was decided that if the language was so changed as to make it apply only to things that will directly tend to produce rather than entering the word "directly" and leaving out the words "may tend" so that it will read that way, and if you require a two-thirds majority vote in order to publish the report, the Congressional Members felt that that would be a reasonable sort of compromise.

MR. WHITE: The next thing to do will be to take it up with the British if that is accepted here.

H.M.JR: Is that agreeable to the rest of the Delegation?

MR. ACHESON: Yes.

H.M.JR: Is that on both questions, or just on the question of criticism?

DR. GOLDENWEISER: The question about scarce currency, Mr. Secretary, was discussed and left unchanged as it is now.

H.M.JR: And you will, I suppose, give us a little written report?

DR. GOLDENWEISER: I have copies here, if you wish.

H.M.JR: Does anybody wish to discuss it?

MR. ECCLES: There is only one thing about it. It does leave the Commission in a position, in the case of scarce currency, with a majority vote to publish a report, which may be critical of our policy in this country; whereas, in the case of being critical of a policy in Britain it takes a two-thirds vote.

Of course, there are two different sections, but that is what the thing finally results in.

H.M.JR: Well, are you objecting?

MR. ECCLES: No, I just wanted to point it out as I see it. I would have preferred a majority in both instances, or a two-thirds in both instances, because I think it appears that we might have been out-traded a little by the British.

But if the Congressional people are satisfied with it and they feel they can defend it, I don't know why I should object.

H.M.JR: Then I take it, not hearing any objections, the report of the Congressional Committee is accepted by the American Delegation. And may I congratulate the Congressional Committee once more on their very splendid work.

Now, Mr. Coe, the floor is yours until you are through.

MR. COE: Well, I am through there, Mr. Secretary. I think the rest is for your Delegation, really, to take today and tomorrow and get everything on the Fund compromised out so you can have a Commission meeting Thursday. And somehow or other focus your discussion on the Bank so that you can achieve a position of agreement on a few essential points and plan to get the Bank virtually out of the way Friday. Then you will still have tag ends which will be keeping you busy and a good part of your forces are going to be taken up in drafting these various compromise versions.

H.M.JR: Now, while you and Mr. Kelchner are here, would Sunday be as good a day as any - I mean, that I could devote more or less exclusively as Secretary of the Treasury, to Dr. Kung? I have General Clay coming up and I have to arrange it now. Would Sunday be all right - there wouldn't be meetings?

MR. COE: No, sir, they will be drafting then.

H.M.JR: If I ask Dr. Kung to set aside Sunday and ask General Clay to come up Saturday, would that be - I mean, I wouldn't be needed?

MR. COE: That will be the best time.

MR. KELCHNER: Yes, sir.

H.M.JR: Then, Dean - I don't know - does your brother represent both State and War on the Chinese currency, or do you want to ask somebody at the State Department who will represent them?

MR. ACHESON: I will call up the Department. The understanding when the matter was discussed before was that the thing was going to be handled by you, and that my brother would represent the Army to whatever extent you wanted the Army, and if you want somebody from the Department, we will have somebody.

H.M.JR: Would you?

MR. ACHESON: Mr. Collado's division has been handling the whole thing.

MR. COLLADO: As a matter of fact, Mr. Luthringer is also here and he has been handling it.

MR. ACHESON: We have the people in the Department who know most about it right here.

H.M.JR: Pete would be most acceptable, but I think we ought to regularize it, because I am going to tell

Dr. Kung that whatever we do will have to be done on Sunday, and I will have to move a little bit fast, particularly with Frank Coe prodding me. So would you just be sure - would Pete be available Saturday and Sunday?

MR. ACHESON: Yes, whenever you want him he will be available. If you want anybody else, we can get them.

H.M.JR: No, he would be fine. You might just tell them at the Department.

MR. ACHESON: Surely.

MR. WAGNER: Well, I had better tend to my business.

(Mr. Wagner leaves the conference)

H.M.JR: Now, what other business is there, please?

MR. WHITE: I was going to have the corollaries to Coe's remarks brought out. If it could be possibly arranged - today and tomorrow are the two most important days in which - if we could have as little scheduled time as possible to provide us with as much uninterrupted time as possible, we would have a chance of meeting the requirements, which would mean that Mr. Luxford and his staff have got to concentrate all day and all night and all day tomorrow in drafting the things which have been turned over to the Drafting Committee, and they ought to be at that job all the time, and there is no replacement.

We had five lawyers, Mr. Secretary, up here. We had Stroud from the Federal Reserve Bank of Atlanta who hasn't sobered up since he has been here, I think - as least nobody has seen him.

H.M.JR: You are sure he isn't in the room now?

MR. WHITE: If he is, I haven't seen him.

MR. ECCLES: I think he went back the next day.

MR. COLLADO: He is here. He is over at the Crawford House.

MR. WHITE: The second one is Ben Cohen, who was extremely helpful while he was here, but for some reason known best to Judge Vinson, I guess, he had to go back.

The third is Oscar Cox, who is proving very helpful, and he will have to concentrate on the Bank drafting. And fourth, Mr. Dreibelbis of the Federal Reserve Board, who was very helpful in Atlantic City and would have been more helpful here, but he did not come up because he was called back. He left us with one lawyer.

MR. ECCLES: He is a Junior Counsel there and stuff came up, and he couldn't possibly come.

MR. WHITE: That means we have one lawyer, Luxford, with a couple of young assistants, and there is a terrific amount of drafting to do - not only drafting, but it is a question of arguing out a lot of points.

MR. PEARSON: Arey will be here this afternoon.

MR. WHITE: He would be very considerable help. Warren has called him up.

H.M.JR: Do you mean to say we have a shortage of lawyers?

MR. WOLCOTT: We have two or three in the Congressional Delegation - Brent Spence is here.

MR. SPENCE: I wouldn't be much help.

MR. WHITE: The point is that Bernstein, myself, and Luxford--

H.M.JR: I got the point.

MR. COE: Could DuBois come up?

H.M.JR: DuBois is up to here (indicating) on the drafting of the agreement with the French Government. I will inquire, but the last I heard--while they are finished, there are still refinements - there always are. I will be talking to Washington--

MR. WHITE: There are some committee appointments that have to be made. Committees will meet today and Delegates will have to be appointed. I will name the committees: There is an ad hoc committee of Commission One on Article 4, and we ought to have somebody from here, and the choice would have to be, I think, of the Delegates, either Eccles or Brown. I would suggest Mr. Brown on that if he isn't pretty busy on a lot of other committees.

H.M.JR: Is it agreeable to you, Mr. Brown?

MR.BROWN: What is that?

MR. WHITE: General changes in gold value.

MR. BROWN: That is where there is a uniform change of all currency. Why doesn't Marriner take that?

MR. ECCLES: Oh, you go ahead.

MR. BROWN: I have a meeting this afternoon.

MR. ECCLES: You have been handling that stuff; I haven't been in on it.

H.M.JR: Well, get together, boys.

MR. BROWN: Mr. Secretary, I can't do three or four things at once.

MR. WHITE: Yes, Mr. Brown is busy on a lot of things.

MR. ECCLES: That is a technical job. Why not turn it over to one of the technicians to handle?

MR. WHITE: That is all right. Then why not be the member? Put your name as the member and send one of your boys.

MR. ECCLES: Yes, it is purely a technical job.

MR. WHITE: Then you can do the same thing on the ad hoc committee on article 9, Exchange Controls on Current Payments. That is a little more important.

MR. ECCLES: Walter, will you take those?

H.M.JR: Give Mr. Eccles both of them. Is that agreeable to you?

MR. GARDNER: Two ad hoc committees, do I understand?

MR. WHITE: Yes. There is another committee on drafting. That is an important committee, very important - the most important committee on drafting. It is going to be troublesome because so much time will be taken up that I don't know which of the Delegates - I am sure the technicians will help them, but there should be a Delegate to represent them there.

H.M.JR: Judge Vinson?

MR. WHITE: I shouldn't think Judge Vinson could spend all that time.

H.M.JR: How about yours?

MR. WHITE: No, I think probably Dean, if he isn't too busy.

H.M.JR: How busy are you, Dean?

MR. ACHESON: I am pretty busy.

MR. WHITE: On the Drafting Committee.

MR. COLLADO: I don't see how he can do that and the Bank, both.

H.M.JR: How about Senator Tobey?

MR. WHITE: Well, Senator Tobey would be all right.

H.M.JR: Will he be here?

MR. WHITE: No, but it is all right.

MR. WOLCOTT: I think he will be here tomorrow.

MR. ACHESON: Harry, I think you ought to have somebody who has been all through that. Senator Tobey has been away so much.

MR. WHITE: I was thinking that Luxford would carry the ball.

MR. COE: Wouldn't that run right through the week?

MR. WHITE: Yes, it is full time. The Judge would be excellent, but it is a question of going in and out. What do you think, Lux?

MR. LUXFORD: You want somebody who can take it because there are going to be long hours and there won't be relief at any point.

H.M.JR: You say you have all you can do?

MR. ACHESON: Yes, I will be doing an awful lot on the Bank.

H.M.JR: I think the Judge--

MR. WHITE: O.K.

H.M.JR: Will you accept that, Judge?

MR. VINSON: I will do anything you say to do.

H.M.JR: Wait a minute! You scare me with your confidence. Well, you have the Judge. What else, Harry?

- 17 -

MR. VINSON: In that connection, I think that I probably ought to be relieved in the Quota Committee. I think it is going to be a critical time proposition.

H.M.JR: We have three members on the Quota Committee, Acheson, Mr. Wolcott, and yourself - and White. I will relieve you of that.

MR. BROWN: Is there an ad hoc committee on when the Fund goes into operation? That is highly important.

MR. WHITE: I don't think there is an ad hoc committee. It hasn't come to the Commission yet, and we are just on the point of agreement with the British on a formulation, and remember, I said before it gets into a committee, see that you got a copy of it so that it catches it at that stage.

Now, just this morning Bernstein and I went over the final draft before presenting it to the British. That is the stage it is in now, and they will have copies made for it.

MR. BROWN: Can I see a copy of what we are going to present to the British?

MR. WHITE: Yes.

MR. BROWN: Has it been presented yet?

MR. WHITE: No - well, the final one hasn't been. The one in which changes were made this morning has not been seen by them.

MR. COLLADO: There is one aspect of that in the Liberated Area Committee.

MR. WHITE: Well, the whole problem will go to the Liberated Area Committee.

MR. BROWN: That is one of the three vital decisions. It ought to be discussed at one stage.

MR. WHITE: I have a few reports to make on the Quota Committee that might be of interest. One is, you remember when Czechoslovakia said they had the figure of one hundred and sixty-five million? We went over our figures very carefully and they were correct. We had one hundred and five million, not one hundred and sixty-five, and they admitted that our figures were correct, but were on the basis of the data which they had supplied us with in the fall, but they now have supplied new data and they are upping their national income and picking other years for trade. So they are really monkeying around with the figures, which give them one hundred and sixty-five million. But they are very disconcerted at the figure that is given them, and the fact that they have no choice in it.

So I think they had better be seen and placated.

MR. VINSON: As I understand it, on the case that they made out, the hundred million dollars is approximately the figure, and now they are making out a new case, both in respect to the increase in national income, jumping, as I recall it, from two billion to five billion - right? And they are using other periods. Of course, you can make a new case, but on the case that was presented, as I understand it, a hundred million dollars was within five million of the figure that they presented.

MR. WHITE: Well, I think there is somebody who - if you have five or ten million extra--

H.M.JR: May I interrupt? Taking seriously to heart what Frank Coe said, if the rest of the Delegation is agreeable, I would be willing to say to this Quota Committee, "Go ahead and settle it up and sum it up, and when you have the job done, report back," and not discuss it here any more unless some of the American Delegates say they would like to be posted blow by blow.

Now, what is the pleasure of the Delegation? Are you willing to have this Quota Committee go ahead and settle these things and report back, or do you want to be kept posted?

MR. ECCLES: Gosh, I think we have discussed that quota more than any other thing, and I don't think that the Delegates, as a whole, can do any good by further discussion of it. It seems to me it ought to be turned over to that Committee with power to act.

MR. VINSON: And since I am a member of it, it seems to me, Mr. Secretary, that as a last gasp in the matter, that the Russians should be seen today, and we must do one of three things, as I see it. One, yield completely to their demands, give them a billion, two hundred million dollars, and everything else that they ask; two, take the alternative proposition of nine hundred million dollars and assume the commitments that we have made in respect to the support of certain items that they want; or else just fold up.

I think it has gotten down to the point where we must know what the Russian position is. Of course, they can shrug their shoulders and say they haven't heard and are unable to say what their position is. If that is their position, then we have got to move forward, and it seems to me that we would be in the position, if they don't advise us, of having to put in the figure and submit it to the Conference.

H.M.JR: Well, may I suggest, when we were trying to get - if you can't get anywhere today, may I suggest a technique that we used when we couldn't get them to say they would go along with us to hold a Conference. We sent telegrams to Mr. Harriman and said, "This is what we want. We are going to call you on the telephone tomorrow morning at nine" - from nine to eleven there is a telephone. He got the thing. He got in to whoever the proper man was at midnight that night and when I called him up the next morning he had the answer.

So, if you would see the Russians this morning and find out, and they still say they don't have an answer, my suggestion is that Mr. Durbrow draft a cable to Mr. Harriman and tell him what the problem is, and tell him that I will talk to him at nine o'clock tomorrow morning

on the telephone and get an answer. We were in the same position with them once before. And, incidentally, that was the first time Mr. Harriman had used the telephone, but it worked.

MR. VINSON: We have a number of issues that can't be resolved until we know their position. Take, for instance, a committee that meets at ten-thirty, an ad hoc committee with respect to liberated countries; now, we are going to have to ask that action be passed, and the sand is running out.

H.M.JR: Well, if you could see them this morning and they still say they haven't heard, I would suggest to Mr. Acheson and Mr. Durbrow they send this cable, if they will agree, to Mr. Harriman stating what the question is, "...and will you please see the correct Commissar, and we will be on the phone at nine o'clock tomorrow morning, hoping you can give us an answer." We are in the same position as we were before. The Ambassador stalled and stalled and stalled.

MR. ACHESON: Harriman has been told about the proposition which we made, except for the alternative which wasn't decided on until after the cable went. We can send him a cable today and do exactly what you say.

H.M.JR: Is that agreeable?

MR. DURBROW: Without saying too much - he will know what we are saying.

H.M.JR: What we said was, "Please say yes or no with reference to my cable." That is all.

MR. WHITE: Tomorrow morning is Wednesday. If you could make it Thursday morning that you will call them - because by the time he gets the cable and gets to talk--

H.M.JR: No, we did it as quickly as that. They actually got transmission through in two or three hours, and

he still got in that night to see the correct Commissar. I would make the effort, Harry.

MR. DURBROW: They always work at night, sir, so if you got a telegram off to Harriman today--

H.M.JR: If you don't mind, I would like to do it my way, please, because that is the way we broke the log jam last time.

MR. VINSON: Mr. Secretary, I would like to be permitted to have one piece of the work on the Quota Committee and that is the Russian situation, because I have been with them and been in it, and I might possibly make a small contribution.

H.M.JR: You ought to get a bottle of vodka out of it.

MR. VINSON: We want them to give more than vodka.

H.M.JR: Well, I would be delighted if you would stick on the Russian thing. I think it would be most helpful.

MR. WOLCOTT: Mr. Secretary, before you leave the Russian situation, a newspaperman told me that the Russians were communicating with Moscow to get permission to give us information with respect to their gold holdings. Do you know anything about that yet?

MR. WHITE: Well, they have already committed themselves; they have already agreed to those figures.

MR. WOLCOTT: But to give to the Fund--

MR. COE: The gold production, it might be.

MR. WOLCOTT: We have to have that figure before we take that to Congress or we are lost.

H.M.JR: Could Durbrow start drafting the cable right away?

MR. ACHESON: Surely.

MR. VOLCOTT: I just brought it up so if you wanted to--

MR. VINSON: We have got to have a figure to submit on the Russian thing. It has bogged down the progress.

MR. WHITE: Yes, but their holdings I think you will have to wait for.

H.M.JR: Well, as I understand it, from the way you feel I take it that the Quota Committee will see the Russians the very first thing when this meeting breaks up. Is that right?

MR. VINSON: That is right.

MR. ACHESON: I don't think you need me for the Russians. You have Durbrow there. I have the Brazilians and Mexicans and Cubans at eleven o'clock.

H.M.JR: I have Poland at eleven. If somebody knows about Poland, I wish they would stick around.

MR. WHITE: Durbrow knows about Poland, and what they are after is to increase the hundred million, and they will have a song and dance and present new material, and so forth. But they are not issuing any ultimatum; they are merely requesting. We explained to them that any increase they can get would not meet their problem, but they will still ask for more.

H.M.JR: So, if one member of the Quota Committee could stick around with me, if he would--

Now, what else, Harry?

MR. WHITE: That is all.

H.M.JR: Who would like to bring some matter before the Delegation, please?

MR. BROWN: I think before you get very far we have got to have some general understanding among the Delegation as to when the Fund is actually to begin operations in the various countries.

I haven't seen the draft, or been in on the discussions with the English, but that is one of the subjects which is open to the greatest degree of criticism and on which there has been much discussion. It hasn't been discussed in the Delegation.

I saw a draft at Atlantic City which I believe - did it go in in the form in which it was left in Atlantic City?

MR. LUXFORD: There has been no draft submitted in mimeograph as I know of, yet, has there? We have been holding it up to get an agreement.

MR. BROWN: The question very briefly is that if this Fund begins operations in the currency of a country which hasn't got some minimum degree of political stability - it seems to me a certainty that the Fund will be drawn on either for the purpose of military operations or for the purpose of feeding starving people - and no government--

MR. WHITE: There isn't a chance in the world that this Fund can be used to support military operations, so you can rule that out.

MR. BROWN: I don't know what the alternatives are, but if there is guerrilla warfare in Greece or Jugoslavia is the country going to be given the right to draw on all countries at the same time? Is the Fund going to begin after the end of the war, and if so, is it after the end of both wars, or only the European phase of the war? Is it going to begin to operate in all countries at the same time? I don't care what the language is, and I realize it is a question of the hen and the egg, the two have to go together, but I think, speaking for myself, for this Fund to begin operations in any country until it has gotten

rid of the problem of actual starvation of any considerable segment of its people, and until it has got at least a minimum of political order, where guerrilla fighting isn't going on in any part, and where it is completely free of enemy occupation, as in the case of China - it would just spell the end of the Fund as a stabilization instrument.

Now, I state that as a general principle, and I don't care at all what the language is as long as that result is reached. It would be perfectly safe, for instance, at the end of the European war to give Norway access to the Fund; it would be suicide to give it to China; it would be dangerous to give it to the Netherlands because they would have to reconquer the Dutch Indies. It would be safe for Belgium and Holland, when it probably wouldn't be safe to give access to Czechoslovakia or Poland or Jugoslavia or Greece.

But as I have read all the drafts, it is contemplated that once the Fund goes into operation that all countries, irrespective, should have equal rights and access. The only limitation is that an exchange rate has to be agreed upon within the Fund--

MR. WHITE: Why not postpone that discussion until you see the draft this morning?

MR. BROWN: I mean, before we are committed to the English on the form of the draft, I think it should be discussed by this Delegation.

MR. WHITE: I don't think we have committed this Delegation at any time without the opportunity either to modify or change it. We have made the draft open to you, as well as the early and final ones. At any point we are perfectly happy to have you in on the discussions.

Will that draft be mimeographed, Bernie?

MR. BERNSTEIN: We gave the British our view on the technique of not selling exchange until there is complete satisfaction that the Fund will not be burdened, and it

states so specifically, that they must not have undue recourse to the Fund when you begin exchange transactions. The rate must be satisfactory.

On the question that Mr. Brown is raising, that is a high political question; the technicians cannot undertake discussion of whether exchange transactions should begin after the European war or after the whole war, and certainly they can't talk about guerrilla warfare. That is a question the Delegation must give the technicians instructions on.

On the technical side, we have discussed with the British, and I don't think Mr. Brown will object to what we have decided with them.

H.M.JR: What is your pleasure? As I understand it, after Mr. Brown raised the question, the draft will be available not only to Mr. Brown, but to any other member of the Delegation who would like to see it.

MR. WHITE: Sure.

MR. VINSON: If I understood Bernie correctly, the draft does not include the question relative to the period of time or the economic or political stability of the country.

MR. BERNSTEIN: Economic stability - the draft says there shall be no exchange transactions until a rate has been agreed upon which is satisfactory to the Fund and the country, and which does not involve damaging use of the country's own resources or of the Fund's resources.

Now the question of what test you want to put, politically - what test you want to put on the military side - that the technicians did not feel competent to discuss, and they await the decision of the Delegation before including any such aspect.

MR. WHITE: Moreover, there is a date in there that in any case not sooner than July 1--

MR. BERNSTEIN: August 1, 1945, or five months after the Fund is established. That is the minimum for setting up the techniques that will be needed.

MR. BROWN: All reference to the cessation of hostilities either in the European or Japanese phase as decided on in Atlantic City has been dropped?

MR. WHITE: Yes, because we think it is taken care of by the phrase that they can't impose unwarranted burdens on the Fund. That is open for discussion, but that is the way it is now.

H.M. JR.; What is your pleasure, Mr. Brown?

MR. BROWN: I would like to get the draft. Of course, the experts by giving it to the British don't commit the American Delegation, but it makes it difficult to negotiate if the draft is given to them before it is given to any member of the Delegation other than Mr. White or any of the technicians.

MR. WHITE: That is hardly so because the technicians have been dealing with each other over a year and a half on that basis.

MR. BERNSTEIN: Mr. Secretary, at every stage we have ever discussed any question with the British, we have always discussed the technical side first, and we have agreed with them and they with us that their Delegation and our Delegation has the final say-so on every question, technical and political, and political questions we don't even start discussions on until we have the word of the Delegation.

MR. LUXFORD: That is clearly so, Ned. We have gone through point after point, and every one was referred back to our Delegation, so it is just foolish to say that we have found a point now that we can't talk about at a technical level as long as you do adhere to the technical side.

MR. WHITE: Do you know of any point that we have committed that the Delegation objects to? I don't, for a year and a half. That is the way you have to operate. You first take it up with the technicians, they go back to their Delegation - we come back here and see what they think about it.

MR. BROWN: I asked for a copy of the draft yesterday and haven't got it yet.

MR. WHITE: I said you would get it before it is taken up with the Delegation, and you will. It is being typed this morning. I am not trying to put anything over on you, Ned; it just isn't ready. We just worked on it this morning at eight o'clock.

H.M.JR: All right?

MR. BROWN: Yes.

H.M.JR: Any other question?

Now, before we adjourn I would like to have Mr. Acheson and Dr. Kelchner and Mr. White stay behind on a question of some additional people coming up.

MR. ACHESON: Do we want to talk about any of these Bank questions?

MR. WHITE: I shouldn't think so because if we begin - I am wondering whether we can't postpone that for two days.

MR. ACHESON: If we are going to try and be through by Friday we have got to get on this. Maybe you want to meet tonight?

MR. WHITE: Well, it will take about three hours. I don't know how much you want to cover.

MR. ACHESON: I think before we get very far we want to be on the question of ratio.

MR. WHITE: I think some of those points can wait until they develop. We have at least two or three days before it gets to those points.

MR. ACHESON: You will be through with the Bank on Friday.

MR. COE: You have to settle those major points, I would say, by tomorrow. You can go through one day of committees.

MR. WHITE: If you want to have a meeting tonight--

MR. ECCLES: It seems to me that you met last night for three hours and covered the major points. Dean did a marvelous job and it seems to me that while that is fresh in everybody's mind it might be a good thing - I don't know how we are tied up now, but from a half hour to an hour - it looks to me like the important points that were agreed upon last night - that is, the extent of the differences - could be settled here. I don't think it is going to be possible for the Delegates to get into a lot of the details. It is just the over-all policy questions that you are going to possibly have time for and that could be done, it seems to me, in an hour.

Do you agree with that, Dean, that we should not attempt to go through all of the stuff?

MR. ACHESON: Yes, I think there are only two or three main things we need to go over here, because some of them in the technical group last night decided it wasn't a good idea to put those in the group, anyhow.

H.M.JR: Well, let me ask these technicians. Would you gentlemen rather do it now, or rather do it tonight?

MR. ANGELL: There ought to be at least one more session of the technicians before the meeting.

H.M.JR: Would you be ready tonight?

MR. ANGELL: I was just raising the question with Mr. Collado.

H.M.JR: Remember Mr. Coe is after us now. Professor Angell raises the question that you needed one meeting before. Is it physically possible to do it between now and tonight?

MR. ACHESON: Well, we only have, really, two small questions. If the Delegation was going to meet at nine, we could meet at eight and get through with that.

H.M.JR: Eight a.m. or p.m.?

MR. ACHESON: Tonight.

H.M.JR: Well then, are you looking towards a nine o'clock meeting tonight?

MR. ACHESON: That would be satisfactory.

H.M.JR: Is that agreeable to the rest of the Delegation that we meet at nine o'clock tonight on the Bank - I take it, it will be on the Bank?

MR. WHITE: Nine o'clock will be on the Bank - on the settling of possibly three or four major issues. I think there is agreement on two or three of them; there is disagreement on one, or possibly two.

MR. COLLADO: The percentage is the important one.

MR. WHITE: The question of the ratio of the outstanding obligations is the most important one, I think.

MR. COLLADO: I think Mr. Acheson will make it clear that a great deal of the technical questions of the Bank can be lifted almost bodily from the Fund, so the discussions going on here about the Fund can be avoided almost completely.

MR. WHITE: There were five questions which you discussed last night and I gather there is agreement on three, so it won't take long, particularly since several of the Delegates were there last night. There were four of the Delegates there - five. And there is one question about which there is a real issue and real difference of opinion, and it is important to get that ironed out first. We can take it up the first thing tonight.

MR. ACHESON: Harry, there are really two; the equity thing was never discussed at all.

MR. PEARSON: Mr. Secretary, could it be possible to have that meeting at two and we could complete the matter this afternoon?

MR. ACHESON: It is pretty hard--

MR. WHITE: It has to be at night.

H.M.JR: I am afraid, Mr. Pearson, by the rumblings I hear around--

MR. PEARSON: I believe there are only two matters that will have to be decided.

H.M.JR: Which of the technicians are working on the Bank?

DR. GOLDENWEISER: I have done some work on it.

H.M.JR: Is Professor Angell on this?

MR. WHITE: Yes, everybody here is on it, Mr. Secretary. There are a number of men who are not here who are on the Bank, who should be here. There is Mr. Arey, who is coming up, and Louchheim, and a couple more.

H.M.JR: Is there any other business?

DR. GOLDENWEISER: Mr. Secretary, just one minute about this matter of the reports to the countries. This

statement that I made hasn't been cleared with the British. Can Mr. Gardner now take that up with the British?

H.M.JR: I told him so last night, didn't I?

MR. GARDNER: Not on this point.

DR. GOLDENWEISER: It is on the two-third vote.

MR. GARDNER: I will just add that.

MR. ANGELL: That is the fourth leg!

MR. BROWN: Has that Istel Committee report been cleared with the British? Senator Wagner said he wanted to take the whole committee and discuss it with the British.

H.M.JR: I don't know. What about that?

MR. BERNSTEIN: On the waiver?

MR. ECCLES: It is part of that same one. We cleared the silver end of it yesterday with the Mexicans and the French portion we hadn't cleared.

MR. BROWN: And the language of both has to be cleared with the British.

MR. COLLADO: That is one of Walter Gardner's.

MR. BROWN: No, I suggested that they send one or two people to clear it, but Senator Wagner said he wanted the whole committee.

H.M.JR: This is the so-called Istel suggestion on silver. Mr. Brown is saying that Senator Wagner wanted the whole committee to do it, but I would suggest that you go down when this meeting breaks up and ask Senator Wagner whether it wouldn't be agreeable to let you do the whole thing.

- 32 -

MR. GARDNER: I think I can clear that up. Senator Wagner last night suggested I should take it up with the British and I didn't carry through to the top last night because Keynes was unavailable. But I think the British are not going to offer any objection to that.

H.M.JR: Is that all right, Mr. Brown?

MR. BROWN: I have no objection.

H.M.JR: You cleared it with Senator Wagner?

MR. GARDNER: Yes.

H.M.JR: Anything else?

MR. WOLCOTT: We have one more thing with the French, I believe, Mr. Secretary, in respect to a proposal that they offered us yesterday in respect to making studies. That hasn't been cleared yet. They were going to submit to us a draft in keeping with our discussions yesterday and we are going over it again. I don't know of any movement on that.

MR. BROWN: That is the Mexican.

MR. WOLCOTT: I mean the Mexican, yes. In lieu of their three alternatives.

MR. WRIGHT: Mr. Wolcott, Mr. Gardner, and I hope to meet with you after this meeting to talk about that.

MR. WOLCOTT: We were getting some general language that might satisfy them.

H.M.JR: Is that all right? Anything else?

Dean, who will be here at eleven with me on the Poles - Durbrow?

MR. ACHESON: We will get Durbrow.

- 33 -

H.M.JR: Then I think Mr. Acheson, Mr. Kelchner, and Mr. White and I need about three minutes together.

Don't forget, nine o'clock tonight on the bank.

BRETTON WOODS, N. H.
4:00 p.m.
July 11, 1944

DISCUSSION WITH RUSSIAN DELEGATION ON QUOTA AGREEMENT

Present: Mr. Stepanov,
Interpreter
Mr. Maletin
Mr. Arutiunian
Mr. Durbrow
Mr. Wolcott
Mr. Luxford
Judge Vinson
Mrs. Klotz

H.M.JR: I asked the Russian Delegation to come down because I was very much surprised at the report that the members of the American Delegation gave me. This is the first time I have had this kind of an experience in dealing with your government.

I just want to go back a little bit and review the spirit with which the United States approached this Conference, and also with which Mr. Molotov approached this Conference.

On April 20, when we were waiting to hear whether you would approve of the publication of the technical papers, Mr. Harriman called on Mr. Molotov. He said there was a basic difference between our experts at that time. And Mr. Molotov at that time said notwithstanding the basic difference at that time between the experts, the Soviet Republic to secure the due effect in the rest of the world, "is willing to instruct its experts to associate themselves with Mr. Morgenthau in this project."

Then I asked Mr. Harriman to convey a message to your Minister of Finance. This is what I said: "I wish to express my sincere thanks for the decision to have the experts of the Soviet Union associate themselves with the principles of the Joint Statement of the experts recommending the establishment of an International Monetary Fund. We regard the publication of a Joint Statement as of the greatest importance."

- 2 -

I am leading up to this cable, because it expresses the spirit of this Government towards your Government: "It is further evidence that our two countries are determined to work side by side in the solution of an international monetary and financial problem."

Then I was given on the 26th of April a reply by Mr. Gromyko from Mr. Sverev. And this is Mr. Sverev speaking: "I share your view regarding the Joint Statement of experts as a further evidence that our countries intend to cooperate side by side in the matter of solution of international monetary and financial problems."

Now, we had an honest misunderstanding about the eight hundred million dollars. Mr. White reviewed the matter for you. As a result of that, these gentlemen here handed you a piece of paper so there could be no misunderstanding, in which we gave you two alternatives: One was that we would raise your quota to one billion, two hundred million dollars; or nine hundred million dollars with the right to reduce the amount of gold contributed by twenty-five percent--one or the other.

Now, frankly, after having the most friendly relations with your people, I am quite shocked that two great nations should begin what we call "to horse trade," and that you people should say to us, "We want one billion, two hundred million and the twenty-five percent." That isn't the spirit which my Government has approached this problem with; it isn't the spirit expressed by Mr. Molotov to me; and it isn't the spirit of your Minister of Finance, where he said we would do this thing side by side, which means like partners.

Not only have we had the greatest difficulty, as you know, with other Delegations here, but we have, as Americans, explained every step we have taken to the Members of our Congress, and Mr. Wolcott is here--and while he is here as an American citizen, he is here also as a member of the opposition Party, and I can say for him that he says this is just impossible; that if we acceded to this request, he assures me that the whole thing would be defeated in Congress.

Now, I again go back to my original position. I approach this problem "side by side." After all, as you gentlemen know, from the very beginning when the President asked me to initiate in 1933 the question of recognition of Russia, I conducted the first meetings--as you undoubtedly know. From that time down to this, I have never had anything like this happen to me in dealing with the Russian Government. So there must be some misunderstanding.

- 3 -

I don't know the Russian vernacular, but we are dealing with all our cards face up. And from our standpoint the proposal must be either one or the other--either a billion, two, or nine hundred million with the twenty-five percent reduction; but I am not going to be put in the position as a representative dealing with your great country and my country--I am not going to act as though this was a horse deal, a horse trade.

After these messages between Mr. Molotov and your Minister of Finance and Mr. Harriman, I am not going to trade horses with you. So I must ask the Russian Delegation please to reconsider one or the other as stated in this memorandum, of which you have a copy. (Refers to attached memorandum proposing two alternative recommendations to the Russians)

I am sorry I talk so much, but I feel this very deeply, because I have only one desire, and that is the continued friendly relations side by side of our two Governments. That is my only desire.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov, first of all, would like to tell about his deep appreciation and admiration for your attitude and that of the Delegation.

H.M.JR: May I say it is mutual?

(Mr. Stepanov).

INTERPRETER: Mr. Stepanov can only confirm the procedure in which the agreement was reached between the representatives of the two countries, the technical agreement on the points reached by the experts. The consent of our Government to upset all those proposals that you have is contradictory to the opinion of our experts, but still important, and which were accepted--

H.M.JR: One moment. I think we had better start over again.

INTERPRETER: Mr. Stepanov's idea is such that our Government really consented not to object against the positions which were made by your technical experts, in spite of the position of ours, because it was regarded to the mutual benefit and we didn't want to interfere, but wanted to collaborate with the Government of the United States.

- 4 -

Mr. Stepanov, together with the rest of the other members of the Delegation, when they left Moscow he felt sure, as they felt, that there would be no difficulties in settling the problems the Conference is to face, and now he is of the same opinion, that there would be no difficulty in settling these problems if we will try to understand each other properly.

The Russian questions which we are not entitled to decide in case they have been already decided and agreed upon in Moscow--among these questions is the question concerning the loans of twenty-five percent.

Our considerations were based chiefly on the Joint Statement which had been published upon the recommendation of Mr. Molotov, who has waived all the discussions of the disputes which he wanted to stop, in order to promote the collaboration between the two countries and to facilitate the achievement of our main aim, world prosperity.

This same opinion was that of the People's Commissar for Finance, Mr. Sverev.

As is well known to you, Mr. Stepanov says in these Joint Statements which had been published in Moscow, there was a provision concerning this twenty-five percent.

H.M.JR: Do you mind stopping?

MR. LUXFORD: That is right, Mr. Secretary. It was based on the eight hundred million.

(Mr. Stepanov)

INTERPRETER: We thought that there would be no objection against that provision on your part, and we considered it as a mutual act of mutual friendship and understanding.

When we were informed that this provision was to be cancelled, we found ourselves in a very difficult position how to present this matter to Moscow's attention.

We are expecting to get an answer from Moscow, but it is rather difficult to expect how to declare that this provision which had been already given to the public opinion is to be cancelled. That is why the Delegation came here having the suggestion in mind to strengthen this provision with regard to those countries which suffered greatest damage on account of enemy occupation and hostilities.

- 5 -

We have regarded this provision not as purely an economic one, but as a political provision; that is, how international monetary organization appreciates those problems facing such countries.

This had been discussed by Mr. Stepanov together with other members of the Delegation, but he wanted to tell you something here. Having an understanding that the acceptance of such provision creates a certain difficulty for the American Delegation, but knowing that we cannot cancel this provision, since it had been agreed upon already, we wanted to meet as far as possible your wishes. That is why we have decided to waive the rest of our proposal; that is, to increase this percentage from twenty-five to fifty percent for different countries suffering greatest damage.

Mr. Stepanov says that he takes the responsibility on his own shoulders while deciding to waive the strengthening of this provision, because he understands that in a spirit of mutual cooperation, of mutual friendship, it would be not so difficult for him to present that case to Moscow and to ask their approval of the decision which he has already taken.

Mr. Stepanov is sure that we will plan a suitable way for solution of other problems which we have--mutual problems--in the same spirit existing between ourselves.

Just as an example, Mr. Stepanov wants to point out that there was an alternative whereby the countries are requesting to use twenty-five percent each year, and if they were not using it during that year, they could use it the next year. We were supporting this proposal, but we didn't want to create misunderstanding between your point of view and ours. That is why we have decided to support your proposal, and we have refused to support our original proposal.

So discussing any kind of problem in future, we can arrive at a satisfactory settlement of these problems, provided that the spirit of mutual cooperation and understanding is maintained, and it should be maintained in spite of the difficulties or differences in opinion which we have now.

And it is even more so, because Mr. Stepanov doesn't see any great discrepancy in the point of view--any big difference--such difference in the point of view that it cannot be settled between ourselves.

- 6 -

But there is a question concerning the amount of quota.

We have mutually recognized that we had a misunderstanding concerning the calculation and determination of that quota.

And such misunderstanding in the question which had been discussed and dealt with by Mr. White was quite possible, because we had not sufficient data about it.

Dr. White didn't have such data, such figures as he should have down while determining the quota.

MR. LUXFORD: That is right. We told them at the time we didn't have the data; that they would have to fill in the amount.

INTERPRETER: So the figures which had been considered by Dr. White were tentative figures, very approximate, and taken only as a very proximate, very vague basis.

MR. LUXFORD: That is true.

(Mr. Stepanov)

INTERPRETER: Our experts who were working together with him couldn't correct the figure because they didn't have the data, either. But our Delegation being instructed by our Government, they all thought that for the basis we will use the formula which had been suggested by the American Delegation. And we couldn't foresee there would be some kind of disagreement in this question, because those people who are in a position to see more clearly the data

- 7 -

available for them concerning our financial position, they say that the amount which was just mentioned is approximate to that amount which we are entitled to get. And the American Delegation would see very clearly that we were right in this respect after we will give you all the data concerning our financial position, including the national income.

That is why we have regarded that one billion, two hundred million not as a kind of allowance to our country, but as a figure very approximate to the actual figure which we are entitled to in accordance with the requirements of the Fund, concerning the information and different data.

That is why Mr. Stepanov wants to assure the American Delegation and your good self that the difficult position-- we have found ourselves in a difficult position, because that amount that had been mentioned, that one point two, is the amount which we regard we are entitled to, and we are requested to give up the provision which had been already decided.

That is why Mr. Stepanov cannot decide anything right now without the consent of Moscow. He has already sent out the telegram requesting the instructions, and now he is awaiting these instructions to come.

Mr. Stepanov says that it is very difficult for him to anticipate what kind of answer he will receive from Moscow, but his own point of view, his own thoughts, as well as the point of view of the other members of the Delegation is such that it would be rather difficult to expect that we will cancel the decision concerning that provision about the twenty-five percent.

- 8 -

And Mr. Stepanov says that maybe you shouldn't regard our attitude in this matter as any kind of unfriendly attitude, or something like that - as a misunderstanding - because the attitude of ourselves is the same - simply we cannot waive that provision which had been already agreed upon.

Please be assured that Mr. Stepanov is speaking with his cards on the table, that he is discussing all that he has got, and as far as he thinks of it as a friendly attitude. He says that in case your attitude would be the same, in the same spirit, we can settle this easily.

He says that in such case, we can accomplish the task which is before us, the same task which you have undertaken to achieve, Mr. Secretary. And as we say in Russian, there is no black cat running between us!

H.M.JR: Can I reply?

(Mr. Stepanov)

INTERPRETER: Yes, Mr. Secretary.

H.M.JR: I am sure from what Mr. Stepanov says, that his interests and our interests are the same. We want to come to a happy conclusion, and I appreciate the very fine spirit in which we approach this subject.

Now, as I understand it, your Delegation made this proposal before hearing from Moscow. Is that correct?

(Mr. Stepanov)

INTERPRETER: Yes.

H.M.JR: Now, here is the thing - and I am not a diplomat, I am not a lawyer, I am just a farmer--

(Mr. Stepanov)

INTERPRETER: I hardly need to translate, but Mr. Stepanov says that he is no diplomat, himself - no lawyer, no financier, just a businessman.

- 9 -

H.M.JR: Mr. Stepanov agrees that there was room for a difference of opinion on the original eight hundred million and the twenty-five percent. I take it he agrees there was room for misunderstanding among the experts.

(Mr. Stepanov)

INTERPRETER: Yes.

H.M.JR: Realizing that, the American Delegation raised the amount from eight hundred to nine hundred million and the twenty-five percent, and with no additional data being furnished us by you.

Then you brought in something quite new when you said that you would like to have a quota a little bit less than the United Kingdom. That was quite new.

And largely due to the magnificent fight that your country has been making, not on economic reasons, but largely due to the magnificent fight, we recognized here that the Russian Government should have a quota a little bit less than the English. But that was something quite new. It had never been discussed by the experts before.

(Mr. Stepanov)

INTERPRETER: Yes.

H.M.JR: We were willing to take the Russian viewpoint against most of the rest of the Delegations and proposed a billion two hundred million dollars. I again repeat, this was something that I understand was never raised by the experts before. It was raised the first time here in Bretton Woods, the fact that you should have an amount a little bit less than the United Kingdom.

So we advanced to you on a basis of what we thought was ultimately fair, and not on the basis of trade - we went back to the proposal that you had at Atlantic City and in Washington, where there was a misunderstanding on the eight hundred million.

So we said, "Well, on that basis we will raise it a hundred million and make it nine hundred million

- 10 -

and the twenty-five percent." Then we will take something quite new, which is raised for the first time, that you have an amount a little bit less than the United Kingdom, and as I remember, Mr. Stepanov said a billion, eleven hundred million to me - something like that - and we made it twelve hundred million. Right?

MR. LUXFORD: Yes.

H.M.JR: Therefore, what we were trying to do was two things: One, to make a fair proposal and an ultimate proposal on the discussions which had taken place in Washington and in Atlantic City so you would have a reasonable explanation to make to your Government; and then, on the other hand, we made you an alternate proposal which, as I remember it, was higher than what Mr. Stepanov said to me - I remember he said a billion or eleven hundred million, and we made it twelve hundred million, which was something quite new. And when we made that, being a new proposal, it had nothing to do with the other, or with the twenty-five percent. It was quite new.

Therefore, I again ask you to reconsider and consult with your Government this proposal here which we were making as an ultimate proposal.

And I most sincerely hope that your Government will give one or the other of these proposals - will accept one or the other of these proposals, which were made as ultimate proposals and not as trading purposes, because I regard your Government too highly to trade with them. I don't feel that we are on a trading basis. We made you a proposal which was the ultimate - it wasn't for trading purposes.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov, in the most objective manner, has informed the Moscow authorities concerning that proposal. But the figures of eight hundred million, as well as nine hundred million, were figures which had been calculated on the basis of no data at all; that is, the people who calculated the figures didn't have any data.

- 11 -

Nine hundred million is much less than the sum we are entitled to get according to the American formula.

Mr. Stepanov knew while discussing these questions with you, that the United Kingdom quota would be around one billion two hundred and fifty million dollars, and his point of view was expressed and his understanding was that our quota would be a little bit less, but based his consideration on the actual position we were in regarding the financial conditions.

And as he said, in case the United Kingdom quota is made larger, is to be increased without any substantial data or information, in such case he would regard it as necessary to increase our quota in order to maintain a certain equilibrium.

Mr. Stepanov says that we are not going to ask for any decisive position in the Fund - not at all. The only thing we need and we wish to have, and consider it really fair, is the proper place we are entitled to have in this Fund.

Possibly you know, Mr. Secretary, that all the problems facing the Soviet Russia can't be solved through the International Monetary Fund.

H.M.JR: Yes.

(Mr. Stepanov)

INTERPRETER: We don't regard the Fund as the only source for our economy. The development of our trade in the post-war period would require other forms and sources of financing our economy. We regard the participation in this Monetary Fund as participation in an international institution in which so many countries are interested, and we are glad to support the position of your country and your personal proposition concerning that Fund while participating in the Fund.

That is why we don't request anything which we are not entitled to. But we simply would like to occupy the place which we regard we are entitled to, according to the calculations which we have.

- 12 -

Mr. Stepanov hopes that you would appreciate and understand his position.

And the last thing Mr. Stepanov - he can't regard our position as somewhat contrary to your own.

H.M.JR: Here is the trouble that we are in. I go back once more. In regard to this billion two hundred million, as I stated before, we were glad to recognize the importance of Russia in the new world; but we have no real data about Russian resources and therefore that is why I said we had to do this largely based on your military successes. We have not been furnished any data, do you see?

Now, some of the Delegation's here think that you have four billion dollars in gold. They may be right and they may be wrong.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov says that the sum which we are mentioning, one billion two hundred million - we will be very glad after the Fund commences functioning to present all the data required in this respect, and you would see very clearly that this sum is very approximate to the exact sum you have arrived at on the basis of the American formula.

Mr. Stepanov says that of course those losses won't be covered by this twenty-five percent; that is only a kind of recognition of those losses, but it wouldn't have much economic effect.

H.M.JR: As I say, one doesn't know how rumors start. Again, one of the most important Delegations told us - I am just repeating gossip, now - that you have seven hundred thousand men mining gold and producing between three and four hundred million dollars' worth of gold a year, right now. This is gossip that I am repeating.

(Mr. Stepanov)

INTERPRETER: Well, you can't stop the gossiping, you know.

- 13 -

H.M.JR: Judge Vinson says we hope it is true. But the point is, all of those matters were considered - gossip and everything else - and then we made these alternative proposals.

Now, I agree with Mr. Stepanov that this Fund and this Bank, alone, is not going to reconstruct Russia, and while I am not authorized to discuss or make any proposals, we have studies in the Treasury of proposals where American manufacturers can sell to Russia the large quantities which you need - something quite separate from either the Bank or the Fund - realizing that you need something quite different. And those studies are in quite advanced stages.

Now, I would like to suggest, only if Mr. Stepanov thinks it would be helpful, that we cable - only if he thinks it would be helpful, do you see - we would like to cable Mr. Harriman our position so that he could present it to Molotov.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov expects a direct answer from Moscow, but if you consider the sending of your telegram to Moscow is helpful, he has no objections at all.

H.M.JR: I have complete confidence in Mr. Stepanov and I don't want to, in any way, raise any doubts in his mind that I don't have complete confidence, but the formal procedure would be, where we have reached this stage, for us to cable Mr. Harriman. But I want to again repeat myself; I have complete confidence in Mr. Stepanov.

If in any way he thinks this would make it more difficult, I don't want to do it, but this would simply be the formal procedure which we have followed in other negotiations. But I am counting on Mr. Stepanov.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov says that it is rather difficult for him to suggest something in this respect because he thinks that you are the most competent man to decide that, in this connection. Of course, if you would like to inform your Ambassador, that would be only the right procedure to do it.

If Mr. Harriman is informed about the proceedings, Mr. Stepanov has no objections. He says it would be even helpful.

H.M.JR: Then, under those circumstances, we will cable Mr. Harriman, because I think Mr. Harriman might be helpful.

(Mr. Stepanov)

INTERPRETER: The only thing Mr. Stepanov would like to say is to have you hear his wish. The only thing he doesn't want to have is Mr. Harriman think that we don't have enough or complete understanding between each other here.

H.M.JR: What I will do is simply this - bring Mr. Harriman up to date, tell him that the Russian Delegation has been most cooperative, that I have complete confidence in Mr. Stepanov, that I want Mr. Harriman to know about it so that if Mr. Molotov should send for Mr. Harriman, or Mr. Harriman should see Mr. Molotov, Mr. Harriman would know how the negotiations are going along.

(Mr. Stepanov)

INTERPRETER: Well, it isn't at all bad to inform the Ambassador about the negotiations which are taking place in his own country.

H.M.JR: I feel confident that once the Government in Moscow understands this - and I hope you will cable this conversation this afternoon - and realizes that we have made you an ultimate proposal, that we have our difficulties not only with the other countries-- And may I add that all five members of the Congress, both Republicans and Democrats, have spent more time on this than anything else, and they feel even more strongly about this than I do.

After all, you must look at it a little bit from our standpoint. Each government is different. We have honestly gone as far as we can. This is only one of many agreements which we hope to have with Russia on post-war.

I don't think from your standpoint it is a matter of life or death. From our standpoint, we have taken a piece of rubber and we have stretched it as far as it will go. And if your Government has any confidence in me over a period of eleven years, you will have to accept my word and my good faith that we have gone as far as we can go. We can't go any further. Either you know what I have been trying to do for the past eleven years, or you don't.

Now, you must take my word that I have gone just as far as I can go in trying to make a fair proposal. And once this is finished, I am ready any time the Russian Government wants, to take up the next question, which seems to me the question of how Russia is going to get manufactured goods in this country.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov says we know your activities and your attitude and we appreciate it very much. But on this very question he is waiting for the decision - for the instructions from the Government, and today's conversation he will cable.

The only thing we would request you take into consideration is that nine hundred million is much lower than the sum we think we are entitled to have; and one billion two hundred million is approximate to what we expected.

But, again, they will inform Moscow in the most objective manner - just stating what is taking place.

H.M.JR: And may I just say this? When Mr. Harriman was here we let him see the studies we had made on how to exchange goods between Russia and the United States, and he said it was the only practical plan he had seen yet, the one in the Treasury.

(Mr. Stepanov)

INTERPRETER: It is very pleasant to hear. We are anticipating very huge economic cooperation.

H.M.JR: May I say to Mr. Stepanov that I appreciate his very cooperative spirit this afternoon, and I am confident that out of this conversation will come success.

JULY 7, 1944

Memorandum to Mr. Stimson

The United States Delegation is prepared to agree to a quota for the U.S.S.R. of \$2,300,000,000 provided that the U.S.S.R. on its part agrees to accept and support the following provisions:

1. Section 5 of Alternative A, page 4. (Gold subscription).
2. Alternative A, Pages 6a and 6b (dealing with access to the Fund).
3. Article III, Section 7 of the Joint Statement. (New draft Alternative A to be submitted does not represent any change in substance from printed text of Joint Statement.)
4. Alternative A, Page 13. (Charges: Table of Charges appended.)
5. Alternative A (all of Section 11), Pages 14 and 14a (furnishing information).
6. Alternative A (dealing with changes in par values; copy appended).
7. Combined Alternatives A and B, Pages 26 through 26c (management).
8. Alternative A, Page 26, appearing under Joint Statement III, 2, 3 (relating to voting - not to be confused with page 26, document 132 relating to management).
9. Paragraph (b) of Section 6, Alternative A, Page 29 as revised in appended copy (gold depositories).
10. Alternative A, Section 9, Page 31 (location of head office).
11. Alternative A, Page 35, as set forth in appended copy (composition of number).

In addition to agreeing to the above specifically listed provisions, the U. S.S.R. also agrees not to object to any of the remaining provisions embodied in the various Alternative A's as now before Commission I, including those provisions, copies of which are appended, which have not yet been formally submitted. The United States in return agrees that if substantial changes are proposed in any of the present Alternative A's, including those attached, it will consult the U.S.S.R. Delegation.

- 2 -

If the U.S.S.R. is not prepared to accept the above arrangement, the United States is still prepared to support a quota of \$900,000,000 for the U.S.S.R., and will hope to reach agreement on the other provisions in special sessions and in the Conference.

Bretton Woods, N.H.
July 11, 1944
9:00 p.m.

BANK: INSTRUCTION OF AMERICAN DELEGATION

- | | |
|--------------------|-----------------|
| Present: Mr. White | Mrs. Klotz |
| Mr. Wolcott | Mrs. Morgenthau |
| Mr. Durbrow | Mr. Vinson |
| Mr. Brown | Mr. Ness |
| Dr. Goldenweiser | Mr. Angell |
| Mr. Eccles | Mr. Louchheim |
| Mr. Acheson | Mr. Hansen |
| Mr. Coe | Mr. Pearson |
| Mr. Cox | Mr. Lubin |
| Mr. Collado | Mr. Gardner |
| Mr. Miller | Mr. Sweetser |
| Mr. Ivan White | Mr. Maffry |
| Mr. Smith | Mr. Bernstein |
| Mr. Spence | Mr. Wagner |
| Miss Newcomer | Mr. Arey |

H.M.JR: Fred, will you explain the Bank to us, please?

MR. SMITH: They have newsreels of the Conference taken downstairs.

H.M.JR: I know about that.

Dr. Goldenweiser, are you familiar with the six or seven points they are talking about on the Bank?

DR. GOLDENWEISER: Fairly so, Mr. Secretary.

MR. BROWN: Dean Acheson will be up in just a minute.

H.M.JR: Look, Marriner, would you mind beginning this thing? I take it you have been on this thing.

MR. ECCLES: No, I don't know what you are talking about.

- 2 -

MR. VINSON: Bank.

MR. ECCLES: I was on it last night, yes.

H.M.JR: Do you know the six or seven points?

MR. ECCLES: I spent two or three hours last night on it.

(Mr. Acheson enters the conference)

H.M.JR: Mr. Acheson, if you are the leader, will you please proceed to lead?

MR. ACHESON: It is a little hard. I am breathless and a little confused. I think we can start off.

We have got three or four main questions on the Bank to bring up. I think some of them are real questions, and others are not really subject to much dispute. The first one is a matter in which there is considerable difference of opinion. That has to do with the ratio of the Bank's assets. The loans of the Bank will be less than a hundred percent of its assets, or a hundred percent, or more than a hundred percent. I think, if I understand the question, we ought to state what the Bank's assets are, and what its operations are, and what the views are.

The Bank is supposed to have a capital of ten billion dollars. Of that capital, twenty percent will be paid in and will be in the hands of the Bank. With that twenty percent it can make direct loans. The other eighty percent of the capital is not to be called in, but is to be called upon as it is needed. With that eighty percent, the Bank will guarantee loans which are made between borrowers and lenders - that is, governmental borrowers and private lenders. The Bank's guarantee is supposed to and should greatly increase the security of the loans so that they will sell on the market. If all the loans were good and nobody defaulted, there would be no call on the eighty percent uncalled in resources.

- 3 -

However, as loans default, the subscribers would be called on to pay the defaulted loans. Therefore, what the Bank has is twenty percent cash which it can deal with and eighty percent claims on its members. Those claims will vary, depending on the solvency of its members.

Now, it should also be understood that the loans which are made and guaranteed by the Bank are also guaranteed by member governments. Therefore, if a loan is defaulted, it means that one of the members has also defaulted, and therefore that member's subscription, so far as the eighty percent which you can rely on, is not very good, because the member has already defaulted.

Now, in that situation, the question arises, what percentage of the Bank's capital should be loaned? The Dutch have taken a highly conservative point of view and they say seventy-five percent. Views run all the way up to two hundred percent and over that. I think it can fairly be said among the American advisers that the question ranges from slightly under a hundred to two hundred percent. There is some opinion over two hundred, but not very much. There is some opinion under one hundred, but not very much. The question of judgment which arises has to do with this problem.

First of all I should mention one other question. Suppose there is a default. Suppose somebody does not pay on his loan. What should you do about it? The British take the view that what the Bank should do is to go ahead, pay interest on the loan until it matures, and then pay the loan. So if it is a thirty-year or fifty-year loan, you go ahead paying the interest until the loan matures and then you pay the principle of the loan.

There is a very strong body of opinion, I think almost a hundred percent opinion, among the American advisers, that some formula should be devised by which that liability is cut off. After the loan is thoroughly dead and everybody knows it is dead, the Bank should have the discretion to call it and should have the obligation to call it after a reasonable period of time, so

it does not continue to hold for thirty or fifty years a loan which is hopelessly gone and requires paying probably a higher rate of interest than certainly the U.S. would have to pay in order to raise the money to pay off its obligation.

Therefore, the question of what you do with a defaulted loan has something to do with the amount of capital that you may get for the Bank, because if you are going to lend at a very high ratio, and pay off loans as they default, people would be less willing to subscribe to the Bank. If you lend at a rather conservative ratio, they will be more willing to subscribe to the bank. So in a way which is not altogether not true at all of private banks, what you do on lending conditions to some extent the capital that you get.

Now, with that explanation, which I imagine is not too clear, we come to the question of what should be the percentage of loans.

The most conservative view has been stated by the Dutch. The next most conservative view has been stated by Mr. Pearson, who believes that you should stay under one hundred percent, because he believes that if you do that, you will be able to sell these loans on the market. The guarantee will be an important guarantee and people will have confidence in it, and we can get off to the raising of capital and the financing of loans.

We proceed from that view to a very much larger body of opinion which believes that it ought to be in the neighborhood of one hundred percent for very much the same reasons, the belief that the market will not buy loans which are guaranteed by a bank which is going to guarantee loans to a hundred percent or more of its capital. They just wouldn't believe the guarantee is good.

H.M.JR: Please go ahead. I want to talk to Mr. Vinson for a moment.

(The Secretary and Mr. Vinson leave the conference temporarily)

MR. ACHESON: You proceed on from that view to one which is quite strongly held by a number of members of the American Delegation, including Dr. White and the Treasury staff, that the percentage of loans should approach two hundred percent. They believe that if you take two hundred percent as the ratio you will not reach that for quite a long period. It is going to take a good deal of time to get out these loans.

They believe that it unnecessarily restricts the operations of the Bank and restricts the degree to which it can fulfill its functions, to keep it down to one hundred percent or somewhere in that neighborhood. They point out that the Bank will be making loans which run from thirty to fifty years and it will not make all of those loans in the first few years of its existence. Therefore, if it is restricted to a hundred percent it will continually hold back a considerable amount, because in future years it will find that there are important loans which it wants to make.

Therefore they think that over its total period, if you have a ratio of two hundred percent, it probably will be lending over the whole period much less.

I think the only thing that I can do is to state the case, then let the proponents of the various views state their views more effectively than I can. I think that if anybody is interested in my own views, they are on the more conservative side. It seems to me that no matter what the ratio of the Bank's loan is to its capital, it will not and cannot furnish the entire amount of capital which is necessary. Other means will have to be found for doing that; that perhaps the most important thing to do is to assure that the Bank can function at all, and in order to function at all it must be sure to build up confidence - people must believe that its guarantee is good, that it is conservatively run, and if they buy a bond with the Bank's guarantee that there is a hundred percent chance that that is going to be paid off.

They will, of course, realize that some of the subscribers to the Bank are not very good subscribers. Therefore, if you talk about lending a hundred percent or one hundred and fifty percent, or two hundred percent of the Bank's assets, really, you do not have that much assets. The assets of the Bank are not one hundred percent good because the very conception of default means that some of the assets are gone, as well as creation of the liability.

Now, I think that states the problem and perhaps the simplest thing to do would be to get the three ranges of views expressed. I should think that if Mr. Pearson will state his, and Mr. Brown will state his, and Mr. White, you will get the entire range of views.

MRS. KLOTZ: Mr. White is not here.

MR. BROWN: I think, Mr. Acheson, that in considering this matter, the paid-in capital of two billion dollars, it is only paid in to the extent of twenty percent, or ten percent of the gold currency, so that the bulk of the capital will be paid in in local currency and that local currency is not convertible without the member's consent, or usable for the payment of consumers' goods.

Therefore, on your two billion paid-in capital, you will have a lot of perfectly unusable Russian rubles and Chinese yuan, and a whole lot of South American currency, so your actual paid-in capital with which you start is when we are going to be - the United States' six hundred million will be good, and the English and Dutch will have some value, but probably half of the total capital will be worth very little. I think that should be understood before the discussion starts.

MR. WAGNER: I wanted to hear from Pearson, too, because he is the President, I think.

MR. ACHESON: There is Warren Pearson, now with us.

- 7 -

MR. WAGNER: Yes, I know. I am anxious to hear him because our committee certainly has great confidence in him. He is doing an excellent job on the Export Import Bank, I think.

MR. PEARSON: Our thought was that it is terribly important if the Bank is to be a success that it be able to float its securities when it puts them on the market in the first instance. If your first flotation is a failure, the Bank is going to be doomed, in my opinion.

It would seem to me that the American investor - and I say American investor because I think a large percentage of the bonds will have to be floated in this country - the American investor is going to be loath to put his money into these bonds if the bank which issues them is in position to go beyond the difference between two billion and ten billion, or eighty percent.

It is my thought that it would be much better, more successful for the Bank, if it would take the more conservative position and then after several years of operation it could then consider increasing its capital if that were the desirable thing to do.

I admit that my position is a conservative one, but I contend also that it is a wise one if the Bank is to be a success.

MR. WAGNER: What have you done with the Export Import Bank? You know how to make loans there.

MR. PEARSON: Well, we have probably had the cream of the loans abroad, Senator. We have had Central Bank guarantees on most of them. To date we have actually disbursed something around a half billion dollars, and our defaults have been negligible. We have had a profit, but we realize that some of our loans, such as that to Poland and one or two of the other countries, may turn out not so well in the end, but as we stand at the present time, our earnings will far surpass our loans.

But I have an idea that the International Bank would have to take a more liberal attitude with loans, chiefly for the reason that the borrowers are the countries which are, because of the war, not the best risks.

MR. ACHESON: Well, I think the next view to be stated is yours, Mr. Brown, isn't it?

MR. BROWN: Well, I feel strongly that the Bank should be limited to not loan more than a hundred percent of its subscribed capital, which is five times its actual paid-in capital, and if you consider that probably half of the paid-in capital will be in currency which can't be used, it is about ten times its paid-in capital.

I have had a good deal of experience in selling bonds and am Trustee and Chairman of the finance committees at universities and various other institutions and know something about habits and minds of bond-buyers.

I firmly believe that if you go above a hundred percent that you will have great difficulty if not an utter impossibility of selling these bonds at any reasonable rate of interest.

I might state that the English proposed that the Bank should not be allowed to loan more than a hundred percent, and of course they are very much more interested even than we are in the early reconstruction of the devastated areas, in seeing that they are reconstructed.

(Mr. Bernstein enters the conference)

MR. ACHESON: Well, we perhaps ought to make it clear that in talking about these percentages we are talking about the paid-in capital reserves and surplus, so that there isn't any doubt about that.

MR. LOUCHHEIM: Not a paid-in--

MR. ACHESON: Total, yes - subscribed capital, reserves, and so forth. Is that all?

- 9 -

MR. BROWN: That is all.

Oh, one other thing. The purpose of this loan is obviously to make a large amount of loans in the war-devastated countries of Europe, such as Poland, Czechoslovakia--

(The Secretary and Mr. Vinson re-enter the conference)

H.M.JR: I am sorry, but there was something that bothered me on the Russian thing.

MR. BROWN: And the loan is going to be made with a great deal--

H.M.JR: Excuse me. I am trying so hard to keep everybody informed. What Mr. White is doing is explaining one technical segment of the Russian thing to two of their technicians, and that is what is going on. He is doing that on this twenty-five percent business.

As soon as he is through he will come up. They dropped a remark which made him think they didn't understand it.

Now, I am sorry, but whoever was talking, would you please go ahead?

MR. ACHESON: What we have done was to state what the general problem was, and then get the views expressed. The view, first of all, was expressed by Mr. Pearson, who thought that the Bank might lend less than a hundred percent of its capital surplus and reserves - somewhere in that neighborhood - and Mr. Brown believes that it should not be above a hundred. I think the next view is Dr. Angell's and perhaps Mr. Collado's, who thought that perhaps one hundred and fifty percent would be safe; and the next one would be Dr. White and then perhaps beyond that would be Mr. Louchheim and Mr. Lubin - if he is here.

MR. ANGELL: I suggest that Mr. Bernstein present the Treasury view.

MR. BERNSTEIN: There is no Treasury view, as such, here in the Delegation.

MR. ACHESON: That is right. It is just that Mr. Bernstein and Dr. White had a larger percentage than you did. You go ahead and give your own view, if you have one.

MR. ANGELL: The reason for suggesting one hundred and fifty was not the feeling that the Bank would start out by loaning up to one hundred and fifty to start, but that it should not be circumscribed as to what it could lend over a period of time by a limitation which you could only overcome by improvising a statute.

I think if the Bank works at all it will find it both possible and desirable - even necessary - to lend substantially more than the amount of its subscribed capital.

H.M.JR: May I just say this - I had intended to prepare myself for this evening. I haven't had a chance because I have been on this Russian thing. So I will just have to act as Chairman, and I am going to ask Mr. Acheson to act as leader as though this was a committee. If you wouldn't mind doing that, I think we would make progress faster. I had counted on spending the afternoon in preparation, instead of which the whole afternoon went to the Russians. So if you would act as leader tonight, I think we would make more progress

MR. ACHESON: I think we can get all these views out.

Mr. Bernstein, would you want to give the two hundred percent view?

MR. BERNSTEIN: I believe that the ratio of the direct and contingent liabilities, the borrowing of the Bank and the guarantees, that the issues should be as high as twice the subscribed capital, surplus, and accumulated reserves. If the Bank is to play any considerable part in international investments, it will have to, in the course of time, somehow accept obligations - contingent obligations - of rather large sums.

- 11 -

If we experience anything like the volume of foreign lending of the 1920's, when the U.S. and U.K. did gross lending and investing abroad of two and a half billion dollars a year, the Bank would soon find, in the course of eight or ten years, that a subscribed capital of ten billion dollars would not permit it to perform the functions which it is designed to perform.

We believe that twice its capital in the way of direct and contingent liabilities would be extremely conservative, well within the experience of any foreign investment even in the worst times, and that those who are prospective customers for its securities would not be a bit disturbed by such a ratio.

MR. ACHESON: You think those would sell on the market?

MR. BERNSTEIN: I think they would sell, yes, sir.

MR. ACHESON: Dr. Hansen, I think, was in favor of a hundred percent.

MR. HANSEN: Yes, I wouldn't object to going a little above a hundred percent. I think Jim Angell and I have about the same view. Yes, I think in the first place I do not believe that the volume in the early years will be nearly so large as some members here think it will be. The ten billion will go a long way for a considerable period, and I do think that it is wise to start off with a conservative ratio that insures the saleability of the bonds at a low rate of interest. I think that as we have reached a point where the ten billion has been used up, I see no great difficulty in the countries increasing the subscription of uncalled capital. It isn't costing them anything and you can expand your loans as you find that it is necessary. I favor a hundred, or a maximum of one hundred and fifty.

MR. ACHESON: Mr. Louchheim?

MR. LOUCHHEIM: I feel on the marketability of the bonds, the portfolio of the Bank, the type securities,

character of securities that are guaranteed, is as important a factor as the nature of the guarantee and the reserves against it.

On a limitation of a hundred percent, or even one hundred and fifty percent, the Directors would just be in no position to extend credit or accommodations to any governments whose credit was sound, but would have to reserve their limited resources to take care of the worse type of loans; therefore the Bank's portfolio and the bonds that it guaranteed would surely be only those of the poorest credit risks. And if the Bank can have the latitude to extend facilities to good credit risks, or medium credit risks, there is no necessity for laying aside one dollar of uncalled capital for every dollar of risk in those high credit ratings.

Therefore, the conservative - again using the term conservative in a slightly different sense - the conservative banking would certainly not limit the extension of the Bank's credit lower than three hundred percent of its capital, however you want to figure it.

MR. HANSEN: Mr. de Longh was telling me that their Delegation had estimated eighty percent of the subscribed capital would be good. They have a more optimistic view than Mr. Brown has, in spite of the fact they are very conservative.

MR. ACHESON: Dr. Lubin?

MR. LUBIN: I have nothing to add to what has been said except one thing, that I visualize the extension of credits and guarantees to be a relatively slow process. Consequently, in the early stages and during the experimental period, I think it would be most effective. The fact that it only loaned, let's say, fifty percent of its capital during the first two or three years, would in itself make its ventures saleable.

I am thinking in terms of ten or fifteen years hence when the difficulties of amending the charter of the Bank

might be such that you couldn't get more capital, and the Bank ought to be in a position at that time, in the event that such loans are necessary, or guarantees are necessary, to extend industrial activity and maintain high levels of employment, it should be in a position to go up to twenty or twenty-five billion dollars.

I am not worried about the saleability of their bonds in the early stages when they will have guaranteed three or four billion dollars' worth of loans in the first year or two and the buyer knows that it still has six billion dollars of uncalled-for capital to be used as guarantee.

MR. GARDNER: Wouldn't the buyer look to the limit rather than the amount guaranteed so far?

MR. LUBIN: I doubt it, in the immediate future. You also look at the type of loan being made by the Bank, at the type of people making the loans, and a lot of factors of that sort which are just as important, in his estimation, as the guarantee on the buying.

In other words, if these bonds can't be sold in the early stages, with the prospect of only one-third or one-half of its capital being loaned out or guaranteed, if they can't make good under those conditions, I don't think they ever will.

MR. GARDNER: The lender will look to these factors, but as far as the ratio is concerned, he will look to the limit.

MR. LUBIN: But also the rate at which these loans are being made.

MR. PEARSON: He is buying a thirty-year bond, though.

MR. LUBIN: He will look at the type of loans, the people making the loans, the criteria being used, and those are just as important.

- 14 -

MR. GARDNER: You look at them in any case.

MR. ACHESON: Well, I think, Mr. Secretary, that is the range of view that we have here. I think we also have to bear in mind that there are two things, and I would like to be corrected if anyone thinks I am wrong about this - the two things are tied together - one is this question of ratio, and the other is the degree to which the Bank can be required to pick up bad loans.

If it is a sound thing for the Bank, once it is completely satisfied that a bond is in default and is hopelessly gone and there isn't anything that can be done about it, I wonder whether it is not a sound thing for the Bank to make an assessment and pay off that loan and make whatever adjustment is necessary, and then wind it up.

If that is the view which is held in the next phase of the discussion, then the degree to which you increase the ratio makes it difficult to have that procedure, because it makes a greater immediate possibility of call upon the subscribers, and they will therefore be reluctant to subscribe if they believe that they may immediately have to meet these calls rather than meet them over fifty years.

So those things are tied together and we have to keep them in mind.

I should suggest that the next way of getting on with this discussion is to have the members of the Delegation, particularly the Congressional members, who will have this matter to defend, ask questions of the holders of the various views.

H.M.JR: Senator Wagner?

MR. WAGNER: I was going to ask Mr. Eccles, who is the Chairman of the Federal Reserve Board and deals a good deal in money - have you any views about it, Marriner?

MR. ECCLES: Yes, my views are rather conservative for these reasons; the success of the bank will depend primarily upon the acceptance of these securities by the American investment market. Now, what we are trying to do here is to appraise what requirements the American investor is going to make.

It is my belief that with their experience in purchasing securities of a foreign nature, that they are going to be rather conservative and hesitant. The market for securities of this sort will be largely with fiduciary institutions such as our insurance companies, savings banks, and trustees of various kinds. They will have to be made eligible in many States by State authorities before they are admissible as being eligible for trust funds, insurance funds, and otherwise.

All these provisions are going to be very carefully scrutinized. The American investor can purchase today United States Government securities of a considerably shorter maturity than thirty years, that will yield two and a half percent and are readily, immediately marketable. He can invest in shorter-term securities of the savings type that yield from two and a half to practically three percent if he carries them to maturity.

Now, he is interested, primarily, first and foremost, in the protection of his principle; and next, of course, in the collection of income from the interest returnable. In buying these securities the question of the difference in the rate of return for the very high-grade American security and the security of this sort, which will be new, will be certainly taken into account. And unless these securities are issued on a most conservative basis, I think that the rate of return upon these securities by comparison with the American security, will be prohibitively high. Instead of getting a three or three and a half percent security - and to that you must add the fee that hasn't been discussed yet, the guarantee fee that is proposed, that the investor doesn't get but the Fund gets, but the borrower has to pay the rate plus the guarantee fee -

- 16 -

and unless these securities are issued on a very conservative basis, I think that the rate would be prohibitive. It isn't as though this two hundred million of paid-in capital was all dollars--

MR. BROWN: Two billion.

MR. ECCLES: I mean two billion. As Mr. Brown has said, it will be paid in the currency of many countries and will not be immediately available either for lending or for guarantee. The subscriptions likewise, of the eight billion - two billion paid in and the eight billion subscribed - of course, there is a question of how much of the subscription is going to be collectible when need develops.

That all depends upon the future stability and prosperity that develops in the post-war world. That, of course, is an uncertain element at this time and will be on the part of the investors in the original development of this organization. If economic conditions throughout the world go rather badly and some of these loans default, the countries which borrow the money and default on the loans, of course, can't pay their subscriptions, and it means, then, that the countries that are not borrowing would largely be relied upon to pay the Fund - to make good the guarantee - and if these loans are not made on a conservative basis to commence with, the countries that do not expect to borrow, such as the Dutch, the British, the Canadians, the Belgians, and possibly some of the others, are going to be hesitant about the amount that they will subscribe, because they would feel that their chance of losing on the guarantee would be increased in proportion to the liberality with which the loans were made - or, that is, in relationship to the number of times, we will say, the capital and subscriptions were loaned. It is important to get the countries that are not going to borrow to subscribe to this capital. So I feel that, fundamentally, we must not make a setup here that does not get immediate acceptance by the American investing institutions and individuals. We must not make a setup that will not call for liberal subscriptions on the part of the British and the Dutch, and others.

For those reasons, I feel that it is imperative in this kind of a setup to start on a conservative basis, and I would think that one hundred percent of the capital and the surplus and the reserves should be the limit.

MR. ACHESON: Well, I think it is a question of the judgment of the Delegation as to what ratio will bring out the capital. Now, you bring out the capital in two ways: first of all from the private investor who is willing to lend it, and the borrower who is willing to buy it. They rely on a guarantee. Now, how can you get the guarantee? You have to get the guarantee from the governments. Now, at some point the governments will hesitate to guarantee, because you have reached such an expensive point that the guarantee is too dangerous.

Somewhere in there there is a question of judgment. Now, if the other members of the Delegation will bring out any points that bother them - Senator Wagner, have you any further question?

MR. WAGNER: I am with the conservative view, of nothing more than a hundred percent. That is my offhand view. I haven't studied it enough.

MR. ACHESON: Mr. Spence?

MR. SPENCE: I think there are two considerations that enter into this. I haven't enough knowledge of the subject to know just what the effect would be of two hundred percent, but you have got to not only sell the security on the market, you have to sell the idea to Congress, and I don't know what Congress would think of a two hundred percent loan or guarantee. It seems to me there might be some arguments made against it that might be rather persuasive. What is your idea about that?

MR. ACHESON: I suppose from Congress' point of view, the question is, to what extent is it liable that this eighty percent that the United States subscribes will be called for and will be lost.

MR. SPENCE: And what will be the contingent liability of the U.S., and how far do we want to go. And that will be a very powerful argument when it gets to Congress.

MR. VINSON: Isn't the liability limited to the amount of the subscription?

MR. ACHESON: Yes, the liability is limited to the amount of the subscription.

MR. VINSON: So it really goes to the question of the saleability of the bonds.

MR. ACHESON: Yes, I suppose from Congress' point of view that is one of the questions. If you are going to lend a hundred times that amount, you will be pretty sure you will lose all. If you lend fifty percent, you are pretty sure you wouldn't lose all. Somewhere in there you have a point where you are going to lose some money. Confidence will not be established.

MR. GARDNER: Would you say there is some sort of moral commitment in the picture, that if the Bank were to fail that the sponsors would be expected to put up a little more?

MR. COLLADO: No.

MR. VINSON: If you had it printed on the security that the liability was limited and the purchaser, with his eyes wide open, would buy the bond--

MR. GARDNER: I wonder about the FDIC, and so forth.

MR. VINSON: I am just talking about if a fellow buys something, and knows what he is buying - of course, they might very easily make that claim, they might even introduce a special act for the relief of John Doe.

MR. BERNSTEIN: Some bondholders would undoubtedly write to the Secretary of the Treasury and offer to turn in the bonds that are defaulted for savings certificates and savings bonds.

- 19 -

MR. VINSON: I have no doubt about that.

MR. ACHESON: Mr. Wolcott?

MR. WOLCOTT: I don't know enough about it to even ask an intelligent question. With the Secretary, I have spent the day talking Russian, and I don't know whether I can talk English or not! (Laughter)

H.M. JR: You have been talking it and not drinking it! (Laughter)

MR. WOLCOTT: How are the bonds secured? What is the security for the bonds?

MR. ACHESON: Well, in this phase of the question the bonds are secured by the guarantee of the Bank, and the bonds are originally obligations of a borrower in some country guaranteed by his government, and the money is lent by a private lender in one of the countries. Then the Bank comes along and guarantees the payment of principle.

MR. WOLCOTT: What is behind the guarantee?

MR. ACHESON: What is behind the guarantee is the subscription to this Bank.

MR. WOLCOTT: By the several countries?

MR. ACHESON: Which is their promise to pay.

MR. WOLCOTT: Are the bonds then secured by a proportion of the amount in rubles and dollars and pounds?

MR. ACHESON: They are secured by an obligation on this eighty percent to pay in in a gold-convertible currency. It is as good as gold.

MR. WOLCOTT: A division of rubles and gold, and so forth?

- 20 -

MR. ACHESON: That is right. If a country makes good on its guarantee, then it has to put up money which is good wherever the lender is.

MR. WOLCOTT: Well, then as I understand it, the difference between the conservative view, perhaps eighty percent, and the more liberal view of two and three hundred percent, is the difference between our contingent liability - our contingent liability would be in the same proportion.

MR. ACHESON: Yes, I think the question is this: Suppose you have agreed in the Congress that we will put in an amount which, for this purpose, would be two billion dollars; on the other hand, you will pay in two billion dollars to make good on defaulted bonds. Now, how many times two billion should they loan? Should they loan two billion or should they loan four billion, or three billion? The higher the amount they loan, the more likelihood there is, of course, that you will have to make good on some of the defaults.

MR. WOLCOTT: If our participation, then, is two billion, and we agree that the Bank may guarantee two hundred percent, then we have a potential liability of four billion dollars?

MR. ACHESON: No, no. You have a potential liability only of two billion dollars.

MR. COE: Only what you put in.

MR. ECCLES: The proposal for the U.S. is three billion of which six hundred million, or twenty percent, would be paid in.

MR. WOLCOTT: You guarantee two hundred percent - I am exaggerating, of course - if they all default, what is our possible liability?

MR. ACHESON: It is the same amount, but the Bank is busted if everybody defaults.

- 21 -

MR. WOLCOTT: But our liability stops.

MR. ECCLES: If everybody defaulted and couldn't pay the subscription, then there would be the three billion dollars that we have got to pay off the ten billion expense. But the chances of loss would be greater, the greater the ratio is of loans.

MR. ACHESON: Oh, yes. Surely.

MR. SPENCE: That is self-evident.

MR. WOLCOTT: Never could exceed the amount of our subscription.

MR. SPENCE: But the chance our subscription would be exhausted is greater, the greater the ratio.

MR. LOUCHHEIM: Mr. Acheson, I would like to question whether the chances of loss would be greater by giving greater latitude to the Bank if, on my premise, with the greater latitude the Bank would be in a position to make a greater volume of better loans; with the smaller latitude, the Bank Directors would be almost forced to retain the resources that they have for the poorer risk loans; and therefore I would question whether the chances of loss on the greater ratio were greater.

MR. PEARSON: Mr. Chairman, I think we are missing one point. It is not the question of the money the Bank is going to lose; the question is whether or not you are going to be able to sell the public the securities of the Bank. If the Bank has the capacity to loan far beyond its subscribed capital, the people will not buy the bonds.

Now, I just pick eighty out of the air - not quite, but you can estimate that the guarantees which are in that Fund, plus the assets which will be represented by the loans made, are worth something less than par, and you can just say eighty percent as a guess. But I think that a conservative investor might take that same view and say, "Well, this is a bond that I can afford to buy and put in a trust fund." If you go much beyond that they are going to be very hesitant.

MR. BERNSTEIN: Mr. Pearson's analysis doesn't lead to a conclusion of one hundred percent, but of much more than one hundred percent. There is the subscribed capital of, say, ten billion dollars, of which some proportion may never be paid up even when called - say twenty percent. That means that you have contingent assets plus subscribed capital of an aggregate, say, of sixteen billion; make whatever loss allowance you want, you always come over a hundred percent. The assumption that you should not guarantee more than a hundred percent is the assumption that every one of the bonds will be defaulted, and then - or if not every one, then half - and what part of the subscribed capital will be defaulted?

MR. BROWN: Half.

MR. BERNSTEIN: I think both those estimates are unreasonably high.

MR. LOUCHHEIM: I would like to ask Mr. Maffry to give us some historical experience of what foreign bonds have been over the last twenty years.

MR. MAFFRY: The maximum extent of default on foreign dollar loans was about one-third during the worst depression the world has ever known.

MR. SPENCE: How much?

MR. MAFFRY: Many of those defaults have since been adjusted to some extent.

H.M.JR: Mr. Maffry, excuse me. I know your representation is excellent, but are you sure of those figures?

MR. MAFFRY: Positively, sir.

H.M.JR: I would have said they were much worse.

MR. MAFFRY: Most people would.

MR. BROWN: Does that include all the bonds sold back to Germany on twenty-five and thirty cents on the dollar?

MR. COLLADO: Yes, all the foreign dollar bonds quoted in the book of the foreign bondholders--

MR. GARDNER: On the other hand, of course, there is a heavy weighting of Canadians and other good loans--

MR. LOUCHHEIM: It is an illustration of the type of experience you might have if you have a diversified list of securities in your portfolio.

MR. COLLADO: Mr. Acheson, I would like to carry forward the point that Mr. Bernstein was making. I am, personally, as you indicated, in the one hundred and fifty percent group. I think that a one-to-one ratio is an extremely conservative one, counting entirely on an awfully bad outlook.

In the first place, these are long-term bonds. They are going to be purchased for productive purposes. It seems quite clear that they will continue to earn in the terms of the local currency, at least, practically during their entire life.

Now, the worst that can happen in most of the cases is that you will have difficulties with transferring the exchange. Furthermore, it is very, very seldom that a bond issued or guaranteed by a government goes into a complete hundred percent default. We have got almost no record of those. Even the worst of these issues that we are talking about in the last twenty or thirty years have subsequently been settled at some reduced rate, but nevertheless, settled.

I know Mr. Maffry's statistics are correct; I have worked on those figures and I do think we are taking an unduly pessimistic view.

Another thing is, if you scatter these bonds all over the world and over a long enough period of time, you are sure to have a considerable volume of recoveries in the countries themselves.

Now, finally, I will admit the problem is basically what you can sell the market. I think that a conservative management of the Bank and its own funds could easily be two to one over a period of time after the Bank has gotten going. The real question is what will the investing public think of the Bank's assets, and for that reason, I have reduced my own guess from two hundred, which other people have suggested, to about one hundred and fifty.

MR. WOLCOTT: Under the agreement, do the countries agree jointly to guarantee the bonds?

MR. COLLADO: They are jointly and severally guaranteed by this additional eighty percent of the subscription of the countries, and the guarantee takes the form of a guarantee to pay up any currency that is needed for the purpose - not merely local currency - otherwise gold or convertible currency.

MR. HANSEN: Mr. Acheson, there is one point, I think, in the discussion that disturbs me a little bit. I think as we examine it, that the conclusion ought to be on the conservative side of this ratio. It seems to me much of this discussion has gone along on the assumption that these loans are going to be exactly of a character similar to the private loans we have had in the past.

If that is the case, what is the purpose of having a public institution? If private loans can do the job, why have any public institution? Presumably for two reasons: One, that the risks are too great for private enterprise to carry; and second, that there are certain very important productive investments that just can't yield a return, but nevertheless, in terms of the whole economy they should be made.

Now, I think there is a consideration we need to bear in mind. It is a sort of paradox of this kind of a Bank, that if you proceed to make thoroughly sound loans, you are just supplanting private lending - that is all you are doing. You either have to function and function effectively - you either have to take risky loans, or you have to make investments that are very productive.

- 25 -

If you build a public road you get no returns at all, and yet it is extremely productive and induces private investment. It is that kind of loans this Bank has to make, otherwise it performs no function at all. So you can't carry on in terms of what private lending has been in the past.

H.M.JR: Mr. Acheson, I think you would make speed a little bit faster - we have gotten off on the wrong foot - if you would ask one of these technicians to give a very simple explanation of what the Bank is, how it is organized, the capital, and what its functions are. I think we would get along a little bit faster if somebody would just take five minutes and do that.

MR. ACHESON: Why don't we ask Mr. Collado?

MR. COLLADO: I will try. I think there are a lot of other people here who could do it, probably, better.

The Bank is conceived of as an international body of which all these United Nations would be members, designed to encourage and facilitate productive investment all over the world, both in the large and immediate problems of reconstruction, and in the continuing problems of development, particularly of the economies of the countries that have advanced industrially less far than, perhaps, the United States. I think the reasons why it is desirable to encourage that type of foreign investment is sufficiently obvious so we don't need to go into it.

The thought is that the nations of the world, by pooling their interests and by pooling their funds, can operate on a safer and larger scale than any one nation individually, and especially that is true when you consider what governments can do as contrasted with private individuals. A private individual makes a loan on a particular risk; if that goes sour he has lost his money. This Bank can spread those risks over a large volume of loans over all of the world, and the possibility of complete loss is negligible and they are able to conduct the business of going into a riskier type of loan than any single investor would dare go into.

The way the Bank would be set up, the forty-odd countries we are now talking about would subscribe approximately ten billion dollars, it is suggested; no specific table has yet been prepared. Of that ten billion, twenty percent, or two billion, would be paid in at the out-set. It is suggested that that might be spread over a year or two, but sufficiently quickly so you can say they would be paid in at once.

Of that two billion that would be paid in at once, some percentage, either uniform or on a sliding scale - that is one of the things to be discussed - would be paid in in terms of gold or convertible currency such as dollars. That would probably net the Bank, at the out-set, two or three hundred million dollars.

The rest of the initial two billion would be paid in in terms of local currency of each of the member countries. The United States, it has been suggested, would have some three billion total subscription; twenty percent would be six hundred million.

U.K. would be a question that has to be worked out - somewhere between a billion and a billion and a half.

MR. BERNSTEIN: A billion and a half is what we would like and a billion is what the U.K. would like.

MR. VINSON: Is it roughly in line with the quota?

MR. BERNSTEIN: I think the theory is that in this Bank the subscriptions of the large countries should be larger, proportionately, and the little countries should not be burdened with guaranteeing for the big countries.

MR. COLLADO: That is right. The whole table would be tilted off in the direction of the large countries putting up more, because after all, they are the creditor nations, and this is a direct lending operation.

Then the U.S. case, we would contribute at once an initial paid-up subscription of about six hundred million dollars, and perhaps two to anywhere from sixty to one

hundred and twenty million of that would be in gold and the rest in dollars. In our case, that makes no difference - whether we put up in gold or dollars. That is completely unimportant.

The British would put up, let's say, of their billion and a half, three hundred million, and the fraction there would be perhaps thirty to fifty million dollars in gold or dollars and the rest in sterling, and similarly all around the world. In other words, you are going to get a basketful of currencies with quite a considerable amount of gold or dollars.

That twenty percent may be used for direct loans by the Bank to member countries, or to agencies of member countries, or to private firms or other organizations in member countries, with the guarantee, however, of those countries. It could either be to the government directly for road building, communications, railroads; it might be to a public utility enterprise; it might be to a steel mill; it might be to an agricultural project, or irrigation project.

Now, in those cases the loans would be made out of the funds actually subscribed at the outset and in each case the country whose currency is to be used - in other words, if they are going to use dollars to finance the sale of capital goods, if they are going to use dollars, the U.S. would have the right to approve or disapprove the particular use of the dollars.

Now, there are two other types of business which we all feel in the long run will be much more important than this direct lending. That is what has been generally known as the guaranteeeage, and that is what we have been talking about.

The Bank would be able to operate either by selling its own debentures in the bond market - Wall Street, for example - or by guaranteeing the bonds of one of the members which that member sold directly in Wall Street.

There are two variants. If it sold its own debentures it would take those funds and re-lend them to individual countries, much as it would lend its original capital. If it guaranteed the bonds, let's say, of the Government of Brazil, sold in New York, it would place its guarantee on those issues for a fee. The Government of Brazil would pay the bondholders whatever rate the bondholders - the market - demanded for an obligation of the Government of Brazil, guaranteed by this Bank. In addition, Brazil would have to pay to the Bank directly a fee to cover this guarantee - sort of an insurance fee of a sort

The proposal is that the eighty percent of capital of each of the countries that are members of the Bank would be made available, as we said before, jointly and severally, for the guarantee of any of these obligations of the Bank - its own debentures or bonds which it has guaranteed.

And in that case, the governments would be liable for assessments against that eighty percent, not in terms of their own currency, necessarily, but in terms of a gold-convertible currency, or whatever else is necessary to pay the bond. If the bonds were sold in London, it would be necessary for the Bank to provide sterling; if it sold in New York, presumably it would be necessary to provide dollars; if it sold in New Zealand, perhaps New Zealand pounds would be adequate. In any event, a gold or gold-convertible currency would be a method of acquiring any currency of the world, so that is the worst that can happen.

In the case of loans made by the Bank outside of funds which it raises by selling debentures, or of operations conducted by, let's say, the Government of Brazil with funds which it raises directly with the guarantee of the Bank, the country in which the money was raised would have the initial right to state whether or not the loan could be sold in that country.

Once the money had been raised with the approval of that government, it would no longer be able to impose its will on each use of that currency. It takes its decision at the outset and then it is done.

I don't know whether that is an adequate or complete description - there are many, many more details to go in it.

H.M.JR: If it is agreeable to Mr. Acheson, may I compliment Mr. Collado - and possibly some of the Delegates who have not sat in would like to ask Mr. Collado some questions, if that is agreeable to you.

MR. WAGNER: I thought I had read somewhere - maybe I am wrong - that these loans are only made by the Bank if they are unable to secure a loan in a private bank.

MR. COLLADO: That is a very important provision which I am embarrassed to have omitted. One of the very first principles of the Bank is that it will come into the picture when private funds are not available at reasonable rates. That doesn't mean that the Bank cannot come into the picture if a borrower is able to raise funds at ten percent, but if he can't get it--

MR. WAGNER: Like the RFC.

MR. COLLADO: I may say, beyond that, that it is conceived that all the operations of the Bank will be carried out on a very careful conservative basis; that the loans will not be made until a competent group of technicians, as well as board members of the bank, and perhaps outside technicians and specialists brought in for the purpose, have studied the project and it is indicated that the project will be productive, either directly or in the general sense.

As Mr. Bernstein pointed out earlier, and I mentioned that many of the types of loans that this Bank would make would be of a sort that are not immediately directly productive.

I mean, you build highways and unless you are going back to a system of toll roads, you don't get immediate direct return from the highway. You open up a country and that indirectly permits an economic development which produces the wherewithal to meet the loan.

But the function of the management of the committees that would study the loans would be to make sure that the purposes for which the money was to be expended were sound in the broad sense, and that the general outlook over a period of years was such as to make it possible to anticipate repayment.

In addition, and I think this is quite important, particularly in view of the suggestion of the Government of Norway in the meeting this afternoon, it is thought that the loans will, in general, be loans - the funds will be expended primarily for the purchase by the borrowing country of capital goods and other equipment necessary for its projects.

In other words, it is not ordinarily thought or expected that funds will be made available for local labor and expenditures of that sort. In special cases where that is essential, the Bank is given some discretion to make some foreign currencies available, even for the local expenditures. But that is carefully safeguarded.

Furthermore, it is generally expected that the funds will be paid out against some sort of audited vouchers or documents. This is not a loan of the sort that we had in the 20's where a government placed an issue in one way or another and got to its credit in the bank a hundred million dollars which it proceeded to use any way it wanted to. The Bank will feed the money out as it is spent, and for useful purposes, and not just make great blocks of it available for borrowers to use any way they want.

Is that a correct statement on that point, Eddie?

MR. BERNSTEIN: Yes.

MR. COLLADO: I think that is quite important because a lot of people have been saying this was a way a country could get a great chunk of money and some countries have gone so far as to recommend that be the way the Bank be set up.

MR. WOLCOTT: I think at the proper time you would cover the management of the Bank.

MR. VINSON: Yes, we were in tune. I was going to ask him that very question in regard to the composition of the Executive Directorate.

MR. WOLCOTT: How the Bank is set up.

MR. VINSON: And that the loans are screened by the Bank with members on the Directorate who have obligations to pay, and a majority of which certainly would be in the paying class. Is that right?

MR. WOLCOTT: I was asking the two questions, one with respect to the setup, the machinery, the operation; and the other, whether there is any affiliation or relativity between the subscription and the amount of the loan.

MR. COLLADO: In the first place, with respect to the management, the provisions contemplated are quite similar to those of the Fund, a general Board of Governors representing each country, voting proportional, however, to subscription, rather than by countries so that the principal creditor nations, in fact, have the bulk of the votes, presumably in Executive Committee or an Executive Directorate comparable with that of the Fund, and a Managing Director and staff. In that area the management would be very, very similar to the Fund, and it seems to us probably sensible to use virtually the same words as in the other document, so as not to cause confusion to arise about that.

In addition to that top policy guidance, there will be - and it is spelled out in considerably more detail in the case of the Bank than it is in the Fund - this system of loan committees to study and work on each proposal for loans involving technicians, outside experts, engineers, and what-not, plus members of the Executive Directorate.

- 32 -

I think the point that Judge Vinson was hinting at comes in in two respects: In the first place, it is true that the larger proportion of the members of the Board of Governors will be countries that will rather borrow than lend. The little countries will all want to borrow. The voting, however, will be weighted very much in favor of the lenders - the net creditor nations.

On the other hand, when you are taking up the loan to any particular country - every country that is contemplating - if it is one of these guaranteed questions in the eighty percent class, which will be the majority, every country that is concerned with passing on the loan will be one of the guarantors. So each of the people on the Board will be incurring a liability. I don't think the borrowers will gang up on the Bank when they are also ganging up on themselves. I think, if anything, the Bank will tend to be very conservative in this matter rather than very--

MR. WAGNER: Has the question been settled at all as to where the principal office would be?

MR. COLLADO: That was discussed by the technicians last evening and we feel very strongly - the Bank wants to make productive loans which will improve the general economy and balance the payments of each country; at the same time, it wants to make the loans under circumstances that would permit of repayment. Obviously the repayment of loans and the issuance of loans will be very closely related to the exchange operations of the Fund, and a great deal of the technical work, as well as the policy positions, can best be made by a very, very close coordination of the two. It is our opinion that the two institutions should be in the same city, and possibly in the same building, and obviously in the United States.

MR. SPENCE: If you adopt the two hundred percent proposition the Bank can make direct loans up to four billion and guaranteed loans up to sixteen billion? Would that be the way it was operated?

MR. COLLADO: That would be the outside limit. It would be possible.

MR. ANGELL: It would be two and sixteen.

MR. COLLADO: In the present wording it would be a total of twenty billion - it would be double. The total loans, participations, and guarantees, and obligations of the Bank could be twice its capital reserves and surplus. That might actually be something greater than twenty billion as reserves and surplus accumulate.

MR. SPENCE: Wouldn't the direct loans be twice the two billion that is eligible for direct loans?

MR. COLLADO: Not necessarily.

MR. GARDNER: Only if the Bank borrows.

MR. COLLADO: Only if the Bank borrows, selling debentures. In that case it could be any intermediate figure.

MR. GARDNER: It can't issue more guarantees.

MR. SPENCE: The limit of liability of the U.S. would be its paid-in and subscribed capital.

MR. COLLADO: Yes, its capital subscription, paid in and callable.

MR. SPENCE: I suppose that the limited liability would be stated on all the securities.

MR. COLLADO: There is a specific provision in the proposal that this status of the guarantee be printed on each bond. I have not heard any objection to that proposal.

MR. SPENCE: Would the Government feel any obligation to carry out a guarantee, even though it exceeded its paid-in capital?

MR. BROWN: It did in the case of the Federal Land Bank bonds and intermediate credits.

MR. COLLADO: I should think that it would all depend on the way that the organization was established and the definite statements made on bond issues. Certainly you would have no legal liability and I would be very surprised if anybody assumed a liability bond - the liability for which they contracted. I don't think that is a very usual custom of bankers, certainly.

MR. WOLCOTT: Is there any limit to the amount which the Bank would loan or guarantee in any particular country? That is why I asked about the relationship between the--

MR. COLLADO: The proposed draft does not provide specifically for anything of the sort. It is felt that really should be up to the judgment of the Directors. It is quite obvious that once we get out of the reconstruction period, at least, the principal areas for development loans will be the very countries that are least able to make an issue of capital subscriptions.

MR. WOLCOTT: Haven't we a proposition in the RFC loan about ten percent to a State?

MR. PEARSON: I don't know about that.

MR. COX: Limitation to one corporation, I think.

MR. COLLADO: Of course, I think we want to be very careful to remember that in this Bank the United States would have an absolute veto power at some stage in the game on the use of the dollars. In the case of the dollars put up in the original twenty percent, it would have an absolute veto power of any use of those dollars.

In the case of the dollars raised by the sale of the Bank's own debentures, or by the sale of foreign securities guaranteed by the Bank, it would have that right at the initiation of the actual flotation, and consequently the United States would be in a very strong position in

the Board of Directors, even without reference to its own very high voting power, to see that the operations of the Bank were conservative, and that suitable diversification of the countries in which the loans were made, existed.

MR. ECCLES: I would like, if I may, Dean, to just bring out one aspect of this, that hasn't yet been discussed. Is it desirable, even if we could, to float in this country a large amount of securities, assuming that the investor would accept not only twice, but three times? That would get up to thirty billion of loans that would ultimately have to be paid as to interest and principle by foreign countries.

It seems to me you may not do a service to the rest of the world to create such an exchange problem. You may seriously affect the Fund. While the lending is being done we are having a favorable trade balance. The dollars are being spent here and it stimulates our activity just at the time when we possibly have a great backlog of demands ourselves. When the payments start back, these loans can only be good to the extent that the foreign currency can be converted into dollars. That is only possible to the extent that we have an adverse balance of trade of sufficient amount to enable us to service those loans.

Now I think that is a very serious aspect of this whole problem, and I don't know that you are doing a service to a creditor - I mean to a debtor - by giving too much credit, because when the payment day starts the problem of an adverse balance of trade or a default - the pressure will be on us to take the goods in excess of the goods we sell, and the threat will be when we don't take them, why then, of course, the loan defaults. It seems to me we may well be building up a very serious domestic problem.

I would like to think of facing this realistically and doing more on a basis of relief and rehabilitation that does not call for this sound credit arrangement. I think it makes more sense and would have a much greater appeal to a lot of the American public.

These countries that have been devastated, to give them credit and put them in debt to the extent that may be necessary to rehabilitate them, you are creating an exchange problem that may be very terrific, and that is another point that I neglected to make with reference to a limitation, a conservative limitation on this total volume of securities that we place here.

Now, you must also consider, there is another exchange problem aside from the exchange problem that this Bank would create. We have a great many American corporations which have branches all over the world, and there is talk of further support of capital in the form of equity capital.

Now, that calls, also, for an exchange problem which we considered in connection with the Fund; the right to pay dividends - the right to service these foreign investments that will be made abroad. We already are a creditor to a very large extent, and there will be a much further expansion of credit by these numerous American corporations in the form of equity capital. There will also be some borrowing in the American market, aside from this Bank, by foreign borrowers.

So when you add it all up, I can envision here a very serious exchange problem if we don't consider the volume of foreign loans and investments that, in effect, are held in this country.

Now, that is a little aside from the other, but I think it is basic, and I think it is important, and I think it will be raised in Congress just as sure as you live, when this comes up. I would much sooner see us talk about ten billion over the next two or three years for relief and rehabilitation or an extension of Lease-Lend, or something else, than I would to see this thing put on a credit basis.

MR. ACHESON: That is perhaps because you haven't been talking about those things.

MR. ECCLES: I know, but I am thinking of the ultimate, long-range effect.

MR. GARDNER: That credit, if properly directed, will build up the power of those foreign countries, but it leaves open the question of willingness to receive payments.

MR. COLLADO: I will not try to discuss the broad economics of this. I have very strong views, but there are a lot of people here who can say it better.

We do have one specific question here. I think we are tending to confuse - and I think a lot of us have, in all these discussions, both here and downstairs - the question of what the percentage ratio should be from the point of view of selling bonds on the one hand, with the total volume of international investment that you wish to achieve. Now, those are two separate problems. If we feel that the Bank should only be in a position to make "X" million dollars available, we can decide that and then work out our percentage. But I don't think we should use the one as a reason for making the ratio unduly small. If you want a very small ratio, have a different-sized Bank; if you want a big ratio, have a different-sized Bank.

H.M.JR: May I just say something for myself as a Delegate? This is the first time I have taken part in this discussion and maybe what I am saying is unfair, and I don't mean to be, but it seems to me that the experts have come in, and there is too much disagreement among them so that you are confusing me, and I think you are confusing the other Delegates. There should be more work done on the level of the experts to get closer agreement, and I suppose the reason is that you just haven't had the time.

MR. ACHESON: I think that is partly it, but I think the practical situation gets down to a much narrower compass than the difference between the experts. I don't believe that the other creditor countries are going along with any very high ratio. I think the whole debate is going to be between a hundred and a hundred and fifty.

(Mr. White enters the conference)

MR. ACHESON: It seems to me, if this Delegation believes it to be right, and they said that they thought the ratio should not be over one hundred and fifty, that we were to talk to the other countries and agree on something less if that is what we could get, and close it up.

MR. COE: Mr. Acheson, I wonder whether you wouldn't care to indicate that on the whole Bank proposal, as I understand it, this is the one substantial - or one of the two substantial issues which remains undecided among the Delegations.

MR. ACHESON: I think that, and the question of equity investments, which isn't very serious, are the only ones.

MR. COE: But we have been over the rest and there is agreement excepting on this point, Mr. Secretary.

MR. ACHESON: We were bringing out the point that this small disagreement on the question of whether there should be equity investments or not is the only disagreement among the experts. Therefore, the fact that they haven't altogether decided this is not altogether to their discredit.

H.M.JR: I didn't mean my remark to be unfair, but I was getting confused myself.

Now, couldn't you, Mr. Acheson, sort of sum up once more where we are just at this moment?

MR. ACHESON: I think what I said a moment ago, Mr. Secretary, sums it up; that whatever the broad scope of the differences of expert opinion may be, I think as a practical matter in this Conference at this time, the swing is between a hundred and a hundred and fifty percent. I just don't believe you are going to get any of the creditor countries to go along with anything more than that. Therefore, my suggestion would be that the Delegates tell us that that is the area within which they would be willing to settle and tell us to go ahead and discuss it with the countries and work it out.

MR. WHITE: Between a hundred and a hundred and fifty percent?

MR. ACHESON: Yes.

MR. WHITE: I fail to understand why a position is being taken that you need that much reserve for loans. I think there is a very, very considerable exaggeration being undertaken of the risk involved in these loans.

In the first place, the interest rate is low. That in itself greatly reduces the risk. We are all familiar with the consequences of high interest rates and how it puts additional burdens on countries and causes more defaults.

In the second place, there are provisions there providing for payment over a three-year period in local currency. That, in turn, is another important source of defaults, partly eliminated.

In the third place, you have got government guarantees and a government guarantee not to an individual investor, which has always been the case in the past with the exception of some very special loans, but a government guarantee to all the other governments of the world.

And in the fourth place, if you take the history of defaults you will find that the rate of defaults is very, very much lower than what you have suggested there, under the worst possible conditions, and here you intend to make loans under the best possible conditions - low interest rates and special flexibility with regard to repayment.

The loans are going to be supervised to the extent that they are going to be productive loans, they are very long-term loans - thirty or forty or fifty years - and they are loans which involve guarantees to an international organization.

It is completely beyond me to understand how it is possible to assume that you need a hundred percent reserves

for loans of that character, or anything even approaching it. Now, in view of the fact that what you do with respect to those loans limits the amount which can be raised permanently - I mean, once you have established a ratio - once you have countries to agree on that ratio - you can't budge it - you can't move it unless you get the forty-four countries together again and try to expand it.

Now, why be that conservative? I don't regard that as conservative. In the realm of international finance I would regard that as reactionary. I don't think investors need to be told there is a hundred percent reserve behind it. And it makes the difference, during critical years, between being able to finance loans of ten billion dollars over the next three, four, five, six, or seven years as against fifteen billion dollars or twenty billion dollars.

Now, I maintain that that is a very significant amount and I don't think we ought to be stampeded into accepting too low a ratio. If the other creditor countries object, let's go to bat with them and discuss it. If we have to give in, there is plenty of time to do that then, but let's not use as an excuse for so low a rate the fact that they may not like it. You don't know. It depends on whom you talk to. It depends on what the ratio is.

You can't find an institution in the world that has any such ratios and certainly the risk of loans that are made in financial institutions in the United States are infinitely greater than the loans to be made to this institution.

So I would strongly oppose, speaking for myself, any such low ratio. I think we ought to start with two hundred and then we will see how much we have to go down.

MR. ACHESON: Well, I think we have been over a good deal of this when you were out.

MR. WHITE: I was just summarizing the position, not attempting to carry the discussion any further.

H.M.JR: As I say, I am at a great disadvantage not having had this afternoon to prepare myself, but I would like to ask, is there any use asking the experts to try to get closer together on this thing, or have they made an honest effort, and have they all got their own opinions? I mean, have they exhausted themselves? What is the situation?

MR. ACHESON: I don't think there is any particular use discussing it much further among the experts. We put in about three hours on it last night and I think these are differences of judgment among people as to whether or not you can sell these loans. Now, some think you can and some think you cannot. If you cannot, then the purpose of the Bank hasn't been served. You don't get the capital.

H.M.JR: The only private banker here has been very private.

MR. BROWN: I feel very strongly that you won't sell the loans if you get over a hundred percent guarantee. It is a matter of judgment, and I think on that point that probably I have had a good deal of experience both in selling securities and buying them as a trustee and chairman of financial committees of various universities and other institutions.

MR. WHITE: What experience have you ever had with a loan of this character? What experience has there been in history of loans with a hundred percent reserve behind them - loans of this character? When one speaks of having experience with loans, it must have been of a sufficiently comparable character to be relevant to the case.

We know there have been billions of dollars' worth of loans sold in the market at rates of interest that have been higher, of course, but that don't begin to bear the security that this bears.

MR. BROWN: I am not arguing on the merits of the loan, I am merely arguing on my knowledge of what trustees, bond dealers, bond houses, insurance companies, savings banks, will buy, and how they will look on a new loan like this. It may be that after ten or fifteen years that it will sell at as good a rate of credit as the credit of the U.S., but I mean, I am talking of what is going to happen in the next two or three years when you want to sell your bonds.

MR. WHITE: What has been the experience in this field? I think that is important. In order to draw upon experience there must be something similar, otherwise it becomes a case of judgment.

MR. GARDNER: That is the point, Harry, that if the investor doesn't understand these arguments at the start and is skeptical of experience with foreign loans, if you approach him on a conservative basis so he can't fail to understand, and your arguments prove good as the years pass, wouldn't it be possible to get an additional guarantee out of the member countries?

MR. WHITE: I agree with you. That is why I say we should be conservative. I think that to have a reserve of twice the outstanding debt is the most conservative thing I ever heard of, and I defy anyone to find anything in the history of loans, except isolated cases, in which there have been reserves of more than fifty percent.

MR. ACHESON: I think it was pointed out during the evening that in the first place the reason for having this organization is that these loans are going to be more risky than private institutions would make.

MR. WHITE: At the rate of interest - at a reasonable rate of interest. Private institutions have made loans infinitely more risky than any one of these.

MR. ACHESON: Secondly, you don't have all the capital that you appear to have on paper because some of it may not be good.

And the third is, if you over-shoot the mark and people do not have confidence in the bonds, then the whole purpose of the Bank is not served.

MR. WHITE: Then they merely raise the rate of interest.

H.M.JR: From the experience I have had, the rate of interest doesn't determine the value of the bond.

MR. WHITE: I don't know that we are speaking about the same thing. We do know that foreign loans are and will be and have been floated at higher rates of interest than this Bank would loan them.

H.M.JR: The point I am making, from the experience I have had in the Government, the rate of interest isn't the determining factor as to the confidence with which the bond will be received.

MR. WHITE: I think that is true.

H.M.JR: I don't know whether you and I agree on that or not - I mean, whether it is a two percent rate or seven percent for a Government bond - I mean, the rate isn't to be the determining factor as to the acceptance of the public.

MR. BERNSTEIN: Mr. Chairman, Mr. Brown bases a good deal of his argument on the limitation of the issue of these bonds and their guarantee on the fact that a considerable part of the capital may never be realized when needed. I think that his estimate of one-half--

MR. BROWN: I didn't make that estimate.

MR. BERNSTEIN: Oh, yes, that estimate was made - one-half defaults on capital--

MR. BROWN: I said what would be required if half the bonds - in answer to some question - that if half the bonds

were defaulted, then half the capital would have to be defaulted on a hundred percent ratio before there was any loss.

I didn't argue that it would be as large as that, Eddie.

MR. BERNSTEIN: I want to make sure the implication that it might be that high isn't borne in mind by those considering the ratio. With three-eighths of the capital subscribed by the U.S., the rest of it would have to be defaulted to the extent of eighty percent before you have a fifty percent ratio of realization on the subscribed capital.

Furthermore, I don't think that the test that has been made of risky loans here is a reasonable one. These loans are not risky because the market won't accept them. The point is that the market is not prepared to accept foreign loans; it isn't a question of the risk. It is the fact that investors are not prepared to evaluate foreign loans on any basis of reasonableness. The guarantee of the bank is supposed to give that inducement to the investor. The assumption that there is any chance of a fifty percent loss on such guaranteed loans is not born out by experience, and there is no reason for expecting any such loss.

MR. ECCLES: Why is it that the Dutch, who have been lenders for a very long period in the foreign field, are looking at this thing on the most conservative basis of eighty percent?

MR. BROWN: Seventy-five.

MR. ECCLES: Now, there is a group of people who are experienced.

MR. BROWN: They have got the reputation of taking long chances, too.

MR. ECCLES: Now, the British also take a position that the bonds will not likely find a market if the amount is more than the hundred percent. Mr. Brand, who was with Lazard Freres for a good many years, head of the London Office, he feels there is a question as to the marketability of the bonds beyond the hundred. And if you go substantially above a hundred percent, I am sure that you will reduce the subscription of both the Dutch and the British and possibly the Canadians, who do not expect to borrow but would expect to be the guarantors - I mean, would expect to be called upon for possibly the guarantee. And the Dutch and the British are tremendously interested in the rehabilitation of many of these countries that they do business with. They would be anxious to see as much lending done in those countries as could be done upon a reasonably conservative basis, and yet they both take this very conservative position.

MR. WHITE: I think the answer to that is when you speak of the Dutch it just means one man. There are four men on there and there is only one man who pretends to have much experience on it. So let's not clothe him with all the sanctity of the Kingdom.

MR. ECCLES: We speak of the American representatives. The same is true of Brand. I don't think that Brand's judgment is based on any more experience in the field than anybody here, because there is no experience in the field of this character, and I think this thing must be evaluated in the light of what it is. It is very different from anything that has been in the past. I don't see how they can possibly say what the investor would take. This is something new. This has characteristics which no other loan has ever had.

H.M.JR: May I get in on this? I am just beginning to get the feel of it, because I have been pricing bonds now for eleven years and, Harry, if you don't mind my saying it, the argument that the people don't know is an argument against it. I mean, the greatest difficulty is when you bring out a new kind of security and try to get the thing accepted. That is the most difficult.

If you will bear with me a minute - I was put in the Treasury by Mr. Roosevelt in November '33, and the longest security I could sell was a seven-months security. I couldn't sell anything longer than seven months at that time, and gradually we have been able to expand it.

Now, what I would like to ask is this, in the interest of success, supposing just for argument's sake that people like Mr. Brown and Mr. Eccles are right, and this goes in the direction in which they are arguing. We start this thing and it becomes a success; people will become familiar with this kind of security and they will like it and more people will want to buy it, and there are securities to sell and you get a market. Is there any reason that as the bank goes along, that subsequently the ratio shouldn't be changed?

MR. HANSEN: No reason why these countries shouldn't come in and invest more capital. Then they could raise the ratio on the new capital.

H.M.JR: Am I groping in the right direction?

MR. HANSEN: I think so.

H.M.JR: You people have spent years studying this thing, but I do know something about the Government field, and the very fact that it is new makes it difficult to get it accepted, but once accepted, then is there any reason why you couldn't change?

MR. LOUGHHEIM: You couldn't change the ratio on the old bond.

H.M.JR: But on subsequent ones?

MR. COX: Yes.

MR. BROWN: People won't buy a fifty-year bond, relying on a ratio of one to one, and one and a half to one, and then if it was stated in the charter that it might be increased later - but you can get more capital.

H.M.JR: Any more than we change the tax bonds' exempt feature until the thing matures, but as we need new money, we get out bonds which are taxable. And when I sold the first bond, which was fully taxable, I know that the Federal Reserve and the Treasury - I mean, we spent months studying the thing to make sure. Here was a new piece of paper; would they accept it? We went at the thing very gingerly and to our pleasant surprise, it was accepted and at almost as good a rate as the taxable ones.

But I am just throwing it in for experience which I have had, now, since '33, for whatever it is worth.

MR. HANSEN: If these countries would raise capital now, what is to prevent them from raising more capital later after successful experience?

MR. GARDNER: They don't have to raise the capital, but put up additional guarantee.

MR. HANSEN: Why wouldn't they do it after ten years of successful experience?

MR. BERNSTEIN: I think there is difficulty in getting new capital. No doubt some of the countries would be glad to do it, but you can't compel an increase in capital; it would have to be voluntarily assumed by the countries. Otherwise Congress would never accept the agreement to begin with.

MR. GARDNER: But if the machinery were working, wouldn't they want to use it?

MR. BERNSTEIN: Possibly. It is my impression that, for example, the Netherlands, the reason they want seventy-five percent limit is because they want to be sure that whatever they subscribe, mighty little will ever be used. I don't think the British are for the one to one ratio; I think they might feel that one and a half to one is a better ratio.

MR. WHITE: It wouldn't be an important question, ordinarily, because we are talking about whether the Bank can loan approximately eight billion on guarantees or twelve billion on guarantees. Under normal circumstances, I suppose one could take the position that if it works well you can get more capital, but you are going into a period, the next five or ten years, when the demand for capital is so large that it is very doubtful when you can begin to satisfy it with the ten billion dollars.

You certainly won't get a chance within the next ten years of getting more capital because people will appropriately say, "Let's have a little more experience with this Bank." And having once adopted a one to one ratio, that will appear to people to be the conservative ratio. Had you adopted a one and a half to one, I should imagine they would regard that as conservative. And the fact that you are entering into a period in which long-term capital is so important, and in which such large volumes of capital will be needed, the decision becomes an important one. Under other circumstances, it would not be important.

That is why I think it is worth canvassing a little bit more on the outside - throw it into the Convention and see what the discussion leads to. I am afraid it is damned the moment you say that it has to be conservative and that conservatism is a one to one ratio.

We feel that it should be conservative. The question is not whether it should be conservative, but whether or not one is a conservative ratio, or whether it may not be a lot more than that. We think that one and a half is a very conservative ratio, and rather than start with a low figure, let's go into the Conference and see what happens. If you can't get them, that is different; then, obviously, one is better than nothing.

H.M.JR: Well, Harry, as I say, I haven't studied this thing the way all of you have, but after all, the most important thing is once the Bank is established that the first securities you issue are readily marketed. That is the important thing.

Now, I don't suppose anybody here has been trying to price these bonds and find out - talking to insurance companies and fiduciary trusts, and so forth and so on, as to what they would pay for them, so it is pretty much of a guess.

MR. MAFFRY: That is a point of fact that I think ought to be made clear. At the present time, obligations guaranteed by this proposed Bank would not be eligible for purchase by most insurance companies, by savings banks, or for most trust accounts. There are some exceptions.

In the State of New York, which is the most important jurisdiction, life insurance companies could not purchase these bonds except to be held as reserved specifically against business done in foreign countries. Other insurance companies could purchase them to the extent of about ten percent of their combined capital and surplus. Savings banks, so far as I know, could not purchase them in any jurisdiction. In the case of trust accounts it would vary to some extent for the jurisdiction. Under the mass plan of Prudent Investment, it would be possible. In other cases it probably would be impossible, depending to a large extent on the nature of the trust agreement.

H.M.JR: You have been listing who couldn't; would you mind listing who could?

MR. MAFFRY: Of the institutional investors, non-financial institutions could, depending upon the judgment of their trustees.

MR. BROWN: Savings banks - commercial departments of savings banks.

H.M.JR: But not a National Bank?

MR. MAFFRY: Yes.

MR. ECCLES: Savings departments of the National Banks.

H.M.JR: But not the other--

MR. ECCLES: Buy them in relation to the savings they have in the banks.

H.M.JR: Demand deposits?

MR. BROWN: A person wouldn't buy a thirty-year bond against a demand deposit.

H.M.JR: You talking about a thirty-year bond?

MR. BROWN: These are from thirty to fifty years.

MR. WHITE: But all that has nothing to do with the ratio. It is irrelevant.

MR. ECCLES: Isn't it possible to get laws amended to meet that situation?

MR. COE: I think if they are good bonds they will be amended.

MR. BROWN: The amendments will come very rapidly.

MR. WHITE: Whoever has bought foreign bonds in the past, and whoever is likely to buy foreign bonds, will be able to buy these. So that would create no new problem.

MR. MAFFRY: May I say another word?

H.M.JR: Excuse me one minute. I didn't understand Mr. Brown.

MR. BROWN: It has been the history in the past that whenever a new form of investment was generally regarded by the financial community and by financial judgment as sound, that laws were passed allowing insurance companies, savings banks, and trust funds to invest in them. That is true of joint stock and Federal Land Bank bonds and a lot of other different types of obligations.

MR. MAFFRY: We talked yesterday with Louis Pink, ex-Superintendent of Insurance of the State of New York. He gave as his opinion that it would not be difficult to get legislation in the State of New York which would make obligations guaranteed by this Bank eligible for purchase by insurance companies, and for that matter, by savings banks.

MR. WAGNER: Can we hope to reach a decision tonight?

H.M.JR: I couldn't make up my mind, could you?

MR. WAGNER: If there isn't any point in talking any more, we ought to stop talking.

MR. WOLCOTT: Let me ask a perfectly silly question.

H.M.JR: I haven't heard you ask a silly question since you have been here.

MR. WOLCOTT: What is your purpose in insisting on a high ratio? We are the largest participants. It seems to me that our interest would be in a low ratio to protect our investment.

H.M.JR: Somebody want to answer Mr. Wolcott?

MR. WHITE: Definitely, Jesse. We are not in this thing for charity. We feel that the more loans that can be made, providing they are sound loans, the better for the world and the better for us. It means more trade, more productivity. It means less unemployment for us. If we were only interested in getting out of it as cheaply as we can, we would favor a billion dollars.

MR. WOLCOTT: That is a philosophy I can't tie in very well.

MR. ANGELL: I would like to call attention to two points in which these loan operations differ entirely from the ordinary commercial private loan operations and require that different criteria be applied.

In the first place, the purpose of the Bank as stated in the present drafts, as Mr. Loughheim pointed out, are such that the total of the allowed investment by the Bank, the smaller, the riskier the loans - the purposes of the Bank, as stated, require that reconstruction and development loans be undertaken of types which are not most attractive to private capital and private investors. It is just the reverse of the ordinary commercial banking operation in that sense.

Second, up to some maximum, the larger the total volume of reconstruction development loans undertaken, the larger will be the volume of general economic activity in the world at large, and therefore the better the chance of reclaiming on the loans outstanding, which is, again, inverse to the ordinary commercial bank operation.

MR. VINSON: Would you elucidate on your first point, Mr. Angell, please?

MR. ANGELL: Mr. Loughheim, please?

MR. LOUGHHEIM: I take the view, Mr. Vinson, that if you limit the use of the Bank's funds by any small ratios - one or one and a half - the Managing Directors will have to keep those funds available for the poorest risks. They will not be able to entertain a proposal from a country of middle or fairly good risk. Therefore your portfolio and the outstanding bonds that you have guaranteed will be the poorest risk bonds; whereas, if you are more liberal with your capital - with your resources - you can have a diversification of various risks ranging, perhaps, as high as ninety or ninety-five percent.

MR. VINSON: Now, I am certain that I am in a fog on this, but why would the Director have to make the poorest risk loans?

MR. LOUGHHEIM: That would be, in effect, what you were saying the bank was set up for. He would have not only to make those loans, because that would be the only function that you practically leave to the Bank on such a narrow

margin, but he would have to keep a good deal of idle uncalled capital not even out, because he would have to anticipate a need which couldn't otherwise be fulfilled.

MR. VINSON: It seems to me that your view would be that if it were on a one to one basis, that the Bank would just be set up to make poor risk loans?

MR. LOUCHHEIM: That is what would happen, in effect.

MR. WHITE: Not poor risk so much as urgent. I think the Directors would have to consider the urgency of the requests.

MR. VINSON: I am just taking his statement - he says one to one, that there would be more poor risk loans. Now, I don't just quite understand why that would be necessarily so unless it was set up to make poor risk loans.

MR. LOUCHHEIM: Judge Vinson, let me give you an illustration. The Dutch felt, the way the Bank was set up, anticipating this narrow type of ratio, that a country such as Holland, which might be able to borrow in the market at five percent, say, whereas with the possible guarantee of the Bank they might be able to reduce their charge to four and a half or four percent.

But under the conditions which were contemplated, which they heard from Lord Keynes, for example, in Atlantic City - they felt that they would be entirely precluded from using the resources of the Bank and therefore took the implication that those countries only would be able to use the resources of the Bank who really, badly, as Mr. White said - urgently - need it, which meant the poorer risk countries. Czechoslovakia may be more urgent than Holland.

MR. BROWN: I am not so sure it means the poorer risk countries. All Mr. Louchheim was saying was that if you loan enough money you would get into the field and get loans otherwise placed by private investment without the intervention of the Bank at all.

MR. LOUCHHEIM: Not at reasonable terms.

H.M.JR: What is the American Delegation scheduled to do before noon tomorrow?

MR. ACHESON: I think beginning at nine-thirty committees are going to work on the Bank and they are supposed to finish up the Bank Wednesday and Thursday. There is a Commission meeting Thursday afternoon and practically a final Commission on Friday. So we have two days. We are going to meet all tomorrow morning on these committees.

H.M.JR: On the Bank?

MR. ACHESON: Yes, sir. Commission Two set up nine committees today to take sections of this and get it in shape.

MR. VINSON: And then Commission One meets Thursday.

H.M.JR: There are meetings at which the American Delegates have to be with other nations tomorrow on this thing?

MR. ACHESON: Yes, sir. That is correct.

H.M.JR: And as of quarter past eleven, we haven't gotten anywhere. Now, might I suggest this, and try to be helpful? I think there are two opposite viewpoints. If I could meet with just a couple of you, then I could make a report back to the Delegation.

Now, you (Acheson) have been working on this, evidently?

MR. ACHESON: That is right.

H.M.JR: Couldn't Mr. Acheson, Mr. Brown, Mr. Eccles, and Mr. White - who has your viewpoint, Harry?

MR. WHITE: I should say at least eight or ten.

H.M.JR: Well, give me one. (Laughter) You give me one other person besides yourself.

MR. WHITE: Naturally, Mr. Bernstein would be closer to me.

H.M.JR: Some other Department?

MR. WHITE: I don't know - I haven't talked to Mr. Arey. Speak for yourself.

MR. AREY: You remember, Mr. White, I told you before I left Atlantic City that I thought we were talking too high at that time, and I haven't been in on any discussions.

MR. WHITE: What was too high at that time?

MR. AYRES: Three to one. I just said that before I left.

MR. WHITE: In other words, you haven't made up your mind.

Jim, how do you feel? I haven't had a chance to canvass these boys.

H.M.JR: Harry, you have one-hundred-and-fifty people sitting next to me. You are two hundred. These fellows are a hundred. Right?

If I could meet, I don't care how early in the morning I meet - I am no good at this hour, but I am some good in the morning--

MR. WOLCOTT: I hesitate to say anything about this at all, Mr. Secretary, but there is a clashing of two philosophies here.

H.M.JR: That is right. What I was trying to do was act as arbiter and then report back.

MR. WHITE: The decision doesn't have to be made tonight or tomorrow morning, either. It can go into the committees.

H.M.JR: I want to make up my own mind.

MR. WHITE: You can see right now, Mr. Secretary, that we are not going to get two hundred - judging by the lineup against us, we are not going to get two hundred. So we are willing to compromise and fight for a hundred and fifty.

MR. BERNSTEIN: Mr. Secretary, in favor of that I should point out that the British plan of a hundred percent is really a hundred and fifty percent because of the different way of counting aggregate liabilities.

MR. WHITE: That is merely to save everybody wear and tear.

MR. COLLADO: I think you can get two-thirds of the people for one hundred and fifty.

MR. COE: Take a show of hands.

MR. ACHESON: Let's put it in and see where we can get.

H.M.JR: How about you, Marriner?

MR. ECCLES: I am willing to leave it up to Dean. He has heard these discussions. He is going to meet with the British and Dutch and these other people. I would say that wherever it lands between a hundred and a hundred and fifty - I don't want to go higher than a hundred and fifty - it may land between there somewhere - I would be perfectly willing to go along with wherever it lands between that and one hundred and fifty, if the British will put in their proportion of this. If the British on one hundred and fifty are willing to come in for a billion and a half, which is what we think they ought to come in for, and the Dutch will come in for their proportion, and the Canadians, and the other creditors, then I say we should go along with our proportion.

- 57 -

On the other hand, if by our going along with one hundred and fifty, they start cutting the British to a billion, and the others accordingly, then I think we have to find a point at which they will come in for their proportion as creditors.

I would go to one hundred and fifty if they would come and take their proportion at one hundred and fifty. If they wouldn't, I would cut it accordingly.

MR. BROWN: I still think a hundred is preferable. If the English will agree to bury the dead, and not let a loan stay in the Bank for thirty or fifty years even though it is hopelessly dead, and take their proportionate share, I would be willing to go higher than a hundred. I don't believe you will sell the bonds, and I believe the Bank will fail if you go appreciably above a hundred.

MR. WHITE: Outside of that, the Bank will be all right, won't it?

H.M.JR: Well, now - all right.

MR. BROWN: I mean to say you won't sell the bonds and the Bank will fail of its purpose if you don't sell the bonds, Harry.

H.M.JR: Would the Delegates, particularly the Congressional Delegates, like us to discuss this more, or would you be willing to let Mr. Acheson, Mr. White, and whoever these people are, go forward? I am not very happy about this thing myself because this is sort of a departure. Heretofore we have thrashed the thing out until we all thoroughly understood it. I don't think that we have arrived at that point yet. I don't want to hurry anybody.

If the Delegates want to meet with me tomorrow morning, I can have one or two experts here who will stay with us long enough for us to understand it. So far we have followed that procedure.

MR. WAGNER: If I made a decision now, I would go along with Mr. Brown.

H.M.JR: Do you feel you know enough to make a decision?

MR. WAGNER: I think I do, yes.

MR. VINSON: Mr. Secretary, it seems to me that there are some factors here, as Mr. Eccles and Mr. Brown stated. If you had the larger contribution by the United Kingdom, the Netherlands, and the other creditor nations, and have the call of a loan after a reasonable time - if I understood Mr. Brown and Mr. Eccles - they might feel that one and a half to one was all right.

MR. SPENCE: I don't think I have very much of an opinion about it - I don't know.

H.M.JR: How about you, Mr. Wolcott?

MR. WOLCOTT: I am going to ask not to be heard on the subject because I have some very, very definite views on this, and I don't think it would be helpful

H.M.JR: Well, now, look, as Chairman of the American Delegation, I am going to ask those Delegates to meet with me tomorrow morning. I want to hear what Mr. Wolcott has to say, and I am going to ask for one or two technicians - that is plenty. I should say if we met at nine-thirty tomorrow morning - I want to know what Mr. Wolcott has on his mind, and I am not going to move any faster until we are a majority.

MR. WOLCOTT: I might state it generally, and I don't want to interfere in any manner with the progress of the Delegation, and toward the end that we will get the Bank set up, but I think there is bound to be a clash between these two philosophies, and I think we have got to give very sober consideration to which is going to prevail, and not only here, but as far as the final writing of this ticket.

It is going to be rather difficult for me to sell my side of of the aisle on the idea that we are putting in a much larger proportion than any other country, and yet we are being so magnanimous that we are willing to take a greater chance with that than Holland, U.K., and a lot of the other countries.

It is just going to be difficult for me to explain that situation.

H.M.JR: Well, you have been so fair on this thing. Now, which of the American Delegates can meet in this room at nine-thirty tomorrow morning?

(Newcomer, Spence, Acheson, Brown, Eccles, Wolcott, and Vinson)

H.M.JR: Now, Harry, how about you?

MR. WHITE: I think you have heard my views.

H.M.JR: All right. Can I have Bernstein, then, tomorrow?

MR. BERNSTEIN: Yes, sir.

MR. WAGNER: I think we ought to have Warren Pearson because he has had experience along that line.

H.M.JR: All right. Warren Pearson and Collado - is that all right?

MR. ACHESON: He may have to be at one of these committees.

H.M.JR: What about Walter Gardner - could you be here?

MR. GARDNER: I have a ten o'clock.

H.M.JR: How about Professor Angell?

MR. ANGELL: All right.

H.M.JR: Professor Angell, Bernstein, Warren Pearson, and the American Delegation. Now, we will meet in here at nine-thirty. I want to have this thing out. I would like to make up my own mind, I haven't yet and I have to.

I hope you all rest well. Don't sleep on ratios!

RESTRICTED

THE PUBLIC IGNORES BRETTON WOODS

PRELIMINARY REPORT

Division of Research

Report No. C 34

Bureau of Special Services

OFFICE OF WAR INFORMATION

July 11, 1944

This preliminary report is based on early responses received by wire, July 10-11, 1944, from 33 editors and labor editors in 30 localities, in 23 states. (States and localities listed in Appendix B.)

These correspondents serve as regular volunteer public opinion reporters for the Correspondence Panels Section. They have been asked to tell, not their individual views, but the opinions prevailing among the people with whom they have contact. A distinction is made between "editors" and "labor editors," since their reports very often show consistent differences.

The wires were in response to the following inquiry, sent^{out} by telegraph on July 8, 1944:

Request just received for prompt information on reactions to Bretton Woods monetary conference. Please give what you can on what is being said about conference and about plans being outlined there for international handling of currency questions and a world bank.

How much is known about the plans proposed, how important are they considered, what hopes or fears are expressed concerning their success or failure?

What is said about the amount to be contributed by this country in relation to the share proposed for others?

Do people think^{that} the United States stands to benefit by such contributions to monetary and exchange stability and long term economic development or that only those countries will benefit which are financially weaker or economically less developed?

Please wire collect not exceeding three hundred words by Monday morning if possible.

SUMMARY

There is virtually no public opinion about the Bretton Woods conference, according to our correspondents. There is no general discussion of it because there is no interest; and there is no interest because there is no comprehension of the issues involved and the plans proposed, or of their importance. Bankers and business circles are believed to be more informed than the general public, yet even these are often "surprisingly ignorant" of the subject.

Much of the ignorance is blamed on inadequate publicity, which is criticized both for quantity and for quality. There should have been more, say these correspondents; and it should have been more simple, more direct, more educational, more compelling.

Only a small minority know enough to have any viewpoint at all. These divide between approval of the ends and criticism of the means. On the one hand there is considerable recognition of the need for international collaboration in the interest of full employment, economic stability, and lasting peace. On the other hand there are fears lest the conference come to nothing, because the members cannot "get together," or because its aims are too "ambitious;" there is concern lest the proposed arrangements will lead us into hazardous or unfair obligations. The editors report more explicit criticism of the actual proposals than do the labor editors, while the latter describe more general anxiety about the success or failure of the conference.

Among the minority for whom opinions are reported, belief that the United States stands to gain is definitely less strong than the conviction that we shall gain nothing, or at least not as much as the others, by contributing to an international fund and a world bank. Corollary to this conviction is a clearly defined apprehension that the United States will be a "sucker" nation, playing "Santa Claus" to the world and "outsmarted" by others, especially by England.

THE PUBLIC IGNORES BRETTON WOODSMINIMUM OF
INTEREST

By and large, our correspondents find no public opinion about the Bretton Woods conference. They report, in fact, that a good many people--even businessmen--do not know it is being held, and that those who do evince a minimum of interest. General discussion of the subject is said to be practically non-existent. A number of respondents are distressed that so momentous an undertaking should remain remote, mysterious, and almost unnoticed.

"Know of nothing creating so little interest as monetary conference." E*

"Great majority do not even know conference is in session." LE

"Not one in a thousand even knows there was a Bretton Woods Conference. Most of them think it had something to do with fuel question. Sorry but that's facts." E

"Inquiry among my acquaintances has failed to disclose one who has read about the conference or has the slightest idea in the world of what it is about. That's a tragedy when so much is at stake." LE

"To date, Bretton Woods and its swank environment has an aura of mystery, it has sinister implications with a dime novel drop curtain. One of the most important conferences in many years, whose results may have tremendous influence on the shape of things to come, the overwhelming majority of citizens are not the least interested in it." E

MINIMUM OF
KNOWLEDGE

Most of those who are aware that an international monetary conference is being held are said to have no conception of the issues involved and the plans proposed--or of their importance. Except in "banking and financial circles" there is no discussion because there is no interest, and no interest because there is no knowledge. The problems being debated are considered technical, esoteric, abstruse--beyond the scope of the average layman who dismisses them

*In identifying excerpts from respondents' reports, "E" stands for editor, and "LE" for labor editor.

as "something for the experts to bother about." And many who hold Ph. D's or LL. D's rank as laymen in the lore of currencies, while a confidential report of a meeting of bankers describes them as surprisingly ignorant of the agreement reached. "They recognize importance of stabilization after the war but very foggy as to the details, confusing the 'gadgets' with the over-all policy of international planning affecting exports and imports."*

Several correspondents point out that most people have no notion of the bearing monetary factors may have on national economic conditions, and on their own personal fates and fortunes. This ignorance is seen as a menace since it leaves the public vulnerable to specious arguments about the efficacy of the gold standard and the desirability of "economic isolationism"—and also to "bad propaganda by enemy nations." Thereed to recognize the importance of the agreements being discussed at the conference is viewed as the more urgent since the issues "will probably be injected into the coming campaign" and become "part of a political controversy."

"I fear Bretton Woods conference too abstruse and involved for average citizen to have any comment one way or the other." LE

"No concept importance of plans nor what about." LE

"General public seems virtually ignorant and disinterested toward monetary conference." E

"Overwhelmingly majority reaction neutral because of ignorance. Typical reply: 'It's too complicated.'" E

"Have met no one who understands issue. Can find no one interested enough to discuss same...Conference and theme of same about as remote from the general public as price of eggs in Kamchatka." LE

"I doubt whether one person in a hundred thousand has even the haziest idea of the effect of monetary changes on his own private affairs." E

"Few understand relation of monetary factor to clearance of international transactions or latter's relations to national economy. Have only vague notions about currency value in terms of international exchange. Therefore great majority unable to follow proceedings intelligently. Vulnerable to arguments of possibility of more simple and realistic solution to over-all external stabilization." E

*See Appendix A for this report in full.

-3-

INADEQUATE
PUBLICITY

A large portion of the blame for the almost universal ignorance is laid on defective publicity and the lack of an educational campaign. Responsibility for the informational shortcomings is divided between the media and the government. One editor insists that there should have been "pre-publicity" to prepare the public for following the conference with intelligence and interest. Another complains that the points of disagreement have been featured in the news, rather than the need for reaching agreement. Others say that not enough notice has been given to the proceedings in the press and on the air, or that the published stories were "tedious" and difficult. A labor editor asserts "it seems as though the dailies all sent experts instead of reporters." The same respondent asks plaintively if any representatives of the labor press were invited to attend, pointing out that some would be particularly well qualified to do the necessary informational job. Simple and understandable accounts are demanded, and some "humanizing" of the proceedings by acquainting the public with the individuals who are taking part in them. The emphasis on the informational aspect is the more striking since no question was asked about it; although in large measure it may be attributed to the fact that the respondents are all newspaper people.

"Whole business is so poorly publicized that those queried frankly stated did not know the complete picture nor what to form opinion on." LE

"Rank and file has not picked up the sessions as a matter of common discussion primarily because the issues have not been clearly explained." LE

"(A local banker) blames government partly for this lack of knowledge (among bankers). Says some U.S. agency should have gotten out brief pamphlet, months ago, distributed to every banker in U.S. outlining simply and clearly the agreement reached by experts and the agenda at Bretton Woods." E

"The thing has never been presented to them simply and sympathetically by any commanding personality of government. It ought to be." E

"People are waiting to have monetary conference issues explained in simple understandable terms." E

"News stories have featured apparent points of disagreement rather than the necessity of getting together on a workable solution of the problems." LE

"The labor papers would work with the government a hundred percent, provided they were drawn into the

-4-

picture early enough. But they don't get asked except when it is purely labor." LE

GENERAL
ATTITUDES

The only opinions reported come from a very small minority—a few say chiefly bankers, businessmen, or professional groups. Where opinions are held they are said to be mixed. Occasionally they are described as "following party lines." The few who are equipped to think about the subject apparently appreciate the importance of the conference. Over-all reactions among these few seem to split rather evenly between the favorable and the unfavorable, with the labor editors leaning slightly toward the former and the editors toward the latter. There is a hint, however, that the "antagonistic attitude of bankers"—whose views would be represented by the editors rather than the labor editors—is "slowly being dissolved."

It is chiefly the labor editors who report fear that the delegates will fail to "get together" and a "vague hope" that the conference will succeed. Yet the editors are more articulate in stressing the need for international collaboration in the interest of maintaining full employment, averting economic disaster, and promoting a stable peace. Despite the "appalling ignorance" of the public about the conference and its objectives, there seems to be a widespread recognition of the growing need for international collaboration in general, and a readiness to understand that this collaboration must be economic as well as political. The feeling is, however, that this readiness must be sparked by a comprehension which at present is lacking.

"Bankers, economists, and a few others may know what is involved." LE

"Professional groups lawyers doctors bankers etc. absolutely approve—realize importance of this matter and favor adoption of American plan instead of British." LE

"Fear is expressed that the countries will not unite." LE

"I believe our people are definitely better informed about the need for international cooperation in whatever field is necessary than they were after the first World War." E

"Consensus is that some type of funds is more essential than ever before and that some proposal of the type outlined for a world bank and international handling of currency must be adopted if economic disaster is to be averted. Belief is that inter-

-5-

national monetary fund will definitely promote exchange stability among the various national currencies and facilitate multilateral payments, thereby encouraging expansion of international trade and resulting in growth of employment and real incomes in member countries." E

"There is a feeling among thoughtful citizens that this conference whatever it is all about is tremendously important and that collaboration with other nations in trying to solve world economic problems must be carried on permanently. Feeling is general that present war is result of failure of nations especially of the United States to work together on world economic problems including monetary." E

"Even if participation in international economic cooperation should be more costly to U S in terms of dollars than economic isolation would be--and this is unlikely to be true--the annual cost would certainly not exceed the weekly cost of waging war." E

PROS AND
CONS

It is in keeping with the general dearth of knowledge that remarkably little is said of the actual proposals. It is noticeable too that, whereas approval tends to be attached to the general aims and objectives of the conference, disapproval and misgiving are somewhat more specific and more closely related to the proposed plans. Such disapproval or apprehension is reported more by editors than by labor editors. It may be significant in this connection that business groups are felt to be more versed than the general public in what the plans really are, and that editors are more conversant than labor editors with the opinions of business groups.

Specific approval of the size of this country's contribution comes from several correspondents who say it is considered fair enough, two of them ascribing assent to a feeling of moral obligation. The only other commendation of specific features (as opposed to general objectives) is a statement by a labor editor that the American plan is favored rather than the British.

On the whole the fears are more vocal as well as more explicit than the hopes expressed for the conference. Among adverse comments, one editor reports belief that the amount suggested for the fund is too large. Several say the quota system is felt to place an unfair burden on the United States--but there is a hint that Russia's desire to increase her quota has cast a more favorable light on the size of ours. It is feared by some that the suggested arrangements will "encourage imprudent borrowing by foreign countries at the expense

of the United States;" that this country might be let in for "hazardous commitments;" that the plans "might undermine the U.S. monetary system;" that they are over-ambitious for the present; that they are dangerous because the economies of some countries are unsound.

Most of these comments come from editors. One of the few direct criticisms of the proposals reported by a labor editor takes the form of suspicion that the plans are being shaped by financiers who will reinstate the gold standard as a means to implementing monopolies and cartels. One or two editors, on the other hand, indicate that business and banking interests hope for the return of the gold standard. Apparently the position of Lord Keynes on the subject has given some comfort to both sides.

"I don't believe there is any serious objection to the amount to be contributed by this country; the feeling is that the war has touched us more lightly than other nations, and that our tremendous resources impose an obligation to carry a greater share of the burden than less fortunate nations." LE

"(The bankers') distrust of U. S. contribution to general stabilization fund was partly overcome by news that Russia wanted to increase its contribution, giving them idea that greater the contribution the greater the influence." E

"Prevailing view is that conference is premature and will come to nothing largely because too much is being attempted." E

"Specialized groups mostly banking and world trading circles tend to be critical of Secretary Morgenthau and particularly of Harry White from long-standing antipathy. Therefore most talk to be heard is dubious. These specialized groups fully recognize importance of international handling of currency and benefits to United States thereby. Their doubts concern particular methods proposed. There is considerable feeling that funds will largely be contributed by big powers particularly United States and will drain sieve-like through smaller powers. Numerous specialists feel more basic and fundamental reforms would be attained if internal economies of various countries could be rendered more sound." E

"Suspicion that the international financialists are getting together to retain gains made during war and to reinstitute the gold standard or managed currency system which will implement monopolies and cartels, and be

-7-

used as a fulcrum to destroy revolutionary and popular movements for social and economic advancement by the working people of the world." LE

"They want return to gold standard and fact that Keynes is willing to use gold as "yardstick" (though not as base) has mellowed them somewhat." E

**WHO STANDS
TO GAIN?**

Comparatively few comment directly on whether the United States stands to gain or to lose by our proposed contributions to an international fund and a world bank. Among those few, the belief that this country will share the gains of all is definitely less strong than the belief that we shall not gain, or that others will profit more than we do through international economic stabilization and free exchange of goods. Belief that we are slated to "pay the lion's share" is not invariably coupled with resentment, since some feel that our greater resources and slighter burden of war make such a balance "morally right." One editor compares attitudes on this score with early attitudes toward lend-lease—an analogy which holds true in several respects. There is also some feeling that even though others may gain more than we do, the proposed arrangements are essential to our future welfare.

Acquiescence is by no means predominant, however, among those who feel we shall be "footing the bills of the world." There is a perceptible concern lest this country play the role of "sucker" among nations and ruin itself in an attempt to be "Santa Claus" and start a "European WPA." Corollary to this worry is the misgiving of a substantial minority that England will "outsmart" us because our representatives are not as sly and as experienced as hers, or that England and Russia will "gang up on us." This note is less conspicuous for its frequency than for the fact that it is clearcut and definite in the midst of prevailing vagueness. Despite its intensity, it is voiced less often than the conviction that effective international cooperation is imperative for the sake of the postwar economy and the maintenance of peace.

"People believe vaguely the US would benefit by monetary and exchange stability and hope conference succeeds in establishing world bank." LE

"Belief general here that the conference is one of many necessary steps toward laying the ground work for more lasting peace that U.S. will share in common economic and political benefits. E

"Have found none who believe this country would benefit. Attitude much like that which first greeted Lend Lease proposal." E

"Popular conviction now as in former years seems to be

-8-

other peoples will naturally profit more from our cooperation than we from theirs." E

"Cannot find anyone who believes United States will benefit as much as England and therefore is shrugged off as being another of Churchill-Keyne's clever schemes. In fact some think England and Russia ganging up there. All this indicates entire lack of knowledge even among those supposed to be initiates. My belief reason is lack of clear statements to public in advance of meeting and now too late to make proper impression." E

"One or two had idea we would be contributing money to an European WPA system and would prefer we gave it to our own people instead." LE

"The chief danger in any international postwar program is the fear that Uncle Sam will plan 'Santa Claus.' I doubt if the war has been brought close enough home to any of our people except those who have lost sons and brothers and husbands to make us as farsighted as we ought to be in postwar dealings." E

"Financial circles generally agree that U S stands to benefit by such contributions to monetary and exchange stability and long-term economic development, although fear is expressed by several that England may 'out-trade' U.S. because of former's longer and wider experience in international monetary matters. One reaction was that U S is represented by few outstanding men in financial field, as contrasted with England's delegation, and that England is dictating policies." E

APPENDIX A

An editor in a large city has sent a highly confidential report of a meeting held over the weekend of July 8 by sixty members of the State Bankers Association. Although portions of this report are referred to, and quoted, in the present study, it seems pertinent enough to include in full below--with the understanding that its contents are to be held in strict confidence.

"Mr. X-, who favors international stabilization fund and world bank, got sixty members of (State) bankers association together over the week-end. Following opinion is his and is confidential:

"Antagonistic attitude of bankers toward money conference slowly being dissolved.

"He was surprised at bankers' ignorance of the agreement reached by experts in conferences prior to Bretton Woods. They asked sophomoric questions. Yet he was delighted they were not dogmatic.

"Their distrust of U.S. contribution to general stabilization fund was partly overcome by news that Russia wanted to increase its contribution, giving them idea that greater the contribution greater the influence.

"They recognize importance of stabilization after the war but very foggy as to the details, confusing the 'gadgets' with the over-all policy of international planning affecting exports and imports.

"X- blames government partly for this lack of knowledge. Says some U.S. agency should have gotten out brief pamphlet, months ago, distributed to every banker in U. S. outlining simply and clearly the agreement reached by experts and the agenda at Bretton Woods. He is trying to do that job himself and will try to induce treasury possibly OWI to use it.

"Bankers believe smaller countries will benefit more than 'big three' but that's not a serious objection.

"They want return to gold standard and fact that Keynes is willing to use gold as 'yardstick' (though not as base) has mellowed them somewhat.

"Morgan representative here favors stabilization two or three years after war but opposes world bank. Says conference trying to go too far and too fast and that any agreement now would be so inflexible it could not meet conditions of five years hence of which we know nothing. He is well aware of all details and strongly opposes.

"Friends of stabilization trying to delay vote of state bankers association until wider knowledge can be disseminated and more missionary work accomplished.

"While bankers know little of details, the public's ignorance is appalling. It's not page one news here except in (one paper) occasionally."

APPENDIX B

ANSWERS TO TELEGRAPHIC INQUIRY, BY PANEL, STATE, AND LOCALITY

Total: 33 respondents, from 30 localities, in 23 States

Editors (E): 19 respondents, 18 localities, 17 States

Labor Editors (LE): 14 respondents, 14 localities, 11 States

Alabama	New York
Birmingham (E)	Buffalo (E)
California	New York City (LE)
Fontana (LE)	Rochester (LE)
San Francisco (E, LE)	North Carolina
Connecticut	Asheville (E)
Hartford (E)	Ohio
District of Columbia	Cleveland (LE)
Washington (LE)	Oregon
Georgia	Portland (E)
Atlanta (E)	Pennsylvania
Illinois	Philadelphia (E)
Chicago (E)	South Carolina
Indiana	Greenwood (E)
Michigan City (LE)	Virginia
Iowa	Richmond (E)
Des Moines (E)	Washington
Massachusetts	Spokane (E)
Boston (E)	Tacoma (LE)
Michigan	Wisconsin
Detroit (LE)	Kenosha (LE)
Minnesota	Milwaukee (LE)
Minneapolis (LE)	
Mississippi	
Biloxi (LE)	
Gulfport (E)	
Missouri	
Kansas City (E)	
St. Louis (2E, LE)	
New Jersey	
Montclair (E)	

THE SECRETARY OF THE NAVY
WASHINGTON

11 July 1944

Dear Henry:

I appreciate your letter of 5 July, and your complimentary remarks about the War Bond Program at the Philadelphia Navy Yard. It was a pleasure to appear with you and I am confident that the ceremony will give added impetus to the sale of War bonds in the Navy.

Sincerely yours,

James Forrestal

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

July 11, 1944.

Mr. Harold Glasser,
Office of the Secretary,
U.S. Treasury Department,
Washington, D. C.

Sir:

You are hereby promoted and appointed Assistant Director of Monetary Research, P-5, in the Division of Monetary Research, with compensation at the rate of \$8,000.00 per annum, payable from the appropriation "Exchange Stabilization Fund", effective July 11, 1944.

Yours very truly,

Secretary of the Treasury.

July 11, 1944.

Mr. H.N. Bernstein,
Office of the Secretary,
U.S. Treasury Department,
Washington, D. C.

Sir:

You are hereby promoted and appointed Assistant Director of Monetary Research, P-5, in the Division of Monetary Research, with compensation at the rate of \$5,000.00 per annum, payable from the appropriation "Exchange Stabilization Fund", effective July 11, 1944.

Yours very truly,

H. M. Vincent
Secretary of the Treasury.



TREASURY DEPARTMENT

WASHINGTON 25

July 11, 1944

MEMORANDUM TO THE SECRETARY

I am enclosing a list of the special items valued in excess of \$50,000 as of July 10, 1944.


E. L. Olrich
Assistant to the Secretary

Enclosure

PROPERTY FOR DISPOSAL

SPECIAL ITEMS VALUED IN EXCESS OF \$50,000

AS OF JULY 10, 1944

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Imprinting Machines, new</u>			
An addressograph plate press, portable, used to obtain impression of soldier's "dog tag" in the field. Four oil companies studying possibility of using device in service stations to obtain impression of customers' "Charge-A-Plates". Navy is showing interest too.	20,000	\$ 21.95	\$ 439 000
<u>Cameras, Aircraft</u>			
Each camera has great variety of collateral equipment. Obsolete type. Physical inspection being made. Informal negotiations with Fairchild Camera Co. in process.	96		307 386

QuantityUnit CostCost to Govt.Surgical Supplies and Instruments

Louisville Army Depot declaration. List has been screened through the medical trade associations. Many items obsolete. Advice is that its sale will not upset the trade. The Region is to send out invitations for bids.

\$ 250 000

Medicines and Supplies

52 288

Non-standard and obsolete items in New York. Some drugs are no longer considered to have therapeutic value. Others, while available to Army, are restricted for sale elsewhere. Some surgical instruments are of obsolete type no longer used in this country. For the latter, an outlet is being worked out in foreign countries through F.E.A.

QuantityUnit CostCost to Govt.Dental Supplies and Equipment

\$ 100 000

Veteran's Administration stock at Perry Point, Md. 50% obsolete and worthless. Of remainder, less than half is modern. List is being reviewed by Lend-Lease to determine what can be used abroad.

Hydrogen Peroxide, 8%

227,819 lbs. \$ 0.035

79 736

In pound bottles. Made for Army use to prevent blistering from gas. Stronger than generally used in beauty shops, but Barber and Beauty Shop Assn. is circularizing its members regarding possible use.

Soap

741,043 lbs.

0.10875

80.587

Navy soap in 4 lb. bars. It is exuding moisture, is soft, and has ruined its containers. It cannot be moved. There is no shortage of soap and no interest in this 370 ton mass that will probably have to be moved with a power shovel.

QuantityUnit CostCost to Govt.Incinerators, new

For human excretion only. Capacity 2000 lbs. per hour. No governmental agencies are interested, although Federal Housing is investigating. Disposal in Mexico is a possibility.

34 \$ 9 818 \$ 333 812

Dragline excavators, used

Earth moving machines weighing 250,000 lbs. each. Obsolete. Bad condition. Located 25 miles from railway over bad roads. Will cost \$3000 each to dismantle and reassemble. Mining Division of W.P.B. is not interested because of age. F.E.A. considering use on big project in India.

3 pieces 30 000 90 000

Snow Plows, V type

Designed for use with motor graders. Excellent condition. 59 are new.

84 1 000 (av) 84 000

Applicants to W.P.B. for this equipment will be referred to our Region 8.

QuantityUnit CostCost to Govt.Ice grousers, new.

Ice gripping shoes to be attached to special rubber tired treads of high speed military tractors. Each grouser weighs 6 lbs. A tractor needs 296. There is no known application on standard machines; no market, except for scrap.	76,726	\$ 2.70	\$ 207 160
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Scabbards, bolo

Leather scabbards for bolos (machetes). Less than 1000 bolo knives listed on declaration.	114,290	1.60	190 864
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Belt pockets for cartridge clips

Web fabric, with fastener -- to hold 2 magazines of cartridges. Three radio advertisers are considering use as novelty give-away item. Negotiated sale expected this week.	1,000,000	0.10	100 000
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	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
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Spurs, new and used

Option by radio advertiser has few days to run. Item is proving a popular give-away. Purchaser's decision is expected this week.	261,000 pr.	\$ 1.40 (av)	\$ 365 400
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Motorcycles

Special shaft drive types for which parts are not available. Full explanation went to prospective purchasers with bid invitations June 30.	431	400 (est.)	172 400
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Bicycles, new

Specialist reommends that regions be instructed to contact federal agencies to move this balance. All agencies in Washington area have been solicited.	2,000	28 (av)	56 000
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Snowshoes

Paratroopers special type. Idea of converting to a novelty beverage tray has made it probable that offers of \$1.25 will be received.	37,000 pr.	4.25	157 250
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QuantityUnit CostCost to Govt.Shearlings

Tanned sheepskin with wool left on. This is remainder of approximately 11 million sq. ft. which have been sold to F.E.A. and public at prices averaging 29¢ per sq. ft., which is above present market price.	1,086,295 sq. ft.	\$0.50 (est.)	\$ 543 147
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Pillows, new and used

Some cotton; some feather pillows. 134,710 new; 308,572 used. Plan is being formulated to distribute new merchandise nationally in areas where a market exists for the particu- lar type of article. No sound method yet devised for sale of used pillows needing sterilization.	443,282	0.73	316 295
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Mattresses, new and used

182,879 new (all in one region). 507,640 used. Plan is being for- mulated to distribute new mer- chandise nationally in areas where market exists for the particular type of article. The salvage value of cotton is high enough to make it feasible to scrap used mattresses if no other outlet appears.	690,519	5.50 (av.)	3 797 854
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300

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Hats, Army Service</u>			
List of re-makers is being obtained. Item will be offered to them for reprocessing. An offer of 25¢ each was made by chain store group in Arizona	119,928	\$3.00	\$359 784
<u>Leggings</u>			
Spiral wool and laced canvas types. Old and in poor condition. Bid invitations are being sent out.	213,280 pr.		109 833
<u>W.A.C. Caps</u>			
Appears to be a salvage item	76,712	2.20	168 766
<u>Sand bags, new</u>			
Some osnaburg-some burlap. Invitations to bid are out on balance shown. 4½ Million sold last week at 5¢.	1,464,195	0.075	109 814

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Mosquito Bars, new</u>			
Rectangular tents of netting. Excellent quality. Some commercial interest has de- velopped since news release was issued. No definite offers.	464,676	\$5.70	\$2 648 653
<u>Rods for Mosquito Bars</u>			
Two piece, enameled iron rods, screwing together to make "T" shaped support for one end of mosquito bar. Two pairs (4 pieces) are needed for each mosquito bar.	464,000 sets	0.21	97 444
<u>Filter felt (new)</u>			
54 in. to 72 in., rolls. We are contacting shoe mfrs. before sending invitations to bid.	163,086 yds.	2.00	326 172

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Shoes, mens (new and reconditioned)</u>			
Regions have been instructed to sell new shoes back to their makers. FEA is sending in a scale of sizes for reconditioned shoes	145,000 pr.	\$3.50	\$507 500
<u>Shoes, nurses, new</u>			
Office of Civilian Requirements, (W.P.B.) has claimed this stock for sale in U.S. In few days, if that agency does not provide plan, transfer will be made to FEA.	42,000 pr.	3.00 (av.)	126 000
<u>Wood screws, brass, new</u>			
Bid invitations are now out. Will be opened July 21st.	500 tons 1634 items		357 000
<u>Sinks, enameled, cast iron</u>			
Kitchen sinks, ranging in size from 12" square to 24" square; with 9813 cast iron traps. No. government agency interested. Specialist will recommend putting out on bid.	8,640	4.60 (sinks only)	53 206

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Platform trucks, steel, new</u>			
Steel trucks, on casters. Size 6' x 4'. Designed to move airplane engines on air field. Quartermaster will cancel request for withdrawal, since size is wrong for their use. Quantity represents 3 years production of this type truck. Sales are being made to test the market.	13,287	\$75	\$ 996 525
<u>Spare Parts, automobile, new and used</u>			
Two declarations - Fort Crook, Neb. and Richmond, Kentucky. Consultations with representatives of the 4 manufacturers being held currently, with W.P.B. participation. Contracts are still in "talking" stage.			3 000 000
<u>Engines, Cadillac automobile</u>			
125 H.P., with spare parts and panel units. Without transmissions. General Motors would repurchase on negotiated sale, but Army may withdraw item.	260	\$355	126 062

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Diesel Engines, Complete</u>			
350 H.P., nine cylinder, air cooled, 131 (plus new, designed for use in tanks. No spare parts) interested purchaser has been found. Manufacturer claims that sale by Army to themselves was concluded May 22, 1944 for \$22,000.			\$2 300 000
<u>Disc wheels for gun carriage</u>			
Disc wheels, rims and tires for 105 m.m. gun rolling carriage. Used. In good condition. The special size tire (5.50 x 18.00) resulted in refusal by Lend-Lease. No other outlet developed, as yet. Informal offers made to several manufacturers.	7,417	\$12 (est)	89 000
<u>Gas cylinders, and propane gas</u>			
Steel, pressure, gas cylinders. Some empty. Some full of gas, said to amount to 337,640 lbs. Bids were opened July 7th. Award data not yet in.	9,411	\$28 (cylinders only)	281 230

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Gasoline cans, 7½ gal.</u>			
A special type of gasoline can made for Navy for aircraft carrier use. Reported to be a superior and very desirable item. Packed 2 in a crate which itself is valued at \$0.336.	265,560	\$2.09 (Cans only)	\$599,634
<u>Drums, 55 gal. kerosene, used</u>			
Ceiling price is \$1.00. Farm Co-ops and oil dealers took 60,000 last week from original lot.	46,714	3.50	163 499
<u>Gasoline Containers, used</u>			
Cylindrical containers, 5 gal. capacity, 22 gauge. These are not standard Blitz cans but serve same purpose in Navy. W.P.B. recommends reprocessing into paint cans. Technical investigation still under way.	154,398	1.08	166 749

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Cans, gasoline, 5 gal. (new)</u>			
A type of "Blitz" can made in this country patterned after a German model. Called the "Jerrican". Strapped 5 cans to a bundle. 372,500 more coming soon from 4 other depots.	669,775	\$1.78	\$ 1 192 199
		Total	\$21 502 249

SURPLUS TRUCK REPORT
FOR 7 DAYS AND PERIOD ENDED JULY 8, 1944
(PERIOD BEGAN JAN. 1, 1944)

	<u>7 Days to July 8</u>	<u>Period to Date *</u>
Total Trucks Declared	293	20 604
Less Declarations Withdrawn	115	830
Less Loans to Other Federal Agencies	0	121
Less Transfers to Other Federal Agencies	<u>83</u> <u>198</u>	<u>2 202</u> <u>3 153</u>
Net Trucks Declared for Sale	95	17 451
Less Trucks Sold	952	<u>8 297</u>
Balance of Trucks on Hand		<u><u>9 154</u></u>

Analysis of Inventory

Inspected and Ready for Sale	7 342
Not Inspected	<u>1 812</u>
	9 154

Analysis of Disposal Activity

	<u>Declarations</u>	<u>Disposals</u>	<u>Inventory End of Period</u>	<u>Change</u>
Period Ending July 1*	20 311	10 300	10 011	
7 Days Ending July 8	293	1 150	9 154	- 857

*This report is based on revised figures submitted by the Regional offices.

SURPLUS USED CAR REPORT
FOR 7 DAYS AND PERIOD ENDED JULY 8, 1944
(PERIOD BEGAN JAN. 1, 1944)

	<u>7 Days to July 8</u>	<u>Period to Date*</u>
Total Used Cars Declared	41	2 905
Less Declarations Withdrawn	6	56
Less Loans to Other Federal Agencies	0	19
Less Transfers to Other Federal Agencies	<u>5</u> <u>11</u>	<u>533</u> <u>608</u>
Net Used Cars Declared for Sale	<u>30</u>	<u>2 297</u>
Less Used Cars Sold	249	<u>1 665</u>
Balance of Used Cars on Hand		<u><u>632</u></u>

Analysis of Inventory

Inspected and Ready for Sale	522
Not Inspected	<u>110</u>
	<u>632</u>

Analysis of Disposal Activity

	<u>Declarations</u>	<u>Disposals</u>	<u>Inventory</u> <u>End of Period</u>	<u>Change</u>
Period ending July 1*	2 864	2 013	851	
7 Days ended July 8	41	260	632	- 219

*This report is based on revised figures submitted by the Regional offices.

SURPLUS MOTORCYCLE REPORT
FOR 7 DAYS AND PERIOD ENDED JULY 8, 1944
(PERIOD BEGAN JAN. 1, 1944)

	<u>7 Days to July 8</u>		<u>Period to Date*</u>
Total Motorcycles Declared	26		4 544
Less Declarations Withdrawn	0		1
Less Loans to Other Federal Agencies	0		0
Less Transfers to Other Federal Agencies	<u>0</u>		<u>209</u>
Net Motorcycles Declared for Sale	26		<u>4 334</u>
Less Motorcycles Sold	0		<u>3 892</u>
Balance of Motorcycles on Hand			<u><u>442</u></u>

Analysis of Inventory

Inspected and ready for sale	96
Not Inspected	<u>346</u>
	<u>442</u>

*Based on figures available at the Regional offices as of July 1, 1944



TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON 25



OFFICE OF THE DIRECTOR

July 11, 1944

SECRET

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the weekly report of Lend-Lease purchases.

Requisitions have been received for 3,250 tons of coal for delivery to Martinique, to be used in connection with the processing of the sugar cane crop in the French West Indies.

Clifton E. Mack
Clifton E. Mack
Director of Procurement

elo

SECRET

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF JULY 5, 1944
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$4788.5 (4787.4)	\$2314.7 (2314.7)	\$1882.3 (1882.3)	\$133.9 (133.9)	\$12.7 (12.7)	\$444.9 (443.8)
Requisitions in Purchase	\$ 117.5 (114.4)	\$ 26.5 (18.0)	\$ 39.9 (49.2)	\$.4 (.3)	-	\$ 50.7 (46.9)
Requisitions not Cleared by W. P. B.	\$ 109.3 (105.4)	\$ 42.3 (43.1)	\$ 54.0 (49.2)	\$.1 (.3)	-	\$ 12.9 (12.8)
Obligations (Purchases)	\$3742.0 (3718.5)	\$1930.7 (1924.7)	\$1491.1 (1479.0)	\$ 62.7 (62.7)	\$12.7 (12.2)	\$244.8 (239.9)
Deliveries to Foreign Governments at U. S. Ports*	\$2170.7 (2150.9)	\$1359.7 (1345.7)	\$ 743.6 (738.1)	\$ 23.8 (23.7)	-	\$ 43.6 (43.4)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of June 28, 1944.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statements Nos. 143 and 144 --
Aircraft Despatched -- for the weeks ended June
23rd and June 30th respectively.

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

July 11, 1944.

STATEMENT NO. 143

Aircraft Despatched from the United States
Week Ended June 23rd, 1944

BRITISH/U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>	
<u>LOGKHEED</u>						
Fortress III	U.K.	U.K.		1		
<u>CONSOLIDATED</u>						
Liberator GR VI	U.K.	U.K.		2		
Liberator B VI	M.E.	M.E.		8		
Liberator B VI	India	India		5		
Liberator B VI	Canada	Canada			3	
<u>DOUGLAS</u>						
Boston IV	U.K.	U.K.		1		
Boston IV	M.E.	M.E.		6		
Dakota III	M.E.	M.E.		12		
Dakota III	India	India		10		
Dakota III	S. Africa	S. Africa		2		
Dakota III	W. Africa	W. Africa		1		
Dakota III	Canada	Canada			2	
<u>BEECH</u>						
Expediter II	Canada	Canada			3	
<u>BOEING</u>						
Catalina IV B	U.K.	U.K.		9		
<u>VULTEE</u>						
Vengeance	U.K.	U.K.	24			
<u>NORTH AMERICAN</u>						
Harvard	U.K.	U.K.	17			
Harvard	M.E.	Alexandria	6			
Mustang	N.W. Africa	Casablanca	14			
<u>NOORDUYN</u>						
Harvard	U.K.	U.K.	19			
<u>VOUGHT-SIKORSKY</u>						
Corsair	U.K.	U.K.	7			
<u>BEECH</u>						
UC 45 Beechcraft	U.K.	U.K.		1		
UC 45 Beechcraft	N.W. Africa	Casablanca		3		
UC 45 Beechcraft	M.E.	Alexandria		3		
<u>FAIRCHILD</u>						
Argus	M.E.	Alexandria		3		
Argus	U.K.	U.K.		20		
<u>WACO</u>						
Glider	India	Calcutta		8		
				Total: 125	57	8

Movements Division
British Air Commission

June 30, 1944
mmh
File V-17

Movements Division
British Air Commission
July 6, 1944.

BRITISH/U. S. SECRET

STATEMENT NO. 144

Aircraft Despatched from the United States
Week Ended June 30th, 1944

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>LOCKHEED</u>					
Fortress III	U.K.	U.K.		3	
<u>CONSOLIDATED</u>					
Liberator B VI	M.E.	M.E.		1	
Liberator B VI	India	India		6	
Liberator B VI	Canada	Canada			3
Coronado CR I *	Canada	Canada			1
<u>NORTH AMERICAN</u>					
Mitchell III	U.K.	U.K.		3	
Mustang	N.W. Africa	Casablanca	9		
<u>DOUGLAS</u>					
Boston IV	U.K.	U.K.		31	
Boston IV	M.E.	M.E.		4	
Dakota III	M.E.	M.E.		1	
Dakota III	India	India		11	
<u>BEECH</u>					
Expediter I	Canada	Canada			2
UC 45 Beechcraft	India	Karachi	8		
UC 45 Beechcraft	M.E.	Alexandria	4		
<u>BOEING</u>					
Catalina IV B	U.K.	U.K.		8	
<u>WACO</u>					
Glider	India	Bombay	10		
Glider	India	Calcutta	10		
<u>FAIRCHILD</u>					
Argus	India	Karachi	4		
<u>VOUGHT-SIKORSKY</u>					
Corsair	India	Cochin	6		
<u>VULTEE</u>					
Vengeance	India	Karachi	1		
<u>STINSON</u>					
Reliant	India	Cochin	10		
<u>REPUBLIC</u>					
Thunderbolt	India	Karachi	8		
<u>BOEING</u>					
Harvard	U.K.	U.K.	27		

*Exported week ended June 20.

Total: 97

67(1)

6

Regraded Unclassified

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.



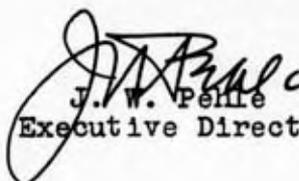
OFFICE OF THE
EXECUTIVE DIRECTOR

JUL 11 1944

My dear Mr. Secretary:

I am enclosing herewith a copy of the report of the War Refugee Board for the week of June 26, to July 1, 1944.

Sincerely yours,


J. W. Peelle
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.

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

- 3 -

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

- 4 -

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 refugee 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.

- 6 -

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 "Maritza" 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

- 7 -

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 has 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.

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 Johnson 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 refugees is expected to be evacuated shortly to Sweden on the same

- 9 -

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

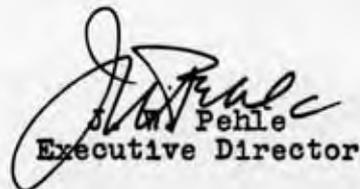
Because of the recent complete reorganization of the Salvadoran Foreign Office, Ambassador Thurston has again taken up with the Foreign Office the matter of extending protection to refugees holding documents issued in the name of El Salvador. The text of a note sent on May 20 by the Salvador Minister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


J. W. Pehle
Executive Director

MS
Distribution of true
reading only by special
arrangements (SECRET W)

July 11, 1944

9 p.m.

AMREP.

ALGIERS.

2172

The following WEB cable 32 is for Ackermann or Saxon.

Please deliver following message to Howard Brooks
from Edward Cahill of Unitarian Service Committee

QUOTE Three delighted and heartily approve splendid
work you are doing in Algiers difficulty here is getting
prompt action from members medical staff and formal
authorization from University of Minnesota administration
expect definitive program in writing shortly and clearance
with members of Mission your impatience understandable
but please sympathize with difficulties here UNQUOTE.

HULL
(GLW)

WEB:MMV:KG
7/11/44

WE

S/CR

CABLE TO AMBASSADOR WINANT, LONDON, FROM WAR REFUGEE BOARD

Please deliver the following message to Barou and Easterman,
55 New Cavendish Street, London, W1, from Dr. Kubowitzki, World
Jewish Congress:

"Foreign Economic Administration discussing with
British supplying relief through blockade. It appears
that personnel of Intercross in Axis Europe has been too
limited for adequately supervising distribution. Are
asked whether can help this respect. Are also requested
get from Intercross specific assurances on method supervision
in order to insure reaching addresses including statement
of number supervising personnel and where and how they
would operate."

2:45 p.m.
July 11, 1944

FH:db 7/8/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMEMBASSY, LONDON
DATED: July 11, 1944
NUMBER: 5430

CONFIDENTIAL

The War Refugee Board requests that you deliver the following message to Mr. Joseph Linton, Jewish Agency for Palestine, 77 Gr. Russell St., London:

QUOTE Understand you informed of import 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.

LEON KUBOWITZKI,
WORLD JEWISH CONGRESS.

UNQUOTE

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMEMBASSY, LONDON
DATED: July 11, 1944
NUMBER: 5431

CONFIDENTIAL

The War Refugee Board requests that you deliver the following message to Mr. Ernest Frischer, 100 Oakwood Ct., London W.14:

QUOTE Understand Rabbi of Neutra is in position to carry out important rescue activities. Are you informed? What are your contacts with him? What is your advice, your suggestions rescue program?

Shocked by Birkenau extermination. Were convinced Birkenau only labor camp. Kindly forward to us all information this matter through American Embassy and War Refugee Board.

WORLD JEWISH CONGRESS

LEON KUBOWITZKI UNQUOTE

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

July 11, 1944

1 p.m.

AMEMBASSY,

LISBON.

1956

The following WRB cable no. 54 is for Dexter.

Please deliver the following message to Robert Pilpel,
c/o American Embassy, from Moses A. Leavitt of the
American Jewish Joint Distribution Committee:

QUOTE Remittance \$150,000 representing balance of
June budget executed July one. Please secure confirmation
receipt equivalent Swiss francs from Saly Mayer. Can you
obtain additional information regarding difficulties Saly
has receiving francs as we assumed remittance problems
satisfactorily settled. We remitted \$30,000 July budget.
Keep us advised when Saly receives franc equivalent.
Alfred Jaretsky deeply interested Weiss family request
you extend such aid as may be required UNQUOTE

HULL
(GLW)

WRB:MMV:KG
7/10/44

WE

SWP

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

July 11, 1944⁴
2 p.m.

AMEMBASSY,

LISBON

1957

The War Refugee Board requests that you deliver the following message to Mr. I. Weissman, 179 Avenida Liberdade, Lisbon, Portugal:

QUOTE Have you recent information concerning number Jews of Turkish origin in France who have returned to Turkey, numbers and present condition those who are still in France? Have you also information concerning number of Jews of Portuguese and Spanish origin who were repatriated from Haidarism World Jewish Congress, Leon Kubowitzki
UNQUOTE.

HULL
(GLW)

WEB:MMV:KG
7/10/44

WB

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

July 11, 1944

6 p.m.

AMBASSY,

LISBON

1962

The following WEB cable 55 is for Norweb and Mann.

Unless Mann has pressing reasons not (repeat not) known to us for remaining in Lisbon, it is requested that he return to Washington at the earliest possible moment for conference. It will be appreciated if Norweb will do everything possible to expedite Mann's departure. If there are any difficulties in arranging priority for immediate transportation, please advise in order that the matter may be taken up here.

HULL
(GLW)

WEB:MMV:KG
7/11/44

WE

S/CR

LFG-331
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

Dated July 11, 1944

Rec'd 9:25 a.m.

Secretary of State,
Washington.

2131, July 11, 1 p.m.

FOR PEELE FROM WEB 100.

Leaving by clipper July 13 or 14. Arrange
necessary priorities natal Miami.

NORMEB

WEB EB

LL-756
Distribution of
true reading only by
special arrangement
(SECRET W)

Madrid

Dated July 11, 1944

Rec'd 8:30 p.m., 12th

Secretary of State,
Washington.

2415, July 11, 9 p.m.

FOR PERLE FROM MANN

Blickenstaff in my talks with him has emphasized the importance of evacuating stateless refugees now in Spain who hold North Africa entry visas to Camp Fedhala, particularly in view of our delay to date in arranging evacuations. French convoys are regularly calling at Spanish ports to evacuate French refugees to North Africa in groups of 300 to 500 each trip. If a commitment could be obtained for the French to take between 25 and 50 stateless people in each convey, our position here would be greatly improved. The Blickenstaff organization can deliver the refugees at the proper ports with necessary documents and the French would only have to furnish space in vessels.

I suggest that every effort be made to get such a commitment. This message is being repeated to Algiers as Embassy's 392 for Ackermann and Saxon.

BUTTERWORTH

EEC
ER

S E C R E T

CABLE TO MINISTER JOHNSON AT STOCKHOLM AND OLSEN

Information received here to the effect that Portuguese legation Budapest has extended refuge to Vilmos and Gauka Gabor, Hungarian Jews who are the parents of Mrs. Conrad N. Hilton the wife of an American citizen. The Portuguese Minister Budapest is reported to have arrived in Switzerland with another daughter Magda Bichovaka. This action on part of Portuguese indicates that Wallenberg may perhaps secure cooperation from that quarter.

THIS IS WRB STOCKHOLM CABLE NO. 52

2:45 p.m.
July 11, 1944

LSLesser:deh 7/10/44

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

July 11, 1944
2 p.m.

AMBASSADOR,
STOCKHOLM.

1366

The following **VEB** cable no. 50 is for **Olson**.

Reference Legation's No. 2466 July 5.

Please contact **Mosaleka Feersamlingen** immediately and advise them that **JDO** hopes they will assume responsibility for expenses in connection with evacuation and maintenance of Jewish refugees from Finland. **JDO** would appreciate report from **Mosaleka Feersamlingen** as to number of such refugees, cost of transportation from Finland to Sweden and estimate of amount needed for maintenance in Sweden for next three months. Please ask **Mosaleka Feersamlingen** to send such report promptly to **JDO** New York and to the **JDO** Lisbon office.

The object of the foregoing is to bring these refugees under the care of **Mosaleka Feersamlingen** which is supported in part by the **JDO**. From Beard standpoint it is desirable that as many as possible of these refugees be maintained by private sources. Please report to Beard whether **Mosaleka Feersamlingen** will adequately take care of situation.

HULL
(HEW) **SWP**

VEB:MMV:SG
7/10/44

MOI

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

July 11, 1944

8 p.m.

AMLEGATION,

STOCKHOLM.

1374

The WRB cable 49 below is for Olsen.

In view of matter contained page twenty-six of Bohm report, and as an experimental matter, please deliver the following message from the War Refugee Board to Mr. Edstrom, Chairman of the Board of the A.S.E.A., Vasteras: QUOTE Leopold Aschner, managing director of the United Incandescent Lamp and Electric Company of Budapest and his wife and son are being detained in a concentration camp by Hungarian authorities and are in imminent danger of deportation to Poland and death solely because they are Jewish. Please appeal to the Utrikes-department to take Aschner and his family under Swedish protection, to issue to them such documents as may enable them to secure refugee in Sweden, and to take such other action as may be possible to safeguard their lives. Please advise me through Iver Olsen, American Legation, of action taken. I will personally appreciate anything you can do. Signed Gerard Swope, President, General Electric Company, New York. UNQUOTE.

If Edstrom complies with foregoing request, and his appeal is successful, an avenue may be opened to secure Swedish protection for a larger number of persons than Bohm indicates are now receiving such protection. Please keep Board advised.

HULL
(GLW)

WRB:MMV:KG
7/11/44

S/CR

MOE

SE

MJB-520
Distribution of true
reading only by special
arrangement (SECRET W).

Stockholm

Dated July 11, 1944

Rec'd 7:07 p.m.

Secretary of State,

Washington.

2563, July 11, 5 p.m.

Following information concerning stateless refugees in Sweden supplements our No. 35 for War Refugee Board. (Legation's 2224, of June 20, 8 p.m.) and is our No. 49 for War Refugee Board in response to WRB 39 (Department's 1310 of July 1, 7 p.m.). Former nationality of stateless refugees was largely German and Austrian although several other European countries are represented. It is estimated that approximately 75% of stateless refugees here are Jews although no exact figures are available since no distinction is made in official figures. Only group assisting these refugees which regularly receives funds from USA is the Mosaic community which apparently receives \$1,000 monthly from joint (*). The assistance of the Mosaic community together with the assistance of several other Swedish organizations has been sufficient to provide only minimum living requirements with the result that this stateless group is existing under circumstances considerably more difficult than other groups which have Legations here responsible for them. Stateless refugees experience more difficulties and delays in finding employment than other groups. Finally a major problem arises from the fact that a fairly large number of the stateless refugees are children, either orphans or separated from their parents, who are seriously lacking educational opportunities. Consequently it is not a question of any organization withdrawing financial support from the stateless refugees but rather the generally recognized fact that such support has never been sufficient to meet the requirements of this group in a constructive manner. It is because of the special nature of this stateless refugee group and its special problems and requirements that it has been considered highly desirable that some organization be formed to concern itself exclusively with the interests of this group to the same extent, for example, that the Norwegian and Danish Legations assume responsibility for their refugee nationals in Sweden.

Your preliminary reaction to this suggested program is greatly appreciated and it is hoped that support can be found since the problem is important.

JOHNSON

ER WSB

(*) Apparent omission

FHM-592
Distribution of true
reading only by special
arrangement. (SECRET-W)

Stockholm

342

Dated July 11, 1944

Rec'd 10:30 p.m.

Secretary of State,
Washington.

2569, July 11, 9 p.m.

THIS IS OUR NO. 48 FOR WRB.

We have had several discussions with Polish Minister here, and his staff, regarding the difficulties being experienced in providing suitable assistance to Polish refugees here, who approximate 500. Due to their limited vocational training, most of the employables have found work only on road construction or in the forests, at very low wages. Consequently, their income must be supplemented to provide them with even minimum living standards. The Polish Legation has established a Polish Social Welfare Bureau, but financial support from the Exile Government in London is so limited that even now only half the necessary funds are supplied and the balance is borrowed locally with the hope that London will cover. Swedish charitable organizations are helping but this assistance is somewhat limited.

The situation is further complicated by the fact that several additional Polish refugees, with the help of certain Norwegian organizations are coming in to Sweden from Norway weekly. The Polish Legation states that there are still approximately 6000 Poles in Norway as compulsory workers or war prisoners, fairly large numbers of whom could be brought to Sweden if funds were available to finance the evacuation and to maintain them after arrival. Apparently the Polish Legation has made only limited efforts in that direction because of lack of funds.

On the basis of the foregoing discussions and a study of the financial requirements involved, the WRB may wish to investigate whether an organization can be found which is in a position to contribute \$15,000 monthly, for the next few months, to a general program of assisting Polish refugees here and to further the rescue of additional Poles from neighboring enemy-occupied territory. It should be added in this connection, that there are also approximately 300 in Finland who are stated to be in immediate danger. Any funds should be transmitted to "Polska Social Ahjalpen for Flyktinger" (Polish Society for Refuge Help), which has an account at Skandinaviska Banken.

JOHNSON

WED LMS

EMB-759
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated July 11, 1944

Rec'd 1:30 p.m., 12th.

Secretary of State,
Washington.

2750, July 11, 9 p.m.

THIS IS OUR NO. 50 FOR WRB

Some rather strong discussions have been held with representatives of Swedish and Finnish Mosaic communities regarding failure to follow through on BIRGER JAHL evacuation opportunity. The following results and possibilities have developed:

One. Evacuation of stateless Jews is proceeding by regular sailings and in a week or so approximately 50 will probably have arrived in Sweden.

Two. In addition to this number there are about 30 other stateless Jews regarding whom evacuation efforts are being pushed. This will be last of stateless refugees in Finland.

Three. There are approximately 30 Jewish children of Finnish nationality whose parents, unable to get Finnish permission to come to Sweden themselves, are anxious to send their children here for safekeeping. All these children are under ten years.

Four. There are approximately 20 young Jewish children of Finnish nationality who can get permission to come here with their mothers.

Five. There are approximately 300 aged or ill Finnish Jews who probably could get permission to come to Sweden on the basis of an invitation by the Swedish Mosaic community which would include offer to provide them homes and full medical care. It is believed this unofficial approach on friendly and humanitarian grounds would be the only successful basis of securing Finnish permission, since any official approaches would be resented as carrying an implication that Finnish Jews are in jeopardy.

It appears quite impossible to take any steps to evacuate to Sweden any of the remaining 1500 Jews at this time.

If the WRB

-2- #2570. July 11, 9 p.m., from Stockholm.

If the WRB approves in principle of items 3, 4 and (*), question is raised whether it will be in a position to supply guarantees of maintenance and support along lines already provided with respect to groups one and two. Early instructions would be appreciated so that necessary approaches could be made to get program under way as quickly as possible.

JOHNSON

(*) Apparent omission
RTM.

CORRECTION

345

KRM-759
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated: July 11, 1944

Rec'd: 1:50 p.m., 12th.

Secretary of State,

Washington.

2570, July 11, 9 p.m.

This cable no. read "2750" and it should be "2570".

SECRET

CABLE TO MINISTER HARRISON AT BERN AND McCLELLAND

Pehle has been in consultation with Swiss Minister here in an effort to secure without delay the Swiss franc equivalent of \$1,500,000 for extraordinary relief purposes. You are requested urgently to discuss this matter with Kohli of the Swiss Political Department. This relates in part to JDC compliance with Saly Mayer request reported in your 4258 of July 5.

July 11, 1944
5:10 p.m.

THIS IS WEB CABLE BERN NO. 4251.

L8L888rtdch

CABLE TO MINISTER HARRISON, BERN, FOR MCCLELLAND FROM WAR REFUGEE BOARD

Please deliver the following message to Mrs. Fanny Hirsch, Comite Refugies Intellectuals, 7 Rue Sautier, Geneva, from Fred S. Weissman of Selfhelp of Emigres from Central Europe, Inc.:

"Cabled you another \$3,000. Enlist cooperation of Irmgard Weinberg, Luisenstrasse 21, Zurich 5; Emil Halle, c/o Otto Senn, Spiegelhofstrasse 24, Zurich; Frits Rosenfelder, 9 Rue Ferdinand Hodler, Geneva; Endolf Wenk, Friedrichstrasse 16, Basel. Expecting further details about your work."

THIS IS WEB CABLE TO BERN NO. 80

2:45 p.m.
July 11, 1944

FH:db 7/8/44

CABLE TO MINISTER HARRISON, BERN, FOR McCLELIAND FROM WAR REFUGEE BOARD

Please deliver the following message to Dr. Gerhart Riegner, 37 Quai Wilson, Geneva, from Dr. Kubowitzki of the World Jewish Congress:

"Foreign Economic Administration discussing with British supplying relief through blockade. It appears that personnel of Interross in Axis Europe has been too limited for adequately supervising distribution. Are asked whether can help this respect. Are also requested get from Interross specific ~~advances~~ ~~on~~ method supervision in order to insure reaching addressees including statement of number supervising personnel and where and how they would operate."

This is Bern Cable no. 79

2:45 p.m.
July 11, 1944

FH:db 7/8/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMLEGATION, BERN
DATED: July 11, 1944
NUMBER: 2375

CONFIDENTIAL

FROM WAR REFUGEE BOARD TO HARRISON FOR MCCLELLAND.

Please deliver the following message to Adolph
Freudenberg, 41, Avenue de Champel, Geneva, from Leland
Rex Robinson of American Committee for Christian Refugees:

"Desire information number and status

Italian Protestant refugees Jewish or non-Jewish
in Switzerland."

THIS IS WEB CABLE TO BERN NO. 77

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMLEGATION, BERN
DATED: July 11, 1944
NUMBER: 2377

CONFIDENTIAL

FOLLOWING MESSAGE, SIGNED ERNEST WITTMANN,

Information received here via Mexico that Gideon Richter and wife, Hungarian Jews, recently arrived in Geneva from Hungary. It is reported that they may have arrived in a German military plane. In an effort to secure such information from them as may be helpful you may deliver to them the following message from the War Refugee Board: QUOTE In the name of all our mutual friends and in an effort to save lives, please cooperate closely with Mr. McClelland, the War Refugee Board's representative in Switzerland, giving him the names of such persons as you believe may be approached successfully and the basis upon which such approaches should be made, as well as such other information as may be helpful in these trying times. Kindest regards. UNQUOTE

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 11, 1944
NUMBER: 4394

CONFIDENTIAL

McClelland sends the following message for WRB for the attention of Representative of Yugoslav Committee National Liberation Bari, Mr. Smoldaka.

Katcha and Riber are acquainted with the courier named Mala, who left with detailed report recently.

Contact has been established with OSE, Jewish children's relief and rescue committee, which offers funds necessary to save abandoned children of all nationalities and religions. Work with Hungarian resistance is also desired by OSE in effort to save Jewish children of Hungary. Please contact Max Perelmann, representative of the American Joint Care Intergovernmental Committee, Naples, in connection with this child rescue work. The next courier will carry detailed instruction. Important medical supplies for Slovenia have been furnished by OSE. Your assistance with their transportation on LATINOVIICH from Trieste is requested.

HARRISON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 11, 1944
NUMBER: 4401

CONFIDENTIAL

Reference is made herewith to your June 13 telegram no. 2023, WEB 39, last paragraph.

I was told by Minister Stucki, who was here for a few days, that he had presented the matter to Rochat and Laval repeatedly; and he promised me that he would press further for a reply of a favorable nature. The Minister returned to Vichy on the sixth of July.

HARRISON

MAE-488

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

Bern

Dated July 11, 1944

Rec'd 5:54 p.m.

Secretary of State,

Washington.

4411, July 11, 8 p.m.

"We solemnly declare that the Hungarian people in their immense majority condemn with horror and disgust the abominable crimes perpetrated by Hungarian Quislings and their subordinates against the Jews and other people in Hungary.

We emphasize that these crimes are committed in flagrant violation of the Christian, humanitarian and liberty loving spirit and tradition of true Hungarians.

Consequently, we have felt it our duty to give a solemn warning to all Hungarians from the highest to the lowest and remind hereby every Hungarian who may be a perpetrator of or a accessory to these crimes, that he will have to bear full responsibility for his acts and will not be permitted to invoke as an extenuating circumstance the fact that he has only carried out orders of a superior authority.

We address ourselves to all true Hungarians who condemn these ignominious cruelties and request them to extend all possible assistance to their persecuted and tortured fellow-countrymen."

HARRISON

EDA

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 11, 1944
NUMBER: 4421

CONFIDENTIAL

The following message refers to the Department's July 8 cable No. 2351 and London's July 1 cable No. 198.

On July 10 subject was jointly presented in concert with my British colleague to the International Committee of the Red Cross, which has taken it under consideration and given promise of reply in the near future.

The foregoing message has been repeated to London for the information of our Embassy there.

HARRISON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 11, 1944
NUMBER: 4423

CONFIDENTIAL

McClelland transmits the following for the War Refugee Board and American Friends Service Committee.

Reference is made herewith to Department's cable of June 15, no. 2062.

It is recommended after consultation with the Legation, in view of the difficulty, if not impossibility, of obtaining suitable foodstuffs of Swiss origin to be sent to Secours Quaker in France for distribution by them under ICRC supervision to refugees and needy displaced persons, both in and out of camps, that you ask the Treasury Department if license for \$2500 can be amended to permit (1) purchase of French francs equivalent \$10,000 of which Secours Quaker has signified their need and (2) purchase of foodstuffs of non-Swiss origin.

It is suggested, in order to avoid transferring additional funds (and placing a new demand on Federal Reserve quota of Swiss francs), that you authorize us to use for this purpose 100,000 Swiss francs of unexpendable balance of \$100,000 still in the hands of Crioix Mixte, there being little possibility of finding more foodstuffs of Swiss origin, especially milk products, suitable for children to be purchased with this balance. Too, unfortunately, it is most doubtful now if 50 tons already purchased can be shipped into France at all due to the chaotic transportation conditions in that country which are likely to grow worse. At the end of this month I will report on shipping possibilities again.

You might also consider the feasibility of allotting 50,000 Swiss francs from same unspent balance for our office budget remainder 1944, in view of this state of affairs.

HARRISON

DCR:VAG 7/14/44

CABLE FROM WAR REFUGEE BOARD TO AMBASSADOR STEINHARDT FOR HIRSCHMANN,
ANKARA, TURKEY.

Please refer to your 1218 of July 5.

The Board is highly pleased to learn of the Jewish Agency's success in obtaining five ships for evacuations from Constanza. In view of the recommendation of Ambassador Steinhardt and yourself and in view of the fact that the operation of refugee evacuation ships without safe conduct appears to be the only means for rescuing appreciable numbers of refugees in the Balkan Black Sea Area, the War Refugee Board agrees to the program in question and undertakes to participate in the moral responsibility. It seems to us that this is a preferable alternative to abandoning refugees to their fate in enemy territory.

Although a Russian safe-conduct may not be absolutely necessary inasmuch as the evacuation vessels are not enemy ships, it is assumed that the Russian Government has been advised at least informally of these evacuation operations through its Ambassador at Ankara. If a formal safe conduct is later deemed desirable, it is suggested that you contact Ambassador Harriman directly.

THIS IS WRB CABLE TO ANKARA NO. 79.

2:45 p.m.
July 11, 1944

MJMarks :dh 7/11/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMERICAN CONSUL, ISTANBUL
DATED: July 11, 1944
NUMBER: 321

CONFIDENTIAL

The War Refugee Board requests that you deliver the following message to Mr. Alberto Romano, Pera Palace, Beyoglu, Turkey from Dr. Kubowitzki, World Jewish Congress, New York.

QUOTE Please wire through American Consulate General and War Refugee Board latest information on Jewish situation in Bulgaria: How many deported in recent months, how many escaped, how many left. Inform also concerning possibilities of crossing Bulgarian-Turkish land border.

LEON KUBOWITZKI

WORLD JEWISH CONGRESS UNQUOTE

HULL

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

July 11, 1944

6 p.m.

AMEMBASSY,

ANKARA.

626

The following WRB cable no. 77 is from Moses A. Leavitt of Joint Distribution Committee. Please deliver a paraphrase to Dr. Joseph Schwartz.

QUOTE Understand Barlas cabled Rabbi Ehrenpreis for 5,000 pounds which request was retransmitted New York since Mosaiska Foersamlingen unable provide this sum Stop While we welcome participation Jewish groups throughout world in rescue program you should work out with Barlas coordinated approach in order eliminate confusion.

Emergency Committee to Save Jewish People requested us give Jabotinsky \$200,000 for rescue project which they claim Jabotinsky has discussed with Resnick Stop We replied all projects must be approved by our representative and by WRB and thereafter submitted to us for decision Stop We have had thus far no report regarding any concrete project." UNQUOTE.

HULL
(GLW)

WRB:MMV:KG NE
7/10/44

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

July 11, 1944
 7 p.m.

EMBASSY,

ANKARA

637

The WEB cable 78 below is for Hirschmann.

Reference Ankara No. 78 for WEB (Embassy's 1125 of June 21).

For your information the following is text of cable received from McClelland in Bern under date of July 5, 1944:

QUOTE A message in code, received by air on June 2 from the Prime Minister of Romania, was the basis for the information given in Paragraph 2 of theour message of June 17 Number 3867.

Statement was made by the Romanian delegate to ICRC, Soneriu, that he was able to give formal assurance (it is presumed for the ears of the Allies) that Jews coming from Hungary into Romania would not only be allowed to cross the border secretly but that their safety would be looked out for by the Romanians.

The fact that the few Jews who are able to reach the frontier of Romania do not seem to find the Romanians making things difficult for them is born out by word received from Jewish sources in Budapest UNQUOTE.

HULL
 (GLW)

WEB:MMV:EG
 7/11/44

S/CR

NE

SE

GAB-941

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

Ankara

Dated July 11, 1944

Rec'd 11:17 p.m., 12th

Secretary of State
Washington

1250, July 11, 5 p.m.

FOR WAR REFUGEE BOARD FROM HIRSCHMANN

Ankara No. 94.

Confirming Embassy's 1246, July 9, 1 p.m. the Turkish SS KAZBEK arrived in Istanbul Sunday, July 9, carrying 759 refugees from Rumania. Among the refugees were 265 children, 214 of whom came originally from Transnistria, 187 young agricultural students of whom 20 were of the Agudah--Israel organization, and 65 refugees of other nationalities, mostly Hungarians and Poles. The remainder were Zionists and non-Zionists; the exact figures of each group are not known.

Upon being informed by me of the impending arrival of the KAZBEK, Mr. Kelley immediately requested the Ministry of Foreign Affairs to make at once the necessary arrangements with the Ministry of Communications for the transportation of the refugees to Palestine. Mr. Kelley was assured that all possible measures would be taken to facilitate the departure of the refugees at the earliest possible moment.

In consequence, a special train was made available by the Turkish State Railways for the entire contingent of 759 refugees and they departed from Istanbul on the evening of July 10 for Palestine via Syria. The British passport control in Istanbul was most energetic and cooperative in completing the issuance of the necessary visas for Palestine without delay.

The successful completion of the voyage of the SS KAZBEK and the immediate departure of the passengers for Palestine are encouraging indications that the deadlock in respect to both transportation and governmental red tape, which had caused the virtual cessation of the rescue of refugees from the Balkans during May and June has been broken.

KELLEY

WCB ER

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF ³⁶¹
COMMUNICATIONS
AND RECORDS

GAR-572

PLAIN

London

Dated July 11, 1944

Rec'd 9:40 p.m.

Secretary of State
Washington

5462, eleventh

FOR SECRETARIES OF STATE AND TREASURY



An evening paper, THE STAR, of July 10th features an article by Arthur Woodburn, a labor member of Parliament, entitled "Gold and Peace". This writer sees in the between the wars manipulation of currencies, one of the weapons used to break through tariff barriers and other restrictions on competition. He says that economic conferences in the past have failed because "No one was quite willing to give up what was necessary to reach agreement," and that the Bretton Woods Conference is a preliminary one to secure agreement on the money front, in which confidence is a vital factor.

Stating that he realizes from experience in trade that because of the time involved in fulfilling contracts, e.g. in the heavy industries, business can become impossible when currencies

-2- #5462, eleventh, from London

when currencies fluctuate, he says that America and Britain "are trying to arrange that money will mean the same today, tomorrow and two years hence" and adds that "they propose to use gold as the standard. Nothing else has been found to be any better". He notes that the quantity of gold available will not be allowed to limit the amount of money needed by trade and industry; and that "any abnormal expansion of currency will be carried through only by general agreement".

This achievement, he thinks, will terminate the use of currency manipulation as an instrument of trade war and lay the foundations of a League of Nations on the economic front.

Oscar Hogson in NEWS CHRONICLE of July 11 discusses the Norwegian proposal for the liquidation of the bank for international settlements. He believes that serious opposition to the proposal is unlikely, but that this will not imply condemnation of the bank's policy during the war, which has been "almost pedantically neutral". He says that "contrary to a widely prevalent impression, Mr. Montagu Norman and Dr. Funk have at no time called at one another across the directors table since September 1939.

He adds

-3- #5462, eleventh, from London

He adds that the experts who founded it as part of the reparation's settlement had hoped that it would develop into a Central Bank of Central Banks. Though the bank went some way towards realizing these ends Hogson continues that, from the accident of its birth, Germany, Italy and Japan control about 70% of its capital and, "on all counts, there is reason to liquidate it ". He hopes, however that "liquidation would not mean complete dispersion of its organization. Its economic and statistical services, for example, have deserved well of the world and should certainly be taken over en block by the new organization. The same will probably be true of some of its key technical personnel."

The discussions of the composition of the governing body of the fund, and the bid of Latin American countries for two representatives on the executive committee are reported in news items carried in the DAILY TELEGRAPH, the FINANCIAL TIMES and the FINANCIAL NEWS of July 11. The FINANCIAL NEWS contains the following comment with regard to Machado's proposals for an eleven member committee with two permanent representatives from Latin America, "The opinion is held that some compromise will be reached

-4- #5462 eleventh, from London

reached in this connection. Several European delegates declare that they will give in if Machado's proposal is presented in modified form and if the Latin Americans indicate that they are willing to meet them halfway."

The two financial papers also report M. Istel's statements regarding the likely scarcity of Latin American and neutral country currencies while United States dollars will not be scarce. Richard Fry in the MANCHESTER GUARDIAN for July 11 expresses doubts as to the scarcity of Latin American currencies, saying "As for the suggestion of M. Istel that Latin American countries will be able to sell their stored surplus goods sooner than anyone else and that their currencies will therefore become scarce, that is not easy to believe. They are selling all the time, and although they will have much to export when the continental markets reopen they have probably even larger deferred demands for imports".

Fry also comments on Keynes's statement the other day regarding Britains war debt of 3 billion, which he interprets as probably referring to "the total deterioration in our (Britain's) external financial position".

The FINANCIAL TIMES of July 11 carries an editorial opening with

-5- #5462, eleventh, from London

opening with an expression of gratification that the area of agreement is regarded as notably larger than that of differences. It discusses the significance of the attempts to obtain quota revisions and interprets these requests as "symptomatic of changes wrought by the war" in the influence of particular national or world affairs.

Regarding the requests that some countries may be allowed to use more than 25% of their quotas in a year, this editorial states "This proposition will need to be studied with the utmost care. Borrowing from the fund in any case implies a substantial trade deficit. The larger the permitted swing, the greater will be the departure from equilibrium on the part of the borrower thus implied. The proposal therefore contains an inherent risk of making the fund diverge from its function of helping to tide over only temporary difficulties. It is not intended to encourage over-trading, which has been a fruitful source of exchange unsettlement in the past. Each case should be considered on its merits".

A feature article by J. R. Campbell headed "Bank for World Prosperity" appears in July 11 DAILY WORKER. After explaining in simple language the purpose of the bank plan, and pointing out that with the bank, a
monetary

-6- 5462, eleventh, from London

monetary arrangement could succeed, this writer cites the enormous capital requirements of the principle Asiatic countries, and adds that the effect on world trade of developing backward countries would be a great expansion.

An editorial in the YORKSHIRE POST of July 8th stresses Keynes' statement that the British foreign war debt can be discharged only in goods and cannot be dealt within a short time. The editorial hopes that labor leaders will realize that high production levels are what will be required and that shorter hours of work would entail grave consequences. He adds:

"Another consequence which follows from the size of our debt is that, as Lord Keynes hinted, special arrangements may have to be made for its discharge. It may prove necessary to ask our creditors to accept payment in certain specified lines of goods, and not to rely upon the chance that the vagaries of world trade may permit this country to produce an export surplus in any given year. A welcome element of steadiness would be introduced in this way into British productive industry, and this, far from keeping industry to fixed channels, would provide a favorable environment for giving free play to the vigorous use of enterprise

in other

-7- #5462, eleventh, from London

in other directions. We hope that creditors will find themselves able to agree to this type of planned debt repayment."

WINANT

WLB

EDA

NOT TO BE RETRANSMITTED

OPTEL No. 261

Information received up to 10 A.M. 11th August 1944.1. NAVAL

A British Minesweeper damaged by under water explosion off NORMANDY yesterday.

On 9th, a Greek Submarine torpedoed and sank German controlled Italian Destroyer CALATAFIMI outside KARLOVASSI, SAMOS. She also damaged a ship and two barges inside the harbour. Yesterday a British Submarine torpedoed German 650 ton ship off MILOS.

On 1st. A British Submarine sank by gunfire three Coasters and a Schooner off SOUTH BURMA.

2. MILITARY

France Unconfirmed reports state ST. MALO, NANTES and ANGERS now in our hands. A powerful force of armour and infantry is moving north from LEMANS towards ALENCON and has reached about half way to latter. British have further extended ORNE bridgehead. Canadians have made slight progress in face of stiff enemy resistance. U.K. troops have advanced Eastwards to outskirts of VIMONT.

Italy Polish Corps continued their attack against enemy positions on watershed between MISA and CESANO Rivers. MONTERADO has been captured and patrols have crossed CESANO in that area. Heavy rains are delaying pursuit of the enemy withdrawing across the River.

Russia Russians report a further ten mile advance towards RIGA and more gains N.W. of KOVNO. S.E. of BIALYSTOK they have forced the NAREW and continued their advance. In Carpathian Foothills they have advanced slightly.

3. AIR OPERATIONS

Western Front 9th/10th. 1520 tons dropped at two fuel dumps and 815 on flying bomb supply and launching sites. 10th. Escorted heavy and medium bombers of RAF and VIII Air Force attacked railway facilities and fuel dumps dropping total 690 tons. R.A.F. went for fuel dump near PARIS where target was severely damaged and three out of four storage tanks destroyed under excellent weather conditions, also four launching sites one of which was bombed from below clouds, attack on other three abandoned.

U.S. attacked railway bridges and three fuel depots AUXERRE area and communications near PARIS, BRUSSELS and STRASBOURG. They met clear weather everywhere except for slight ground haze and report fair to good results: 14 tanks and 89 MT were destroyed during armed reconnaissances. German casualties 11:1:2 in action and 19:0:8 on the ground. Ours 23 aircraft missing, three crashed. Off WILHELMSHAVEN Bomfighters (four missing) set fire to two ships (one 4,500 tons) and three minesweepers and destroyed another Minesweeper and escort vessel.

10th/11th - Aircraft despatched -
Oil storage BORDEAUX and LA PALLICE 226; Railway junction DIJON 124 (2 missing); Mine laying 12; BERLIN 32; Mosquitoes; Other tasks 41.

At both major tasks there was no cloud and good visibility but some ground haze. Well concentrated attacks reported on all three targets.

Italy 9th. Total 446 medium and fighter bombers (3 missing) attacked communications and airfields in the North.

Hungary 9th. Fortresses and Liberators from MEDITERRANEAN (one missing) bombed two airfields at BUDAPEST, an oil refinery at ALAS FUZITO and wagon works at GYOR (total 850 tons).

Yugoslavia 9th. Fortresses dropped 70 tons on railway centre BROD and 30 aircraft of Balkan Air Force attacked communications.

34 Flying Bombs plotted in 24 hours ending 9 A.M. 11th.

SECRETQPTBL No. 226

Information received up to 10 a.m., 11th July, 1944.

1. NAVAL

Adverse weather in the Channel has damaged craft and tows. Shuttle services suspended yesterday have been resumed today. Minelaying by aircraft in Eastern area was heavy on 9th/10th and traffic in this area has been suspended until decrease in swell which has rendered mines extremely sensitive. One Minesweeper sunk and one damaged by mines yesterday. Irregular shelling of beaches continues. Early 9th two MTB's attacked 10 R-boats N.W. LE HAVRE. One MTB was sunk.

2. MILITARY

NORMANDY. Organised resistance in CAEN N. of ORNE has ceased though Germans still hold houses on opposite bank in considerable strength. An attack launched from ODOM bridgehead towards CAEN carried our line well beyond CARPIQUET to point on road about 3 miles S.W. CAEN and captured ETERVILLE and MALTOT. U.S. forces have made local advances at several points.

ITALY. Polish and Italian troops made slight advances N.W. and captured FILOTTRANO. Further left troops of 10th Corps repulsed several counterattacks and made some small gains N.W. of UMBERTIDE. Left Corps of 8th Army repulsed another counter attack N. of PALAZZUOLO. Continued strong resistance in French sector and no change. U.S. troops advanced slightly between VOLTERRA and ROSIGNANO.

BURMA. Fierce fighting along IMPHAL-UKHRUL road S. of latter place. Japanese using light tanks and artillery overran one of our road blocks on 7th/8th but position restored following day. Fighting continues in vicinity of railway S.W. of MOGAUNG and in MYITKYINA town.

RUSSIA. Russians have captured UTENA on DVINSK-KOVNO Road, SLONIN 40 miles W. of BARANOWICZE and LUNINIETS.

3. AIR OPERATIONS

WESTERN FRONT. 10th. Escorted Lancasters dropped 1,175 tons on a flying bomb supply dump 25 miles N.W. of PARIS. In the battle area gun positions, strong points and troops were attacked with generally good results - 90 tons and 548 rockets. Four Allied fighters missing.

10th/11th. 35 Mosquitoes to BERLIN and 14 aircraft seaming, 1 Mosquito missing.

ITALY. 9th. 163 fighters, (3 missing) attacked objectives behind the battle zone and in the BOLOGNA-SPEZIA area.

YUGOSLAVIA. 8th/9th. Heavy and medium bombers dropped 195 tons at oil refinery 120 miles W.N.W. BELGRADE. Bombing concentrated and direct hits on storage cisterns.

4. GERMAN ACTIVITY

6 a.m. 9th to 6 a.m. 10th. Flying bombs launched 89, destroyed by fighters 29, A.A. 5, balloons 2, total 36.

During 24 hours ended 6 a.m. 11th 83 flying bombs launched of which 68 crossed the coast.