

DIARY

Book 755

July 16-18, 1944

- 0 -

	Book	Page
China		
U.S. Army Expenditures: See Book <u>753</u>		
Economic report - 7/17/44.....	755	146

- L -

Lend-Lease		
Exports to Russia - report on - 7/18/44.....		275
Status of Soviet Aid Program as of May 31, 1944 - 7/18/44.....		277
Looted Property		
See Post-War Planning: International Monetary Conference, Bretton Woods, New Hampshire		

- 0 -

Office of Defense Transportation		
See Post-War Planning: International Monetary Conference, Bretton Woods, New Hampshire		

- P -

Post-War Planning		
International Monetary Conference, Bretton Woods, N.H.		
Extension of Conference discussed by American group, Keynes, Kung, Mendes-France, Stepanov, Souza-Costa, and Nash - 7/17/44.....		69
Office of Defense Transportation: Treasury reply to public expression of dissatisfaction with travel to Bretton Woods - 7/17/44.....		111
Bank		
See also Book <u>749</u>		
Statement of purpose discussed by American delegation - 7/18/44.....		203
Looted Property: Discussion by American delegation - 7/18/44.....		212
a) Preliminary draft of proposed Resolution on enemy funds and looted property.....		235
Australia: Hull-Minister of Australia Dixon conversation - 7/18/44.....		237
a) Delegates' action not binding without over-all approval at home		
Radio broadcast from Bretton Woods - 7/18/44.....		243

- S -

Speeches by HMJr		
Radio broadcast from Bretton Woods, New Hampshire - International Monetary Conference - 7/18/44.....		243

- U -

U.S.S.R.		
See Lend-Lease		

Bretton Woods, N. H.
July 16, 1944
10:00 a.m.

ARMY LOANS TO CHINA

- Present: General Clay
- General Carter
- Mr. Adler
- Mr. Vincent
- Mr. Luthringer
- Mrs. Klotz

H.M.JR: I have read your arguments. Has the General seen that?

MR. ADLER: Yes.

H.M.JR: It is very good. I wondered if this procedure would be agreeable to you? If General Clay would be willing to state the case to the Chinese, because it is your money, what the Army is willing to do, and I take it you would do it on the seventy-five million dollar basis?

GENERAL CLAY: Yes, sir.

H.M.JR: And I mean you have come here to make this proposal, and I was thinking about it. In the first place, I might miss something, and then--well it is still the Army's money, so to speak.

GENERAL CLAY: All right, sir.

GENERAL CARTER: I think it is a good idea.

MR. VINCENT: Yes.

MR. ADLER: Yes.

-2-

H.M.JR: If you would be willing, in that short, concise manner that you have, just tell Dr. Kung--do you know who is coming?

MR. VINCENT: You have both Vice Ministers and maybe some other people.

H.M.JR: Now has anybody had a second thought on anything that you would like to tell me? Would you like to change it after sleeping on this?

GENERAL CARTER: I have a thought that we need your help very much to bring this to a settlement, and we hope we can do it promptly.

H.M.JR: Well, I am going to tell--after you have stated the case and they begin to argue, I am going to say, "Look, gentlemen, while we don't want to be discourteous, and so on and so forth, we have wars on two fronts, and I have taken two days of these very important gentlemen's time from their regular work. They are here, they are concentrating on this thing and we have got to reach a settlement today."

GENERAL CARTER: That's fine.

GENERAL CLAY: Yes, sir.

H.M.JR: And if Dr. Kung says he has got to send the cable, I will pull the one that some of our people pulled on him and say, "Who are you going to address it to, H. H. Kung?" (Laughter)

MR. VINCENT: That's all right. Do that.

Suppose he brings up, Mr. Secretary, the matter of Reserve Lend-Lease? Who is going to carry the ball on that?

-3-

H.M.JR: Well, I thought that General Clay would make an all-inclusive statement that he wants food and housing.

GENERAL CLAY: Yes, sir.

H.M.JR: Under Reserve Lend Lease and he needs from two to three billion yuan, that he--is that all right with State?

MR. VINCENT: Yes, I am just trying to anticipate Kung on that. I don't think we should budge one bit from the cash settlement. It shouldn't go any higher than General Clay. He is giving himself a little leeway there.

H.M.JR: Twenty-five million leeway.

MR. VINCENT: For the future, too. Are you going to give yourself any leeway on that, or be prepared to go from twenty to twenty-five? Your estimate now is twenty.

GENERAL CLAY: We would rest it now at twenty for July, August and September and have a re-evaluation of our estimate at that time.

MR. VINCENT: And putting food and whatnot into Reverse Lend Lease. I was just trying to estimate whether we wanted to say flatly that no further consideration of Reverse Lend Lease--if he said, "Well, we would accept the cash business," but he wanted to put a larger amount into Reverse Lend Lease, in what he considered the exigencies of the situation, would be considered Reverse Lend Lease. He wasn't getting enough, so he wanted to put in more than--

H.M.JR: No, I look at it as one package, and in reading Alder's memorandum, it was very helpful. After all, they have had this Lend-Lease thing before them for two years, haven't they?

-4-

MR. ADLER: Since July, 1942, when the question was first raised.

H.M.JR: Two years and they only brought it up again in early 1944. I read your memorandum, the whole thing, this morning at seven o'clock. So we can say, "Hell, you have been fooling around with this thing for two years now." I don't know whether--say to fish or cut bait or what they do in China.

MR. VINCENT: Did it fall through in 1943, in the spring and summer of 1943, on their account or ours?

MR. ADLER: On their account. They didn't talk up.

MR. VINCENT: I wasn't quite sure.

H.M.JR: Have you seen Alder's memorandum?

MR. VINCENT: Yes, at a quarter of eight. Not as early as you.

GENERAL CARTER: You think that the Doctor is likely to raise any question about the United States currency we are using in China regularly?

MR. VINCENT: No, I don't think so. I don't think it would get very far if they did. He might have a comment to make on it.

H.M.JR: I don't understand that reference.

GENERAL CARTER: We pay our personnel with American currency in China in considerable amounts up to date, the total of it--

H.M.JR: How much?

MR. VIN N: It is not simply an Army thing, because we are paying State Department, FEA and everything else

-5-

now in that currency. All Government personnel get their salary in United States dollars now out there.

H.M.JR: I didn't get your reference that FEA was buying something, New York price in gold.

MR. ADLER: They are actually paying in gold according to the agreement, physical gold.

H.M.JR: Is that good or bad?

MR. ADLER: It is good. If we had to pay at the official rate, the sum would be tremendous.

H.M.JR: I thought it was good, too.

MR. VINCENT: Kuo is Vice Minister of Finance. Y. C. Koo is Head of the Farmers Bank and has been Acting Vice Minister of Finance for years because Kuo has been in London, for I don't know how many years. T. L. Soong is the brother of T. V. Soong. The next one has been on the Stabilization Board as Secretary, and so on. Pei, T. Y. Pei, was Head of the Bank of China in Chungking.

H.M.JR: When you go out, give me a little memorandum giving just a line and give a copy to Mrs. Dickinson, so when she is here, she will know by looking around, and if you would sit next to Mrs. Dickinson you could tell her who these Chinese are and she will get it. But when they come in at eleven, if you would just give me a little memorandum, Mr. So-and-So of the Farmers Bank, and so on.

GENERAL CLAY: There is one other thing that Dr. Kung may raise. Mr. Adler would know more about this than I would. He may raise again the question of using United States currency to purchase in the market to keep the black market stable.

MR. ADLER: We took him up on that again.

-6-

GENERAL CARTER: But he wanted five million, do you remember, at one time?

GENERAL CLAY: If it does come up, as I understand it, we have no objection to working with him on the utilization of United States funds for that purpose, do we?

MR. ADLER: None at all, except he may say, "Well, we cannot reach an agreement on the official rate, why not sell gold?" The answer is we wouldn't get enough.

H.M.JR: This twenty million dollars' worth of gold which has gone--

MR. ADLER: I think it is a little under twenty.

GENERAL CLAY: Twenty in United States currency.

H.M.JR: How much gold?

MR. ADLER: Ten tons was sent out once and I think a further shipment after. But actually they have sold very little gold.

H.M.JR: Could you look up, between now and eleven, the amount?

MR. ADLER: I think so.

H.M.JR: Did you get this thing that came from the Treasury--that little book?

MR. ADLER: Here it is.

H.M.JR: Now this gold which we are shipping, whose money is that?

MR. ADLER: They pay us from the loan, from the half billion dollar loan.

H.M.JR: That comes out of the half billion?

GENERAL CLAY: In addition to that, we sent twenty million United States currency out there to be used to control the blackmarket but none of it has been used.

GENERAL CARTER: None of it has been turned over to them. It is still in India.

H.M.JR: In whose hands?

MR. ADLER: Five million in China.

MR. VINCENT: But not used. Five million is in your hands, no matter where it is. And it was sent out at the Chinese Government's request, not any of ours. The Chinese Government wanted it but never used it.

H.M.JR: Is that also on the half billion dollar loan?

GENERAL CLAY: No, this would have applied to the remaining amount of money that we owed them. We would have paid them on the spot.

H.M.JR: But you have roughly twenty million United States currency somewhere in India?

GENERAL CARTER: That's right.

H.M.JR: Adler, you have half an hour. Could you make sure how much and how much gold?

MR. ADLER: Yes. I know five million is in China and fifteen million is in India of United States currency.

H.M.JR: Gentlemen, the thing I am going to follow now, I take it it is agreeable to the Army and agreeable to State - we are going to be very tough with them, very political, very courteous, but tough. Is that all right?

-8-

MR. VINCENT: Yes, sir.

MR. LUTHRINGER: I guess it is all right. You think the political situation is such that that is the thing to do?

MR. VINCENT: I am not up here with any instructions from Mr. Hull in my pocket, but I am just back from China and I am perfectly willing to do--

H.M.JR: Are you in the Far Eastern Section?

MR. LUTHRINGER: No, I am in the Financial Division. Mr. Vincent is on the political side.

MR. ADLER: There is one other question, sir. The Chinese are going to weep bitter tears over the quota. They may bring that up.

H.M.JR: I had French tears last night. They made a perfectly wild statement there yesterday, the Chinese, about seven hundred million. Nobody ever talked to them about a seven hundred million quota, did they?

MR. LUTHRINGER: I don't think so. Six I think was mentioned at one time.

H.M.JR: Of all the quotas, the five fifty is the most difficult to explain, and we did that for the magnificent fight they made for the last seven years! Are any Chinese troops fighting except those under General Stilwell?

GENERAL CLAY: I think that the ones in Yunan Province are putting up a little fight. They have a considerable number of American officers down there with them.

MR. VINCENT: The ones in Yunan have staged this temporary come-back. Chenault said they were going to let them go through. They will carry through that magnetic business. They are organized and can harry

-9-

supply lines. I don't know your last report on Hung Yang.

GENERAL CLAY: The Japs move forward in the summer and early spring and they move back when they have destroyed the harvests, and the Chinese have won a great victory when the Japs move back.

H.M.JR: And the rest of the Chinese Army is there standing guard against the so-called Communists.

MR. VINCENT: Yes, sir, the Communist Army up there-- not the whole rest of it, but one of the best-organized groups is that group of four hundred thousand men.

GENERAL CLAY: It is Chiang's biggest army and the best-equipped army.

H.M.JR: Is that the so-called Communist Army?

MR. ADLER: Watching the Communists.

H.M.JR: How big are they?

GENERAL CLAY: It has been estimated he has from four to five hundred thousand soldiers up there of the very best.

MR. ADLER: The estimates of the Chinese vary. The Communists in their last offer to the Generalissimo, said they were willing to cut their armies down to one hundred and sixty thousand, sixteen divisions. They claimed they had twenty-five divisions.

H.M.JR: Now, are we all right? Anybody want to make any suggestions?

GENERAL CLAY: No, sir.

H.M.JR: I am going to have a wonderful time with the Chinese.

Bretton Woods, N.H.
July 16, 1944
10:30 a.m.

BANK - RUSSIA

Present:	Mr. Wolcott	Mr. Stepanov
	Mr. Luxford	Mr. Chechulin
	Mr. Vinson	Mr. Arutiunian
	Mr. White	
	Mrs. Klotz	

H.M.JR: Will you explain to Mr. Stepanov that I have two American Generals here who have come up on a matter in connection with China, and I have told them I would see them at eleven o'clock?

Mr. Vinson is my Deputy Chairman and when we are through - if we don't get through, Mr. Vinson will be glad to go to your room.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov didn't want to take much of your time, sir. Yesterday he discussed this question with Dr. White.

He wants to thank you and to express his admiration for the way the proposals which had been discussed here and promised for decision, were conducted and approved.

H.M.JR: The credit goes to Dr. White.

MR. AURTIUNIAN: And Mr. Luxford.

MR. VINSON: And Mr. Secretary.

H.M.JR: And don't forget the wonderful speech Mr. Vinson made! (Laughter)

- 2 -

(Mr. Stepanov)

INTERPRETER: Well, unless that speech was made, it would be rather difficult for Dr. White to settle the quotas.

Dr. White is an excellent Chairman and presided in a wonderful way.

H.M.JR: I am glad Mr. Stepanov is pleased with the way the meeting was conducted.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov appreciates and understands your American way of doing business.

There are some points concerning the Bank that Mr. Stepanov mentioned yesterday to Dr. White. Mr. Stepanov would like to bring them to your attention and secure your approval.

H.M.JR: On the Bank?

(Mr. Stepanov)

INTERPRETER: Yes. Here is the question concerning the postponement of part of payment of the subscription to the Bank capital - gold subscription - but it is not a question of allowance, but just postponement.

The second question concerns the places where gold is to be held - deposits.

The third is the fixation of conditions under which the loans are to be given to the countries occupied by the enemy. But that is kind of a program, there; no concrete provisions, just a general statement.

And the question concerning the subscription to the Bank.

H.M.JR: I really think, for me to begin to discuss this - I can't do it in five minutes. This gentleman would be glad to go to your office - and Mr. Luxford.

- 3 -

These things are so important that I don't want to work with Mr. Stepanov watching my watch!

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov says it is satisfactory, because he knows from experience that all the gentlemen here presently know they can refer to you all the matters which are discussed in such a way, and that they are very easily solved later.

MR. VINSON: Certainly. There will be no disagreement. (Laughter)

(Mr. Stepanov)

INTERPRETER: That is the thought of Mr. Stepanov.

And another thing Mr. Stepanov would like to discuss with you gentlemen is what would be the logical ending of the Conference, the papers, and so forth - how to arrange the conclusions.

Bretton Woods, N.H.
 July 16, 1944
 11:15 a.m.

FINANCIAL SETTLEMENT WITH CHINA

Present:	General Clay	Mr. Kuo
	General Carter	Mr. Koo
	Mr. Luthringer	Mr. Soong
	Mr. Adler	Mr. Chi
	Mr. Vincent	Mr. Pei
	Mrs. Klotz	
	Dr. Kung	

H.M.JR: Dr. Kung, you spoke to me the other day about how you would proceed to take up this matter in regard to your government's and our government's financial arrangement as far as the Army went, and I think the President felt that possibly we, as Ministers of Finance, could handle it well, and both State Department and the Army feel the same way.

So I thought - I took these two very busy gentlemen away from Washington for two days and they are here, but, unfortunately, they have to go back tonight, since they have so many responsibilities.

I think the simplest way, if it would be agreeable to you, would be to ask General Clay to state what we have in mind since, after all, it is largely a military matter, and in the final analysis they are going to have to pay for it.

So I think, General Clay, if you would proceed--

GENERAL CLAY: Mr. Secretary, Gentlemen - as you know, we in the Army are now winding up a fiscal year as of June 30, and we are most anxious to get our accounts in shape for the past fiscal year, and in that connection we are particularly anxious to clear up our Chinese expenditures so that we can make our end-of-the-year fiscal reports to the Treasury and to Congress.

As we see the picture, we have a responsibility for the financing of the work that was undertaken in China

- 2 -

for the new airports and the installations at the airport which, as of June 30, had utilized approximately twelve billion yuan. We are not speaking of the food and lodging which we would prefer for you to continue to give us, as you have, or under Reverse Lend Lease; we are speaking of the twelve billion expenditure on the airports and installations.

We have to date made you one payment on account thereof, of twenty-five million dollars. The President had stated that our expenditures would approximate twenty-five million dollars a month, and that was based on an approximation of what the same work would cost here in the U. S.

We would like to propose a final settlement of those accounts, again exclusive of the food and lodging, as of June 30, by an additional immediate lump sum payment of seventy-five million dollars. We would like to continue to pay for the goods and services for the operation and maintenance and such additional construction as may be necessary on those airports. And we estimate that in July, August, and September - the present month and the next two months - our expenditures on this account would run approximately twenty million dollars a month.

We would like to give you that estimate of these three months of twenty million a month, asking you, in turn, to give us the goods and services, or yuan, with another final settlement of those three months to be effected immediately after September 30, and a new estimate made at that time of the expenditures for the next three months.

That is the proposal which we would like to place before you today. I think, Mr. Secretary, that sums up our proposal.

H.M.JR: General Clay has the advantage. He says a lot in a very few words.

DR. KUNG: Well, Mr. Secretary, General Clay, and gentlemen - the first thing I wish to say is that we regret very much, we are ashamed of ourselves, we have to ask for a payment or settlement for the money you have spent in China. This is a common war. Everybody should contribute his share to the best of his ability. You are fighting our war; we are fighting your war. We are sacrificing lives. A life cannot be compensated for in a monetary sense.

- 3 -

The object of this war is not only to crush the Japanese - and Japan, if I may say so, is your Enemy Number One. If I understand the sentiment of the American people right, the American people want the defeat of Japan at any cost. You have spent large sums of money, and you have spent a great deal of money in the South Sea Islands.

If I remember right, I think Secretary Morgenthau contributed in the fifth campaign for the sale of bonds - he gave a figure of how much it cost America to just gain an island. It cost six billion dollars, and in the second place it cost seven billion and a half. And you have given a lot of money to Europe, not only in money - your ships, your sacrifices - in order to send in goods, food, and all sorts of stuff to Europe.

As far as China is concerned, you know how much you have spent there. And today, after seven years of war, unquestionably China is suffering. Gentlemen, if you could see the picture of what China has suffered I am sure it would touch your heart. Today we are cut off from the rest of the world. What we have accumulated has been spent. In spite of that we are trying our best to win the war in order to defeat the common enemy.

I am not trying to praise the Chinese virtue or boast in any way, but I think perhaps it is up to me to give you a picture of the conditions in China. I think they are making a tremendous sacrifice. Your boys are doing what they can to help the Chinese do the job - even before you joined the war, there were plenty of American young men who volunteered in the AVG, trying to help China.

Now, we appreciate your people's sympathy; we appreciate your government's assistance. Mr. Morgenthau has done his best, not only to assist us in a financial way, he has done it in many ways - Secretary Hull, Mr. Stimson, you know - and all you gentlemen - you people have risked your lives in order to achieve the common object we have in view.

For that reason, therefore, I say we are ashamed to talk of the money you spent in China, that you have to reimburse us. We wish we were in the position to just say to our American friends, "Forget about it - anything you need, anything you want, anything we can give - you just ask." But unfortunately we are not in that position.

In this country you talk about inflation; in China we have inflation. The inflation is getting worse. If

- 4 -

we are going to win the war - not only that, but to win the peace, it is necessary China must be strong. It is to the advantage of the world, to America herself, to have a neighbor after the war who could cooperate with America for the safety, security, trade, and commerce of the world, to build a safer, a happier, a better world. You will need somebody in the Far East, and that place, I think we all agree, is China.

We appreciate the loans you made to China; we appreciate the assistance you give to China; in fact, during the Cairo Conference your President, who is a far-sighted statesman, was worried over the inflation situation, wanted to do something to help China, and his scheme was very generous.

Now, even I myself, thought he could not carry it out. But anyway, it has been time and again assured me that America will want to do her share, America will want to help China. That is not only the wish of your President, it is the wish of Mr. Morgenthau, Mr. Hull, Mr. Stimson, and General Marshall and Admiral King - Arnold, and the rest of you, who want the same thing.

Now, the question is - the prices are high in China; therefore the buying power of your currency is not the trouble, but we are at war, and China has had seven years of it. We are cut off from the rest of the world. Before the war China was a country whose balance of international trade was against her because she had to import more than she could export. With the industries located at the China coast, which has been taken by the Japanese, our enemy, naturally demand exceeded supply - we could not import anything because we are blockaded. The lack of goods brought the prices higher and higher.

That is why this time I came I appeared before Mr. Morgenthau, and talked to Mr. Hull, also appealed to the President to give us something by which we can bring some of the consumers' goods into China, hoping by such action it will help to stabilize the prices and keep them down. That was negotiated. Also the President has given us sympathetic assurances he would do it, but it was referred to the gentlemen who are in charge. Just when and how many of those things can be allocated to us, we are not quite sure, but we hope it will be done.

Now we are in a Conference. The main purpose of this Conference is the stabilization of currencies.

For what? Because after the war we want a peaceful trade. America is a country of commerce and industry. You naturally want to sell your goods. If you want to sell your goods to the rest of the world, you can't sell to a country where they are manufacturing such goods themselves; you can't sell because they want to sell their manufactured goods themselves.

Well, China seems to be a logical place because under this national government we are trying to raise the standard of living of the people. American people are interested in the development of China because you can get certain resources, raw materials, from China, and because there is a potential market in China.

Now, for every dollar we issue, the Central Bank has certain obligations. The notes are not issued by the government. Formerly the banks had the privilege - the government gives them the privilege to issue the notes, but the Chinese Government did not want inflation - didn't want people to issue money for nothing. Therefore we haven't changed the law yet; it was made long before the war. Any bank that enjoys the privilege of issuing must have sixty percent of the cash in reserve. The sixty percent cash is their gold, silver, or foreign exchange; forty percent is securities. That could be government bonds.

The last time I was in this country I sold some silver to the American Government. At that time the Central Bank's reserve against issue - that is to say, cash reserve, was above the legal minimum.

H.M.JR: Excuse me just one moment--

DR. KUNG: Mr. Pei is General Manager of the Bank of China, but their issue was above that required by law - over sixty percent. You people in this country say that we have a large foreign exchange reserve - foreign currency. That is true, but this reserve we have against our issue - oh, you cannot compare it - you cannot speak of it.

Now, you cannot just keep on issuing paper currency without the proper reserve. I saw one of the letters circulated by your silver Senators. This paper said that in Europe and in the Far East, countries just issue paper money, and it is going to be a big problem.

- 6 -

If it is to the interest of the world, and especially of America, to have a strong China, which I take for granted that is the general wish - not only the American Government's, but the people - if you want a country after the war which could trade with you, then you must have a country which is not bankrupt. We are on the verge of bankruptcy. Every dollar you spend in China, we issue that dollar, beside the large projects we had to face, is a dollar toward inflation.

Unless you desire to help China to combat the inflation - for you will have further inflation - with the financial and economic and military resistance to Japan, in the future, all will be weakened.

You speak about large imports to your men in China. I don't know whether you gentlemen realize how much it costs China - last month it cost China three hundred million dollars, alone, to feed your Army. Last year - in the winter of last year - it cost us something about ninety dollars to feed an American soldier a day.

We in China are vegetable eaters. The poor people don't have much meat to eat, but of course, your boys must have roast beef and must have eggs for breakfast, and so forth. In England, I understand, you have to make application beforehand. You may be allowed an egg or two a month. But in China your boys need six eggs a day, and now it is cut down to four eggs. But you eat a pound of beef a day. In Kunming alone we are keeping cows and oxen to supply you twelve thousand pounds, or catties - that is one-fourth larger than a pound--Is it catties or pounds, Adler?

MR. ADLER: Catties.

DR. KUNG: We are supplying you twelve thousand catties of beef alone every day. Now, China is not like America, because in this country you raise animals for the purpose of meat; in China we don't do that. In order to supply the meat, we are feeding our oxen, used for farming purposes. I had a protest from the Governor of Yunnan, he had protests from the Provincial Assembly, saying that the cows and oxen were killed at such a rate that very soon there wouldn't be any animals left to help the farmers farm their land. We went out from Yunnan to the next province, The Governor of Kweichow around the first of April, wired me - he had issued orders prohibiting exporting cows out of his province.

Today, just before I left, General Hwang who is in charge of feeding your troops asked me - actually, to keep up the same kind of food and give it to your soldiers - and many times your representatives there, and your General, have said that you are willing to take care of that. But when they looked into the situation - what they had to buy - well, it was costing so much - I know it was then costing something like eighty-four dollars. You figure it out at the rate of twenty Chinese dollars to the American dollar - it costs us over four dollars to feed a soldier in China - whereas, here it costs you only sixty-four cents, or something like that.

So, well, your Army was in difficulty - we realize that. So we said, "Well, the American boys come here as our guests, our comrades - we are fighting the same battle. We know they are used to good food in their homes, therefore we will give them something similar to that, regardless of what the cost may be."

But your President has said, time and again, that America will pay for everything - doesn't want to burden China; in fact, America wants to help China.

Now, I think your requirement for the last month was one billion five hundred million, for the last month. Since I got here I received a wire from the Manager of the Central Bank reporting to me - asking one billion five hundred million Chinese dollars to be placed to their account, because they needed that for this month. And you know in China, of course, we have a budget and the budget must go through. Owing to this war, its routine and regulations take a long time. In fact, we set up the budget after July 1st. China has adopted a democratic system. And the system is complicated.

We cannot therefore say there is no budget. I took the responsibility, when there was some budget from the Treasury of my government - the Chinese Government must take care of - they made the budget for that. It is a military budget. But aside from that - as the Governor of the Central Bank, I simply made a loan. If I went through the budget it would take a long time. American credit is good; therefore I told the Central Bank American credit is good and you will just make a loan - an advancement to the American Army. I took too much responsibility upon my shoulders.

- 8 -

Now, the bank enjoys the privilege of issuing, yet the bank is governed by the law. They must have a certain reserve. When the time comes to set our rate in the future, anyone can purchase American dollars. We have no right, we have no reason, according to law, we cannot do it. And if that happens, what little foreign reserve we may have will go away so quick, and then we are left a bunch of paper in China which has nothing to back it.

How can you then expect China to build a strong and prosperous nation to cooperate with you, to trade with you, or to buy your goods? Now, that is the difficulty - the dilemma. I just make this statement because we want people to know of this, but in America we regard America as a friend, as a comrade. We are in this war and fighting shoulder to shoulder against a common enemy, not only hoping to win the war, but we are hoping to win the peace. After the war we want to cooperate.

As I said from the beginning, I feel ashamed that I have to talk to you about money matters. The desire of the Generalissimo, and I know of the Chinese people, if we could do it we would just tell you to forget about that, that we will finance everything.

But, gentlemen, we are in this war to pool our resources for a common objective. It is more fortunate, I rejoice with you, because America is the stronger. It is in a position to help the weak; that is why America now becomes the leader of the world, and, I hope, the arsenal of the world - not only the arsenal of the world, but you are the leader to reestablish economic life after this war, so you will lead the world into prosperity, and a world of peace and security.

If you think that China is any assistance to you, if you think, in the future, China could cooperate with you, could assist you in any way, then now is the time that you should try to help China a little bit to put her on her feet. China will never forget any help that is given to her. Although during the times when we were in trouble, as Mr. Morgenthau can tell you, there was a surplus on your part, we took, and we are paying cash for it. You were doing it throughout the war. We met the schedule; we have not defaulted; we have not delayed a single day in our payments.

- 9 -

President Roosevelt made an announcement, you would give us a hundred million dollars as a loan - fifty million of this was taken for the Stabilization Fund. There was also a wood-oil loan. Secretary Morgenthau can tell you, we have returned the money, every cent of it, and the loans were made backed by a five-year credit. We paid it back in two and a half years. We supply you with some of the important metals for your war. It costs us today twice as much in China for the government to buy those metals and sell them to you at fifty percent of the price. I don't want to give you the idea we are boasting here, but I think these are some of the facts, and you should know. It is not because we are not willing - as long as we are able, we will do it. The only thing I ask you is, don't try to help China to increase inflation. That is the only thing I want to ask you.

As to how that is going to be done, I think you gentlemen have more experience - wiser than we are - because I come to America, I see you giving to Europe everywhere, I still see low prices and the possibility of enjoyment in this country. That is something we want to learn from you. If you can find some ways and means to help China in this crisis, you can lower our prices. We are willing to contribute anything - everything; you don't have to pay us a cent. Of course, some people say, "Why don't you change your rate?"

The inflation in China, the high prices in China are partly caused by inflation because the Chinese national dollar has decreased in power. If we are willing to decrease that further - the buying power of the Chinese national dollar - we will say the high prices of commodities will increase our budget - that will make our life impossible. If China's economic strength is broken down, then there is no use to talk about resistance, cooperation, with you in the future.

Now, perhaps I have generalized too much, but I think that is the picture. I think some of this you know already. But anyway, my government sends me here and I think I must represent the government's course. I am here not to bargain with you; I am here to tell you China is willing to do everything, but I want you to take into consideration our difficulties and our usefulness to you after the war.

That is all I have to say.

H.M.JR: Well, Dr. Kung, I was naturally very much impressed with your very magnificent statement, and the sincerity of it, and the very complete picture which you have given us of the situation in China.

I think I can speak for the American Government when I say that we all have the deepest admiration for the very wonderful fight that China has waged during the past seven years. We realize that you have done much to hold the situation in the Far East while we were getting ready.

I am not going to attempt to answer some of the questions which you raised about the internal situation of China, because I feel you know those much better than I do. We here are not attempting to try to solve China's post-war problems.

After all, we are simply here to come to an agreement on the military expenditures which have been made in China during the year 1944, and up to the first of July. I think that the American Government has given concrete proof over not only the last seven years, but for many, many years that we are the friend of China; we look on China as our friend. We feel that we certainly have as much need for China as a friend when the war is over as China may have of the United States as a friend.

After all, we must live through exchange of goods and exchange of work of your people and our people, but that is something which we can't solve here, but I feel that will have to go on the American record of concrete demonstration of friendship for China, that that friendship will not stop after the armistice; if anything, it will become increasingly great. But we have a very difficult problem.

In a small way I had something to do with getting those first hundred planes to China under General Chenault, and we have tried desperately, where we are fighting a war on twenty fronts, to bring to bear in China as much military strength as we could, at the same time keeping in mind all the other fronts which we had to fight on.

And it is a cause of great concern to us, as I know it is to you, that you have no approach from the sea, that those have all been closed, and therefore the goods which we have here we have no way of getting through the normal channels - through ships, by sea - and therefore the only way left after having had the Burma Road closed, is over the so-called Hump, or by air.

As you know very well, I think the Generalissimo has been in complete accord with us that the maximum amount of goods which will be flown in should be for the American Air Force, and that has been the policy, as I understand, up to very recently; that the maximum would be flown in. Therefore there has been very little opportunity to fly in any merchandise for consumption of civilians, with the result that there is a great shortage of goods, and your money - as in many other countries under similar conditions - the value has become less and less, due to no fault of your government, or your very fine administration of the Chinese Treasury, but due to the fact that the goods have not been obtainable from the outside world.

We, at all times, have strained every effort and have constantly increased the number of planes made available to China to fly in these goods. As you know, I believe I am correct, that in connection with the B-29's, I think they flew in their supplies - and that was outside of the supplies which were flown in regularly.

We now, with your fine help and your troops and ours working together - I believe we now control three hundred miles, don't we, of the road in North Burma?

GENERAL CLAY: That is right.

H.M.JR: If we are fortunate enough to meet with continued success, there is hope of opening that road, and once that road is opened, I can assure you American supplies will flow freely over that road as they did when the Burma Road was opened, and when we used to send the supplies to you through Indo China - and faster than Mr. T.L. Soong could move them. Is that right? Even though he had a very fine transportation system. But we put them on the dock in Indo China faster than you could transport them. Is that right?

MR. SOONG: Yes.

H.M.JR: So once the roads are opened, I can assure you it is the wish of the American Government to again give you the supplies as fast or faster than you can transport them.

Now we are faced with a situation - you who have received an education here in America realize our form

of Government - that we have a Congress who, on the whole, has been very sympathetic. But if the Congress realized the price that the American Army had to pay for some of the articles, it would be extremely difficult for these gentlemen whose responsibility it is, to explain it.

Now, there is a very good explanation; as you said, you have to take your beasts of burden, which are both beef and also used for transportation purposes, and you slaughter them. And they are very expensive. But when you get down to the individual articles that the troops have had to use and to buy - and some of the people who are unfriendly to this Administration knew the cost of the individual articles - these gentlemen wouldn't be looking as cool and comfortable as they do now when they appeared before those Committees. They would have a very difficult time.

And therefore, in the interest of what we can do in the future, so that we will not in any way jeopardize the friendly interests of the Congress towards what this Administration is doing, we felt it was better to approach this matter with a lump sum settlement. After all, the Army can demand that before Congress; they can explain it. They can say, "Well, we arrived at this figure and this is a lump sum," and they don't have to go down and explain each egg or each pound of beef which was bought, or what the price was. This is a lump sum settlement which was arrived at - and having, I hope, made a lump sum settlement with you up to the first of July, we can then go on for another three months and there will be no criticism of what the Army has done, no criticism of China for what these individual articles have cost.

I feel that the military effort which General Stilwell and General Chenault and the other people are doing in cooperation with your people can continue.

Now, up to now, the sympathy of the American people towards China has been almost universal, and they are conscious of the very fine fight and the great sacrifice that your people have made. But if we have to get down to a question of rates for individual articles, and have to explain it, item by item, I am very much worried that we might find people are unfriendly, that they might criticize us, and what is much worse, curtail us in our effort, and jeopardize, not only the immediate military problem that we have on hand with you, but jeopardize future commitments that we want to make just as soon as any avenue, by air or by sea, are open, so that we can get goods into China.

After all, in the final analysis, the only thing that is going to help you on your inflation problem is to get you goods. Now that, Dr. Kung, I know is very briefly how we feel.

If either General Clay or General Carter would care to add something, I wish they would do so.

GENERAL CLAY: I doubt there is anything I can add to the statement you just made, Mr. Secretary. I think it sums up our situation.

MR. VINCENT: Would you repeat what you said about the food, General Clay, and the services of that kind rendered, which were outside of this?

GENERAL CLAY: Our proposal was for the airport construction and did not involve the question of payment for the food and lodging either in the past or in the future; and the preference on our part is that we would continue to receive those as you have given them to us in the past, or that you might desire to put those expenditures over on Reverse Lend Lease.

DR. KUNG: You have not signed the Reverse Lend Lease agreement yet. That agreement was proposed by your State Department. Finally we agreed to it. We sent it back and said all right, we would agree to your proposal, but up to the present you have not signed that.

H.M.JR: Mr. Vincent, do you want to answer that?

MR. VINCENT: Mr. Luthringer may know what was done on Reverse Lend Lease.

H.M.JR: Do you mind?

MR. LUTHRINGER: I am not up on it, Mr. Secretary.

H.M.JR: Then you had better not. Are you, Mr. Adler?

MR. ADLER: I am fairly familiar with it, sir. I understand the question of Reverse Lend Lease was first raised in 1942, and we were anxious to reach an agreement through 1943; then Dr. Kung took the question up in 1944 and from what I gathered and from what the Ambassador told me, we were interested in an agreement which would have provisions for concrete implementation. There was a master agreement, and--

- 14 -

DR. KUNG: If you don't mind my speaking the truth, Mr. Secretary, I am straightforward in my dealings with everybody, especially with my friends - this Reverse Lend Lease agreement was proposed by your State Department - I think it was Mr. Dean Acheson who handed it to Mr. Soong sometime late last year. This was referred back to China and the Generalissimo asked my advice. I examined that and there seemed to be a phrase or so about the expenditures of the American troops. Well, I saw that was too general. Therefore I said perhaps you wouldn't say it was American troops "in China," because there are American troops in India; if you just said "American troops" - we don't know what is our responsibility. So with that minor change, I referred it back to the Military and Foreign Affairs. Mr. Soong said he thought it was best not to raise that question, just confirm what the American proposal was and accept it.

After that was decided it went to the Executive Yuan and, unfortunately, Dr. Tsiang Tingfu, the head of it, was preparing to leave for this country. He put it in his drawer - didn't send it back to the Ministry of Foreign Affairs. Then later the question came up about the Reverse Lend Lease because I was trying to give some money, but any money I gave I must charge to a certain account. Well, I saw that money spent for American Army purposes should be entered in the Reverse Lend Lease column. And they said that Lend Lease has not been signed. And our Foreign Affairs Minister said he had not received instructions from the head. I said that the instructions were given.

Then we found out the document was in the drawer, left by the one who came to this country. So we took that out and sent it to ~~Wai-chapou~~ and he sent it to the State Department. By that time the exchange value of the American dollar - there was a rumor the American Government was negotiating with the Chinese Government to change that rate to one hundred dollars and somebody in the market thought this was a good time because the American dollar was cheaper. Everybody tried to buy American dollars and they raised the value of the American dollar. And your Embassy saw the American dollars - and black market has risen recently in prices - and the Reverse Lend Lease - there was one sentence in it saying that the American expenditures in China were to be paid by American dollars according to the official rate, except those contributed by the Chinese Government. Well, the rate was twenty dollars, and if you signed that you are bound to accept

the twenty dollar rate. I think that is the reason why it was not signed.

GENERAL CLAY: Mr. Secretary, I might suggest that from our point of view and the Army, as far as the food and lodging is concerned, and since there is no Reverse Lend Lease agreement, and in order that we close that out as of June 30, and as far as our own Army expenditures are concerned, we would be prepared, in the interest of an over-all lump settlement as of June 30, to increase our offering of seventy-five million to ninety million to cover food and lodging, without any attempt to establish an exchange rate, and make that additional lump sum settlement and clean out the whole obligation, letting what may happen with respect to Reverse Lend Lease, as far as the Army is concerned, be from July one, on. Then we would have completely closed out the last fiscal year, and it would enable us to close out our accounts.

DR. KUNG: That is very generous of you, General Clay. May I ask one question? I think you said you paid this year, I think, twenty-five million dollars for the February account.

GENERAL CLAY: That is right.

DR. KUNG: Since then you have paid nothing - March, April, May, June - that is four months, isn't it?

GENERAL CLAY: There is a question--

DR. KUNG: And according to the rate you propose to give a lump sum, twenty-five million dollars a month; that is a hundred million, isn't it?

GENERAL CLAY: There is a question as to whether that first month was as of March or February.

DR. KUNG: You paid twenty-five million dollars in March; that was for the account of February.

H.M.JR: Excuse me a minute--

GENERAL CLAY: As we would sum it up, with the twenty-five million that we have paid, and cleaning out the whole thing as of June 30, would amount to one hundred and fifteen million dollars. We would like to pay that in a lump sum and close out the obligation as of June 30, and start off on a new basis as of July one.

DR. KUNG: General Clay, there is another question.

H.M.JR: Excuse me. Could I just ask these gentlemen with me just to step in the other room a minute and leave these people here? You don't mind?

DR. KUNG: Just one word I want to ask. You say about twenty-five million. That is for your Army expenditure. You have not included the expense for building the airports, which is outside of this.

GENERAL CLAY: That is including the advances for the airports.

DR. KUNG: No, I think we have advanced money to this amount to you outside of the cost of the airports, and it was promised by your President that you would take care of that.

GENERAL CLAY: This is based on a settlement of your own figures that you have given us, of twelve point three billion yuan, for airports, roads, and so forth, and one point nine billion yuan, for food and lodging as of June 30.

DR. KUNG: Have you got the figure?

GENERAL CLAY: That is a total of fourteen billion two hundred million, yuan.

DR. KUNG: I just wanted to clear that point. My understanding was that up to that time, your expenditure for your Army was costing twenty-five million dollars each month. You credit the twenty-five million dollars in New York to the Central Bank and we give you the equivalent in Chinese currency according to the official rate to your Army in China. And then the question of coming out for building the airport, which cost some more extra money - and the telegrams and letters written by President Roosevelt to the Generalissimo was that would be paid by the American Government.

Before you wanted us to build the airport it was costing you then twenty and twenty-five million dollars each month to maintain your Army. Therefore the cost of the building of the airports is not included in this.

GENERAL CLAY: No, that isn't the way we see it, Dr. Kung.

DR. KUNG: Well, we had the figures.

GENERAL GLAY: In that commitment we stated that our expenditures in China, including construction, would aggregate, we believed, an approximate amount of twenty-five million dollars per month, and in the absence of any agreement as to rate, we stated that we would deposit twenty-five million dollars to your account in the United States and you would make available to us the requisite funds in China for the airport construction and for our other Army expenditures, each without prejudice to the final settlement, each being the payment on account by the other government. I believe that was the condition under which the deposits were made.

DR. KUNG: I think there is some mistake somewhere, because you were spending twenty-five million dollars each month before the thought of the airports came up.

H.M.JR: I don't know of anything - Dr. Kung refers to a cable from the President. Let's get that straight. What did the President say?

MR. ADLER: The last two paragraphs (hands document to the Secretary).

H.M.JR: In regard to airports--

DR. KUNG: I saw some telegrams between the Generalissimo and President Roosevelt.

MR. ADLER: The message from the President to the Generalissimo was based on the understanding that our expenditures in China during the next few months would be somewhere in the neighborhood of twenty-five million U.S. dollars each month, and that was all-inclusive - it included construction costs and all other expenditures.

DR. KUNG: Will you please read the whole sentence?

H.M.JR: (Reading) "I should like to suggest that an arrangement such as General Stilwell and Ambassador Gauss are authorized to propose be adopted tentatively on the understanding that our Army expenditures in China during the next few months can be expected to be somewhere in the neighborhood of twenty-five million U.S. dollars each month. Furthermore, since you say that your government is not in a position to continue any direct

- 18 -

maintenance of American troops in China, this Government, in order to cover all of its military expenditures in China, including such maintenance as well as construction, is prepared to place to your account U.S. dollars equivalent of any Chinese funds made available under general arrangements that will be suggested by General Stilwell and the Ambassador."

Now, those general arrangements were based on this twenty-five million dollars.

DR. KUNG: They built the airports separately.

H.M.JR: Well, we will have to differ with you, Dr. Kung.

DR. KUNG: I think we have a document to prove to you that it was the understanding - because building an airport costs how much?

MR. KOO: The Chinese Treasury advanced, up to the end of May, seven point six nine million, and the Central Bank advanced for construction up to the end of May, five point nine six billion.

DR. KUNG: This is a special item of how much it cost to build an airport.

GENERAL CLAY: That is the figure we carried - twelve billion three hundred million.

H.M.JR: We have the same figures. But the cable which went from the President to General Chiang Kai-shek which is there, is the only record we have and that record was just read to you, that it was all-inclusive for all work under General Stilwell, including the airfields.

But if I could just ask these gentlemen associated with me just to step out one minute - may I please? I will leave the battleground for you.

(Short intermission)

GENERAL CLAY: We are getting back to the question of the number of months for which the commitment was made. Actually, the Generalissimo's cablegram on which the President's reply was based referred to expenditures.

after March one, and that is why we were operating on the four-month basis - the four-month theory. Also, it was our understanding and basis that the twenty-five million included the construction and food and lodging.

However, we were perfectly willing to go on the four-month basis of twenty-five million, which would add up to a total of a hundred million, and to add the fifteen million to avoid any misunderstanding with respect to whether or not it did include the question of food and lodging, which was the reason for our raising our offer from the seventy-five to ninety million, over and above the twenty-five that has been paid.

DR. KUNG: I think I would prefer to still entertain American troops in China as our guests. How much it costs doesn't make any difference. We are perfectly willing to do that if you agree, but you agreed to pay twenty-five million dollars each month - the twenty-five million dollars you were spending before the question of building the airports came up. You actually were spending twenty-five million dollars, but because of the rising prices it looked as though you would have to spend much more than twenty-five million dollars. Therefore you said, "All right, we will limit our expenditures in China to the amount of twenty-five million dollars," which you were spending before that. But it is self-evident that building an airport which cost twelve billion dollars, or something like that, was outside of this because you have been spending twenty-five million dollars up to March, and the building of the airport came later; besides which, the construction and labor and so forth and so on - yet the money required - you actually spent more than twelve billion dollars.

So you include that, you say, in the twenty-five million dollars. That is really a mistake.

H.M.JR: Now, let me just understand. I take it that the question of paying for the food and lodging of our troops in China, you want to assume that obligation. Is that right?

DR. KUNG: Yes.

H.M.JR: So that is put to one side. That is separate from what we are discussing here. And you want to do that after the first of July?

DR. KUNG: Yes, we will do that.

- 20 -

H.M.JR: Well, that is very, very generous, and may I say thank you.

Now, Adler, do you mind giving us what the expenses were, say, for July 1 to January 1, 1943?

MR. ADLER: Approximately a hundred million dollars.

H.M.JR: For six months?

MR. ADLER: Yes, approximately. I have the actual table here.

H.M.JR: Do you have it, General Carter?

GENERAL CARTER: Yes.

(Mr. Adler hands the Secretary table of figures)

MR. ADLER: This is the total from October, 1941, to January, 1944. This is in U. S. Dollars, the total is one hundred and thirty-seven million, of which by far the larger portion was incurred from August, 1943. The Chengtu airfield was started in January.

H.M.JR: We are going to give you something to eat at one o'clock.

DR. KUNG: All right, I am not hungry.

H.M.JR: I am watching the clock because, as you know, it is very difficult downstairs to come up here again.

MR. ADLER: Over eighty percent of the expenditures were incurred from August, 1943, to January, 1944.

GENERAL CLAY: Our total expenditure for the fiscal year '43 was twenty-three million. It was climbing from practically nothing at the beginning of the year to five million a month at the end of the year - fiscal year; and the fiscal year 1944 our expenditures in China averaged about eleven million dollars a month.

MR. ADLER: Of course, the last five months we didn't advance any money.

GENERAL CARTER: The last month was twenty-seven million, and the month before that, twenty-three.

- 21 -

GENERAL CLAY: Now, of course, a good many of these expenditures are not wiped out under this arrangement, anyway.

GENERAL CARTER: That is right. Those are our dollars, and a good many of those expenditures are not wiped out.

GENERAL CLAY: Mr. Secretary, in the War Department we don't want to be unjust to Dr. Kung - in the position of bargaining. In the interest of quick and prompt settlement, particularly in view of Dr. Kung's offer with respect to the continuance of the food and lodging proposal, we would be very glad to offer an additional hundred million dollars to the twenty-five that has been paid, or a total of one hundred and twenty-five million for a full settlement of the obligations other than food and lodging up to the 30th of June, and then go on the basis that we explained.

H.M.JR: You will have to say it again. I don't get your proposal.

GENERAL CLAY: We would be very glad to make our additional payment to the Chinese Government for the yuan advanced and for the construction and operation and maintenance of installations which they have given us, covering the period from February to June at the twenty-five million rate, making a total payment of one hundred and twenty-five million dollars, or a hundred million more than we have paid, cleaning the slate as of June 30 - not intended to cover the food and lodging given to us by the Chinese Government which they are willing to continue.

It would be extremely helpful to us in our settlement of accounts if we could reach that understanding with Dr. Kung. In fact, we would like to go back to Washington and pay it before you take away our balances for last year's appropriation! It is very important.

H.M.JR: Anything left over, you see, we take back into the Treasury.

You were addressing yourself to Dr. Kung, weren't you?

DR. KUNG: Well, that is a very generous offer, General Clay, to increase it to a hundred million dollars, was it?

GENERAL CLAY: That would make a total of one hundred and twenty-five million, of which twenty-five million has been paid.

DR. KUNG: I think we are not quite satisfied about the airport because all the time while this war is going on, of course, always there is some construction, some building, and so forth and so on. If my memory serves me right, you were spending last year, before January, each month, something like twenty or twenty-five million U.S. dollars in China. That is credited to the account here in New York and the Central Bank gave you Chinese national dollars according to the official rates. You were spending as much as that.

Then there is no question about the Chengtu airport - what I refer to now as the Chengtu airport. Before that you were building some in Kunming, and here and there. But the Chengtu airport was an entirely different thing, because you wanted to build an airport to use the B-29's to bomb Japan. We were told the American Government would pay for that.

Now, in construction of the airfield they spent a lot more money than what appears in the paper because we conscripted nearly half a million people. We fed them. And people's houses were torn down, and we had to build roads, we had to buy land, and all that has been paid by the Chinese Government. It is all what we consider the American part of expenditures for building this airfield, that was requested by your Army's orders.

You want that much money advanced, to be settled later on. Now if you are going to include that with everything - well, there it is.

H.M.JR: May I say something? Two things may I point out to you, both of which I am sure that you recognize? One, the airfields are yours when the war is over; they are there and should belong to the Chinese Government. That is number one. I mean these Chengtu airfields. That is right, isn't it? There are no strings?

MR. VINSON: There have been no strings tied to them.

H.M.JR: I am talking correctly? All right. They might take me out and shoot me, you know. I am a very nervous man! (Laughter)

The other thing is, unfortunately, we have no

record other than the telegram from the President to the Generalissimo, which you can read yourself, in which is described what this would be, and we are of the honest opinion that that was all-inclusive.

DR. KUNG: Mr. Secretary, I think that during the Cairo Conference they did talk about it.

H.M.JR: I will also be honest. I have asked to find out what they said there. There is no written memorandum - I don't know whether the Generalissimo wrote anything down, but Mr. Roosevelt didn't. I have asked him, because the whole question came up about the loan, and all that. I have asked him a couple of times. There is nothing written - he made no notes.

DR. KUNG: He just said something to the Generalissimo because he came back and told me - he said, "I advanced this money; President Roosevelt agreed to pay for that."

H.M.JR: But then this cable we read came after the Cairo Conference.

GENERAL CLAY: May I say to the Doctor - and I think this is important from our viewpoint - in arriving at the over-all figure, we realized that it was impossible to do so on the basis of any exchange rate; that it was impossible to get that kind of a comparison of costs. So we developed in an approximate way what these various improvements would have cost us here in the U.S. as a basis for determining what we should pay. It would cost us approximately ten million dollars in this country to build one of the Chengtu airports, and we have used that figure in arriving at the over-all figure as to what would be a reasonably fair and comparable basis of settlement.

In that way we are not establishing an exchange rate and we have not tried to evaluate this on an exchange rate. We have tried to reach an approximate total which it would have cost us to have done the same thing in the U.S.. And that was the only fair and reasonable basis in which we could get an over-all approximation of what our obligation was.

H.M.JR: That is the group of airfields he is talking about?

DR. KUNG: One airfield.

GENERAL CLAY: About ten million dollars.

DR. KUNG: For nine it would be ninety million?

GENERAL CLAY: Each of the airport constructions involved over there, the average value would be about that, yes.

DR. KUNG: Well, General Clay, you know the prices differ, and you can never take one country's standard and apply it to another country. Before the war, labor in China only cost you, say, ten cents of your money. Now we pay twenty cents. In this country you pay twelve dollars for a carpenter who builds houses. If we are going to apply a standard of one country to another country, I don't think you can work that way anywhere.

H.M.JR: I agree with you. Might I suggest now, Dr. Kung, so that the food will taste good, that we adjourn now? We will go downstairs and have a little lunch. Then, if it is agreeable to you, we will come up again. Is that all right? Do you want to go to your room first?

DR. KUNG: Yes, I think I will go to my room first.

H.M.JR: These gentlemen are going to join us, aren't they? They have been invited.

(The meeting adjourns for luncheon)

(American Delegation reconvenes at 2:15 p.m.)

H.M.JR: General Clay, let me just ask you this question. It bothers me a little bit. This argument about including or excluding the big airfield - is it perfectly definite in your mind that this is all-inclusive?

GENERAL CLAY: Yes, sir.

H.M.JR: May I just be the devil's advocate a minute, because the figures, of course, do show twenty-three million for December, before we started the airfield, and then after we started the airfield, things didn't run up very much more rapidly.

GENERAL CLAY: These expenditures of ours that ran up so highly resulted from our having to go in and contract for a great deal of this construction work that

the Chinese had promised to do for us, and having to contract for them at twenty to one. So while our expenditures did run up to twenty-three million dollars, a very substantial part of that was in paying for the construction work which up to that time the Chinese had agreed to do, and paying for it at the artificial twenty to one rate.

GENERAL CARTER: And only about a million dollars of that monthly expenditure - less than a million dollars - applied to pay of troops.

GENERAL CLAY: Putting it another way, we have actually performed by contract with the American Government a good deal of the work on the Chengtu airports. Subsequent to March first we paid for those contracts with the money advanced to us by the Chinese; prior to that time we paid for it in Chinese funds purchased at twenty to one.

GENERAL CARTER: When the black market rate was running around a hundred to one.

H.M.JR: Let me put it another way. I just want to get this clear. I am afraid he is going to throw back at you the fact that you said nine airports and they cost ten million dollars apiece in this country.

GENERAL CLAY: That is all right, sir. The only thing we are under obligations to pay the Chinese, and the figure we are agreed to pay, is approximately twelve billion yuan, which was their own estimate of the cost to them, plus the funds advanced to us for the construction of the Chengtu airports and the road system.

Of course, the food and lodging was evaluated at two billion dollars, and the remaining Chinese claim of four million, four, was for those airports that were constructed in other parts of China, and largely prior to the U.S. Army moving in. We have never agreed to pay for those, and the only agreement on the part of the U.S. Army was to pay for the expenditures after the first of February, and all of our expenditures since that date have been on the Chengtu airports and the roads.

GENERAL CARTER: Except for pay of troops.

GENERAL CLAY: Yes, which is a very small part.

H.M.JR: I think that is a good point. So your feeling is that a hundred million dollars in addition to the twenty-five--

GENERAL CLAY: Yes, sir.

MR. VINCENT: I would like to be sort of assistant devil's advocate, though, that at the time - because we do have a gap in what the President had to say - at the time the President mentioned the twenty-five million we were spending twenty-five million; it was only subsequent to that time that Chiang Kai-shek said that as of March first we have to look after our own expenditures.

MR. ADLER: The President's message was a reply to the Generalissimo's ultimatum. The Generalissimo said as of March first we would have to look after our own expenditures - twenty to one.

MR. VINCENT: Because we wouldn't give them a billion dollars.

MR. ADLER: That is right. Then the President offered the twenty-five million a month.

MR. VINCENT: He didn't offer that twenty-five million before that. I was trying to get at whether the twenty-five million was mentioned before this ultimatum of the Generalissimo.

GENERAL CLAY: No, it was after that. The reason for that figure was in answering the ultimatum from the Generalissimo the Secretary of the Treasury asked us to make an estimate as to what our expenditures would be in China for the next several months, including the cost of the Chengtu airports. We made that estimate in Chinese yuan, based on the estimate which we received from the Theater, and converted it into dollars at a hundred to one. And it was the conversion at a hundred to one rate which made that estimate in yuan turn into twenty-five million dollars a month, American money.

MR. VINCENT: In spite of what Kung says, then, a hundred to one is still - he says you are working on two hundred to one, or one hundred and fifty to one, but my own estimate would be that a hundred times one hundred and twenty-five million is twelve billion, which is exactly where you come out.

GENERAL CLAY: That is right, the exact figure that the Chinese claim for these airports is twelve billion three hundred million, and our rate of payment would be approximately at a hundred to one.

MR. VINCENT: Yes. So you haven't changed the rate, although he got away with that statement.

GENERAL CLAY: I think that is true. Although perhaps we haven't made clear to him that out of his original claim of seventeen billion there was four point four billion for all the airport construction that the Chinese had done prior to Chengtu and which we have not accepted as an obligation.

MR. VINCENT: Although you have mentioned twelve billion as the figure you have in mind.

GENERAL CLAY: And explained the other. But we have never, and should never accept that four billion four hundred million as an obligation.

MR. VINCENT: I am mentioning this because I think we should avoid being drawn into any arguments where a hundred to one is the basis we should use. Your previous basis is far sounder than a hundred to one.

GENERAL CLAY: It has to work out about that way.

MR. VINCENT: Yes.

H.M.JR: Well, I think it would be helpful if you kind of reviewed that to them. I mean, just tell them how we arrived at this thing. Does anybody remember the date of the Cairo meeting?

GENERAL CLAY: December.

MR. ADLER: No, November 28.

GENERAL CLAY: It may have started November 28, but it ran to December.

H.M.JR: This cable was when?

MR. ADLER: It was delivered by Ambassador Gauss January 28.

MR. VINCENT: The one with the twenty-five million in it?

MR. ADLER; Yes.

MR. VINCENT: But was it done on the basis that the President might have mentioned twenty-five million in Cairo?

GENERAL CLAY: No, he didn't mention twenty-five million, or any sum. He simply stated that the U.S. was willing to assume the responsibility for financing the airports to be built in China.

MR. VINCENT: At which time he had in mind this Chengtu development?

GENERAL CLAY: When the Generalissimo came back with his ultimatum was when we proceeded to finance that obligation; we agreed fully to the obligation, but pointed out that there still had to be an agreement as to the amount of U.S. dollars that would be advanced in consummation of the agreement.

In other words, there had been no agreement on the part of the President as to the number of dollars that he would provide to finance that expenditure. And it was very obvious to us that the President did not intend to finance it at twenty to one.

MR. VINCENT: I think you are very sound in sticking to that and that the cost of production parity, or whatever you want to call it, is the basis.

I will say this, which is a little discouraging - everybody came in before the rest of us did down there - Kung simply said to me, "We seem to be fundamentally miles apart."

H.M.JR: Oh, well--

MR. VINCENT: We will see what he says.

MR. ADLER: My impression is that he didn't realize the offer you were making covered the airports. He thought it was for other stuff.

GENERAL CLAY: Oh, no.

H.M.JR: May I read this just once more? After all, this was sent when?

MR. ADLER: Transmitted by Ambassador Gauss.

MR. LUTHRINGER: I think January 23.

MR. ADLER: It says in the cable dated January 28 that Ambassador Gauss said he had transmitted this message to the Generalissimo, but I don't have the date of transmittal.

MR. VINCENT: I don't think any of us know.

H.M.JR: We will say between the 20th and 28th. Let me just read this part once more. Now, this is a result of the Generalissimo saying what to the President?

MR. ADLER: "You will have to look after your own expenditures at twenty to one."

H.M.JR: Then he comes back - "Meanwhile, I should like to make this specific suggestion. Just before receiving your message, I approved instructions of General Stilwell and Gauss to take up urgently with your Government the question of military expenditures in China. So I should like to suggest the arrangement such as General Stilwell and Gauss are authorized to propose be adopted tentatively on the understanding that Army expenditures in China during the next few months can be expected to be somewhere in the neighborhood of twenty-five million U.S. dollars each month."

What does that refer to - the arrangements?

MR. ADLER: Stilwell and the Ambassador were supposed to take it up.

MR. VINCENT: The arrangement is on the basis of trying to get a realistic rate of exchange.

H.M.JR: But they never agreed to anything?

MR. VINCENT: No.

H.M.JR: "Furthermore, since you say your government is not in position to continue any direct maintenance of American troops in China, this Government, in order to cover all of its military expenditures in China, including such maintenance as well as construction, is prepared to place to your account U.S. dollars equivalent of any Chinese funds made available under general arrangements that will be suggested by General Stilwell and the Ambassador."

Now, that didn't happen. The second paragraph didn't happen because they have been paying.

- 30 -

GENERAL CLAY: That is right, sir.

MR. VINCENT: As Mr. Adler very well points out, that "furthermore" is a rather damaging bit of verbiage there.

H.M.JR: Why?

MR. VINCENT: Well, because in paragraph one you have the twenty-five million, and then you say "furthermore--"

H.M.JR: Yes, but the second never happened.

GENERAL CLAY: No, but "furthermore" was again the over-all expenditure which was twenty-five million dollars, U.S.

MR. VINCENT: I am not making an argument here, I am just pointing the thing out - being the devil's advocate a bit.

H.M.JR: Of course, this is most likely a paraphrase.

MR. VINCENT: Yes, you turn it around.

GENERAL CLAY: I am perfectly sure it was clear to other people in China, and made clear to the Chinese that the twenty-five million dollars was over-all right from the beginning. Isn't that true, Mr. Adler?

MR. ADLER: I think so, yes.

H.M.JR: Then may I suggest, I think if you would kind of go back and trace the whole thing and explain how we arrived at the cost. The pay of our troops is over a million dollars a month. Show how we arrived at that, after Cairo. Whatever they said was the President's word to the Generalissimo, this is our magna charta. Based on that, "We have got twenty-five million a month, so we would be very glad to pay you another hundred million dollars" - and I would say again that "I may take that away from you any time."

MR. VINCENT: General Clay, let's get clear here so we don't get tied in knots - "...suggest an arrangement such as General Stilwell and Ambassador Gauss are authorized to propose" - he is going to ask what that is.

Now, the general arrangement had something to do with the rate of exchange - rather hidden rate of exchange.

- 31 -

GENERAL CLAY: That is very true, but the arrangement which they were authorized to propose at that time was the equivalent of a hundred to one rate, but it was to be reviewed each three months.

MR. VINCENT: If he asked what that arrangement was, we can't say that we don't know.

MR. LUTHRIDGE: Wasn't roughly, General, the idea to have official rate plus an exchange sum?

GENERAL CLAY: That is right, under Reverse Lend Lease.

MR. VINCENT: They were going to stick to twenty to one, and eighty was the exchange. It was never known whether Gauss and Stilwell proposed to take that eighty dollars - U.S. dollars - and put it into Reverse Lend Lease - I don't know--

MR. ADLER: They never got that far.

GENERAL CLAY: They were supposed to come back here for final approval.

GENERAL CARTER: General Stilwell wouldn't have dealt on the twenty to one, because he was the one requesting a realistic rate right from the beginning.

H.M.JR: In view of this, I don't think I would read from that cable. You can just quote it, ad lib.

Adler, you might tell them if they are there to let us know.

(The Chinese Delegation enters the conference)

H.M.JR: If it is agreeable to you, Dr. Kung, I would like General Clay to go back and review the various negotiations that the Army has had during the past few months, chronologically - if that is agreeable to you.

Would you proceed, please, General Clay?

GENERAL CLAY: Yes, sir.

As you know, Dr. Kung, the question of construction of the Chengtu airports and roads was a question which came up early in 1944 and at that time you raised the question of the inability of the Chinese Government

to finance the construction of these airports, and we agreed that we would undertake the financing and the construction of the Chengtu airports as part of our overall responsibility for this common war of ours; no agreement being made, of course, at that time, as to how much that meant in American dollars or even in yuan.

Now, since that date, and up to the 30th of June, you have made available in services, goods, food, and yuan, a total of approximately fourteen billion yuah. You had an original figure of some seventeen billion yuan as your total expenditures, of which approximately four point four billion yuan were for other airports than the Chengtu airports that were constructed partly for AVG and partly prior to our entry into war.

Removing that as an obligation, under your figures we would have a total expenditure made in our behalf of approximately fourteen point two billion, of which one point nine billion was for food and lodging.

So the obligation that we are speaking about, which we agreed to incur, is an obligation of approximately twelve to twelve and a half billion yuan. And now we are offering in final settlement of that, one hundred and twenty-five million dollars, of which twenty-five million dollars has been paid.

I bring that out because as we were leaving, you referred to our original conversation in Chungking when we were speaking of an exchange at a hundred to one rate. We are not speaking of this in terms of exchange now, but I would like to bring out that that one hundred and twenty-five million does have that somewhat rough relationship to the twelve billion obligation.

In our commitment we, I think, made it clear that the twenty-five million a month that we had in mind to spend as our expenditures in China, did include the construction of the Chengtu airports. Now, the reason this question came up, and while it is true that prior to that time our expenditures had reached twenty-three million, that was based on the old official rate of twenty to one, and it was the values that we were getting in terms of what we could have gotten in this country that alarmed us and caused us to bring up this entire question.

When we saw you in Chungking we were greatly alarmed because we didn't feel that we could justify to our Congress the expenditures of the type that we were making, for the value received. We still feel that one hundred and twenty-five million dollars is a fair representation of the value we have received, that is in accord with the discussions which we had with you in Chungking.

And once more I would like to point out the importance to us of closing this out, because we have it set up as an obligation in our last year's appropriation and we must close it out, and we must close it out soon or we lose the money. We have to turn it back to the Secretary of the Treasury and we have not made any allowance for it in our new budget. So we are in a very urgent position with respect to a final closing out of the account.

DR. KUNG: Well, Mr. Secretary and General Clay, I think that in order to settle this we must clear up something I just referred to before noon.

Will you (Mr. Kuo) please read that telegram? This is a telegram from President Roosevelt to Generalissimo Chiang Kai-shek.

MR. KUO: I will read the two final paragraphs: "Meanwhile, I should like to make this specific suggestion. Just before receiving your message I had approved instructions to General Stilwell and to Ambassador Gauss to take up urgently with your government the question of our military expenditures in China. I should like to suggest that an arrangement such as General Stilwell and Ambassador Gauss are authorized to propose be adopted tentatively on the understanding that our Army expenditures in China during the next few months can be expected to be somewhere in the neighborhood of twenty-five million dollars each month. Furthermore, since you say that your government is not in a position to continue any direct maintenance of American troops in China, this Government, in order to cover all of its military expenditures in China, including such maintenance as well as construction, is prepared to place to your account the U.S. dollars equivalent of any Chinese funds made available under general arrangements that would be suggested by General Stilwell and the Ambassador."

H.M.JR: That is correct.

- 34 -

DR. KUNG: It does seem that the special construction of the airfield and other expenses are outside of the general expenses of the twenty-five million dollars.

H.M.JR: Oh, no - I am positive.

DR. KUNG: Well, that was our understanding.

H.M.JR: Pardon me. I don't see--

DR. KUNG: "Furthermore"--

H.M.JR: It says here "...on the understanding that our Army expenditures in China during the next few months can be expected to be somewhere in the neighborhood of twenty-five million dollars each month.

"Furthermore, since your government is not in a position to continue any direct maintenance of our troops, this government, in order to cover all of its military expenditures in China, including such maintenance as well as construction, is prepared to place to your account U. S. dollars equivalent of any Chinese funds made available--" The "Furthermore," as I read it, means furthermore, since your government is not in a position, and so forth.

DR. KUNG: "...prepared to place"--

H.M.JR: "...to your account the U. S. dollars equivalent of any Chinese funds made available."

DR. KUNG: Up to that time you were spending something between twenty and twenty-five million dollars, and because the prices have gone up, according to the exchange of twenty dollars, it would cost you not twenty-five million but fifty million. Therefore, you took that matter up. The prices are going up. You say, "The top limit we can spend is twenty-five million dollars." What did you spend before? That is one thing.

Another thing is, you come with this special request of building special airports around Chengtu. This is only Chengtu; other places are not included. And we were given to understand that money was to be paid by the

- 35 -

American Government, and American troops coming into China to be entertained are also increasing in proportion. And General Hwang made this report to the Generalissimo. The Generalissimo said, "Well, the cost is too much; we can't properly finance it." So he wired to the President, or spoke to the President. The President said, "We will take care of that."

Now, take the Chengtu airfield; that cost quite a little money. If you say that twenty-five million dollars includes all that construction, you might as well say - you spent five or six times more than that.

H.M.JR: May I interrupt you?

In the first place, during this period our maintenance of troops amounted to a million dollars a month; everything over and above that went for construction. Now, in this thing here, while the conversations that President Roosevelt had with the Generalissimo in Cairo were in November or December, this cable was delivered in China somewhere around January 28. So it was after that, and it was in reply to a cable from the Generalissimo.

After the President sent this cable to the Generalissimo, as far as we know - in fact, we do know - there was no further response from the Generalissimo to the President since January 28.

Now, the only thing in here which I would like to point out, because I am trying to be fair, is we say, "Furthermore, since you say that your Government is not in the position to continue any direct maintenance of American troops" - but you did maintain them. You have been maintaining them, do you see?

And in this consideration that we are talking about, the one hundred and twenty-five million dollars, we credit you for Lend Lease in Reverse for the maintenance of our troops.

That is right, General?

GENERAL CLAY: Yes, sir.

H.M.JR: Have I made myself clear?

DR. KUNG: You can go ahead and finish.

H.M.JR: I will just say it once more.

Evidently when President Roosevelt cabled you on the 28th it was his impression that the Chinese Government had said that they could not maintain our troops, but you have maintained our troops. And I want to point this out to you: When we suggested one hundred and twenty-five million dollars as a final settlement for U.S. Government expenditures in China up to and including June 30, we excluded maintenance of troops and credit you with that amount in Lend Lease in Reverse.

Is that right?

GENERAL CLAY: Yes, sir.

GENERAL CARTER: Yes, sir.

MR. CHI: May I mention another fact that may be relevant to this discussion? Dr. Kung told me that when the Generalissimo talked to the President in Cairo he indicated to President Roosevelt that as far as the building of the Chengtu airfield is concerned, China will provide the land. I think that seemed to indicate that the Chengtu airfield is considered a special case.

H.M.JR: May I just say this? Unfortunately the head of your government and my Government didn't furnish the Minister of Finance with any memoranda, and we are left with the very unpleasant task of picking up the pieces. I have no doubt that at Cairo the President said to the Generalissimo, "Will you build for us these Chengtu airports?" And undoubtedly the Generalissimo said yes. But neither of them, at least as far as I know, and I have asked - I can only talk for President Roosevelt - whatever the President said, he didn't turn to any secretary and say, "Please work out an agreement."

Now, whatever the Generalissimo had in his mind, whatever was said there, I am in complete ignorance of. The President did send a cable which was received on or about the 28th of January by the Generalissimo in which the President pointed out that we would deposit twenty-five million dollars a month, which would take care of everything, including maintenance of troops. We have had no answer, officially, since then.

Is that right, Adler?

MR. ADLER: Yes.

H.M.JR: I mean, there is no answer from the Generalissimo or from Dr. Kung to me. Therefore, the only piece of paper I have to go on is this. And I have pointed out to you, because I wanted to be fair, that we are excluding what you have done in the way of maintenance of troops and give you credit for that in Lend Lease in Reverse outside of the one hundred and twenty-five million dollars.

Now, I have pointed that out to you. I didn't have to, but I want to be fair. There is no other written document other than this telegram which Dr. Kuo has in his hand now. If you have anything else in writing, I wish you would let me have it. But these heads of governments move very fast and then we poor Ministers of Finance are supposed to sweat it out in Bretton Woods.

MR. KUO: Mr. Secretary, may I suggest one thought? The phrase "...in order to cover all of the military expenditures in China, is prepared to place to your account the U.S. dollars equivalent of any Chinese funds made available under general arrangements," and so forth, seems to suggest that it may be over and above the twenty-five million.

H.M.JR: Now, I am going to have to ask you to say it again, please.

MR. KUO: I say the phrase "...is prepared to place to your account"--

H.M.JR: What line are you reading?

MR. KUO: The last paragraph: "...is prepared to place to your account the U.S. dollars equivalent of any Chinese funds made available" - that seems to suggest that that sum may be over and above the twenty-five million mentioned in the previous paragraph, doesn't it?

DR. KUNG: Mr. Secretary, if you will allow me--

H.M.JR: Excuse me one minute, Dr. Kung.

MR. VINCENT: So far as that paragraph standing by itself is concerned, that deals with the maintenance of troops.

- 38 -

GENERAL CLAY: I think the whole idea was that we were trying to tell the Generalissimo that we were not only prepared to meet his cost of construction, but we were willing to go still farther and bear the cost of the maintenance of our troops which had been borne by the Chinese Government prior to that time. If you subtract the airport fund out of this, there remains one point nine billion yuan.

GENERAL CARTER: In other words, the twenty-five million would be far in excess of our requirements.

H.M.JR: Dr. Kung wanted to say something.

DR: KUNG: Mr. Secretary, I will give you what I understood to be the case. At Cairo when Generalissimo Chiang Kai-shek and Madame Chiang had a talk with the President about the critical situation in China, and especially the economic situation, the President was kind enough to say he was greatly concerned; he wanted to do everything he could to help--in fact, he himself has found a formula and that formula he also told the Generalissimo and Madame Chiang, and he wrote me a letter and told me about it. At the time he suggested that upon his return he would consult with you, Mr. Secretary, and also asked me to come to the United States to talk over things.

H.M.JR: I want to get that letter, Adler.

MR. ADLER: Yes, sir.

DR. KUNG: Now, when the Generalissimo returned, he told me the whole thing, and I said it was very good of the President, but I saw the difficulties of his proposed plan and I had my doubts whether you could support his suggestion.

But Madame Chiang said, "Mr. President, you are very kind. Suppose that proposition cannot work?"

H.M.JR: What proposition, Dr. Kung?

DR. KUNG: Well, he said that the American dollars will buy Chinese currency in China.

MR. ADLER: To burn Chinese currency, is that the suggestion?

DR. KUNG: Yes.

MR. ADLER: To use American dollars to buy up Chinese currency and then burn the Chinese currency.

H.M.JR: Oh, yes, I remember now. And then to make a final settlement later on.

DR. KUNG: Yes. And Madame Chiang said, "Mr. President, if that proposition cannot be worked, would you think of something?"

He said, "Yes, I will do what I can. I will think of something else."

This time when I saw him he said he was anxious, he wanted to find some formula. But unfortunately the formula he suggested was not workable.

Then the Generalissimo's idea was to secure a loan from America. I told him that was impossible. We don't want to make any difficulty for the President or Mr. Morgenthau. In view of the favor of a possible loan from America to help us because of the budget we have to meet and of the financial situation which faced a crisis, the Generalissimo wired to the President saying that after February, from the beginning of March first, China is not in the position to take care of the American needs in China. That brought this letter, just read, back from the President. The President then authorized General Stilwell, also Mr. Gauss came to see me.

I think one day when Stilwell was not there General Hearn came with Ambassador Gauss and George Acheson - and you happened to be there, didn't you?

MR. CHI: Yes, I was there.

DR. KUNG: Now, here is the memorandum in answer to the memorandum presented by Mr. Gauss. It is rather long - of February 7. The conclusion was this: "With reference to the airfield now under construction in the Chengtu area, the cost for construction and other expenses will be paid by the United States Government. The United States will lend these funds in accordance with the previous understanding. However, as a manifestation of our desire to be of assistance, China will bear the cost for the purchase of land needed for this purpose."

H.M.JR: This is the memorandum from Mr. Gauss?

DR. KUNG: No, from the Chinese Government to Mr. Gauss in answer to the memorandum presented by Mr. Gauss.

MR. VINCENT: I haven't seen it, but I don't see that that alters the situation. That is his proposition. I remember at that time - I wasn't in the State Department - I read the conversation, however, that the two Achesons had with him, at which time Dr. Kung - have you got what the proposition they brought you was, at that time?

DR. KUNG: That is a question of the rate.

MR. VINCENT: Yes, all the way through this was the question of the rate. That gave you the Ambassador's answer to a previous proposition you had made, which my recollection is was the proposition of twenty to one with a supplementary ten dollars.

DR. KUNG: The American official rate is twenty dollars. You said that would make your military expenditures too high, therefore the Chinese Government was willing to give forty; that is, instead of one dollar for twenty, it would be one dollar for forty, but the other would be considered as a contribution from the Chinese Government. Then there was a time - your people first wanted sixty, then wanted eighty, then wanted a hundred; and then from one hundred, jumped to one hundred and sixty, and then to two hundred; then one time they suggested the American dollar was worth three hundred. Of course, we couldn't understand that basis.

Finally when you saw the reason why China could not lower its exchange rate, you began to talk about just a lump sum - the American Government would give a certain amount of money a month. And the reason why Mr. Acheson was there - he came down from three hundred and two hundred, and now to a hundred and something. The Chairman of the Board of Directors of the Chase National Bank came to see me in Washington the other day. He is the Treasurer of that philanthropic fund to China. Mr. Adler came to see me to see whether the Chinese Government would allow their drafts to be sold because officially they get too little, and they need more money because they can get a better rate from the market. I agreed to that, provided they sold their draft to some reputable merchant. The money would be kept in America for future purchase. And you know what happened?

H.M.JR: No, sir.

DR. KUNG: Mr. Acheson told me the other day that the first draft sold for nearly three hundred. Recently they sold for sixty dollars, and a twenty-thousand or thirty-thousand dollar draft cannot be sold. The market now, the latest I heard, had dropped to where a thousand dollar draft sold for fifty-three dollars.

MR. KOO: That market is absolutely normal.

DR. KUNG: So you say your American dollar is worth so much. As I told you, I am perfectly willing to have you take your notes and sell on the market and get the dollars and use them.

I think the Chengtu Airport is only about four billion on your account.

MR. ADLER: These figures are based on reconciliation of your figures of April 19 with the Army's figures. So they are practically coincident. There is very little difference.

DR. KUNG: Mr. Secretary, I am perfectly willing to accept the suggestion made by General Clay, with this modification; that is, I am willing to accept the lump sum you offer to clear the account for this calendar year up to June 30 for the Army expenditures, except outside the Chengtu airfield. We have spent so much money, but we only charge you very little. What you are supposed to pay is only four billion dollars, Chinese money. And we are paying the major portion of it. I think what is charged to your account is about four billion dollars, Chinese. I think that should be settled outside of this--and the board and lodging of your Army in China, including your Army's increasing number.

A year ago you had only about nine thousand men. But before I left, you had twenty-three thousand. And I think the number is increasing. We wanted to entertain our comrades, but your Government has stated it wanted to pay your military expenditure, and we will let you pay that.

As I stated before, I wish China were in the position to finance the whole thing. We appreciate what you have done, what your Government has done, and we appreciate what you will do in the future. If we borrow any money from you, we will have to pay it back in the future; because after the war certainly your Government cannot just go on giving so much money to China. I know you can't do that. We are not asking you to do anything like that. But during the war--we all share this common struggle, and we want to share our resources, and since America is the stronger, richer,

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I think it really won't hurt America, and I think your people, your Senate, your Congress would understand, because, after all, in war you cannot say how much it will take to win a certain war or a certain battle. To us China is a battlefield in the fight against Japan. If you can say you want twenty-five million a month, how much is that; that is only three hundred million a year, in comparison with what you have spent to capture the Solomon Islands.

I think you are justified in spending any money in China in order to crush Japan.

H.M.JR: There is no argument about that.

DR. KUNG: If I go back and should discover a gold mine in China, I would pay the whole thing for you!

H.M.JR: I am sure you would. That is your reputation.

Now, let me just understand, Dr. Kung. What you are saying to us is this: that you are willing to say as of the 30th of June that if we have paid you up to and including one hundred and twenty-five million dollars, United States Government debts to China are wiped out, with two exceptions. One, we give you a credit for maintaining our troops on Lend Lease in Reverse. Is that right?

DR. KUNG: Yes, yes.

H.M.JR: And, two, you still want to exclude the cost, I take it, of land and construction.

DR. KUNG: The land we don't want; only construction. Land we paid and labor we paid. We have paid part of the labor.

H.M.JR: Is there anything else, I mean, in connection with the purchase of the land and construction, and so forth, of Chengtu, you say four billion yuan?

DR. KUNG: We have spent twelve billion; we are only going to charge you four billion.

H.M.JR: There is nothing else--land or anything?

DR. KUNG: No, land is outside.

MR. ADLER: That is outside. That was in the Generalissimo's cable to the President.

H.M.JR: Now, then, let's just look forward a minute.

Then our proposal is that for July, August, and September we pay you twenty million dollars a month, and in addition China acts as host to the American troops for food and maintenance, and we give you credit on that in Lend Lease. Is that right,

DR. KUNG: Yes, that is my proposal. But why should you, for July, August, and September, change the quota from twenty-five million to twenty million?

H.M.JR: I can answer that: because we are through with the construction of the airfields.

DR. KUNG: No, the construction--

H.M.JR: Aren't they completed now?

DR. KUNG: Yes, from the very beginning the construction of the airfield wasn't in that.

H.M.JR: Well, in our mind we have been paying for them out of the twenty-five million.

DR. KUNG: All right, Mr. Secretary. I accept that proposition for the three months. You know this last month your request was one billion, five hundred million.

MR. KOO: In July.

DR. KUNG: It was one billion, five hundred million. If you work out an official rate, it means seventy-five million U. S. dollars. Now you pay the twenty million. We will have to furnish fifty-five million dollars. China is a poor country. You mustn't wait on us.

H.M.JR: Supposing you let us go in the other room a minute and talk it over. Is that all right?

DR. KUNG: That is all right.

GENERAL CLAY: I am not quite sure that I am clear on Dr. Kung's proposal.

MR. ADLER: May I sum it up? You are willing to accept one hundred and twenty-five million--

- 44 -

DR. KUNG: As General Clay has stated, to wipe out all the accounts up to June 30, except the portion of the cost which the American Government is supposed to pay for the construction of airports around Chengtu. Elsewhere, that is not included. Do you see? Only the Chengtu portion.

GENERAL CLAY: What do we do about that four billion?

DR. KUNG: Leave that over for further settlement.

GENERAL CLAY: That is what bothers me, what happens to that four billion.

DR. KUNG: We will pay for the entertainment of the American Army.

GENERAL CLAY: But I still don't figure out what happens to that four billion.

H.M.JR: I am trying to figure it out in U. S. dollars, and I can't think in billions. I don't know what four billion yuan is worth.

MR. ADLER: At the official rate, Mr. Secretary, two hundred million U. S. dollars.

H.M.JR: What is the official rate?

MR. ADLER: Twenty to one.

H.M.JR: He doesn't mean twenty to one. Figure that out at sixty.

MR. KOO: Approximately seventy-five million to eighty million American currency. If you take the same rate that Dr. Kung proposed to pay for the one hundred and twenty-five million American dollars, it would be sixty seven.

DR. KUNG: The four billions are outside the general settlement. You have four billion outside.

5/a

GENERAL CLAY: Let me ask you about that four billion. Does that include what has been expended up to date, or what will be expended up to the absolute and final completion?

DR. KUNG: Completed.

MR. KOO: The Chengtu airport is all finished. Four billion is all.

DR. KUNG: In the future there will be meetings.

GENERAL CLAY: All right, sir, I think I understand it.

H.M.JR: May we withdraw a minute and talk the thing over?

(Conference recesses temporarily)

H.M.JR: Dr. Kung, I feel that inasmuch as it is the Army's money, I shall let General Clay state the proposal.

DR. KUNG: You have to furnish the Army with the money, don't you?

H.M.JR: They have got the money!

GENERAL CLAY: He is trying to take it away from us!

H.M.JR: What he is worrying about, if he doesn't get an agreement with you, I am going to take it away from him.

GENERAL CLAY: Well, Doctor, going back to what we have been discussing, and this view which you have just stated, if we paid you a gross of one hundred and twenty-five million now--a lump sum of a hundred million, with twenty-five million having been paid--that would leave remaining the food and lodging and the four billion dollars which you have spent on the Chengtu airports from your own money. We would be willing to accept that, with the understanding that the four billion dollars would be presented by you as a claim under Reverse Lend Lease. It would have no effect on the twenty million dollars for the next three months, which would be paid in cash, and for which you would provide us with the yuan that we need and would not prejudice that arrangement in any way; that we would pay you the lump sum of a hundred million dollars immediately, and in any Reverse Lend Lease agreement to be effected, you could, in addition to the food and lodging

6/a

which you would put forward as a claim, include also this four billion dollars.

DR. KUNG: I wish I could do it, you know.

H.M.JR: Excuse me. May I add one thing that we talked about, that in admitting this Chengtu four billion dollars, the claim, we in no way prejudice or go back on the cable of the President, which we interpret was all-inclusive. I would like to make that clear.

I mean, we claim that this telegram of the President's meant twenty-five million a month, and included the construction of everything.

Now, what we are saying in view of what you have said--but not in any way going back on that--we still hold to this cable. But if you wish to put that claim under Reverse Lend Lease for four billion dollars, we would raise no objection. Do you mind my making that suggestion?

GENERAL CLAY: That is right, sir. And we would do it in the interest of harmonious relations and appreciation of the cooperation which you have given to us.

DR. KUNG: Well, I am afraid that as far as the Chengtu expenditures are concerned, this is only a private conversation between the President and the Generalissimo and Madame Chiang. However, we were given the understanding that such was the case, and in all negotiations concerning Chengtu with the Army, with your Embassy, everybody understood that Chengtu was a separate thing. I just read you a portion of the document presented to Ambassador Gauss in answer to the document presented from the American Government through Ambassador Gauss.

In that document it was stated very clearly, and you could not say it was beyond that understanding. That document was presented in February, and you have not reached any decision about it.

H.M.JR: The first time I have ever heard of the document is this afternoon, and that goes for General Clay and General Carter and these gentlemen here, and Mr. Adler. We have never heard of it. I am not questioning that the Chinese presented Mr. Gauss with something, but he never forwarded it to Washington.

7/a

DR. KUNG: He must have forwarded it to the State Department.

H.M.JR: Even if he had, you say this is your interpretation in February; but that doesn't mean we accepted it.

MR. ADLER: Excuse me. Mr. Secretary, in the history of the negotiations here is a reference to that document and a comment on the State Department's reply. (Hand's file to the Secretary)

H.M.JR: I am sorry. We are going to have to excuse ourselves once more.

(American Delegation leaves office temporarily)

H.M.JR: Dr. Kung, our records are better than I thought they were; We have a memorandum dated February 7, in which it says: "Received copy of cable dated February 3 from Ambassador Gauss, giving Chinese counter-proposal to the Somervell-Clay proposal." This is the one you are referring to. "The Chinese wanted to give a rate of thirty yuan to the dollar, of which ten yuan would be credited to the Chinese as Reverse Lend Lease. The Ambassador told Dr. Kung that this rate was unsatisfactory and it was useless to enter into a reciprocal aid agreement unless the Chinese were ready to enter into a reasonable financial agreement with regard to U. S. military expenditures."

In other words, we got this proposal which you made and the Ambassador notified you that this was unsatisfactory.

"On February 9 a meeting was held in the office of the Under Secretary of the Treasury, together with representatives of State and War, and it was decided that the State Department would send a cable indicating the refusal of the United States Government to accept the rate of thirty yuan to the dollar."

DR. KUNG: That is something new to me. Mr. Gauss did speak to me then, and he referred to the Lend Lease. Well, I said, "I am perfectly willing to credit some of this money to you from the Lend Lease, but you have not signed that. If you sign the Lend Lease agreement, then I will be in the position to credit you from the Chinese Treasury to this account." His answer was, "That is not satisfactory; why should we sign this Lend Lease only as an implement?" I said, "Why can't you implement?" That was only in con-

- 48 -

versation. He (indicating Mr. Chi) heard me.

MR. CHI: Yes.

H.M.JR: You were making quite a point that the Chinese Government had served notice on Ambassador Gauss. I said I wasn't aware of it. So many things have happened. Then they found this reference, where not only did the Ambassador tell you that the so-called counter-proposal to the Somervell-Clay proposal was unacceptable, but subsequently the State Department confirmed it.

DR. KUNG: Do you remember?

MR. ADLER: I remember, Your Excellency. Mr. Acheson and Dr. Acheson called on you, and I think there were other people present. Mr. Acheson gave you the State Department reply. This was early in February. It was around the date of February 9 or 10.

MR. CHI: Assuming this is true, it has nothing to do with the Chengtu airfield, because the memorandum doesn't mention the question of the Chengtu airfield.

H.M.JR: Will you excuse me a moment?

(Secretary leaves the conference temporarily)

DR. KUNG: In the first place, it was about exchange for the Army expenditures, and did not refer to the Chengtu airport. In the second place, because the rate was unsatisfactory, this is a different rate. You were suggesting something like an eighty-dollar rate. Now we give you more than one hundred dollars. Mind you, the rate for the money you borrowed then in China was much higher than the present rate.

GENERAL CLAY: I think that is a correct statement, but at the time we made the original proposal it was recognized that the purchasing power would rise, and our original proposal visualized a periodical review of whatever arrangements were made between us.

Now, of course, there have been many, many months which have passed since that original proposal, and even under that original proposal it would have to be reviewed several times.

DR. KUNG: General, I take it you are not an exchange banker! An exchange banker would settle a rate once and for all. If you borrow money from the bank, you would settle it at whatever rate prevailed at that time.

H.M.JR: May I go back? I'd like to just repeat once more what the position of the American Government is. The only document we have, now that we find this one was turned down by our Government, is President Roosevelt's telegram to the Generalissimo, which we, for lack of other documents, interpret meant full payment of everything. We have nothing that we can justify paying over and above the twenty-five million dollars for the American Government's operations in China. That is our position. We are not questioning anybody's word nor what conversation took place between the heads of our governments. I just have no way of knowing. I have no instructions. Therefore, we have to make this proposal, but in view of the very earnest proposal of Dr. Kung and in view of a possible misunderstanding on the part of your government, and also in view of the very fine record of the Chinese government, we have no objection to your putting a claim in under Reverse Lend Lease for the cost of the Chengtu airfields.

DR. KUNG: Let me say, Mr. Secretary, that of course the conversation that happened between the heads of the two governments must be somewhat unsaid. We don't know.

Now, let us settle this, because the General is anxious to wipe out this account. Let us take Chengtu and the building of the airport. I will wire to the Generalissimo and find out exactly what was the position, and you can refer that to the President for future discussions. I am not pressing you to settle that now or pay it now, because our interpretations are different.

H.M.JR: Now, let me see if I understand. I wouldn't want to approve of the payment of gross one hundred and twenty-five million dollars with a direct claim against the United States Treasury hanging in the air for four billion dollars, unless that claim would go through the machinery of Reverse Lend Lease.

DR. KUNG: The Reverse Lend Lease agreement has not been signed.

10/a

H.M.JR: But you could sign an agreement with these Generals this afternoon that if and when a Reverse Lend Lease is executed, that this claim will be credited to the Chinese Government, and they are prepared to draw up such a document this afternoon.

DR. KUNG: I am afraid I couldn't do it without instructions from my government. We took up all this money from the bank, and we are responsible to the bank and we don't want to break the bank's back.

H.M.JR: Then we'll just have to wait. But that is the best we can do.

MR. KOO: If we signed Reverse Lend Lease, then the expenditure on other airfields which we paid out from the Chinese Treasury, would that have to be also taken into consideration, because that is much more than what we spent on the Chengtu airfield?

DR. KUNG: Yes, this money is just a loan from the bank, pending settlement. In fact, for the next three months, for July your Army requirement in China was one billion, five hundred million, so far. At the official rate you are supposed to pay seventy-five million, but you are only paying twenty million. Do you see? If that one billion, five hundred million were converted at the present rate it would be seventy-five million. But you are only paying twenty million. Do you see? That leaves fifty-five million in the air. Besides that, you have twenty-three thousand troops in China, and the cost to the Chinese Government is five hundred dollars each day, fifteen thousand a month. If you take that into consideration, that will cost the Chinese Government four hundred million a month. Your four hundred million a month means twenty million a month United States dollars. We are paying that, too.

Now, as I stated from the very beginning, it is a question of whether we want China to keep buying this currency so that she could still go on and fight your enemy, or whether we want to see China in economic collapse. If once our money goes, we are all gone. That is a question which involves not only the present-day China, but the future China, and involves four hundred and fifty million people. I have no right to do anything. If I promise it today, it may be repudiated by my government. I don't know.

2/a

H.M.JR: General Clay, I don't understand this question which this gentleman raised about these other airfields. Is it something you want to speak about? Is that another claim?

GENERAL CLAY: Yes, sir. In so far as the other airports are concerned, we have never committed ourselves to the obligation of paying for those airports. We had regarded them as built by the Chinese Government in the common interest of our cause, and for the use of our airplanes and facilities in assisting the Chinese Army. That question was never raised, to my knowledge, even at Cairo, where the entire question was the construction of future airports and not the construction of the airports that had been completed. A good many of those airports were built prior to our entry into the war.

H.M.JR: So we don't recognize any claim on us for those?

GENERAL CLAY: No.

DR. KUNG: Let me put in a word about that, Mr. Secretary. The airfield we built, we paid for it--the airport now being used by the American Army. We never said anything, but requests are coming from the Army. They want us to do this and that. We understood that with respect to requests by the American Army the American Government is supposed to be responsible. But we have not even mentioned that to you. Some of the repairs and enlargements required by the American Army we paid for and do not claim. But about Chengtu, because you wanted to build a special airfield for the use of the B-29 to bomb Japan, you can say that is part of the American requirement, and you are personally in sympathy and understand the Chinese difficulty. You said you didn't want to put any burden on China; therefore, you wanted to pay for that.

H.M.JR: Just so we understand each other, concerning the question of the airport which this gentleman raised, at no time has the Chinese Government asked us to pay for it and you are not now?

DR. KUNG: No, no.

H.M.JR: All right.

Well, sir, you, I take it, will confer with your government and when you hear you could let us know.

- 52 -

DR. KUNG: All right.

H.M.JR: I hope the answer will be favorable.

7/16/44

Dear Mr. Howe:

Please accept my appreciation for your interest in the Conference and for your giving me the benefit of your opinion as to the public reaction to the opening address. I feel that the issues before the Conference are important to the future welfare of the United States and the other countries in the Americas, and therefore feel that the public should be thoroughly informed as to the nature and importance of the proceedings.

Very truly yours,

H. Morgenthau, Jr.
Secretary of the Treasury

Mr. L. S. Howe,
Director General,
Pan American Union,
Washington, D. C.

WLU:mv 7/11/44



THE DIRECTOR GENERAL
PAN AMERICAN UNION
WASHINGTON, D. C.

July 3, 1944.

Mrs. Shuman

*Prepare Reply -
as
George's
sig.*

My dear Mr. Secretary:

Permit me to congratulate you on your admirable address at the opening of the Monetary and Financial Conference. I am certain that what you said will have far-reaching influence on public opinion.

Very cordially yours,

L. S. Rowe
Director General

Honorable Henry Morgenthau, Jr.,
Bretton Woods,
New Hampshire.

SFG-75

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

Naples

Dated July 16, 1944

Rec'd 9:56 a.m.

Secretary of State

Washington

July 16, 10 a.m.

FOR WAR REFUGEE BOARD FROM ACKERMANN

Have just completed selection and processing of approximately 1000 refugees for transport to United States accordance invitation of President. This has been a tremendous physical task requiring day and night work for over a month but it does not compare with emotional exhaustion caused by fact that we could only select 1000 out of 3000 that wanted to go. In addition 15 or 20 arrive from newly liberated areas every day. Director of Displaced Persons Subcommittee advises that another 4 to 5000 stateless refugees can be expected to be found when Florence is liberated. He is most grateful that his burden has been lessened by 1000 but still has many problems on his hands that can be expected to increase as further areas are freed.

BRANDT

HTM

Page 305
7/7/44 68

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COPY NO. 11

SECRET

OPTEL No. 231

Information received up to 10 p.m., 16th July, 1944.

1. NAVAL

On 14th/15th MTB's damaged a trawler and 2 patrol craft and set on fire an E-boat off LE HAVRE. 1 MTB sustained some damage. On 14th one of H.M. Submarines torpedoed a 550 ton vessel under German control in the AEGEAN.

2. MILITARY

NORMANDY. U.S. troops on Western flank have now reached north bank of River AY. There have been small local gains in other sectors of the front.

ITALY. Troops of 8th Army launched an attack south of AREZZO on 14th/15th and hard fighting took place throughout 15th. U.K. troops made 2-mile advance N.E. of SIENNA. French have captured CASTELLINA E. of POGGIBONSI. In coastal sector, U.S. troops have advanced to about 7 miles S. of the ARNO and about 6 miles short of LEGHORN.

RUSSIA. Russians have captured OPOCHKA, have reached NIEMEN on 75-mile front astride ALYTUS and have established bridge-heads on the Western bank.

3. AIR OPERATIONS

WESTERN FRONT. 14th/15th. Tonnages: VILLENEUVE ST. GEORGES Railway centre - 432; 2 flying bomb launching sites - total 357. 15th 42 Bomber Command aircraft dropped 173 tons on NUCORT flying bomb supply dump 25 miles N.W. of PARIS with unobserved results. 169 U.S. fighter bombers (4 missing) attacked objectives S.W. of PARIS and 385 fighters and fighter bombers of A.E.A.F. carried out offensive tasks and standing patrols over NORMANDY battle area. 2 German aircraft destroyed. 45 Beaufighters attacked a convoy off South NORWAY. One 3,000 ton ship and an escort vessel sunk, one 3,000 ton tanker, one 3,000 ton ship, and one 1,200 ton ship and 3 escort vessels set on fire and one 5,000 ton ship hit with torpedo. Mosquitoes set fire to 2 800-ton coasters in the BAY OF BISCAY.

15th/16th. 740 aircraft despatched: railway centre CHALONS-SUR-MARNE 121 (1 missing); weather clear, below clouds, marking very accurate, bombing very concentrated. Railway centre NEVERS 108 (2 missing); weather clear. NUCORT supply site 190 (1 missing); accurately marked in spite of considerable cloud, good bombing on markers. Flying bomb launching site near ABBEVILLE 44. BERLIN 36. Diversionary sweep, bomber support and sea-mining 241 (1 missing).

ITALY. 14th. 742 medium and fighter bombers attacked objectives in battle area and Northern Italy.

RUMANIA. 15th. 512 Liberators and Fortresses bombed 4 oil refineries and an oil pumping station at PLOESTI and 94 Liberators bombed an oil refinery at BRAZI S.S.E. PLOESTI.

4. GERMAN ACTIVITY

During 24 hours ended 6 a.m., 16th, 65 flying bombs launched.

Bretton Woods, N.H.
 July 17, 1944
 9:30 a.m.

EXTENSION OF CONFERENCE

Present: Mr. White	Mr. Smith
Lord Keynes ✓	Mr. Sweetser
Mr. Vinson	Dr. Kung ✓
Mr. Wolcott	Mr. Mendes-France ✓
Mr. Acheson	Mr. Stepanov ✓
Mr. Cox	Mr. Souza Costa ✓
Mr. Luxford	Mr. Nash ✓
Mr. Bernstein	Mr. Tobey
Mr. Coe	Dr. Kung
Mr. Kelchner	
Mr. McDermott	
Mrs. Klotz	

H.M. JR: Supposing we start, gentlemen. The reason that I have asked you to come together is this, that the question has been raised as to whether we can or cannot finish the Conference by Wednesday night.

Some of our people are over-worked - I guess all of our people and all of your people. The question was raised last night by Lord Keynes and also by some of our own people. So I would like to get the opinion of you gentlemen.

I think we will ask the members of the other Delegations first, starting from my right. I will start with Lord Keynes, if I may.

LORD KEYNES: Mr. Secretary, my feeling is that we are well on with the matters of substance. I think the matters of fundamental difficulty or disagreement are almost resolved and certainly they could be resolved by tomorrow if we work hard at that. But the technicians

- 2 -

and draftsmen can handle the detail properly only when you have settled what it is all about, and I am afraid they are dreadfully behindhand. They are doing a grand piece of work, in my opinion. It is not at all easy to keep track of it because none of us are seeing it as a whole, but in bits and pieces. And that is one of the troubles. But my impression is that the draftsmen are doing a grand job, and I think it would be an awful pity not to have that quite complete and as good as it can be. A very short time extra, I believe, would allow that.

On the other hand, if we are hasty we shall find there are a number of little points which will be raised later, just logical errors and inconsistencies, and so forth, which will be very tiresome, and I think it would be dangerous to our project if there are too many opportunities for reopening this at later stages. We want to get it properly buttoned up.

If any government feels that there is something of high importance that is unacceptable to it, it will have to make that clear and it will have to be reconsidered. But I think it is very important that we should reopen as little as possible. If there is any faulty drafting or any inconsistencies and logical difficulties, that opens the door, I think, to start in again.

Therefore, I believe that although the final three days would not be dealing with high issues, nevertheless, those last three days will be immensely beneficial.

(Mr. Stepanov and interpreter enter the conference)

LORD KEYNES: As far as my Delegation is concerned, some of my people - those concerned with the detail - are quite breaking up under the strain. Some of my people, as I believe also of yours, have been working half the night, day after day, and their efficiency is getting variously impaired - not only their efficiency, but their health, and they are now taking very many more hours to do what in an efficient state of mind they could do more rapidly.

- 3 -

If we were to hustle this group, I wouldn't guarantee there wouldn't be some serious breakdown, and we will just have to say the thing isn't physically possible.

Therefore I think it would be awfully wise to take early steps to give us more time, not for settling the main issues - I think they ought to be finished tomorrow evening - but getting it all buttoned up.

H.M.JR: Lord Keynes, if you don't mind my pressing you a little bit, would you mind specifying the number of days you feel would be necessary, because I personally feel that, if it is the consensus of opinion, we should postpone, but we should only do it once.

LORD KEYNES: I think others can probably speak with more authority than I can because I am not as deep in the details as some, but in my judgment we could safely finish by Saturday. We could leave the hotel by Saturday afternoon, I should say. I should expect that a final formal session on Saturday morning ought to give us enough time.

I was saying Saturday morning, and Mr. White says he thinks Saturday night would be safer, and he knows much more about it than I do. There are, you see, certain final technical matters we haven't considered at all, what the lawyers call the final act, which embodies the results of this Conference. No attempt has yet been made to draft that, and it hasn't been considered by anybody. It is a matter all Delegations will want to have at least half a day to look at. At present, no one has seen, as a continuous narrative, the work which has been done, and I think it is not quite fair to the Delegations that they should be expected to pass so quickly on things they have never had a chance, really, of reading as a consecutive narrative. That is my feeling.

H.M.JR: Thank you.

Mr. Nash, please?

- 4 -

MR. NASH: I think, Mr. Secretary, you ought to try and finish even if it takes longer than the time you have allotted. I agree with what Lord Keynes has said with regard to some of the men that are working. I don't know how they have done it. I agree that it probably takes twice as long now to do something that they could do in half the time before they became so exhausted. I would like to see it finished, however, by Wednesday night. That is personal, because there are all sorts of arrangements made for me to go back to New Zealand Thursday from the coast.

But I still think, irrespective of anything personal or otherwise, they ought to try and finish, and if the continuing of the Conference until Saturday will insure a clearer job and less inconsistency, you do avoid all the chances that some people might be looking for to check this and recheck that, and you will probably get better work done if you can go on until Saturday.

I would like it to be done by Wednesday, but I don't think that is physically possible. I say stay and finish it.

H.M.JR: It isn't quite clear. You think it can be finished by Wednesday?

MR. NASH: It could be finished. I think that all the evidence that Lord Keynes has given is correct, that the exhaustion is so real that it wouldn't be finished by Wednesday in as clean a state as it would be by Saturday.

H.M.JR: Mr. Souza Costa?

MR. COSTA: Mr. Morgenthau, evidently it would be preferable for everybody if we could finish on Wednesday, and I think everybody is in a hurry to get back. But nevertheless, between the two situations, to finish on Wednesday and not to finish all the work of the Conference, I agree entirely with the opinion of Lord Keynes - to postpone until Saturday.

- 5 -

H.M.JR: Thank you.

Mr. Mendes-France?

MR. MENDES-FRANCE: I agree entirely with what was said by Lord Keynes. I think it is wise to do so.

H.M.JR: Mr. Stepanov?

MR. STEPANOV: (Interpreter) The Delegation is working very hard to finish all the work by Wednesday. But Mr. Stepanov recognizes that the documents are coming until the very last moment and they are still coming, so he is in favor of the suggestion made by Lord Keynes, that is, to postpone the end of the Conference until Saturday in order to look through the final document to avoid possible mistakes and to cover this or that technical question which might come up.

But Mr. Stepanov has another suggestion. Maybe the Chairmen of the Delegations would agree with him. We can finish the main work by Wednesday and we can make a kind of declaration, you know, on the main issues of the Conference, and leave one or two representatives of these Delegations here to work the final finishing touches of all documents and decisions we have made.

Mr. Stepanov is in no way insisting on his suggestion, but it offers an alternative.

(Dr. Kung enters the conference)

H.M.JR: If I may repeat for Dr. Kung - I have asked these gentlemen to meet with me to advise me, as President of the Conference, whether we should attempt to finish Wednesday night or whether we should postpone the finishing until Saturday. So far, all of the representatives of the Delegations here have been in favor of postponing until Saturday.

Now, Mr. Stepanov has just made a suggestion which I think you might repeat.

- 6 -

MR. STEPANOV: (Interpreter) Mr. Stepanov's suggestion is to finish the work of the Conference by Wednesday, just all these main issues that are already known to everybody, but not put on the finishing touches - to leave here some representatives of these Delegations to look into the technical matters and to have the final document prepared.

H.M.JR: Do you care to answer that suggestion?

LORD KEYNES: I think that the idea that we should let the world know that we are agreed on the main issues by Wednesday is very advisable, but I think there will be a good deal to be done after that will take more than just one or two draftsmen left behind. One never knows what will turn up in the course of examining documents closely and it is necessary to have somebody who can settle such matters with authority.

But so far as the outside world is concerned, I think that some declaration on Wednesday would be very well adopted to the situation, that in general terms the issues were substantially resolved.

H.M.JR: We have certain mechanical difficulties which I won't bore you with - I mean, the United States. We may have to get the President to get out an order to seize the hotel as of Wednesday night, and put troops in here to run it. I don't know just how we are going to do that, but we may have to carry the manager of the hotel out with two soldiers! If that is necessary, Judge Vinson will give the orders.

But I will not bore you with those details, and I will let it fall on the very able shoulders of Mr. Kelchner, plus a staff of lawyers. And as I say, if necessary we will bring the U.S. Army or Marines in in order to run the hotel.

But the point is, I think, if we are going to do it - to postpone it - we ought to fix a date and then not postpone it again, because we will be in considerable litigation here with the hotel.

- 7 -

Now I would like any American Delegate who would like to speak - if you don't mind bearing with me - I have not had a chance to consult with our own Delegation. We have a so-called Steering Committee--

MR. WHITE: I feel that Dr. Kung will want to reply after hearing some of the discussion.

H.M.JR: Would you care to speak first, Dr. Kung?

DR. KUNG: With regard to the subject?

H.M.JR: Yes. Would you like to hear a little bit more about it?

DR. KUNG: I would like to hear a little more.

MR. VINSON: Well, Mr. Secretary, in my judgment it is doubtful whether by Wednesday we could come out with a document in any respect in the form that we must have it. I think it is physically impossible to complete the job properly for which we have been assembled. I just make a statement about what happened last night. The Special Committee in Commission One has been working together very satisfactorily, and last night the fog either came up or came down, and it demonstrated to me that they just needed some rest. I listened very attentively to one discussion about an item that had been agreed upon a day or so before in which it was agreed that actually there would be no difference whichever course was taken, and when it was put to a vote, as I recall it, it was just about even - maybe one vote difference. Another very important item had been agreed upon, certain changes had been made and the changes dictated; and the party who took the dictation collapsed, according to the information that came to the Committee. Then effort was made to redictate it by the Secretary of the Committee. It passed out of the Special Committee and went to the Drafting Committee, and along about quarter after one, when we were leaving, the Drafting Committee appeared and called attention to the situation. Further discussion was had. Three members adjourned to the Drafting Committee room, and the matter was worked out very quickly and without confusion.

- 8 -

Now, there is just no doubt in my mind that we should have several days following Wednesday.

H.M.JR: Thank you.

Senator Tobey?

MR. TOBEY: I think I could add nothing.

H.M.JR: Mr. Wolcott?

MR. WOLCOTT: I think we are expected to finish up, and almost have to finish up, and if it is agreeable to the other nations, and we arrange, I think it should be done, if it is just a matter of three or four days.

H.M.JR: So you would be in favor of extending it?

MR. WOLCOTT: Yes.

H.M.JR: Mr. Acheson?

MR. ACHESON: Mr. Secretary, it seems to me that Saturday is the very earliest that we could finish, and I should think it was most essential to finish. I wasn't quite clear from the discussion whether the plan was to have the train leave on Saturday evening or to have the final meeting on Saturday evening.

MR. WHITE: The latter.

MR. ACHESON: If the train leaves on Saturday evening it will, at best, push us very hard. That would mean that you would have the final Plenary Session at the latest on Saturday morning. It would mean that the Executive Session of the Conference would have to be on Friday morning. They will have to have all the documents in shape, and in order to do that, all the Commissions would have to complete their work by Wednesday afternoon, and the Committees will have to finish their work probably tomorrow in order to get it in to the Commissions. So the train leaving Saturday night does not mean an easy time.

- 9 -

It is going to be a very stiff program. But that is the earliest I think we could finish.

MR. WHITE: I meant the last session would be Saturday night; the trains would leave Sunday morning or afternoon, or whatever.

MR. ACHESON: That eases it up a little bit.

H.M.JR: Then what you are talking about is leaving sometime Sunday?

MR. WHITE: That is right.

MR. ACHESON: I think that would be safer and better than Saturday night.

H.M.JR: Mr. White?

MR. WHITE: I have been pretty close to this thing, Mr. Secretary, and possibly a few personal episodes would indicate the necessity. We want to do as good a job as we can because when it is available the whole world is going to examine this document. There will be lawyers and technicians and writers. They are going to go through this with a fine-toothed comb and find out and interpret every phrase, and as Lord Keynes has said, some of them may give rise to substantial problems.

I could name a few that I just glanced at quickly this morning which have to be settled. If they had gone by us it would have provided for endless discussion and reopening with every country and would have been quite serious.

Now, if we continue at the rate we are going, I think we might well get through by Thursday or Friday, but that would mean that the men would have to work at the same rate they are now, and a few personal incidents will indicate that I don't think we can do it.

- 10 -

I know, for example, night before last I blew up at one of Dean's men and lost my temper. I rarely do that. It is just I was very irritated. Mr. E.M. Bernstein, who is working terribly hard, and Mr. Luxford, as well as many others - I just name them because I am most familiar with their personal reactions - are both getting irritable and a little inefficient. I felt myself cracking up last night and went to bed at ten o'clock, had some sleep, and I feel fine now.

I know several of Lord Keynes' men, personally, are greatly reduced in efficiency and in health. I could go through many of the Delegations that way and point out that they cannot keep up the pace which they have been keeping up, which means that you couldn't possibly finish by Wednesday or Thursday.

Therefore, if you are going to relax a little and give them a couple of days to catch up, and a full night's sleep and a little relaxation, it means that we will be doing a hard-working job to get through by Saturday night, but at least that is entirely possible.

So I would strongly urge that don't leave here until Sunday. I think we all agree that the matter is of sufficient importance so that we ought to certainly disregard the question of a few thousand dollars as far as the hotel is concerned, and such additional pressure.

H.M.JR: Don't, don't; Mr. Kelchner and I will worry about that.

MR. WHITE: Good.

H.M.JR: Dr. Kung, we have a saying in America - "The last shall not be the least"--

DR. KUNG: Mr. Secretary, Gentlemen: We came here for a purpose. Until we come to that purpose, I think we ought not, for the sake of a few days, hasten too much. To me, this Conference is very important. This Conference may lead to some other important Conferences for international cooperation to establish a permanent peace in the world.

- 11 -

But if we hasten too much, it will not only impair the health of those who are working very hard, but if we get out a document which is faulty, I am afraid that would not only create a bad impression, but it might destroy the purpose for which we have travelled thousands of miles to come here to attend the meeting.

Therefore, I think, while it is desirable to finish the meeting as soon as possible, because I realize many of us are very busy and have other important matters to attend to - but at the same time, while we are here, we come for this meeting, and we ought to make a good job out of it.

That is my own feeling.

H.M.JR: Does any Delegate care to say anything - to add anything to this discussion?

MR. LUXFORD: Mr. Secretary, not as a Delegate, but as a technician, I would say that the estimate here of finishing up by Saturday night, in my opinion, is too short a time and I don't believe that you can promise - at least speaking as a technician - that you can promise that this job will be done by that time.

H.M.JR: What are you going to do, Luxford - stay here until Christmas?

MR. LUXFORD: No, sir. I don't believe you can do it.

H.M.JR: Well, you just have to; you can't stay on here forever. You people came to me last night for the first time. We have a very difficult thing, and you only brought it to me last night. You have had plenty of time to bring this matter to my attention. Now, just last night you said you needed a couple of days more. Everybody here is talking about Saturday or Sunday. Why last night did it suddenly dawn on you that you couldn't do it?

- 12 -

LORD KEYNES: I sympathize with him on this, but I believe we can be through by Saturday night.

H.M.JR: Mr. Cox?

MR. COX: I think you ought to settle it quite clearly in terms of settling your main objective. I think if you do set a dateline - Saturday evening - you will have to get through and can get through.

MR. BERNSTEIN: I think we can be finished by the date you give us, and the longer we get, of course, the easier it will be to get a good job. But we will be finished by the date you set.

H.M.JR: The date seems to be to wind up Saturday night and leave Sunday.

MR. BERNSTEIN: We can finish by then.

MR. COE: I think the date of finishing ought to be two days - at least two days - after we have a clean Bank draft, and I wonder if in saying Saturday night Lord Keynes thinks that the Commission will have been over - a clean Bank draft on Thursday, say?

LORD KEYNES: I think it is possible. I don't see why it shouldn't.

H.M.JR: Mr. Acheson, do you think by Saturday night, and get out of here Sunday, that it is possible?

MR. ACHESON: Yes.

H.M.JR: Mr. White, do you want to say anything further?

MR. WHITE: I think it is possible Sunday; that is, that we get out of here Sunday.

I think that Luxford is expressing the view that he wants to do an extremely careful final job, but I am sure he will get through by Saturday night.

- 13 -

MR. VINSON: Mr. Secretary, I think it should be said that Mr. Luxford has been going at top-flight speed. I am certain that his statement to you reflects his complete knowledge of the physical condition that all the technicians are in. I have been with them. Lord Keynes' men last night - Sir Wilfred Eady and Mr. Robertson were just fagged. I am just merely saying that for Mr. Luxford.

H.M.JR: Well, Luxford and I understand each other.

MR. VINSON: I just know that he knows that picture.

H.M.JR: Luxford and I have gotten along since '34 and we will get along as long as I am in the Treasury. I can't get along without Luxford. He knows me.

MR. VINSON: Luxford talked that way and a little stronger last night.

MR. WHITE: Had a few more drinks last night!

MR. VINSON: Which completely demonstrated to me just what the situation is.

H.M.JR: Well, Luxford pounded me a little hard last night and he is getting the rebound now.

MR. LUXFORD: I don't mind, Mr. Secretary. I just want to make it clear.

H.M.JR: All right. You made it clear last night!

MR. COSTA: But as to Sunday, the day of rest, I think we could leave Bretton Woods on Sunday evening and say we will have one day more.

H.M.JR: You are quite right, Mr. Minister. There will be nothing gained by leaving Sunday morning.

MR. KELCHNER: Either Saturday night or Sunday night.

H.M.JR: Either Saturday night or Sunday night.

- 14 -

Among the foreign Delegates, would you mind just saying which you would prefer, Saturday night or Sunday night?

LORD KEYNES: I think we ought to leave on Sunday, but what train - I think that should suit one's convenience. I don't think, if we are leaving on Sunday, we can do any formal business on Sunday, because there is a great deal of packing of papers, and so forth, to be done. Once the bottom staff begins packing up, we are all hamstrung. I think, if we are to get off on Sunday, it has to be finished on Saturday night. I think we ought to be able to finish on Saturday night, leaving at whatever time on Sunday is convenient. In fact, packing up will take quite a time.

DR. KUNG: That is all right.

MR. NASH: Sunday night.

MR. COSTA: Sunday night.

MR. STEPANOV (Interpreter): Sunday night.

H.M.JR: Now, Mr. Kelchner, you had better get out your handkerchief and begin to weep!

MR. WHITE: Mr. Secretary, when you speak of the final Session - I feel very strongly we should have a Plenary Session either Tuesday night or Wednesday night, whichever is suitable, in which - it should be a rather formal night occasion - a dinner, or something - in which the world can be informed of the successful conclusion of the Fund, and an indication that the Bank is going forward.

I think it would be very helpful both to explain the delay and to get to the world that very substantial progress has been made, and that they are now working on cleaning up the details of the Bank, and so forth. So, if you have a Plenary Session on Saturday night, I am strongly in favor of having one on Tuesday night or Wednesday night - whichever suits the various Delegations.

- 15 -

LORD KEYNES: Not before Wednesday.

H.M.JR: Mr. Kelchner just said to me, as far as the banquet is concerned, he feels that he would like the farewell banquet like the Captain's Dinner on a pre-war ocean liner - on Saturday night.

MR. WHITE: We can have two dinners.

H.M.JR: Are you hungry? Anyway, I think Mr. Kelchner has an enormous task to perform. He is here until Tuesday at ten o'clock and he has to make arrangements. Give him a little time to turn around. I don't think we have to settle right now what we are going to do.

Certainly, personally - I don't know how the others feel - I think this idea of a farewell banquet Saturday night - would that be acceptable to you people?

(General agreement)

H.M.JR: Then, as to when we need Plenary Sessions, and the rest, I think we ought to give Mr. Kelchner a chance to turn around--

MR. WHITE: It wasn't merely a question of a Plenary Session, but of informing the world officially and publicly.

H.M.JR: We have Mr. Sweetser here, Mr. McDermott, and Mr. Smith on public relations - and do any of you gentlemen, starting with Mr. McDermott, after listening to this discussion, when do you think there should be another sort of bow to the public?

MR. McDERMOTT: When the Fund is completely wrapped up, I would like to see a Plenary Session.

H.M.JR: And wait until we are sure of that?

MR. McDERMOTT: I would wait for it.

- 16 -

MR. SWEETSER: I think that is right. I don't think you need to have a banquet for it, or anything of that sort. I think you can make a large announcement with a Plenary Session.

MR. SMITH: I agree with that.

I would just like to point out that we have a half hour of radio time on Tuesday that is arranged for international broadcast, which we probably can't get again. So, if it is possible - I am not saying that that should be anything that we have to change our plans for - but if it would be possible to wrap it up by Tuesday night, it would be good.

H.M.JR: Well, now, is it agreeable to these gentlemen present, that if and when the Fund is finished, we then have a Plenary Session? And we will let the gentlemen in charge of public relations worry about how they should get it to the public.

LORD KEYNES: Mr. Secretary, I believe the program we might well aim at will be a Plenary on the Fund on Thursday, a Plenary on the Bank on Friday, and a concluding Plenary, with the final act, on Saturday.

MR. WHITE: But you also agree we can't now look much further--

LORD KEYNES: I think it would be rash to put the Fund earlier. The Fund is much the most difficult, really.

H.M.JR: But, Lord Keynes, there is nothing particularly to be gained now to do any setting of time until you gentlemen--

LORD KEYNES: Well, it just depends. You see, the pace we have got to go between ten o'clock this morning and the end is a good deal influenced by having some sort of notion as to the final date.

- 17 -

MR. ACHESON: Mr. Secretary, could we think of this matter of having a Plenary, and consider whether, if the Commission finishes, it couldn't make an announcement to that effect? The reason I suggest that is that you multiply meetings and you have to have a final session of the Commission, and you have to have a final session of the Conference, Executive Session, then you have to have another meeting which is Plenary for this purpose, and people are just going to be going to formal meetings; whereas, the purpose that you really want to get out is the announcement. Nobody outside cares whether we meet in the auditorium or not. Could we think that over a little bit?

H.M.JR: I am not quite sure I understand you.

MR. ACHESON: Well, whether it is desirable that we have Plenary Sessions before the final one is a matter which we might give a little more thought to.

H.M.JR: My impression, after listening here this morning - I don't know what Mr. Mendes-France thinks - is that we shouldn't announce anything now until we are sure.

Is that agreeable to you?

MR. MENDES-FRANCE: Yes.

H.M.JR: Did I ask you about Saturday or Sunday? I am sorry.

MR. MENDES-FRANCE: No, no, but I agree.

H.M.JR: I apologize. Which do you prefer, Saturday or Sunday?

MR. MENDES-FRANCE: I think Sunday.

MR. WOLCOTT: I was in your way.

H.M.JR: I looked at Mr. Wolcott and I couldn't get over the bunker!

- 18 -

Well, unless there is something else, then - Mr. Kelchner, if you would make the arrangements for us to stay here until Sunday - and I am sure that these people that you have will be in touch with you as to when there will be a Plenary Session and when there should be an announcement, and so forth and so on.

MR. KELCHNER: Right, sir.

LORD KEYNES: Two pleas I should like to put forward: The first is a ruling from you that there shall be no official Committees or Commissions after dinner from now onwards. I think it is these late meetings that exhausts everybody and loses time. That doesn't mean no work will be done after dinner, but working quietly - preparing drafts. But carrying on controversy up to late hours is one of the reasons, I think, which has brought us to the present pass. I think an official ruling that there is nothing put up to that Board after dinner will be very wholesome.

H.M.JR: What do the rest of the Delegates think?

MR. VINSON: I don't think it ought to be completely foreclosed, Lord Keynes. I agree thoroughly that there has to be some time for rest, but you might have a situation that would develop - you might agree that there would be none, and then a condition arise where it would be necessary to do it. If you have a Plenary Session on Thursday night and Friday night, and a meeting Saturday - final meeting - you are taking a good portion of Thursday and Friday out of working hours.

LORD KEYNES: But I should say that by special dispensation of the President it could happen, but it doesn't mean the group can't get together. I am proposing this not in order to decelerate, but in order to accelerate business.

MR. VINSON: I don't think there should be an official pronouncement of that kind.

- 19 -

H.M.JR: May I admonish the Delegations to try not to meet at night?

LORD KEYNES: I hope you will do that.

The other plea I put forward I believe also will accelerate, that as far as possible, the head master should declare today to be a whole holiday. That is to say, from official Commissions and Committees. Everybody wants to stop and think at this moment. We want to have several gatherings with two or three to talk over knotty points. We want to talk with our own people. I haven't been able to get hold of my technicians for three days, except for a fleeting five minutes in the lounge. That is going to lead to a great deal of confusion, I believe.

MR. WHITE: That can be easily arranged, I think. We have a Commission One meeting which I postponed from this morning to this afternoon. We can postpone that until tomorrow morning. That would satisfy everybody because we have a lot of things to take up.

Let Dean speak for Commission Two. The special committees can appropriately meet tomorrow.

H.M.JR: What about Commission One?

MR. WHITE: I postponed it until this afternoon because we weren't quite ready for it. The special committees ran into some snags. We can postpone that until tomorrow morning if we have this further time until Saturday night.

Now, that doesn't mean we have lost a day, in any sense, but probably gained some time, because we can do more work by ourselves.

H.M.JR: Commission One will be postponed?

MR. WHITE: Until tomorrow.

LORD KEYNES: On the whole, we didn't want to have one day. We had one yesterday in which we nearly brought

- 20 -

ourselves up to date and made a lot of progress. The result of that meeting was we threw a lot back to the Drafting Committee and a little bit back to other committees. And I think progress will be helped by getting on quietly with those. I don't think there will be really enough food for--

MR. WHITE: We would very much appreciate a delay in the meeting of Commission Two, ourselves, because we have a lot of work we would like to do before the next Commission meeting.

H.M.JR: Would you like, then, to postpone Commission Two until tomorrow?

LORD KEYNES: I wasn't thinking of having one day, anyhow. We thought sometime tomorrow we would meet with Commission One.

Mr. Acheson, do we mind whether it is morning or afternoon - whichever Commission One is not?

MR. ACHESON: Yes, we should have One tomorrow. I think with a quiet day we can finish tomorrow morning with most of these committees and get some material up for the Commission.

H.M.JR: Now, what else would there be on today?

MR. WHITE: Special Committee and the Drafting Committee. The Special Committee Judge Vinson can speak for.

MR. BERNSTEIN: The Special Committee is through, I think, with its work.

MR. WHITE: With the exception of the definitions.

LORD KEYNES: That is being circulated now.

H.M.JR: Well, why don't we take Lord Keynes' suggestion and say that there will be no Commission meetings today?

- 21 -

MR. NASH: That means no meetings today?

H.M.JR: No Commission meetings.

MR. NASH: The Committees will meet?

MR. WOLCOTT: Mr. Mendes-France wants to know if that includes Committee meetings.

MR. NASH: If it is a case of doing two things, Mr. Secretary, easing the pressure on those who have been working too long; and secondly, getting a chance to collect together the men that are attached to the respective Delegations, I think it might be worthwhile postponing all meetings.

MR. WHITE: I think that is an excellent idea.

LORD KEYNES: I was hoping for that.

MR. MENDES-FRANCE: I think that maybe we could keep some Committees today.

H.M.JR: Which ones?

MR. MENDES-FRANCE: Today at twelve is Committee Two of Commission Three, and in the afternoon is Committee Two of Commission Two, and it was Commission Three at the end of the day. But maybe the Commission could be postponed. In this case you have two Committees - I think it is not too much, and can help.

H.M.JR: What would you think, Lord Keynes?

LORD KEYNES: The Committee of Commission Two ought to meet today. It is a very small affair. I think they could finish it certainly under an hour - possibly less. That would clean that up. And I think the Drafting Committees will, as usual, have to get along behind the scenes.

MR. WHITE: Committee Two is a very important one.

- 22 -

MR. ACHESON: That is our Committee and I think it would be very wise not to have it meet.

LORD KEYNES: I agree to that.

H.M.JR: Just a minute, please. What about the twelve o'clock meeting?

MR. MENDES-FRANCE: Committee Two of Commission Three.

H.M.JR: The twelve o'clock meeting will be held.

Now, Mr. Stepanov?

MR. STEPANOV (Interpreter): Mr. Stepanov says it will be correct to postpone all the meetings today of Commissions. But since we have decided to leave on Sunday doesn't mean that we will have less of these Committee meetings. Mr. Stepanov's position is that it would be wise to postpone Commission One and Commission Three and have these meetings tomorrow, but that the Committees had better meet today, including Special Committees.

H.M.JR: Well, the twelve o'clock Committee has agreed to meet. What is the one this afternoon?

MR. KELCHNER: Committee Two of Commission Two and Commission Three.

I am wondering, since Commission Three has not met - the personnel will be different in most instances from those of Commission One and Two - could Commission Three meet this afternoon as scheduled, because they are not the people, in most instances, who have been under this terrific pressure?

LORD KEYNES: I think I would prefer that the Committee of Commission Two did not meet today.

H.M.JR: Committee Two of Commission Three at twelve o'clock - you would like that to meet?

- 23 -

(General agreement)

H.M.JR: Then the next meeting is two-thirty -
Committee Two of Commission Two. What about that?

MR. ACHESON: That should not meet.

LORD KEYNES: Should not meet.

MR. STEPANOV (Interpreter): Mr. Stepanov says Lord Keynes knows the work of this Commission better than anybody else, so if he thinks it is necessary to postpone it, then tomorrow we had better do it.

H.M.JR: Then Commission Three will meet at five o'clock.

MR. ACHESON: All right, sir.

MR. NACH: What Commission to meet?

H.M.JR: Commission Three.

MR. NASH: There is some work to do, and I don't think it would be worthwhile breaking your rule to have a meeting of Commission Three at five o'clock today.

H.M.JR: You think we had better not?

MR. WHITE: I think it could be postponed.

MR. NASH: At this point you really bring everyone in there if it is a Commission meeting.

LORD KEYNES: I think if it is a clean whole holiday, then everybody understands it.

MR. MENDES-FRANCE: This Committee at noon can be postponed?

H.M.JR: No, Mr. Mendes-France. At twelve o'clock there will be a meeting of Committee Two of Commission Three. That is all.

- 24 -

MR. MENDES-FRANCE: Then in this case it should be better to postpone that.

MR. WHITE: I think there is some advantage in not having a perfectly clean day, Mr. Secretary.

MR. NASH: I think you will be farther ahead tomorrow night by having a clean day today than by trying to work in a few.

MR. WHITE: Mr. White says he thinks there should be a meeting at twelve o'clock.

DR. KUNG: I think so. I think the twelve o'clock meeting should be held.

MR. KELCHNER: That is a new group. That is a group that has not been working.

H.M.JR: Then I think we maybe better have the twelve o'clock meeting, Committee Two of Commission Three. Then Dr. Kelchner will do his work. If he needs any legal advice, I offer him Mr. Oscar Cox to assist him.

MR. WHITE: I wonder if you need the Army?

MR. McDERMOTT: Mr. Secretary, before we adjourn I think it is awfully important the way this is announced to the press. I think Dr. Kelchner needs a little time, and I am afraid if we break up and go to our various Delegations and fan the word around, that it will come out in the nature of rumors, and I think it would be well if the meeting could leave it to the Chairman of the Conference to make the announcement, and not to fan the word around until then.

MR. VINSON: The announcement should be made as promptly as possible.

MR. WHITE: It will be pretty hard to keep that information from leaking out.

- 25 -

H.M.JR: Well, if you gentlemen could give us an hour in which to give Mr. Kelchner - a half hour?

MR. ACHESON: I suggest that he take about five minutes and we wait until he gets the announcement, and then come out at the same time we come out of this room.

MR. VINSON: I second the motion.

MR. WOLCOTT: Mr. Secretary, you are not postponing the last item on the agenda for the day, are you - 10:00 p.m.?
(Laughter)

7/17/44

The President of the Conference today reviewed the status of the work with the Steering Committee of the Conference. It was the unanimous opinion of the heads of the Delegations consulted that agreement on all matters of substance would be reached by Wednesday, the date set for adjournment, but that the technical and drafting work will require several more days. It was decided that a closing Plenary Session of the Conference will be held on Saturday, and that the Delegations will leave Bretton Woods on Sunday.

Bretton Woods, N.H.
July 17, 1944
11:35 a.m.

ARMY EXPENDITURES IN CHINA

Present: Mr. Vincent
Mr. Adler
Mr. Luthringer
Mrs. Morgenthau
Mrs. Klotz

H.M.JR: What I want to say is this, so I make myself plain. You did a beautiful job of drafting. I have no suggestions, with the possible exception that I would include the name of General Carter. (Refers to attached draft of telegram to the President, dated July 17, 1944)

MR. VINCENT: In the thing?

H.M.JR: In the draft. And I think also you had better make notes, because this is just for my memory. If you would include the name of General Carter and General Clay for the President's benefit - I don't think he knows who they are. Give their positions. Then I would also like to say, for State, that Mr. Vincent, Chief of the Chinese Division, who has just returned from a trip with Vice President Wallace - so the President knows that you are back.

MR. VINCENT: All right, sir.

H.M.JR: So that he gets the flavor a little bit more. You will be in Washington, when?

MR. VINCENT: It depends on whether I get out of here at four or not. I may have to stay tomorrow if I can't get any accommodations on the train.

H.M.JR: Are you in a hurry?

- 2 -

MR. VINCENT: I am not in a particular hurry, but I told them I would be back Tuesday noon, and short of any good reason for staying--

H.M.JR: We are sending a car to Boston at twelve-thirty.

MR. VINCENT: But I can't cancel the lunch with Kung. He wants to see me before lunch. I am doing some work with the Chinese down here, and I don't think we will have much trouble having them come around to our point of view on this. I think we will get a settlement in forty-eight hours.

H.M.JR: If you would please call on Mr. Bell - and, Mrs. Klotz, remind me - I want Mr. Bell to be brought up to date so he will understand this thing. If you would explain to him the purpose, and then, Mrs. Klotz, if you will tell me, I will tell Mr. Bell how to get at the President. But if you would call Mr. Bell, hand him this document, give him the background and the flavor of the thing, so that he knows--

MR. VINCENT: Yes, sir.

H.M.JR: Now, am I right, while I have you three gentlemen here; let me just get this thing straight, that what Dr. Kung tried to do - never mind whether he was sincere or not - was to flash a statement on me of a memorandum from the Chinese Government to the Ambassador which he said made the point that this Chengtu airfield was exclusive. And he came back to it after lunch that this was the thing. And he said, "You haven't answered me."

Then we did answer him and showed that not only had the Ambassador turned him down, but that the State Department confirmed what the Ambassador had done. Is that right?

MR. VINCENT: That is right.

H.M.JR: And, furthermore - I just want to get this straight--

MR. VINCENT: Before you go on, Mr. Secretary, that referred to an all-over tabulation; Chengtu was included in that.

H.M.JR: But he made that.

MR. VINCENT: But it was an all-over military settlement, and the settlement he suggested was unreasonable and unsatisfactory.

H.M.JR: But he made it. And then later on in the afternoon when we, so to speak, caught him red-handed, this moon-faced fellow said it never referred to Chengtu. He said that thing didn't refer to that.

MR. VINCENT: In particular--

H.M.JR: Then when he saw they got caught red-handed, then he tried to say that thing didn't refer to it, anyway. Is that correct?

MR. VINCENT: I wouldn't want to say that, but I could ask Chi, himself.

H.M.JR: What the fellow himself said is unimportant if I have the thing in the morning correctly.

MR. VINCENT: I would not want to say that Kung tried to give the impression that the conversation had particularly to do with Chengtu. I wouldn't want to say that, Mr. Secretary.

MR. ADLER: I have found Dr. Kung to be shrewd on what he is trying to do, but he is utterly irresponsible in his use of details. He doesn't take the time to master them. If he did take the time, whether he could master them is another question. He is utterly irresponsible.

H.M.JR: But Mr. Luthringer, am I right or wrong that he was trying to use that as an argument that we should pay for Chengtu?

- 4 -

MR. LUTHRINGER: It was my impression, Mr. Secretary, that he referred to their reasons and willingness to accept the Lend-Lease agreement, tried to make that a commitment on our part that we would finish the construction of all airfields. Now, I don't recall that he tried that specifically with Chengtu. My recollection was that he tried to hang Chengtu on the conversations in Cairo more than on that general Lend-Lease.

H.M.JR: That isn't the impression I got.

MR. VINCENT: Well, I have the impression of this latter conversation when he was trying to indicate that he had made a proposition which had never been given consideration back in Washington.

MR. LUTHRINGER: He had forgotten that we had rejected it.

H.M.JR: But didn't you say that the rejection was delivered to him and the language was so strong that he got very angry? So he must have read it.

MR. VINCENT: I think he read it, myself.

H.M.JR: You said whoever delivered the rejection to him said he was very angry.

MR. ADLER: Yes.

MR. VINCENT: I have the memorandum of that conversation made by our Counselor of Embassy Acheson, who was there, too. Everything that took place is up in my room at the hotel. Would you like to see it?

H.M.JR: No. What light did that throw?

MR. VINCENT: Just exactly that. Acheson had to say what he was told to say, which was that they considered his proposition unreasonable and unsatisfactory. He said he couldn't believe that kind of response could come out of - whether he mentioned the Secretary, or whom--

- 5 -

MR. ADLER: The Secretary.

H.M.JR: I agree with you that this thing he kept talking to us about was all-inclusive, and didn't particularly refer to Chengtu, but he was hanging his whole argument on that, and when he came back after lunch he said, "You haven't answered me on that."

We will look at the minutes, just for my own interest. You study the minutes, will you please?

MR. ADLER: Yes.

H.M.JR: You feel that there is a chance of getting him to accept?

MR. VINCENT: I would say that I think his whole group of advisers there that I know - I had breakfast with one - are trying to urge him to go ahead and accept it. I am supposed to see him before lunch. He wants to see me, and I have taken the point that they are making a ridiculous point out of nothing here, and that they would gain the favor of the War Department if they come out now.

I have told them they are going to get nothing else, anyway, therefore to keep this thing open is simply building up ill-will.

H.M.JR: Do you mind saying to him that I have asked you to come down and escort me? Then you can whisper on the way up what the last word is. Come down, please, a couple of minutes to one.

MR. VINCENT: Yes, sir. It is a quarter past one, I think, Mr. Secretary. I will let you know.

MRS. MORGENTHAU: It makes a lot of difference.

H.M.JR: Thank you.

Now, Sol, I went down and tried to get some air last night and ran into Frank Coe.

- 6 -

You started to say something about our figures showing that we have already paid for this airfield - I am not going to try to pronounce the name any more. How do you get that way?

MR. ADLER: We flew the money in. In order to pay for all the work on the airfield at Chengtu - the Central Bank needed the notes and they were short - we had to fly the money in from India. But, actually, sir, I have checked up on that, and Kung's proposal allows for that. He says we are offering him one hundred and twenty-five million for twelve billion, and he wants to take four billion yuan out of that twelve billion and do something with it.

H.M.JR: You have to say that again.

MR. ADLER: We are offering him one hundred and twenty-five million dollars for twelve billion yuan. The twelve billion yuan includes the cost of the Chengtu airfield.

H.M.JR: Didn't it come to more than twelve billion?

MRS. KLOTZ: That is what he said yesterday, twelve billion, and when he got that twelve billion he deducted four billion for other airports.

MR. ADLER: That is right.

MRS. KLOTZ: When he listed the figures.

MR. ADLER: It wasn't Chengtu.

MRS. KLOTZ: He started off by saying they spent seventeen billion and from that he deducted four billion, that made it thirteen plus. Then he took off one billion, nine for the maintenance, and that is how he got his twelve.

H.M.JR: But we are not recognizing that we have to pay for any other airports.

- 7 -

MR. ADLER: He is not claiming for that.

MRS. KLOTZ: He deducted that.

H.M.JR: But Dr. Kung admitted here, after this little fellow said what about the other, he said, "Are you going to put in a claim for that?" He said, "No, definitely, that is out."

So I still come back to the point, in the figure of one hundred and twenty-five million, can we show that we have already paid for the Chengtu airport?

MR. ADLER: Yes, we can.

H.M.JR: How?

MR. VINCENT: I want to say something there. The very fact that we flew the money in doesn't mean we have paid for it in that sense. It means we charged ourselves. We flew the money in, but that is all within the twelve billion, we will say, in round figures - which General Clay has as a figure, and which they more or less accept - but Kung, because of his Chengtu argument about the fields being outside of the general understanding, wants to take four billion of that twelve billion out and, if he accepts our proposition, claim that later in Reverse Lend-Lease. But he will completely exonerate the Army - I mean, a clear bill for the Army - but he will pull out four billion so that what it actually reduces to is the hundred million, or one hundred and twenty-five million, if you want to call it, for eight billion rather than twelve. But it is a complete settlement of what he considers the Army owes him, but he is going to make a claim later for the other.

H.M.JR: The way you put it makes less sense than ever.

MR. VINCENT: I am sorry.

- 8 -

H.M.JR: No, I mean less sense from the Chinese standpoint. It strengthens the American argument. You misunderstood me. I am not sarcastic. It strengthens our argument and makes less sense to the Chinese argument.

MR. VINCENT: It does, except that he keeps going back to the fact that the Chengtu airfields are outside of any twenty-five million a month which the President may have mentioned, and therefore he is saving his face and he hopes to save four billion yuan in this Reverse Lend-Lease, which I don't think he will save a great deal of, but nevertheless, it maintains his point, but gets him no more money.

H.M.JR: Now, let me ask you fellows - if we say one hundred and twenty-five million dollars represents twelve billion yuan, that is what we are saying, isn't it? What does that mean?

MR. LUTHRINGER: About a hundred to one. If I don't confuse the picture - if we went along with Kung, you pull that down to about sixty-six to one. He wants to be able to say to the Generalissimo, "I am a pretty good bargainer. I offered them sixty in Chungking and they turned me down, but I got sixty-five in America."

H.M.JR: And credit the other?

MR. ADLER: The other four billion to Reverse Lend-Lease. That is what he is trying to do.

H.M.JR: I don't agree with you people, but you most likely are right and I am wrong. I think the man knows every minute what he is doing, but you have been over there--

MR. VINCENT: I think he knows what he is doing. I am not ready to admit that.

MRS. KLOTZ: He meant on detail.

- 9 -

MR. ADLER: Yes, on detail.

H.M.JR: But as I remember when he first started to explain this thing to me, it was to be sixty to one in cash and the other sixty to one was to be in Reverse Lend-Lease. Is that right?

MR. VINCENT: That is right. That was one of the propositions.

H.M.JR: And if he got the four billion set aside, he would practically have that.

MR. VINCENT: He has split the twelve billion one-third, two-thirds; not in half.

H.M.JR: Well, anyway, of course, if something changes we still don't have to send that cable until you get to Washington. After all, I have plenty of time to send the cable - telegraph to the President and get it there - I mean, by tomorrow.

Do you want to add anything?

MR. ADLER: Just one other thing, sir, which you mentioned yesterday - that he has people watching him.

H.M.JR: The Kuomintang. I apologize once and for all for my Chinese pronunciation. But the political party is watching him. The Russian system--

MR. ADLER: It is more personal than the Russian system. Some of his enemies would like to see him slip.

H.M.JR: How foolish to bring your enemies with you!

MR. ADLER: In the Chinese system you pay more respect to your enemies than to your friends.

H.M.JR: I am afraid that is true in this country, too.

- 10 -

Well, thank you very much.

If you will come down and bring me up to date--

MR. VINCENT: Yes, I will come back here.

MRS. KLOTZ: It is one-fifteen, definitely. I checked that.

TELEGRAM TO THE PRESIDENT

(1) We held lengthy discussions Sunday with Dr. Kung in an endeavor to reach agreement regarding payment for expenditures in China by and on behalf of U. S. Army. State was represented by Vincent, Chief of Division of Chinese Affairs, and Luthringer of the Financial Affairs Division, who accompanied Wallace on his recent trip to China, and War was represented by Major General Clay, Director of Materials, Army Service Forces, and Major General Carter, Fiscal Director.

(2) Clay offered cash settlement of US\$125 million (25 million of which has already been paid) for five-month period February-June covering outlay for that period of approximately 12-1/2 billion yuan. Clay also offered to pay for maintenance and housing construction costs of U. S. troops but Kung stated that Chinese Government would prefer to bear this cost because U. S. troops were "guests" in China.

(3) The figure of US\$25 million a month for 5 months (total \$125 million) is based upon your telegram of January 26 to Generalissimo Chiang in which you stated that "our Army expenditures in China during the next few months can be expected to be somewhere in the neighborhood of 25 million U. S. dollars each month." Without reference to the artificial rate of 20 to 1 and without endeavor to suggest a realistic rate of exchange, Clay argued that US\$125 million had a close relation to what it would

- 2 -

have cost our Army in the United States to obtain services and construction similar to those obtained in China.

(4) Disagreement arose over whether the figure of US\$25 million a month mentioned by you in your telegram to Chiang was intended to include construction costs of airfields (in particular those in the Chengtu area). We maintained that it did. Kung maintained that it did not, arguing that the 25 million mentioned by you was for ordinary Army expenditures. He mentioned your conversation with Chiang at Cairo in support of his position but presented no written evidence. We pointed out that we were not informed regarding those conversations but that your telegram to Chiang in January was subsequent to the Cairo meeting.

(5) Clay in conclusion, with my concurrence, suggested that Kung might wish to make a claim for airfield construction (Kung had mentioned the figure of Chinese 4 billion yuan) (as reverse lend-lease) if and when a reverse lend-lease agreement is reached with China. I pointed out that this suggestion, while agreeable to me as a generous gesture, did not prejudice our position that the lump sum offer of 125 million, according to our knowledge of the matter, should be considered as full payment for all expenditures by and on behalf of the U. S. Army in China for the period February-June. ^

- 3 -

(6) Clay repeated his offer of a lump sum payment and also requested, as he had done earlier in the conversation, that the Chinese Government agree to a payment of US\$20 million per month for the period July-September to cover all expenditures for and on behalf of the Army for that period.

(7) Kung said that he would have to refer the matter to the Generalissimo.

(8) We feel that the terms offered are more than fair, are generous in fact, and we recommend a firm stand. We do not feel that there will be political repercussions in China which would warrant material deviation from the stand we have taken.

Changes in Telegram to President on American Army Expenditures in China

- (1) Paragraph 4. Ordinary in quotes
- (2) (a) Substitute "under Reverse Lend-Lease" for "as Reverse Lend-Lease"
(b) Add at end "exclusive of troop maintenance costs"
- (3) Ditto

S.A. 7/22/44

Minutes of Conversation in Secretary Morgenthau's Office

July 17, 1944
2:45 P.M.

Present: Secretary Morgenthau
Mrs. Morgenthau
Mrs. Klotz
Judge Vinson
Mr. John C. Vincent, State Department
Mr. S. Adler

Secretary Morgenthau stated that he asked Dr. Kung during lunch yesterday to withdraw China's reservation with respect to her quota and that Dr. Kung had refused. During lunch on Monday Dr. Kung suggested to Secretary Morgenthau that China's quota be restored to \$600 million and that China announce that in appreciation of Sino-Russian friendship China give \$50 million out of her \$600 million quota to Russia in order to facilitate the raising of the Russian quota from \$900 million to \$1,200 million. Dr. Kung indicated that if his request was acceded to, China would withdraw her reservation. Secretary Morgenthau asked Judge Vinson to take the matter up with Mr. Stepanov to ascertain whether Russia had any objection to the procedure suggested by Dr. Kung.

S. A.
S. Adler

Secretary of State Hull announced today (July 17) that exploratory conferences on organization of a world security agency will be held here (Washington), probably early in August, but that Russian and Chinese representatives will not participate in the same meetings.

"The four Governments signatory to the Declaration of Moscow are agreed that informal conversations and exchanges of views on the general subject of an international security organization will soon begin in Washington, probably early in August.

"It has been decided, following discussions with the other Governments that the first phase of the conversations will be between representatives of the United Kingdom, the United States and the Soviet Union and that conversations on the same subject between representatives of the United States, the United Kingdom and China will be carried on either at the same time or shortly thereafter.

"These conversations will be followed by discussions with the other United Nations."

COPY

July 17, 1944

My dear Mr. Johnson:

This is in response to your letter of July 10, 1944, concerning the newspaper story which attended the issuance of revised O.D.T. General Order 24.

Quite naturally I was surprised to see a story publicly criticizing the Treasury Department's use of extra railroad equipment. I can appreciate that it was not your intention to use the public press as a medium for expressing dissatisfaction with our bond selling methods even though a somewhat similar item appearing in the June 23rd edition of "Printer's Ink" had been called to my attention earlier. It is unfortunate that the damage done by this adverse publicity is irreparable, but I wish to thank you for your assurance that this occurrence did not have your personal sanction.

In connection with the amended order, I feel impelled to invite your attention to certain basic considerations which may not have been properly weighed by your staff when making the recent changes in your regulations.

As the Secretary of the Treasury, I am charged with the responsibility for raising the many billions of dollars required to prosecute this war. To satisfactorily perform this task, I have called upon everyone who can be of assistance to me. It has been my earnest hope to achieve the objectives of my program while preserving harmonious relations with all other agencies of the Federal Government and the public at large. I have welcomed constructive suggestions from all sources and intend to continue with this policy, but by the same token, I shall militantly resist the arbitrary enforcement of any regulation which prejudices the vitally important work of the Treasury Department.

In my view, an examination of the facts will not support the allegation that this agency ever abused the privilege of using special railroad transportation. For example, during the Fifth War Loan Drive we employed but five extra Pullman cars, all of them attached to regular trains, and three of them occupied by

- 2 -

military personnel participating in our Drive. Surely you will agree that this is not an excessive demand on equipment when measured against the result of \$45 million worth of extra bond sales in 18 cities. It is a series of projects such as the above which are launched throughout a bond drive as a means for developing a bond-conscious public, each project forming an integral part of a carefully considered national program planned by members of my staff and thought to be necessary to the success of a drive involving sales of \$16 billion or over.

It is my hope that the administration of the amended order will be liberal enough to permit the Treasury Department to sustain the effectiveness of its bond selling drives. We shall continue to hold to the view that our task is inextricably bound to the war effort and that it holds such a high place in that effort that we cannot permit it to be injured by the undue exercise of regulatory power on the part of what we must count upon as a cooperating component of our Federal Government.

Sincerely,

/s/

H. Morgenthau, Jr.

Honorable J. M. Johnson
Director, Office of Defense
Transportation
Washington, D. C.

JRS:CSB:el
7-12-44

COPY

OFFICE OF DEFENSE TRANSPORTATION
Washington, D. C.

Office of Director

July 10, 1944.

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

My dear Mr. Secretary:

I was astounded yesterday to read in the papers an article, entirely unauthorized, criticizing the Treasury and War Departments for the extravagant use of railroad passenger transportation. So far as I have been able to ascertain, this story did not emanate from this office.

I hasten to assure you that there is nothing further from my mind than to criticize any Governmental agency publicly. There are bound to arise differences, and, when of sufficient moment, I will take them up with the head of the department involved.

I want you to know that I regret exceedingly that this publicity occurred. I will take immediate steps designed to guard against repetition.

Very cordially yours,

/s/ J. M. Johnson

J. M. Johnson,
Director.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 13, 1944

TO Secretary Morgenthau

FROM Charles Bell

Bell

Herewith Johnson's letter and proposed reply. I understand from Ted Gamble that Elmer Davis would like to have a copy of your reply to Johnson. Perhaps Johnson hastened to disclaim responsibility for the newspaper item when he recalled the President's instructions in this respect. Am enclosing copy to refresh your memory.

Under the new regulations issued July 10th, the State Department will be obliged to procure the equipment necessary to return the Bretton Woods delegates and assistants from Johnson rather than from the railroads direct. This might have serious complications if Johnson gets tough. I have warned Kelchner's office of this possibility.

You called the Special Train off in the Fifth War Loan, yet Johnson gets the credit for this in the little item appearing in "Printer's Ink" dated June 23rd. From all indications, our dealings with the O.D.T. promise to be difficult as we enter the Sixth War Loan. I have never been impressed by O.D.T.'s methods of controlling the transportation problem. Aside from permitting millions of persons to travel for purely pleasure, there are little inconsistencies such as running simultaneously out of Washington and Philadelphia a sleeping car each night at 1:30 A. M. for the convenience of passengers who wish to sleep between these two points, which in running time according to the run of the Congressional Limited is two hours and sixteen minutes. This does not appear to be good utilization of this type of equipment, yet the practice

- 2 -

continues without disturbance by O.D.T. Doubtless there are many similar examples of this type of extravagance with rail equipment throughout the country. It can be seen from this one example that 60 sleeping car nights per month are being tied up on this "luxury" service. This amount of space is greater than our requirements for special equipment during the entire Fifth War Loan Drive. I am saving this as a future argument.

"Dear Sir:

"On August 21, 1942, I sent to the head of each department and agency of the federal government a letter, copy of which is attached.

"I call your attention to the statement contained in that letter that 'disagreements either as to fact or policy should not be publicly aired, but are to be submitted to me by the appropriate heads of the conflicting agencies.' Notwithstanding these positive instructions, disagreements between agencies have been publicly aired on several occasions.

"I realize the nervous strain under which government officials are working in war time but I cannot overlook any further violations of my instructions. By this letter I do not place any restriction upon your furnishing statements in response to Congressional inquiries. But if when you have a disagreement with another agency as to fact or policy, instead of submitting it to me or submitting it to the Director of War Mobilization for settlement under the terms of the Order creating that office, you feel you should submit it to the Press, I ask that when you release the statement for publication, you send to me a letter of resignation.

"If any subordinate of yours violates my instructions in this regard, I shall expect you to ask for his immediate resignation.

"I am sending identical letters to the heads of every department and agency of the government.

"Sincerely yours,

F. D. R.

July 15, 1943

July 17, 1944

Original to Mr. McConnell

Photostats to: Mr. D. Bell
Mr. Glasser

*Acy saw this
on 7/24*

*McConnell discussed
with Mr. Dan Bell
who said no answer
necessary.*

*re sale of surplus
stockhold*

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

JUL 15 1944

The Honorable
The Secretary of the Treasury
Washington, D. C.

My dear Mr. Secretary:

Thank you for sending me a copy of your letter of June 15th addressed to Secretary Hull, setting forth your views on the sale by this Government and the British Government of surplus stocks.

I think it would be helpful if representatives of the Treasury Department, of the State Department and of the Foreign Economic Administration could meet within the near future to discuss this matter. Accordingly, I have suggested to Secretary Hull that he may wish to arrange some convenient time for the discussion of this question.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Leo T. Crowley". The signature is written in dark ink and is positioned above the typed name and title.

Leo T. Crowley
Administrator

July 17, 1944
9:20 a.m.

CIRCULAR AIRGRAM

TIME _____

RESTRICTED

TO
CERTAIN AMERICAN DIPLOMATIC OFFICES:

All messages sent on behalf of representatives of the War Refugee Board and messages relating to the operations of the Board should be taken up in your regular accounts for reimbursement by the War Refugee Board in accordance with Section V-45 of the Foreign Service Regulations.

Please submit by airgram complete list of all messages which you have sent in the Board's interest, as stated above, giving number and date.

HULL

ept

FA:EPT:FE 7/ 6/44

BF

WRB A-A/S

PLEASE SEND CIRCULAR AIRGRAM TO THE FOLLOWING AMERICAN
DIPLOMATIC OFFICES:

Algiers
Ankara
Lisbon
London
Madrid
Stockholm

TO AMBASSADOR WILSON FOR ACKERMANN AND SAXON AT ALGIERS FROM WAR REFUGEE BOARD.

Please refer to Madrid's 392 to Algiers for Ackermann and Saxon urging that a commitment be obtained from the French for the evacuation from Spain of from 25 to 50 stateless refugees holding North African entry visas to Camp Fedhala on each French convoy calling at Spanish ports to evacuate French refugees to North Africa.

Board suggests that you use your utmost efforts to obtain this commitment from the French. Please advise us of any difficulties you may encounter.

THIS IS WRB CABLE TO ALGIERS NO. 34

3:55 p.m.
July 17, 1944

NJHarks/MSargoy:dh 7/17/44

FROM

HABANA

DATED: July 17, 1944

REC'D: July 19, 8 a.m.

Secretary of State,

Washington.

A-1551, July 17, 2:55 p.m.

Reference Department's circular airgram, April 15, 7 p.m.

Please give me detailed information as to the procedure which would be followed by the War Refugee Board in making funds available for the support of some 1000 refugee children if the Cuban Government should agree to their entry. I need this information in connection with my discussions of the matter with Cabinet officials and the President. Despite continuing efforts I have not yet been able to get a definite acceptance of the proposal.

BRADEN

711.5

B/jm

MSE-196

PLAIN

London

Dated: July 17, 1944

Rec'd: 3 p.m.

Secretary of State,
Washington.

5657, seventeenth

FOR WAR REFUGEE BOARD

Sir Herbert Emerson has furnished the Embassy with a copy of a cable received by him from Gouverneur Valentin Smith Inter-governmental Committee representative in Algiers transmitting a suggestion that the refugee camp at Fedhala be closed. Smith says the camp now holds 600 persons, that because of improving international situation no more large contingents are to be expected and that costly maintenance of organization to care for 2000 persons is not justified. Local management of camp recommends closing it and transferring the 600 inmates to existing camps in Egypt and Palestine and to countries willing to receive them.

Emerson has replied that question of the future of the camp is one primarily for American and British Governments in consultation with French authorities; that Inter-governmental Committee has no instructions to give but feels that decision to close the camp now would be premature.

WINANT

WBB

MAE-302

PLAIN

London

Dated July 17, 1944

Rec'd 8:10 p.m.

Secretary of State,
Washington.

5650, Seventeenth

Retribution for war crimes is discussed by editorials in NEWS CHRONICLE AND DAILY MAIL. Former paper places particular emphasis on inhuman treatment of Jews at hands of Nazis.

Referring to Washington confirmation of reports of mass killings of Jews by Nazis and their Hungarian quislings, NEWS CHRONICLE states:

"Mr. Cordell Hull's promise of retribution comes none too soon. With the Allies steel frame tightening round Germany many outwardly cocksure Nazis must have read the writing on the wall. * * * * * Hungary is now bound hand and foot to Hitler and his evil creed. Horthy consents to a crime which Francis Joseph and his officers, for all their faults and prejudices, would have regarded with loathing and horror. * * * * * In the future we must treat as an active disturber of the peace every European country which seeks to make racial discrimination a principle of political order. We must also devise the terms of the 'inexorable punishment' carefully. There must be the right sort of retribution. * * * * * This problem of retribution is fundamental and goes to the roots of postwar society in Europe. Every European--whether Catholic or Protestant, Jew or Freethinker--must possess certain rights which no purely national laws or ordinances can alienate".

Asserting that promises both in Britain and America that exemplary punishment will be lot of war criminals are excellent but are becoming staled by repetition, DAILY MAIL holds that such declarations are "no substitute for action". It continues:

"The people are beginning to ask how the criminals are to be brought to justice; when and where the trials will take place; who is going to punish them and what the punishment is to be. It is time these questions and others were answered. The people have long memories for things like this. They recall that similar righteous sentiments were expressed in the

last war

- 2 -

last war, but that no German criminal ever got his deserts. The Germans fooled us, and they are out to fool us again. Are they to be allowed to do so? It is not forgotten how Mussolini got away after he was supposed to be under lock and key. * * * * *

We cannot believe that our Leaders will allow the German murderers and brutes to escape as they did the last time after a farcial trial at Leipzig. We suggest nevertheless that the time has come to turn aspirations into specific articles of code of retribution. There is in existence and sitting in London a United Nations War Crimes Commission which took 15 months to get going with its first meeting--no great advertisement for speed or energy. The Commission may possess these qualities, but they have not been in evidence. We have heard far too little of this body since. Are the war criminals to be tried by national courts or by a United Nations Court? Are the Allied Nations to have their own lists of criminals or willan offence against one count as an offence against all? What, did Lord Cranborne mean when he spoke of 'rooting out' the Gestapo? Dis he mean the whole 200,000 would be hunted down? These are only a few of the questions which demand urgent answers. It is possible to be too 'correct' and too longwinded in dealing with our enemies." Stating that there is no time to lose, editorial goes on to say that as Germans become more desperate they will become more savage and that only way of stopping them is by letting them know that ringleaders will not be allowed to escape. DAILY MAIL declares that terms of "code of retribution should be hammered home by all possible means". It adds: "Lists of names of those to be tried should be distributed and broadcast all over Germany. If there are 'good end' Germans, as our idealists aver, they should be as glad as we are to see wickedness get its deserts when the Germans were destroying Rheims in the retreat of 1918, President Wilson threatened to stiffen the peace terms. The destruction stopped at once. This was the kind of language the Germans understood. They still understand it".

Please furnish copy to War Refugee Board.

WTD

WINANT

BAS-437

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

Vatican City

Dated July 17, 1944

Rec'd 10:25 a.m., 18th

Secretary of State,

Washington.

237, July 17, 10 a.m.

The following is the substance of a telegram dated July 15 sent from Rome to Intergovernmental Committee on Refugees London from the Committee's resident representative in Italy, Sir Clifford Heathcote Smith.

The subject of the telegram is the saving of the lives of foreign internees in Italy notably Jewish whom the Germans threatened with imminent deportation and murder; and the despatch of mercy ship.

(1) There have been discovered in Italy the originals of German official orders dated April 22, 1944, by which all internees except Belgian, Dutch, Norwegian, French, Greek, ex-Polish and ex-Yugoslav, were to be sent northward into Germany (repeat Germany) concentration camps. The order stated specifically that Jews of all nationalities presumably Italian also were included. A corroboration of this is found in the fact that 43 British Jews were thus suddenly removed in April at noon one day at a few minutes notice to a German camp at Carpi near Modena.

(2) The monstrous fact that large numbers are deported to Germany and liquidated is disclosed by evidence scarcely less complete. This fate must have been that of thousands of men, women and children from Italy alone. This bestial carnage should clearly be stopped forthwith if this, without injury to the war effort of the Allies, can be achieved.

(3) The size of the problem. There should have been sixteen to twenty thousand internees today in republican Italy so it is estimated, but including all Christians and an outside maximum of 5,000 foreign Jews, there may be alive today thereunder 9,000 what with a large scale repatriation of Yugoslavs and deportation of Jews and others. Republican Italy with her Fascist

-2-

laws has denationalized all Italian Jews so that some 20,000 "Italian" Jews should be added to the above 5,000 foreign Jews.

(4) President Roosevelt initiated the refugee camps for the thousand stateless persons now being shipped from Italy to the United States. Could therefore the President be approached to intervene on behalf of these persons in German camps and possibly for this purpose utilize the Pope, if thought advisable, as intermediary? It is suggested the Axis would be asked to deliver at a named port in the North Atlantic all internees and notably all stateless persons. A mercy ship would be sent to that port to collect them; and this ship, until all had been removed to safety, could carry on a shuttle service to some near port in liberated Italy. If the United States of America found it impolitic provide a temporary home for any of these refugees, then as regards their eventual disposal they could be kept, many thousand of them, in Italy and if required there could be made available in Algeria several huge camps.

(5) If the inter-Governmental Committee took a successful initiative in this operation this would be directly in accordance with the essence of its mandate which is to take steps to preserve (repeat preserve) and maintain refuge. Similarly rescue work has pride of place for the American War Refugee Board.

(6) Immediacy of the problem. Never before has there been such a probability of success nor such urgency. It is clear this suggestion of mercy ships is not original; the question is whether this is psychological moment to try again. German policy of deportation is well established. If we do not move quickly total (repeat total) deportation may be carried out. On the other hand Germany is now on the defensive and hard pressed and has just declared this publicly and frankly. This comparatively small act of decent behavior which incidentally will saddle the Allies with several more thousand mouths to feed may be welcomed by the Germans as an opportunity to gain some grace.

(7) Success in this eleventh hour attempt to save extermination some few thousand lives might permit later successful repetition elsewhere.

(8) No immediate threat. It is suggested that only

-3-

after eventual rejection should threats be used; but that the invitation itself should be merely courteous and direct and that Germany should be informed beforehand that we hold the names of the majority of those who were interned in Italy.

(9) This mercy ship suggestion formed the subject of a talk I had with Myron Taylor. He said that he would encourage the plan and would cable the appropriate authorities in Washington accordingly.

Note by Myron Taylor: this idea is similar, of smaller scope but more definite than one discussed by Pehle, President War Refugee Board, with the President's Advisory Committee at a luncheon meeting in New York in April. Whether it is practical depends on transportation and military consideration as well as the political features involved.

TAYLOR

WSB
RR

TO THE AMERICAN EMBASSY AT LISBON FOR DEKTER

The following is a text of a message from Dr. A. Leon Kubowitzki of the World Jewish Congress, New York, to Mr. I. Weissman, representative of the World Jewish Congress at Lisbon:

We herewith enclose the sworn statement for the child Edith Affenkraut which has been prepared by her sister, Mrs. Sophie Spector. Dr. A. Leon Kubowitzki,
World Jewish Congress.

THIS IS WEB CABLE TO LISBON NO. 61.

11:10 a.m.
July 17, 1944

BKsin:ar 7/18/44

HMK
Distribution of
true reading only by
special arrangement
(SECRET W)
War Refugee Board

July 17, 1944

7 p.m.

AMEMBASSY,

LISBON

2007

The following WEB cable 57 is for Dexter.

Please refer to your 2009 of June 28 concerning failure of Mexican Legat on in Lisbon to receive instructions concerning the 500 residence visas.

The Board has been advised that General Candido Aguilar, the new Mexican Minister to Portugal who is expected to arrive in Lisbon the end of this month, has full authority to grant the 500 residence visas to persons whom he approves. Please confirm this with General Aguilar as soon as possible after his arrival and make no comment about it until such confirmation.

HULL
(GLW)

WEB:MMV:EG S/CR WE MA VD
7/14/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Lisbon
TO: Secretary of State, Washington
DATE: July 17, 1944
NUMBER: 2194

CONFIDENTIAL

The following JDC-31 is sent to Leavitt by Pilfel.

WRB-104

Grant for June has been received by Mayer and his receipt of three hundred thousand dollars for July has been approved by Swiss Government.

Information has reached me to effect that the Spanish diplomatic representative at Budapest has been instructed by his Government to grant Spanish visas to five hundred Chungking children whose admission to Tangier is approved. Saly Mayer has been requested to investigate and any additional information will be forwarded to you.

NORWEB

DCR:EBH
7/20/44

PLAIN

131

Madrid

Dated July 17, 1944

Enc'd Num. 18th

Secretary of State

Washington

2800, Seventeenth

Fifteen members of supplementary exchange group left Irun July 15 by train for Lisbon.

Other seven members of group proceeded to Madrid on same date and are now in care of Blickenstaff's organization awaiting completion of arrangements for their transfer to Fedhala. Repeated to Lisbon as 179 and London as 596.

BUTTERWORTH

BB

RA-
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(SECRET)

July 17, 1944

7 p.m.

AMLEGATION,

STOCKHOLM.

1426

The following War Refugee Board cable 55 is for Olsen.

(1) Reference Department's 1349 of July 6, WRB's 42. Board now informed by Amlegation Bern that Swiss Minister at Budapest delivered note to the Hungarian Foreign Office on June 27. Text not yet received.

(2) Please express to Foreign Office Department's and Board's appreciation for information contained in your 2510 of July 7.

(3) It is reported that ninth person in Budapest group listed in Department's 1246 of June 23, WRB's 30, may be an avenue of approach to Otto Braun, a German residing in Budapest who is said to be in a position to aid escapes and concealments.

HULL
(GLW)

WRB:MMV:KG
7/14/44

NOE

SE

S/CR

HMK
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(SECRET W)

July 17, 1944

10 p.m.

AMLEGATION,

STOCKHOLM

1430

The cable below is WEB no. 56.

Please refer to your 2538 of July 9 concerning the
proposal to sell the Bessarabia and Transylvania.

We are communicating the Rumanian proposal to the
embassy in Ankara for comment.

HULL
(GLW)

WEB:MMV:KG
7/17/44

S/CR

NOE

HE

MJB
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 reading by special
 arrangement (SECRET W)

July 14, 1944

Midnight

AMLEGATION,

STOCKHOLM

1433

The War Refugee Board cable 54 below is for Olsen.

The suggestion has been made to the Board from several sources that the issuance to Hungarian Jews, particularly children and families with children, of Palestine certificates, American and neutral visas in quantity might result in the saving of lives. The Board is considering the practicability of such a program in terms of the remaining balance of available Palestine certificates, 5,000 United States visitors visas, additional United States immigration visas to persons entitled to nonquota or preference status and to persons to whom United States immigration visas now expired were issued after July 1, 1941, and a comparable number of visas of the other American Republics, British dominions and neutrals. The suggested program has not (repeat not) as yet been cleared with the State Department. In view of your 2511 of July 7, the Board would appreciate receiving as soon as possible your views and recommendations as to the practicability of the suggested program based upon such information as is available to you. The Board would appreciate the informal views of informed persons in the Swedish Foreign Office if you consider it appropriate to discuss this matter with them.

HULL
 (AAB)

WFB:MMV:KG
 7/14/44

VD NE NOW BC ARA

S-OR

SFG-223
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Stockholm

Dated July 17, 1944

Rec'd 5:30 p.m.

Secretary of State
Washington

2640, July 17, 3 p.m.

THIS IS OUR NUMBER 53 FOR WAR REFUGEE BOARD.

Within the past month two Danish officials were permitted to visit the Resienstadt for the purpose of determining the status of Danish Jews there. Apparently they were not accompanied by German authorities and much of the vi sit suggests windowdressing for propaganda purposes. In any event, these Danish officials report that 37,000 are living in the Resienstadt under reasonably comfortable conditions. The administration of the Resienstadt is reported to be entirely in Jewish hands and it is stated that good hospital facilities are maintained, food is satisfactory and parcels are received regularly from Denmark. It is reported that all Danish deportees were there except those who had died from natural causes, and that many other nationalities were in evidence particularly Dutch, Belgian, Austrian, Czechs and some Germans. It was stated that these residents were in the Resienstadt on a permanent basis and had not been shifted around from place to place.

The Danish officials emphasize that their visit should not be publicized since it would have most unfortunate consequences for those confined in the Resienstadt and other Ghettos.

JOHNSON

LMS
WTD

LC - 286
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(SECRET W)

Stockholm
Dated July 17, 1944
Rec'd 8:40 p.m.

Secretary of State,
Washington.

2652, July 17, midnight, (SECTION ONE)

THIS IS OUR 54 FOR WAR REFUGEE BOARD.

The following summarizes the pertinent features
of report filed by Trammal and Evens in covering
refugee activities in Norway.

Of the \$50,000 originally received (second \$50,000
received last week) approximately 100,000 Swedish
kroner were used to purchase 328,000 Norwegian kroner.
This Norwegian currency was purchased locally from
Norwegian refugee's who had brought the currency to
Sweden and it was stressed that there could be no
possible benefit to enemy from these transactions.
Of this Norwegian currency, approximately 50,000
kroner has been sent back to Norway through the under
ground for relief purposes including the support
of families of persons in concentration camps. The
balance of this currency is still on hand. Group also
has approximately 75,000 Swedish kroner on hand from
first transfer.

JOHNSON

KEC WMB

RAS-264
Distribution of true
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arrangement. (SECRET W)

Stockholm

Dated July 17, 1944

Rec'd 7:10 p.m.

Secretary of State,
Washington.

2652, July 17, 1 p.m. (SECTION TWO)

It is reported that about 850 Norwegians escaped into Sweden during June despite a severe tightening of border patrols so that operations were difficult. During July Norwegian refugees are coming into Sweden at the rate of approximately 65 a day and the movement has been organized well to overcome recent obstacles. Almost 10,000 youths who failed to respond to the Nazi labor mobilization are hiding in the forests in the vicinity of Oslo. Funds supplied by American relief for Norway are assisting in maintaining these groups. Other expenditures including the purchase in Sweden of food clothing and shoes for severe hardship cases in Norway.

JOHNSON

WFS WMB

LC - 860
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true reading by
special arrangement.
(SECRET F)

Stockholm

Dated July 17, 1944

Rec'd 6:50 p.m.

Secretary of State,
Washington.

2652, July 17, midnight, (SECTION THREE)

Trammal and Evensen appear to be extremely conscientious in handling the funds and carrying out the program involved. They have established an administration committee which includes Edward Stenklev of the Stockholm Secretariat of the Norwegian Labor Union and Irygve Nilssen, former chairman of the Oslo Labor Council. The accounts are kept by Hans Hegg former chief cashier of the Norwegian Iron and Metal Union, and expenditures are audited by George Jacobsen and Karsten or Kildsen, former auditors of the Norwegian Labor Union.

(END OF MESSAGE)

JOHNSON

WMB EEC

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND FROM THE WAR
REFUGEE BOARD

Note referred to in your 4086 June 26 not (repeat not) received.
Urgent you cable at once full text thereof.

THIS IS WRB BERN CABLE NO. 88.

11:10 a.m.
July 17, 1944

BAPJM:ar 7/15/44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Legation, Bern
 DATED: July 17, 1944
 NUMBER: 2438

CONFIDENTIAL

License Number W-2229 has been issued to the Queen Wilhelmina Fund, Incorporated, New York City, by the Treasury Department. This license permits the disbursing agents of the above-named organization, Antoine Krier and Hubert Clement, to make arrangements for rescue and relief operations in enemy-occupied and enemy territory, and it is requested that you, through the Luxembourg Consulate in Bern, inform Krier and Clement. The above license is practically identical in its terms with license Number W-2106, as amended, issued to the Joint Distribution Committee. In this connection, please refer to cable from the Department dated June 3, Number 1906. The operations contemplated in License No. W-2229 are approved by the Treasury, the War Refugee Board, and the Department. The Swiss franc equivalent of \$90,000 will be remitted to Krier and Clement by the Queen Wilhelmina Fund, Incorporated, under specific license.

HULL.

DCR:LCW 7/21/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: July 17, 1944
NUMBER: 2439

CONFIDENTIAL

FROM THE WAR REFUGEE BOARD FOR MCCLELLAND, BERN,
SWITZERLAND.

Note referred to in your 4066 June 26 not (repeat not)
received. Urgent you cable at once full text thereof.

THIS IS WRB BERN CABLE NO. 85.

HULL

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington.
TO: American Legation, Bern
DATED: July 17, 1944
NUMBER: 2440

CONFIDENTIAL

License Number W-2232 has been issued to the Friends of Luxembourg, Incorporated, New York City, by the Treasury Department. This license permits the disbursing agents of the above-named organization, Antoine Krier and Hubert Clement, to make arrangements for rescue and relief operations in enemy-occupied and enemy territory, and it is requested that you, through the Luxembourg Consulate, Bern, inform Clement and Krier. The above license is practically identical in its terms with license Number W-2106, as amended, issue to the Joint Distribution Committee. In this connection, please refer to cable from the Department, dated June 3, Number 1906. The operations contemplated in License Number W-2232 are approved by the Treasury, the War Refugee Board, and the Department. The Swiss franc equivalent of \$20,000 will be remitted to Clement and Krier by the Friends of Luxembourg, Incorporated, under specific license.

HULL

DCR:LCW 7/21/44

HIS :
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 special arrangement.
SECRET V

July 17, 1944

7 p.m.

War Refugee Board

AMBASSY,
ANKARA.

641

The following for Hirschmann is WEB cable 82.

We have been advised by Minister Johnson that Mr. Aurel Theodoru Director of Service Maritime Roumains (a government enterprise) has been in Stockholm and has mentioned 12,000,000 kronor as a preliminary figure for the sale of the Bessarabia and the TRANSYLVANIA, the above price apparently covering both ships. Theodoru suggested that these vessels be purchased for refugee evacuation from Constanza. He asserted that if the vessels were purchased by Interross or the Swedish Red Cross, as a condition of the sale the Rumanian Government would guarantee to grant safe-conduct and would further guarantee to obtain a German safe-conduct. Theodoru proposed that the purchase price of the two vessels be deposited in Sweden with a guarantee that the funds would be made available for purchases of goods for delivery in Rumania after the War. According to the proposal these goods could be held blocked in Sweden in the name of the group or organization purchasing or chartering the ships.

The Board is cognizant of the information concerning these ships furnished in your report of February 20 and your 1063 of June 14 and also that certain small vessels apparently have now been obtained for refugee evacuation from Rumania. However we would appreciate your reaction to the above proposal.

HULL
 (GHW)

S/CR
 WEB:MMV:KG
 7/17/44

HE

NON

LL-207

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

Istanbul

Dated July 17, 1944

Rec'd 3:31 p.m.

Secretary of State,

Washington.

420, July 17, 9 a.m.

WAR REFUGEE BOARD FOR LEAVITT JOINT DISTRIBUTION COMMITTEE FROM JOSEPH SCHWARTZ.

On my instruction the Central Bank Jerusalem has been making payments to immigrants from Italy paying in full all claims up to 10 pounds (sterling) and up to 10% of claims above that amount. This was done at the request of the Intergovernmental Committee as I previously advised you. I will make no payments beyond this until you advise of final arrangements on clearance. Upon my return to Jerusalem I will inform you of total amount thus far paid out. I hope you can expedite decision as many of the immigrants are undergoing real hardship. Have you remitted funds to Italy pending a decision?

BERRY

DU
WTD

Received in the Department on July 19.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Istanbul
TO: Secretary of State, Washington
DATED: July 17, 1944
NUMBER: 422

CONFIDENTIAL

Joseph Schwartz sends the following to the War Refugee Board for Leavitt, JDC, New York.

Reference is made herewith to your no. 626 received here July 11, delivered to us July 15.

I have been assured by both Resnick and Jabotinsky that they discussed no rescue project involving \$200,000 or any other amount.

It is advised by Jabotinsky, furthermore, that he has no definite project to discuss at the present nor does he foresee any in the near future. I agree fully with your decision that War Refugee Board and our representatives must approve all rescue projects before being submitted to you for final decision.

I am assured by Barlas that request to Rabbi Ehren Preiss for 5,000 pounds was the result of a message from him in which help in the rescue program was offered by him.

BERRY

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF ¹⁴⁶
COMMUNICATIONS
AND RECORDS

FEM-770
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (SECRET-0)

Chungking

Dated July 17, 1944

Rec'd 12:07 p.m., 19th.

Secretary of State,
Washington.

DEPARTMENT OF STATE
JUL 20 1944
DIVISION OF
COMMUNICATIONS & RECORDS

1231, July 17, 2 P.M.

TO SECRETARY OF TREASURY FROM FRIEDMAN.

Weekly economic report.

One. General retail price indices for Chungking for May and June 44 were 29389 and 31817 respectively. Corresponding foodstuffs indices were 27840 and 29955. General retail price indices for May for Chengtu Sian Lanchow and Kweilin were 3192; 34012; 142270 and 38845 respectively. All above are Farmers Bank indices made available regularly to Embassy.

Two. Shortage of notes still continues but situation not critical Central Bank continuing to ration available supply. In outlying areas army and civilian governments needs are met first. Needs of commercial banks met with remaining supplies and policy being pursued of giving commercial banks much less than requested. Central Bank encouraging use

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

-2- #1231, July 17, 2 p.m., from Chungking.

encouraging use of remittances by evacuees instead of notes. Have not yet been able to obtain latest figures on note circulation. Kung said to be only person who can authorize release. Discussed matter with Okyui and believe he is raising matter with Kung. As of July 1, Central Bank began issue of notes of five hundred denomination.

Three. United States Army experiencing no difficulties at present in obtaining currency to meet needs.

Four. United States currency notes (large denominations) now selling for 190 to 195 in Chungking as compared with 185 during last week in June. Rates of 190 to 195 now prevailing in Kunming also for all denominations. Rupees selling at 85 in Kunming.

Five. United Clearing Board now selling United States dollars at 115 (had originally begun in June at 105 later raised to 110) in June total sales were United States \$930,000. Had to sell 414,000 to Central Bank to meet total requirements during period July 4 to 14 inclusive sold \$159616 in Chungking plus estimated 100,000 in Kunming. No figures for sales in July in Chengtu yet available.

-3- #1231, July 17, 2 p.m., from Chungking.

available. Present total quota is 1,200,000 per month. Ambassador Gauss has forbidden all Embassy personnel to purchase these dollar instruments. Other civilian employees and military and naval personnel are purchasing these dollar instruments. More detailed report by pouch).

Six. According to Cassels of British Treasury British have set up provisional organization in Kunming to sell sterling and rupees and rupees being sold at fifty no market for unblocked sterling being found. British Treasury has not yet given final approval of Tonse arrangements and Thomas who has just left for London is to discuss it there. Cassels is going to Calcutta to discuss among other things India's objections to large scale purchase of rupees in China. Cassels says that Indian Government is arguing that India's sterling balances are already excessive and therefore opposes large sales of rupees by British and/or Americans in China. India said to be especially concerned with possibility that Fourteenth Air Force will use rupees on large scale but Cassels was vague on exact meaning of this. This information was given to

-4- #1231, July 17, 2 p.m., from Chungking.

given to Army Headquarters here.

SEVEN. Interest rates on deposits in native banks in Chungking still about ten percent per month loans being made by them at rates as high as 16 to 18 percent per month.

EIGHT. Gold market quiet at present. Price still CN dollars 18,500 per ounce in Chungking and 23,000 in Kunming. According to KKKWOK (repeat KKKWOK) Central Bank sold about 260,000 ounces net from February through June 44. All these sales were from gold shipped from United States since last September since Central Bank sold its holdings of 100,000 ounces during period from September to February 44. Central Bank has little more than 100,000 ounces left of gold shipped from United States and in June alone net sales totalled about 116 ounces. Understand KWOK has cabled Hsitztn and Federal Reserve of New York asking further shipments be arranged immediately. On last day of June Central Bank sold 29,700 ounces of gold. Native banks were buying heavily in expectation of drastic reduction in exchange rate as of July 1. Unable to meet claims depositors these banks
WERE FORCED

-5- #1231, July 17, 2 p.m., from Chungking.

were forced on following day to sell back to Central Bank 6000 ounces at loss of CN 1000 per ounce.

Nine. Central Government replacing purchase of grain by borrowing in form of non interest bearing food coupons redeemable in five annual installments. According to Okyui these coupons will be nonnegotiable. In effect this new step is extension of previously used savings certificate technique and aims at elimination of use of cash in Government grain procurement program. Total grain to be collected and borrowed is reputedly 95,720,000 piculs of which 53,000,000 is tax.

Ten. According to Takong Pao as of next fiscal year sources of revenue will consist fifteen per cent of land tax in kind and fifty per cent of business tax collected.

Eleven. According to unconfirmed private source following rates prevailed in Shanghai in mid May 44: CRB one equals CN 135; CRB 10 equal MY one; CRB 6 equals FRB one. Central Reserve Bank now issuing notes of five hundred denomination.

GAUSS

HTM

DEPARTMENT OF STATE

MAE-350

INCOMING TELEGRAM

PLAIN

DIVISION OF COMMUNICATIONS AND RECORDS

London

Dated July 17, 1944

Rec'd 9:55 p.m., 17th

Secretary of State,
Washington.

5651, Seventeenth
FOR SECRETARIES OF STATE

DEPARTMENT OF STATE
JUL 19 1944
DIVISION OF COMMUNICATIONS & RECORDS

The following is a summary of articles on the Bretton Woods Conference appearing in the London press for July 16.

The OBSERVER contains a short comment on the effect that bargaining for quotas, voting rights and seats on the Executive Committee have consumed much time and left little time for clarifying the purposes of rules, so that most of the hard thinking remains to be done in a few days. Another short item the OBSERVER states that on "instructions from Moscow" the Soviet delegation has accepted the figure 300 million as Russia's fund subscription.

The Sunday TIMES quotes a Reuter's dispatch re the principal quota figures and says conference "approved the outline of the Fund in the form of articles of

-2- #5651, Seventeenth, from London

articles of agreement which ultimately will be signed by some 45 limited and Associated nations".

Walter Lippman's article "Debitor and Creditor" was reprinted in the Sunday TIMES.

REYNOLD'S WEEKLY, the Cooperative Movement's Sunday newspaper, carries a feature article by G. D. H. Cole in which he states that the world must avoid postwar inflation and also postwar deflation. The pledged to a high and stable level of employment, must keep its powers to regulate the supply of money and must not return to the gold standard. In his opinion the monetary plan recognizes these difficulties, leaving room for elasticity of exchange exchange rates and for exchange control. He regards the fund as "not big enough to meet the need but, it is at least a beginning" and adds: "I hope the joint currency plan and the Bank go through. They are by no means what I should like them to be, or what would suit this country best. But they are both free from most of the features which made the original 'White Plan' put forward by the American's entirely unacceptable, and they do lay foundations on which workable schemes could be built".

The SUNDAY DISPATCH quotes an article from P M on opposition to the conference under the headline "Plot to Wreck Banks". It adds that "New York will probably be the site of the central offices" of the Fund and
the Bank

-3- #5651, Seventeenth, from London

the Bank.

The following reports London press comment of July 17: THE TIMES, carries an article from its Bretton Woods correspondent, and also devotes its leading editorial to the achievements of the conference.

The Bretton Woods article refers at length to Secretary Morgenthau's press statement of July 15. It then gives some of the quota figures, and comments on "two illustrations in the field of bargaining", namely: 1. The fact that the British delegation "stood with the United States in insisting that consent could be given to a larger Russian quota only if the demand for a reduced gold payment were withdrawn. 2. The success of the Latin-American bloc in obtaining two seats on the Executive Council.

The article continues that the Fund is ready "broadly speaking, the International Monetary Fund is ready as an instrument for its final draft and for submission to the conference as a whole. It will have to meet, as will the Bank for Reconstruction and Development, a great deal of criticism in Congress and out, but it is of importance at the moment to record the belief of Senators and Representatives in the American delegation that in the end both will be accepted They (the congressional members) do not, however, assume that

-4- #5651, Seventeenth, from London

assume that either the Fund or the Bank will be submitted to Congress in the early future. They feel that the success of the Bretton Woods Agreements is ultimately bound up with the degree to which the United States is ready to cooperate with other nations, or in other words, with the success or failure of the discussions with Britain, Russia, and China which are to have their beginning in Washington".

The TIMES editorial finds the settlement of quotas "a good augury for future cooperation among the United Nations" which is "all the more significant since, on this issue (quotas), little guidance could be obtained from strictly economic reasoning".

This editorial finds it "perhaps inevitable although somewhat illogical" that the quota question was tackled before "much greater clarity has been attained with regard to the function, power, and intended policies of the Fund".

The editorial, after referring to the shrinkage, lack of balance, and fluctuations in world trade in recent times, and the resultant economic crises, states that "the world is looking to Bretton Woods to show a way out of this. Forty-four nations have demonstrated that they can reach agreement on a delicate point of national power and prestige. It should be

-5- #5651, Seventeenth, from London

should be less difficult now to take the second, and indispensable, step--to reach agreement on the methods by which the nations propose to achieve the aim upon which they are agreed. The aim is an extended volume of international trade--in which all nations partake on the basis of give and take--kept as stable as natural conditions will allow".

The FINANCIAL NEWS editorial headed "Out of the Wood Question" regards Mr. Morgenthau's statement that "the Fund has been born" as "more than a rhetorical flourish" and adds "now that agreement has been reached on the vexed question of the Russian quota, it would seem that a sufficient degree of accord now exists between the three major participating powers to ensure that a monetary fund of some kind will definitely emerge from the discussions. This is, of course, an achievement of decisive significance for the whole post-war period, since it means that the major powers at least will be committed to a policy of multilateral trade with free exchanges and the avoidance of multiple currency practices, bilateral agreement and all the other paraphernalia of Schachtism with its boundless possibilities of political friction"

The editorial points out, however, that until final agreement on details, and the scheme is ratified, scope remains

-6- #5651, Seventeenth, from London

scope remains for disagreements; the fact that seven countries accepted their quotas with reservations is noted, and "but for the immense importance of securing success in this first and crucial attempt at international collaboration in the post-war world, one would not have been sorry to see reservations expressed on behalf of this country, for the quotas assigned are very, very different from those given by the original KEYNE's Plan formula, with its emphasis on volume of external trade, which this country rightly holds to be the most significant factor involved in the determination of external reserves".

After pointing out that Britain's quota now stands at less than half that of the United States, this editorial continues "What is equally anomalous, the United Kingdom quota is only 100 millions greater than that of the USSR, a relationship that could only be justified if the Russian economy is to be vastly less self-contained than in the past. It has in any case still to be shown that the concept of an equilibrium rate of exchange, with the necessity for external reserves to cover a temporary deficit on current account if the currency is overvalued, has any

-7- #5651, Seventeenth, from London

has any meaning whatever in relation to a completely totalitarian economy such as the Russian, where the direction and volume of trade is determined by arbitrary authority and not by the level of prices, which are themselves fixed by authoritarian methods. If the object of the quotas was to provide credits for the reconstruction of war ravaged countries, then the size of the Russian quota would be a matter for general satisfaction; but it must be remembered that the quotas are intended purely as exchange reserves for free currencies--though if a particular country chose to overimport deliberately for any purpose such as reconstruction, it is not apparent how this could be controlled by the Fund".

Finally, after expressing approval of the rejection of the Indian demand for settlement of sterling balances through the fund, this editorial concludes by emphasising the importance of allowing borrowers from the Reconstruction Bank to spend borrowed funds in any country.

The FINANCIAL NEWS front page article gives more details than any other paper on the present status of the conference. It prints a full table of quota figures; notes the countries that accepted with reservations,

-8- #5651, Seventeenth, from London

reservations, quotes from Mr. Morgenthau's press statement; and also goes into questions of how exchange rates may be altered; It mentions the question of whether such countries as Russia and Venezuela would contribute foreign or their own currencies; the location of gold stores; and the admission of two Latin American members on the Executive Committee. This article also reports that the Bank plan is to be discussed today (Monday) by four sub-committees. Finally this article describes the "Polish-Mexican tug-of-war" for priority of loans to devastated and undeveloped countries respectively.

The MANCHESTER GUARDIAN, The DAILY TELEGRAPH and The FINANCIAL TIMES carry news items giving some of the points agreed upon such as quotes, Secretary Morgenthau's statement, et cetera. The DAILY MIRROR, DAILY SKETCH, and DAILY WORKER also carry short news items.

WINANT

JJM

WLB

*Phoned to
Bretton Woods 159
and copy
sent to
Bretton Woods
7/15/44*

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow (via Army)
TO: Secretary of State, Washington
DATE: July 17, 1944
NUMBER: 2622

CONFIDENTIAL

Harriman sends the following message.

Reference is made herewith to the Department's July 12 telegram No. 1670.

This is to inform you that I have just received a letter from Vyshinsky, which is in reference to request of Morgenthau, stating that the Soviet Delegation at the Bretton Woods Conference now has all the necessary instructions on questions under discussion at the present time at this conference.

HARRIMAN

SECRETARY OF TREASURY

1944 JUL 18 AM 9 16

TREASURY DEPARTMENT

NOT TO BE RE-TRANSMITTED

160

COPY NO. 11

SECRET

OPTEL No. 232

Information received up to 10 a.m., 17th July, 1944.

1. NAVAL

ADRIATIC. On 11th/12th a commando force was landed on south side of HYAR Island and ambushed a German patrol taking 15 prisoners; the force then withdrew.

AEGEAN. On 13th/14th a raiding force landed on SYMI and withdrew on 15th. 2 minesweeping craft and 2 caiques were captured and 2 lighters forced to beach; 165 prisoners taken. One of H.M. Submarines recently sank 3 junks in Malacca Strait and took prisoners.

2. MILITARY

NORMANDY. First U.S. Army has made some small advances and are 2,000 yards east of ST. LO. Attack by Second British Army on 6 mile front S.E. of TILLY SUR SEULLES has so far resulted in capture of ESQUAY and general southward advance up to one mile.

ITALY. 8th Army troops after severe fighting south of AREZZO, during which heavy casualties inflicted, captured the town on morning 16th. The advance to the north and northwest continues. In 5th Army sector, Germans continue strong resistance, supporting their infantry by long-range artillery, mines and demolitions. Nevertheless, several important gains of ground have been made.

RUSSIA. Russians have captured GRODNO and are now 25 miles west of PINSK.

3. AIR OPERATIONS

WESTERN FRONT. 15th/16th. Total 1849 tons dropped on the 3 major objectives and flying bomb launching site. 16th. U.S. heavy bombers bombed SAARBRUCKEN, 1,021 tons; STUTTGART 549; MUNICH 439; and AUGSBURG 141. All through cloud. German casualties - 2, 3, 2. Ours - 11 bombers, 3 fighters missing. Medium bombers of A.E.A.F. attacked communications behind the battle area - 112 tons, objectives ST. LO - 108; and fuel dump near CHARTRES - 54. Escorted Lancasters and Mosquitoes bombed a flying bomb launching site in PAS DE CALAIS - 117 tons.

16th/17th. 55 aircraft despatched, including 30 Mosquitoes to HOMBERG. All returned safely.

ITALY. 15th. 1,137 medium bombers and fighters (2 missing) attacked objectives battle area and northern Italy. At least 9 bridges, mostly in PO Valley, destroyed or damaged.

AUSTRIA. 16th. Escorted U.S. heavy bombers attacked VIENNA area dropping 788 tons. Enemy casualties 43, 23, 7. Ours - 16 bombers, 5 fighters missing.

4. GERMAN ACTIVITY

During 24 hours ending 6 a.m., 17th, 63 flying bombs plotted.

Bretton Woods
July 18, 1944
9:30 a.m.

LOCATION OF THE FUND-BIS

Present: Mr. White
Mr. McDermott
Mr. Coe
Mr. Wolcott
Mr. Schmidt
Mr. Luxford
Mr. Collado
Mr. Gardner
Mr. Ness
Mr. Kelchner
Mr. Ned Brown
Mr. Acheson
Mr. Spence
Miss Newcomer
Mrs. Klotz
Mr. Tobey
Mr. Cox

H.M.JR: May I compliment everybody on being so punctual.

The first thing doesn't concern everybody, but I would like to get it off my mind, because I have just talked with Charlie Bell. He had what I thought was a brilliant suggestion. He wanted me to give this to Mr. Acheson, namely, that if Mr. Acheson thought well of it and if Mr. Acheson would get in touch with Charlie Bell, he is willing to hop on a plane, and he thinks that he, working with Doctor Kelchner--there are fifty to a hundred people that he knows of that could be sent home and make room for guests, and that would save a lot of litigation later on. I can count noses. He knows pretty much who they are, but he is willing to get up on the first plane, if you think well of it, and come up here and just go around. But he thinks there are easily a hundred people who could be sent home at this stage.

- 2 -

MR. ACHESON: If they can be spared, I should think it was an excellent idea.

MR. WHITE: American or foreign?

H.M.JR: He didn't say. He said if Mr. Acheson would invite him to come up here and work with Mr. Kelchner--he knows who they are.

MR. ACHESON: Yes. I don't think we ought to send the foreigners home.

MR. KELCHNER: I don't think so.

H.M.JR: I think he is thinking mostly of State.

MR. KELCHNER: I think State would be glad--

H.M.JR: I mean to be very honest. For instance, he remarked that Marriner Eccles was on the plane with him with a stack of mimeographed stuff that big (indicating). Marriner said he never had read it and he never will read it.

MR. WHITE: That is Marriner. There is no surplus mimeographing, except news. Everything else is--

MR. ACHESON: I think it would be a good idea for him to come up.

MR. KELCHNER: So far as mimeographing is concerned, I do not believe that any could be spared from that section. They have been working--

MR. ACHESON: I think now is the critical time in the mimeographing.

H.M.JR: If you don't mind, may I just pass it on to you? He asked to talk to me. They figure they are not going to get the train for the hotel. He figures that the State Department is going to have a lot of litigation, because the State Department gave its word, and he is trying to be helpful. Just as I came to you at the

- 3 -

time I offered you his services in connection with running the hotel, if you want him he would be glad to come up.

MR. ACHESON: We would be glad to have him.

H.M.JR: Will you communicate with him directly? May I leave it in your hands?

MR. ACHESON: Yes.

H.M.JR: Now, the most important thing that I have-- I doubt whether you have it with you--is the Keynes letter to me.

MR. COLLADO: I have it, Mr. Secretary.

H.M.JR: This is what happened: Late last night Mr. Keynes sent me this, which I would like to read, which, if you have it, you may follow. It seems to me that this is not at all in the spirit of his letter, and I don't know whether we should read his letter first or whether I should read this. Let me read this, because it is very short. "My dear Mr. Morgenthau: With reference to my letter which I sent to you this morning about the location of the Fund, you may care to see the statement which I am intending to make when this matter comes up at Commission One. The Chancellor hopes there will be as little fuss about this as possible in the press.

"We here think that the best way of securing this end would be by releasing this to the press. They will be more interested if actual statements are put into their hands."

Here is the press statement, which to me seems completely out of tune with the message from the Chancellor: "On behalf of the United Kingdom Delegation, I am withdrawing Alternative B standing in our name, but I wish at the same time to make it clear that in the opinion of the British Government the location and headquarters of the Fund ought not to be considered without reference to the location of other international bodies which will be established. In our view, therefore, it is premature to make any final

- 4 -

decision on this matter until more is known concerning the general framework within which other bodies will work. The same observations apply equally to the location of the projected Bank. Neither the Fund nor the Bank ought to be considered in isolation from much wider proposals which will be necessary to re-establish the peaceful economy of the world.

"His Majesty's Government may, therefore, find it necessary at some later date to ask that all such inter-related questions should be considered as a matter for decision between governments rather than in technical conference.

"Subject to this reservation, we accept Alternative A and withdraw our own amendment."

Now, if I am correct, that isn't what the Chancellor said at all.

MR. ACHESON: Let me read it. Some of it is in the same words, I think, Mr. Secretary.

"Dear Mr. Secretary: After my conversation with you the other day, I communicated with the Chancellor of the Exchequer, and have received his final instructions. When the clause about the location of the Fund is reached at the Commission, he authorizes me to withdraw the British amendment, but in doing so it places on record that in view of His Majesty's Government the question of where the headquarters of the Bank should be situated ought not to be considered without reference to the location of other international bodies." Now, that, I think, is almost the same words he uses there.

"He also asks me to let you know that in his view I was understating his difficulties when in mentioning in my previous letter the risk of increasing opposition to the Fund in London I added that this was not a major consideration. The Chancellor asked me to tell you privately that he expects public and Parliamentary opinion to be very sensitive to this point. He is anxious, therefore, for me to explain that apart from the wider considerations which I have already emphasized to you, His

- 5 -

Majesty's Government must not be considered as debarred hereafter from making a condition of acceptance of the plan that the headquarters of the Fund shall be in Europe or such other location as may be decided to be in the best interest of the Fund. All the work of the Conference is, of course, ad referendum.

"What the Chancellor asked me to make clear is that this course must not be understood to affect that general understanding in its application to this particular issue. I should add that the Foreign Secretary has been consulted by the Chancellor of the Exchequer, and the above represents his views as well as those of the Chancellor."

I don't think that is very different from what he said, do you?

MR. WHITE: No.

MR. COX: There is one difference, though, that at a later date they can put as a condition the question of the location of the offices, so if they put this release out and change their minds at a later date, it will be embarrassing.

MR. WHITE: They are putting the reservation on.

MR. COX: But the press statement doesn't contain any such reservation.

MR. ACHESON: It doesn't go as far as the letter.

MR. WHITE: But wouldn't the reservation, with respect to that, have to appear in the document; and if it doesn't, what status does it have?

MR. COX: When the thing comes up in the Commission, according to the press statement that Keynes has, they attach no condition or reservation. They attach words saying that the problem ought to be considered in the light of the general international organization that is set up, and other international organizations.

- 6 -

Now, between the time of the work of the Commission and the time of the Final Act, if the letter may possibly be executed, I should think you would be in a very embarrassing position, where they withdrew Alternative B and agreed to A, and then at a later date attach additional reservations.

MR. WHITE: What is the status of a letter of that kind with reference to the Fund? The Fund is a separate international document to which they can--

MR. LUXFORD: Mr. Secretary, my own reaction is that the reservation by U.K. is no different than a reservation by any of these countries on quota. It simply means that they object to it, but in the final analysis there is no choice as to whether they accept the Fund or not accept it, and they can't be rewriting the document.

H.M.JR: May I in confidence give you people a little background? I don't think I am coloring my remarks with wishful thinking. I started a personal conversation with Lord Keynes on this subject in which he first said he would withdraw. Then before we got through--after half to three-quarters of an hour--he said, "I will recommend to my Government that I make a mild protest and sit down." Now, that was his exact language to me. That was the impression that I got, and I saw him subsequently. He said, "Mr. Morgenthau, I think you would be pleased to know that the Chancellor has accepted my recommendation, but I just want you to know it is a very ticklish situation at home."

Now, those conversations have gone from withdrawal to a mild protest, and so forth. Then I got this letter, and in reading it, I still got the impression that they would protest, but they were satisfied, and that this matter of location of the Bank and the Fund, as far as the United States was concerned, was settled.

Then I read the press statement. In the press statement he brings up this question which he did in the first letter, that he wished it would not be settled here, but would be left as between governments.

- 7 -

Now, there are a lot of smart people in this room, but that is my impression of the various stages. But the press statement doesn't carry that out. Am I wrong or right?

MR. LUXFORD: I think you are right, but, Mr. Secretary, it seems to me that they are in exactly the same position as these countries complaining about quotas. They can't go back to their Parliament and say, "We just gave in on this." They have to say, "We made a protest." But the decision that Parliament will have to make is whether they accept the Fund or not, and I wouldn't worry about it.

H.M.JR: But, may I answer you? They could make a mild protest and sit down without saying that they feel that this Conference is not the place to do the thing, that it should be settled subsequently between governments, which was his original position.

MR. LUXFORD: But they are withdrawing the Alternative, which expressly so provided. I think they are just saving face at home.

H.M.JR: But in this short press conference, I don't know what A and B are; and if I don't know, how the heck does the man on the street know?

MR. LUXFORD: He will know at the press meeting today. They will ask us what that means, and we will tell them. They have the two alternatives in their bible.

H.M.JR: Are you satisfied with the press statements?

MR. LUXFORD: I don't see how we can interfere.

H.M.JR: No, he is asking my advice. He is sending it to me in advance. If it is not agreeable, he gives me an opportunity to say that I don't like it.

MR. WHITE: It seems to me our position ought to be that this is no different from any other provision, that the International Conference has passed on this document. They can make any reservations they wish. It has no better

- 8 -

status than any other country's reservation. To assume that they can settle this thing with one other country outside the Conference seems to violate the whole concept of the Conference.

Supposing Russia did that and said that the matter of the quotas is something that she wants to settle with us alone after the Conference. If they want to have a reservation, they will have a reservation.

H.M.JR: May I ask, Luxford, please, what A and B are? It is impossible for me to follow.

MR. LUXFORD: Alternative A provides that the head office shall be in the country with the largest quota, that is, the United States.

Alternative B says that the Board of Governors at this first meeting shall determine where the head office shall be.

H.M.JR: He is withdrawing B and letting A stand, but protesting against A.

MR. LUXFORD: That is right, protesting lightly. They are saving face, that is all.

MR. ACHESON: Mr. Secretary, I think there is only one sentence which is significant in this press release, and that is the one which says, "His Majesty's Government may, therefore, find it necessary at a later date to ask that all such inter-related questions should be considered as a matter of decision between governments rather than in a technical conference."

Now, up to that time he is just saying that they give in to this idea of having the Fund in the U. S. They think that it ought to have been done some other way, but that is just talk. Now he says that at some later date the British Government may find it necessary--it doesn't say there to see that all these inter-related questions--that is, where all of the headquarters are going to be--should be considered between the governments.

- 9 -

Now, if it should turn out that a satisfactory disposition is made of the headquarters of other possible organizations, then they might not have to raise it.

H.M.JR: Well, Dean, as an attorney, would you mind telling me in this letter that he has there--does he point out that same reservation in the letter?

MR. ACHESON: Oh, yes.

H.M.JR: That it would be subsequently left to governments, that that is their reservation? Is that in there? And if it is in there, would you mind reading it to me?

MR. ACHESON: He starts out by saying that in withdrawing his objection he places on record that in view of His Majesty's Government the question of where the headquarters of the Bank should be situated ought not to be considered without reference to the location of other international bodies. "He is anxious, therefore, for me to explain that apart altogether from the wider considerations which I have mentioned to you, His Majesty's Government must not be considered as debarred hereafter from making a condition of acceptance of the plan that the headquarters of the Fund should be in Europe or such other location as may be decided to be in the best interest of the Fund." Now, that is the same thing.

MR. WHITE: That is true of any reservation, isn't it?

MR. ACHESON: Yes. They are not to be debarred from saying it ought to be somewhere else. He says, "They may find it necessary at a later date to ask that all such inter-related questions"--that is, where the headquarters of this and many other organizations may be--"should be considered as a matter of decision between governments, rather than a technical conference." I think it is a different way of saying the same thing.

H.M.JR: You think that in view of that letter I would have no right to ask them to leave off the last sentence, in the press release?

- 10 -

MR. ACHESON: I think you could ask him to. I don't think it is a question of right. He has not, in the letter, said anything inconsistent with the letter.

MR. LUXFORD: We can be very gracious. We are getting what we went after. We ought to let them do as much as they can do.

MR. WHITE: I think it is better for him to say it and throw the subject into public discussion.

MR. ACHESON: I don't think you have any right to ask him, in the sense that you cannot say to him that he is going further in his press statement than he told you he would go in his letter. He is not doing that.

H.M.JR: Then if you don't mind, you can use one of the ladies outside and dictate an answer to both of these for me. I should think an answer should go out immediately. Is it Collado you want?

MR. ACHESON: Yes.

H.M.JR: Could you take five minutes to dictate an answer to both letters, please?

MR. COLLADO: I will do that.

H.M.JR: Now, is anybody watching the clock? I mean, does somebody have to leave?

MR. WHITE: I have to leave as soon as possible for a special committee meeting, but I have a couple of things that I must take up.

MR. LUXFORD: I have a short one here.

H.M.JR: May I take up one more, please, and then let it go. I can't remember who told me, but somebody-- oh, yes, the Delegate from Norway came to see me and said, "Mr. Morgenthau, where does the American Delegation stand on the BIS? Because," he said, "whoever represents you on that has given the impression that you are opposed to

- 11 -

the resolution to dissolve the BIS." He said, "I am just bringing it to your attention."

I would like to bring it to the attention of the American Delegation.

MR. WHITE: I will read the sentence: "The United Nations Monetary and Financial Conference recommends that the Bank of International Settlement be liquidated at the earliest possible moment." In support of that are Norway, France, and Belgium, and I think they could line up a majority. But England has been very busily at work, trying to get them to withdraw, and they tell me that the State Department here is also supporting the English.

H.M.JR: That is what is known as an impersonal accusation. (Laughter)

MR. ACHESON: It isn't so impersonal.

H.M.JR: All I can say is, that postponing this Conference has made Harry ill, softened Harry.

MR. WHITE: Made me more subtle.

H.M.JR: I will stick to my original, if you don't mind.

Anyway, please, the Delegation should have a discussion so at least we know where we stand.

MR. ACHESON: I will state what our position has been, and that is that Senator Wagner has been the Delegate on Commission Three. He is gone. There hasn't been any other delegate. Mr. Luthringer has been attending the meetings, but has not sounded off on this subject. Our view is that it is unwise and undesirable to mix up what happens to the BIS with this Conference. We do not think it is any part of this Conference, and, therefore, we should not have this resolution; we should leave it alone. That is the advice which we give the Delegation, but nobody has been making speeches about that in the Commission.

- 12 -

MR. WHITE: It hasn't come up in the Commission yet. It has come up at the Committee meetings.

H.M.JR: May I go around the room? Congressman Wolcott, please?

MR. WOLCOTT: I don't think it is material. I don't know much about the operation of the BIS, but it seems to me that we are going a little far afield in recommending that without giving it a little more consideration. If I were voting on the subject in committee, I think I would probably vote present, because I don't know very much about it, and perhaps that is the reason why this Conference shouldn't take any action on it. I think there are many delegates who don't know any more about it than I do.

H.M.JR: I am sorry, does that mean you vote for having it dissolved, or not?

MR. WOLCOTT: I think I would vote against considering the matter.

MR. COX: Mr. Secretary, may I say something about the relevance of it? The public, generally, doesn't know what the BIS is. They do know to some extent that it is an international bank. There is also an impression that it has been dominated by the Nazis, and I should think it is certainly a grave case, but it is not disconnected from this Conference, in that you say you are trying to do the things other than what the Nazis did, and this is one block that you want to take out of the way. I should think that would be given some weight in the consideration.

H.M.JR: Supposing we passed a resolution in favor of the dissolution? Has it any meaning?

MR. LUXFORD: It does have this much, Mr. Secretary, that a substantial number of the countries represented at this conference are members of the BIS and do hold the stock of that bank, so if there were an expression of view on the part of this Conference that it should be dissolved, and the countries owning the stock joined in that resolution, it would have significance.

-13-

MR. WHITE: The Dutch and British said that if this resolution were passed--I got my information from Orvis Schmidt, who is outside. He ought to be in on it, because he has been following it for us.

H.M.JR: Bring him in.

MR. WHITE: I understand that they said if this resolution were passed McKittrick would resign at once.

H.M.JR: And, so what?

MR. WHITE: That will be just terrible!

(Mr. Schmidt enters the conference)

MR. WHITE: McKittrick would be forced to resign at once. Then there wouldn't be that degree of influence or advice. We are talking about the resolution on the BIS, and the question was asked, "What would be the force of the passage of such a resolution?" I was mentioning the fact--did you tell me that somebody said McKittrick would resign?

MR. SCHMIDT: The British took the position that if this passed McKittrick would probably resign, and that it might mean the liquidation of the BIS.

MR. BROWN: Mr. Secretary, I have a personal interest in this subject, because the voting power of the American shares in the BIS rests with the First National Bank of New York and the First National Bank of Chicago, jointly. It was set up that way at the request of the State Department and the Treasury, and we find ourselves in that position. It is an awkward situation for me as a member of this Delegation to vote on it. Personally, I believe that once peace is restored and the war is over in Europe, the BIS ought to be liquidated at the earliest possible moment. I think it would be very unwise, speaking personally, to pass a Norwegian resolution at this Conference, but I want you to know that I am in that peculiar position.

H.M.JR: Well, you said that a couple of days ago. I haven't forgotten it, but I am glad you repeated it.

- 14 -

MR. COE: Mr. Secretary, I would like to ask how you would explain it to the public if the Conference doesn't pass it. It is the sort of thing that has achieved a good deal of publicity.

MR. WHITE: What defense would we have for the American Delegation opposing it? What interest do we have in the BIS?

MR. ACHESON: I think, Mr. Secretary, if they want to go ahead with this resolution, it would be wise to talk with Mr. Hull, who has asked McKittrick as I understand it, to continue with his duties. I think we ought to talk with Mr. Hull.

H.M.JR: Could we just go around the room?

MISS NEWCOMER: From what I know at this point, I would want to know a great deal more before I would vote to dissolve it. It seems to me it has some separate functions, and that leaving it there doesn't interfere with what this Conference is called for. But I don't know enough about it to be sure of my opinion at this point.

H.M.JR: Is Miss McKittrick one of your students?

MISS NEWCOMER: Yes.

H.M.JR: She has some very definite notions on this, so she has informed my daughter. Do you know how she feels about it?

MISS NEWCOMER. She didn't inform me, except she said she wanted her father to come home, so she might favor the dissolution. (Laughter)

H.M.JR: She was very cute. She read this article in PM about it, and she said, "I think PM is right, and father is wrong." That is what Vassar does to these girls.

MR. WHITE: Miss Newcomer, the thought wasn't that this would interfere with the Fund; that isn't involved

in the picture at all. This is merely a Monetary and Financial Conference, and the Delegation of Norway, combined with others, has taken the opportunity of the first international conference dealing on monetary affairs to recommend the dissolution of the BIS, which in their opinion is undesirable. It isn't to interfere with the Fund; it wouldn't. It rests on quite other grounds, which I am sure you are familiar with.

MISS NEWCOMER: I do feel uncertain about it but I would want to hear more discussion before I would be willing to discuss dissolution.

H.M.JR: Mr. Spence?

MR. SPENCE: I don't think I have sufficient knowledge or information to cast an intelligent vote on the subject.

MR. TOBEY: Well, I will put myself in the category of Jesse and Brent. But on the other hand, I should go along with the leadership of this Conference represented by you and Dean Acheson and Mr. White.

H.M.JR: You will be riding two horses which are going in different directions.

MR. TOBEY: If that were so, I would probably flip a coin.

MR. WHITE: Except there are two horses riding in one direction.

H.M.JR: Three horses. I am trying to be very judicious. Mr. White, as a Delegate, would you care?

MR. WHITE: I would support the motion of the Norwegian Delegate. I think it would be a salutary thing for the world. I think the fact that it has been presented--if it hadn't been presented, we could ignore it, but if it has been presented and it is known that it has been withdrawn at the request of the American Delegation, or the Americans have opposed it in the light of the history of the BIS and the status and ownership during wartime, I think it would create more trouble for us. I think it is very pertinent to a monetary conference. A monetary conference doesn't deal only with the Fund and the Bank proposal; it is a meeting of Finance Ministers who take this instrumentality--there is no other one--this is the occasion where they are expressing their views about the BIS, and I think we ought to support the motion.

H.M.JR: Mr. Schmidt? May I explain that Mr. Schmidt is Acting Director of Foreign Funds of the Treasury. I don't know whether you are familiar with the transactions in regard to gold immediately after war was declared by BIS. I think it was either the Polish or Czech gold--are you familiar with that?

MR. SCHMIDT: I am not familiar with the details, but Mr. Istel has mentioned that the BIS took the Czech gold, I believe, and delivered it into the hands of the Germans.

H.M.JR: May I explain a little bit further, because I am familiar with it. There was this question of the gold which Czechoslovakia had on deposit, as I understand it, with the BIS for safekeeping. After the declaration of war the Germans demanded it after they seized Czechoslovakia--I believe I am correct--and they turned that gold over, although this was supposed to be, what shall I say, an international body? And at the time when we followed it very closely, the explanation was not acceptable.

Now, if anybody has another story to tell on that, I would be very glad to hear it, but ever since that, we in the Treasury have been prejudiced against it, and we feel that the action of the BIS was most reprehensible at that time.

MR. TOBEY: Incidentally, what was the amount of gold?

MR. WHITE: I think it was thirty-eight million dollars.

MR. SCHMIDT: Around forty million.

H.M.JR: They could perfectly well have kept it in Switzerland for them.

MR. LUXFORD: Mr. Secretary, if I might underscore what you are saying, I would go along and say that the actual effect of the BIS dissolution from a practical standpoint isn't too important to this Conference, but it is a symbol, and it has been represented as a symbol to the American public. The control of the BIS, by virtue of the Nazi occupation of the countries of Europe, now is in the hands of the Nazis, and that has been widely stated throughout the U. S. They control all the countries in Europe--the occupied countries--so they do dominate and control the Board of Directors of the BIS. Those being the facts, it has been widely publicized, and as a symbol, it would be very difficult, it seems to me, for

- 17 -

the U. S. to take any position other than if the other countries wanted to dissolve it, it should be dissolved.

H.M.JR: May I say this, the Vice Chairman of this meeting not being present, may I please take the floor? (Laughter) After all, one can learn!

What I would like to say is this: Let's be very frank on this thing. I followed the BIS extremely closely for years. Mr. Merle Cochran of the State Department was loaned to me by the State Department, a very able reporter, and once a month he would go to bat and attend these meetings and report what happened. For years I followed the operations of the BIS.

Now, a certain amount of the opposition which is coming here, like Mr. Beyen from Holland and some of the other people--Mr. Beyen was formerly President of the BIS. I am going to be very frank, because I think I should be, because I have this knowledge, and I want to pass it on to you. When I get through you can contradict anything I say that you don't think is correct (to Ned Brown).

People like Leon Fraser, formerly President of the BIS, and now President of the First National Bank of New York--he is one of the spearheads of opposition to what we are doing here, and has surrounded himself with a group who are fighting what we are doing here. Now, this BIS isn't very important, but it did try to do the kind of thing that we are going to do here. They were never able to do it, and, as I say, they did, under pressure and under the gun, permit Czechoslovakia's gold to be stolen by the Germans. The Germans and the others do control it. And it is more or less in my mind a symbol of Nazi instrumentality.

Now, I don't say that Mr. Fraser isn't a very fine American citizen, but he has certainly loyalties which run there, just the way Mr. McKittrick has, Mr. Beyen has, the Prime Minister of Finland has, and the fellow who up to very recently was Prime Minister of Finland has.

-18-

H.M.JR: And people like that of the Central Bank. I mean, this was the sort of thing where an exchange of information--Doctor Schacht would come there, and he would meet Montague Norman; they would take their walk, and afterwards each would tell what he wanted to, to our man, Mr. Merle Cochran. It was sort of an international club for these people to meet in and do a kind of a job which they could have done, possibly--which we are attempting to do here, and will do if this thing goes through.

Now, if this thing comes up and the American Delegation doesn't take the position, I think in the eyes of the Germans--they would consider that this is the kind of thing which can go on, and it holds out to them a hope, particularly the people like Doctor Schacht and Doctor Funk and that the same kind of thing will continue after the war. It weakens the position here, and strengthens people like Mr. Leon Fraser, and some very important people like Mr. Aldrich, who have openly opposed this thing.

I think, if I may say so, we ought to do one or two things, either see that the thing is withdrawn and it doesn't come to a vote--I personally feel that there is only one thing that the American Delegation can do, and that is to support it, purely as a matter of international propaganda. Where is Mr. Sweetser?

(Mr. Sweetser gesticulates)

How Mr. Sweetser in OWI over the short wave is going to justify that this Conference is going to support the continuance of the BIS, after what they have done to me, is just unbelievable. So I would like to again bring it to the attention--I mean, I knew Montague Norman, through Beaverbrook, fought the English coming to this Conference tooth and nail. And when Mr. Norman became ill and had to retire and Lord Kato of the British Treasury was put in, the thing changed, and Mr. Keynes was able to persuade the British Cabinet to let this Conference go forward.

MR. TOBEY: Providence is on our side, isn't it?

- 19 -

H.M.JR: It has been, and I hope it will continue to be. This isn't a small matter. Mr. Sweetser--you who have been in Geneva, am I overexaggerating the importance for international propaganda on this thing?

MR. SWEETSER: I don't think you are, Mr. Secretary.

H.M.JR: It would be very difficult to explain, wouldn't it?

MR. SWEETSER: Yes, I think it would be.

H.M.JR: Mr. Sweetser for many years was Director of Public Relations for the League of Nations and has been living in Geneva for years, so he knows these tricks, and we are very fortunate to have him with us.

So may I please again ask this delegation to reconsider, and I will now retire as Vice Chairman and resume my capacity.

MR. WHITE: As a neutral chairman?

H.M.JR: Just like Mr. White.

MR. BROWN: Mr. Secretary, I don't want to talk very much, but I would like to make two or three remarks. In the first place, the seizure of Czechoslovakia was recognized by most of Europe, including England, very unfortunately. Whether, in spite of that fact, it was wise or proper for them to turn over the Czechoslovakian gold is debatable. I have no doubt--Leon Fraser has expressed to me that the BIS ought to be liquidated. He says it is discredited. I don't think there is any substantive difference as to when it should be done. My own feeling is that if a resolution is passed in the form proposed by the Norwegian Delegation McKittrick will resign, and you will get a Nazi-elected president. You may find that the gold that is still held and the balances that are still held for some of the invaded countries may pass into Nazi hands more readily than would otherwise be the case.

I would like, number one, to see the Norwegian resolution withdrawn, and in the second place, if it isn't

- 20 -

withdrawn, I think that the amendment ought to be that on the establishment and the going into operation of the International Monetary Fund, the BIS ought to be dissolved instead of just a resolution that it ought to be dissolved.

MR. WHITE: I am very strongly against that. I think that is the worst thing that we could do.

H.M.JR: I don't think he is finished, Harry.

MR. BROWN: I am fearful that passing this resolution may actually cause money to go into German hands in gold which might otherwise not go.

H.M.JR: May I ask Foreign Funds a question? Could the Swiss freeze this thing?

MR. SCHMIDT: Sure, they could.

MR. LUXFORD: They have imposed freezing controls before.

H.M.JR: Have we sufficient influence so we could get them to freeze the thing so the gold wouldn't leave Switzerland?

MR. SCHMIDT: I don't see why we couldn't. That would be the logical thing.

MR. LUXFORD: But you couldn't assure it.

MR. COX: Aside from that, one, whose gold is held, and two, if the countries concerned, for example, if Norway has gold in the BIS and wants to propose this resolution with the risks that the Nazis may take it over in the lack of Swiss control, I should think that would be a decision in large part for them to make.

Now, what occupied country does have gold in the BIS?

MR. SCHMIDT: I wouldn't know what all is held.

H.M.JR: Do you know, Mr. Brown?

- 21 -

MR. BROWN: I don't know, but I do know that the Dutch and the British have much larger interests in the BIS than Norway and are opposed to this resolution.

MR. SCHMIDT: I might say, Mr. Secretary, that I have talked around to get the general view of the various delegations with respect to this matter, and the only delegation that I have found that had any opposition to a simple resolution has been the Netherlands Delegation, headed by Mr. Beyen, and the United Kingdom Delegation.

MR. WHITE: Didn't some of the British favor it at first? It wasn't until the foreign office got busy, was my understanding--some of the Delegation even now favor it.

H.M.JR: Senator Tobey, has anything that I have said or anybody said influenced you here at all?

MR. TOBEY: Yes, I have revised my opinion since you have spoken and this collateral evidence has been offered here. And, of course, my hatred of the Nazis is so acute that I would be inclined to go along with the resolution, taking into consideration what our good friend Brown said, also.

H.M.JR: You would?

MR. TOBEY: I would be inclined to go along.

H.M.JR: Well, I can't overemphasize what Mr. Sweetser says, who, as I say, is one of the best informed men on this sort of thing, having lived in Geneva--how many years?

MR. SWEETSER: Twenty.

H.M.JR: Do you know anything about this thing that would throw any light on BIS from that, that I haven't mentioned?

MR. SWEETSER: No, I don't think so, Mr. Secretary. I think it is true that it has come to be considered very much of a Nazi interest, but I do think one thing that might be helpful, if you take this action, is there could

-22-

be a fairly full explanation of the reasons for it. The resolution as it stands at the moment is very brief and very terse, and I think you would want to give out some of the facts that you have stated to strengthen the reaction.

To my mind, there is a good deal to be said for a clean deal in some of these older agencies, and I think the Bank would be one of the first ones that ought to be cleaned out.

H.M.JR: Mr. Wolcott, has anything been said here which would make you change your mind?

MR. WOLCOTT: Well, I don't know as I had any mind on the matter to be changed. The only thing I am thinking about is whether we are not perhaps raising a collateral issue, and I am wondering what the effect of that collateral issue would be upon the thing that we are more concerned about. I don't think it makes much difference one way or the other. I think the matter could be handled all right.

I had in mind that perhaps this is one of the subjects that must be taken up at the peace conference in respect to reparations and repayment of this gold, and settlement of the Bank, perhaps as a logical matter for agenda at the peace conference.

I was a little concerned, after Mr. Brown talked there, as to what might happen to the gold that is held by other neutrals. I think that is a matter for them to consider, and not for me.

H.M.JR: Mr. Spence?

MR. SPENCE: How has the BIS functioned since the war?

MR. WHITE: It has performed very minor operations. It has been mostly in the state of suspense in its operations. It has hoped to give the impression, and attempted to try to be neutral in its activities in the expectation and the hope that when peace was being discussed it would come into the foreground and provide a medium for possibly getting

- 23 -

together the various countries. They hope to play an important role in the peace settlement. I know whereof I speak, and so does the Secretary, because--well, we just know. If the Secretary wants to tell, he can tell. They hope to be a moderating influence in the treatment of Germany during the peace conference. That is why Germany has treated it with the greatest of care. She has permitted her to pay dividends; she has let the people in BIS come and go across enemy territory; she has been extremely careful and well disposed to the BIS, because she nursed that baby along in the hope that that would be a useful agency that would protect her interests beyond those that any other institution around the peace table would. In fact, Schacht has lived in Geneva some time, and is quite friendly. They have nursed this thing along for purposes which far transcend the activity which she engages in; they are minor. It is a vehicle of great importance; whether they are dreams or considerations or plans, I don't know. But that is what is there in the minds of the Germans now.

I say, if the Secretary wants--

MR. SPENCE: What is the control?

MR. WHITE: It is controlled by Germany.

MR. SPENCE: I think that is a powerful argument for dissolving it, it seems to me. What interest have we in it?

MR. WHITE: A couple of banks. The Government of the United States would never belong.

MR. BROWN: The banks themselves have no interest in it; there was a considerable block of American stock that was underwritten--I have forgotten how much.

H.M.JR: Ten million dollars?

MR. BROWN: It was more than that.

MR. WHITE: Now, their investment?

- 24 -

MR. BROWN: No, not their investment; the stock was underwritten.

H.M.JR: But today, how much in dollars of stock in BIS is held in the U. S.?

MR. BROWN: It is very difficult to say. All the American shares have been sold, and it was mostly bought by foreigners, I believe. The stock certificates are probably here. I doubt if many Americans hold any considerable--

MR. SPENCE: Did the U. S. Government underwrite any of that?

MR. WHITE: No.

MR. TOBEY: Did J. P. Morgan underwrite any of that?

MR. BROWN: The State Department and Treasury Department were responsible, prior to '32, for the formation. The State Department asked the First National Bank of New York, J. P. Morgan, and ourselves to underwrite the American shares. I mean, that was prior to '32.

MR. WHITE: They couldn't get the Government to do it.

MR. SCHMIDT: Mr. Secretary, on that point we have rather recent information, since they have recently filed an application to pay certain dividends. The total dividends would be payable within the United States, as I recall it, of about fifty thousand dollars, and a lot of that would be paid to people who are holding the stock on behalf of foreigners, so the total American holdings of stock in the BIS is practically negligible.

MR. TOBEY: Would the Bank liquidate to stockholders?

MR. SCHMIDT: I don't know.

MR. WHITE: I don't think their losses would be great. What disturbs me, Mr. Secretary, is not what

- 25 -

would happen if the thing were brought up, but if the thing were raised and withdrawn, the status of the BIS immediately springs; it was presented and turned down. That means that they approve of its existence. They acquire strength and status by virtue of it, and that is the main difficulty.

MR. TOBEY: Then why isn't Mr. Spence's suggestion a constructive one to add to this definite, concrete, short, brief resolution some amplification, and the forty-five nations who hate the Nazis would be presumed to do as much as we do, to come out and indict the Nazis and get some popular acclaim and support from the representatives of the different nations because we have taken the step. If we are going to do this thing, let's do it with a punch.

H.M.JR: I take it you would attack it as a Nazi instrumentality.

MR. TOBEY: Absolutely.

MR. COE: Concerning my earlier question, I think you can give that very good explanation for supporting the resolution. I have not yet heard any sort of explanation that could go over with the public very well as to why you backed out on the resolution, or, in fact, opposed it.

H.M.JR: Gentlemen, I feel that this thing is much more significant under the surface than it is on the surface. I have watched Mr. Beyen operate. I have watched him run over and see the Delegate, Mr. Gutt, and we have here a little group who represent what we had in the past, which didn't function. And they are supported and spear-headed in New York by another group who are opposed to what we are doing here. I mean, just to give you an example--the story may have reached all of you on the arrival of the Australian Delegation--the Delegate was taken to lunch by Mr. Tom Lamont and by Mr. Winthrop Aldrich, and they worked on him very hard to get him to oppose having this Conference. When they got through and found that they were not successful, they said to him, "Well, it is useless your going up there, anyway,

- 26 -

because it will never get by Congress." Have I repeated it fairly accurately?

MR. SWEETSER: Yes, sir. That is what I was told.

MR. TOBEY: You have the amplification to that thought on the part of certain prominent men in this country making that same statement, and prejudging the case. Congress is a deliberative body. Announcing it can't pass Congress--I can't understand that kind of Americanism, myself.

H.M.JR: But the point I am talking about is this, that if we don't grasp this metal and grasp it firmly, as somebody said here, we are giving it a status as a competitor that has failed, a competitor that is Nazi-controlled.

MR. TOBEY: What you are doing by your silence and inaction is aiding and abetting the enemy.

H.M.JR: I agree with you wholly, and particularly in view of Mr. Funk's speech last week.

MR. WHITE: It is more than inaction, it is positive action.

H.M.JR: If you please, Dean.

MR. ACHESON: Mr. Secretary, what I wanted to bring out here is that there are two principal considerations which have been put forward on this, one is the propaganda effect of this, and attached to that, or connected with that is the possible effect of such a resolution of diminishing any power of the BIS to effect a peace settlement.

H.M.JR: I don't understand that last statement.

MR. ACHESON: Well, Harry suggested in the course of his remarks that the BIS hoped to be a moderating factor in the treatment of Germany in the settlement after the war, and if a resolution of this sort were passed, it would diminish the capacity of the Bank to do that, whereas, if it were not passed, it would increase its capacity to do it. I wanted to point out that both of those considerations

- 27 -

operate very largely in the field of foreign relations and clearly are considerations on which the opinion of the Secretary of State ought to be given very great weight.

The other type of consideration is the one that Mr. Brown mentioned, and which I suggested, and that is the actual practical effect of this on the operations of the Bank and the BIS, and the ability of the Germans to get the gold. The thing there that must be considered is that passing this resolution increases rather than diminishes the possibility that the Germans will actually profit during the war by getting the assets of the BIS. Now, maybe they won't get the assets, but this does not help that situation.

H.M.JR: Do you mind, if it is familiar to you, telling this group about the notice that went out either from State or Treasury to the neutrals in regard to enemy gold? Are you familiar with that?

MR. ACHESON: You mean the looting resolution?

H.M.JR: Yes.

MR. ACHESON: Harry can describe that better than I can. It was a general notice that the Allied Governments told neutrals that they acquired any gold at their peril.

H.M.JR: And that would apply to this gold of Czechoslovakia.

MR. ACHESON: The Czech gold, Mr. Secretary, as I understand it, is a wholly different situation, and would not be governed by this at all. The Czechoslovak gold was turned over before the war, not after the war.

H.M.JR: It was turned over after Germany invaded Czechoslovakia.

MR. ACHESON: Yes, it was turned over.

MR. LUXFORD: You would catch it at a different point. The Gold Declaration said that any gold transferred

- 28 -

to neutrals by Germany or the Axis--those transfers would be deemed to be void. Therefore, take the Czechoslovakia gold--even though it was held by the Germans--and you might say, we can't go behind that--any transfer of that gold from Germany to any other country is caught, so you force Germany to hold it until you can distribute it.

MR. ACHESON: Well, I just wanted to point out--

H.M.JR: I would be very glad to call up Cordell and talk to him. I have no hesitancy whatsoever.

MR. ACHESON: That is what I am getting at, Mr. Secretary. What we are doing here is really to attempt to decide an important matter of foreign policy, the chief effect of which is either in the field of propaganda or in the field of post-war relations.

Now, if this were being decided in Washington as a statement, it would be one on which the Secretary of State's advice would be--

H.M.JR: I would be delighted to consult with him.

MR. ACHESON: That is the point I am trying to bring out. He ought to be consulted, and we ought not to try and decide this.

H.M.JR: As soon as this meeting adjourns, I will call up Cordell and discuss it with him.

MR. WHITE: Could we postpone any further discussion on that, Mr. Secretary? The meeting of the Commission is at eleven o'clock, and there are one or two points on that, whereas, this Committee meeting can be postponed until you have an opportunity to talk with Mr. Hull.

H.M.JR: I would be delighted to talk with Cordell about this. I am fairly confident what his answer will be, so let's postpone it until I discuss with Mr. Hull how he feels about it, and I will report back to the American Delegation what he has to say.

- 29 -

MR. WOLCOTT: Mr. Secretary, may I inject one more thought in respect to this? You can make a case out for the resolution on the grounds that the BIS activity is incompatible with the Bank which we are setting up.

MR. WHITE: I wouldn't put it on that basis.

H.M.JR: Is that period? Would you mind repeating it?

MR. WOLCOTT: In addition to the other arguments which have been put forward here, could we make out a case for this resolution for the dissolution of the Bank on the ground that the BIS is incompatible with the Bank which we are setting up?

H.M.JR: I believe the answer to your question is yes.

MR. WOLCOTT: I think that would be helpful, at least. I can see the weight of these other arguments, but after all, they are temporary; and if we can make out a case that the BIS activity is no longer desired on the ground that it is incompatible with the Bank which we are setting up, it strengthens our position.

H.M.JR: I think it is an excellent point.

Now, Mr. White has several things he would like to clear.

MR. WHITE: One is, a decision must be made with respect to raising the question of location at this meeting. That is the chief item of business. The assumption is that Alternative A, which says the head office should be in the country with the largest quota, will come before the Commission meeting and will be voted upon. Does any of the discussion which has gone forward up to now alter that? Because, that will be the first order of business.

H.M.JR: As to the location?

MR. WHITE: Yes, that goes through.

- 30 -

MR. LUXFORD: I have one other.

H.M.JR: If there is such a hurry, Pete, could you excuse yourself to dictate an answer so I could sign it and send it upstairs?

Is that all right with you, Dean?

MR. ACHESON: Yes.

MR. WHITE: I informed Keynes it was going to come up before I knew you were--

H.M.JR: Yes, but I think I ought to acknowledge Mr. Keynes' letter.

MR. WHITE: Luxford has the second point.

MR. LUXFORD: The United Kingdom has expressed its view several times that there ought to be an emergency amending process available to the Fund in the event of catastrophe or in the event that for some reason or other one of the technical provisions as applied to future circumstances results in an extremely difficult position for the Fund.

Now, they had proposed that on an unanimous vote of the Executive Directorate you might modify some of the provisions of the document until you had an opportunity to have an amendment go through the regular procedure to the various countries. Now, what it really means is, you give the Executive Directorate a temporary provision to recommend the document. We have expressed our doubt on that provision, because it gives to an Executive Directorate, even though the U. S. is on it and it couldn't be done without their permission, extreme power. Or at least, it might be so regarded, even though it may be a desirable objective.

What we have tried to do is to think in terms of an approach that would meet the problem that the British were after, without giving these broad powers to the Executive

- 31 -

Directors. I would just like to read a paragraph to get your reaction. "In the event of an emergency arising from war, catastrophe, or from other circumstances beyond the Fund control, which emergency threatens the operation of the Fund in whole or a substantial part, the Executive Directors by unanimous vote may suspend the operations of the Fund for a period of one hundred and twenty days," or you might say if you have suspended the transactions and operations of the Fund you will relieve the countries of their obligations for that period. Then to continue, "Such suspension may be continued by four-fifths vote of the Board of Governors for a period of not more than three hundred and sixty-five days, but may not be further extended, except by an amendment to this Document in the regular way." The thought would be that if a crisis occurs, the thing to do is for the Fund to suspend its transactions until the countries have an opportunity to decide what measures they want to undertake to change it.

Would there be any objection on the part of this group to that kind of a proposal? There may be a problem there, that the British have pointed out, of war or other catastrophe which would make it foolish for the Fund to try to operate under the present system of this Document without a change.

The proposal we are offering is, instead of the Executive Directors trying to amend the Document, you just suspend operations until you have had an opportunity to permit the countries to pass on what they want to do.

H.M.JR: What is your pleasure, please?

MR. COX: May I raise two questions, Mr. Secretary? I wonder whether you want to say "in time of war," rather than just saying in general terms, "in grave emergency." We don't anticipate another war.

MR. LUXFORD: I think that is a good suggestion.

MR. COX: The second question is, once you are in the inevitable position that once you suspend by this

- 32 -

operation, it is hard to turn the clock back. I suppose the regular voting procedure might have to continue. I don't know as there is any other solution to that kind of an emergency situation.

MR. WHITE: All they do is, the Executive Board votes to suspend operations. They can begin operations at once, but they can propose to recognize that if they don't want an amendment they can immediately resume operations. It is only during the process of modification that they would have to suspend.

MR. COX: But once your operations are suspended, then there is a likelihood that you will have to continue that suspension for a time, and that will make a major difference, I should think, in the operation of your Fund. Suppose there is a mistake in the judgment of a grave emergency and you do suspend the operations for one hundred and twenty days. To pick up the strands after that will be an exceedingly difficult job.

MR. WHITE: All they have to do is pass a motion to resume operations. It is just as though it remained in suspended animation.

MR. ACHESON: Clear what we mean by operations.

MR. WHITE: It is the buying and selling of exchange.

MR. ACHESON: That doesn't mean operations such as having a member apply for an exchange in the par value of his currency?

MR. LUXFORD: No, this is the article on transactions.

MR. WHITE: Buying and selling of exchange.

MR. ACHESON: I think Oscar had some question as to that.

MR. WHITE: I thought it was listed.

MR. LUXFORD: It will be.

- 33 -

MR. ACHESON: If you make that clear, I think it would answer that.

MR. TOBEY: Put that in specifically.

MR. LUXFORD: Yes.

Now, there may be certain correlary obligations that you may have to relieve, too, if you left the Fund out of transactions. I would have to check that carefully to see whether there are any obligations of members that are so intimately tied up with the right of access to the Fund.

MR. WHITE: That is the repurchase difference.

MR. COX: Is the language so broad that it includes all the operations?

MR. LUXFORD: No, I am going to spell it out.

H.M.JR: While this discussion has been going on between you good people, how does the delegation feel about it? Mr. White would like to have an expression of opinion, please.

MR. BROWN: Well, I think the Fund ought to be given power to suspend exchange transactions and relieve the members of their obligations to either make gold payments or continue multilateral collection. I don't think it ought to go beyond that.

MR. WHITE: Yes.

MR. LUXFORD: That is what we had in mind, Ned.

H.M.JR: Would anybody else like to express an opinion?

MR. WOLCOTT: I think that as long as the language is definitive sufficiently to prevent any fundamental exchange by the Board, it is wholly desirable that they be given some latitude.

- 34 -

H.M.JR: Do you feel that that gives you enough backing?

MR. WHITE: Yes, that is all we need to go into the meeting.

H.M.JR: Would anybody else like to speak?

Just one second please; just take one minute to tell me what is up for the rest of the day. I just don't know.

MR. WHITE: At present a special committee is meeting to make its recommendations to the Commission meeting on the Fund. That is why he is trying to run out and get that prepared. The Commission is supposed to meet at eleven o'clock. At the Commission meeting there will be two important things.

H.M.JR: Which is that?

MR. WHITE: The final Commission One meeting on the Fund. It will probably be brief, unless there is something untoward comes up, and one of them will be the question of the location of the head office. The other will be this amendment, and there a couple of things which the delegates may raise, the Egyptians may raise a point. And there will be a couple of other points that we have to wind up. But if everything runs smoothly, the Commission meeting ought not take more than an hour, and it will complete the work on the Fund, and will be the last meeting, I gather, of the Commission.

Then the reporter of the meeting will report to the plenary session, but that will wind up all the Commission and Committee meetings of the Fund, except there may be a little drafting. There will be a report of the Drafting Committee, too. That is what occurs in the morning.

Now, Commission Two on the Bank, I gather, is meeting this afternoon.

MR. ACHESON: I think that has been postponed; they are trying to finish the committees.

- 35 -

MR. WHITE: Now, Commission Three, which deals with this problem that was discussed this morning on the BIS, and deals with a problem which I understand has been given some consideration here--but I am afraid not nearly enough--

(Mr. Vinson enters the conference.)

MR. WHITE: I would like your permission to bring this up before this Delegation takes any position on it before Commission Three. This is the resolution on enemy funds.

We haven't time to discuss it this morning, but I would like your permission to postpone the Committee meeting on Commission Three, which is to take this matter up until we have had a chance to present it to this Delegation for action. I think it is very important.

H.M.JR: What is the subject?

MR. WHITE: The subject is the looting of property by the Axis.

H.M.JR: Do you want to do that now?

MR. WHITE: No, we haven't time. I wanted the right to reserve a decision until we have had time to reraise it and discuss it.

H.M.JR: I don't think you have quite made it clear, Harry.

MR. WHITE: This was to come up today. The American Delegation, to my knowledge, has not taken a position on it, though some of the members have expressed views.

H.M.JR: And you want it to go over?

MR. WHITE: Yes, until you have had a chance to consider it carefully.

H.M.JR: Is that agreeable to the Delegation?

(No response)

- 36 -

H.M.JR: It is agreeable to the Delegation.

I have one thing. Before a position is taken by the Delegation, or whatever the appropriate committee is, on some kind of special treatment of those countries which have been devastated, I would like to have that discussed once more by the Delegation. I don't mean the twenty-five percent deduction on the gold; I mean some sort of treatment for countries.

MR. WHITE: These are the two things that we drafted for the Russians, and we showed it to several of the Delegates, and I was going to raise it. It is with the Bank, however, and not with the Fund.

MR. COLLADO: It comes up at two-thirty.

MR. ACHESON: That is what I wanted to rise to.

H.M.JR: Can we meet at two o'clock?

MR. WHITE: Yes. Or we could meet at twelve, if you like, or twelve-thirty.

H.M.JR: What would be your pleasure? When would you like to meet?

MR. ACHESON: As soon as we can.

MR. BROWN: Twelve-thirty.

MR. WHITE: Unless the Fund strikes a snag and doesn't adjourn before that. How is that?

H.M.JR: Let's meet with the same group again, if you please, at twelve-thirty. Would you get word to Luxford?

The meeting is adjourned.

July 18, 1944

My dear Lord Keynes:

I have had an opportunity to examine your two letters of July 17th, and your proposed statement for the press relating to the location of the Fund and of the Bank.

I would see no objection to your proceeding along these general lines, but I wish to call to your attention one sentence in the proposed press release. This is the sentence which states, "Neither the Fund nor the Bank ought to be considered in isolation from the much wider proposals which will be necessary to re-establish the peaceful economy of the world."

In my opinion this statement, particularly if removed from its context, might appear to suggest a considerable postponement of consideration of the Bank and Fund proposals, which we hope will emanate from this conference. I believe it is the intention of the press release to raise this issue only with relation to the location of the institutions and consequently suggest that you consider rewording the sentence.

Sincerely yours,

H. Morgenthau, Jr.

Lord Keynes, Chairman,
United Kingdom Delegation.

THE LOCATION OF THE FUND

On behalf of the United Kingdom Delegation, I am withdrawing Alternative B. standing in our name. But I wish at the same time to make it clear that in the opinion of the British Government the location of the headquarters of the Fund ought not to be considered without reference to the location of other international bodies which will be established. In our view, therefore, it is premature to take any final decision on this matter until more is known concerning the general framework within which these other bodies will work. The same observations apply equally to the location of the projected Bank for Reconstruction and Development. Neither the Fund nor the Bank ought to be considered in isolation from the much wider proposals which will be necessary to re-establish the peaceful economy of the world. His Majesty's Government may therefore find it necessary at some later date to ask that all such inter-related questions should be considered as a matter for decision between Governments rather than in a technical conference. It is subject to this reservation that we accept Alternative A. and withdraw our own amendment.

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

17th July 1944.

Dear Mr. Secretary,

After my conversation with you the other day I communicated with the Chancellor of the Exchequer and have received his final instructions.

When the clause about the location of the Fund is reached at the Commission, he authorises me to withdraw the British amendment, but in doing so to place it on record that in the view of His Majesty's Government the question where the headquarters of the Bank should be situated ought not to be considered without reference to the location of other international bodies.

He also asks me to let you know that in his view I was understating his difficulties when, in mentioning in my previous letter the risk of increasing opposition to the Fund in London, I added that this was not a major consideration. The Chancellor asks me to tell you privately that he expects public and Parliamentary opinion to be very sensitive on this point. He is anxious, therefore, for me to explain that, apart altogether from the wider considerations which I have already emphasised to you, His Majesty's Government must not be considered as debarred hereafter from making a condition of acceptance of the plan that the headquarters of the Fund shall be in Europe or such other location as may be decided to be in the best interests of the Fund. All the work of this Conference is, of course, ad referendum. What the Chancellor asks me to make clear is that this correspondence must not be understood to affect that general understanding in its application to this particular issue.

I should add that the Foreign Secretary has been consulted by the

Chancellor

- 2 -

Chancellor of the Exchequer and the above represents his views as well as those of the Chancellor.

Sincerely yours,

Keynes

The Hon. Henry Morgenthau, Jr.

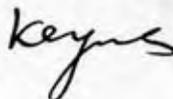
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

17th July 1944.

Dear Mr. Secretary,

With reference to my letter which I sent you this morning about the location of the Fund, you may care to see the statement which I am intending to make when this matter comes up at Commission I. The Chancellor hopes that there will be as little fuss about this as possible in the Press, and we here think that the best way of securing this end would be by releasing this to the Press. If incomplete and inaccurate stories reach them they will be more interested than if the actual statement is put into their hands.

Yours sincerely,



The Hon. Henry Morgenthau, Jr.

*Copies to Acheson, 202
White, Vinson, Holcott*

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

18th July 1944.

Dear Mr. Secretary,

The Location of the Fund

Thanks for your letter of July 18th. I quite agree with you. We do not want to make any suggestion of undue delay. I therefore omitted the sentence to which you call attention in the statement which I made at the meeting of the Commission this morning.

Yours sincerely,

Keynes

The Hon. Henry Morgenthau, Jr.

Bretton Woods
 July 18, 1944
 3:30 p.m. *

BANK LOANS-BIS-LOOTED PROPERTY

Present: Mr. White Mr. Acheson
 Mr. Smith Mr. Collado
 Mr. Vinson
 Mr. Wagner
 Mr. Wolcott
 Mr. Angell
 Mr. Brown
 Mr. Tobey
 Mr. Luxford
 Mr. Schmidt
 Mr. McDermott
 Mr. Coe
 Mr. Szymczak
 Mr. Kelchner
 Mr. Ness
 Miss Newcomer
 Mrs. Morgenthau
 Mrs. Klotz

H.M.JR: While we are waiting, Mr. White, let's go ahead on the Bank matter. I have had my conversation with Mr. Hull, but I would rather wait until Mr. Acheson comes in.

MR. WHITE: I will just distribute this provision.

MR. TOBEY: That ought to be quite a sweetening.

MR. WHITE: Yes, it is in general terms. It doesn't really commit the Bank to anything. They wanted something more specific in the way of lower rates, and so forth, but we refused to offer them that. I don't know whether this will be acceptable. It is less than what we asked

- 2 -

for, but we think it is quite enough.

MR. TOBEY: It is a state of mind.

MR. WHITE: It is important from that point of view, that is right. Jesse Wolcott, the Judge, and I talked about this with them.

H.M.JR: I would like to have a discussion.

MR. WHITE: Shall I read it briefly? "For the purpose of facilitating the restoration and reconstruction of the economy of countries whose home areas suffered great devastation from enemy occupation and hostilities, the Bank, in determining the conditions and terms of the loan made to such countries, shall give special weight and consideration to expediting the reconstruction and lightening the burden of financing such reconstruction." This would apply to all liberated areas, and is naturally popular with them. But it is Russia who is making the drive for the inclusion of some such statement in the Bank Draft--

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

MR. WHITE: It becomes very logical for us to put something like this in on the Bank, where it wasn't on the Fund. That is what the Bank is for, reconstruction and development.

H.M.JR: Any discussion, please?

MR. WHITE: This hasn't been presented to any committee yet.

MR. COLLADO: Well, it was a Russian alternative. It has been rejected once.

MR. VINSON: Well, we had several suggestions that had been presented, and they were considered; then we came up with this language. We thought that it would be helpful in more ways than one.

They endeavored to hold forth the needs of the devastated areas, and, of course, we all are in sympathy with that.

- 3 -

They sought to write into the agreement a lesser interest rate, a longer period of years, and other terms and conditions which some of us thought should not be written into the agreement. It would be simpler to write a statute into the constitution, and I feel that that language is satisfactory.

MR. BROWN: Of course, actually it means almost nothing, because the rate of interest will have to be determined by the cost of the Bank's borrowings, except for loans out of its own capital; and if that means that a loan to Brazil, for instance, would be floated at a lower rate of interest than one to Russia, the Bank couldn't help it.

MR. ACHESON: Mr. Secretary, I should hope that unless we are already committed to the Russians on this, we should not do it. It is going to cause a great deal of trouble, particularly with the Latin Americans.

This idea, which was a Russian alternative, has already been submitted to Committee Two and rejected. Also, we had quite a drive put on in Commission Two by the Latin Americans to get some sort of a provision in that at least half of the loans shall be made for development, as against reconstruction. There was a great struggle on that, and as a result of a compromise suggested by Lord Keynes, we now have a phrase which says that there shall be equitable consideration given to both types of loans, in view of the relative needs. That got us over that difficulty.

Yesterday, in a meeting which the Judge attended with the Latin Americans on the subscription question, they at first said they did not want to subscribe anything except the very minimum amount which would let them out, because they were perfectly certain that there were going to be no development loans, and this was wholly a reconstruction proposition, and there was no reason why they should be interested in it. We made long speeches to them and said that wasn't true, that this phrase that Keynes put in indicated that this thing was going to be justly and equitably decided, and it wasn't going to be slanted in favor of any type of loan.

- 4 -

Now, if this thing comes out, I think you have them scared right back into the bushes again. In the meantime, they have agreed to subscribe three hundred million dollars to the Bank; everything is worked out. This, I think, is most unfortunate.

MR. VINSON: Isn't it correct, though, Dean, that a number of them expressed themselves as being fully cognizant of and desirous of reconstructing the devastated areas, not only because of the sentimental attitude, but in their own self interest?

MR. ACHESON: Oh, that is true, but that does not weaken the fact that if you say that you shall give special consideration to reconstruction loans and that you shall lighten the burden of finance, they will think that we have undone everything that has been done by this Keynes compromise, and that we are back again to the European as against the American position that this is to be one hundred percent reconstruction, and that they have no interest in it.

MR. WHITE: Wasn't the difference of opinion what you have just said, that the South Americans felt that the assets of the Bank were to be almost entirely devoted to reconstruction loans which would leave them out in the cold, since they don't have to be reconstructed? Apparently assurance has been given, and I should think quite reasonably and quite effectively, by the phrase of equitability as between the two, so they now are assured that developmental loans will be a part of the program.

It seems to me this relates to something quite different. This merely relates to the fact that the greater special weight and consideration in expediting the reconstruction and lightening the burden--I don't think this negates the assurance given them that developmental loans will play a role, because, after all, this Fund is eight billion dollars, guaranteed, and that doesn't mean that there won't be plenty of developmental loans in the whole of the Latin American countries, but a small portion of the total under any circumstances.

- 5 -

MR. ACHESON: I quite agree that if you look at this paragraph and read it solely from the point of view of what the English words mean, it does not say that there will not be development loans. If you read it literally, it means absolutely nothing. It just wastes words in the agreement. Therefore, the Latins will say it must mean something other than what these words convey, and that means that the emphasis is going to be entirely on reconstruction loans. In effect, all you say is that for the purpose of facilitating loans, the Bank, in making loans to occupied countries, will give special weight to expediting the work and to lightening the burden of finance. Well, that is exactly what the whole Bank is about.

MR. WHITE: It says, "For the purpose of facilitating the restoration and reconstruction of the economy of those countries whose home areas have suffered great devastation. The Bank, in determining the conditions and terms of loans made to such countries, shall give special weight and consideration to the fact that they have suffered very severe devastation and are in need of that special consideration in lightening their financial burdens."

If the position you are taking is that the Latin American countries will be opposed to this as stated, that is one thing. If, on the other hand, they accept it, why should we object? If they oppose it, then they oppose it, but in the discussions that I have heard from Mexico, Cuba, and possibly one of the others, I am doubtful whether they would object to this, where they would object to failure to assure them that they will be able to get some of the loans. You could hardly blame them for not wanting to subscribe if the terms of the Bank in their judgment were to exclude them, in effect, from getting any loans. But since you have assured them of that fact, I think this is a secondary consideration.

I think they recognize also that the countries who have done the fighting and the suffering in order to save them are entitled to certain special considerations. At least, if they are not, we will find out.

- 6 -

MR. ACHESON: The thing I am trying to bring out is that this row has all been settled once, and has been settled amicably. In the Statement of Purpose we emphasized reconstruction loans. We stated it three times in the very first paragraph, so that is all right. All through the document we have made clear that reconstruction loans are important. We got this phrase in, which fixed up the Latins, and now all that trouble is asleep. We are going to stir it all up, not only Latin America, but India, and other parts of the world. We stir it all up for no good reason.

The only thing you say here is that in considering the terms and conditions, you shall realize that the countries have been devastated. Well, good gracious, that is why we are having the Conference, and that is why we are having the Bank.

MR. LUXFORD: Couldn't we have a little quiet caucus with some of the Latin Americans and see whether they would feel terribly strong about this, especially if we explained to them on the side why we needed this kind of provision? Would it be out of order to talk to Mexico, Cuba, and Brazil, which are spearheading most of the Latin American operations? If they are going to put up the battle you suggest, we will reconsider.

H.M.JR: I might say that in several conversations which I have had with Mr. Mendes-France, he has been most unhappy over the fact that there has been no recognition of the fact that his country has been devastated, so far. Of course, something like this would naturally be very pleasing to him.

MR. ACHESON: Well, the very first words when you begin the Bank draft is, what is the purpose of this? You open the whole draft of the Bank, and these are the first words, "To assist in the reconstruction and development of member countries by facilitating the investment of capital for productive purpose, including the restoration of economies destroyed or disrupted by the war, the reconversion of productive facilities to peacetime needs, and

- 7 -

the encouragement of the development of production and resources in less developed countries."

There you have two statements about reconstruction.

MR. WHITE: You think this is not in harmony with that?

MR. ACHESON: No. I mean, you are just stirring up a lot of trouble that you don't need. However, if you want to take it up with these countries and see how they feel about it, that is all right. I think you are going to scare them up in the hills again and find it hard to get them down.

H.M.JR: As long as Mr. Acheson doesn't object, I suggest that the appropriate people sound out some of the more important South American countries. I found Mr. Wright very intelligent and very helpful.

MR. WHITE: Excellent.

H.M.JR: If it is agreeable to the State Department, he might assist you.

MR. COLLADO: Mr. Secretary, on either Saturday or Sunday, this very issue with words very similar to this in their entire force--I don't have them with me, but they were very similar to these words--was debated in Committee Two. There was a lot of discussion. It was put to a vote, and it was voted down. Twelve countries, including France, Belgium, Netherlands, Poland, and Czechoslovakia were present and discussed it with two Latin American countries.

Mr. Brown, weren't you there when they took that vote?

MR. BROWN: No, I think not.

MR. WHITE: Do you remember the phrase which is left out? That was the phrase, Judge, that we objected to when we talked to the Russians. Do you remember?

- 8 -

MR. COLLADO: I can send for it.

H.M.JR: We will take your word for it, Pete.

MR. WHITE: I think it is important that this is quite different than what was turned down. We also objected to the phrase saying that it was a specific requirement that the interest rates be lowered.

MR. COLLADO: Not the phrase I am discussing.

MR. LUXFORD: What position did we take on it, Pete?

MR. COLLADO: We didn't say a word. It was a voice vote. I don't know whether anybody actually spoke for the U. S., but no one spoke against it.

MR. LUXFORD: The thought I had in mind was that very frequently the position we take is that Russia might be against it, whereas, if we say we will support this, you can bring a lot of support with it, provided you talk to these Latin American countries first and explain it to them.

H.M.JR: I am watching my time, because I know you have a meeting at four o'clock.

Unless somebody suggests otherwise, I would carry out the suggestion that somebody from the State Department and somebody associated with Mr. White sound out these South American countries on this resolution, and then if we have time--and we will have time--report back to the American Delegation what the plans are. Does anybody object to that?

(No response)

All right.

Now, after the meeting this morning I called up Mr. Hull on the telephone and read him the resolution and spoke to him about it.

Mr. Hull's immediate comeback was that the BIS has steadily gone down in its usefulness until it has reached

- 9 -

an all-time low, that he would be largely guided by whatever I advised, and whatever the American Delegation advised. He felt this was a matter in which he would be largely guided by whatever I told him.

I explained to him how I felt, and I explained to him how some of the American Delegates felt. I also explained to him what Mr. Sweetser said as to the overseas reaction, which had considerable influence with him.

In conclusion he said that I could report that he had no objection, that he would be entirely guided by whatever we wished to do, and he felt it was a matter which we should decide for ourselves.

So if you want any additional information on the BIS, we now have had an opportunity to get our files together through Mr. Schmidt, and I have plenty; it doesn't read very well.

MR. WHITE: It might be interesting.

MR. SCHMIDT: Do you have a copy of this, Harry?

H.M.JR: I have copies here. You gave me the copies. Do you want something you gave me?

MR. SCHMIDT: I believe you have the Directors' copy. Out of the twenty-one, sixteen are representatives of countries that are either now our enemies, or are occupied, including Walter Funk and Schmitz the President now of I. G. Farben.

The only people on the Board or on the Executive Committee that are not under enemy control completely are McKittrick, who is the President, and there is one Swiss and one Swede. We also found--

MR. WHITE: Who is the Swede?

MR. SCHMIDT: Ruth, I believe.

H.M.JR: Ivan Ruth.

- 10 -

Well, Mr. Hull was unhesitant in his remarks and as to his opinion on the Bank.

I also reported about Mr. McKittrick and his being there, and what we should do to notify Mr. McKittrick if we took any action, and Mr. Hull's reply was, "Let Mr. McKittrick read about it in the newspapers!" I mean, those were his exact words.

I said that you were worried about Mr. McKittrick, and so forth, and I repeated it twice. Mr. Hull said, "Why bother McKittrick? Let him read about it in the newspapers." I particularly brought that to his attention.

I have an awful lot of stuff here about the Bank.

MR. TOBEY: The resolution is before us, isn't it?

H.M.JR: Yes.

MR. TOBEY: I move for its adoption.

H.M.JR: You have heard Senator Tobey's motion. All those in favor signify by saying aye.

(Unanimous aye.)

H.M.JR: Opposed?

(No response.)

H.M.JR: Motion is carried.

MR. WHITE: Could we bring up the question of looted property in that same Commission meeting.

(Mr. Schmidt distributes papers on looted property.)

H.M.JR: If anybody at any time would like to know something about Doctor Beyen and who he is and the statement made about him in the British Parliament, we have a very interesting document here. He was President of the BIS at the time of the Czechoslovakian incident.

- 11 -

MR. VINSON: He heads the Delegation from the Netherlands.

MR. TOBEY: Is he here?

H.M.JR: He is here, yes.

If anybody would like to know something about him and statements made in the British Parliament about him, we have a document available containing the details of what happened at the time of the Czechoslovakian gold. Mr. Schmidt has all of the documents. He has the full history now. My memory was fairly good, but Mr. Schmidt has all the things.

MR. TOBEY: Is Mr. Schmidt with Treasury or State?

H.M.JR: He is the Acting Director of Foreign Funds of the Treasury, and I asked him to phone down to Foreign Funds to get this information. The Director is John Pehle, who is on leave as Secretary of the President's Refugee Committee.

MR. SCHMIDT: On this matter, Mr. Secretary, I might say that there are two resolutions that have been turned in on it, one by Poland, and the other by France, recommending in general that some steps be taken to request the neutrals to take steps to prevent the enemy from secreting assets within neutral territory or from disposing of looted property in neutral territory. We have participated jointly with the United Kingdom and the Soviet Union in the past in making two declarations, one in which it was stated that we wouldn't recognize the transfer of title of any sales, and another limited specifically to gold.

Now, this is a resolution which has been gotten up, more or less, combining the ideas of the French and the Polish, which gives a few "whereas" clauses, calling attention to the fact that as the war progresses and it becomes apparent that the enemy is about to lose, they will be taking more active steps to secrete funds in neutral territory and to dispose of their property, and it calls upon the neutral countries to take steps to prevent that.

The last paragraph of the declaration would recommend the establishment of a commission to assist the nations in uncovering and segregating this stuff and getting it back.

MR. TOBEY: What about cash already paid?

MR. SCHMIDT: We asked them to assist in uncovering the stuff.

It seems that making that request of the neutrals would have a very significant effect in neutral territory, and would also pave the way so that when the war is over and whatever committee is set up then to deal with it, begins to try and uncover some of this stuff or get it out, they would have this background in that they could point to the fact that we told them back at Bretton Woods they ought to be getting ready for it.

MR. WHITE: There is, of course, very considerable indication that funds have found their way out of Germany and other occupied areas owned by various Nazi leaders, who, in anticipation of fleeing the country or having their property confiscated, have very substantial sums outside. They bought estates and industries and corporations, and there is evidence that the German corporations have been buying into South American corporations in the expectancy of being able to re-establish themselves after the war and not be subject to the expropriation or taxes that may be imposed in order to help pay reparations or things of that character. They are working through first, second, and third fronts, so it is pretty hard to trace it without having all the data available.

H.M.JR: May I interrupt to have this resolution read? Is that agreeable, Senator?

MR. TOBEY: I think it is fine.

MR. SCHMIDT: It has three "whereas" clauses. (Reading)

"WHEREAS:

"1. In anticipation of their impending defeat, enemy leaders, enemy nationals and their associates and collaborators are transferring assets through clandestine channels to and through neutral countries to be concealed and held at their future disposal. Success on the part of such persons in

secreting and preserving under their control substantial amounts of assets in and through neutral countries will perpetuate their influence, power, and ability to plan anew future aggrandisement and world domination. The efforts of the United Nations to establish and permanently maintain peaceful international relations after the conclusion of the present war would thereby be jeopardized.

"2. Throughout the past four years enemy countries and their nationals have taken the property of occupied countries and their nationals. Enemy methods have ranged from open loot and plunder of currency, gold, securities, and other movable property, to subtle and complex devices, including the establishment of puppet governments in occupied territories, designed to give the cloak of legality to their robbery and to secure for themselves ownership and control of important financial and economic enterprises in the postwar period despite the impending defeat of their armed forces. To ensure their success and to frustrate the efforts of post-liberation governments to undo their work, they have, through sales and other methods of transfer, run the chain of their ownership and control through foreign countries, both occupied and neutral, thus making the problem of disclosure and disentanglement one of international character.

"3. Throughout the past four years as the enemy has occupied additional countries, the residents, under duress, have been forced to turn over to him their assets. The United Nations have declared their intention to do their utmost to defeat the methods of dispossession practiced by the enemy and have reserved their rights to declare invalid any transfers of property belonging to persons within occupied territory. They have adopted special controls and other measures not only to protect and safeguard property, within their respective jurisdictions, owned by occupied countries and their nationals, but also to prevent looted property from being disposed of in United Nations markets or acquired by persons subject to their jurisdiction.

"THEREFORE:

"It is resolved that, in recognition of these considerations, the United Nations Monetary and Financial Conference:

"1. Calls upon the neutral countries to take immediate measures to prevent any disposition or transfer within territories subject to their jurisdiction of any

"(a) assets belonging to the government or any individuals or institutions within those United Nations occupied by the enemy; and

"(b) looted gold, currency, art objects, securities, other evidences of ownership in financial or business enterprises, and of other assets looted by the enemy;

as well as to uncover, segregate and hold at the disposition of the postliberation authorities in the appropriate country any such assets within territory subject to their jurisdiction.

"2. Calls upon the neutral countries to take immediate measures to prevent the concealment by fraudulent means or otherwise within countries subject to their jurisdiction of any

"(a) assets belonging to, or alleged to belong to, the government of and individuals or institutions within countries with which we are at war;

"(b) assets belonging to, or alleged to belong to, enemy leaders, their associates and collaborators, and

to facilitate their ultimate delivery to the postarmistice authorities.

"3. Recommends the establishment of a Commission to assist the nations of the world in uncovering, segregating, controlling, and making appropriate disposition of assets to which this declaration is applicable, locating and tracing control of looted property and taking appropriate measures to make restoration to its proper owner."

H.M.JR: What is your pleasure, please?

MR. TOBEY: Would it be practical to include therein the principle that all steps to transfer this property and to pass title, and so forth, shall be declared null and void by its governments?

MR. LUXFORD: We have done that already, Senator.

- 15 -

MR. TOBEY: Thank you.

MR. COX: Can I raise the question as to what consideration has been given to putting teeth into this, other than the resolution, because from the public standpoint they will say, "Is this just a resolution?" One possibility would be to state in the Bank or the Fund document that consideration could be given to the action of the neutrals before they are admitted to membership. I don't know whether you want to consider that in direct sanction, but here you have a disconnected thing. You say they are to be held responsible, but you don't say how. And, without making it an iron-bound rule, I think you might want to say in the Bank and the Fund documents that the extent to which they assisted in carrying out this resolution should be given consideration when they apply for membership.

MR. TOBEY: "Failure to cooperate along these lines would preclude any participation in the Bank and Fund."

MR. COX: I would make it clear that the Bank and the Fund can use that as one of the elements in deciding admittance.

H.M.JR: I have never heard of this before.

MR. ACHESON: I was going to suggest something which perhaps goes in the opposite direction from what Oscar just suggested, and that was that we give very careful consideration to paragraphs three and four of the resolution. In three the countries declare that neutral countries which fail to do so shall be held responsible. I don't know whether this Conference wants to declare something in the nature of a threat to the neutral countries.

The second suggestion is that the Conference recommends the establishment of a commission to assist the nations of the world in doing these things. Again, I don't know whether it is desirable to recommend that there should be a commission, rather than whatever machinery is going to be set up in Europe should take this on as one of its jobs. In other words, if we are having some sort of an organization

- 16 -

in Europe, it had better do that, rather than have a separate commission, so that perhaps number three would read better by saying, "Recommends the establishment by the United Nations of appropriate machinery to assist in--"

MR. WHITE: I think that would be an improvement. It doesn't matter to us what the machinery is, as long as it is appropriate machinery.

Would you mind repeating the point before that, Dean?

MR. ACHESON: This is a Conference, now, on monetary matters. One of the resolutions of this Conference is to declare that neutral nations shall be held responsible for failure to do this. That is a threat by this Conference to the neutral nations.

I should think it wiser to leave that out and not undertake to have this Conference threatened.

MR. SCHMIDT: Would it be better to put recommendations in---it was deliberately left rather vague--not saying what you were going to do, but leave it open to say you are going to watch them and hold them responsible if they don't?

MR. COX: My point was that you shouldn't make general threats unless you can back them up, and you would be in much clearer shape, instead of making the general threat within the so-called jurisdiction of the Bank and Fund. The other way, you don't have power, and you have to go beyond that to the governments themselves and work out some kind of machinery by which you can execute the vague threat.

There is just a question of having power to back up what you say and not having it too broad, but certainly broad enough within the power of the Bank and the Fund to say.

MR. VINSON: What is the objection to that, Dean?

MR. ACHESON: There are two questions. In the first place, I don't think it is a good thing for this Conference

- 17 -

to threaten the neutral nations. I don't think it helps carry out the policy, and the neutral nations will pay much more attention to the declaration which has already been made by the British, Russian, and American Governments, than they will to a resolution coming out of Bretton Woods, so I think a general threat is a bad thing.

MR. VINSON: I am not speaking about the general threat, but about the sanction.

MR. ACHESON: On the specific question that Oscar raised, my guess is that it isn't worth while, so far as this looted property is concerned, to put that as a condition to the entrance of the neutral nations into the Bank and the Fund. I think you are going to want the neutral nations in the Bank or the Fund, whether or not they have taken what we call appropriate steps.

MR. COX: I would just say that consideration should be given.

MR. ACHESON: I wouldn't tie your hands by this kind of thing.

MR. VINSON: It seems to me that the sanction end of it strengthens the work that has been done and is being done in the tripartite effort. In other words, it is saying to them, "Now here, U.K., USSR and we have submitted their position in respect to the hiding and the disposing of looted properties." This Conference of forty-four nations is sort of implementing or reinforcing the purpose of the tripartite arrangement.

MR. ACHESON: All the countries which are concerned with this have already joined in that; all the European countries have joined in that declaration.

MR. WHITE: No, there were a lot of South American countries concerned from the point of view of their position. If they subscribed to this principle through this document, it might provide a basis later on for getting closer cooperation. I don't know how effective it will be, but at least they state in principle that they subscribe to

- 18 -

that procedure, and they would not be included in the group which is operating now in London.

MR. COE: Also, they only implemented to the extent that they then had power, which was to declare that where a transfer was made in their jurisdiction they wouldn't recognize it.

Now, you have the question up of whether with the forty-four nations here today on the Fund and the Bank you want to take a statement made by the United Nations and put a little more teeth in it.

MR. SCHMIDT: The other statement that was made sort of says, "Buy at your peril." This says, "Takes steps to prevent it from being concealed in your--"

MR. ACHESON: What this says is that the Conference declares that anyone who fails to do that shall be held fully responsible. The Conference statement adds nothing to what the nations have already said who have the power to do that. I suggest that we don't add anything to it, but we may weaken ourselves.

MR. BROWN: I think as to Mr. Cox's suggestion you should put a clause in that they won't be admitted to the Fund, or might not be admitted to the Fund, that if this Fund is to work well, it is highly desirable to get Sweden and Switzerland, who will have the two strongest currencies of Europe, in, and Argentina, which in spite of its lack of cooperation, is probably the soundest country financially in South America--at least its bonds are so much better than any other. I am in full sympathy with the spirit, but I agree with Dean that this Conference isn't a proper body of men to threaten the neutrals, and I think that if you put conditions in the Bank or the Fund which indicate that you wouldn't let them in, or may not unless they do this, that you get yourself into subsequent difficulties when you very much want to get them in.

MR. WHITE: What would it be like with that clause left off?

MR. COE: Supposing instead of saying "hold responsible," you say, "This Conference notifies them that they expect to do it"?

- 19 -

MR. SCHMIDT: Or, "recommends that it be held," or "recommends to their governments which the delegations represent."

MR. LUXFORD: I am not sure it isn't a pretty good statement without that.

MR. WHITE: I think it is a good point there.

MR. LUXFORD: The Conference is just handing out some dicta, whereas there are definite statements, and the rest of the resolution looks good.

MR. WHITE: Yes, I think Dean is right on both counts.

MR. TOBEY: You gentlemen know the German psychology. What effect, if any, would the revelation to the German people that their leaders have been segregating these funds in different countries have? Would it at all impair the morale of the German country?

MR. WHITE: Yes, fellows are lining their nests and getting ready to run out on them. Some of them probably have planes ready, and what not. After all, this money has been looted from the German people themselves. I should imagine that would serve to give them a little less confidence in their leadership.

H.M.JR: Mr. Sweetser, would this be good or bad overseas propaganda?

MR. SWEETSER: I think it would be good, but I think you would have to have specific cases to reach the German people in order to be effective. Simply to make a general charge that they are walking out, I don't think, is very effective.

H.M.JR: Yes, and lady delegates and fellow members, what is your pleasure in regard to this proposal?

MR. WHITE: I would like to see the two changes that Dean suggested adopted, and the rest of it adopted.

- 20 -

H.M.JR: Do you so move?

MR. WHITE: I so move, Mr. Chairman.

H.M.JR: All right, it has been moved that the two changes suggested by Mr. Acheson should be incorporated in the resolution and that the resolution be adopted.

MR. LUXFORD: I second the motion.

H.M.JR: Those in favor signify by saying aye.

(Unanimous aye)

H.M.JR: Contrary?

(No response)

H.M.JR: It is unanimous. The resolution is approved.

MR. WHITE: Our business is over.

H.M.JR: I have one very important announcement to make. Mr. Opie convinced me last night that there is a young lady in the hotel who has a very wonderful war bond song.

MR. WHITE: Was that what he said? (Laughter)

H.M.JR: Anyway, she has a song, too. And I understand that the pianist of the English Delegation is quite an amazing person. Mr. Opie, who I understand according to Mr. Acheson is an exceptionally fine musician, and the young lady, who has lovely red hair, I believe, will be in the Semicycle Room at nine o'clock.

MR. ACHESON: Is the twenty-five percent reduction thing out?

MR. WHITE: Oh, no, very much in. I assumed that it was agreeable to the group.

- 21 -

H.M.JR: I was so busy getting my semicircles and semicycles straight that I didn't quite catch it.

MR. WHITE: Well, this has to do with a twenty-five percent reduction in the gold contribution of invaded countries.

H.M.JR: I thought that was settled.

MR. WHITE: For the Bank?

H.M.JR: Oh, I was thinking of the Fund. I haven't heard about it in connection with the Bank.

MR. WHITE: The amount of gold that the countries are required to contribute has been modified to be ten percent of the contribution. Their contribution is twenty percent of their quota.

In the case of Russia, if a quota is one billion two, it would be twenty percent of that, which would be two hundred and forty million dollars. That is the amount she is called upon to put up. That ten percent is supposed to be in gold; that would be twenty-four million dollars. Of that, she had asked for a reduction of fifty percent. We settled on twenty-five, to be postponed for five years. In other words, six million dollars is to be postponed for five years. She admits or concedes that it has no economic significance whatsoever, but she claims it has substantial political support. We discussed that with the Judge.

H.M.JR: Again--

MR. WHITE: It isn't in the same class as the twenty-five percent reduction in the Fund.

H.M.JR: It is like this resolution, I am completely cold on it, so I just don't know.

MR. ACHESON: I would just like to issue a note of warning on this, Mr. Secretary; I don't think it amounts to anything substantially, so far as the Bank is concerned, but what I foresee quite clearly here is that if we adopt

- 22 -

this twenty-five percent reduction for the Bank, we have not adopted it for the Fund. I think when this goes to the Russians and other governments, we will get word back pointing out that there is this vital inconsistency between the Fund and the Bank, that we have adopted the principle of twenty-five percent reduction in the Bank and that they ratify the Fund subject to the reservation that that be done in the Fund also. Then the Russians will be right back where they started out.

MR. VINSON: What was said, though, to the Latin Americans in regard to this reduction?

MR. ACHESON: That we were thinking about reducing the thing--it was twenty to ten. We said the American Delegation was thinking about reducing it to ten, and I think they will be perfectly happy with that. But if you get this other thing in, I am afraid you will be right back in the Fund where you were when you started.

MR. WHITE: Not only would they be perfectly happy, but the rest of the countries would be glad to have it reduced, I think, to one.

H.M.JR: I just don't know. Nobody has discussed it with me.

MR. LUXFORD: Mr. Secretary, the issue is very small. For a country as big as Russia, to have a gold payment of six million postponed for five years is a concession to occupied countries. I can't think that it is extraordinary or something anybody can object to.

H.M.JR: But I do think there is a lot in what Mr. Acheson says. We argued with the Russians for two, three, or four days.

MR. VINSON: And fought.

MR. WHITE: We tried to talk them out of it on the ground it was too small, but we were unsuccessful. I think it is safe to say, Mr. Secretary that you will end up by giving it to them, merely because they are obdurate.

- 23 -

H.M.JR: This time I won't wait on them.

MR. LUXFORD: From their point of view, too, this may more or less appease them. They said the reason they were after it on the Fund was because of a political situation at home. Now, if they come back with the twenty-five percent in the Bank, it will be easier.

H.M.JR: But you have this suggestion you are going to try out on the South Americans, which suggests special treatment for devastated areas.

MR. WHITE: But when the Latin Americans understand what small amounts are involved in this, I don't think they will object.

H.M.JR: The only thing is, I am impressed by what Mr. Acheson says, that we killed it in the one case, and now we go back to the other and have the whole thing all over.

MR. WHITE: But the reason why we killed it in the first doesn't apply to the second. In the first, not because we didn't want to give concession--we did give concession--but we said it would greatly weaken the Fund, because it would have to apply to a lot of countries that would otherwise give substantial amounts of gold. That is not true in the case of the Bank.

H.M.JR: Does this have to be settled now?

MR. WOLCOTT: Mr. Stepanov could pass word on to Moscow that if they make statements like they did today there won't be any Fund.

MR. WHITE: What was it?

MR. WOLCOTT: I was very much amazed. I had thought of the Russians as high type people, not partisans, and so forth. Then they came out and blasted Senator Vandenberg and some other Senator, three outstanding Republican Senators who were on the fence on this; they came out and blasted them about it yesterday.

- 24 -

MR. WHITE: On the Fund?

MR. COX: No, on general foreign policy. They said their policy was reactionary.

MR. WOLCOTT: It is certainly not good for non-partisan approach to this.

H.M.JR: Could I see what you are referring to?

MR. WHITE: Was it Stepanov?

MR. COX: No, this was Pravda.

H.M.JR: I would like to see it if I might.

Again, when does this question have to be settled?

MR. ACHESON: The Committee is meeting now.

H.M.JR: I didn't have any advance knowledge of it so I wasn't able to prepare myself. So, will somebody else who has been studying this question put a motion either way?

MR. BROWN: I thought the theory was that if you reduced the gold contribution from twenty to ten all around that that would mean the Russian point of view--but it didn't do it?

MR. WHITE: No, that wasn't the original suggestion at all. Judge Vinson, Mr. Wolcott, and myself spoke to the Russians on the Bank. I think it was three days ago that we had a several-hour conversation in which they said they wanted to raise several questions on the Bank. It finally simmered down to three; one was the question of having a Director, that they were informed they would have. The second was the question of the gold contribution, and they wanted the twenty-five to fifty percent. We tried, as I say, to convince them to the contrary, because it would be a nuisance and it was a small amount. They stuck to their guns, and we said we would raise it with the Delegation. The third point was that they wanted a statement in there giving consideration to the devastated countries on the terms, and that statement included a specific request that

- 25 -

the interest rates be lowered. We said that that would be unacceptable, but we might try to work out some general language which would satisfy them.

The general language which we worked out and which I cleared with Jesse and the Judge is what we presented this morning. So we haven't given them--I sent them a copy of that. We haven't given them a definite answer on the twenty-five percent, but I think it is so small it has absolutely no bearing on the significance of the Bank or the stability of the Bank or the operations; and assuming that it is just a whim of theirs--it doesn't seem to be anything more than that; they have to pay it up, anyway, in five years--I think it should be treated as an unreasonable whim which they will insist on, and a recognition of what they are going through and what they are doing for us. It isn't reasonable. I spent two nights before drawing pictures for them, but as usual, we got a reiteration of their position, and a statement that it was politically very important to them.

H.M.JR: Senator Tobey, you have heard the arguments on both sides. Would you care to express an opinion?

MR. TOBEY: No, I think not, Mr. Chairman. I wouldn't take any position on it. I will vote with Mr. White in this matter.

H.M.JR: Do you want me to put it to a vote?

MR. WHITE: I think we are going to have a lot of trouble with them. I think it is a pity, but they put it entirely on a political basis. Well, you heard them, Judge.

MR. VINSON: Of course, it affects countries other than Russia, but, of course, in a very much smaller degree. I may have in my pocket the question of the as it affects the devastated areas. I think you gave me a table at one time on that, as it affected the Fund. It is a very interesting table.

- 26 -

MR. ACHESON: I didn't mean to suggest that it affects the Bank in any substantial way, but I don't think the Russians are silly, and I don't think they press an immaterial point. I think they are putting in a wedge for some future action. I think you just have to be careful.

MR. WHITE: We can get a commitment out of them, if that is the issue.

H.M.JR: Mr. Acheson, what would you like to do so we can bring this to a conclusion?

MR. ACHESON: I think my function is just simply to advise, and I think we are running into some danger.

H.M.JR: Who leads this? Who represents the American Delegation on this Committee?

MR. WHITE: I think Dean Acheson is the leader.

H.M.JR: Judge, will you bring this thing to a head?

MR. WHITE: The Judge was Chairman of the Committee which was supposed to consider the quotas and these questions.

MR. VINSON: I didn't understand it that way, but it seems to me that where you have a deferment for five years and then the money would be forthcoming, that the amounts were so small that it didn't seem to me to be a serious matter. There may be something in the fact that they will come back on the Fund, but--

MR. LUXFORD: They can come back without it, Judge.

MR. COX: Harry, can I follow up a point that Ned Brown raised? As I understand it, the original contribution, if the Russian quota is one billion, two as the draft now provides, is either two hundred and forty million, or can be reduced to one hundred and twenty million, I mean, from twenty to ten percent under certain cases.

- 27 -

MR. WHITE: No, twenty percent is what the countries have to put in in cash.

MR. BROWN: Twenty percent.

MR. WHITE: Ten to twenty percent would be in gold.

MR. COX: Now, you have a variance between ten and twenty percent in gold. What was the theory of the decision to reduce the gold down to ten percent?

MR. WHITE: That the amounts were so small and we wanted to avoid again getting into the conflict of having a graduated rate of all countries, plus the additional fact that we felt that the amount of direct loans that would be made out of the two billion dollars--everybody felt it was kind of small--and in addition to that, there were certain changes made which virtually make the whole twenty percent cash much more like free dollars than had been the case originally. So it didn't become worth while to attempt to graduate--

MR. COX: As I remember that section, the Bank has the discretion under special circumstances to decide a particular country should only contribute ten rather than twenty percent.

MR. WHITE: No, it has to be graduated according to some scale.

MR. COX: I know, but the language in the present draft doesn't give any scale, and I should think one of the considerations might be the devastated countries.

MR. WHITE: The devastated countries shall be given ten percent and the others twenty.

MR. COX: How do you decide whether a country should contribute ten or twenty percent?

MR. WHITE: Countries between X and Y will pay ten, and countries between Y and Z will pay twelve.

- 28 -

MR. ACHESON: But that has been changed now.

MR. BROWN: It is absolutely unimportant to the operations of the Bank. The only two considerations are the one that Mr. Acheson suggests that may be used by the Russians, followed by some of the other war devastated countries, to go back on the Fund agreement. The only other question is its effect on Congressional sentiment in this country, if we put in six hundred million dollars, which we presumably are going to unblock, and the other countries put in ten percent of the gold now, and you can even reduce that to seven and a half. I think it will weaken you a little bit politically, but as to the practical operations of the Bank, it is utterly unimportant. I don't care what you do as far as I am concerned.

MR. WOLCOTT: I don't think it is of particular importance. It is of political importance. If the Russians keep their mouths closed, we will put it across, but if they want a blast--

H.M.JR: What is your pleasure, Delegates, please?

MR. WHITE: I think if there is any doubt it should be done, that the Judge and somebody else ought to talk to the Russians again, because they are setting so much store by it. There is nothing else in the Bank that they have asked for. I don't know--how have they come out on the quotas?

MR. VINSON: As usual, they haven't come out. They say that they want a little less than a billion, two. That statement is made in part when we converse about the likelihood of increasing their subscriptions above one point two. I don't think we have ever had any expectations of getting it increased above one point two, but we have had some conversations about that.

H.M.JR: May I appoint a committee with power to act on this thing: Mr. Acheson, Mr. Wolcott, Mr. White, and Judge Vinson. Will that be agreeable?

MR. TOBEY: Fine.

- 29 -

MR. WHITE: I don't know when we are going to act.

MR. ACHESON: We had better act right now.

H.M.JR: Go in the hall, any place, but act.

MR. VINSON: That is a good general!

MR. WHITE: If it is a tie, then the Judge as Acting Chairman can cast two votes.

H.M.JR: I would like to have a meeting at nine-thirty again tomorrow morning, please, and don't forget the Scimitar Room!

7/14/43

The Committee recommends that the following resolution be adopted by the Conference:-

"The United Nations Monetary and Financial Conference recommends that the Bank of International Settlement be liquidated at the earliest possible moment."

Only opposition is U. K. + Netherlands
countries like France Belgium
w for it.

McC Kitterick

7/18/43

PROPOSED SUBSTITUTE RESOLUTION FOR COMMISSION III

The United Nations Monetary and Financial Conference recommends that the necessary steps be taken to liquidate the Bank for International Settlements as soon as possible.

7/15/46

**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 ^a	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%

^f 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.

233
11/19/49

1. In anticipation of their impending defeat, enemy leaders, enemy nationals, and their associates and collaborators are transferring assets through clandestine channels to and through neutral countries to be concealed and held at their future disposal. Success on the part of such persons in securing and preserving under their control substantial amounts of assets in and through neutral countries will perpetuate their influence, power, and ability to plan new future aggrandizement and world domination. The efforts of the United Nations to establish and permanently maintain peaceful international relations after the conclusion of the present war would thereby be jeopardized.

2. Throughout the past four years enemy countries and their nationals have taken the property of occupied countries and their nationals. Enemy methods have ranged from open looting and plunder of currency, gold, securities, and other movable property, to subtle and complex devices, including the establishment of puppet Governments in occupied territories, designed to give the cloak of legality to their robbery and to secure for themselves ownership and control of important financial and economic enterprises in the postwar period despite the impending defeat of their armed forces. To ensure their success and to frustrate the efforts of postliberation Governments to undo their work, they have, through sales and other methods of transfer, run the chain of their ownership and control through foreign countries, both occupied and neutral, thus making the problem of disclosure and disentanglement one of international character.

3. Throughout the past four years as the enemy has occupied additional countries, the residents, under duress, have been forced to turn over to him their assets. The United Nations have declared their intention to do their utmost to defeat the methods of dispossession practiced by the enemy and have reserved their rights to declare invalid any transfers of property belonging to persons within occupied territory. They have adopted special controls and other measures not only to protect and safeguard property, within their respective jurisdictions, owned by occupied countries and their nationals, but also to prevent looted property from being disposed of in United Nations markets or acquired by persons subject to their jurisdiction.

236

RECOMMENDATIONS:

In recognition of these considerations, this Conference:

1. Calls upon the neutral countries to take immediate measures to prevent any disposition or transfer within territories subject to their jurisdiction of any

- (a) assets belonging to the government of any individuals or institutions within those United Nations occupied by the enemy; and
- (b) looted gold, currency, art objects, securities, other evidences of ownership in financial or business enterprises, and of other assets looted by the enemy.

as well as to uncover, segregate and hold at the disposition of the postliberation authorities in the appropriate country any such assets within such countries.

2. Calls upon the neutral countries to take immediate measures to prevent the concealment by fraudulent means or otherwise within countries subject to their jurisdiction of any

- (a) assets belonging to, or alleged to belong to, the government of and individuals or institutions within countries with which we are at war;
- (b) assets belonging to, or alleged to belong to, enemy leaders, their associates and collaborators, and

to facilitate their ultimate delivery to the postwar authorities.

3. Declares that any neutral country which fails to institute the above measures shall be held fully responsible for failure to cooperate in a project of primary importance to the peace and security of the postwar world.

4. Recommends the establishment of a Commission to assist the nations of the world in

- (a) uncovering, segregating, controlling, and making appropriate disposition of assets to which this declaration is applicable;
- (b) locating and tracing ownership and control of looted property and taking appropriate measures to make restoration to the lawful owners.

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: JULY 18, 1944

SUBJECT: FINAL PROCEEDINGS AT MONETARY CONFERENCE

PARTICIPANTS: SECRETARY OF STATE HULL AND THE MINISTER OF
AUSTRALIA, SIR OWEN DIXONCOPIES TO: U A-B A-A FMA EUR S/GC
 SA (action)

*** 1-1493

The Australian Minister called at his request. He presented a communication from his Government, a copy of which is attached, relating to the nature of the final proceedings at the Monetary Conference being held at Bretton Woods. He said that his Government had not intended to be bound by the action of its experts, at least not without its prior consideration and approval in cases in which it might be especially interested, and yet he said the Secretary of the Treasury had announced that forty-four nations had agreed on final conclusions, et cetera, et cetera. I said that these informal meetings were usual in carrying on all of the somewhat numerous international conferences, just as in our coming conferences on a post-war security organization which would be informal and the conclusions of which would not be final treaties until they had first been passed on to each government for its final consideration and approval. He said he understood this himself and so I suggested that he could very well notify his own delegates to this effect, but that was for his decision. I said I would be glad to turn this matter over to the Secretary of the Treasury, but that, of course, he must realize that the proceedings were virtually over except to place the records in systematic form, et cetera.

C.H.

S CH:MA

18th July, 1944.

MEMORANDUM

A telegraphed message has been received from the Minister for External Affairs of the Government of the Commonwealth of Australia requesting that the following representations should be submitted to the Secretary of State concerning the proposal that at the International Monetary Conference at Bretton Woods the officials or experts should sign a resolution recommending that the Governments whom they represent should adopt the proposals framed by the Conference.

The course proposed is in the opinion of the Government of the Commonwealth embarrassing. It will embarrass the Governments whose experts sign under these conditions because it places a Government, if it should find itself unprepared to adopt the proposals, in the position of publicly rejecting what would appear to be a recommendation from their own experts. The Commonwealth Government has not as yet formulated any judgment upon the draft monetary proposals and in objecting at the present time to the procedure which it is apparently intended to pursue, it desires to do no more than establish the principle that the proceedings of the Conference at Bretton Woods should come up for the consideration of the various Governments and of the Parliaments concerned entirely free from any fetter or embarrassment arising from the public expression of a recommendation by officials representing the country.

The invitation which was conveyed on May 27th by the United States Government to the Government of the Commonwealth to attend the Conference appeared to make clear that the proceedings of Conference would not bind the Governments but, on the contrary, would be submitted to the several Governments in due course for acceptance

- 2 -

or rejection. It was upon this basis that the Commonwealth sent to the Conference experts commissioned only to discuss at the official level the matters coming before the Conference. These experts were instructed to report to the Commonwealth Government after the Conference but so that the Government would retain a completely unfettered discretion to approve, to suggest modifications or variations, or to reject the proposals. A procedure by which experts in this position are invited to sign a resolution recommending the proposals has the further embarrassment that arises from the possible inclusion or omission therein of matters contrary to their desires or views. It is a procedure which was not followed at the Conference on Food and Agriculture held at Hot Springs.

The kind of misunderstandings which may arise are exemplified by a shortwave radio broadcast received in Australia on July 17th which reported that the Secretary of the Treasury of the United States had stated that forty-four nations had agreed to the proposal to establish an international monetary fund. The Australian Parliament must be consulted before any final decision regarding the proposal is made and such a statement, if correct, would create some embarrassment in Australia.

For the foregoing reasons, the Minister for External Affairs hopes that the Secretary of State will agree that it is undesirable that the procedure which he understands is proposed at Bretton Woods should be followed and requests the Secretary to take appropriate action with a view to seeing that the delegates to the Monetary Conference should not be asked to sign any resolution or documents.

Australian Legation,
Washington, D. C.

18th July, 1944.

COPY
Union of Soviet Socialist Republics
Washington, D.C.

July 18, 1944

Excellency:

After the accomplishment of negotiations of the financial experts of the Union of Soviet Socialist Republics and the United States of America in Washington on the principles of organization of the International Monetary Fund an agreement has been reached between the Soviet Government and the Government of the United States pertaining to the publication in the press of the "joint statement of the experts of the United and Associated Nations on the organization of the International Monetary Fund" agreed upon by the experts.

On April 12, 1944 the Embassy of the United States in Moscow sent the text of the to be published above-mentioned statement to the People's Commissariat for Foreign Affairs.

In the Section II of the statement was Paragraph 4 which ran as follows: "the obligatory gold subscriptions of a member-country whose territory has suffered considerable damage from the enemy actions or from occupation is determined only as 3/4 of the sum indicated above."

His Excellency

Cordell Hull

Secretary of State

Washington, D.C.

Regraded Unclassified

-2-

Thus paragraph 4 of the statement establishes the reduction in the amount of 25% of the sum of gold subject to the payment by member-countries of the fund which were mentioned in this paragraph. This statement also contained a provision written in paragraph 2 section IV which states: "member-countries agree not to propose changes of the paritet of their currency which may affect their international transactions, excluding the cases when they consider it necessary for the correction of principle instability."

The joint statement by experts was published in full by the Soviet press on April 23, this year, and in this statement, naturally, were included the aforesaid provisions.

Meanwhile in the text of the joint statement by experts published in the American press on April 22 this year were omitted the whole paragraph 4 mentioned above, and also a part of paragraph 2, namely the words: "which may affect their international transactions."

Thus, in the text published in the American press extremely important provisions were omitted and by this there was made a distortion of meaning and contents of previously agreed upon joint statement by experts.

-3-

The Soviet Government considers that distortions of the text of the statement made in the American press must be corrected by publishing in the press of an appropriate explanation of the Treasury Department of the U.S.A. The Soviet Government also considers it necessary to indicate in the statement of the Treasury that the originally agreed upon text including the provisions omitted at the time of publication of this text on April 22 this year in the American press is to be considered in the future as the official text of the statement by experts.

I would be grateful to you, Mr. Secretary, for informing the Embassy of the U.S.S.R. about the measures which the Government of the United States of America will consider to be necessary to undertake in connection with the aforesaid.

Accept, Mr. Secretary, the renewed assurances of my highest consideration.

A. KAPUSTIN

July 18, 1944

I called on Dr. Kung and told him that Russians didn't want to go along on his offer that the Chinese would announce their quota was \$600,000,000, and that they had given the Russians \$50,000,000. I didn't give him any explanation, and I thanked him for his very nice gesture and for his offer of cooperation. He said he would have accepted it if he had been the Russians. I didn't go into details.

COLUMBIA BROADCASTING SYSTEM

"BRETTON WOODS, 1944"

SPECIAL PROGRAM: UNITED NATIONS MONETARY & FINANCIAL CONFERENCE

TUESDAY, JULY 18, 1944

10:00 to 10:30 P.M. EWT.

CUE: {.....COLUMBIA BROADCASTING SYSTEM.....}
 {.....30 seconds.....}

1. VOICE: Ladies and gentlemen -- I'd like you to meet an American soldier - Private Bill Davis.
2. MUSIC: "OVER THERE" FIGURE AND UNDER
3. BILL: My job is fighting. Yesterday I was working at it in France. Today, I've met about a hundred distinguished people from almost every nation you can name -- including a member of the English War Cabinet, and a descendent of Confucius and the Deputy People's Commissar of Foreign Trade for Soviet Russia - with whom I talked through an interpreter -- and the Secretary of the United States Treasury. It's been an experience I'll never forget. Let me tell you about it.
4. MUSIC: UP TO BEGIN THE STORY WITH GRAND, HISTORIC CONFERENCE THEME - THEN UNDER
5. ANNC'R: From The Mount Washington Hotel -- high in the White Mountains of New Hampshire -- where The United Nations Monetary & Financial Conference is now in session -- CBS -- in co-operation with The United States Treasury -- presents "BRETTON WOODS, 1944" -- a radio document

- 2 -

5. ANNC'R: (CONTINUED)

dramatizing the people of the conference, their work -- and its meaning to you -- the American public. The document was written and produced for Columbia by Robert Lewis Shayon -- and the voices of the high dignitaries you will hear on the program -- representing England, China, Russia, France, Mexico, Ethiopia and The United States -- will actually be those of the United Nations delegates themselves.

6. MUSIC: UP BRIEFLY AND UNDER

7. ANNC'R: And now -- Private Davis..

8. MUSIC: UP WITH "OVER THERE" FIGURE -- THEN UNDER

9. BILL: It was in the morning... just after chow. I remember it distinctly. My unit was behind the lines -- resting, after helping clean up La Haye DuPuits -- and we were going to move back into action in the evening. I was cleaning my rifle and Joe was reading the "Stars and Stripes." That's the Army newspaper. You don't know how good it is to read about home and get the facts about the fighting. It chases a lot of rumors.

10. MUSIC: UP BRIEFLY -- THEN UNDER

11. BILL: Well, Joe comes up to me with the paper in his hand and a serious look on his face. He stands there awhile -- reading -- and I keep on cleaning -- knowing he'll start soon. But he doesn't -- so I open my mouth.

12. MUSIC: OUT IN BG

- 3 -

13. BILL: What's the news, Joe?
14. JOE: (READS) Dewey returns to Albany after convention....
The Associated Press reports that the United Nations Monetary and Financial Conference opened at Bretton Woods, New Hampshire -- with a statement to the delegates from President Roosevelt. Secretary of the Treasury Morgenthau was named President of the conference.
15. BILL: (SLOWLY) United Nations Monetary and Financial Conference.... Pretty fancy title.
16. JOE: There must be a lot of plain talk behind it.
17. BILL: That's right -- money, finance -- all that sort of thing.
18. JOE: I wish I knew what they're talking about.
19. BILL: Why? It's a lot of dull stuff anyway.
20. JOE: I don't know. Money - finance -- all that sort of thing translates pretty easy into jobs, food, homes. It's like that rifle you're cleaning. By itself -- it looks harmless. Pull the trigger and you've got a dead Nazi.
21. MUSIC: UP AND UNDER
22. BILL: Bretton Woods, New Hampshire -- I got to thinking about it. You see....I'd been up there in..lemme see...three years ago...that's right...summer of forty-one.

- 4 -

23. MUSIC: UP AND UNDER
24. BILL: The Family took an auto trip through New England. Gosh - it seems a long, long ways ago....cars, sunny roads, big, green mountains wearing white clouds for hats. The Presidential range...the Old Man of the Mountain with the stone profile like Uncle Sam.
25. MUSIC: UP AND UNDER
26. BILL: Yeah -- it was a great place for a international money conference, all right. High, quiet places make good, clean minds. If only those big shots took an occasional look at those hills -- they couldn't help doing something good. I closed my eyes. I could almost see that big, white-and-red rambling old Mount Washington Hotel -- set right smack in the middle of a mountain like an American Shangri-la!
27. MUSIC: UP TO TAKE BILL FROM FRANCE TO BRETTON WOODS AND OUT SHARPLY
28. BILL: I opened my eyes -- and I was there.
29. MUSIC: SURPRISE STING AND UNDER
30. BILL: Yeah -- I mean Bretton Woods. I was standing in the lobby of the Mount Washington Hotel where the conference is going on.
31. MUSIC: UP THEN UNDER

32. BILL: I stood there for a few minutes without moving. There were a lot of people around -- but nobody paid any attention to me. I guess it's silly to say I was surprised...but what would you say if it happened to you? One minute you're in France -- the next you're in America!
33. MUSIC: OUT IN BG
34. BILL: It's no use trying to figure out how it happened. Those things don't have any answer -- but while I was here I was going to do a little leg-work for Joe. Yes sir. I, Private Bill Davis, United States Armywas going to find out what was going on here. After all -- you know -- guys like Joe and me are kind of symbols. Everybody talks about winning the peace for us after we win the war. Well -- here was one symbol -- live -- with a tongue in its mouth. I walked up to a bell-hop -- a kid with dark hair in a blue monkey-suit.
35. MUSIC: OUT
36. BILL: Excuse me. I'd like some information.
37. BELL-HOP: Sure, soldier. There's an M.P. on duty at the front entrance.
38. BILL: What...are those guys here, too?
39. BELL-HOP: And how -- special detail -- white gloves and belts. Pretty fancy.

40. BILL: Well, never mind the M.P. I want some information about this conference.
41. BELL-HOP: You can get it from the Conference Information Desk -- right across the lobby.
42. MUSIC: HOTEL LOBBY MOOD AND UNDER
43. BILL: I walked over to the information desk and spoke to the girl behind it. Later, I found out she works for the State Department. They and the Treasury had brought about 200 girls up from Washington..to take care of the secretarial work. They work on a 24-hour basis - three shifts. Without them, there'd be no conference. I wish you could see the amount of paper that goes into a job like this. Journals, agendas, drafts, proposals, records -- Thousands of fat words nice and fresh at three o'clock -- torn to pieces at five -- and sent down to be re-built for to-morrow morning.
44. MUSIC: ACCENT AND UNDER
45. BILL: Well - I told the girl I'd like to see The Secretary of The Treasury.
46. MUSIC: OUT
47. GIRL: Just like that? The Secretary himself?
48. BILL: That's right, miss.
49. GIRL: Soldier, I admire your spunk. No wonder we're winning this war. You see that Boy Scout over there?

- 7 -

50. BILL: The nice looking blonde kid with the Star Scout insignia?
51. GIRL: That's right. If you'll wait a minute I'll have him conduct you to the Secretary's office -- personally.
52. BILL: The Star Scout turned out to be Alan Davis -- a New Hampshire boy. I asked him how come he was at the conference.
53. SCOUT: There's a special group of honor scouts from all over the state here, sir.
54. BILL: The name is Bill.
55. SCOUT: O.K. Bill. We act as messengers.
56. BILL: I'll bet it's a lot of fun.
57. SCOUT: Sure is.
58. BILL: Nice kid....clean-cut, pleasant, smart-looking in his khaki short-pants. Reminded me of my own kid brother, Johnny. Yes - the scouts do more than a daily dozen of good deeds at the conference. They lend a touch of color.
- Well - he brought me to Room 121 and like that I was in Mr. Morgenthau's office. Naturally - I had to see some other people first -- But I'm a citizen.... and in a way I represent somebody, too. I represent Joe, and don't let anybody tell me he's not important. I guess when the Secretary heard about me -- he got the idea -- and just as I said -- I was in his office - like that.

- 8 -

59. SECRETARY MORGENTHAU: Bill, I'm glad you've come. I understand you want to find out what this conference is all about.
60. BILL: That's right, Mr. Morgenthau.
61. SECRETARY MORGENTHAU: Well - let me try to explain it. When the war is over, there'll be a lot of problems to solve, won't there?
62. BILL: Yes sir.
63. SECRETARY MORGENTHAU: Some will be of a military nature, some political, and a good many will have to do with money matters, as for example foreign trade, rates of exchange, the value of currency and so forth. You understand that, don't you?
64. BILL: In a vague sort of way.
65. SECRETARY MORGENTHAU: Well - let me put it on a more personal basis. When the war is over - you want a job, don't you?
66. BILL: (FIRMLY) Yes sir.!
67. SECRETARY MORGENTHAU: Well - jobs are really the making of things like bread, cars and shirts - the buying and selling them. That's trade. Now - if we in America bought from and sold to ourselves alone - if we didn't need to import anything and could get along without exporting anything - we could probably solve our money problems alone.

- 9 -

68. BILL: I guess so.
69. SECRETARY
MORGENTHAU: And the other nations - who want jobs for their soldiers - could handle their matters alone.
70. BILL: That's right.
71. SECRETARY
MORGENTHAU: But because all nations have to do business with each other -- especially after this destructive war -- trade, jobs and money is really an international problem.
72. BILL: Yes sir.
73. SECRETARY
MORGENTHAU: Now - the United Nations have learned from experience that if we try to solve an international problem as if it were strictly a national one -- things go wrong. We have inflations, depressions, trade-wars all over the world. People everywhere can't get jobs - or lose the ones they have.
74. BILL: And when people get hungry - they get desperate -- and that helps make shooting wars, is that it?
75. SECRETARY
MORGENTHAU: Exactly. The United Nations are fighting this war together because we know that's the only way to beat Hitler and Tojo. And together - we hope to win the peace so we'll have an end to wars -- and things like those Nazi robot bombs killing thousands

75. SECRETARY
MORGENTHAU:

(CONTINUED)

of helpless women and children. It's too early to tackle the military and political problems involved -- the shooting's still going on. But the day the last shot is fired -- people will need money to eat, to rebuild their homes, and to go back to the business of living instead of dying. That means money. The United Nations don't want to be caught unprepared on V-Day. That's why we're here at Bretton Woods.

76. MUSIC:

CONFERENCE THEME AND UNDER

77. BILL:

Secretary Morgenthau and I were just about to start talking about the actual plans that were being worked out at the conference -- when he had to leave for an important meeting. He called Senator Charles W. Tobey -- he's the Republican Senator from the State of New Hampshire -- and asked him if he wouldn't show me around the conference. Senator Tobey is an American delegate here -- and he's also a member of the Senate Committee on Banking and Currency. The Senator asked me to have lunch with him in the hotel dining-room with big windows letting in blue sky, mountains and sunshine.

- 11 -

78. MUSIC: BUSY TONGUES AND UNDER
79. BILL: You sure could tell it was a United Nations conference in that dining-room. If I didn't hear twenty languages - I didn't hear one. And the funny thing about it was that one minute these people would be talking French, Chinese or Russian to each other - and then suddenly they'd turn around and speak perfect English to the waitress.
80. MUSIC: UP AND OUT UNDER
81. SENATOR TOBEY: You see, Bill, this conference isn't just an overnight affair.....It all started two and a half years ago. Government officials, experts, bankers and business men talked over all the possible points - exchanged ideas - and finally agreed on a two-part program -- one for short-term emergency purposes and the other looking far ahead.
82. BILL: What's the short-term one?
83. SENATOR TOBEY: It's called a Stabilization Fund. All the United Nations chip in about eight billion dollars.
84. BILL: Sort of a kitty - a pool, is that it, Senator?
85. SENATOR TOBEY: That's right. What did you do before you entered the service?
86. BILL: I worked in an automobile plant in Detroit.

- 12 -

87. SENATOR
TOBEY:

Good enough. Now suppose you go back there after the war - and start making cars again. Your boss sells most of his cars here in the states -- but he also sells a good many abroad.

88. BILL:

Right.

89. SENATOR
TOBEY:

All right. It costs your boss \$600, let's say -- to make one car. On July 1st - he makes a deal to sell a car abroad for \$1000 net - delivery on July 30th.

90. BILL:

The foreign customer, of course, promises to pay for the car in his own money.

91. SENATOR
TOBEY:

Correct. Now - let's say one unit of his money is worth \$5. When your boss makes the deal - he expects to receive 200 units equal to a thousand dollars.

92. BILL:

Four hundred dollars profit.

93. SENATOR
TOBEY:

Fine. But on July 15 - something happens which -- under present circumstances -- neither your boss nor his customer can control. Something happens to the exchange rate. His customer's money drops in value from five to two and a half dollars.

- 13 -

94. BILL: That means on July 30 - my boss actually receives only half of what he expected to get.
95. SENATOR TOBEY: Right. \$500 to be exact. He's lost \$100 on the deal.
96. BILL: How will this Stabilization Fund help this?
97. SENATOR TOBEY: If your boss makes such a deal and the Fund is in operation, his customer's money might change one, two, three percent -- but not fifty. The idea is not to let money go up and down like a crazy jackrabbit so you don't know what it's worth one minute to the next.
98. BILL: I see. Now how about the second plan...the long-range one?
99. SENATOR TOBEY: That's the Bank for Reconstruction and Development.
100. BILL: The nations all chip in the same way?
101. SENATOR TOBEY: Right. Ten billion dollars all together.
102. BILL: How does it work?
103. SENATOR TOBEY: Well - suppose after the war, a country like Poland, for example, that's been completely devastated - wants to build a power plant.
104. BILL: That costs a lot of money.

05. SENATOR
TOBEY:

Right. They come to an American company making generators and say - we want to buy 100 at a million dollars apiece...but we can't pay for it all right away. We need, say, 30 years credit.

106. BILL:

A hundred million dollars is big risk for a company to take.

107. SENATOR
TOBEY:

If there's no one to share it with - they may have to turn down the job. Thousands of workers lose an opportunity to earn money. Poland is that much poorer. But with the 44 governments represented in the Bank to guarantee the loan -- the company can make those generators - make jobs, customers and business for America. And on top of that Poland gets richer - and there are still more customers for everybody!

108. MUSIC:

CONFERENCE THEME AND UNDER

109. BILL:

After lunch, Senator Tobey and I went on a sort of a Cook's Tour of the Conference. I saw how the machinery works. There are meetings going on all the time - all over the place...big meetings in which formal speeches are made -- medium conferences where the delegates take their coats off and relax a little - and private two-man huddles in the lobby where they raise their voices a bit and shake their fingers at each other. This is mind-power at work.

110. MUSIC: UP AND UNDER
111. BILL: At one of the meetings, Senator Tobey introduced me to Mabel Newcomer, of the American delegation. She's the only woman delegate at the whole conference. I asked her what she thought the women of the United States would get out of it.
112. MUSIC: OUT
113. MABEL
NEWCOMER: Bill - how old are you?
114. BILL: 25.
115. MABEL
NEWCOMER: Then you probably don't remember much about the depression we had here in 1930. I do. I was teaching at Vassar, and I remember how discouraged I'd get when the girls we were training came and asked me if I thought there would be jobs for them. I remember one girl. Soon after she got her diploma as an economist - and she was a good one, too, she studied stenography and typing and walked the streets looking for a job. You don't have to remind the mothers of America of unemployment and bread-lines and bank-failures. They remember only too well -- and they want this conference to see that it doesn't happen again.
116. MUSIC: UP WARM AND HUMAN AND UNDER

- 16 -

117. BILL: A little while later, Senator Tobey introduced me to Mr. Lionel Robbins, Chief of the Economic Section of the English War Cabinet. He told me some interesting facts about the organization of the bank which the conference has agreed upon.
118. MR. ROBBINS: The offices of both the Fund and the Bank, Private Davis, would be located here in the United States. They would be governed by a Board of Directors, made up of representatives of the United Nations. This Board would operate, of course, according to definite rules and regulations agreed to by all the United Nations at this conference.
119. BILL: Would the Fund operate on a gold standard, Mr. Robbins?
120. MR. ROBBINS: Yes, I should say it would operate on a modified gold standard. The countries must put currency and gold into both the Fund and Bank, and the currency will have an agreed gold value.
121. BILL: When the Bank loaned money to a nation, would it have the authority to say how the money should be used?
122. MR. ROBBINS: Yes. The Bank would lend money only for productive purposes for reconstruction and development.

123. BILL: Will a country's being in the Fund interfere with its domestic affairs?
124. MR. ROBBINS: The Fund would have power, naturally, to prevent infractions harmful to the common good -- but neither the Fund nor the Bank will in any way usurp the sovereign power of any nation or its legislative body.
125. BILL: Suppose a member nation doesn't agree with the decisions of all the other nations in the program?
126. MR. ROBBINS: In that case, it has complete freedom to withdraw from the organization. I am persuaded, however, that it would be very much to that nation's disadvantage to do so. You see, Private Davis, I should like to point out that the English people, and I daresay, the people of the United Nations, do not look to the Fund and The Bank to provide us with gifts. We regard them, as we all should, rather as strengthening of reserves, iron rations to be used only in certain emergencies, and certainly not to be drawn upon every day.
127. BILL: The English people have been hard hit by the war, haven't they, Mr. Robbins?

- 18 -

128. MR.
ROBBINS:

Very. After Dunkerque we went into the fight on a basis of unlimited liability. Our people have given of their savings without reckoning the cost. England is considerably poorer. This places us in a very serious position...as we inhabit a tiny island -- and we are dependent essentially on imports to maintain our standard of living. Now -- we are not afraid of this situation. We believe that by working harder and improving our efficiency, we can, in a few years, be once again financially sound. But our hopes would undoubtedly be less if we thought the rest of the world would once again be plunged into economic chaos. Beyond that, of course, our interest, like every nation's, is in preventing a fiasco in world affairs every generation. That is the significance of the Fund and The Bank to us. They are the first serious steps in the direction of world peace.

129. BILL:

As we were talking to Mr. Robbins -- a State Department secretary brought a note to Senator Tobey. It read: "The Chinese Delegation requests the pleasure of your company at a cocktail party from 6 to 7 p.m."

130. MUSIC:

CHINESE AND UNDER

- 19 -

131. BILL: At that party, I had the honor of meeting Dr. Kung, the Chinese Minister of Finance.
132. DR. KUNG: It is essential to understand, Private Davis, the important connection between matters of trade and the making of wars. Do you remember when Japan first began her march of aggression against China?
133. BILL: Wasn't it in 1930 - when she took Manchuria?
134. DR. KUNG: Exactly. And 1930 was the year of the world-wide depression. Your country and Britain -- the two great powers that could have restrained her were busy with economic headaches.
135. BILL: I never thought of that.
136. DR. KUNG: Well, the delegates of the United Nations at this conference have given much thought to it. This is one of the most ambitious and technical programs ever attempted on an international scale. I am convinced that the fact that we have come to an agreement in such complex matters proves definitely that the United Nations can work together in peace as well as in war. It is in everybody's interest that the work of this conference be adopted by the governments to whom the program will be brought, in the last analysis, for approval. As my venerable ancestor, Confucius, put it a very long time ago...

(SPEAKS CHINESE PROVERB...THEN TRANSLATES INTO ENGLISH)
(LEAVE SPACE FOR THIS)

- 20 -

137. MUSIC: PUNCTUATE AND OUT
138. BILL: By now -- it was time for dinner. As we entered the dining-room, Senator Tobey saw the head of the French delegation, Monsieur Pierre Mendes-France and invited him to join us. We sat down together.
139. M. MENDES-FRANCE: So you have been in the fighting in Normandy, Private Davis?
140. BILL: That's right, sir.
141. M. MENDES-FRANCE: That is my part of the country, you know. I was once Mayor of Louviers, a little town about forty miles from Caen.
142. BILL: Is that so?
143. M. MENDES-FRANCE: Yes - and now we meet together at this conference.. you, an American soldier, and I, a French delegate.
144. BILL: The two places are really not so far away from each other, eh?
145. M. MENDES-FRANCE: They are more close than you imagine. I remember in France in 1930, we heard that a great crisis was about to come in the United States. But we enjoyed a good situation. France had no difficulty. We thought we could get along. It was too far away -- on the other side. But a few months later -- the sickness hit us - and it was all the

145. M. MENDES-
FRANCE:

(CONTINUED)

same crisis. So now - your people and mine are here to see that the plague cannot start or spread again. Last week, July 14 -- we celebrated our French Independence Day - Bastille Day. France will be free again...but I think, like the other nations, we have learned that there can be no real independence for any nation -- unless we work together.

146. BILL:

While we were eating, Mr. Eduardo Suarez, the Minister of Hacienda for Mexico came up to our table and sat with us a few minutes. When Monsieur Mendes-France compared depression to a plague he made an interesting comment.

147. MR. SUAREZ:

The sickness of poverty has a very close connection with the sickness of people, Private Davis. My country, Mexico, has been poor for centuries. It has known much suffering because of its feeble resources. Consequently, my people's health has been very bad, particularly in the coastal areas. We would like to make our people healthy, strong and happy. So would the representatives of all the United Nations. That will be another result of this conference. It will help make people well all over the world.

- 22 -

148. MUSIC: RUSSIAN AND UNDER
149. BILL: After dinner, I had a very thrilling experience. For the first time in my life - I spoke to someone through an interpreter. The man was Mr. M. S. Stepanov - the chairman of the Russian Delegation. Mr. Stepanov is a small, smiling, very simple and friendly man..who is proud of the fact that he is one of sixteen children in a factory-worker's family. He looked me straight in the eye as he talked.
150. MUSIC: OUT
151. M. STEPANOV: (IN RUSSIAN) I am happy to meet an American soldier. You and my two sons, who are in the Russian army, are trying to eliminate Nazi soldiers. At this conference, all the United Nations are fighting to eliminate the Fascist ideas about trade among nations and world peace.
152. TRANSLATOR: M. Stepanov says he is happy to meet an American soldier. You and his two sons, who are in the Russian army, are fighting to eliminate Nazi soldiers. At this conference, all the United Nations are fighting to eliminate the Fascist ideas about trade among nations and world peace. You see, Private Davis, Mr. Stepanov refers to a speech which Mr. Funk, the German Reichminister made a few days ago about this conference.

- 23 -

153. BILL: What did he say?
154. TRANSLATOR: He said that the Germans would never submit to discussing their economic problems with the rest of the world. At the conference here, we all think that is very revealing. It is an indication of the stubborn, narrow-visioned mentality in which was born the idea of the world war we are now fighting.
155. M. STEPANOV: (IN RUSSIAN) If the work of this conference is a success, the destruction of the Nazi soldiers will not have been in vain. The Nazi ideas will be destroyed also.
156. TRANSLATOR: Mr. Stepanov says - that if the work of this conference is a success, the destruction of the Nazi soldiers will not have been in vain. The Nazi ideas will be destroyed also.
157. MUSIC: RUSSIAN TO ETHIOPIA AND UNDER
158. BILL: As we were speaking with the Russians, a tall, gracious gentleman of great dignity passed by. After we left Mr. Stepanov, I asked Senator Tobey who the man was. It was His Excellency, Blatta Ephrem Tewelde Medhen, Minister to the United States for Ethiopia.
159. MUSIC: OUT

- 24 -

160. M. MEDHEN Ethiopia, Private Davis, has a rather unique interest in seeing this conference succeed.
161. BILL: How so, Your Excellency?
162. M. MEDHEN: Well, in 1935, at the League of Nations in Geneva, my Emperor, Haile Selassie pleaded with the members to unite against the Fascist invasion of our country. He warned them that what they considered an insignificant spark would turn into a flame that would consume them all. I think we may accurately say that his words were prophetic.
163. BILL: Ethiopia is an ancient nation, isn't it, Your Excellency?
164. M. MEDHEN: It is one of the oldest independent nations in the world...nearly two thousand years old.
165. BILL: That's a long time. What currency do your people use?
166. M. MEDHEN: They use the Maria Theresa dollar and the East African pound...currencies provided by other nations. It is our hope that after this war we will have our own medium of exchange. Ethiopia has perhaps the soundest financial status of all the nations here. We, too, hope to raise our standard of living. Our greatest need, however, is for enlightenment. You see - the Fascists made a determined effort to murder all our educated people. To a very large extent - they succeeded.

167. BILL: And yet I've heard that they committed no acts of cruelty themselves - when the aggressor was defeated.
168. M. MEDHEN: That is true. The Ethiopian people do not desire vengeance. They are a Christian nation. They are here to work side by side with the rest of the world at a second chance for peace.
169. MUSIC: ETHIOPIAN AND UNDER
170. BILL: I'll never forget that talk with that Ethiopian gentleman. I had the feeling that I was talking not with a man - but with the ages.
171. MUSIC: UP, UNDER AND OUT
172. BILL: Senator Tobey and I walked out of the hotel. The sun was setting over the hills -- and instead of white clouds for hats - the darkening slopes were mantled in red and gold ribbons. I think we were both impressed by the beauty of the scene. We walked along in silence for a while. Then the Senator spoke.
173. SENATOR TOBEY: Bill - you've crowded a great amount of impressions into the few hours you've been here at this conference.
174. BILL: I have, Sir.

- 26 -

175. SENATOR
TOBEY:

Now - you ought to fix your eyes on the great need of humanity and the hope of our times....the universal hunger for peace. The brilliant men and women of the United Nations gathered here among these eternal hills have labored and agreed on a program to help meet that need. They don't claim it's perfect, they don't say it's the best -- but they do assert that they agree on it -- and they are willing to improve on it in the light of experience. Our people must give their approval to this plan - or else it cannot be put into effect. The choice in the American tradition is theirs. It will be exercised at the polls and in the halls of Congress. I cannot forbear to think at this time, of another conference in Philadelphia, in the year 1787. The delegates of the thirteen colonies had labored through two summer months to agree on the Constitution of The United States. The document was ready to be signed. The Honorable Benjamin Franklin - eighty-one years of age, and rich in wisdom - paused before he put pen to paper and spoke thus.

176. SENATOR
TOBEY:

I confess that I do not entirely approve of this Constitution at present. But sirs - I am not sure I shall never approve it -- for, having lived long, I have experienced many instances of being obliged, by better information or fuller consideration, to change my opinions even on important subjects, which I once thought right, but found to be otherwise. I hope, therefore, for our own sakes, as a part of the people, and for the sake of posterity, that we shall act heartily and unanimously in recommending this constitution, wherever our influence may extend -- and turn our future thought and endeavors to the means of having it well administered.

177. MUSIC:

TIMELESS AND UNDER

178. BILL:

Senator Tobey had unconsciously turned away from me as he spoke. I did not interrupt him. I knew he wasn't speaking to me alone in that New Hampshire sunset. He was speaking to America!

179. MUSIC:

CURTAIN AND OUT

180. ANNC'R:

From The Mount Washington Hotel -- high in the White Mountains of New Hampshire -- CBS, in cooperation with The United States Treasury -- has brought you "BRETTON WOODS, 1944" a radio document dramatizing the United Nations Monetary

- 28 -

180. ANNC'R:

(CONTINUED)

and Financial Conference. The document was written and produced for Columbia by Robert Lewis Shayon -- and the voices of the high dignitaries you heard -- were actually those of the United Nations delegates themselves. Private Bill Davis was played by Bill Quinn. The music was composed and conducted by Alexander Semmler.

181. MUSIC:

EXIT MOOD

182. ANNC'R:

This is CBS - THE COLUMBIA BROADCASTING SYSTEM.