

DIARY

Book 756

July 19-21, 1944

- A -

	Book	Page
Appointments and Resignations		
Kenyon, J.: Investigation as Procurement employee, New York City, on bribery charge reported by C.S. Bell - 7/20/44.....	756	192
Australia		
See Post-War Planning: International Monetary Conference, Bretton Woods, New Hampshire		

- C -

Correspondence		
Mrs. Forbush's mail report - 7/21/44.....		290

- F -

Financing, Government		
"Security Market and Banking Developments During the Fifth War Loan" - Haas memorandum - 7/21/44.....		283
War Savings Bonds: Likert (Department of Agriculture) survey in Louisville concerning wartime savings: why people prefer to save in currency and checking accounts rather than increase War Bond purchases: Haas resume - 7/20/44.....		195-A

- K -

Kenyon, J.		
See Appointments and Resignations		

- L -

Lend-Lease		
United Kingdom		
Federal Reserve Bank of New York statement showing dollar disbursements, week ending July 12, 1944 - 7/19/44.....		86
Gold and dollar holdings as of May 31, 1944 - 7/20/44.....		194
Likert, Rensis (Bureau of Agricultural Economics, Department of Agriculture)		
See Savings, Wartime		
Louisville, Kentucky		
See Savings, Wartime		

- M -

Mise, John H.		
See Procurement Division: Surplus Property, Disposal of		

	Book	Page
New York City		
Simensky & Levy Corporation: LaGuardia-FDR-Treasury correspondence concerning investigation of and income tax liabilities - 7/19/44.....	756	76

Post-War Planning

International Monetary Conference, Bretton Woods, N.H. See also preceding books		
Broadcast comments by Germans and Japanese - 7/19/44...		71
Australia: Keynes reports instructions received by Delegates "to walk out on Conference" - 7/20/44.....		170
a) Hull conversation with Australian Minister reported.....		175
b) Delegate to sign final Act - 7/22/44: See Book <u>757</u> , page 151		
Executive Plenary Session - 7/21/44.....		261
a) Reports of Commissions 2 and 3 presented		
Closing session planned - 7/21/44.....		264
a) FDR's greetings.....		281
Procurement Division		
Surplus Property, Disposal of		
Mise, John H., to head Hardware Division - 7/19/44.....		81
Report for July 1-15, 1944 - 7/19/44.....		84
Special items valued in excess of \$500,000 as of July 17, 1944 - 7/21/44.....		301
(See also Book <u>758</u> , page 168 - 7/24/44)		

Savings, Wartime		
Likert (Department of Agriculture) survey in Louisville - Haas resumé - 7/20/44.....		195-A
Security Market		
See Financing, Government		
Simensky & Levy Corporation		
See New York City		
Stabilization Fund		
Comparative statement for May and June - 7/19/44.....		75

U. S. S. R.		
Harriman's "interpretative comment based on Soviet press" - 7/20/44.....		230

War Savings Bonds		
See Financing, Government		
Wartime Savings		
See Savings, Wartime		

Bretton Woods, N.H.  
July 19, 1944  
9:30 a.m.

BANK QUOTAS

Present:	Mr. Brown	Mr. Acheson
	Mr. Coe	Mr. McDermott
	Mr. Luxford	Mr. Vinson
	Miss Newcomer	Mr. Spence
	Mrs. Morgenthau	Mr. Ness
	Mr. Szymczak	Mr. Kelchner
	Mr. Wolcott	Mrs. Klotz
	Mr. Sweetser	
	Mr. Smith	
	Mr. Cox	
	Mr. Tobey	
	Mr. White	

H.M.JR: What is the first order of business that is most pressing?

MR. WHITE: Well, things are going along all right. There is a Bank meeting at nine-thirty. The Fund draft is complete. The Drafting Committee and the Special Committee met until two-thirty this morning. Wouldn't you say the drafting is all through?

MR. LUXFORD: It is all through unless you run into a bug. Every time you read it you may find something else.

H.M.JR: That is amazing.

MR. WHITE: So we can wind up completely without any ends.

H.M.JR: Maybe we can go home tonight.

(Mr. Kelchner and Mr. Cox enter the conference)

- 2 -

MR. WHITE: No, that is on the Bank. The only thing that we are disappointed in in the Bank is the ratio. We tried to get Brand up to one hundred and twenty-five percent this morning, instead of a hundred percent, because we are afraid the Bank's loans will be all used up in three or four years and then there will be a sudden drop in capital exports. By that time the country will become used to foreign loans with a bank guarantee and probably won't make any without. So we would like to squeeze two billion more. I don't think we will be very successful.

MR. BROWN: Your Russian friends in the Committee wanted to reduce it to eighty, yesterday.

MR. WHITE: Well, they are no friends of mine when they want to reduce it.

MR. LUXFORD: The Latin Americans think it should be higher on the grounds they feel probably all they will be doing is investing in reconstruction and not development, because you have kept the amount down so low.

MR. WHITE: I don't think that is true, because they are not going to wait for four years before they ask for loans. However, that is the one big issue that I know of.

MR. VINSON: On the quotas, Mr. Secretary, we are getting along. Some of the countries had to wire back. Russia had to wire Moscow. They said they could go a billion without further authority, and as I mentioned the other day, members of the Committee, most of them - I think it was thirteen out of fifteen, or twelve out of fifteen - said they would go to the quotas if everybody else did it.

Of course, I immediately said that everybody else wasn't going to do it, and everybody else couldn't. So I don't know just exactly what the position will be. It adds up, counting Russia at a billion and assuming that Netherlands' two hundred and seventy-five will be confirmed, it adds up to about eighty two or eighty-three hundred million.

- 3 -

With Russia in at one, two, it reaches the eight point five mark, with U.S. at twenty-seven fifty. I wanted to be advised about any understanding on our part with the United Kingdom in regard to what should be our subscription.

Lord Keynes told me after the meeting of the Committee on Subscriptions the other day that we were committed to one-third of the subscriptions.

MR. WHITE: About one-third.

(Mrs. Klotz enters the conference)

MR. VINSON: He said his billion three hundred million was based upon that, so if we got nine billion, of course, one-third of that would be three billion, and that is the figure we have had in mind all the time for the subscriptions. In fact, higher figures have been discussed.

MR. WHITE: The formula which we had worked out - a very simple formula compared to the Fund formula, the one we used in our discussions - gave us three point four, but U.K. and colonies, one point five, and U.S.S.R., one point three.

MR. VINSON: U.K. and colonies, one point five?

MR. WHITE: I don't mean Dominions, but the colonies - U.K., if you like, one point five. So a reduction on her part to one point two, for example, would certainly--

MR. VINSON: They have gone up to one point three. That is the figure that we have on paper now. I think it should be stated that after numerous conferences with the Latin American group, with splendid work done by Dean Acheson and Jim Wright and Eddie Miller, and possibly--

MR. ACHESON: Ivan White.

- 4 -

MR. VINSON: The Latin Americans had a conference yesterday morning and came through on a basis of sixty percent of their quotas, which is, I think, a wonderfully fine job. A few extra million that some of them couldn't take was taken by Brazil, Mexico - and who else was in on that?

MR. ACHESON: Cuba, Peru, and Colombia.

MR. VINSON: Just a few million - the way I computed it, Cuba picked up two, I think.

MR. WHITE: Supposing you added all the reductions of the South American countries and the others onto our Fund quota, that would give you about three point one, or something, wouldn't it, which would be just about--

MR. VINSON: You mean if we took up the slack?

MR. WHITE: If we took what they couldn't take.

MR. VINSON: It would be around three.

MR. WHITE: Then there are some other countries who want to reduce their quota - Greece--

MR. VINSON: Yes, Greece wants to reduce their quota - their subscription - twenty-five million, whereas their quota was forty. Egypt goes down thirty-five as against forty-five, and the other countries are lined up in very good shape. Czechoslovakia wants to grab the full amount and Poland twenty-five million less. Czechoslovakia's quota was one hundred and twenty-five. Now discussion has been going the rounds as to China and India - the question of reducing their subscriptions - and of course, you run directly into the question of standing - China five-fifty, France four-twenty-five, and India four hundred.

Now, France has indicated that if her quota could be increased she would increase her subscription, but if you reduce China - I don't know whether France wants to be

- 5 -

reduced or not, and I don't know what India's position is. So I would really like to have the view of the Delegation. If a situation arose where we could take some off of China and possibly India - whether or not that would run counter to any conversations there have been in respect to the figures--

MR. WHITE: I think we must bear in mind that if we reduce those countries, we add onto the dollars. Now, whether or not they will be good for it, I don't know, but certainly their promise to meet it is better than nothing.

So they have already agreed to take those amounts, if I remember correctly.

MR. VINSON: They agreed upon the condition that everybody took them.

MR. WHITE: That didn't apply to the South American and Low Countries, did it? I doubt it.

MR. VINSON: Well, that is what they said. I had already said countries that couldn't go to the quota, and probably shouldn't go to the quota - I presented the proposition that we try to reach the eight billion, eight, and those countries who couldn't go to the quota, add up that amount and then let the good-name countries divide that up properly.

I don't know what will happen, but I would just like to get a lead. China might say, "Well, we only want five hundred, or maybe four hundred and fifty."

MR. WHITE: If they don't want it, it seems to me we ought not to press them.

MR. VINSON: Maybe others will want China not to have five-fifty.

MR. WHITE: Sure, because they would want us to make up the difference.

- 6 -

MR. VINSON: No, maybe they would be willing to help make up the difference along with us.

H.M.JR: May I interrupt a minute? I think one thing that ought to be settled here, because it never has been, is what America's share should be. Let's arrive at that.

And if you don't mind, Judge - you have got the thing so completely in your mind that some of us who have not been following it by detail - if you don't mind - you could give a little summary leading up to the point - what our position should be on the others. I mean, Lord Keynes tried to corner me about this third business and I didn't know anything about it, and so I simply said I didn't.

Now, you said there is a commitment made. I don't know of any commitment.

MR. VINSON: I don't know of any, either.

(Mr. Luxford leaves the conference)

H.M.JR: So I think if you would kind of sum up the case, and let's get to an understanding among ourselves what we are prepared to do first. Is that agreeable?

MR. VINSON: Yes, sir.

Well, it is thought that the subscriptions should total eight billion eight hundred million dollars. The Committee on Quotas consisting of fifteen nations met and thirteen of them said that they would subscribe an amount equal to the quota. Egypt and Cuba couldn't say. Part of those, at least, were conditioned upon the fact that all countries went to the quota. We have - the members present at the Committee meetings - a quota of about eight billion four or eight billion five in sight.

If Russia reduces her subscription below the one point two, then we will have that much less. Russia is to let us know today.

MR. TOBEY: They agree to take one billion?

MR. VINSON: Yes. Now in that, Belgium has two hundred and twenty-five, China five-fifty, India four hundred, Netherlands, most probably, two hundred and seventy-five, and the South American countries sixty percent - around six hundred million. And our figure has never been raised above two billion seven hundred and fifty million dollars, the amount of the quota.

But I have seen several tables - seen the figure of three billion for us; I have seen the figure three, one, and I have seen the figure three, five.

MR. TOBEY: Are those the cases of the wish being father to the thought?

MR. WHITE: No, based on what we thought was the most pertinent factor. National income is the dominant one.

MR. VINSON: Of course, it is not necessary to go to eight point eight. It just seemed to me that there would be no confusion as to amount if the quotas and the subscriptions were in the same amount. While it is a small item, yet it seemed to me that it just showed that we were working on both of them and just got the same figure.

Now, we could have a lesser amount, and of course, if you have a lesser amount you have less to loan, and you loan on a ratio of one to one. Of course, it makes a substantial amount less to loan.

MR. WHITE: We figured on ten billion, not eight and a half, without the neutral countries, because we figured the neutral countries on the Bank was a different problem from the Fund.

MR. VINSON: I think I have it in my pocket, Mr. White. It had a ten billion dollar capital stock with one billion off for neutrals and enemy countries. Now, that certainly was handed to me.

- 8 -

MR. WHITE: Yes, but I mean on the basis of the figures we were using.

MR. SPENCE: How many countries have refused to go to their quota?

MR. VINSON: The Latin American countries - I would say five of them might have gone, or some of them, at least, might have gone. Brazil and Mexico indicated they would go if the rest would go. But when you say, "We will go to the quota if the rest of you go," why - but I really think Mexico and Brazil were in perfectly good faith in not wanting to be out of line with the rest of Latin America. Isn't that right, Dean?

MR. ACHESON: That is right.

MR. VINSON: They were ready to go to the one-fifty for Brazil and ninety for Mexico, but they didn't want to appear to be too strong and out of line, so they went along. They have all agreed on sixty percent, which is a little more than we would have been perfectly satisfied with.

H.M. JR: Why is sixty percent considered good?

MR. VINSON: Well, when you take the small countries down here, Henry, it would just simply be a real burden on them. Their quotas, you know, were considered by some as being high.

H.M. JR: I see.

MR. WHITE: You must remember that the quotas for the Fund were based on quite different data, that the most important single data in the ability of a country to subscribe to capital is national income, and if we used national income, then theirs should be even smaller than they are, and ours should be substantially larger, so that a different formula for the Bank is wholly justified - different from the Fund.

- 9 -

The only reason we used the Fund was to simplify the bargaining process so you wouldn't have to go through it all. So I think the South American countries have done handsomely, and I doubt whether we would want them to do more than that, because they couldn't meet it and that would weaken the stability of the Bank. But I do think we ought to take more.

MR. VINSON: I would just like to know what our position is in regard to the amount of capital stock for the Bank, and then our part in it.

H.M. JR: Mr. Wolcott, do you want to ask some questions of Mr. Vinson?

MR. WOLCOTT: No, I think we should be a little cautious about going over the twenty-seven fifty.

MR. SPENCE: Was it our agreement that we would subscribe a certain ratio?

MR. WHITE: It is not an agreement, but there is one place that we can take more because most of the capital is going to be floated in the United States, anyway, and it is our exporters who are going to benefit by it, and we use the national income of 1940. If we used the 1944 national income instead of contributing three billion, four, the pertinent economic data would make a contribution of more than half.

In other words, our national income is so far beyond most of the other countries, even put together, now, that it would seem very strange if we didn't take a very big bite out of that amount. And a third is a very reasonable amount, considering that we are going to probably export eighty or ninety percent of the capital, and get the direct benefits of that export.

Considering our tremendous saving potentialities, and our tremendous national income, we think a figure of a third is, on the whole, not at all unreasonable. That is

- 10 -

what we have figured, that we would get three point four out of ten billion, and England would take one point five. However, since England is reducing herself to one point three, I think we can reduce ourselves, if it is a nine billion Fund, to three billion, and if we have to pick up another hundred million or so, it doesn't matter.

MR. WOLCOTT: You think it is all right to go up to thirty-one?

MR. WHITE: Oh, yes, definitely. This is different from the Fund where we should be very reluctant--

H.M.JR: Explain it more. I don't think you have explained it sufficiently. Why it is all right to do it in the Bank and not in the Fund?

MR. WHITE: Because the Fund is a revolving Fund in which the other countries had a reasonable interest. They had a large interest in seeing that they had monetary stability, and the question of elimination of competitive depreciation. But what we are doing here is asking these countries to share in the risk of loss on capital exports that will go, most likely, from the U.S. The borrowing countries are--

H.M.JR: What do you mean by capital exports?

MR. WHITE: Most of the capital will be floated in the U.S.

MR. VINSON: In other words, my way of saying it would be this, that the Bank - while we will not use the money for some time, at least, to secure loans, the money that is borrowed by the nations, in major part, is going to be spent in this country. Of course, that helps out on the question of production and on the unemployment, and all down the line.

MR. WHITE: More than that, it is the American investor that is being protected here.

- 11 -

H.M.JR: Give a typical example of a case.

MR. WHITE: Well, supposing Czechoslovakia comes to this money market, and it is about the only money market that will be of any use, to borrow fifty million dollars for a program of reconstruction, let's say, of certain railways, or power sites. The underwriting syndicate, whomever they approach, will look into the loan and they will feel it has good prospects if they can get a guarantee. They will believe they can sell it if there is a guarantee by this Bank. They then go to the Bank and the Bank looks it over, and if their examination leads them to believe it is reasonable and that the terms are reasonable, the Bank will say, "All right, you go ahead and float this loan in the American market, sell this loan to American investors and we will guarantee it against loss."

H.M.JR: When you say, "we"?

MR. WHITE: The Bank.

MR. TOBEY: And also guaranteed by the Government of Czechoslovakia.

MR. WHITE: Yes, that protects the Bank. Now, the American investor is the one who is putting up the capital. The American exporter is the one who is getting the bulk of the business on it. But the reason why we wanted the International Bank was; we said, "Why should we assume all the risk; we want other countries to assume part of the risk if there is default in the future." And we thought that we were doing wonderfully well if we got them to assume two-thirds of the risk. That is why I think we ought to approach this differently than we do the Fund, that one-third of the risk is, in view of the direct benefits that we get, and in view of our very high national income and very large savings, is not at all unreasonable.

We must bear in mind that the borrowing country pays for the borrowing by the substantial commission charge. To be sure, he gets it at a lower rate than he would on the private market, or he might not get it at all in the private market.

- 12 -

H.M.JR: Harry, of the fifty million dollars, using Czechoslovakia, how much of that will the American manufacturer get?

MR. WHITE: I suppose in the next couple of years my guess would be seventy-five or eighty-five percent. You see, they can't borrow for local expenditures - or at least, the Bank would step in and say, "If you are borrowing money to hire local labor, you ought to finance it at home, except under exceptional circumstances." That means the bulk of the money must be used for imports.

Now, in the first year or two I imagine we will probably be the one country that will get most of the business, and after that, what the proportion will be, I don't know. I think that the American manufacturer in heavier industries will always be able to get the largest share of the world market for these loans, but won't get all by any means.

MR. VINSON: The reason I stated the figure two and three-quarters is because you had so many discussions about it, and I don't know what would eventually happen.

MR. WHITE: I think it is very wise to start at a low figure.

MR. VINSON: But I always had the figure of three billion, from what I understood. But I didn't want them to have a gap and then say, "Well, U.S., you take it all." I used it in order to bargain with some of the other countries who might be in position to increase their subscriptions.

MR. WHITE: That is correct tactics.

MR. VINSON: You might, then, make our position somewhat better.

MR. TOBEY: The eight billion, eight, figure is a set figure in the minds of some of you gentlemen. Now

- 13 -

we have other nations who came in on that original thesis, the proportion agreement, wanting now to reduce. Therefore, if we hold to our twenty-seven, that would reduce the total amount of eight billion, eight by that amount they want to reduce. What is the fixed orbit of the eight billion, eight? Why must it be eight billion, eight, or ten? Why don't we hold to our twenty-seven and let the chips fall where they will and we take the total subscriptions - that is, the total of the Bank's capital?

MR. VINSON: That could be done.

MR. TOBEY: What would be the objection?

MR. WHITE: May I answer, Senator? When we first had the Bank in mind we had two figures which would be determined by the reasonable needs over the next ten or fifteen years. One was twenty billion dollars, and the other was ten. One of the drafts had twenty, and then we decided - well, twenty billion sounded enormous and even though we may use it, ten billion would be enough. If we could get a ratio of one and a half, or two to one, which means we can have outstanding loans over a period of many years for fifteen or twenty billion dollars - we estimated that that would be approximately what might be called for in the next ten years. We didn't want any sudden drop in the capital exports because that sudden drop in the capital exports would mean a sudden drop in our export business, and it is these sharp movements that cause the trouble. If you could go gradually down, it would be simpler.

Knowing the needs of the next four or five years, we thought that fifteen billion would be a minimum. But we thought we could get that fifteen billion by having a ten billion dollar Fund - just to take a round number - obviously we were guessing at that - that we could get the ten billion dollar Fund and get a loan ratio, an outstanding liability ratio - of one and a half to one.

Now, when we arrived here there had been considerable difficulty with respect to that ratio, and so the way it

- 14 -

stands now, it is a one to one ratio, which means with the capital assets of ten billion, you can only have ten billion outstanding.

Now, more than that, the neutral countries don't belong to the Bank. There is no knowing when they will belong to the Bank. Some may belong to the Fund and not the Bank because they have certain advantages belonging to the Fund which are not as apparent in the Bank. A country like Switzerland has no advantage, particularly. She gets the full advantage of prosperous conditions that are initiated, without taking any responsibility.

MR. TOBEY: She gets the momentum of the Bank's creation.

MR. WHITE: So there is no knowing whether those countries will subscribe. So we started out with a minimum of fifteen billion and possibly twenty, and it has been whittled down to eight billion. Now, eight billion dollars - even in the past war our capital exports have run to a couple of billion dollars a year, and with the perfectly legitimate attitude of the private investor, he probably wouldn't make most of these loans without a Bank guarantee. He will make some - to England, probably, or to the Netherlands. And we are hamstringing the very thing we are after by reducing the capital of the Bank, first by reducing the ratio and then by reducing the capital.

Now, we believe - you see what the alternative to this was? It was that the U.S. Government alone would guarantee the loans, which would mean we bear all the risk and we who thought about it said, "It isn't fair that the American taxpayer shall bear the risk; we want to get the foreign governments to bear as much as possible." I think we have been terribly successful in getting them to bear two-thirds. If we attempt to whittle that down, we are, in a sense, cutting our own throats. This isn't for their benefit, it is for ours. So we are whittling it down - first from fifteen to ten, now from ten to nine or eight, and now a suggestion that we should whittle it down still further.

- 15 -

We are getting to magnitudes which are not appropriate to the task in hand. You are going to the big job of getting a Bank; we ought at least to make it adequate. Also bear in mind we are spending eight billion dollars a month for war, and we have to think in magnitudes.

MR. TOBEY: How much?

MR. WHITE: Eight - maybe seven.

MR. COX: Your supplies that are going to exclusively occupied areas, other than munitions, is eight hundred million dollars a month.

MR. SPENCE: Conceding the logic of all the arguments that you have made, and I think they are perfectly sound, I think you also have to think of what effect the increase of our ratio will have upon Congress. We are not going to meet around a table in this spirit when it comes to Congress. There are going to be people actively fighting it that have great weight in deciding the question. They will say we are going to be the Santa Claus of the world.

MR. WHITE: We announced we would take one-third. In the publication that went before Congress, and in the statement of the Secretary before Congress, we were asked how much of the Bank subscription the U.S. would take. We said about a third. We have always used the figure of three and a third billion - I mean, loosely. So it can't come as any complete surprise. And since the alternatives have always been either the Dewey Bill that wanted us to take fifty percent with one other country, or others who said the U.S. Export Import Bank should take it all, I think we have a better case.

But I agree with you, we have got to meet Congressional approval. That is why we accepted the one to one ratio - I mean, why the Delegates who were in favor of a higher ratio were finally won around, because you said we had to make it conservative, and so forth - and that is a reasonable argument.

- 16 -

It would be a mistake, it seems to me, to give in to special arguments on the part of some people too easily because I think we can demonstrate before the Committees, and when we are able to bring the matter before the public we can demonstrate the soundness of our discussion.

At yesterday's press conference, Mr. Secretary, there were about thirty or forty pressmen. They are pretty hard-boiled, as you know, in these things, and the question of ratio was discussed. Apparently they had heard from the Latin Americans, who were disturbed at the lower ratio. They have reached the stage where not only do they ask questions, but they begin to comment and give suggestions. One of the INS men, who has never been friendly to either of these schemes before the Conference, says he has changed. They are beginning to take an interest and give constructive suggestions.

MR. VINSON: I want to say that I have had in mind all the time and have been working on the idea of three billion or a third. I think Dean suggested that we ought to throw the three billion figure in to start with, that that was where it would wind up and we ought to put it in. Maybe that should have been done, but I wanted to see how the figures would add up, and if twenty-seven-fifty happens to be a third of the total, why we have kept our commitment. Three times twenty-seven-fifty is eighty-two-fifty.

Now you have got the conversations based upon a condition that everybody takes it. Now, there may be some lowering, and I didn't want to just throw the three billion into the pot and then maybe they would lower their subscriptions and we would have more than a third.

MR. TOBEY: When will they officially cut bait on their quota?

MR. VINSON: I hope to have a meeting today of the Committee, but I wanted to get the instructions from the Delegation.

- 17 -

MR. TOBEY: Until that meeting is held, you are not sure of where you're going to stand in ratio to the relative positions?

MR. VINSON: That is right. I am inclined to think we are going to get just about what the figures show. That is some place between eighty-two and eighty-five - eight billion, two, and eight billion, five.

H.M.JR: Could I ask Mr. Brown how he feels about America's participation?

MR. BROWN: Well, I think the bank is clearly to the direct interest of American investors and the American public. I think we ought to go to as high a figure as we can get through Congress; speaking for myself, and if Congress would approve it, I would be willing to go even up to three and a half billion.

I realize the difficulty of going that much in excess of the quota, but I would be in favor of going to as high a figure as the Congressional people think would get through Congress.

H.M.JR: Thank you.

Mr. Szymczak?

MR. SZYMCZAK: I agree with Ned Brown. I think that this is even more in our interest than the Fund. And whatever lead we take will be followed by the others. I would stick to one-third subscription of the total, if possible.

H.M.JR: Mr. Acheson?

MR. ACHESON: Well, I agree with Mr. Brown. I think I would put down three and a quarter and just stick to that. I think that will probably bring us out about eight billion, five.

- 18 -

Some of the countries don't think it is a good idea to urge some of them to go higher than they ought to go. You get too much water in the stock. High Chinese subscription or a high Polish subscription isn't going to help the Bank very much.

MR. TOBEY: Would China apply the balance of the five hundred million dollars that we gave her to this subscription?

H.M. JR: That is already supposedly all pledged against the currency which has been issued.

MR. WHITE: But it is still here.

H.M. JR: Gentlemen, we have to give Mr. Vinson some sort of instructions. I sort of feel - oh, I am sorry - Miss Newcomer, please?

MISS NEWCOMER: I am in favor of at least one-third.

H.M. JR: From what these people like Mr. Brown and Mr. Szymczak have said - Mr. Acheson and others - this kind of looks as though the more we put up, the bigger our share of future business, and I just wonder if we are a little niggardly at this time, and cutting off our own nose.

MR. WHITE: I don't think it is so much a question of our bigger share, but a bigger amount.

MR. BROWN: I think it is clear that public reaction would be that it would take more in the Bank than it would in the Fund, that there would be a feeling in Congress and with the public that we had been out-traded, and I think, therefore, it is largely a question for Congressional members to judge what they can get through Congress.

H.M. JR: But Mr. Brown, if we can explain without detriment to the Fund that it is more to our interest to have a bigger percentage in the Bank - in one case we are really receiving, and the other they are sort of drawing on us, aren't they?

- 19 -

MR. VINSON: I think the benefits are different. I am not one of those who believe that there will be more benefit from the Bank than the Fund. There will be more benefit that you can see.

MR. WHITE: That is right.

MR. VINSON: In the Bank. But if you can stabilize the economies, or tend toward stabilization, why the indirect benefit, I think, in the Fund is going to be very considerable.

MR. WHITE: In other words, it is the direct benefits of the Bank?

MR. VINSON: And they are tangible. You can see--

MR. TOBEY: You can dramatize them.

MR. VINSON: You can see those because the wheels are turning and producing the stuff, and all. But I am not going to say that I think that there is more benefit that will come to this country from the Bank than comes from the Fund.

H.M.JR: Well, I am not going to debate.

Senator Tobey, we ought to have more time, all of us, to have these things presented, but unfortunately the situation isn't such. Sometimes we have to do these things sort of in reverse and we don't give you gentlemen time to really have all the facts and make up your mind about things which are put up to you in an abbreviated manner.

But now that we have really gone over this a little further, I wondered just how you felt.

MR. TOBEY: I would concur on the third. I haven't heard from my superior in intelligence, and I gladly admit it and pay tribute to Jesse in this matter.

MR. WOLCOTT: Thank you, sir.

- 20 -

MR. VINSON: I think it is really a Congressional thing. I would be mighty glad to hear their expressions.

H.M.JR: Mr. Wolcott?

MR. WOLCOTT: Well, in the first place, you have got to explain why we have increased our relative quota for subscription to the Bank when the other countries have insisted upon decrease. Of course, that is predicated upon the idea that we are going to be the creditor nation and they are going to be the debtor nations, temporarily, at least.

Then we are going to have asked us this question: After the countries of the world have purchased all of the durable goods that they want to buy from us, is the condition then going to be reversed? Is the U.S. going to be holding the bag for trade among nations outside the United States? It is assumed, of course, that they will acquire most of their durable goods during the transition period from the United States. What is going to happen when the Arabian desert is covered with factories?

MR. WHITE: Some of us are going to be dead a long time.

MR. WOLCOTT: I say that facetiously, of course, but I sense in our conversations with all of these countries that they have a vision of their country being just covered with smokestacks. They are all going to want to industrialize. When they are fully industrialized, then we have got to explain that the United States might be holding the bag for trade among the other nations.

We haven't dug too deeply into this - the things that are going to come up and be shot at you, Harry.

MR. WHITE: I have very convincing answers for them, Jesse.

MR. WOLCOTT: If you are convinced you can sell the thing to Congress, it is surely all right with me, but those are some of the questions you will have to answer, and that is why I suggest that we be a little cautious about it - because of those questions.

- 21 -

MR. WHITE: You are going to get the same questions whether your Bank is six billion or twelve.

MR. TOBEY: One of the things we are aiming at is to help these nations help themselves.

MR. WHITE: So they can help us. That is the way we got strong, from borrowing capital.

MR. WOLCOTT: And of course you run right into these two philosophies - we again have a clash between these two philosophies of whether we should encourage with American capital the other countries to become manufacturing countries to the possible prejudice of the American market.

MR. WHITE: Well, those are the questions which are very frequently asked, Jesse, no doubt about it. And they must be answered. Fortunately, they can be answered, because there is an answer to them, and the answer is all in favor of going ahead. But you ask some very basic questions and it would take a pretty long time to discuss them.

MR. WOLCOTT: I think it largely depends upon the confidence which you have in yourself to sell the plan to Congress, because you have to do it.

MR. WHITE: I would rather be inclined to say I have confidence in the quality of the Bank, because I don't think you can sell it to Congress unless it is good. You wouldn't be convinced of it merely by a good salesman. You have to have something to sell, Jesse, and I think we have got something here, because the truth is with us.

MR. VINSON: As a matter of fact, when you really look the list over and take the figures, you take the smaller countries in Central and South America; their subscriptions, for instance, Costa Rica, one and a half; Dominican Republic, one and a half; El Salvador, three-quarters; Honduras, three-quarters; Guatemala and Haiti, one and a half; Nicaragua, point six; Paraguay, point six, Panama, point three.

- 22 -

You add those up and they just don't add up to much of anything.

Then you take the European theater; Poland, a hundred million. Now that, today, might not be a particularly good risk, but if you take the history of Poland after the other war, she dug out and dug out plenty, because they have got energy and ability. A country like Ethiopia, three; Iraq, six; Liberia, point five; Jugoslavia, forty - now, with the possible exception of China, and that may be a little high, you have got good-name countries here that have got the very substantial portion of whatever quota there will be - Belgium two hundred and twenty-five; Canada, three hundred; Czechoslovakia, one hundred and twenty-five, France, four hundred and fifty; China five hundred and fifty; India, four hundred.

Now, I understand India's position is fairly strong. I was talking to Jim Wright last night in regard to the reduction and he thought that India was in good position. New Zealand, fifty; Norway, fifty; United Kingdom, thirteen hundred and U.S. twenty-seven-fifty; Brazil ninety-four; Mexico, fifty-six; Egypt, thirty-five; Australia hasn't been fixed - they have to wire back today. We have them down for two hundred.

So I believe it can be defended, if you just take the so-called good-name countries - they are going to have a very large proportion.

MR. WOLCOTT: Well, within reason, you are going to sell the Bank to Congress, if you are going to sell it at all, on the supposition we are going to make these loans directly if we don't make them through the Bank, and that we are spreading the liability. That is what they can understand.

MR. TOBEY: And on a considerable basis.

MR. WOLCOTT: So, within reason, if you think that you can sell the idea of more than a third to the Congress, that is your responsibility. I think it all depends on how good a sales talk you give them, Harry.

- 23 -

H.M.JR: Excuse me, may I interrupt? Just listening, the way I look at it is this - whether our subscription is two billion seven hundred and fifty, or whether it is three billion, the criticisms which you are mentioning are so general that it goes to the soundness of the Bank itself, and I don't think that the size of the subscription is as important.

Now, either we can sell this to the Congress, that this Bank is a sound idea, or we can't. And it gets down - listening to this conversation - to how important it is in our relations with some of the other countries like England and Lord Keynes that we go along and sort of keep faith with them on whatever discussions the technicians have had in Washington and Atlantic City. And I think that that is important - plus the fact that I am influenced by Mr. Brown and Mr. Szymczak, and people like that, who feel that this is good.

Now, if it is no good at twenty-seven fifty, it is no good at three and a third. Right?

MR. WOLCOTT: Right. Now, the only thing I have in mind is the thing you have to be a little careful about in setting these quotas of capital - that you don't show too much advantage to U.K. The point in Congress is going to be whether we are giving U.K. any undue advantage. If the quotas between the U.S. - the relationship between the U.S. subscription and the U.K. subscription is approximately what it was in the Fund, then we are not going to have very much trouble. I don't think we are going to quibble very much about the smaller countries, because we think of those as debtor nations. But there is this situation which is going on - we can't duck it - between the U.S. and U.K., and we know how difficult it is for the U.K. to realize that they might be slipping in the world markets, and especially in the world of finance. And there is the feeling on the part of the majority in Congress, I believe, that we should not finance, although we wouldn't contribute, as Mr. Churchill puts it, to the liquidation of the British Empire - we shouldn't be called upon to finance the maintenance of the British Empire. That is purely political and purely psychological.

- 24 -

MR. VINSON: U.K. and the Dominions, though, will approximate our quota.

MR. WOLCOTT: If we can keep our relationship between the U.K. and the Dominions and the U.S. relatively the same, I don't think we are going to have much trouble.

MR. SPENCE: I think there is a great deal of weight there, and I think it is absolutely essential that we should have the office in this country. I don't believe we could pass it without that. But the question of whether or not we are going to help the nations to reconstruct, I think that has been settled. I think there are certain evils in investing our money over there and reconstructing these nations. I think there will be future competition. But the evils that would result from the fact we didn't give them any help, would far outweigh that, I think.

H.M.JR: Just one second. I wanted Mr. Wolcott to know that when you make a reasonable request of the English, that they go along. Now, you may remember the discussion yesterday. We read this press release in the last paragraph of which they mentioned the fact that we wanted this reservation, and so forth. Mr. Acheson and Mr. Collado drafted an appellant answer for me in which we suggested that they drop the last paragraph, and last night I got a very fine letter from Lord Keynes thanking me for the suggestion, and he dropped the last paragraph.

Now, I just wanted to report that. I asked them to give you a copy.

MR. ACHESON: I got it this morning.

H.M.JR: So it shows that in these matters, at this Conference - just if I may philosophize one moment - that in these things where we are talking about the future of the world - the future relation of the U.S., not only vis-a-vis England, but the rest of them - when we present our own national viewpoint well, the result has been, so far, that our international position has been well taken care of.

- 25 -

And that is the advantage of one of these Conferences. I can't see but what our national interests have been taken care of. And on the other hand, I don't think we infringe on anybody else. I don't think that anybody else has taken advantage of us. There has been the spirit of give and take, and I just wanted to illustrate it by the answer I got from Lord Keynes last night. After all, if we can go through this Conference with this sort of relationship, I think the thing Mr. Hull has to do later on - this is a very good omen.

MR. WOLCOTT: We are in a position at the present time to go to the Congress and prove by what has gone on here that Great Britain, perhaps in their minds for the first time, hasn't been able to put anything over on the U.S. and the Congress.

What I am anxious about is that we don't do anything in these Bank subscriptions to offset that.

MR. VINSON: If you will just permit me to refresh your memory about a conversation that you, Dean Acheson, and I had with Lord Keynes - the first conversation on the subscriptions - you remember that Lord Keynes said that U.K. could only subscribe one billion, and we talked about going to the quotas. He said he would cable London and see if they would agree to increase the subscription three hundred million. Do you remember that? Then, of course, he tells us that they have authorized it - one billion three - with the understanding that we take the third of the quota. And I mentioned the third of the quota in that statement. It was thought I shouldn't mention it, but if you have nine billion, a third of the quota is three billion. And if U.K. starts out with one billion and comes up to three, we would be increasing our quota two hundred and fifty - I mean, we would be increasing the dollars two hundred and fifty. Now, if twenty-seven-fifty is a third, why we still have the third. But when you have the ratio cut one to one, in order to be safer than old wheat in the mill, it seems to me that if we get the amount up, it would work just so much better.

- 26 -

I would just like to ask Jesse what he thinks our position ought to be in regard to going above the twenty-seven-fifty to the three billion.

MR. WHITE: Three and one. Could we cite a document which was made public to Congress and bears on the point?

MR. TOBEY: That is the April 21?

MR. WHITE: September 27, 1943, when Secretary Morgenthau appeared before the Congressional Committees and made a statement about the Bank and we submitted to Congress what was called "The Summary of the Principal Provisions of the Proposal for the United Nations' Bank." You see, we had assumed ten billion for the United and Associated Nations and left two billion for the others who would come in. The subscription of the U.S. would be approximately four billion dollars.

MR. WOLCOTT: I think you could safely go up to three billion on the supposition that your Bank is eventually, after the enemy and neutral countries come, going to be a nine or ten billion dollar Bank.

We have predicated the three billion on approximately a third of the total capitalization. I would want the others to check my judgment in this, but I think it would be justified, probably, at three billion so long as we keep within a third. But I think we would have to explain that we got the U.K. to come up to thirteen hundred, that would offset that. It would be perfectly all right, I think. We could stress the fact that they came up proportionately.

However, of course, those figures - if we went up to three billion or anything over three billion in the Bank and they stayed at the thirteen hundred, then we might have a little difficulty in explaining the differentiation.

H.M. JR: Mr. Spence?

- 27 -

MR. SPENCE: I think we ought to maintain the same ratio, yes. I don't know how high we can go. I don't know what effect it will have on Congress. I don't think you can anticipate the arguments that will be made in Congress, nor how much effect they will have.

As far as the policy, though, I don't think that is going to have any effect. We have adopted the policy of reconstruction, and I think that is a sound policy, and I think Congress will recognize that. The chaos that would result without help to these nations would be far greater in its consequence than might result in any help we might give them.

I do think they will compare our subscription with the British subscription, and I think it will have an effect. Now, I realize that great good will result from the subscription that we make, and I think it would be advisable to make a high subscription.

I have serious doubts as to whether it would pass Congress, and I don't think anybody knows what effect it will have, but I know it will be a tendency to weaken it in the House and probably in the Senate.

Don't you think so, Senator?

MR. TOBEY: Yes, but of course there is also this to remember, that we have been talking in the Congress and throughout the nation the meaning of the great word "interdependence." We have been prating about that - some sincerely and some in the spirit of bunk. Now, here is the time to fish or cut bait, and demonstrate that we meant what we said. This only amplifies things like the Moscow Agreement. So I go into the thing rather hopefully. And I also think we should pull out and hold up the dire consequences of this if it isn't done.

MR. SPENCE: I do, too. The sooner this becomes a reality the greater the benefits that will accrue to this country, and I would like to see it in working order at the earliest possible moment. But I just suggest these things because I do think they may have an effect.

- 28 -

MR. TOBEY: On the mechanics of this thing, what do you gentlemen say as to the time element - as to when it will be brought before Congress?

H.M.JR: That is something we really haven't discussed. And I thought that when this was over we might meet and have a discussion and get, particularly, the advice of the Congressional members. We really haven't had time.

MR. WOLCOTT: That is more a question of the leadership than it is for us, isn't it?

H.M.JR: Yes.

Now, may I interpret the instructions here that you are willing to instruct Mr. Vinson to go up as far as three billion dollars as America's subscription to this Fund? Is that correct?

MR. SZYMCAK: In relation to what total, Mr. Secretary?

H.M.JR: Well, that would be in relation to--

MR. WHITE: Probably nine billion total.

MR. VINSON: Well, it is just a question of what the rest of them do.

MR. SZYMCAK: That is the big question.

MR. VINSON: I was figuring that we ought to--

H.M.JR: May I put it this way - saying what Mr. Wolcott said: Go up to three billion dollars as long as that was within the framework of one-third.

MR. WOLCOTT: Yes.

MR. SPENCE: That will be in accordance with our original commitment.

MR. VINSON: What about Dean?

- 29 -

MR. ACHESON: I don't think that is within the framework of the original idea, and I don't think it is going to work, Mr. Secretary. I think we ought to have discretion to go above that. The original idea was a third of the authorized stock. Now, the authorized stock is ten billion dollars; a third of that is three billion, three-hundred-thirty-three.

I think, roughly, three billion and a quarter is a third; there will be pressure on us to go to three billion and a half. I think that the sound way to get this thing worked out within the short time we have, is to authorize the Judge to start in with three, but if the Quota Committee thinks it is necessary to go to three and a quarter, I should be strongly in favor of doing that.

MR. SZYMCAK: Yes.

MR. WHITE: I would like to say a few things on it, because it is terribly important in this decision. I agree fully with what Jesse Wolcott has said, and the Congressman, about the reaction of Congress, but I think there is possibly some misunderstanding.

The British Empire - I mean, U.K. - will benefit almost entirely from indirect gains. They will probably not borrow under this Bank because their credit is probably better than the four and a half or five percent they would have to pay, I suspect. So what U.K. is doing, in effect, is saying that because of the indirect benefits, because of the fact she will get some more business out of the loans, and because of the fact that there will be peace and reconstruction in Europe, which is even more important to her than it is to us, they are willing to commit themselves to a billion three to meet defaults of loans.

Now, a billion three to the United Kingdom is an awful lot more than three billion is to us. They have got a national income running onto thirty billion, and they have got terrific problems to contend with in the very area in which we are putting the pressure on, because they have to make those commitments in foreign exchange.

- 30 -

We have twenty-odd billion dollars' worth of gold, to say nothing of a national income of one hundred and forty billion dollars, and we are not at all in the fix they are in. When U.K. says that for the sake of the indirect benefits and better business they would hope to get, they are willing to commit themselves in meeting future obligations up to a billion, three, I think they are doing very handsomely.

I agree wholly with Dean that when you come to countries like South America and Poland, it isn't reasonable and we don't want to ask them. Their commitment in the Fund is so absolutely tied up that they can't wiggle out of it at all.

There is in my judgment, and in the judgment of my own conscience, almost no risk in the Fund because we have tied those countries up. Those are going to be the borrowing countries, the countries who have to meet their commitment to the Fund; they have to meet their commitment on what they borrow and on top of that we are asking them to make commitments in case some other country defaults.

Therefore, we can't ask them much, because in the first place, if you pile commitment on commitment, their commitments won't be good, they won't be able to meet them.

In the second place, it isn't fair to ask those countries to meet those commitments. It is fair to ask countries like U.S. and U.K. and France and Netherlands, and so forth, to meet those commitments, but the basis of how much we ask them must always be related to their direct benefits as against our direct benefits - as against our means.

I think we are getting ourselves into a very understandable position, which always occurs when gentlemen have to make a decision and where there are alternatives in mind and we begin to concentrate on the alternatives and forget the perspective and the framework in which that fits.

- 31 -

- Now, the framework in which this Bank fits is a whole world episode, and the question of our being able to contribute three billion, or three and a quarter billion, or two and three-quarters billion, can only be properly evaluated in the context of the whole thing, and I think in the context of the whole thing we are being a little less than realistic and farsighted if we create any difficulties by saying that we will not live up to our three and a quarter billion.

I think that the United States is getting a much better deal by taking only a third, or taking three and a quarter billion of the possible commitments on this Bank than we did on the Fund - particularly since we have reduced the ratio to one to one, which means we will never be called upon to pay any of it, anyhow. In my judgment, if we are called upon to pay, it will be a few hundred million dollars, and think of what we are stopping at.

I quite accept the fact that Congress will have the attitude - and it has to be met, but I think it can be met, because I think the facts of the situation are on our side. And when you speak, for example, of the fact that we have to meet the claim that we are permitting other countries to build themselves up and possibly compete with us, that has been a criticism which has been levelled against all capital exports. It has nothing to do with the Bank. It has always been levelled against the idea of foreign investment. That always has been the charge - the charge against the Export Import Bank.

The fact that there is very little in the charge, doesn't mean it won't be repeated. I say there is very little in it because it is only through the flow of capital that the whole world increases its effectiveness. That is the way the U.S. operated. We borrow capital throughout the 19th century. As a result of that, and in addition to our own efforts, we have become powerful and strong. Is our trade with U.K. any less, or our trade with Canada any less? Of course not. We trade much more.

- 32 -

The same thing was true when New York built up its factories and capital moved from Massachusetts to New York. What was the result? They both became richer. That is the essential of economic advancement. It is true we will get those questions, but it is equally true we have the answers. History and facts are on our side. And let us not work ourselves into the frame of mind where we overshoot the whole mark because of concentrating on the question as to whether it will be a hundred or two hundred billion.

I am in favor of going as high as three billion, four, if we have to.

MR. TOBEY: There is some relation to the great essential of world peace involved here.

MR. VINS N: One thing we have overlooked, which might not be particularly relevant in regard to quotas, but that is the question of money that is going to come into the Bank by way of the guarantee fee. That is going to be a very considerable volume of money.

MR. WHITE: Twenty percent a year. That should be enough unless you meet a world cataclysm, and gentlemen, if you meet a world cataclysm there are other problems so much worse that they can't be taken into consideration. You will spend billions and billions and billions if you have another depression. The last cost us two hundred and fifty billion. This war has cost us two hundred billion.

But in the absence of a cataclysm, I believe - and I think the record will show - that you will never be called upon - that the commission fees will meet the defaults.

MR. SPENCE: What is the attitude of the other countries with reference to our quota? Does England say she wants us to go to three billion, four, if she contributes one, three?

- 33 -

MR. WHITE: Keynes told me he expected that we were going to three and a half or three, four, if they went to one, three, and he had some basis for it.

MR. VINSON: He told me a third.

MR. WHITE: That is what I meant, four billion on twelve, or three and a third on ten. It is going to make our selling job harder. I quite agree with the gentlemen in Congress, but I think if they will accept the Bank at all, I think we can be successful in demonstrating the wisdom.

MR. WOLCOTT: Let's be realistic for a moment about the political situation. This fall campaign is going to crystallize on how far we should participate in world affairs. I think there is a very strong tendency towards broadening the scope of our participation. I don't think that the so-called Isolationists are predominant in either Party. I do think there is sort of a middle ground that we will land upon, and I anticipate that Mr. Tom Dewey is going to lead a movement in the Republican Party towards international cooperation. We will perhaps be in a much better position as that crystallizes than we are at the present moment, because it is all rather nebulous at the present time. So we are conjecturing here upon unknown quantities which will be pretty well settled by the time this is brought to Congress.

Now, what that tendency is will probably control what the Congress does with the Bank and the Fund. It is unfortunate that Bob Taft made the statement that he did. I don't think he cleared the statement with Tom Dewey or any of Tom Dewey's advisers, and - within this room - it is my purpose, if I am asked to do so, to talk with Tom Dewey or his advisers. And I think Senator Tobey feels the same way about it. If they think that we have any knowledge of this subject which will be helpful, why we stand in a position to give it to them without prejudicing our case at all, as far as I am concerned, by making any statement to the contrary or in any manner, until I have talked with them about it.

- 34 -

I think we are going to find that as a result of it, Mr. Dewey is going to take a rather broad attitude toward the Bank and the Fund. If he does, then it is going to be a simple matter, regardless of the outcome of the elections in Congress.

If there are two diametrically opposed factions, which I do not contemplate, and if the election turns on nationalism as opposed to internationalism, then we may expect to have more trouble in the Congress. I don't anticipate at the present moment, in view of what Tom Dewey has said, that there is going to be this adherence to what you people call isolationism. I don't think it is going to predominate.

I have been charged with being an isolationist because I perhaps am too conservative in my thought. I like to ease into these things; I like to proceed cautiously, and don't like to make up my mind until I know where I am going; and because some of us have counselled caution, then we have been branded with isolationism, and we are not isolationists as the term applies.

So I think eventually this thing - the pressure on us at the present time is going to be relieved somewhat by the crystallization of the position in the election. For that reason, I can't see any advantage to bringing this thing before the Congress.

As a matter of cold fact, we know in the Congress we are not going to legislate out from under these two presidential candidates any of their issues - to be very matter of fact about it. I don't know that you could get a quorum in the Congress between now and November.

I think that is apt to be a correct statement.

H.M.JR: In other words, you are saying it is useless to bring the Fund and the Bank before Congress until after elections?

MR. WOLCOTT: I would think so.

- 35 -

MR. ACHESON: That is very true.

MR. WOLCOTT: Because I think both Dewey and the President would probably want the viewpoint of popular appeal, which they might expect to crystallize in this campaign, to put it through Congress. And if we brought it into Congress in October, we will say, while its spokesmen are on the stump, it would be so chaotic as probably to defeat the whole legislation.

H.M.JR: May I say that the statement which you have made has been one of the most encouraging statements in American politics that I have happened to listen to in a long time? It is the most frank, most sincere, and most honest, and I would like to thank you. It has renewed my confidence that the two-party system, that the Democratic system, can work.

MR. VINSON: It brings me to the point, Mr. Secretary, of upping my sights to the three and a quarter.

MR. WOLCOTT: I thought it would have that result!

MR. WHITE: You talk about salesmen, Jesse!

MR. WOLCOTT: You know, the old judge used to say, "Young man, after you have made your case, sit down." I should have sat down.

H.M.JR: That is one of my father's sayings. He always says, "Henry, quit arguing; I have agreed to it."

MR. VINSON: I really have this thought. If the hoped-for results occur, there is not going to be any trouble about the three and a quarter. If the results do not work out that way, I doubt that the extra five hundred million dollars will make the difference, one way or the other.

MR. WOLCOTT: I think that is potentially right. I think we are all in agreement that the only thing that will trouble us at all is the relative position of the American and British subscriptions.

MR. VINSON: I have got the answer there for you. The difference between two billion and three-quarters and three billion and a quarter is five hundred million dollars. Now, it is true that that five hundred million dollars is above our quota, but U.K. came here with instructions to go one billion, and U.K. has increased her subscription three hundred million.

Our position on the quotas is more than two to one, our quota and U.K.'s quota; our increase of five hundred is less than two to one on U.K.'s increase. That is not a true-comparison as to quotas, but it is a true comparison, and more favorable to us in respect of the amount that U.K. was authorized to subscribe originally.

U.K. was authorized to subscribe one billion and increased three hundred million; we go up five hundred million. And that, of course, is less than twice as much as three hundred million.

MR. WHITE: And our national income, gentlemen, is one hundred and twenty billion dollars more every year than England.

MR. WOLCOTT: Mr. Harry, let's get realistic about that for a moment. I realize, and we all realize that you are talking about national income before taxes, and that is the position, of course, we should take in international trade. But we are not going to make the Congress understand that the real national income is anything like you say, because they are going to consider it after taxes.

MR. WHITE: That isn't fair, because taxes are income.

MR. VINSON: U.K. before taxes--

MR. WOLCOTT: But they don't know anything about U.K. taxes, and they do about ours.

H.M.JR: I think you are joking because, as a matter of fact, that is the first time I ever heard that argument brought up - considering our income either before or after taxes.

- 37 -

MR. WOLCOTT: You hear it constantly in the Congress, and you have got to overcome that. Anybody who is against this is going to take any argument. Fred and I, and Brent; here, have listened to some very silly arguments on the Floor of the House and the Senate, but they have had their effect.

MR. SPENCE: We belong to the greatest deliberative body in the world, but sometimes silly arguments are pretty effective.

H.M.JR: Now, do I understand - this is some poker game - we keep raising our bets - we started at twenty-seven-fifty; you bet another two hundred and fifty million dollars and Jesse saw us, and then we bet another quarter of a million dollars, and he is still seeing us.

MR. WOLCOTT: I think I am going to call you in about three minutes.

MR. SPENCE: I suggest Mr. Vinson keeps his chips in his pocket and throws in white ones first. He knows how to do that.

H.M.JR: Do you think it is about time we lay down our cards?

Well, now, may I sum up once more. Is it agreeable that Judge Vinson go into these conferences feeling that the American Delegation is back of him up to three and a quarter billion dollars?

MR. ACHESON: Yes.

MR. TOBEY: Yes.

MR. WOLCOTT: I agree.

MR. SPENCE: Yes.

MR. WOLCOTT: I wouldn't counsel going any above that.

- 38 -

MR. BROWN: Yes, certainly.

MR. SZYMCAK: Yes.

MISS NEWCOMER: Yes.

H.M. JR: Do you want to rest your case, Judge?

MR. VINSON: I learned early the lesson your father was trying to teach you, that when you win your case--

H.M. JR: You expressed yourself?

MR. TOBEY: Yes, I did, emphatically.

H.M. JR: Now, Harry solved that with China, France, India, and the others - does that fall into the proper place?

MR. VINSON: There may be discussions as to the reduction of China's quota, possibly India's quota, and I would just like to have the viewpoint as to our position. I don't know what China's position will be. I don't know whether they would want to reduce it or not, but there was some suggestion of China reducing her quota fifty million dollars.

MR. WHITE: It doesn't make much sense. They are not a good risk, anyhow, but they are at four hundred and fifty and five hundred. China is a bad risk, I think. When you are talking about fifty million you ought to stick to the quota, otherwise you will upset the whole applecart.

MR. ACHESON: I agree.

MR. VINSON: On the relationship of China, France, and India, so far as the State Department, you think that that relationship should be maintained?

MR. ACHESON: I think so. I think if they want to

- 39 -

reduce, I think if China and India want to reduce, I wouldn't fight it. If they want to do it, it is all right.

H.M.JR: Gentlemen, I know there are a lot of committee meetings, and if there is nothing else, shall we adjourn?

MR. TOBEY: Mr. Chairman, I would like to pay tribute to this meeting. I think it has been the most helpful meeting we have had, and most unusual, and one we can all take satisfaction in.

Your idea of asking the Judge to illustrate the matter in simple terms is very helpful to me, at least, and all the conversations here only strengthen my faith in the group and the cause.

H.M.JR: It is democracy at work, Senator.

Thank you all very much.

Bretton Woods, N.H.  
July 19, 1944  
7:00 p.m.

BANK: RUSSIAN POSITION

Present: Mr. Vinson  
Mr. Stepanov  
Mr. Chechulin  
Interpreter

H.M.JR: What I wanted to say was this on the quotas if I may talk - I don't know how - as a grandfather - I feel that the eyes of the world are particularly on Russia at this Conference, and are watching to see how Russia will act in this really first commercial conference in which she has taken part.

And I think that this great country of U.S.S.R. where you made your fight to have a place just a little bit below the United Kingdom on the Fund, and you have established your position in the world, that you cannot - I am talking as a grandfather, now - take any lesser position in the Bank. I mean, in the eyes of the world you cannot take any lesser position, having made the fight to take the position in the Fund.

Now, you can't take a smaller position, because the people will just not understand it. I think there are all kinds of arguments, but I think that the American Delegation here has consistently shown that we are the friend of Russia - more so, I believe, than any other Delegation - and my strong recommendation as a grandfather is that you must take your position in the eyes of the world, just a little bit below the United Kingdom.

That is my whole story.

- 2 -

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov says he won't take much of your time. Mr. Stepanov wants to tell you that for the first time in his life he is participating in the work of an international organization. He has had very few chances to conduct negotiations with representatives of all other countries. When leaving Moscow for this conference, Mr. Stepanov was happy to learn that you would be at the head of the conference, because he knew, as everybody in our country knows, that you are a good friend to Russia. During the work of the conference, Mr. Stepanov says that he was only too glad to confirm his own thoughts after he started working with you in person.

Very often Mr. Stepanov used to work together with Mr. Vinson and he said that his feelings toward Mr. Vinson are very friendly because he sees that it is mutual. After the conversation which Mr. Stepanov had with Mr. Vinson he promised Mr. Vinson that he would do everything possible in order to find the conditions most suitable for both parties. And he promised to cable Moscow about this matter. The instructions he has received.

He says that the position is very clear to him, and he presumes that he has explained the position very clearly before, and now the position is very clear to him, too. Mr. Stepanov said that we can appear as creditors in the question of the Bank. In fact, we are not creditors, but just vice versa, but we have to occupy the place which we are entitled to, as you said.

Mr. Stepanov says that the sum which we are accepting represents the highest possible sum we can accept in the present circumstances.

H.M.JR: What is that sum?

(Mr. Stepanov)

INTERPRETER: Well, they have mentioned the sum as nine hundred million - I am sorry - Mr. Stepanov says that he has had a conversation with Mr. Acheson concerning

- 3 -

the future relations and future economic cooperation between the two countries, and stressed already the Fund wouldn't be the only source of financing our economy. In the draft of the Fund it is stated there that the country is entitled to get loans from the Fund unless the country has a possibility to acquire these means, or this money, from any other source. And we presume that these other sources would be available for our economy.

Mr. Stepanov says that under these conditions the sum of nine hundred million would be the utmost sum and the position in the Fund of this sum would be, so to say, strong enough. And that would be the limit which we can go.

We have to participate in the Bank, we understand that perfectly well, and we consider the sum of nine hundred million is sufficient - that our position would be strong enough in this Bank - because you see, you have to consider the difficulties which we have. We have thousands of cities and towns which were destroyed by the enemy. We have to restore all that. And Mr. Stepanov sees the possibility of the greatest cooperation ever achieved between the two countries. He said that with this sum it would be possible for us to utilize the possibilities in the Bank, and we rely upon economic cooperation outside of the scope of the Bank activities.

Mr. Stepanov says that, of course, if you would like him to do so, he will do it gladly, that is, to send another cable to Moscow and express your desire, but he said that he wouldn't expect a favorable answer because he has already mentioned in the first telegram that such is the wish of the American Delegation. This time, if you would like, he would say to Moscow that it is your own wish.

H.M. JR: If he would tell them that Old Man Morgenthau, the grandfather, recommends this to the Russians--

(Mr. Stepanov)

INTERPRETER: Well, Mr. Stepanov says, believe him, that he gives your words as you say them.

- 4 -

H.M. JR: I go back, you see, to the original thought of Mr. Molotov, in which he said that if I thought that this was good for the Russians in the eyes of the rest of the world, he would go along with it. That was his original thought.

(Mr. Stepanov)

INTERPRETER: Well, Mr. Stepanov says it, and he wants to say it once more, that your name is very popular and very much respected.

H.M. JR: I am recommending something which I think, in the next year or two, in all of these conferences that we are going to have, and all the discussions, I honestly believe that the Russian Government should take as important a position in the Bank as she has in the Fund. I think that it establishes your position.

(Mr. Stepanov)

INTERPRETER: Well, you possibly know how carefully our government promises something, and at the same time, how strict they are in fulfilling their obligations. And in Mr. Stepanov's opinion, in this question there is an element of the same reason. Of course, you know that Soviet Russia participates in such kind of international enterprise for the first time - the very first time. And we came here not to see how the work is done; we came here to participate and work and to help.

H.M. JR: And the very fact that this is the first time, I think it is so important for Russia that she establishes her position in relation to other countries, do you see?

(Mr. Stepanov)

INTERPRETER: Well, should Mr. Stepanov understand that he had better cable Moscow?

H.M. JR: I would appreciate it.

(Mr. Stepanov)

INTERPRETER: Well, all right. He will do it right away.

H.M. JR: Fine.

Bretton Woods, N.H.  
July 19, 1944  
7:25 p.m.

BIS

Present: Mr. White  
          Mr. Luxford  
          Mr. Vinson  
          Mr. Schmidt

MR. WHITE: Acheson and Brown are quite upset. They claim that the resolution which was passed by the Committee this afternoon was not the resolution which we agreed upon and that we tied it up with the Fund, which they claim we should never do, and they want it stopped. The meeting is for tonight and they want to call the meeting off.

H.M.JR: Well, I can only shoot from the hip with the Judge along side of me, and he can put out his hand and say, "Don't shoot."

I feel this way, that if they feel that way, I don't think we can afford to do it without postponing, and have a meeting in the morning.

MR. LUXFORD: You are willing to risk the whole thing?

H.M.JR: If these people feel that we put something over on them, we have got to wait.

MR. LUXFORD: You may lose it all.

H.M.JR: I can't help it.

MR. LUXFORD: I just wanted to be sure you understood.

H.M.JR: Look, I would much rather go back to the original resolution, if necessary.

MR. LUXFORD: Can't do it. It is open to a point of order that the Conference can't accept it. That is the whole trouble.

- 2 -

H.M.JR: Well, boys, take my advice, if Brown and these fellows haven't yet been able to say that we agreed on something, and then you fellows went out and did something else - you are here asking my advice; my advice is to sit tight until the American Delegation meets at nine-thirty tomorrow morning, and if you fellows will come in here at nine-fifteen tomorrow morning and give me something you think you can get by--

MR. LUXFORD: You can't. Here is the trouble. They are playing a position on you, though.

H.M.JR: I can't help it. I can't let Brown and Acheson leave this Conference and say that we agreed to something in the morning and then in the afternoon we did something else - even if we lose it. Mr. Brown is leaving here. He asked me, "Is it all right for me to stop off in New York and see W.C. Potter who has called me on the phone to come down?" I want him to go down there. He can't say a single thing was in any way bypassed him. And even if I lost it, I can't let these two fellows say that.

MR. LUXFORD: I agree with you.

MR. VINSON: I don't exactly understand except just this, that if it is a matter that the Delegation passed on this morning, and then it came out in a form different from what was agreed on, I think you are a thousand percent right.

MR. LUXFORD: So do I, Judge - if that is true.

H.M.JR: Would you gentlemen, plus the Judge, meet me at nine-fifteen sharp tomorrow morning?

MR. LUXFORD: Yes.

Bretton Woods, N.H.  
July 19, 1944  
9:00 p.m.

STEERING COMMITTEE

- Present: Mr. Coe
- Mr. Kelchner
- Mr. Gutt
- Mr. de Souza Costa
- Mr. Ilsley
- Dr. Kung
- Mr. Restrepo
- Mr. Mendes-France
- Mr. Ebtchaj
- Mr. Suarez
- Mr. Stepanov
- Mr. Eady

H.M.JR: I think we will start, and maybe Lord Keynes can catch up.

This is, as you know, a Steering Committee, and we have three things we would like to bring to your attention tonight.

One, I would like to have the authority from the Steering Committee to constitute a Coordinating Committee, and you might describe what that Coordinating Committee is.

MR. COE: The Coordinating Committee, as most of you know, generally does a great deal of the work which, in this Conference, is being done by the Commissions; that is, prepares the final drafts of documents, goes over the Final Act, and so forth. Because the Commissions are being so careful in their work, it is thought that there will not actually be very much work for a Coordinating Committee except perhaps for a brief final meeting over the Final Act. Therefore it is not proposed to call it together for any detail work unless some confusion should develop which would require such a body.

- 2 -

That is the reason for suggesting that the Chairman have the authority to constitute it if it seems necessary.

H.M.JR: Would it be agreeable for you gentlemen to give me such authority?

(General agreement)

(Dr. Kung enters the conference)

H.M.JR: I will take another minute to explain. I have asked for the authority from you gentlemen to create a Coordinating Committee.

Mr. Coe, would you mind explaining it once more? These gentlemen have given me the authority, but I would like to have it from everybody, please.

MR. COE: The Secretariat had thought that in the case of this Conference the functions of a Coordinating Committee might be entirely dispensed with, since the Commissions are already doing most of the work which would ordinarily be done by the Coordinating Committee.

Therefore the Coordinating Committee, unless the Steering Committee objects, will be used only in case there develops some need for final editing of resolutions, and to go over the Final Act, which is being drafted, as was explained, in accordance with the ideas which were put forward in the Journal this morning.

H.M.JR: I asked for authority to appoint such a Coordinating Committee. Is it agreeable to Dr. Kung?

DR. KUNG: Yes.

H.M.JR: And Sir Wilfred?

MR. EADY: Yes, yes.

H.M.JR: The next is a resolution on publications, and if Mr. Coe would read it, please?

- 3 -

MR. COE: "The United Nations Monetary and Financial Conference resolves: That the Government of the United States of America be authorized to publish the Final Act of this Conference; the Reports of the Commissions; the Minutes of the Public Plenary Sessions; and to make available for publication such additional documents in connection with the work of this Conference as in its judgment may be considered in the public interest."

H.M.JR: Any discussion?

Would somebody move that we pass this resolution?

(The resolution was made and seconded)

H.M.JR: All those in favor say aye. Contrary?

The motion is carried.

The next piece of business is the resolution on the Final Act. Would you read that, Mr. Coe, please?

MR. COE: I am sorry it was prepared too late for copies, but it is largely a format: "The United Nations Monetary and Financial Conference resolves: That the Secretariat be authorized to prepare the Final Act in accordance with the suggestions proposed by the Secretary General in Journal No. 19, July 19, 1944; That the Final Act contain the definitive texts of the conclusions approved by the Conference in plenary session, and that no changes be made therein at the Closing Plenary Session; That the Coordinating Committee review the text and, if approved, submit it to the Final Plenary Session."

Mr. Chairman, I might explain, in case anyone did not read this morning's Journal, that it was there proposed by the Secretary General that the Final Act should be a statement of what had happened - essentially a statement, as is usual - of what had happened at the Conference; that is, that certain committees and commissions were constituted, certain officers appointed, these resolutions passed and these articles of agreement adopted or not adopted.

- 4 -

The signature, therefore, of the Final Act would be essentially, or entirely, a statement by the signer that he had attended the Conference and had witnessed these things being done. That Final Act is, I think, not yet ready, is it, Dr. Kelchner?

MR. KELCHNER: No, the introduction is ready for running.

Mr. Chairman, if I may I would like to read the sentence which will precede the resolutions and articles of agreement. I believe there have been some who have expressed the desire that recommendations not be made where the Delegates, at least, would not be required to present the recommendations to their governments. This is the wording, therefore, that has been suggested: "As a result of the deliberations recorded in the Minutes and Reports of the respective Commissions and their Committees, and of the Plenary Sessions, the following conclusions were reached" - and follow with the resolutions, the articles of agreement, and so forth. And at the close, the certification clause would be, "In witness whereof, the following Delegates sign the present Final Act. Done at Bretton Woods, New Hampshire, on the 22 day of July," and so forth, in the English language. And this will be signed by the Chairmen of the Delegations or their alternates.

MR. COSTA: Each Delegate will be the reporting Delegate from the Conference to his government?

MR. KELCHNER: Yes.

MR. COSTA: No resolutions - no recommendations - I do not understand.

MR. KELCHNER: At the Executive Plenary Session, which will be held to discuss the reports of each Commission, the Reporting Delegate will, of course, report to the Plenary Session.

- 5 -

The conclusions - for instance, Commission One - would be the articles of agreement, and any other resolutions that might be passed would then be incorporated into the Final Act. The report itself would not be incorporated into the Final Act, but if this resolution which Mr. Coe read, is approved, they would be printed with the Final Act in the print that is published after the Conference.

Does that answer your question?

MR. COSTA: Yes.

MR. EADY: What other conclusions to which you refer - are the conclusions reported in the Final Act?

MR. KELCHNER: The articles of agreement, the resolutions, any motions or what-not that might be approved by the Conference in a final text.

MR. EADY: Is it contemplated there should be a resolution recommending to the governments the consideration of these which Mr. Coe has read out? Are there any other recommendations contemplated?

MR. KELCHNER: There will be other recommendations, I should think.

MR. MENDES-FRANCE: Other resolutions?

MR. KELCHNER: Yes. This is a certified copy of the Final Act of the Hot Springs Conference (demonstrating). I think you have probably all seen it. That is what we have in mind as the general type for this.

H.M.JR: What is your pleasure, gentlemen? You have heard this resolution. Would anybody move its adoption?

(The resolution is moved and seconded)

H.M.JR: Those in favor say aye. Contrary?

The motion is carried.

- 6 -

Now, Dr. Kelchner, is there anything else you would like to bring to the attention of these gentlemen?

MR. KELCHNER: I don't believe so.

H.M.JR: Mr. Coe?

MR. COE: No sir, unless they have some questions of procedure.

H.M.JR: Is there some question you gentlemen would like to raise?

MR. MENDES-FRANCE: I want to ask only one question. At what time do you think the Plenary Session will take place?

MR. KELCHNER: The tentative plans are to have the closing Plenary Session at ten o'clock Saturday evening, after the farewell dinner.

MR. MENDES-FRANCE: And at what time do we get the last papers?

MR. KELCHNER: That will depend, of course, upon the time that the Commissions complete their work and the Executive Plenary Session is held.

It might be explained that each of those articles and resolutions will be considered twice by the Plenary Session; one, in Executive Session where there can be free discussion, and the last a mere formal approval.

MR. MENDES-FRANCE: Yes. The Executive Session would be Friday, of course?

MR. KELCHNER: Yes, at the latest. The general plan was to have a Plenary Session tomorrow, possibly tomorrow afternoon, to consider the results of Commissions One and Three. They haven't completed it yet. They postponed the meeting again.

- 7 -

And then have the second Executive Plenary Session on Friday to approve the report from the Second Commission.

MR. MENDES-FRANCE: These Plenary Sessions are public?

MR. KELCHNER: No, the first will be Executive, Friday. The final one, Saturday night, will be public.

H.M.JR: If there is no other business, we could make this a record meeting.

MR. COSTA: All right.

Bretton Woods, N.H.  
July 19, 1944  
9:30 p.m.

BIS  
BANK QUOTAS

- Present: Mr. Vinson
- Mr. Luxford
- Mr. Schmidt
- Mrs. Morgenthau
- Mrs. Klotz
- Mr. White

H.M.JR: You gave out this resolution before the meeting?

MR. LUXFORD: Oh, no. After the meeting had voted it out.

H.M.JR: He said it was given out before.

MRS. MORGENTHAU: Before the meeting tonight.

MR. WHITE: The meeting was at four o'clock. After the meeting was over I had a press conference. Included among the various things that were passed was the resolution that was passed by the subcommittee. It was made clear that it was passed by a committee and it had to go before the Commission.

H.M.JR: I guess what he meant was before it came before the Commission.

MR. LUXFORD: We do it very frequently. As a matter of fact, this BIS resolution was made public when it was introduced.

H.M.JR: Judge, I know you all have a lot of stuff to do--

- 2 -

MR. VINSON: I am through my meeting.

H.M.JR: Lord Keynes came in about seven-forty and the man was livid over this BIS thing and said that if this thing went through at nine o'clock he was going to get up and leave the Conference. He didn't use the language that he had been double-crossed, but he said this time was the first time this had happened, but the inference was he had been double-crossed and this thing had been given out in advance of the meeting - I guess he meant the Commission meeting - to the press, which he thought most unfair. He said that at seven-twenty his people came to talk to him about it and that was the first time he had heard about it, and he didn't think this was any way to act, and that this was the first time that anything like this had happened at the Conference.

He said he thought that the people responsible should be rapped over the knuckles. What he said is just amongst the people here in the room and I don't want it to go any further. So I told him please to quiet down, that I would see my people and we decided that we would let the thing go over until tomorrow morning, until we could consider it before the American Delegation, because some of the American Delegation weren't entirely happy about it.

As I say, he really was very much disturbed, and I don't think he was putting on an act. I think I can tell. The reason I am asking you to come here tonight is this - I then explained how I felt about the BIS, and all the rest.

He said, "Well, look, Mr. Morgenthau, I feel just the way you do." He said the BIS, politically, is just as unpopular, if not more so, in England than it is in America.

I said, "Well, now, can't you go along with us on these things?" He said, "Of course we can."

- 3 -

He sent for four people to come to his room at ten minutes of nine. He said, "We will draw up a resolution tonight that will be very much the same as the Norwegian one, and I will get it to you either tonight or the very first thing in the morning."

He said, "We will be delighted to go along with you, but the way this other one was" - he went into certain technical reasons which I can't repeat. I don't know whether you can, dear. (To Mrs. Morgenthau) You heard them. The gist of it was that in order for them to dissolve the thing he would have to sit down with Dr. Funk.

MR. LUXFORD: That isn't true, Mr. Secretary.

H.M.JR: Well, now, what I want to do is this. Keynes is supposed to go to bed at this hour. We can find out whom to send for.

MR. VINSON: I can tell you who was there.

H.M.JR: Well, Mrs. Spangler has the names.

MR. VINSON: Brand, Eady, Ronald and Moulton were there when we came and they thought we were barging in uninvited.

H.M.JR: What I thought we ought to do is this, because, right or wrong, we ought to sit down and have it out with some of his people. If you people have a good case that we didn't double-cross him, for God's sake let's get it out of his mind.

MR. LUXFORD: \*That is what I want to assure you.

MR. WHITE: Not the slightest doubt.

MR. VINSON: They told me about it at dinner. When you hear their story, it is conclusive, as I see it, that nobody has been double-crossed.

- 4 -

MR. LUXFORD: Mr. Secretary, two weeks ago I was in a press conference when this resolution was introduced - this resolution on the BIS - and I reported it to the press that it had been introduced and would go to the regular committee. When you talk about the press knowing about it - they knew about it then. The Norwegians held a press conference about it.

H.M.JR: Luxford, take it from me, I was never more serious than I am now, I want you people to sit down with the proper people of the English Delegation - whoever is working on this thing - and have it out. I don't want it in Lord Keynes' mind - any feeling that any of the Americans in any way double-crossed him, see?

Now, if you have a good case, that is fine. But I think it is terribly important.

MR. LUXFORD: Sure.

H.M.JR: To me, this is one of the most serious things that has happened between us. I wanted to go to him in the first place and Harry advised me not to. I took his advice. Maybe he was right, I don't know. I wanted to discuss this thing with him yesterday. Maybe he was right and maybe I was right. But anyway, it is water over the dam.

What are your duties from now on, the rest of the evening, Judge?

MR. VINSON: I haven't anything special to do. I had planned to do some figuring on the quota thing, but Keynes and I have discussed it and I can submit it to you and see how it jibes. I am free for the evening.

H.M.JR: Well, what we can do is this - I can wait until they give me their suggestions - maybe I had better wait. They are drawing a resolution now which they say they can support. Supposing when they hand me that I ask Lord Keynes to appoint a little committee?

- 5 -

MR. LUXFORD: I would like to have him there, because I really believe that their man representing them on this is not reporting the facts to him.

H.M.JR: All right. I think it is important enough to have a meeting right in this room with Lord Keynes, and we will have it right after the American Delegation meets.

MR. WHITE: Yes. You know every step in the process.

MR. LUXFORD: That is right.

H.M.JR: Because you have all got meetings tonight. After all, supposing we don't clear this thing up until noon tomorrow. Does it make any difference?

MR. WHITE: I think it will be pretty hard to postpone Commission Three again. If it can be cleaned up tonight it will be all right.

H.M.JR: You can't get Keynes to come down here tonight.

MRS. KLOTZ: Tomorrow, after the nine-thirty meeting.

MR. WHITE: O.K.

H.M.JR: Do you remember any part of the conversation which I ought to report?

MRS. MORGENTHAU: No, he claimed that he knew nothing about it until seven-twenty tonight. You are not at all exaggerating. The man was quivering, he was so excited about it.

MR. SCHMIDT: This was the subject of a discussion--

MRS. MORGENTHAU: He said that the gist of what the Norwegians had put in would have been agreeable to him, and he said the reason that this wasn't, he said the way

- 6 -

this was worded, that he had told your people that the technicalities of dissolving the Bank are such that this thing is something that they just couldn't put that wording in. He said it wasn't a question of leaving the Conference for any reason except that it was saying something which they couldn't do.

MR. LUXFORD: Mr. Secretary, we had the former president of the BIS write that provision, so it could not lead to that result.

H.M.JR: May I say this, as between Keynes and Beyen, I will take Keynes' word.

MR. SCHMIDT: But Mr. Secretary, I think some of the background on this is important. This Committee met two days ago, and the United Kingdom Delegation was represented, and both he and Beyen opposed the Norwegian resolution.

It was at that point that a Drafting Committee was appointed, because the United Kingdom opposed the Norwegian resolution. If they had not, it would have been voted on then.

H.M.JR: Who spoke for U.K.?

MR. SCHMIDT: Bolton. Ronald was there, but he left and the other stayed. Bolton is the Bank of England. Then we had the meeting again today, and again the United Kingdom and the Netherlands Delegation stood side by side with respect to the matter.

MR. VINSON: I think it would be interesting just to take five minutes and have them tell you the story, because I know it would relieve your mind and would give you their side of it, Mr. Secretary.

MR. SCHMIDT: This was introduced by the Norwegian Delegation and was referred to a committee set up to discuss the subject of enemy property, looted funds, and related matters.

- 7 -

At the time that the BIS liquidation resolution was introduced, it got quite a bit of wide publicity from the press and the Norwegians held a press conference on it. The committee then met about two days ago.

The United Kingdom Delegation, from the start, has opposed doing anything with respect to the BIS, and has also opposed rigorously the declaration on enemy funds and looted property that was cleared in the Delegation this morning. This man, Ronald, is the fellow who has opposed it.

H.M.JR: He is the Bank of England?

MR. LUXFORD: The Foreign Office man.

MR. SCHMIDT: And they opposed both of those things in the Committee this morning. Now, at the Committee meeting two days ago, this matter of the BIS was discussed for an hour. It was a discussion primarily of the French and the Norwegians against the United Kingdom and the Netherlands - Beyen and Ronald and Bolton arguing side by side.

Then a subcommittee was appointed to draw up a draft, and the members of that subcommittee consisted of Bolton, Beyen, Istel of the French, and the Norwegian. And they got together a little draft which appeared very undesirable, so an alternate was gotten up which was discussed in the Committee meeting today.

I might say that today Beyen was more willing to accept the Norwegian proposal than was the United Kingdom. They have never shown any willingness whatsoever to do anything on the BIS.

MR. VINSON: A point of order feature of it.

MR. LUXFORD: The problem presented was that we had this hunch, Mr. Secretary, that the way this resolution was coming out, it would simply call for the liquidation of the BIS.

- 8 -

Now, if that was done, and it was open to a point of order that this Conference was only to deal with the Bank and the Fund and that therefore they had no right to consider this problem - we had got wind of that. Even the Russians were worried about it. So we changed this resolution so that it included a specific provision that membership in the Fund was only open if the country had notified the BIS that it proposed that it should be liquidated. That didn't mean it had to be liquidated, but they recommended it be liquidated.

MR. VINSON: That takes care of the impossibility or the length of time it would take to liquidate - notice of intention to liquidate was a condition that a member would have to comply with before they could get the benefit of the Fund.

MR. LUXFORD: And Beyen suggested the very language.

H.M.JR: Well, I think this, after listening - as I say, as I go along in life I realize there are two sides to every story - and I think what we will do is, we will have our own meeting tomorrow morning and try to get our own Delegation straightened out first. Lord Keynes said he would try to get me a suggestion of their resolution by tomorrow morning. Then immediately after that I will invite Lord Keynes to come down here and I will suggest that he bring Bolton and Ronald with him. And it may perfectly well happen tomorrow.

After all, if I hadn't been here, and Acheson had gone on, he could have kept saying that this was what Mr. Hull wants, and Mr. Hull was so worried about McKittrick - "We have to get McKittrick out of Switzerland when we do this" - Hull's answer is, "Let him read about it in the papers."

Now, I don't know what the experience of the rest of you has been, with Keynes, but mine is, I feel that he has been absolutely sincere and wants this meeting to be a success, and tonight the man unhesitatingly impressed me with the fact that he wants to do away with the BIS.

- 9 -

MR. WHITE: He told me a couple of days ago that his government didn't want any action taken here on the BIS. He had received a notice from the Foreign Office that his government didn't want any action taken. You remember when you said you wanted to speak to Keynes, I said, "There is no use; the British are against it."

H.M.JR: Then something has happened, because the man tonight said - he didn't even say he would confer with his government.

MR. WHITE: I know he himself is favorable to the dissolution, but the government isn't.

H.M.JR: I don't know what has happened, Harry, but B.M. Baruch has fed me full of this stuff that you can't believe Keynes, and Keynes double-crossed him at Versailles, and so forth and so on, and I have been looking for it, but I have seen no evidence of it. I mean, Baruch even wrote it to me practically in so many words, "Look out for this fellow, he is a double-crosser," and so forth. But I haven't seen any evidence of it.

The fact remains that he called these four fellows together and they are drafting a resolution. I think we will have it by nine-thirty tomorrow morning.

Please let's keep this discussion that we have had here within this group, not even with the rest of the American Delegation, because I don't want any questions to get out. I am certainly not going to say anything. So let's just keep it amongst this very small group, and then tomorrow morning I will be able to say to the American Delegation at nine-thirty, "Here is Lord Keynes' discussion."

MR. WHITE: After we have listened to Acheson's and Brown's objections?

H.M.JR: Well, if we have one from Keynes, you see, I may be able to say, "Well, I saw Lord Keynes. I told him I would wait and he wants to bring one in, and here it is."

- 10 -

And if you people would be here at nine-fifteen tomorrow morning, maybe it will be here at that time and we can have a look at it.

MR. VINSON: I would like to take a few minutes in regard to the conversation I had with Lord Keynes tonight.

H.M.JR: On this subject?

MR. VINSON: On quotas.

H.M.JR: Do you want White to listen, because I pulled him out of the Commission meeting?

Good night, gentlemen.

(Mr. White, Mr. Luxford, and Mr. Schmidt leave the conference)

MR. VINSON: Lord Keynes' suggestion is that the Quota Committee report to the Commission that the subscriptions to the Bank shall be substantially as I presented them to the Committee today. That would fix Russia's quota at one billion two hundred million. He states that unless that is done, with one possible alternative, that the entire structure of the subscriptions to the Bank will totter and fall.

He makes this statement: "Due to the attitude of a number of countries who were represented at the Committee today, which was that their countries would be compelled to reduce their subscriptions in the event the total of the capital stock of the Bank did not reach eight billion, eight hundred million dollars" - his idea was that if the subscription was fixed at one billion two for Russia, and was passed in that amount, that they would probably take it. And if they didn't take it they would make reservations, but when the matter came up for approval or disapproval, there would be a number of things that had happened in the meantime, and they would either approve it or they would maintain their position that they should have a subscription of nine hundred million dollars, in which event something could be worked out.

- 11 -

Now, that is number one.

H.M.JR: May I stop you there? Now, if we do that to the Russians, it seems to me we are doing the very thing to the Russians that Keynes claimed we were doing to him. We are pulling a fast one on the Russians.

MR. VINSON: Well--

H.M.JR: Believe me--

MR. VINSON: I am not saying it should be done, but I don't see how it could be said to be a fast one, because the Committee certainly may recommend to the Commission the amount of the subscriptions for each country.

MRS. MORGENTHAU: It isn't any different from what you have done on the Fund to a lot of countries who didn't accept them. After all, you gave one fifty when they wanted one sixty, or five when they wanted five fifty.

H.M.JR: Well, that is a little bit different. If you had been here this evening when I had this discussion with the Russians, I put it on this very kind of familiar basis by calling myself grandpa - "I am going to talk to you like grandpa."

MRS. MORGENTHAU: It isn't a fast one. It may not be good--

H.M.JR: Now, wait a minute. I am sorry, but after having this talk with them at a quarter of seven tonight and saying not to be a party to this unless we told them--

MR. VINSON: Oh, we would wait until we either heard from them or they had a reason and time in which to hear from Moscow, or we would tell them that we had to do it, else the Bank would fail completely.

H.M.JR: Well, on that basis, O.K. But you didn't say that. You had it here but you didn't tell me.

- 12 -

MR. VINSON: I didn't even contemplate--

H.M.JR: Now, listen, Judge, if you are going to argue and get my wife on your side, really, I am going to have to get your wife back from Chicago.

MR. VINSON: Whenever we argue and your wife is on my side, you haven't a Chinaman's chance.

Now, the number two proposal is this: With our going to three billion dollars, and Russia going to a billion, two, we make the eight billion, eight, which was the goal.

Keynes suggested that if we took the Russian quota of nine hundred million, that we increase our quota to three billion three hundred million, with a provision that there would be no increase in our quota until after the capital stock of the Bank reached nine billion, nine hundred million dollars.

H.M.JR: I don't get that last. You will have to explain it.

MR. VINSON: We are committed by the statement made to the Senate Committee last August - or not necessarily committed, but it was stated that we would subscribe about one third of the total capital stock, which at that time was twelve billion dollars. Our figure would have been four billion.

Keynes' suggestion is for us to subscribe three billion, three hundred million, which would be in full of our portion of the capital stock until after it passed nine billion, nine hundred million.

H.M.JR: How does he get the nine billion, nine?

MR. VINSON: That three billion, three is a third of nine billion, nine. We would have our entire one-third when the capital stock reached nine billion, nine.

- 13 -

H.M.JR: And of the nine billion, nine, would our subscription be three, or three, three?

MR. VINSON: Three, three.

H.M.JR: In other words, the over-all figure would have to be nine, nine before ours reached three, three.

MR. VINSON: That is right.

There was the third proviso, which came in through Vinson, that if we subscribed three billion three hundred million at this time, that we should have a reduction in the amount, written into the agreement - a reduction below three billion, three if the total capital stock of the Bank was - no, if other countries for any reason reduced their quotas.

H.M.JR: Then what?

MR. VINSON: For instance, France and half a dozen other countries talked about if Russia didn't come across with nine hundred million they would reduce our quotas.

H.M.JR: Then what would we do?

MR. VINSON: Our quota would be reduced.

H.M.JR: That was Mr. Vinson?

MR. VINSON: That was Mr. Vinson. Keynes made no response to that. I was trying to rig up language in the agreement that would be protective of us in the passage of the act. That was my fault in regard to it.

H.M.JR: Well, let this thing simmer a little bit in what is left of my so-called brain, and I think you will have to make a report tomorrow morning at the nine-thirty.

I think I have had about all I can take tonight, but if you would come in with these boys at nine-fifteen tomorrow morning we could have a look-see at what the English are going to send out.

- 14 -

MRS. MORGENTHAU: Can I ask a question?

If you say we won't give the three, three until the Fund reaches nine billion, nine, how can it reach nine billion, nine?

MR. VINSON: You misunderstood me. I said that three billion three would be in full of our subscription when the capital stock reached nine billion, nine. The difference between the nine billion, nine figure and the eight billion, eight figure is when the neutrals and the enemy countries add to the subscriptions.

MRS. MORGENTHAU: I see.

H.M.JR: That is a good question, because I didn't get it either.

MRS. MORGENTHAU: I didn't understand what would make it reach that.

MR. VINSON: I dropped out the fact that the World Bank was supposed to be ten billion dollars, and if it was ten billion dollars, our proportion would be thirty-three and a third.

MRS. MORGENTHAU: I see.

MR. VINSON: And this extra three billion would be in anticipation of the neutrals and the enemy countries subscribing the balance.

MRS. MORGENTHAU: But we would put it up now so as to get the Fund up to the eight, eight?

MR. VINSON: Yes.

MRS. MORGENTHAU: I should think that was quite a good suggestion.

MR. VINSON: In other words, when you get down to it, you are only fifty million dollars over the authority that I had this morning, three and a quarter.

- 15 -

But you have got this practical situation that I can see. Russia's quota in the Fund is a billion, two. It is known that we caused that amount to be reached. With other countries going to the quota in the Bank, and Russia dropping down three hundred million dollars, it is clear that we have done two things. We have taken care of Russia's three hundred million dollars, plus two hundred and fifty million more dollars - the difference between three billion and two and three-quarters billion - which is in excess of five and a half billion dollars over our quota.

Now, we have this advantage, and I think--

H.M.JR: You don't mean five and a half billion!

MR. VINSON: I mean five hundred and fifty million.

This thing pleased me very much. At a Committee meeting when we were dealing with quotas, Lord Keynes very proudly announced that the Union of South Africa - I don't know whether he said with or without his office - had reduced their quota from one hundred and fifty million to a hundred, and that they very graciously were willing to see that Poland's quota and Czechoslovakia's quota were upped twenty-five million dollars each.

So today - I believe I told you this - I took the position that the two hundred and fifty million dollars that we were adding, would, in fact, bring every country who had not subscribed to its quota, up to its quota, lacking twelve million dollars.

H.M.JR: That was a very acute statement.

MRS. MORGENTHAU: I suppose that this extra putting us up to three, three, even though we wait until the Fund reaches nine, nine, will make it that much harder, again, with Congress if Russia doesn't come across.

H.M.JR: Well, I tell you, I may go overboard again, but like all of these things, there is another side to the story from Russia.

- 16 -

After all, Russia with its terrific devastation and all that, for them to put up a lot of money to lend to other countries to help them reconstruct, when they need every dollar for themselves--

MR. VINSON: Now, Mrs. Morgenthau and I take the other side, and we say to Lord--

H.M.JR: No, the President said for my work he would make me the Duke of Fishkill.

MR. VINSON: The quotas of the Fund and the provisions of the Fund - we all came to the conclusion that Russia, U.S.S.R., was more interested in the Bank in order to borrow from the Bank in order to restore industries, and so forth, in Russia, than she was in the Fund, and she will borrow from the Bank.

H.M.JR: She will borrow, O.K. But her borrowing isn't limited by her capital.

MRS. MORGENTHAU: How is she going to like this foreign machinery?

H.M.JR: Listen, I certainly went overboard with them, didn't I?

MRS. MORGENTHAU: Yes, grandpa.

H.M.JR: I even gave them a quart of scotch whiskey, which they took with them.

MR. VINSON: Keynes rubbed them the wrong way this afternoon.

MRS. MORGENTHAU: He knew he had.

H.M.JR: But he was delighted with what I did this evening, and delighted that they had agreed to send another cable, because he thought up to now they had refused to cable back for further instructions.

- 17 -

MRS. MORGENTHAU: Was the man Ronald the one we met this morning? He said, "He is such a lovely man - Assistant Secretary of State."

H.M.JR: Yes. Then I didn't quite get what Stepanov said tonight when he said this business about how Acheson had promised him something about some additional credits, or something. He used that as an argument - if they were going to get additional credits, maybe they don't have to subscribe so much to the Bank.

You know, Acheson told me and some others - in the first place he told me at dinner the other night that he thought we had handled our negotiations with the Russians very badly on their quota of a billion, two, and so forth. He thinks the way we have coddled the Russians here is something terrible.

The point that I can't get over to these people is that the Russians will be in Berlin, sitting there waiting for us, and when we want them to do a little negotiating, I think it would be very useful if we treated them well here.

MR. VINSON: I thought one of the most telling points you made this evening was the future world conferences, and that their position, if they came and took the one point two would be much better at future world conferences, which is the truth. The trouble is, they think in one world and we think in another.

H.M.JR: But when I got through, at the end, he did say, "Remember, Mr. Morgenthau, this is the first time I have ever attended a Conference, or Russia has ever attended a Conference. This is all new to us."

MR. VINSON: Well, they are pretty fair as amateurs!

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

19th July 1944.

Dear Mr. Secretary,

The B.I.S.

I was able to have a brief word with some of the members of my Delegation this evening. We are perfectly ready to accept the draft resolution which was before Committee 2 of Commission III until late today when a new text was surprisingly presented.

The text which we are prepared to accept runs, I understand:-

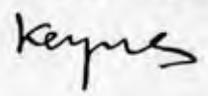
"The United Nations Monetary and Financial Conference recommends that at the date of the constitution of the Board of the Fund the necessary steps will be taken to liquidate the Bank for International Settlements."

We are entirely in accord with the general purpose in view and the form of words above, or something on similar lines, will be quite acceptable to us.

What we cannot manage is a recommendation from Commission III to Commission I to write some specific agreement into the International Monetary Fund. For technical reasons this, whatever our wishes might be in the matter, would inevitably prevent us from participating either in the Fund or in the Bank until after the expiry of an indefinite period.

Thank you very much for dealing with the position so promptly.

Sincerely yours,



The Hon. Henry Morgenthau, Jr.

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

Extracts from various German and Japanese broadcasts have been received by OWI in connection with the present conference.

The German broadcasts, in a general way, mention an Anglo-American fear of post-war crisis, the appearance already of inflationary tendencies, a purpose to manipulate exchanges, as shown in the franc and the lira, the absence of the neutral states, though invited, and, in the end, an effort for Anglo-American imperialism.

The Japanese see evidence of coming Anglo-American economic rivalry; feel the plan favors the larger countries, particularly the United States, even at the expense of Britain and with the opposition of Russia; and discover the cause of the present Greater East Asia war to have been American economic pressure.

DNB ON MONETARY CONFERENCE

Berlin papers here declare on opening of Allied finance and currency conference which according Reuter is to deal with international inflation possible resulting from present war that mentioned fears on part of Anglo-Americans about postwar period are not without foundation. Strong inflation symptoms are showing themselves today in Britain and Unistates and particularly in British Empire and Middle East as well as in all countries belonging to United Nations. Americans and British would necessarily have absolute majority in International Committee to be founded in accordance with Anglo-Unistates currency plans under discussion. It can be easily imagined in what way rates of exchange would later be fixed and controlled after Anglo-Americans have clearly shown hitherto in fixing rates exchange for Italian lira and French franc that enormous devaluation and gigantic economic disadvantages for areas concerned but great advantages for Anglo-Americans and their currencies are to accrue; this is planned also for other cases in future. For rest it is characteristic that neutral countries were not at all invited to international finance and currency conference. Thus it is clearly proved this conference is one-sided and truly undemocratic institution for execution and confirmation of Anglo-unistates economic imperialism in postwar period.

LONDON: At beginning of today's press conference in Wilhelmstrasse correspondent expressed surprise that no neutral representative attended Allied Currency Conference. In his reply Dr. Schmidt stressed fact that neutral states, notwithstanding formal invitation to them, refrained from participating in this conference, a fact which he considered noteworthy in its political aspect. Dr. Schmidt pointed out that neutrals too had become increasingly aware that Allied currency plans and manipulations were exceedingly questionable. Neutral governments view with extreme scepticism in particular unistates currency plans meant to further purely imperialistic postwar aims.

**BERLIN IN GERMAN TO NORTH AND LATIN AMERICA 7/4:**

Roosevelt's world monetary plan and that of his Jewish Secretary of the Treasury is attacked sharply even by the "New York Times". The New York paper points out that the entire plan will end up with a great world inflation and with debts which nobody can collect. At the end there will then be collapse.

An article on International Currency Conference paper stresses fact President and VP of Conference are Jews representing Soviet Union and USA. Love suddenly manifested by Bolsheviks for gold standard will one day place Washington Economists before complex dilemma. Moscow has always conducted secretive policy and will on this occasion too spring surprise on world at unexpected moment.

COMMENTARY ON INTERNATIONAL MONEY CONFERENCE: More than hundred propositions and counterproposals show complete discord. One certain fact emerges USA intends obtain preponderance over all world markets by giving credits. USA industrialists opposed to credit system as industrial and banking circles believe USA will be strong enough after war to govern world without credits. At any rate title of International Conference is quite misleading as nobody else but USA has word to say and neutral countries are not even invited to attend. Allies are at least given chance to listen to what USA intends doing.

TOKYO IN ENGLISH MONDAY TO WESTERN UNITED STATES COMMENTARY: A "MAKE-BELIEVE ECONOMY":

The so-called International Monetary Conference, now in session in Bretton Woods, New Hampshire, United States, is being watched with much interest and curiosity ... It is a curious part of this gathering that no neutrals are in it, that is, countries like Argentine and Bolivia, which have practically lost their qualifications as neutral states and are to be more properly considered members of the anti-Axis camp. No less strange is it that the Algiers regime should be in it instead—a regime whose official existence the Anglo-American governments have so far consistently refused to recognize. To refuse entry to friendly countries with independent national status and invite a regime whose independence nobody recognizes, including the United States itself, what does that mean except a determined will to run the Conference?

But against whom is the United States Government going to assert its will by taking the trouble of summoning forty-two countries, the majority of which everybody knows to have no actual power to oppose America's will.

TOKYO IN SPANISH TO LATIN AMERICA: We learn that Mr. Morgenthau, North American Secretary of the Treasury, in a speech made at Monetary and Credits Conference of the Anti-Axis nations now in session in the State of New Hampshire, in the United States, asked for international cooperation for the solution of the

world's economic problems and said that economic pressure could provoke a war. It seems that Morgenthau forgot that the economic pressure applied by the United States was exactly what provoked the Greater East Asia war."

Taking it up as an idea, it is evident that should today's monetary scheme be accepted substantially in its form, it will operate in favor of the larger powers, such as the United States and Britain, for they are two of the largest forces in the fund and conversely to the great disadvantage of the smaller countries as well as the non-member nations. This to maintain the status quo may further be seen in the fact that the fund seeks to prohibit the depreciation of national currency which means that a country would be prevented from promoting its export trade and seeking to recover from economic depression.

In a country like the United States such a scheme may be all well and good, but it would be most inconvenient for a country like Britain which will have much recovering to do after the war is over as will any of the small but progressive countries which desire to build up and improve their economic life.

One of the most shrewdly designed aspects of the plan is that having to do with gold. The United States has the largest holding of this yellow metal in the world and is now very much worried about what to do with it. America is not Santa Claus enough to divide it fairly among other nations, nor can she afford to let it idle in her vaults. In the proposed fund, however, she has found a means of putting her gold to use to the Monetary Fund in gold and may not be shipped out of the country except nominally and the United States may thus find use for its gold holdings with an international guarantee on their value in addition. The fund also provides the gradual absorption of newly mined gold. Thus, here again, the Monetary Fund operates in favor of countries with large gold holdings and greater gold production and to the disadvantage of the small nations.

TOKYO (DOMEI) IN ENGLISH TO AMERICA:

The "Nippon Times" today editorially characterized the United States-sponsored International Monetary Conference now being held in New Hampshire as "another glaring instance of the coming economic rivalry between the United States and Britain, and a clear design of the United States to foist her economic domination of the world.

The Journal noted that there are two elements in the compromise plan which composes the main agenda of the Conference--noting that power is regulated by the amount of gold each nation contributes to the common pool, and abolition of foreign exchange restrictions. "This can only mean" the "Times" said, "that the United States, which is the largest contributing and gold-holding nation in the world, will be able arbitrarily to manipulate the operation of the international fund to her own selfish advantage.

"By having subscribers to the fund agree to elimination of their foreign exchange restrictions the United States will be able to assure her own people full production and full employment in the years following the war by relentlessly pushing forward her program for unstinted expansion of her exports.

Although Britain agrees to the scheme, the Journal said, she will not sacrifice "the substance of her economic power with which to counter-vail the economic expansion schemes of her rival in the Postwar world." The white papers of the British sterling bloc are Britain's counter-weight, coupled with her reservations regarding her regional agreements with the countries of Western Europe.

The Soviet Union, meanwhile, bluntly repudiated the right of this International organization to interfere with the stability of the Soviet Union's currency ... "While the Soviet Union does not disfavor the fund, it is clear that it will not brook any intervention in her own economic affairs. On the other hand, she is not averse toward utilizing the United States willingness to supply reconstruction materials to her," the Journal added.

The respective attitudes of the Soviet Union and the United States prove how hollow will be the achievement of the present Conference, the "Times" said, predicting whatever agreement may be reached at the meeting will clearly be undermined by the "selfish refusal of the United States to tear down her tariff walls and Britain's equally selfish determination to resort to her sterling bloc arrangements to regain her lost power in the field of international finance."

It concluded "obviously, there can be no economic security for the world under an international monetary pact such as that proposed by the Anglo-Americans."

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date July 19, 1944

TO Secretary Morgenthau

FROM Mr. White

This is a comparative statement of the earnings and expenses of the Stabilization Fund for the months of May and June, 1944.

<u>Earnings</u>	<u>May</u>	<u>June</u>
Interest earned on investments	\$ 20,110.20	\$ 22,178.85
Profits on handling charges on gold	377,854.08	246,831.76
Profits on other gold and exchange transactions	3,000,000.00	2,000,000.00
Handling charges on gold (Stabilization) accrued	12,500.00	12,500.00
Miscellaneous profits	1.58	12.13
Total	\$3,410,465.86	\$2,281,522.74
 <u>Expenses</u>		
Salaries	\$ 28,030.35	\$ 27,569.13
Travel	308.42	260.25
Subsistence	1,372.43	1,001.90
Telephone & Telegraph	3,782.45	3,436.57
Stationery	175.67	56.63
All other	842.66	627.51
Total	\$ 34,511.98	\$ 32,951.99
 Net earnings	\$3,375,953.88	\$2,248,570.75

This report was completed from figures supplied by Mr. O'Daniel.

July 19, 1944

When Mr. Hopkins had lunch with me, he confirmed the fact that Mr. Hull had not seen any of the notes of the Tehran Conference.



THE SECRETARY OF THE TREASURY  
WASHINGTON

July 19, 1944

MEMORANDUM FOR THE PRESIDENT

You asked Secretary Morgenthau on July 13, 1944 to attend to Mayor LaGuardia's request of July 11 that he be furnished the income tax returns of Simensky & Levy Corp., a produce company in Brooklyn, and all records of both this Department and of Justice relating to alleged statements that officers of the company had bribed New York City officials.

The Mayor is under a misapprehension. While some loose statements as to graft payments were informally made both to the Treasury and to Justice, no city officials were referred to and no names were disclosed.

Mayor LaGuardia has now been advised that this is the situation both as to this Department and as to Justice. He has also been advised, however, that all of the Department's files on the case, other than the returns, will be made available in New York for informal inspection by city investigators. That procedure should satisfy the Mayor and at the same time avoid the usual difficulties surrounding the question of making income tax returns available to others.

*W. W. Bell*  
Acting Secretary of the Treasury



July 19, 1944

My dear Mr. Mayor:

The President has referred to me your letter of July 11, 1944, requesting that there be made available either to you or to the Commissioner of Investigation of New York City copies of statements made to the Bureau of Internal Revenue and to the Department of Justice in connection with an investigation of the income tax liability of Leo Levy, Rubin Simensky, and the Simensky & Levy Corporation, Brooklyn, New York, indicating "graft" payments by this company or its officers to city officials. You also request certain related income tax returns and associated papers.

I am informed that neither the files of this Department nor those of the Department of Justice contain information of the character mentioned. However, I am anxious to cooperate with you fully in this matter, and I have accordingly asked the Commissioner of Internal Revenue to instruct Mr. Hugh McQuillan, Special Agent in Charge, Intelligence Unit, New York City, to confer with you with a view to making the Department's files in this case available so far as the Federal revenue laws will permit. Mr. McQuillan will call upon you within the next few days.

Sincerely,

(Signed) D. W. Bell

Acting Secretary of the Treasury

Honorable F. LaGuardia  
Mayor, City of New York  
New York 7, New York

4-16-CO:cp  
7/19/44

*Handwritten signature and initials*

THE WHITE HOUSE  
WASHINGTON

July 13, 1944

MEMORANDUM FOR

H. M. Jr.

Will you please attend to  
this and let me know.

F. D. R.



CITY OF NEW YORK  
OFFICE OF THE MAYOR  
NEW YORK 7, N.Y.

July 11, 1944 L

Honorable Franklin D. Roosevelt  
President of the United States  
White House  
Washington, D. C.

In re: Simensky & Levy Corporation,  
Leo Levy,  
Rubin Simensky,  
Brooklyn, New York

My dear Mr. President:

About two years ago the Department of Investigation of this city conducted an investigation of this taxpayer, as a result of which certain irregularities were revealed in connection with its income tax liabilities. The information thus elicited was transmitted by the City to the Intelligence Unit of the Internal Revenue Bureau, which caused the institution of criminal proceedings by indictment and the eventual recovery from this taxpayer of substantial Federal income taxes.

During the course of the hearings conducted by the Department of Justice and the Internal Revenue Bureau, resulting eventually in the Commissioner's determination, statements are alleged to have been made by officers or employees of the corporate taxpayer to the effect that certain items appearing on its books, for which it originally claimed deductions, represented "graft" payments or gratuities to N.Y. City officials.

The Department of Investigation and the Comptroller of this city are presently about to conduct a joint investigation for the purpose, among others, on the part of the Comptroller, of auditing this taxpayer's returns under the General Business Tax Laws of this city, and, on the part of the Department of Investigation, to ascertain the full facts in connection with the alleged illegal transactions between the taxpayer and our city officials or employees.

Under date of 16 May 1944, I requested that the Bureau make available to the Department of Investigation of this city copies of any statements obtained by the Bureau's examining agents, or those made at hearings conducted by the Department of Justice, relating to "graft" payments by this taxpayer or its officers, to city officials.

Under date of 15 June 1944 I am in receipt of a communication from Joseph D. Nunan, Jr., Commissioner of Internal Revenue, advising that

all of the testimony taken and exhibits obtained by the Bureau's investigating agents are in the possession of the Department of Justice and referring the request to that department for appropriate action. Commissioner Numan encloses a copy of a letter addressed to Assistant Attorney General Samuel O. Clark, Jr. transmitting my request to him.

I am now in receipt of a communication dated 1 July 1944 from the Commissioner of Internal Revenue, in which he informs me that the testimony and exhibits obtained by the Bureau's investigating agents have been returned to the Intelligence Unit of the Bureau in New York City. The Commissioner however reiterates his decision contained in his letter to Assistant Attorney General Clark, dated 15 June 1944 "that the Bureau is not in a position to furnish you (the City) with any information for the purpose of assisting the city's investigation of possible graft payments to city officials."

Inasmuch as a charge was allegedly made by the taxpayer that deductions were to pay city officials "graft," I am sure you will understand that I intend to have this matter thoroughly investigated. Either the taxpayer has committed perjury or else there is some one in the city service who should be in jail.

The last communication from the Commissioner of Internal Revenue is indeed discouraging, and therefore under the provisions of Regulation 111 and Title 26 Internal Revenue Code, Section 55 (a) (1), I am requesting an order from you directing all of the information, the taxpayer's income tax returns, copies of the statements relating to "graft" paid to city officials and all testimony, letters, correspondence and data on the subject pertaining to the alleged payment of "graft" to city employees, to be furnished to the city, either to the Mayor or to the Commissioner of Investigation.

The City just cannot let the matter rest, and therefore I make this special appeal to you under the provisions of Section 55 (A) (1) of Title 26 of the U.S. Code (Internal Revenue).

However, Mr. President, it seems to me that the Mayor should not have to resort to invoking the powers of the President of the United States in a case which the city itself referred to the U.S. government enabling the government to collect its taxes and now cannot get the information developed in that same proceeding which involves city officials and a defrauding of the city government.

Sincerely yours,



Mayor.



## TREASURY DEPARTMENT

WASHINGTON 25

July 19, 1944



MEMORANDUM TO THE SECRETARY:

Attached is experience sheet for John H. Mize, who is to head ~~up~~ our Hardware Division.

A handwritten signature in cursive script, appearing to read "E. L. Olrich", written over a diagonal line.

E. L. Olrich  
Assistant to the Secretary

Enclosure

July 18, 1944

John H. Mize  
(Head of Hardware Division, Treasury Surplus Property  
Disposal Organization)

Business Experience:

1930 - 35      Salesman - Traveling N. E.  
                 Kansas and S. E. Nebraska for  
                 Blish, Mize and Silliman  
                 Hardware Company, Atchison,  
                 Kansas  
                 (Distributor of Wholesale  
                 Hardware)

1935 - 41      Assistant Sales Manager

1942 to date   Secretary, Manager  
                 and Member of  
                 Board of Directors

Government Experience:

Offered Position in 1942 and  
1943 as Chief of Hardware  
Supplies Branch, Wholesale  
and Retail Trade Division,  
O.C.R. (Not Accepted)

Member 1943 - 44 Advisory  
Committee to W.P.B. on  
Wholesale Hardware

John H. Mize

July 18, 1944

- 2 -

Offices Held (Business):

Member War Service Committee  
National Wholesale Hardware  
Association

Member Executive Committee  
N. W. H. A.



## TREASURY DEPARTMENT

WASHINGTON 25

July 19, 1944



## MEMORANDUM TO THE SECRETARY

Attached is a report of the sales, loans and transfers of surplus goods for the period of July 1 through July 15, 1944.

We hope that we will be able to give you a similar report on a weekly basis hereafter.

You will note that for the two weeks' period that we have sold to other than Federal agencies \$3,381,801. We have loaned \$17,080. We have transferred to other Federal agencies \$1,875,728, with the total disposal for the first half of the month of July being \$5,174,609.

A handwritten signature in cursive script, reading "E. L. Olrich".

E. L. Olrich

Assistant to the Secretary

Attachment

REPORT OF DISPOSALS  
July 1 thru July 15, 1944

REGION	SALES			LOANS			TRANSFERS			TOTAL		
	July 1 thru July 8	July 9 thru July 15	Total	July 1 thru July 8	July 9 thru July 15	Total	July 1 thru July 8	July 9 thru July 15	Total	July 1 thru July 8	July 9 thru July 15	Total
I	94 191	67 851	162 042	-	-	-	2 728	164	2 887	96 914	68 015	164 929
II	18 552	366 361	384 913	-	-	-	10 870	21 961	32 831	29 422	388 322	417 744
III	52 248	34 644	86 892	-	-	-	32 885	92 440	125 325	85 183	127 084	212 217
IV	51 313	174 994	226 307	-	-	-	35 858	121 528	157 186	86 971	296 522	383 493
V	189 548	508 839	698 387	-	-	-	49 890	38 399	88 389	239 238	542 538	781 776
VI	81 699	196 623	278 322	-	-	-	45 922	470 251	516 173	127 621	666 874	794 495
VII	250 036	167 128	417 166	6 047	-	6 047	110 857	291 441	402 298	366 942	458 569	825 511
VIII	171 101	166 513	337 614	-	-	-	30 287	15 508	45 773	201 368	182 019	383 387
IX	28 290	67 179	95 469	-	1 538	1 538	10 709	3 465	14 174	38 999	72 177	111 176
X	318 897	147 661	466 558	-	-	-	176 257	250 840	427 097	495 154	398 501	893 655
XI	58 328	69 803	128 131	-	9 500	9 500	36 259	32 336	68 595	94 587	111 639	206 226
TOTAL	1 314 205	1 967 596	3 281 801	6 047	11 038	17 085	542 097	1 338 631	1 875 728	1 862 349	3 312 260	5 174 609

REGION I Boston, Massachusetts  
 II New York, New York  
 III Washington, D. C.  
 IV Cincinnati, Ohio  
 V Chicago, Illinois

Region XI Seattle, Washington

REGION VI Atlanta, Georgia  
 VII Fort Worth, Texas  
 VIII Kansas City, Missouri  
 IX Denver, Colorado  
 X San Francisco, California

C  
O  
P  
Y

FEDERAL RESERVE BANK  
of NEW YORK

July 19, 1944

CONFIDENTIAL

Dear Mr. Secretary:      Attention: Mr. H. D. White

I am enclosing our compilation for the week ended July 12, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

very truly yours,

(Signed) H. L. Sanford

H. L. Sanford,  
Assistant Vice President.

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

Enc.

**ANALYSIS OF BRITISH AND FRENCH ACCOUNTS**  
(In Billions of Dollars)

Week Ended July 12, 1944.

Strictly  
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE			
	DEBITS				CREDITS						Net Incr. (+) or Decr. (-) in Funds (d)	Total Debits (e)	Total Credits (e)	Net. Incr. (+) or Decr. (-) in Funds (d)
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)					
First year of war (a)	1,792.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+ 299.0	
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+ 220.1	
Second year of war (b)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1	
Third year of war (i)	1,235.6	904.8	7.7	323.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	16.5	4.4	- 14.1	
Fourth year of war (i)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3	
<b>1942</b>														
September	49.4	16.8	10.6	22.0	86.2	-	-	15.0	71.2	+ 36.8	-	-	-	
October	38.2	16.0	-	22.2	115.4	-	-	40.5	74.9	+ 77.2	-	-	-	
November	65.9	42.4	5.9	17.6	89.0	-	-	3.5	85.5	+ 23.1	-	-	-	
December	98.1	16.3	-	81.8	134.5	-	-	36.5	98.0	+ 36.4	-	-	-	
<b>1944</b>														
January	44.6	25.2	10.6	12.0	127.5	-	-	1.0	126.5	+ 62.7	-	-	-	
February	143.6	14.3	2.1	127.4	144.5	-	-	29.0	115.5	+ 0.7	-	-	-	
March	152.9	71.1	12.5	69.3	133.3	-	-	24.5	108.8	- 19.6	-	-	-	
April	134.8	14.9	-	119.9	122.2	-	-	27.5	94.7	- 12.6	-	-	-	
May	125.1	28.8	8.1	88.2	164.7	-	-	37.0	127.7	+ 39.6	-	-	-	
June	101.9	24.1	-	77.8	95.7	-	-	28.0	67.7	- 6.2	-	-	-	
August														
<b>Week Ended</b>														
June 21, 1944	10.2	7.8	-	2.4	56.1	-	-	12.0	44.1	+ 45.9	-	-	-	
June 28, 1944	9.2	1.6	-	7.6	10.3	-	-	6.0	4.3	+ 1.1	-	-	-	
July 5, 1944	72.8	5.7	0.2	66.9	6.7	-	-	1.0	5.7	- 60.1	-	-	-	
July 12, 1944	6.7	2.1	-	4.6	41.6 (k)	-	-	10.0	31.6 (k)	+ 34.9	-	-	-	

**Average Weekly Expenditures Since Outbreak of War**  
 France (through June 19, 1940) \$19.6 million  
 England (through June 19, 1940) \$27.6 million  
 England (through June 20, 1940 to March 12, 1941) \$54.9 million  
 England (since March 12, 1941) \$ 21.4 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 16.8 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$ 5.1 million in connection with the expenses of our armed forces abroad.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS  
(In Millions of Dollars)

Week Ended July 12, 1944

Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)									
	DEBITS				CREDITS				DEBITS				CREDITS					
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$Bunds	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$Bunds
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	-	4.9	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	-	4.5	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	-	9.0	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	-	5.0	+ 5.0
Fourth year of war (d)	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	-	3.4	+ 3.4
1943																		
September	47.2	-	47.2	70.1	-	10.6	-	59.5	+ 22.9	16.8	15.0	1.8	20.0	-	20.0	-	3.2	+ 3.2
October	32.1	-	32.1	71.3	-	-	-	71.3	+ 39.2	42.8	40.5	2.3	26.5	-	26.5	-	16.3	+ 16.3
November	15.4	0.1	15.3	55.1	-	5.9	-	89.2	+ 79.7	6.6	3.5	3.1	18.2	-	18.2	-	11.6	+ 11.6
December	146.8	0.3	146.5	55.1	-	-	-	55.1	+ 91.7	39.7	36.5	3.2	27.0	-	27.0	-	12.7	+ 12.7
1944																		
January	32.3	-	32.3	78.5	-	10.6	-	67.9	+ 46.2	6.0	1.0	5.0	11.3	-	11.3	-	5.3	+ 5.3
February	25.4	-	25.4	110.5	23.1	2.1	-	93.3	+ 93.1	31.3	29.0	2.3	28.6	-	28.6	-	5.7	+ 5.7
March	30.3	0.5	29.8	89.6	15.0	12.5	-	61.1	+ 58.3	27.0	24.5	2.5	29.9	-	29.9	-	2.3	+ 2.3
April	183.6	-	183.6	96.7	-	-	-	96.7	+ 29.5	29.5	27.5	2.0	39.4	-	39.4	-	9.9	+ 9.9
May	154.2	-	154.2	86.3	-	8.1	-	78.2	+ 6.9	42.6	37.0	5.6	39.6	-	39.6	-	3.0	+ 3.0
June	100.1	0.1	100.0	63.3	-	-	-	63.3	+ 36.8	31.4	28.0	3.4	21.8	-	21.8	-	6.0	+ 6.0
July																		
August																		
Week Ended																		
June 21, 1944	3.5	-	3.5	12.1	-	-	-	12.1	+ 8.6	12.0	12.0	-	5.3	-	5.3	-	9.7	+ 9.7
June 28, 1944	25.9	0.1	25.8	10.6	-	-	-	10.6	+ 15.3	6.3	6.0	0.3	-	-	-	-	6.3	+ 6.3
July 5, 1944	67.5	-	67.5	26.7	-	0.2	-	26.5	+ 40.8	3.0	1.0	2.0	13.5	-	13.5	-	10.5	+ 10.5
July 12, 1944	8.7(f)	-	8.7	13.1(g)	-	-	-	13.1(g)	+ 4.4	14.1	10.0	4.1	1.2	-	1.2	-	12.9	+ 12.9

Average Weekly expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fourth year of war (through July 12, 1944)	17.4 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
- (b) For monthly breakdown see tabulations prior to October 8, 1941.
- (c) For monthly breakdown see tabulations prior to October 14, 1942.
- (d) For monthly breakdown see tabulations prior to September 29, 1943.
- (e) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (f) Does not reflect transactions in short term U. S. securities.
- (g) Includes \$ 2.6 million deposited by War Supplies, Ltd. and \$ 10.5 million received from New York account of Canadian Chartered Bank.

CABLE TO AMBASSADOR WINANT, LONDON, FROM WAR REFUGEE BOARD

Please deliver the following message to Mr. Ernest Frischer,  
100 Oakwood Court, London W.14, from Dr. Kubowitzki of the  
World Jewish Congress:

"At the present time the Joint Distribution Committee is sending 16,000 parcels a month to internees in Theresienstadt alone, and authorization has been given to its office in Lisbon to send parcels to the internees in Birkenau. In addition, the Czechoslovak representative in Lisbon, with whom the JDC clears its addresses, has sent such parcels to individuals who, the JDC believes, are mainly non-Jewish. Whether their 6342 addresses in Theresienstadt are different from the 8,000 addresses that the JDC has, the JDC does not know. It is not clear from the letter whether the Czechoslovak Relief Action would continue to supply 3,000 pounds a month for their activity, and if, in addition thereto, 9,000 pounds for a one-time transfer has been given. Obviously, the JDC cannot operate on a license issued by the British Treasury. The JDC's licenses are secured from the United States Treasury, and Dr. Schwartz is authorized to send parcels to every person known to be in Theresienstadt whose address is made available to him from any source whatever. The JDC is sending on to its Lisbon office the gist of your communication in order to secure a report on it. The JDC notes that Dr. Schwartz has been approached on this matter, but due to the fact that he is in the Near East he has not communicated with the JDC concerning it."

July 19, 1944  
12:15 p.m.

FH:db 7/19/44

CABLE TO AMERICAN CONSULATE GENERAL, NAPLES FOR ACKERMANN IN BARI  
FROM WAR REFUGEE BOARD

Following is text of message received by Board from  
McClelland in Bern:

QUOTE McClelland sends the following message for  
WEB for the attention of Representative of Yugoslav Committee  
National Liberation Bari, Mr. Smoldaka.

Katcha and Ribar are acquainted with the courier named  
Mala, who left with detailed report recently.

Contact has been established with OSE, Jewish children's  
relief and rescue committee, which offers funds necessary  
to save abandoned children of all nationalities and religions.  
Work with Hungarian resistance is also desired by OSE in  
effort to save Jewish children of Hungary. Please contact  
Max Perelmann, representative of the American Joint Care  
Intergovernmental Committee, Naples, in connection with this  
child rescue work. The next courier will carry detailed  
instruction. Important medical supplies for Slovenia have  
been furnished by OSE. Your assistance with their trans-  
portation on LATINOVITCH from Trieste is requested. UNQUOTE

Provided you have no objection, please deliver foregoing to  
Mr. Smoldaka.

5:20 p.m.  
July 19, 1944

FEodel/sg 7/19/44

CABLE TO AMERICAN CONSUL GENERAL, TANGIERS FROM WAR REFUGEE  
BOARD

Vaad Habatzala Emergency Committee has asked Board to recommend issuance of a Treasury license permitting additional payment of local currency equivalent of \$3,000 to Mrs. Bence Reichman for food parcels to be sent to persons in Camp Satoraljaujhily in Hungary. Board would appreciate recommendations from you concerning proposal. In particular, please advise concerning origin of food stuffs, method of shipment, and your opinion as to possibility of delivery to ultimate beneficiaries.

4:00 p.m.  
July 19, 1944

FHodel/sg 7/19/44

## ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Legation, Tangiers  
DATED: July 19, 1944  
NUMBER: 96

## CONFIDENTIAL

The War Refugee Board requests that you deliver the following message to Samuel Reichman, 25 Rue Moliere, Tangiers, from Vaad Hahatzala Emergency Committee, Rabbis Aron Kotler, Abraham Kalmenowitz:

QUOTE Referring your message to Stephen Klein our organization ready support any project rescue children from Hungary. Please advise us all details through American Legation. UNQUOTE

HULL

## ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: AMCONSUL, Jerusalem  
DATED: July 19, 1944  
NUMBER: 129

SECRET

The War Refugee Board requests that you deliver the following message to Mr. David Remez, 115 Allenby Street, Tel Aviv, Palestine, from Israel Mereminski, 510 W. 112th Street, New York:

QUOTE Press published today Hungary's refusal recognize neutral passport visas received Hungarian non Hungarian Jews after July 1. Above raises doubts among certain interested circles whether your July 2 practicable feasible. Cable immediately same way your opinion above also why you think Switzerland can fulfill your suggestion including all Istanbul information useful here. UNQUOTE

HULL

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

July 19, 1944

4 p.m.

AEMBASSY,

LISBON.

2024

The cable below for Dexter is WRB 59.

Please deliver paraphrase of following message from  
International Rescue and Relief Committee for Mrs. Elizabeth  
Dexter:

QUOTE Contact Miss Sarra Ginsburg Madrid Velasquez 28  
for address Andres Fleury Larsonneau born August 23 1907  
inform us through War Refugee Board UNQUOTE.

HULL  
(GLW)

WRB:MMV:KG  
7/18/44

WE

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

July 19, 1944  
8 p.m.

AMEMBASSY,

LISBON

2028

The message below is WRB no. 60

Please deliver paraphrase of following message to  
Robert Pilpel, c/o American Embassy, from Moses A. Leavitt  
of the American Jewish Joint Distribution Committee:

QUOTE Avram Goldstein recently arrived Palestine  
from Rumania submitted claim on us for attention Saly  
Mayer through Manufacturers Trust Company New York Stop  
Before applying license can you verify claim also have  
Saly Mayer arrange send us list of claimants and amounts  
if possible using pouch or other means UNQUOTE.

HULL  
(GLW)

WRB:MMV:KG  
7/18/44

WE

S-CR

SFG-864

Lisbon

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

Dated July 19, 1944

Rec'd 5:15 p.m.

Secretary of State

Washington

2222, July 19, 3 p.m.

"In connection with the Jewish problem the following proposals have been received and approved of by the Hungarian Government:

From the Swedish Government: To permit the emigration to Sweden or Palestine of Jews who have relations living in Sweden or have business connections there;

From the Swiss Government (on behalf of the British Government):

The formerly effective but meanwhile suspended permission for Jews possessing valid entry visas to emigrate to Palestine;

From the United States War Refugee Board (by way of Switzerland): to permit assistance by the Red Cross for Jews in camps or ghettos and dispatch Jewish children under ten years of age to Palestine.

While these measures are being carried out, the deportation from Hungary of Jews for purpose of labor abroad (for which only part of them have been employed while the rest similarly to gentile Hungarians are doing labor service within the country) is suspended.

Lisbon July 20, 1944"

NORWEB

WSB  
RA

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Lisbon  
TO: Secretary of State, Washington  
DATE: July 19, 1944  
NUMBER: 2223

SECRET

Wodianer handed us the communication transmitted in our 2222, July 19 and he obtained it through an intermediary from Ujpetery puppet representative. The British Embassy was also furnished a copy.

NORWEB

KEM-996

Plain

Lisbon

Dated July 19, 1944

Rec'd 11:42 p.m.

Secretary of State,  
Washington.

2250, July 19, 6 p.m.

FROM BERNSTEIN TO HIAS, 425 LAFAYETTE Street,

NEW YORK

WRB 107. Bertrand Jacobson advised by reliable source that acting Hungarian Charge d'Affaires, Lisbon, received following message dated July 17th. from His Government.

"One. Responding to appeal from Swedish Government Hungarian Government agrees permit emigration to Sweden or Palestine of Jews who have relations living in Sweden or who have business connections there. Two. Responding to appeal of British Government through Swiss Government, Hungarian Government agrees to renew the formerly effective but meanwhile suspended permission of Jews possessing valid entry visas to emigrate Palestine. Three. To the appeal of the War Refugee Board by way of Switzerland, Hungarian Government agrees to admit assistance by International Red Cross for Jews in camps or ghettos in Hungary and to despatch Jewish children under ten years of age to Palestine. While these measures are being carried out deportations of Jews for labor abroad is suspended". Suggest reserving publicity till confirmation received.

NORWEB

EMB

HIS-31

PLAIN

Lisbon

Dated July 19, 1944

Rec'd 6:17 a.m., 20th

Secretary of State,  
Washington.

2231, July 19, 6 p.m.

FOR LEAVITT FROM PILPEL

JDC 29, WRB 106. Saly advises murder and deportation ended Hungary at least time being. Children under 11 permitted emigrate and adults holding Palestine certificates also permitted emigrate. Possibility group from Hungary containing thousand plus may be enroute Spain. Possibility another group 500 Yugoslav children from Hungary may come Spain destined Tangiers. International Red Cross has been authorized provide assistance Hungary.

MORWEB

WMB WSB

EMBASSY OF THE  
UNITED STATES OF AMERICA

CONFIDENTIAL

No. 2760

Madrid, Spain, July 19, 1944.

Subjects: Transmitting copies of Embassy's Notes Verbales to Ministry of Foreign Affairs concerning persecution of innocent people in German-occupied Europe.

The Honorable  
The Secretary of State,  
Washington.

Sir:

With reference to the Department's unnumbered circular telegram of June 14, 1944 from the War Refugee Board concerning the efforts of the United States Government, in cooperation with the British Government, to find havens of refuge for all persecuted peoples who may be able to escape from German-controlled areas of Europe, and to its unnumbered circular telegram of June 15, 1944 requesting the Embassy to convey to the Spanish Government the contents of the President's message of June 12, 1944 to the Congress concerning his intention to provide asylum in the United States for approximately 1,000 refugees who have been forced by Nazi oppression to flee from their homelands and to seek refuge in southern Italy. I have the honor to enclose a copy of the Embassy's Note Verbale No. 2616 of June 21, 1944 addressed to the Ministry of Foreign Affairs in pursuance of instructions contained in those telegrams.

There is also enclosed a copy of the Embassy's Note Verbale No. 2664 of July 3, 1944 transmitting to the Ministry, in accordance with the request of the War Refugee Board contained in the Department's unnumbered circular telegram of June 28, 1944, the text of a resolution unanimously approved on the latter date by the Committee on Foreign Affairs of the House of Representatives expressing the deep concern of that body over the fate of the millions of persons in Hungary and other German controlled areas who stand in imminent danger of persecution and death at the hands of the Nazis.

The text of the statement by Francis J. Spellman, Archbishop of New York, on the subject of the persecution of Jews in Hungary, contained in the Department's telegram No. 1850 of June 29, 1944, has been transmitted under cover of a personal letter to the Chief of the European Section of the Ministry of Foreign Affairs, the Spanish

and Miss Chauncey (For the See'y), Abrahamson, Alvin, Berenstein, Cohn, Dabols, Friedman, Gaston, Hadel, Laughlin, Lesser, Mann, Hannon, Marks, McCormack, Peltle, Sergy, Stansh, Weinstein, Files

- 2 -

official most directly concerned with the rescue and relief of refugees from German-occupied Europe.

The Madrid outpost of the Office of War Information has continued to cooperate in making known the attitude of the Government and people of the United States with respect to German and German-inspired persecution of innocent peoples in Europe by publishing in its daily and weekly information bulletins the texts of the foregoing statements.

The Embassy has on numerous occasions discussed with the Ministry of Foreign Affairs the question of ways and means by which the Spanish Government can assist in the rescue and relief of the victims of German persecution, and for information concerning the manner and degree in which the latter is cooperating in this respect the attention of the Department and the War Refugee Board is called to the Embassy's telegrams No. 2369 of July 9, 1944, 11 a.m., and No. 2479 of July 15, 5 p.m.

Respectfully yours,

W. Walton Butterworth  
Charge d'Affaires ad interim

Enclosures:

1. To Ministry of Foreign Affairs, No. 2616, June 21, 1944
2. To Ministry of Foreign Affairs, No. 2684, July 3, 1944

File No. 800-War Refugee Board

WMB/jf

Original to Department  
(for Oualid machine)

COPY

Enclosure No. 1 to despatch No. 2760 dated July 19, 1944 from R. Felton Butterworth, American Charge d'Affaires ad Interim, at Madrid, Spain on subject of Persecution of Innocent peoples in German-occupied Europe.

No. 2616

## NOTE VERBALE

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and, with reference to its Note Verbale No. 2232 of March 28, 1944 transmitting to the Ministry the text of a statement made by the President of the United States on March 24, 1944 condemning the brutal persecution of innocent people by the Axis Powers and calling upon the free peoples of Europe and Asia to assist in their rescue, has the honor to transmit herewith the text of a message which was sent to the Congress of the United States by the President on June 12, 1944 concerning his intention to provide asylum in the United States approximately 1,000 refugees who have been forced by Nazi oppression to flee from their homelands and to seek refuge in southern Italy. Pursuant to its determination to find havens of refuge for all persecuted peoples who may be able to escape from German-controlled territories, the United States Government, in cooperation with the British Government, is exploring every possibility for the enlargement of refugee facilities in the Mediterranean area and in other parts of the world, and confidently hopes that through the joint efforts of the Allied Governments and of the neutral nations of Europe many additional lives can be saved.

The United States Government is fully cognizant of the effective manner in which the Spanish Government has cooperated in this humanitarian task in the past and is confident that it will continue to use every means at its disposal in helping to effect the rescue and relief of ever-increasing numbers of the innocent victims of German persecution.

Madrid, June 21, 1944.

Enclosure:

Text of President  
Roosevelt's Message,  
as stated

RND/js

7/32

COPY

Enclosure No. 2 to despatch No. 2760 dated July 19, 1944 from W. Walton Butterworth, American Charge d'Affaires ad interim, at Madrid, Spain on subject of persecution of innocent people in German-occupied Europe.

NO. 2684

## NOTE VERBALE

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and has the honor to transmit herewith the text of a resolution which was unanimously approved on June 28, 1944 by the committee on Foreign Affairs of the House of Representatives of the United States of America expressing the deep concern of the latter body over the plight of the millions of persons, in Hungary and other German-controlled areas, who stand in imminent danger of persecution and death at the hands of their German oppressors, and voicing its determination that the criminals guilty of the persecution of these people shall be brought to justice.

The Ministry, having in mind the substance of the statements of the President of the United States communicated to it by the Embassy in its Notes Verbales No. 2232 of March 28, 1944 and No. 2616 of June 21, 1944 will recognize that this resolute statement of the of the elected representatives of the people of the United States is but one more expression of the stern determination on the part of those people and of their Government that the brutal persecution of innocent persons which has characterized the German occupation of Europe shall cease, or at least that its inhuman purpose shall be defeated insofar as possible through the rescue of its intended victims.

Madrid, July 3, 1944.

Enclosure:

Resolution, as stated

NWB/jsf

        
/jsf

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

July 19, 1944

9 p.m.

TO BE SENT IN SECRET "W"

AMLEGATION,

STOCKHOLM.

1442

The message below for Olsen is WRB 57.

Reference your 2570 of July 11 (WRB 50). Suggest that Mossiska Forsamlingen immediately advise JDC Lisbon of estimated expenditures necessary to maintain Jewish refugees from Finland in all categories, and of amounts needed. Board considers maintenance of persons described in items three, four and five to be covered by assurances given in Department's 749 of April 25 WRB's 4.

HULL  
(GLW)

WRB:MMV:KG  
7/18/44

S/CR

NOE

SECRET

CABLE TO MINISTER HARRISON AT BERN AND McCLELLAND

There follows for your information and guidance the substance of an airgram received from the Amembassy San Salvador: QUOTE

The note of April 17, 1944, from Dr. Arturo Ramon Avila, at that time Foreign Minister, to the Spanish Minister (in charge of German interests) reads in translation as follows  
INNERQUOTE

The Minister for Foreign Affairs of El Salvador begs His Excellency the Envoy Extraordinary and Minister Plenipotentiary of Spain and Representative of the Interests of Germany in this Republic, if he perceives no objections, that he interest himself, with a view to safeguarding the lives of all these persons who bear Salvadoran passports or who claim (pretendan) to hold Salvadoran citizenship, in order that the German Government, for humanitarian reasons, extend to the said persons all the privileges, rights and immunities granted to interned civilians in conformity with the Convention of Geneva on Prisoners of War. Arturo Ramon Avila thanks in advance His Excellency the Duke of Bailen for his courtesy in taking this action, which, if it appears opportune to him, he would appreciate done by cable, and renews to him the assurances of his distinguished consideration. San Salvador, April 17, 1944. END OF INNERQUOTE

The note of May 20, 1944, from Dr. Julio Enrique Avila, the present Foreign Minister, to the Spanish Minister, reads in translation as follows INNERQUOTE

The Minister for Foreign Affairs of El Salvador begs His Excellency the Envoy Extraordinary and Minister Plenipotentiary of Spain and Representative of the Interests of Germany in this Republic, to consider as modified the request referred to in the note verbale addressed to him by (the Foreign Minister's) predecessor, Dr. Arturo Ramon Avila, that he interest himself, if there are no objections, with a view to safeguarding the lives of all those persons who bear Salvadoran passports or who prove (justifican) that they possess Salvadoran citizenship, in order that the German Government, for humanitarian reasons, extend to the said persons all

- 2 -

the privileges, rights and immunities granted to interned civilians in conformity with the Convention of Geneva on Prisoners of War. Julio Enrique Avila thanks in advance His Excellency the Duke of Bailen for his courtesy in taking this action, which, if it appears opportune to him, he would appreciate done by cable, and renews to him the assurances of his distinguished consideration. San Salvador, May 20, 1944. END OF MENERQUOTE

The modification consists in the change of the words QUOTE persons who bear Salvadoran passports or who claim (pretendan) to hold Salvadoran citizenship UNQUOTE to QUOTE Persons who bear Salvadoran passports or who prove (Justificuen) that they possess Salvadoran citizenship. UNQUOTE

The Embassy unsuccessfully tried to have the present Foreign Minister send a note verbale identical with that of his predecessor, but Dr. Avila insisted on making the modification. He informs me that he is contemplating no new steps.

The Spanish Minister confidentially informed me that he had not bothered to transmit the second request as he considered it so similar to the first. The Swiss Government is therefore undoubtedly still working under the more liberal terms of the first request. It is consequently strongly suggested that no further action be taken unless the situation changes. END OF QUOTE

THIS IS WRB HERN CABLE NO. 87.

10:15 a.m.  
July 19, 1944

LSLesser:tmh 7/18/44

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATE: July 19, 1944  
NUMBER: 4604

## SECRET

Reference is made herewith to Legation's July 5 cable No. 4260 and to the Department's July 6 telegram No. 1945.

A note from the Foreign Office, dated yesterday, states that according to a telegram from the Swiss Legation at Budapest, authorization has been given by the Government of Hungary for the departure of all Jews from Hungary who hold entry permits for another country, including Palestine.

This same message states that transit through occupied territories will be permitted by the German Government. As soon as possible the Swiss Legation, in collaboration with the Palestinian Bureau, Budapest, will take necessary measures for evacuation. It is probable that Hungarian police passports will constitute travel documents.

HARRISON

DCR:EBH  
7/20/44

SFG-874

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

Bern

Dated July 19, 1944

Rec'd 5:49 p.m.

109

Secretary of State

Washington

4610, July 19, 3 p.m.

Following is text of Legation's note No 8663, June 13:

"The Legation of the United States of America presents its (compliments?) complainants to the Division of Foreign Interests of the Federal Political Department and with reference to reports which have come to the attention of the Department of State regarding the condition of persons of the Jewish race in Hungary, has the honor to inquire whether the Division would be disposed to convey informally to the Hungarian Government on behalf of the Government of the United States a message in the sense of the following text: 'The Government of the United States requests that the appropriate authorities in Hungary state their intentions with regard to the future treatment to be accorded to Jews in ghettos and concentration camps particularly whether the Hungarian authorities contemplate the imposition of discriminatory reduction in food rations, forced deportations to Poland or elsewhere, or the adoption of other measures which, like those mentioned will be tantamount to mass execution.

'The Government

-2-#4610, July 19, 3 p.m., from Bern

'The Government of the United States desires to remind the appropriate Hungarian Authorities of the grave view which the United States Government takes concerning the persecution Jews and other minorities, and of the determination of the United States Government to see to it that all those who share the responsibility for such acts are dealt with in accordance with the warning issued by the President of the United States on March 24, 1944.'

"The Legation avails itself of this occasion to renew to the Division the assurance of its highest consideration."

Additionally extract of President's statement of March 24 beginning "The United Nations are fighting" and concluding "to this righteous undertaking" enclosed with note.

HARRISON

EEC  
WMB

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATED: July 19, 1944  
NUMBER: 4615

## CONFIDENTIAL

Reference is made herewith to Legation's June 26 telegram No. 4066; the Department's July 17 cable No. 2439; and Legation's cable No. 4610 of today.

It is requested that you refer to WEB No. 85 transmitted in cable under reference from the Department and to first cable under reference from Legation in connection with note contained in last reference cable.

HARRISON

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara  
TO: Secretary of State, Washington  
DATED: July 19, 1944  
NUMBER: 1313

## CONFIDENTIAL

Kelley sends the following for Pehle.

With reference to Department's cable of July 10, Number 621, WRB 75, \$50,000 has been transferred to Iver Colsen, Stockholm by the Central Bank through the Chase National Bank, New York. Only \$5000 has been transferred by me to Hirschmann, as he asked me to hold the balance of \$5000 in my account for the present.

KELLEY

DCR:GPW

7-21-44

HIS-27

PLAIN

Ankara

Dated July 19, 1944

Rec'd 3:56 a.m., 20th

Secretary of State,

Washington.

1315, Nineteenth

FROM HIRSCHMANN FOR WAR REFUGEE BOARD ANKARA

NO. 98.

Mrs. Henderson and Miss Bizler arrived yesterday. Please inform families.

KELLEY

JJM

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM

114  
DIVISION OF  
COMMUNICATIONS  
AND RECORDS

KD-953

PLAIN

London

Dated July 19, 1944

Rec'd 9:30 p.m.

Secretary of State

Washington

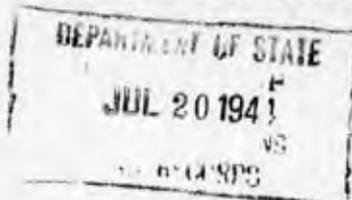
5704, Nineteenth

FOR SECRETARIES OF STATE AND TREASURY

The following is a summary of London press comment of July 19 on the Bretton-Woods conference.

The financial column of the MANCHESTER GUARDIAN is devoted to a summary of some of the points in Keynes speech on the bank project, but it contains no other comment.

A news item in the FINANCIAL NEWS quotes Reuter on the Mexican delegations contention that under a clause of the bank plan member countries could refuse to export capital goods. It is reported that Mexico fears that industrial nations such as US and UK might not wish to supply capital goods to potential competitors. This article also reports that no silver recommendation would now be made. The NEW YORK TIMES criticism of the conference as securing "agreement on superficial problems" is



-2- #5704, Nineteenth, from London

problems" is quoted as well as its contention that Americans greatest contributions to international cooperation would be to remove excessive barriers against imports, to stop deficit financial after the war, and to stabilize the dollar in terms of gold. It is stated that "an official statement emphasized that the conference would reach agreement on all matters of substance by today, which was the closing date first arranged, but that a final plenary session on Saturday."

The FINANCIAL TIMES dispatch from its Bretton-Woods correspondent reports that Britain has invited some Commonwealth members with sterling balance problems to confer in London, and that Britain will attempt to devise a method for converting a part of sterling balances into dollars or other currencies.

This correspondent also reports that "some Latin American countries have stirred up resistance to the proposed world bank by declaring that they little interested, because they have no reconstruction problem and because the making of a deposit in the world bank would involve risks which they would rather not accept. As a compromise they suggest that subscriptions to the world bank be related to the special rights of those countries to

-3- #5704, Nineteenth, from London

countries to borrow for the exploitation of undeveloped natural resources. Although the present world bank plan does not differentiate between reconstruction and exploitation loans, Latin Americans forecast priority for the former." The article adds, however, that other Latin Americans have joined "a fifteen nation caucus" which heard the US delegation suggest that the bank quotas be the same as those in the fund.

WINANT

EH

KEM-995

PLAIN

Lisbon

Dated July 19, 1944

Rec'd 11:34 p.m.

Secretary of State,

Washington.

2224, Nineteenth, 4 p.m.

FOR EDWARD CAHILL BOSTON FROM ELISABETH DEXTER.

UNITARIAN 304.

Badly out of touch with committee latest letter dated May 6. Present movement critical for future developments. Opportunities presented by Field and Brooks are logical outgrowth earlier work; most of needed permissions are already assured and no further explorations necessary. Strongly urge prompt and courageous decisions regarding Field's requests and essential parts Brook's plan. Appreciate your difficulties but beg you remember Unitarian Service would never have existed without taking chances. Opportunities probably now or never.

NORWEB

JJM EEC

SECRET

*Read 310 pm  
7/19/44*

OPTEL No. 235

Information received up to 10 a.m., 19th July, 1944.

1. NAVAL

Two of H.M. Cruisers and one of H.M. Monitors with armed landing craft yesterday bombarded German batteries in support of land operations. On 17th/18th a minelaying unit claimed to have hit three trawlers off DUNKIRK. MTB's attacked 3 or 4 R-boats and 2 groups of trawlers off DOULOGNE and claimed hits. MTB's off BERCK set off fire 2 out of 3 R-boats and damaged 7 others. Our casualties - 2 killed, 6 wounded. Afternoon 18th a Catalina attacked a U-boat west of the LOFOTEN Islands. About 45 survivors seen in the water.

2. MILITARY

NORMANDY. Early 18th a force of 3 U.K. Armoured Divisions flanked by 3rd Canadian Division right and 3rd Division left, launched a major attack southwards from east of CAEN. By noon a break-through nearly 7 miles deep had been achieved and U.K. armoured and mobile forces are now operating in the open country S.E. of CAEN. Canadians are engaged in hard fighting in the VAUCELLES Suburbs of CAEN. U.S. troops have captured ST. LO and made further limited advances towards the lateral road PERIERS-ST. LO.

ITALY. Poles have made considerable advance and their advanced units have reached southern borders ANCONA. Not know yet how strongly Germans are holding down. U.K. and South African Forces have continued satisfactory advances N.W. of AREZZO, former reaching MONTEVARCHI reported clear except in Northern outskirts. RADDA also in our hands. U.S. Forces have pushed on rapidly to River ARNO at PONTERERA and are closing in on LEGHORN from East and South.

RUSSIA. Russians have made further progress on wide front between OSTROV and DVINSK, have advanced beyond VOLKOVYSK to within 38 miles of BIALYSTOK and astride railway BARANOWICZE-BREST LITOVSK, are within 17 miles of latter. They report a new advance towards LNOV of up to 30 miles on 125 mile front, including capture of BRODY and KRASNOYE.

3. AIR OPERATIONS

WESTERN FRONT. 18th. In favourable weather 5,292 offensive and escort sorties flown. Between 5.40 a.m. and 10 a.m. German strong points near villages east of River ORNE were bombed by 1,029 Lancasters and Halifaxes - 5,008 tons; 570 Liberators (1,272 tons) and 301 Marauders and Bostons (578 tons). 380 fighters provided escort. Visibility good, bombing very effective. 650 Fortresses escorted by 420 fighters bombed experimental stations PEENEMUNDE and ZINNOWITZ - 952 tons; KIEL Port 228; CUXHAVEN 110; and an oil refinery HEMMINGSTEDT - 119.

105 escorted Halifaxes and Lancasters bombed VAIRES Railway Centre - 364 tons. 118 escorted Marauders attacked 4 railway and road bridges in wide area S.E. of battle front - 202 tons. Armed reconnaissances over the battle area involving a large number of sorties were flown and 270 tons dropped. Cloud prevented observation at KIEL, CUXHAVEN and HEMMINGSTEDT. Preliminary reports indicate good results everywhere elsewhere. German casualties 37, 6, 26 plus 6 destroyed on the ground. Ours - 37 missing, including 13 heavy bombers and 4 heavy bombers crashed.

18th/19th. 959 aircraft despatched: synthetic oil plants WESSELING and BUER - 363, railway junctions AULNOYE and REVIGNY - 263; flying bomb site - 62; BERLIN and COLOGNE 28 Mosquitoes; mine-laying and other tasks 243. 34 aircraft missing.

YUGOSLAVIA. 16th/17th. Heavy bombers (2 missing) dropped 175 tons on oil refinery SMEDEREVO, S.E. of BELGRADE.

4. GERMAN ACTIVITY

During 24 hours ending 6 a.m. 19th 85 flying bombs plotted.

Bretton Woods, N.H.  
July 20, 1944  
9:15 a.m.

LIQUIDATION OF THE BIS

Present: Mr. Schmidt  
          Mr. White  
          Mr. Luxford  
          Mr. Vinson

H.M.JR: Mr. Luxford, did you have a suggestion as of this morning?

MR. LUXFORD: Yes, sir. (Reading) "United Nations Monetary and Financial Conference recommends that the Bank of International Settlement be liquidated at the earliest possible moment."

H.M.JR: God, that is short and sweet. Now, what is back of that?

MR. LUXFORD: We wanted to use the language Lord Keynes suggested, except the words "...at the date of the constitution of the Board of the Fund." In other words, instead of putting the time such as the creation of the Bank or Fund, make it as soon as possible.

MR. WHITE: It is more than that. Lining this up with the BIS in the way in which Keynes suggested, I think, would be most unfortunate. It would make it appear that that is a direct competitor.

MR. VINSON: I haven't seen the Keynes memo. (The Secretary hands Mr. Vinson Lord Keynes' memorandum of July 19, 1944, contained in ten o'clock meeting of July 20)

H.M.JR: It came in last night. I gave it to Luxford. Have you got all that stuff about Beyen and all the rest of it for when I see Keynes? I don't want it now.

-2-

MR. SCHMIDT: Yes.

H.M.JR: About the Czech gold, that one paragraph?

MR. SCHMIDT: Yes. I have it.

MR. WHITE: I think he knows that. I don't think I would rest my case on that.

H.M.JR: Well, from talking with him, Harry, I am not sure how much he does know. Incidentally, the language of the English gave out in regard to the location. Word for word, the speech that Acheson made to me when he was trying to stop us from bringing the matter up as to the location of the Bank--it doesn't seem to me as though it was an accident. Either he gave it to the English or the English gave it to him.

MR. VINSON: It might be said that Keynes did not make a full statement at all before the Commission, when he withdrew the alternative, which I think was better.

H.M.JR: Now this is not what he told me at supper he would do, which carries out Luxford's idea that there is a split in the Delegation.

MR. LUXFORD: I think that Bolton and Pell are not keeping Keynes informed of what has actually happened.

H.M.JR: Because what he told me at supper was not this. In other words, he is evidently one of these fellows who isn't very good arguing face to face, but likes to take it out in writing. If he told me last night flat--told me, one, he would withdraw--which he says in the letter--you have seen it?

MR. WHITE: I glanced at it, yes.

H.M.JR: But he also said he would do whatever we want. What do you think, Judge?

-3-

MR. SCHMIDT: Did you say, Mr. Secretary, that Lord Keynes said he was willing to go along with the Norwegian proposal?

H.M.JR: That's what I understood.

MR. SCHMIDT: If that is so, that draft that Luxford has shown you is essentially the same.

MR. VINSON: He doesn't put it in black and white that he is willing to go along.

H.M.JR: No, but Fred, if we could get some agreement among the American Delegates, as soon as we adjourn, I am going to ask Keynes and Bolton and Ronald to come down here.

MR. WHITE: They will try to tie this up with the Bank so as to make it look as though the Bank is a fine institution, but it is going to tie up with the United States Monetary Fund.

MR. VINSON: This provision would be very detrimental to the passage of the bill in the Congress, because it would be argued, why here you have a Bank for international settlement.

MR. WHITE: That's exactly why they want it.

MR. VINSON: That would be worse.

H.M.JR: I am not sure that fellow Beyen didn't pull a fast one on us, too.

MR. LUXFORD: What kind of a fast one?

H.M.JR: Getting us to do something which he knew that Keynes would object to.

MR. LUXFORD: No, he didn't get us to do it. He fought it tooth and nail. We forced him to give us the right technical language against his will.

-4-

MR. WHITE: He said it couldn't be done. Luxford asked him, "Supposing it wasn't a matter of policy, how would you suggest it could be done, as former President of the BIS?" So he had to give the language.

MR. SCHMIDT: He was making the same argument, Mr. Secretary, that Keynes was making to you. Namely, that the way it was, it was technically definite, would take fifteen years to wind it up and then no nation could join the Fund for fifteen years. Luxford said, "How could that be corrected in the draft?" He said, "Say no nation can join the Fund until it has gone on record or taken steps to foster the liquidation." That means as soon as they begin to start, they have declared themselves, everybody in the Committee felt that wasn't the complete answer.

H.M. JR: May I ask one thing, gentlemen? My inclination is that when this group meets about the English, we ought to have--to make it more difficult--ought to have Acheson present.

MR. VINSON: I think he ought to be here, if it is at all possible, yes.

MR. WHITE: I think he ought to be here. They will try very much to get this to look just the opposite of what we want. They will try to give the BIS status and a clean bill of health by saying it should continue in operation until the Fund comes and then it ought to pass out because it is doing approximately the same work. In the first place, it makes it more difficult for us in the Fund, because they can say, "Why don't you give the BIS some more powers?" In the second place, it would look as though they were a perfectly good institution, it is just that the Fund has a little broader powers. And in the third place, it would be a public recognition of the fact, by forty-four nations, that BIS is a good institution and should continue until the Fund--

-5-

H.M.JR: Well, I am confident, if I can get Keynes down here face to face and make him agree to something on the spot, that I can be successful, because when he got upstairs, somebody wrote this letter and he signed it and it is a very bad letter. Eady told me he wasn't feeling well for a slight time.

MR. VINSON: I was up there. I had a meeting with him at nine o'clock. Ronald, Brand, Bolton and somebody else, I think, and Eady, were there. Keynes was lying down. As they put it, he had gotten giddy in coming upstairs to the meeting.

MR. WHITE: He walked instead of using the elevator.

H.M.JR: He said he was coming back here at nine o'clock, but he didn't--last night.

MR. WHITE: It is very strange that he should have been that excited, because he knew the resolution was coming. They had opposed it, he told me they had opposed it.

MR. LUXFORD: I think that Bolton and Ronald probably just went to town on him.

MR. VINSON: He says, "Whatever our wishes might be in the matter, would inevitably prevent us from participating either in the Fund or in the Bank until after the expiration of an indefinite period."

MR. LUXFORD: It was precisely that argument on the part of ~~Byen~~ which we met by having ~~Byen~~ write language that would prevent that.

MR. SCHMIDT: It says they shall not be eligible for membership in the Fund as long as the Central Bank has not taken the necessary steps to foster the liquidation.

-6-

MR. VINSON: That "foster" isn't as clear as to declare intention. That was the way I understood it last night.

MR. WHITE: That's the way it was in the draft when I left it.

MR. LUXFORD: Sure, but this is what Beyen said would be needed to do the job under the articles of the BIS. All that they would have to do is each country could send a notice.

MR. WHITE: Istei just saw him to say that Ronald had seen him and Ronald is furious.

H.M.JR: At what?

MR. WHITE: This thing. Ronald is the one opposing it.

MR. SCHMIDT: He is the old Foreign Office boy.

MR. VINSON: Somebody told me he was with Chamberlain at Munich.

MR. WHITE: I was kidding. I said he carried his umbrella. I am sorry.

H.M.JR: Our Foreign Office is completely in sympathy with the British Foreign Office on this thing and I am sure is aiding and abetting them. I mean both McDermott and Pete Collado were just furious over this thing.

MR. LUXFORD: It's amazing how excited they can get about this BIS.

MR. WHITE: They can't get excited about other things, but when it comes to this--another thing is, they had taken action. Am I right? When Orvis came to see me about it he said, "The thing is licked."

-7-

MR. SCHMIDT: Pasvolsky thought he had it put on ice.

H.M.JR: If necessary, I will call up Hull and tell him to crack down on these boys.

Bretton Woods, N. H.  
July 20, 1944  
9:30 a.m.

BANK - RUSSIAN QUOTA - BIS

Present: Mr. Coe  
Mr. Cox  
Mr. Ness  
Miss Newcomer  
Mr. Acheson  
Mr. Wolcott  
Mr. Tobey  
Mr. Brown  
Mr. Kelchner  
Mr. Collado  
Mr. Szymczak  
Mr. Brenner  
Mr. Spence  
Mr. Schmidt  
Mrs. Klotz

H.M.JR: Good morning, everybody. I think we might hear a report first from the Quota Committee.

MR. VINSON: Russia says nine hundred million dollars. The day before yesterday, they said they had the authority to say a billion, but if they had more than a billion, that they would have to wire Moscow. Yesterday, they said nine hundred billion.

MR. TOBEY: Any explanation of the discrepancy?

MR. VINSON: Day before yesterday they said they wanted a little below United Kingdom, when quotas were involved it was a hundred million. Now, a little below one point two is nine hundred million dollars. They gave us the same talk, Senator, that they have given clear through. In the meeting of the Quota Committee, they were adamant. Lord Keynes went after them roughly in regard to the fact that the world might think that they were not a good credit risk. So the meeting broke

-2-

up with their sticking firmly at nine hundred million.

Then I reported that to Henry. He called Stepanov and had a conference with him, and Mr. Stepanov was in a different frame of mind. The Secretary presented it in, I think, and I hope, an effective way. It seemed most effective at the time. I won't say effective--I will have to wait for the end product.

H.M.JR: It cost me a quart of twelve year old scotch!

MR. TOBEY: Cheap enough.

MR. VINSON: They said they would cable Moscow. Outside after the Committee meeting adjourned, I called their attention definitely to the "little below", and also to their statement to me that they had the authorization for a billion, and then they said almost a billion. In the meeting, they skillfully avoided making a statement as to what their position had been. I asked them about the conversation the day before, but they said that they had advised with the necessary people. They didn't say they had received a wire from Moscow, and they didn't say that they hadn't made a commitment. However, I did not throw that into the Committee meeting. I didn't think it was good tactics. Mr. Stepanov said he had wired and advised Moscow that Grandpa Morgenthau--

H.M.JR: I hoped you wouldn't tell them that!

(Mr. Spence and Mr. Fred Smith enter the conference)

MR. VINSON:...recommended seriously and strongly, for the benefit of Russia, to go to the billion, two hundred million. So that's that on the Russian end.

I did not go to the three and a quarter billion in the Committee yesterday, because of the changed situation. If we go to a three and a quarter billion on a quota of eight billion eight, I think that the matter can be determined, but I wanted Russia's quota upped, if possible,

-3-

without going to the top limit, which the Delegation authorized.

H.M.JR: Well, you have heard the report. Any comments or questions or suggestions?

MR. WOLCOTT: The three and a quarter billion, as we talked yesterday, was thought to be a third of the total. So I think it might be you have done well to keep it in the background, because if they think that their contributions are two-thirds of the total and they are going to be the beneficiaries and we are not, I think it puts you in a better position to indicate we will take a third regardless of whether it is a billion or three billion.

MR. WHITE: Judge, a third was of the ten billion. They are setting aside about a billion for the other countries that come in, so that the other countries here have not two-thirds but something a little less.

MR. WOLCOTT: That is understood.

MR. VINSON: This gadget can be attached to the three and a quarter, or it could even be used with three point three, that the subscription of three point three or three point two five would be our commitment for one-third of either nine nine or nine seven fifty, and that when the capital stock was raised, increased, or rather the money was paid in for the capital stock up to nine seven fifty or nine nine, that our subscription, of course, would be in lieu of any new subscription. In other words, it would be anticipation of the top amount of the capital stock. I don't know whether I make myself clear or not, but we won't have to--if next year, capital stock went to ten billion dollars or we will say, nine billion nine hundred million, or if you take your figure three and a quarter, nine billion, seven hundred and fifty million, our portion of it would have been paid in. I think that is protective of the three two fifty, don't you Jess?

-4-

MR. WOLCOTT: I think so, yes.

H.M.JR: Any other questions?

MR. SPENCE: What did the Russians agree to do?

MR. VINSON: Nine hundred million.

MR. WHITE: Of course we have another argument. They made much of the fact that if they applied the quota, the formula which we talked about in Washington, to their Fund quota, it would give them a billion, two hundred million, something like what they have got. We didn't discuss that quota prior to their coming here. Now if we apply the formula which we had on the Bank which was available to them, it would give them a billion two or three.

MR. VINSON: They stated that in Washington they were told that Russia's portion was a billion in the Bank, and that they agreed to it-- that it was one-tenth. Then the statement was presented, wasn't that same fraction applied to the Fund, one-tenth both in the Fund and in the Bank? And it concerned them mightily. They of course had time to make equivocal answers, but--

MR. WHITE: We told them they would get ten percent.

MR. VINSON: Instead of stopping at one-tenth in the Fund, they said, "Well, it is one point two".

MR. WHITE: It is true, we said they would get at least ten percent of the quotas.

H.M.JR: Any other questions? (No reply) Then Mr. Vinson will continue to conduct these negotiations with the assistance of the people he is getting assistance from and will keep us informed.

MR. VINSON: And I think with three and a quarter billion dollars, that we can worry # out.

-5-

MR. SPENCE: Is the Russian answer final or are they still negotiating.

MR. VINSON: Still wiring. They are cabling Moscow. We will see what they say about Grandpa Henry!

H.M.JR: Mr. Szymczak, prior to your joining this meeting, I asked on three different occasions that no discussions in the room be mentioned outside. You didn't have the benefit of my saying it. It is not personal. So if you don't mind--because this reference to Grandpa Morgenthau I don't want to read in the paper. (Laughter)

MR. VINSON: He handled that very effectively and it was very well received by the Russians.

H.M.JR: I wanted to lecture them and I felt if I referred to myself as Grandpa, they might take it if they had a good sense of humor, which they did. Stepanov said, "We will use the exact language that you did--that Grandpa Morgenthau is making this suggestion." He said, "We will use that exact language." I thought if I put myself in that category that they would take it in better grace, and they loved it. But I would just as leave not read about it in Drew Pearson's column next week!

MR. TOBEY: What about looking ahead, assuming they come back and say, "Nothing doing"? What is the next step?

MR. VINSON: I think we can come out with the three and a quarter. Mathematically it doesn't quite reach it, but we can pick it up. We can pick up the difference by increasing the subscriptions of others.

MR. WHITE: I think they are probably out for a billion.

MR. VINSON: I worked on every possible combination I could think of last night until about two-thirty. I took Russia in at nine hundred million. I took them in at one billion, I took thirteen countries and with the

-6-

five percent increase, both with Russia in at nine hundred and in at a billion. Then I knew the conversations with Egypt and Luxembourg and Poland, and the Latin Americans, and I have several different combinations. They were very much perturbed about the Latin American situation. The Norwegian was very vicious, from my viewpoint. I don't know his name.

MR. WHITE: Colbjornsen.

MR. VINSON: His idea was that Latin America had been preferred and that no country should have a subscription less than one-half of their quota, and he hammered on that and he talked about the additions that would come from the smaller countries in Central and South America. That was in the morning meeting. Between that time and the afternoon meeting, I just took the countries in Latin America whose quotas were less than fifty percent, and the amount of their under-subscription was the magnificent sum of six million four hundred thousand dollars. And in the afternoon session he still said that if that wasn't done, it might endanger the Fund. And I remarked that if the foundation was no stronger than that, it must be built on sand. Lord Keynes was very much irritated that the Norwegians pursued it. But it was peanuts.

This thing happened. At the quota meeting on the Fund, Lord Keynes announced to the Committee that the Union of South Africa had reduced their quota fifty million dollars, in order that Poland and Czechoslovakia might get twenty-five million dollars more. So yesterday, when they were talking about undersubscribing in Latin America, of course I pointed out all the countries that had undersubscriptions. And then I stated that United States would be agreeable to make up, or increase, her subscription--the last two hundred and fifty million dollars of the eight billion, eight hundred million dollars--and in so doing, she would be increasing her subscription in

-7-

an amount that would take up all the undersubscriptions of all the countries in the world, missing it by twelve million dollars.

H.M.JR: That was a nice piece of mathematics. Now, is there anything else, Fred?

MR. VINSON: No, sir. If they want me to proceed at three billion, two hundred and fifty million, why I will work it out, but I have been trying to work it out so it would be a lesser amount.

H.M.JR: Is the American Delegation agreeable to Judge Vinson ~~proceeding~~ proceeding along the same lines that he did yesterday?

MR. ACHESON: Yes.

H.M.JR: No objections? (No reply) Then would you please proceed? I still have another bottle of scotch if it will help.

MR. VINSON: My room is 125!

H.M.JR: Well, that being settled, I got a message last night that several members of the American Delegation were upset by the change in the resolutions affecting the BIS, and when I got that message at 7:31, I told the people who were handling it, please to put it over until tomorrow when we would have a chance to discuss it here, and not to bring it up at the nine o'clock meeting, I think, of Commission Three. I was very glad that I had done that at 7:31, because at 7:36 Lord Keynes and his wife arrived here for dinner and his Lordship was extremely exercised over this matter. I was able to quiet him immediately when I saw what it was about by telling him that the matter would go over until this morning, until we had a chance to discuss it with the American Delegation, and after I discussed it with the American Delegation, I would ask for an opportunity to meet with him and discuss it with him further. I also asked him whether he would

-8-

give me a suggestion as to what they might do. Now at supper, he told me that they were just as much interested, in England, in doing away with the BIS, as we were; that politically it even looked larger on the horizon in England, if anything, than it did here, that they didn't like it; and he was fully cognizant of the fact that it was an institution which should be wound up, and that he would go up and write a letter. He did write me a letter, but the letter wasn't in tune with just what he said at supper. Now, what I would like to do, if it is agreeable to the rest of you--we have a Steering Committee of this American group, composed of Mr. Acheson, Mr. Wolcott, Mr. White, Fred Vinson, and myself. I would like to have an opportunity to discuss this with them at greater length, review what has happened, and the change that took place yesterday, and the whole episode; and then send for Lord Keynes and his assistant and sit down and see if we can't come to an understanding. Prior to my coming to Bretton Woods, I must say that the BIS, as far as I was concerned, I never gave it a second thought--it was unimportant--it was something which I thought would be taken care of in time. But it now has loomed on the horizon to the point to where it has become a tremendous issue, and I think now that they are making so much of it, I feel we can only do one thing, and that is, we have got to stand pat and indicate that the Conference at Bretton Woods doesn't approve of the BIS, and that at the earliest possible moment it should be liquidated. And to my surprise, Lord Keynes said last night at supper that as far as he was concerned, the original Norwegian proposal was satisfactory to him.

But I would be glad to go into as much detail with any of you good people who are not on the Steering Committee--you can ask me any questions you want, or offer any suggestions, or I will proceed any way you want--or leave it to the Steering Committee to try to work out a proposal. Now, I will proceed any way that the American Delegation would suggest.

-9-

MR. BROWN: I suggest it be left to the Steering Committee.

MR. TOBEY: Second that suggestion.

H.M.JR: Those in favor of leaving it to the Steering Committee would say Aye. Contrary? Then we will leave it to the Steering Committee. Unless there is some other business to take up, I would like to proceed at once on this, because I think it must be straightened out before we have any other business.

MR. TOBEY: Mr. Chairman, in connection with the BIS, has any comment come directly from the Chairman of the Netherlands Delegation?

H.M.JR: Not to me.

MR. WHITE: He has commented a great deal. He held a press conference last night in which he was reported to have said, by a couple of the reporters, that he was not opposed and had not been opposed to the dissolution of the BIS and had not taken any position against it.

MR. SCHMIDT: That is what he said in the windup of the Committee meeting yesterday.

MR. LUXFORD: He was retreating rapidly because he had been pushed and he was giving it away. Istel, Chairman of the Committee, said "Mr. Beyen, that is not what you said the other day. You were opposed to the Norwegian resolution and now you are saying you are not."

MR. SCHMIDT: He is a very shifty fellow.

MR. LUXFORD: The British did exactly the same thing.

MR. SCHMIDT: He has demonstrated his ability to forget what he said five minutes earlier.

-10-

H.M.JR: As I say, after my telephone conversation with Mr. Hull, knowing that he felt that it was appropriate for this Delegation to settle this matter, and saying, furthermore, that he felt it was part of my responsibility, I think that we should handle it.

MR. TOBEY: And take the responsibility?

H.M.JR: And take the responsibility. I think the only way we can take it is to indicate to the world our disapproval. Now that has become a tremendous issue, so, as I say, if there isn't any other business, I think if they will stay, plus the two or three men, you (Luxford and Schmidt)--

MR. KELCHNER: Mr. Secretary, may I just call attention to the fact that the timetable is running very short and it will be almost essential that the work of these two Commissions be called to end this, because they will have to be at the Plenary Session, the Executive Plenary Session, to review the work of the two commissions, Two and Three, and then the preparation of the final text after that, so that it will be necessary to have a least a full day and night to prepare the Final Act for the closing Plenary Session?

H.M.JR: Mr. Kelchner, I am going to stop the whole Conference until this whole BIS thing is settled and settled the way I want it settled. I am just going to stop the whole Conference. There aren't going to be any two ways about it.

MR. TOBEY: Good for you!

MR. WHITE: Only two more meetings in which it can be settled. The difficulty is within the group. The rest of the Delegation, everyone, with the exception of the British and possibly the Dutch, are ready to vote the thing right now.

-11-

H.M.JR: As far as I am concerned, and Mr. Brown can bear me out, I have never mentioned the BIS. It has never been of any importance. You have never heard me discuss it among any bankers or anybody else, have you?

MR. BROWN: No.

MR. WHITE: The question came from Norway.

H.M.JR: I mean, I have never talked with the Executive Committee of the ABA about it, I have never talked to Federal Reserve about it. It has been an unimportant issue until they made it an issue, and here are fourteen directors, twelve of which of these directors are Nazi or Nazi-controlled. Now this this is up before forty-four United Nations and we have just got to grab this thing and meet it head-on. You just can't have something like this come up before a group like this and let Dr. Kung crow about his success. Mr. Beyen, the Former President of BIS, has fomented this thing until it has become really an important issue.

Bretton Woods, N. H.  
July 20, 1944  
10:00 a.m.

LIQUIDATION OF BIS

Present: Mr. Acheson ✓  
Mr. Wolcott ✓  
Mr. White ✓  
Mr. Vinson ✓  
Mr. Luxford ✓  
Mr. Keynes ✓  
Mr. Bolton ✓  
Mr. Ronald ✓  
Mr. Schmidt ✓  
Mrs. Klotz

MR. WHITE: I would like to suggest he make the motion before the Plenary Session tomorrow to adopt the Fund, that is, Keynes.

H.M.JR: He was terribly excited and I quieted him down in two minutes by telling him the thing must not come up. I am going to ask Schmidt to review what has happened in the last couple of days when he comes down.

MR. VINSON: Of course you had reached that determination that it would be passed over before you saw Lord Keynes?

H.M.JR: Oh, yes. I made that clear here.

MR. ACHESON: Yes, that is what you said.

H.M.JR: That White and the others came in at seven thirty-one and told me about the thing. We only have a couple of days to go, but I want it so no American Delegate coming out of Bretton Woods can say that he didn't have a chance to be heard. This is the letter that came in last night from Keynes and this is not a letter in tune with what he said at supper.

-2-

"I was able to have a brief word with some of the members of my Delegation this evening. We are perfectly ready to accept the draft resolution which was before Committee 2 of Commission III until late today when a new text was surprisingly presented.

"The text which we are prepared to accept runs, I understand:-

"The United Nations Monetary and Financial Conference recommends that at the date of the constitution of the Board of the Fund the necessary steps will be taken to liquidate the Bank for International Settlements.'

"We are entirely in accord with the general purpose in view and the form of words above, or something on similar lines, will be quite acceptable to us.

"What we cannot manage is a recommendation from Commission III to Commission I to write some specific agreement into the International Monetary Fund. For technical reasons this, whatever our wishes might be in the matter, would inevitably prevent us from participating either in the Fund or in the Bank until after the expiry of an indefinite period.

"Thank you very much for dealing with the position so promptly."

In other words, he said he was willing to accept the text presented this morning. You have a copy of that if you want to go back.

MR. SCHMIDT: I have a copy of the text submitted to the Norwegian Delegation.

-3-

Now, I handed this last night to Luxford and if you would like to see this letter and explain in your opinion why we can or cannot accept--of course, we could always very simply go back to the original thing which he says in the first paragraph he would accept.

MR. ACHESON: That's what I think we ought to do.

H.M.JR: That would settle all arguments.

MR. ACHESON: Yes.

MR. WHITE: That would be all right.

H.M.JR: And as I understand it, sometime during this thing, Mr. Beyen also said he would accept that.

MR. ACHESON: That's what he told me after dinner in the hall.

MR. WHITE: The original Norwegian resolution.

MR. LUXFORD: Well, they argue for half an hour on what was the Norwegian proposal, every time you start talking about it. This is what they mean by the Norwegian proposal. (Hands the Secretary copy of Lord Keynes' statement)

MR. VINSON: That's the way that will read, Mr. Secretary.

H.M.JR: Not if you just read the first paragraph and hold there.

MR. VINSON: But he says, "As I understand it, it runs as follows," then he quotes his understanding of what the resolution is.

MR. WHITE: Do you have that?

-4-

MR. SCHMIDT: I have the Norwegian resolution, which is the only one they could refer to. The original contained a one-sentence statement recommending it be liquidated and went on and had other things about investigations.

H.M.JR: Do you have the original?

MR. SCHMIDT: I don't have it right with me. I can get it.

H.M.JR: I think you ought to get it.

MR. SCHMIDT: But before it even came up in the Committee, the Norwegians withdrew the part about investigations, and just recommended that instead it be changed to recommend liquidation and that is the only Norwegian proposal that was ever discussed in the Committee.

H.M.JR: But I had a copy on my desk for a long time.

MR. WHITE: That is similar to the one you have now.

MR. SCHMIDT: I am sure they are not talking about the one in which they recommend liquidation. Do you want the very original?

MR. WHITE: The one the Secretary saw was the one recommending dissolution.

MR. SCHMIDT: That's this one. (Hands copy of Norwegian proposal to the Secretary)

That is the only Norwegian proposal that was ever discussed before the Committee.

H.M.JR: This isn't the one that we passed on here yesterday morning.

-5-

MR. ACHESON: That's the one you telephone Mr. Hull about.

MR. WHITE: That it be dissolved as soon as possible.

H.M.JR: Mrs. Klotz, see if you can find--when I telephoned to Mr. Hull, I wrote different notes on it so that I could talk to Mr. Hull. It ought to be on my desk. (Mrs. Klotz leaves the Conference temporarily)

MR. WHITE: The reason why I am almost certain that that is it, is that that was the basis of discussion when the Russians wanted some modification.

MR. VINSON: Do I understand that from what Beyen said last night and the attitude of Dean Acheson and Mr. Brown, that they are all in favor of this resolution?

MR. ACHESON: That's what I understand.

MR. VINSON: Now, it seems to me, Mr. Secretary, that if that is true, there is just nothing to it except to have the Committee meeting and adopt that resolution.

H.M.JR: Let me read. This is what this says. "United Nations Monetary and Financial Conference recommends that the Bank of International Settlement be liquidated at the earliest possible moment". Is that agreeable to you, Dean?

MR. ACHESON: Absolutely. That is what I understand my boss is for. I am for that. That is what I understand you talked with him about and he says he is for that.

MR. VINSON: The trouble is, if that is agreeable all around, there is just no problem. (Mrs. Klotz hands the Secretary his personal copy of the Norwegian proposal)

H.M.JR: This is the one I read to Mr. Hull. "United Nations Monetary and Financial Conference recommends that the Bank of International Settlement be liquidated at the earliest possible moment." That's the one I read to him

-6-

over the phone, because there is my notes, McKittrick and all on that.

MR. ACHESON: I understand my instructions are to agree with Mr. Hull. I am for that.

MR. VINSON: I understand a draft came up which was offered in lieu of that language.

MR. ACHESON: Yes.

MR. VINSON: And that precipitated the discussion.

MR. LUXFORD: I want to be clear, Dean, why it came up. We were with the Norwegians on the draft that was raised yesterday afternoon. We haven't tried to hide that from anybody. The reason was that we had word that the Dutch and British would very likely raise a point of order on this discussion, on the ground that it was not tied up with either the Fund or the Bank in any sense.

MR. ACHESON: I think we will vote them down.

MR. LUXFORD: But that was the whole technique of it, that they would raise a point of order.

MR. SCHMIDT: And I might say that at the first meeting of Committee Two on this subject, the Norwegians and the United Kingdom opposed that language.

MR. LUXFORD: The Dutch.

MR. SCHMIDT: U. K. and the Netherlands opposed that language and recommended that a small committee be set up that would fix it some way so it would tie in with the Fund and make it clear that you just didn't want to liquidate the BIS, but that you wanted to do it only because it would continue operating together. They came out with this language which is substantially that given in Lord Keynes' letter, namely, that it be liquidated as soon as the Board of Governors of the Fund be established, and it was from

-7-

that point on that thing was changed into its present form.

H.M.JR: Jesse , you haven't changed since yesterday morning, going back to this?

MR. WOLCOTT: No, all I know about it is that someone met me in the corridor down there and I think it was Ned Brown, I am not sure, and told me of some new proposal by which they tied this in with the Fund in some manner and I don't remember just what it was, but it seems to me he said we were writing a provision into the Fund that no one could become a member of the Fund who was a member of the BIS , and so forth. That rumor got around, I think, and that's what started all of this trouble.

MR. LUXFORD: There is no rumor; in the sense that was a provision that was substituted yesterday, because there was fear the other resolution would be kicked out on a point of order. So we were tying it up to the Fund, but if the countries that are principally objecting are prepared to take the other one, there is no problem.

MR. WOLCOTT: I think it is predicated on that proposal that they couldn't be a member of the Fund if they were members of the BIS and two or three of them got the impression that they didn't want to make the success of the Fund a collateral issue to the BIS. If they go back to the original language I think everybody is quite agreed--

H.M.JR: You boys were worried about a point of order?

MR. LUXFORD: That's right.

H.M.JR: If you were worried yesterday, why are you still worried and if so, what do you do about it?

MR. LUXFORD: You only worry about a point of order if the British and the Dutch are going to fight. As long as they are willing to say, "This resolution is acceptable to us," I am not worried.

-8-

H.M.JR: Supposing we take White's suggestion and ask the British to propose this motion and let him say himself that the Netherlands will go along?

MR. ACHESON: That wasn't Harry's statement.

MR. WHITE: I didn't say that. Excuse me. I said to make a proposal in the Plenary Session to accept the Fund. It would give him a chance to make a speech. It had nothing to do with this. I am sorry I introduced it.

H.M.JR: Now I take it the thought is that we will go back to our proposal of yesterday morning, and suggest to Lord Keynes that he take this. Now, if he becomes argumentative, what I would like to do is get an agreement. Then I would say, "Lord Keynes, so there can be no possible misunderstanding, I would like Mr. Schmidt to review what has happened before the various Committees the last couple of days," to remove any doubts in his mind that we did anything that in any way could be criticized. What do you think, Dean?

MR. ACHESON: All right.

H.M.JR: Try to get an agreement first and then after he has agreed say, "If you don't mind, inasmuch as there were some doubts in your mind, I would like Mr. Schmidt to review what has happened," because these boys aren't sure that this fellow Bolton and whoever the other man is-- Ronald, have told Keynes.

MR. ACHESON: I think that is a good idea.

H.M.JR: But get an agreement first.

MR. LUXFORD: It is impossible to be as excited about it as he was on technical ground.

MR. ACHESON: I think that's the way.

-9-

MR. LUXFORD: I wonder if it wouldn't be a good idea if we have the sub-committee meet again and vote this thing out. Otherwise, there will be confusion on the floor of the Commission if at the last minute we push for this measure. If the sub-committee could meet and we would say, "Now to get agreement all the way around, we are prepared to take this if the Dutch and British are." Then the sub-committee can report it out unanimously. Do you think that is impossible, Harry?

MR. WHITE: No, I think it is quite possible. I don't think you need to get unanimous.--

MR. LUXFORD: You will have.

MR. SCHMIDT: I don't know. You could line up the Norwegians, the French, even Czechs and the Russians. Most of them don't care, whatever form it is.

MR. LUXFORD: Why don't you have them call a meeting? It will be short notice, but you can say the meeting did assemble--the meeting of the sub-committee.

MR. WHITE: The one that passed on what was going to be submitted to the Commission.

H.M.JR: I would formalize this thing. If they raise this question and we try to rush something and slide something by--

MR. LUXFORD: That is what I had in mind.

H.M.JR: I would go through all the formalities.

MR. LUXFORD: You can do that in an hour's time.

MR. SCHMIDT: You ought to have a meeting before lunch.

-10-

MR. VINSON: Lord Keynes has just sent me down a written suggestion in regard to subscriptions. We discussed it last night - Lord Keynes and I alone. I will read it, because it is interesting and I think you ought to determine what action we should take.

"The Bank: Draft of Board of the Subscription Committee. The Subscription Committee recommends as follows: (A) The standard of provisional subscription by members to the Bank shall be equal to their quotas in the Fund, amounting to a total of eight billion, eight hundred million, subject to the qualifications in (B) below. (B) The Committee understands that the United States Delegation is prepared to increase its subscription by two hundred and fifty million, provided the total does not fall short of eight billion eight. In view of this, the Committee after discussion, feel able to recommend agreement to certain reductions on the part of some of the members having small quotas, so that the standard of provisional subscriptions should be as follows." Then there would follow the table that is before the Committee. "(C) The above standard of subscription shall be provisional and no member country shall be committed to them until they have notified that they are prepared to accept them, and such exception when given shall be subject to the total not falling below eight billion eight hundred million, and therefore subject to a possible abatement as provided below. (D) Those member countries which have not notified their acceptance of the provisional basis of subscriptions as above, before the first meeting of the Board of Governors, may apply to the Board to approve a reduction of their subscription, and they will not be eligible for the privileges of membership until agreement has been reached with the Board as to the amount of their subscriptions.

"The Board of Governors shall also consider at their first meeting any application from non-members to be admitted to membership. If, as the result of the Board having agreed to a reduced subscription by any members, the total subscribed capital on the basis of the provisional

-11-

subscriptions which have been accepted fall short of eight billion, eight, after allowing for subscriptions from non-members now admitted to membership, any member country shall be entitled, if it wishes, to reduce the amount of its final subscriptions in the proportion by which the above aggregate subscription falls short of eight billion eight."

MR. WOLCOTT: Do you understand?

MR. VINSON: I think I do. There is an insert here in regard to the table, under (B). I don't think I read that. "Here follows a table allocating the Fund quota to each member with extra two hundred and fifty to United States and a reduction to some of the smaller countries, aggregating two hundred and fifty million dollars altogether."

That would mean that all countries should subscribe an amount equal to the quota, except the smaller countries, Latin America, some in Middle East and some in Europe. Now that is a provisional subscription. It is not binding on the countries. Of course, it wouldn't be binding, anyhow.

MR. WHITE: Now what happens if Russia subscribes only nine hundred million?

MR. VINSON: If this recommendation were followed, Russia's provisional subscription, as recommended, would be a billion two.

MR. WHITE: And supposing she doesn't accept, what happens to the others? Supposing Russia doesn't accept a billion two?

MR. VINSON: Whatever it would be reduced, you would have your non-member countries coming in and our subscription would stand at three if a total of eight billion eight were reached.

-12-

MR. ACHESON: Gentlemen, I think that is a bad idea. I think it is going to mix everything up.

MR. VINSON: I told him last night that I didn't like it. The angle I had to it was that I didn't feel that we ought to say--

MR. ACHESON: I think that just pulls the cork on any degree of certainty about this thing at all.

MR. VINSON: I told him to sleep over it, that I didn't like it.

MR. WHITE: I think it has to be settled before you leave and we have to agree to certain amounts and if Russia doesn't make a satisfactory settlement, just leave her off the quota.

MR. VINSON: That is a serious proposition, Harry, to leave Russia off the quota.

MR. WHITE: I mean, if she doesn't want to participate, then leave it blank until such time--

MR. WOLCOTT: Well--

MR. ACHESON: I think they will just have to.

MR. WHITE: They will have to from their point of view.

MR. VINSON: She says now she borrowed outside of the Bank.

H.M.JR: What do you suppose is behind this idea?

MR. VINSON: He wants to recommend to the Commission that Russia's quota be not reduced.

MR. ACHESON: Not reduced at all?

-13-

MR. VINSON: Not reduced at all. He says we have been too soft, and my view of his attitude yesterday didn't help us any.

H.M.JR: I was quite shocked last night at supper how anti-Soviet Russia Lady Keynes is.

MR. WHITE: That is to be expected. She was one of the richest women in Russia. Her family was extremely wealthy. They lost everything they had as a result of the Revolution. She was not only an artist--I mean she married wealth. The man she married had tremendous estates and tremendous wealth and they lost--I don't know that they lost everything, they may have some things outside, but they lost whatever they had, and have been very bitter since. That has been one of the factors that has influenced Keynes, because Keynes has made some statements in his Essays and Persuasions and others, that are not like him in his other writings.

MR. VINSON: I think there is one angle to this thing that may not be clear. The subscriptions in the Bank have not been handled in the same manner as the quotas in the Fund and it came about in this way, that Lord Keynes created the condition. We were leaving your office here today and I was talking with Dean and Jesse Wolcott and Harry, and we agreed that we ought to have a meeting of the Subscription Committee, and Dean was to call Lord Keynes. Do you recall that, Dean?

MR. ACHESON: I think so.

MR. VINSON: And arranging the time to go up and see Lord Keynes and no more?

MR. ACHESON: Yes.

MR. VINSON: When we went there, we not only found Lord Keynes, but we found that he had appointed a Quota Committee for the Bank and the entire fifteen countries were represented. Our mission with Lord Keynes was to

-14-

discuss the whole problem as we had in respect to the Fund and work the matter out, but Lord Keynes appointed the Quota Committee and they were there and the thing was thrown out to the whole group. So then we had--

H.M.JR: Does she sit in at those meetings?

MR. VINSON: No. Then we had to do the best we could, but Lord Keynes wants the Committee to recommend that Russia's quota should be one billion, two hundred million dollars.

MR. ACHESON: Can't do that.

MR. LUXFORD: He is dreaming. I don't see what tremendous difference it make whether it is nine hundred or one billion two.

MR. VINSON: I don't know what the Committee will do, because on that Committee are members from the devastated areas in Europe and they might vote that up.

MR. LUXFORD: The one billion two?

MR. VINSON: But I was really very much surprised when we weren't meeting with Lord Keynes himself in the preliminary conversations, where we could take our lead pencils and figure the thing out--

H.M.JR: Do you think in view of this letter if we come to an amicable agreement on the BIS, we should take this up, too, here?

MR. VINSON: It must be decided today.

MR. ACHESON: Yes, I think so.

MR. WHITE: Don't you think you ought to wait until the answer from the Russians is--

MR. VINSON: I believe that's right. Then we will know exactly what to do.

-15-

(Lord Keynes, Mr. Bolton, and Mr. Ronald enter the conference)

MR. KEYNES: I am worried on the other point of the Bank quotas.

H.M.JR: If you don't mind we will do the other first. We have had a meeting of the American Delegation and then this so-called Steering Committee of the American Delegation, and after talking with you and after reading your letter last night, particularly going back to our conversation at supper, what we would like to do is go back to the proposal that we were considering yesterday morning.

MR. KEYNES: Yes.

H.M.JR: Which was the one that I read over the phone to Mr. Hull and Mr. Hull has approved.

MR. KEYNES: That was substantially what I put in my letter, wasn't it?

H.M.JR: Not quite. This is the one. (The Secretary hands Lord Keynes copy of Norwegian proposal. Copies also distributed to Mr. Bolton and Mr. Ronald)

MR. KEYNES: (Reading) "United Nations Monetary and Financial Conference recommends that the Bank of International Settlement be liquidated at the earliest possible moment."

H.M.JR: We had a complete agreement among the American Delegation.

MR. BOLTON: I don't quite know what the earliest possible moment is.

MR. KEYNES: Not very early!

-13-

MR. RONALD: I would have preferred something about introducing the idea of practicality when the liquidation becomes a practical possibility, because that is the matter-- goodness knows how long it will actually take to complete the process of liquidation.

MR. WHITE: It is early enough for us!

MR. KEYNES: How does this differ from what I had in my letter to the Secretary?

MR. BOLTON: Not in substance at all. We should put an interrim date in.

MR. RONALD: "At the date of the constitution of the Board of Governors of the United States Monetary Fund, the necessary steps be taken to liquidate the Bank for International Settlement."

MR. KEYNES: The only difference is that that says it is contingent upon the establishment of the Fund. This says it shall be liquidated whether there is a Fund or not. I don't think we want to keep the damned thing alive, do we?

MR. VINSON: Amen, brother!

H.M.JR: That is all right.

MR. KEYNES: I think so.

MR. RONALD: There was never any disagreement, sir, on the fact that the two couldn't subsist side by side, that once the Fund came into existence, the Bank's place in the general order of things would no longer have any functions to fulfill.

MR. KEYNES: If the governments of the world throw out the Bank, which is our major recommendation, this will go with it. If, on the other hand, they don't throw out the Bank, then it seems to me substantially the same thing

-1/-

Do you believe so, Bolton?

MR. BOLTON: Yes. I think this is the best language.

H.M.JR: We'll take this. You will vote for this (indicating Norwegian proposal approved by Mr. Hull)?

MR. KEYNES: Yes.

H.M.JR: Would you mind speaking to the Netherlands about it?

MR. KEYNES: When is this coming up?

MR. WHITE: We are calling a sub-committee meeting this morning.

MR. KEYNES: I have to go to Commission at eleven. Will you speak to them?

MR. RONALD: Yes, I will.

H.M.JR: We thought to have this completely regularized, we would bring it up in the sub-committee.

MR. KEYNES: Yes.

H.M.JR: Which would only take a few minutes.

MR. KEYNES: Yes.

H.M.JR: Then this is settled?

MR. KEYNES: Yes.

H.M.JR: I would like to do this, if you don't mind, if you would bear with us for five minutes, I would like Mr. Schmidt who is Director of Foreign Funds for the Treasury, that is our Foreign Funds Control--it won't take

-18-

him more than five minutes--to review what has happened in the last couple of days on this. Would you mind?

MR. KEYNES: Not at all.

H.M.JR: When he is through, if these gentlemen would care to correct him, but I would like you to hear our side of the story in view of the doubt that was raised in your mind, please.

MR. SCHMIDT: The resolution relating to the liquidation of the BIS was first proposed by Norway, introduced sometime prior to July 10 and was inserted in the record in Document 235. At that time it not only recommended the liquidation of the Bank, but also an investigation of its past activities.

The Committee which was appointed to discuss the matter met for the first time on July 17. At that time the Delegation from Norway withdrew the original proposal and submitted substantially the one we have just agreed upon now; that is, he recommended that the part of the proposal relating to investigation be eliminated. In the discussion in the Committee meeting, two Delegates that opposed the present resolution were the Netherlands and the United Kingdom, and it was suggested that while there was general agreement as to the desirability of liquidating the Bank, that the statement as worded was not satisfactory, as there should be some reference to the Fund in there and the inability of the two exist side by side.

In view of the inability of the Committee to reach an agreement, it was suggested that a small Drafting Committee be appointed. And the Drafting Committee consisting of United States, France, Norway, Belgium and the Netherlands had an informal discussion, at which a draft was gotten up along the lines of that just read by Mr. Ronald, saying, "At the date of the constitution of the Board of Governors"--

-19-

MR. KEYNES: That was what I put in my letter to you.

MR. RONALD: That's right.

MR. SCHMIDT: It was felt upon reconsideration of members of the Drafting Committee, however, that that language seemed to bolster the BIS, and accordingly, when the Committee re-met yesterday, a third draft was introduced which is the one that was passed. I might say that in the discussion yesterday, the two alternatives that were considered were the one which made it contingent upon the establishment of a Board of Governors and the other one which said that--

MR. KEYNES: But this was brought up at the Committee meeting just before dinner, wasn't it? It was rushed through to be brought to the Commission before our Delegation had time to see it or had any notice.

MR. RONALD: It was ready in the afternoon, sir. Half past two.

MR. SCHMIDT: The Committee met at two o'clock. The early draft, however, the Norwegian one, which we have just agreed upon, was never agreed to by the United Kingdom Delegation and it was objected that there should be some reference to the Fund in the draft.

MR. KEYNES: I see how the misunderstanding arose.

H.M.JR: Then one other thing, please. Will you cover the thing about the press?

MR. SCHMIDT: With respect to the release of the matter to the press, that was not released to the press, as I understand it, until after the Committee had met and had adopted the proposal.

MR. KEYNES: But against our opposition?

-20-

MR. SCHMIDT: Yes.

MR. WHITE: I think the vote was ten to two or something like that.

MR. SCHMIDT: The only parties voting against the proposal were the United Kingdom and the Netherlands, so far as could be ascertained.

MR. KEYNES: But I don't think that should have been done, I must say.

MR. LUXFORD: That has been quite customary, Lord Keynes, in all the reporting of what has happened at this Conference.

MR. KEYNES: But in a Committee which has not been to a Commission on a disputed matter?

MR. LUXFORD: Oh, yes.

MR. KEYNES: I think it is very wrong.

MR. LUXFORD: We don't report who is taking one position or another, but you saw this issue was up and you discussed the pros and cons. But that has been the whole practice.

MR. WHITE: We have been doing that right along for two weeks.

H.M.JR: I think Lord Keynes has a point there.

MR. KEYNES: I think on a point of this kind, it really was very unfortunate.

H.M.JR: Well, would you like to ask our people any questions?

MR. KEYNES: No, I think we can regard this as closed, but we did feel very strongly about it, all of us, because

-21-

it was a thing that was so utterly unacceptable to us and we informed the Committee under our treaty obligations we couldn't do it. It was a special sort of situation. It wasn't we didn't want to do these, but we couldn't do it under treaty obligations. Then they go ahead to the press before it has been referred to me and done to Commission.

MR. WHITE: I think, Lord Keynes, there is some misunderstanding about that point, because it was raised at the meeting that it would be impossible or difficult--impossible I think was the word used--to undertake that under the treaty arrangements which existed.

MR. LUXFORD: Mr. Beyen suggested the precise language that could be used to avoid any contingency of that character. Isn't that right?

MR. RONALD: I did not agree with him, but I have no doubt that the use of the word "foster" would by no means get us out of the treaty difficulty, but there wasn't any particular object in raising the Fund at that stage of the meeting.

MR. LUXFORD: But there was clear agreement on everyone's part that you would avoid that treaty obligation.

MR. KEYNES: That is a ticklish issue in which one would have thought that the discussion would have been prominent. But let's regard that as closed because we have now come to an agreement.

H.M.JR: The reason I did it, we here in the American Delegation are so happy over our relations with your Delegation--

MR. KEYNES: They have been perfect.

H.M.JR: And knowing these doubts were raised in your mind, I thought we could take five minutes to try to clear up those doubts. That is why I did want to bring it up, and I hope that while you feel that we made a mistake on

-22-

the press, and I won't argue with you on that, but as to relationship, I just didn't want to--

MR. KEYNES: We are quite happy.

H.M.JR: Well, that is very important.

MR. KEYNES: There is one other point on Commission Three, I think Ronald, if you can spare another minute--

H.M.JR: I have all the time.

MR. KEYNES: It is on this question of loot.

H.M.JR: I am glad you brought it up. That is the only other thing.

MR. KEYNES: I am not very well acquainted with it.

MR. RONALD: Mr. Secretary, as you may know, the United Kingdom Delegation has expressed doubts throughout the discussion in Committee of the expediency or even the propriety of this Conference embarking on the formal relation of resolutions bearing on what has to be done on enemy assets and looted property and all the rest of it. And our view, which we have expressed in season and out of season, is that this subject is really rather outside the scope of the Conference. This view has been based on what we regard as the terms of reference of the Conference; that is, the terms of the invitation which was extended to us to attend this Conference. You may remember, sir, that in the invitation, it was stated that the Conference was to be held for the purpose of formulating proposals of a definite character for an International Monetary Fund and possibly a Bank for reconstruction and development. Of course, it would be understood that the Delegation would not be required to possess plenipotentiary powers and that the proposals formulated at the meeting would be submitted to the several governments and authorities for acceptance or rejection. Now, if we have got to submit to our governments

-23-

our recommendations about the matter that we were called here to discuss, are we really within our rights to act in a corporate capacity and call upon neutrals to do a whole lot of things which will affect the political relations between the neutral governments and the governments represented here?

The resolution which was moved yesterday calls upon the neutral countries to take measures to do all sorts of things in connection with enemy assets and looted property, and so forth. In the view of the United Kingdom it is not for this Conference to take upon itself a corporate capacity and issue to the world a message of this sort. What we were called together to consider was something that we had to refer to governments by the nature of our terms of reference. Here we are proposing to disregard our terms of reference and make a statement to neutrals which has little, if any, bearing on the subject matter that we were called together to discuss.

The second point on which we feel rather strongly relates to the second part of the resolution, which recommends the establishment by the United Nations of appropriate machinery to assist the nations of the world in doing a whole lot of things. In the view of the United Kingdom Delegation machinery to do those things has already been established and has been in operation for at least eighteen months. At least eleven if not twelve of the governments represented here are participating in the operation of that machinery.

H.M.JR: What is that machinery?

MR. RONALD: The principal organ is called "The Inter-Allied Committee on Acts of Dispossession". Well, that Committee is, in actual fact, endeavoring to uncover, segregate control, and make appropriate disposition of assets, locating and tracing ownership, and so forth. That is exactly what the Inter-Allied Committee is doing. Now, shan't we make ourselves look a little ludicrous

-24-

if we call upon governments to do something which we ought to know they have been doing for eighteen months? That is the short point. Have I stated it clearly, sir?

MR. KEYNES: Yes.

H.M.JR: May I ask the advice of Mr. Acheson on this? I am somewhat similarly situated to Lord Keynes in that I am not very familiar with it. How do you feel about it, please? Do you feel this is something that isn't a part of the Conference or do you feel it is something that some other agency should take up?

MR. ACHESON: Mr. Secretary, you remember we discussed this matter the other day.

H.M.JR: It is not very clear in my mind.

MR. ACHESON: In the original resolution there were two provisions which do not appear in this one. One was a paragraph which said that if the neutrals did not take the steps which the resolution called for, they should be held accountable. On reconsideration, we all agreed that that was not an appropriate part of the resolution and it should be left out.

The fourth paragraph, which is now the third in the original resolution said something about establishing a Commission to do this. That was changed and the present language was put in. I think that Mr. Ronald has a point, that there is appropriate machinery which has been established and is doing it, and perhaps that point might be met by changing the language to endorse the present machinery and urge that it go forward. So far as Mr. Ronald's first point is concerned--

H.M.JR: May I ask you? This machinery, is United States Government part of that?

MR. ACHESON: I understand so.

-25-

MR. LUXFORD: I think we are.

MR. ACHESON: That was machinery which was set up, as I remember it, at a meeting of Finance Ministers.

MR. RONALD: Yes.

MR. ACHESON: Meeting in London, which issued the statement very much like this one.

H.M.JR: Has United States Government or United States Treasury got representation on that?

MR. LUXFORD: Yes.

MR. ACHESON: I believe so. We have representation on it. I think I can review for you exactly what the situation is, Mr. Secretary. Two years or so ago, the United Nations issued their first declaration in the looted property field in which they said that they were calling the attention of neutrals and other nations, that they would not recognize title to looted property in the hands of neutrals. That was the scope of the first declaration, simply that we would not recognize the title. Two, about twelve months ago, perhaps not that long, we issued the gold declaration. Now after the first declaration was issued, it was implemented by the establishment of the Commission, which Mr. Ronald has referred to, and in which the United States has participated, in preparation of what we have done in the field and reported to the Commission. We worked on that.

Now, this resolution, I do not believe, in any way overlaps the other two resolutions that were issued. In the first place, the first one simply said that we would not recognize the title to looted assets. Now this one comes along and makes an appeal to the neutral countries to assist in the prevention of the sale of looted assets within their jurisdiction. That is, we are appealing

-26-

to them and that is all we are doing, to take further measures to prevent the transfer.

H.M.JR: But I want Mr. Acheson to satisfy me whether he agrees or disagrees with Mr. Ronald that this is within the framework of the purposes for which this Conference is called or that it is a matter which should go to some other body.

MR. ACHESON: I should agree that it is somewhat extraneous matter. I also agree that it was made clear in the invitation that the Delegates did not have pleni-potentiary powers and that therefore whatever was proposed here was referred to the governments for acceptance or rejection. However, it would seem to me that the governments had already accepted the doctrine contained in this call on the neutrals and that it would not do any harm to state it again. If I am wrong about that, if this goes beyond what the governments have done, then it seems to me that there is a point that the governments should have a right to pass on this sort of thing before they call on the neutrals.

MR. KEYNES: Isn't Ronald's point in any case that the United Nations Financial and Monetary Conference is not an organ which can, without reference to the governments, call upon neutral countries? It could recommend to governments that neutral governments be called upon.

MR. LUXFORD: We have committed this. The resolution was to be committed to the Drafting Committee for rewriting and that was to include the point Ronald made about the establishment of appropriate machinery. He raised the point and there was agreement we could work that out.

H.M.JR: Might that be a satisfactory out, as we say, following what Mr. Acheson says, that there simply be some sort of a motion or resolution urging this Inter-Allied Committee to go forward with its work?

-27-

MR. KEYNES: That is the right way, I think. If you could make reference to that, and instead of recommending the establishment, say, "commend the establishment."

H.M.JR: That would be all right?

MR. LUXFORD: I don't believe there will be any trouble working it out in drafting.

H.M.JR: Does that satisfy the Foreign Office?

MR. RONALD: What about calling on the neutrals, sir? Have you agreed that we should recommend to the governments represented here that they call upon neutrals?

MR. KEYNES: Through this organ--that they should consider whether, through this organ, neutral countries should not be called upon, if they have not done so already, which I believe they have. You see, it is rather a funny thing, because it is calling upon neutrals to do something they have already been called upon to do, and it is recommending the establishment of something that has already been established.

MR. WHITE: This has the force of forty-four nations. The previous one only had the force of a few.

H.M.JR: But Lord Keynes has made a suggestion.

MR. KEYNES: I think you could say that the United Nations Monetary and Financial Conference recommends to governments that the organ in question, whose name I have forgotten, should consider the following, and warmly approve the machinery which has been established by that Commission to assist the nations of the world, and so forth. I think by wording like that--

MR. RONALD: To answer Dr. White for a moment, I think we have rather lost sight of the fact that the original language to neutrals was signed by practically

-28-

all of the forty-four nations.

MR. WHITE: Yes but it was just a warning with regard to the title.

MR. SCHMIDT: It was signed by only eighteen and it merely says, "Buy at your peril. We may not recognize the title."

H.M.JR: May I suggest that whatever the Drafting Committee--they take the suggestion of Lord Keynes and draft something along the lines he has just suggested and submit it back to him and to us here and see if it is mutually agreeable?

MR. KEYNES: Thank you very much, yes.

H.M.JR: I think the way you suggested--

MR. KEYNES: I think we can keep the propaganda value without breaking through the proper rules.

MR. ACHESON: That is the main idea.

H.M.JR: I think what you suggested--is that all right with you, Mr. Wolcott?

MR. WOLCOTT: Yes, indeed.

H.M.JR: I am not going too fast?

MR. WOLCOTT: No.

MR. LUXFORD: I think Reed agreed to accept the principle of this but to have it rewritten.

MR. VINSON: I would just have this suggestion about the need of bringing it back to us on account of the time element, it seems to me that if the technicians and Mr. Acheson approve it, you save it coming back to this group.

-29-

H.M.JR: That's all right. Just along the lines Lord Keynes suggested.

MR. KEYNES: We could give them authority to proceed, if they agree. If they don't agree, they might have to come back.

H.M.JR: It's all right with me. All right with the rest of the American Delegation? (Agreement)

MR. KEYNES: Are you happy with that?

MR. RONALD: Moderately.

H.M.JR: I think you will have to take another walk after this. It is very beautiful up there! (Laughter)

MR. LUXFORD: Just so I understand--at the Commission meeting today we will accept the general principle of this and commit it to a Drafting Committee to rewrite it along the lines you have suggested. Would that be acceptable?

MR. KEYNES: I suppose, Ronald, you would make a speech suggesting it be referred to the Drafting Committee along that line and then it would be put--

MR. SCHMIDT: I might call your attention to the fact that in the report of the Committee, it says, "The Committee recommends to Commission Three the following resolutions be adopted in principle. The Committee further recommends that the present draft be referred back by the Commission to a Drafting Committee which shall be authorized to place it in form for consideration by the Plenary Session."

MR. KEYNES: Coming straight to the Drafting Committee?

MR. SCHMIDT: The Commission this afternoon will merely approve in principle a resolution of this type and refer

-30-

it to a Drafting Committee to prepare to be submitted.

MR. LUXFORD: I think we could very quickly accept Mr. Ronald's suggestion on the floor as that is one of the directives.

MR. ACHESON: When is the Commission Three meeting?

MR. LUXFORD: This afternoon.

MR. ACHESON: Couldn't you sit down before the meeting with Mr. Ronald?

MR. LUXFORD: You could certainly make those changes and say we want it to go to the Drafting Committee with these changes in it.

MR. ACHESON: Let's do that, so we have as little difficulty about principle as possible.

MR. VINSON: Unless you had the suggestion changed, you have got a different principle in the original draft.

MR. SCHMIDT: As I understand the suggested changes are, instead of recommending the establishment of appropriate machinery, it commends and supports the present machinery and also recommends to the nations that they call on the neutrals to do this.

MR. KEYNES: I thought, recommends to the governments that they call the attention of this body to the advisability of--

H.M.JR: Yes, there is a difference.

MR. SCHMIDT: They call the attention of this body to the advisability of doing points one and two.

MR. KEYNES: Yes. Is that right, Ronald?

MR. RONALD: Yes.

-31-

MR. KEYNES: Why are you only moderately satisfied?

MR. RONALD: I am convinced this is outside the four corners.

MR. KEYNES: After all the hard work we have done, we must have a little poppycock, I should think!

H.M.JR: That's wonderful!

MR. RONALD: In order not to appear too silly about this I would like to say one thing. We should bear in mind that the neutrals in question are doing certain very valuable things to assist the prosecution of the war. The Swedes, for instance, are helping us to do certain things that they ought not, as neutrals, in the matter of getting things out of Sweden. And the timing of these warnings from any given neutral in the next few weeks--

MR. KEYNES: But the governments in the first instance and this body in the second instance say you can't do that. There are two hurdles to get over before anything foolish is done.

MR. RONALD: That's right. I think it is unwise, quite definitely, but I am quite prepared to swallow it.

MR. KEYNES: If you upset the neutrals, they will think they are being ragged.

I wanted rather to have a word on the Russian quota position sometime.

H.M.JR: Any time that is agreeable.

MR. KEYNES: Because I do feel that while I am all in favor of waiting until the last possible moment, the time is running so short that we do need to have something as to what we do if the answer is unsatisfactory.

-32-

H.M.JR: When you are ready the Judge will be available and I will. Will you let us know?

MR. KEYNES: I will. I think it will probably be early afternoon because I think my Commission will go right on to lunch time.

MR. VINSON: I think we might say here that the matter was presented to the American Delegation. Our conversations last night and also your letter which I received this morning was read, and it was the position of the American Delegation that it would be most unfortunate if the Committee were to recommend the one billion, two for Russia, unless they get word. I don't know whether they are going to give way or not. I don't believe we are going to collapse, and I believe that we will have a solution that will permit us to arrive at the eight billion eight.

MR. KEYNES: It is getting so late that it is rather important, I think, for us to know what is in your mind about that.

MR. VINSON: We will try to find out if the Russians have received any communications. We will have a meeting of the Committee at the very earliest possible moment, and I think we ought to be able to conclude it.

MR. ACHESON: Shall we talk with Lord Keynes about this after the Commission?

MR. KEYNES: I think the Commission will probably go on until lunch. We can have a talk about half past two or some time like that.

MR. VINSON: I will be very happy to meet with you.

MR. WHITE: Lord Keynes, we would like very much if you cared to do so, to make the motion at the Executive

-33-

Session this afternoon for the adoption of the Fund report.

MR. KEYNES: You mean just make the motion?

MR. WHITE: With some remarks.

MR. KEYNES: I don't see how you can do it.

MR. WHITE: You only need five minutes to make good remarks.

MR. KEYNES: Something which is reported or not? You see I am in the Commission the whole morning, I then have to rest myself. I then have to do this. I can do something at the later Plenary. I thought this Executive Plenary was to be rather formal and that anything for the world should be--I think the Public Plenary, which is sometime on Saturday?

MR. WHITE: Yes, the Fund will come then.

MR. KEYNES: I would have liked to do it had I been notified properly.

H.M.JR: May I thank you? I think this is a most constructive meeting and the spirit here couldn't have been better.

MR. KEYNES: Thank you very much.

Bretton Woods, N. H.  
July 20, 1944  
3:00 p.m.

FUND: AUSTRALIA

Present: Mr. Keynes  
Mr. Vinson  
Mr. Wolcott  
Mr. Luxford  
Mr. Acheson  
Mr. White  
Mrs. Klotz

H.M.JR: Is this the same story as this morning?

MR. VINSON: Haven't heard anything from the Russians.

MR. KEYNES: I have one unpleasant piece of news, that the Australian Delegate has received orders from his Government, in short, to walk out on us.

H.M.JR: Why?

MR. KEYNES: They think that in some respect they will get committed. He was trying to explain on the wires. His instructions are not to take part in the final act. At the Plenary Executive this afternoon on the Fund he will declare that Australia doesn't vote. He will do the same at the Plenary on the Bank and when it comes to the final act, he will refuse to sign. Those are his present instructions. Well, I have been trying to get through to Australia, to the Dominion's Office, to try and explain that the final act is nothing more than a record of the proceedings and that they are in no way committed, any more than the rest of us are. Melville says that he has said that in cables repeatedly and he can do no more. He has also seen Mr. Acheson and suggested that possibly the State Department Head and you are doing something on those lines.

-2-

MR. ACHESON: Yes, we have sent off from here a cable to Washington.

H.M.JR: Dr. Kung has just sent a note he wants to see me immediately.

MR. ACHESON: He is unhappy about his Fund quota.

H.M.JR: I would just tell him that we are in conference here with Lord Keynes and that the moment I am free, I will inform him, that this was a meeting scheduled this morning.

MR. KEYNES: But so far as the Executive Plenary goes, nothing can stop him. He will have to get up and say that Australia does not vote. He doesn't consider himself obliged to vote against it.

H.M.JR: Might I ask this? Does this come a bolt from the blue, or have you and some of my people had an inkling of this?

MR. KEYNES: We have had inklings for a long time that the Australians were very gloomy about the whole business and that they were very clear that they were not to be committed. But that they would misinterpret the nature of our proceedings, that is a bolt from the blue. I knew that Melville got difficult instructions and he has been doing his best with them, but we all thought that the Australian Government were persuaded this was perfectly all right and on those terms they wouldn't make trouble. I only heard this an hour ago. He only received this cable this morning, which was very upsetting to him.

MR. ACHESON: Yesterday, Henry, he saw Phil Jessup and me, Melville did. We explained to him fully all about what you signed. We gave him the exact text, and he personally was convinced. He said this was all right and he would send a cable to his Government with all the material we gave him

-3-

and his recommendations that he should be permitted to sign this document and he thought he would get a favorable answer. Now, this morning he got an unfavorable answer, saying that he was not to sign. Apparently, they have taken the view that Australian public opinion--I think they have withdrawn from the theory that he does commit his Government to the--but they think that Australian public opinion would interpret signing the final minutes of the meeting as committing the Australian Government to the Fund and the Bank. We have sent off this afternoon a long cable to Ambassador Johnson in Canberra, giving him the whole story and asking him immediately to see Everett and tell him how disastrous this would be and to get his agreement, if it is humanly possible, to having Australia sign the minutes. And so far as not voting at the Plenary is concerned, I don't think that is so serious. They will just have a notation in the minutes that he did not vote. Well, that's all right. It isn't good, but it isn't bad.

MR. WHITE: Maybe he could just be absent. I think it would be better if he weren't there.

MR. KEYNES: I think he will have to put himself on record. The trouble behind it all is that all the time the Australians are wanting to keep still greater liberty to alter their exchange. It is the tie-up with the exchanges. It is a fundamental political trouble.

MR. WHITE: They want to give up nothing. Right from the very early discussion we had last year, they have displayed what impressed us as wanting something and not wanting to give up anything.

H.M.JR: This may be looking for something under the bed, but it is a matter of known information, because the Australian Delegate said that immediately on his arrival here that he was entertained at dinner or luncheon by Mr. Aldrich and Mr. Tom Lamont, the Australian Delegate had reported, who went to work on him, to do everything possible to get him to bust this thing up, and when he

-4-

seemingly couldn't make any headway, they said there is no use their being for this thing anyway, because it will never get by Congress. I got this just as close as I could get it and at least, maybe two and two make four, but we do know those two people together had this man for lunch.

MR. KEYNES: I must say--you see all the time in London he was making difficult criticisms and it was the same on the boat. Then since he has been here, I think that he personally has been very much moved in the other direction. And he personally would now like to accept it, and I am sure that this is from his Government, not from him. He has been trying to influence them lately the other way.

MR. VINSON: Of course there is communication from New York to Australia.

H.M.JR: Yes, but Lord Keynes, what is there in it for Australia in the future to do a thing like this?

MR. KEYNES: I am very much concerned.

MR. WHITE: They want to be able to change their exchange rates as they think necessary, because they feel that is essential to their country which relies so much on foreign trade. They don't want to be bound by any mutual decisions.

H.M.JR: Well, I would like to read, if I could, at the Plenary Session or have somebody read at it, some of the broadcasts that Germany is directing here and some of the Japanese. Have you seen any of those?

MR. KEYNES: No.

H.M.JR: I think it would be very wholesome if somebody could get up and publicly read just what the people--what they think and what it means to them if this thing doesn't go through. I would like the Australians to read some of it.

-5-

MR. WHITE: I gather the trouble is operating under instructions, but I got the impression that Melville had come completely around during this Conference, too.

MR. LUXFORD: He is mellowed a great deal.

MR. KEYNES: I think it is quite clear from what he has told me that he has been advising his Government in the sense we wanted for at least the last week, but is not getting the change out of them he hoped for.

MR. VINSON: He told me today that he wasn't in a position where he could make any recommendations at all to the Minister.

MR. KEYNES: In their case an official cannot make a recommendation to a Minister, and it is a great misfortune that Australia is represented by an official and not somebody of higher status.

H.M.JR: What is Melville's status?

MR. KEYNES: Melville is simply an Adviser to the Reserve Bank to the Commonwealth Bank, who is lent to the Government during the war for general economic purposes. He is not in peace-time a civil servant. He is a servant of his Bank, not of the Government.

MR. WHITE: They had some higher up men, some men with greater status here during the discussions which we had in Washington.

MR. KEYNES: I don't know whether anything could be done through the Minister in Washington.

MR. ACHESON: The Minister called on the Secretary of State and left a note with him, which I have here.

MR. KEYNES: It is through him that you are functioning?

MR. ACHESON: Yes. If you would like me to read this letter, I will be glad to.

-6-

H.M.JR: Please.

MR. ACHESON: This is a memorandum from Mr. Hull. "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 at Bretton Woods. He said that his Government had not intended to be bound by the actions 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. I said that these informal meetings were usual in carrying on all the somewhat numerous international conferences, just as in our coming conferences on 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 that he understood this himself and so I suggested that he could very well notify his own Delegate to this effect but that was for his decision. I said that I would be glad to turn this 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."

Now, this is the message that the Minister left. "A telegraph message has been received from the Minister for External Affairs of the Government of the Commonwealth of Australia, requesting that the following representation should be submitted to the Secretary of State concerning the proposal that at the Monetary Conference at Bretton Woods, the officials or experts should sign a resolution recommending that the Governments whom they represent would adopt the proposals framed by the Conference".

Now, that has never been proposed at all. They now know that.

-7-

H.M.JR: They know it here?

MR. ACHESON: And in Australia, since this thing was given they have been told that no one ever said the experts would recommend that the Governments adopt this. "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 the Government, if it should find itself unprepared to adopt the proposals, in a position of publicly rejecting what would appear to be a recommendation from its 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 in 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 Parliament concerned entirely free from any embarrassment arising from the public expression of a recommendation by officials representing the country.

"The invitation which was conveyed on May 27 by the United States Government to the Governments of the Commonwealth to attend the Conference appeared to make clear that the proceedings of the Conference would not bind the Governments, but on the contrary, would be submitted to the several Governments in due course for acceptance 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

-8-

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 at Hot Springs."

Now, in our telegram, we tell him we are doing identically what was done at Hot Springs.

"The kind of misunderstandings which may arise are exemplified by a shortwave radio broadcast in Australia on July 17 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 decisions regarding the proposals are 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."

MR. VINSON: That last word is the thing.

MR. ACHESON: The documents is the only bad thing in it.

H.M.JR: Of course, what they are talking about must have been some OWI broadcast that was shortwaved.

MR. ACHESON: I guess so.

H.M.JR: I don't know what it was. I know the

-9-

Office of War Information keeps sending out all kinds of short waves which Mr. McDermott said clears off his desk.

Have you had that long?

MR. ACHESON: I just got it. I brought it up here this morning.

H.M.JR: Is there anything we can do?

MR. KEYNES: I don't think so. I think we have to wait for a further reply and hope for the best. I think the best will probably happen. The only embarrassment is if Australia falls out with the two hundred, it begins to upset his arithmetic again. That is something he has to bear in mind as at least a possibility.

MR. ACHESON: Lord Keynes, is there any real reason why we shouldn't put Australia in for two hundred, just put it in? All this is is a recommendation of the Conference, a draft document which says these should be the minimum subscriptions. Now the Parliament may change it and say "We don't accept it". If Australia doesn't like it, it can change it.

MR. KEYNES: Yes. I agree with that.

H.M.JR: I am with Acheson.

MR. KEYNES: Unless before we do that, the Australian Delegate has received direct instructions other . . . He sent a separate cable on this which he hoped to get an answer to today. When I saw him half an hour ago, he hadn't had an answer. I think if he gets a categorical refusal, one can't do that, but if he doesn't, one can.

-10-

H.M.JR: Is there anything else? Mr. Kung says he must see me before the Plenary Session.

MR. WHITE: One other thing that I want to raise. At the Plenary Session this afternoon there are going to be reservations. I think it would be very, very helpful if, after the motion to pass the recommendations is made and seconded, if Lord Keynes and Judge Vinson would get up and make a very strong plea to withdraw the reservations. I suppose some of the countries will accept. I understand that China will withdraw her reservation and I think if you ask them he will withdraw his reservation.

MR. KEYNES: What are the reservations?

MR. WHITE: Oh, some on quotas, some on the gold provisions.

H.M.JR: Ask China?

MR. WHITE: China has a reservation on the quota. I think they want a larger quota.

MR. KEYNES: You would like us to do this after the reservations?

MR. WHITE: Yes, the reservations will be read by the reporter, the report and the reservations, and we move to accept the report and possibly in the motion which I second because it is the reporter that makes it--I don't know whether it needs to come in the second, because if it doesn't come in the second it would come after.

MR. VINSON: Harry, it looks to me like you are covering a lot of territory in regard to all the reservations.

MR. WHITE: To have as many countries to reconsider their reservations in the light of the whole situation.

-11-

MR. VINSON: But you are down to eleven o'clock and fifty-nine minutes on the reservations. They have had all sorts of time in which to reconsider.

MR. WHITE: I don't think they probably have had--

MR. VINSON: Do you think it would have had any effect whatever on USSR reservations?

MR. WHITE: No, I don't, but it might have on some of the other countries.

MR. VINSON: My notion about that would be to try to work on them before the session and let them be headed in that direction themselves.

MR. WHITE: Well, the session this afternoon. It is in ten minutes, about two minutes. We can ask them to postpone the session and work on them. That is easily done.

MR. VINSON: Dr. Kung wants to see the Secretary.

MR. KEYNES: If one can reduce the reservations from six or seven to two or three, I agree with Dr. White about that. Those that are not very keenly held, are not very important--get rid of them, if possible.

MR. WHITE: I think possibly a public statement on the floor and a common front might have its effect. Or you may try it individually. I think it is better to try it individually. I tried it with France without success, as far as I know.

MR. KEYNES: What is their reservation?

MR. WHITE: On the gold clause in the Fund.

MR. VINSON: Devastated areas, quota.

-12-

MR. WHITE: He claims he has to have it for home consumption.

MR. KEYNES: But he has the seventy-five percent.

MR. WHITE: Not on the Fund. He wanted a reduction of the gold. The same proposal that Russia wanted.

MR. KEYNES: Oh, I see.

MR. WHITE: Now, it is possible to remove them after the Executive Commission? I understand not.

MR. ACHESON: I should think you could remove them any time the country wanted to. These are purely window-dressing. They don't amount to anything, because everybody has a reservation on everything in the document.

MR. LUXFORD: Have a right to withdraw if they want to.

MR. VINSON: It is a question in my mind of magnifying the reservations. I think it would be fine for the speeches to be made if before-hand there was any hope of being successful in some degree, but to make the effort and fail, I don't see that we--

MR. KEYNES: What were the Russian reservations on?

MR. WHITE: Some of them they claim they just want in the minutes. The reservation I think they have is the twenty-five percent gold contribution.

MR. KEYNES: The same as France?

MR. WHITE: That one is. I think there is a reservation on the question of public reports. I don't know which they want to merely include in the minutes and which they want to make informal reservation on.

-13-

MR. KEYNES: Kung is on quotas. Mendes-France is the same as Russia.

MR. VINSON: Plus quotas.

MR. KEYNES: Yes.

MR. WHITE: I believe that if pressure were brought to bear, whether publicly or privately I don't know, that many of them would withdraw.

MR. KEYNES: No other countries except those three.

MR. WHITE: No, a number, about fifteen.

MR. WHITE: Greece said it would withdraw if the other countries did.

MR. KEYNES: I should say we regard the whole of this as ad referendum. My country doesn't consider it is so committed and doesn't want to preserve its position any more on one thing than on another.

MR. LUXFORD: That would be a very helpful statement, that you couldn't consider the other provisions.

H.M.JR: Why don't we leave it this way? Lord Keynes, you and Judge Vinson wouldn't be many feet apart. You might confer and if you think it would be helpful to hear the reservations, and everything else--

MR. KEYNES: I am quite glad to take the initiative for something like that.

MR. WHITE: If you move for motion, it is liable to be passed very quickly.

MR. ACHESON: I would make the speech because even if they don't withdraw them there it gives you a reason

-14-

to work on them afterwards.

MR. WHITE: That you hope they will on reconsideration, or something like that.

MR. KEYNES: You mean you would like a speech immediately after the reservations?

MR. WHITE: The reporter reads the reservations, then I think the Chairman.--

MR. KEYNES: You are taking the Chairmanship?

H.M.JR: I am. I will call on you first and then Judge Vinson.

MR. WHITE: Maybe the Judge can support them after one or two may decline.

MR. WOLCOTT: It will also strengthen our position in respect to Australia, if you explain that each country has a reservation on all of the provisions of both of the documents. It puts them in rather a ludicrous light after that if they don't sign.

MR. WHITE: I understand China was going to withdraw its reservations.

H.M.JR: I thought if we could have a minute--

MR. KEYNES: If we go, we will leave you a minute.

Bretton Woods, N. H.  
July 20, 1944  
3:30 p.m.

FUND QUOTAS - CHINA

Present: Mr. Luxford  
Mr. Acheson  
Mr. Wolcott  
Mr. White  
Mr. Vinson  
Dr. Kung  
Mr. Chi  
Mrs. Klotz

DR. KUNG: I understand we are going to have a Plenary Session this afternoon?

H.M.JR: That's right.

DR. KUNG: I just want to come to consult with you and ask you how about that day we spoke of China's quota. China wants to help because we want to make this Conference a success. But we have our difficulties. We tried to find some way, as I told you, to work out the Russian proposition but unfortunately they were unable to do it that way. I wired to my Government and also told them the difficulties. We quite understand the difficult position placed before the Committee of Quota. I think now we thought of some way, if you are prepared to do this, maybe we can solve this question, that is if you are prepared.

Say the United States, just as a gesture, just say that you realize the claim of China is justified and you want to do something to try to meet that claim and that they will make a declaration and thank you for this kind gesture and that we are waiting to accept the quota, as allotted by the Committee.

H.M.JR: Well, Dr. Kung, if it was just a question of your country and nobody else, I would not hesitate to

-2-

accede to your suggestion. But unfortunately, there are a number of other countries who are dissatisfied, and if we made this over to you they would immediately say, "Well, why don't you do as much for us?" And take France for instance, particularly. As much as I would like to do it, I am very sorry, but in view of these other countries who also are unsatisfied, I just don't see how I can make an exception.

DR. KUNG: But there are other countries whose claims are justified and who have reasons to make the claim? You see if the six hundred million were not made known, not only in China but in this country, it would be a different matter, but everybody knows China's quota was to be six hundred million and if other countries quotas were going to be reduced, then I think we can face the Chinese Government, but in the case of Russia, instead of cutting down, you increased.

MR. VINSON: But several of the countries who made reservations claim to be in the same position that you do, Dr. Kung, in regard to statements that were made which showed their quota was to be large.

DR. KUNG: What countries?

MR. VINSON: France.

DR. KUNG: What was the quota?

MR. WHITE: Five hundred and twenty-five million, they said.

DR. KUNG: I don't think that was in the paper, but the Chinese quota of six hundred million was published, even in your country.

H.M.JR: Might I just give you this thought? Lord Keynes was just here. When some of these reservations are read, Lord Keynes was going to get up and make a plea

-3-

with these countries that they withdraw their reservations. And he is ready to make quite a strong plea. That might give you an opportunity to accede, but as much as I would like to say yes, if China was the only country who was in a similar position, I would have no hesitation in saying yes.

DR. KUNG: Well, because you spoke to me, I was trying to do what I can to cooperate with you.

H.M.JR: I know. I appreciate very much your thoughtfulness in this matter and I am in your debt for this very kind offer, and I would only be delighted on behalf of my Government if I could accept this generous offer.

DR. KUNG: Could you say this? The American Government will try some way to help China without definite promise? I can say that is a kind offer, but in order to demand the American Government to make sacrifices that--

H.M.JR: I am not sure if I quite understand this suggestion.

DR. KUNG: My suggestion is this. The Chinese reservation with regard to the six hundred million and their quota, which they said was six hundred million, now is five hundred and fifty million, there is a real difficulty, and America would like to do something to help. You see, just a general statement. Nothing definite and then we will say that we appreciate the kind American consideration, but we come here with the spirit of cooperation, we want to make this Conference a success, in order not to delay this settlement we withdraw our reservation.

H.M.JR: Well now, I think we can do this. If Mr. Luxford and you, Dr. Chi--supposing you, if it is agreeable to Dr. Kung, write out something for me that I can say along those lines?

-4-

MR. WHITE: I think, Mr. Secretary, it will have to be the American Delegate, not the President of the Conference.

MR. VINSON: I can cover that in general language with respect to the things that have gone before and the thing that is coming. For instance, conversation is just starting within thirty days, in respect to the Security Conference.

MR. ACHESON: I wouldn't get into that, Fred.

MR. VINSON: Mentioning the conversations, that the conversations will begin in Washington within thirty days.

MR. WHITE: I don't think what Dr. Kung had in mind--

MR. VINSON: I know, but whenever you get to the Conference there are going to be many things.

DR. KUNG: Anyway, I think the Secretary's suggestion is very good, whether the statement is made by the Secretary or by Judge Vinson, you two just draft something.

MR. LUXFORD: I want to be sure I understand. I take it what you want to say is we are deeply sympathetic with these countries whose quotas have not been regarded as adequate and we want them to understand that in the whole post-war period we will have to view with sympathy the demands that they will have to make from time to time for assistance.

DR. KUNG: I cannot speak for the other countries. I am only speaking for China, because you see, it is China's case is self-evident. Everybody knows it to be six hundred million. Now it is five hundred and fifty. If you will just say you understand--

-5-

MR. VINSON: I think we ought to have a clear understanding. I don't think that we could just mention China alone. There are a number of the members who present the same position, Dr. Kung.

H.M.JR: Single China out because we are sure there is going to be a response by China to withdraw their reservation, but the other countries, you don't know. You may mention the other countries and they may not come forward with a withdrawal.

MR. WHITE: If you said that and said particularly China--

MR. VINSON: I can't list the entire group now, but I know that there are a number of the members who claim that they were lead to believe that their quotas would be larger.

MR. WOLCOTT: You might use China as an example.

H.M.JR: China has the largest quota among this group anyway, so if you mention China and other countries--

MR. LUXFORD: Use China as an example would be one way of doing it.

MR. WHITE: That might help swing the others in line.

MR. VINSON: I doubt that.

DR. KUNG: Well, Mr. Secretary, I just offered that in order to help the situation.

H.M.JR: Well, Judge Vinson will be there and I will be there and we will give it another thought. If there is any way for us to do it, we will try to do it. But again may I thank you for trying to find ways to be helpful and I appreciate the spirit.

-6-

DR. KUNG: Well, we came here with the spirit of cooperation and we want to see it a success, and anything we can do, we are willing to do it, but we are really facing a situation because I don't know about other countries, but China was definitely put on the paper at six hundred million, which was known in China, known in Europe among the different nations and even in this country it was in the papers. Now why you increase the Russian quota from nine hundred million to one billion two hundred million--Russia was third and China fourth. China is about fifty percent of the Russians and you still want to cut off fifty million. It is not the money, but I am afraid they can't understand it. That's all.

H.M.JR: Give me a minute to talk with these people and I will meet you downstairs.

(Dr. Kung and Mr. Chi leave the conference)

Dean, let me say this. I didn't realize until the other day that Russia and China refused to sit down together at this Conference in Washington. When you hear them say about our increasing the Russians from nine to twelve and cut them from six to five-fifty--I don't know what the trouble is between the two countries, but there evidently is, I can see that, there is something which is burning in there that we go way out to help Russia and on the other hand we take China and simply cut them down, and I can see that it isn't--I wonder if it wouldn't be worth our while to just say something in that speech, go out of our way just to mention China?

MR. VINSON: You can't leave France out, Mr. Secretary.

H.M.JR: Mention them both.

MR. VINSON: You have other countries.

-7-

MR. ACHESON: Those are the two main ones.

H.M.JR: Why not say such countries as China and France?

MR. ACHESON: I think you can do that, but the thing I think we ought not to do, Fred, is to get in any way into these talks about security and put Mr. Hull in the position where he has to make up to China in those talks for something they don't get here, because that will get us into lots of trouble.

MR. VINSON: And you don't want any reference to any cooperation in the future, either war or post-war?

MR. ACHESON: Oh, yes, general things, but I should think the way to do this is to say that they both have-- China and France and some other countries have raised questions about their quota and they have some reservations here, that is, they know we have spared no effort. We have thought of every conceivable possible way to meet their requests here. We understand their point of view. Looking at it from their interests, their point of view, these things are justified, but in the light of the whole picture there seemed no way that you possibly can do it and so far as you add to the Fund you weaken it and so far as you take it away from some of the people you cause problems. We have exhausted every possible avenue, we want to assure them that we believe they too have done everything to cooperate. And pile that on a little bit. Then say that the whole Fund is really for the purpose of the great common effort. It is easy to collaborate when there are no difficulties. The hard time to collaborate is when there are some difficulties. Now, if they can make some effort to reach their hand across this abyss, then I think that China would get up and say sure.

H.M.JR: If Harry would slip around and tell these people we are going -- tell Mendes we are going to mention him.

-8-

MR. WHITE: Yes, and he might withdraw from the quota. I don't think he would withdraw from the other.

H.M.JR: What do you think?

MR. LUXFORD: I think we ought to try to do it.

H.M.JR: All right Fred?

MR. VINSON: It's all right.



THE SECRETARY OF THE TREASURY  
WASHINGTON

July 20, 1944.

To: Secretary Morgenthau

From: Charles Bell

*Bearley*  
Subject: Arrest of J. Kenyon, a Procurement  
Division employee in New York, on  
Bribery charge.

Kenyon, 38, a graduate of Yale University, employed in the Treasury Department for eight years.

The first lead in this case came from the E.E. Badger & Sons Co., a Lend-Lease contractor working on oil refinery equipment for shipment to Russia. They indicated to Procurement officials that Kenyon had been negotiating with them for a position and making contacts with a Badger sub-contractor, Mellrath Gasket Co. Intelligence Unit Special Agents from New York under the Direction of Mr. Sullivan started with this lead about a month ago and discovered that Kenyon and a Badger employee were meeting with Mellrath officials and attempting to sell them on a proposal to pay a "Commission" for the award of a sub-contract about to be let. Actually the Mellrath Company was the low bidder and would have received the business without regard for any outside "influence".

A Special Agent was planted in the Mellrath Company and the "pay-off" plan developed with the cooperation of the Mellrath Company.





THE SECRETARY OF THE TREASURY  
WASHINGTON

Page 2.  
Cont'd.

July 20, 1944.

On Monday, July 17th, a few hours before "pay-off" time, a Special Agent for the F.B.I., appeared at Mellrath Company in search of Kenyon, and it was only through the efforts of Intelligence Agent Coyle, incidentally disguised as an employee of Mellrath, that the F.B.I. agent was removed from the scene before having a chance to excite Kenyon's suspicions. The true business of the F.B.I. agent has not been ascertained.

The "pay-off" of \$300.00 of an agreed \$4,000.00 "fee" was made in marked money at 6:30 p.m. in Schraft's Bar and Kenyon's arrest followed immediately.

A Badger Company employee who appears to have influenced Kenyon into this action is now being questioned regarding his participation and may be joined with Kenyon as a defendant.

Mr. Elmer Ireby and Mr. Cliff, it is understood, worked together on this case and went to New York during the week preceding the arrest to personally direct the conduct of the case and to develop any additional leads which may involve Treasury or contract company personnel.



# UNITED KINGDOM TREASURY DELEGATION

BOX 880  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.

REFERENCE:

TELEPHONE EXECUTIVE 8080

File No. 4.

July 20th, 1944.

Dear Dr. White,

In continuation of Mr. Brand's letter of 3rd June I write to inform you that the figures for our gold and dollar holdings in million dollars as at 31st May, 1944 are as follows:-

Gold:	1,323	
Less Gold Liabilities:	<u>309</u>	
Net Gold:		1,014
Official Dollar Balances:	770	
Less dollar liabilities:	<u>228</u>	
Net dollars:		<u>542</u>
Net Gold and dollars:		<u><u>1,556</u></u>

Yours sincerely,

F. G. Lee

F.G. Lee.

Dr. H.D. White,  
Assistant to the Secretary,  
U.S. Treasury,  
15th & Penna. Avenue,  
Washington, 25, D.C.

DFMcC/emp.

# UNITED STATES OF AMERICA

## 7/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES E-1945

Dated and bearing interest from August 1, 1944

Due August 1, 1945

1944  
Department Circular No. 746  
Fiscal Service  
Bureau of the Public Debt

TREASURY DEPARTMENT,  
OFFICE OF THE SECRETARY,  
Washington, July 20, 1944.

### I. OFFERING OF CERTIFICATES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par, from the people of the United States for certificates of indebtedness of the United States, designated 7/8 percent Treasury Certificates of Indebtedness of Series E-1945, in exchange for Treasury Certificates of Indebtedness of Series D-1944, maturing August 1, 1944.

### II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated August 1, 1944, and will bear interest from that date at the rate of 7/8 percent per annum, payable semiannually on February 1 and August 1, 1945. They will mature August 1, 1945, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

4. Bearer certificates with interest coupons attached will be issued in denominations of \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. The certificates will not be issued in registered form.

5. The certificates will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States certificates.

### III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

### IV. PAYMENT

1. Payment at par for certificates allotted hereunder must be made on or before August 1, 1944, or on later allotment, and may be made only in Treasury Certificates of Indebtedness of Series D-1944, maturing August 1, 1944, which will be accepted at par, and should accompany the subscription.

### V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts, to issue allotment notices, to receive payment for certificates allotted, to make delivery of certificates on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive certificates.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

**D. W. BELL,**  
*Acting Secretary of the Treasury.*

(Filed with the Division of the Federal Register July 20, 1944)

TREASURY DEPARTMENT

CONFIDENTIAL

INTER OFFICE COMMUNICATION

DATE July 20, 1944.

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Summary of Results of Louisville Survey on Currency and Checking Accounts of Individuals

Dr. Likert recently completed the results of the survey of wartime savings in Louisville conducted at the request of the Treasury. This survey was undertaken in an effort to find out why people have preferred to save such large amounts in currency and checking accounts rather than increasing their purchases of war bonds. This memorandum will provide a brief summary of the highlights of the survey; the full report by Dr. Likert is attached. The statements in the memorandum which are in quotation marks are taken from Dr. Likert's report and are actual remarks made by people who were questioned in Louisville.

Why is so much currency wanted?

The single most important thing brought out by the Louisville survey is the fact that a great many people are apparently holding on to currency simply because they are afraid to do anything else with it -- afraid of the banks, afraid that "the Government may go under", afraid of another depression, or simply vaguely fearful of hard times when "a little cash will be right nice to have". Probably the most thought-provoking aspect of the whole survey is this deep-rooted feeling of insecurity and fear of the future, revealed in remarks such as this one:

"They are afraid and they want something actual and concrete in these changing times. They are afraid they might be caught without shoes or necessities, corn-meal and bacon."

While this situation reflects in part the general emotional stresses of the war, an astonishingly large proportion of the families in Louisville mentioned a specific fear of banks as a reason for keeping large sums in cash. A fear of new Government taxes or of Government bankruptcy in the

*miss. copy and to read this in my report*

Secretary Morgenthau - 2

postwar period was also brought forward by a few families as a reason why people in general were keeping currency on hand. It is worth noting that only 5 percent of the families referred to a fear that war bonds might not be redeemed, or that there would be a moratorium on bonds, as a reason for not increasing their own bond purchases, although a slightly larger number suggested that these fears might be keeping others from buying bonds.

The actual remarks which people made along these lines are more revealing than any comment; here are a few of them:

"They just haven't made up their minds that banks are safe. Since that calamity I'm skittish about them myself. . . It's kind of prevalent in the minds of some of the people of this country that if this war debt gets any bigger they will have to pay taxes on money in the bank so they keep it hid."

"I have a friend keeps money in his house who is afraid of banks. He doesn't like War Bonds because the Government may go under."

"I have one friend who is afraid of banks, bonds, insurance, etc. He keeps his money buried in a jar back of his house. Another keeps cash in a can in a trunk. One man who works with me carried \$700 or \$800 in a money belt around his waist all the time."

"I know one fellow had \$2,000 in his pocket. I said first to him, 'go to the bank' -- he said it pays almost no interest. I said then, 'buy bonds'. He said, people say the Government will never pay back for those bonds. People are scared because they are ignorant and besides they have no gratitude toward this grand country. . ."

"They're afraid of the banks. Bonds too -- I've heard people say don't get too many bonds, the first thing you know the Government will slap a big tax on them and you'll have that to pay. I've even heard of people burying money. I think it's crazy -- it was a sizeable amount in the hundreds and this party has no faith in banks. This party went and put \$50 in the bank on Saturday night and Monday the banks shut down."

The liking for the tangible feel of money in their pockets, mentioned by many Louisville people, also appeared

Secretary Morgenthau - 3

to be closely tied to a fear of depressions or of insecurity in general. As one man put it:

"My wife likes the feel of cash. She did without so long. It's probably safer in the bank but to have money in your hands makes you feel like you are somebody whether you are or not. . .It gives you a feeling of independence. . .The banks may close and a little cash will be right nice to have."

Another family explained it this way:

"Some people just like the feel of it in their pockets. Lots of colored people never had much money at one time and now they have and they don't want to part with it."

In addition, some currency is being held because of such economic factors as the higher cost of living and the increases in particular wage levels which have taken place. Some people also felt that they had not been holding sufficient cash to allow for emergencies, and they have increased their cash holdings accordingly now that their income permits it. This practice in effect ties up some of the funds which might otherwise be available for bonds.

Another reason that people hold currency is to provide for contemplated spending, or to take up sudden opportunities to acquire goods in short supply. "Lots of people save cash hoping to see some of these rare things for sale so they can grab them", is the way one person put it.

Only 5 percent of the families interviewed mentioned tax evasion as a reason why people might be accumulating currency, and no one mentioned black markets, although it is obvious that these are important factors.

Why do people keep so much money in checking accounts?

The fear of financial institutions and especially banks, mentioned so often in connection with currency hoarding, obviously fails to explain the large accumulations in checking accounts. Why, then, are the more financially minded people keeping so much money in checking accounts?

Secretary Morgenthau - 4

The Louisville survey brought out the fact first of all that some of the money in checking accounts represents simply higher operating balances in connection with a higher level of personal business. As in the case of currency, liquidity and convenience were also motivating factors.

In addition, however, the survey indicated that many checking accounts have grown far beyond such needs, simply as a result of the failure of other investments to be sufficiently attractive to draw these funds away. As one banker in Louisville put it: "People are mostly investing in U. S. bonds", and after that they "don't know what to do with their money. I have been asked that question a thousand times by people who have a big bank balance and don't know what to do with the money."

This means, of course, that many persons with substantial amounts of idle cash simply do not think beyond partial purchases of bonds; their decisions on how much to buy are governed by patriotic or other similar motives and not by the amount of funds on hand. In some cases, the "norm" of war bond purchases is probably set by what people think is required or customary in connection with payroll deductions or War Loan quotas. But whatever the reason, full or nearly full investment of all available funds apparently does not occur to many individuals. Undoubtedly, this explains part of the increase in currency as well as in checking accounts. And in the aggregate, these funds which are accumulating simply because war bond requirements are thought to have been met by certain fixed purchases probably bulk very much larger than the amounts of cash which are being hoarded out of fear.

Further surveys

The Louisville survey was designed as a pilot study to develop the attitudinal approach in analyzing problems of wartime savings, in contrast with the statistical approach which had been experimented with previously. The results of the Louisville survey seem very much worth while and we are now looking into the question of elaborating on this approach in some other area.

Secretary Morgenthau - 5

The coverage in the Louisville survey was confined essentially to the personal financial affairs of the people interviewed. Our estimates of savings of individuals, however, include all of the liquid savings of the unincorporated business group. The suspicion is growing that the unincorporated business people hold a larger part of the currency and checking accounts attributed to individuals than has been commonly believed. Additional family surveys should be supplemented by studies of the unincorporated business group to bring out more information on their available funds. Meanwhile, the Federal Reserve System is conducting a survey of the ownership of demand deposits as of July 31, 1944, and at our request is placing special emphasis on unincorporated business deposits.

Attachment.

175-1  
UNITED STATES DEPARTMENT OF AGRICULTURE  
Bureau of Agricultural Economics

CONFIDENTIAL

WARTIME SAVING  
IN LOUISVILLE

RESTRICTED

For Administrative Use Only

Study No. 94  
Final Report

Program Surveys Division  
June 21, 1944

SUMMARY

1. Saving has increased in almost all sections of the Louisville population, but in no group has it kept pace with the increases in income. The increased cost of living is most frequently given as the main reason for not saving more, and, in addition to this factor, numerous families are spending more because of an increase in general living standards.
2. The principal determinants of increased savings are: increase in income, level of income, decreased expenditure through voluntary budgeting or because of shortages, participation in the Payroll Deduction Plan, and increased motivation for saving.
3. War Bonds are the most important form of family savings. Over half of the families put the major part of their savings into bonds. The increase in bond ownership has taken place at the expense of savings accounts and almost all other savings except for life insurance. However, more than half of the people state that buying War Bonds has helped them to save more. Many say that they would not save if it were not for the painless regularity of the Payroll Deduction Plan.
4. Increases in the number of checking accounts are partly accounted for by in-migration, partly by the impetus to savings of all kinds given by rises in income. The bulk of the increase by dollar volume seems to be due mainly to very large holdings by a few individuals and to accumulations of working capital by businesses.
5. Among all groups there have been large increases in amounts of cash being kept on hand for current expenditure, even beyond the requirements of an increased cost of living. The greatest proportionate increases have taken place among war workers and industrial workers in general. However, in the aggregate these changes cannot account for more than part of the total growth in amounts of currency outstanding.
6. Although about 30 percent of the families report saving in cash, a sizeable number of these accumulations are of small magnitude and of temporary duration. Very few families admit having made large increases in cash savings since Pearl Harbor.
7. People do not seem to be aware of the relationship of Black Markets to the increase in cash, nor do they report that many businesses have recently begun to require payments in cash. Even rumors about cash hoarders do not involve Black Market or bootleg operations, but about one respondent in ten is aware that income tax evasion is going

on. The results of this study in no way rule out the possibility that many of the individual accumulations of large sums in cash have taken place through illegal means.

8. Most persons with increased cash savings and checking accounts feel that they need their savings in these liquid and convenient forms, partly to take care of emergencies, partly for current use. Diversion of these funds into War Bonds in any large part will require that people be convinced that bonds can afford an equally good protection against most emergencies, and that large amounts of very liquid savings are unnecessary and undesirable.
9. The most important motive for choosing a particular form of savings is the desire for security, for safety of savings, and its obverse, fear of loss. Fear and distrust of banks, based on depression experiences, result in many cases in a turning to the concrete security of hard cash and are very widespread. Two-thirds of the people spontaneously speak of past bank failures and the fear of future ones when discussing these matters.
10. In all the discussion of banks and their safety, only one person out of seven spontaneously mentions Federal Deposit Insurance.
11. Fewer persons seem concerned about the safety of bonds than of banks, but one in ten has heard rumors that cast doubt on the certainty of their redemption. It seems highly probable that these fears account for a large part of cash holding.

## INTRODUCTION

Various economic data show that in the past few years there has been a serious increase both in the amount of currency outstanding and in the amount of money in demand deposits in banks. There is evidence, moreover, that these liquid forms of funds have been increasing at a somewhat greater rate than have investments in War Bonds.

What kinds of people are drawing cash out of circulation? What groups are responsible for the increases in checking accounts? Are many small increases or a relatively few large hoards to be blamed? To what extent are illegal uses of money responsible for its being kept in cash to avoid records? Are the motives that underly the increases in liquid savings such that this money can be diverted in any large part into War Bonds?

In order to find answers to questions of this sort and to explore certain methods for getting at relevant information, the Treasury Department asked the Division of Program Surveys to make a pilot-study in one city. Louisville, Kentucky, a city of moderate size and relative isolation from larger centers, was chosen because records showed it to be a focus of considerable increases in outstanding currency and demand deposits. A sample of 276 families was drawn to be representative of the city. In order to heighten the sampling efficiency the sample was stratified according to race and average rent of dwelling units within a Census tract. The interviews were conducted between April 17 and May 3, 1944.

## TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	1
PART ONE. INCOME AND SAVINGS IN LOUISVILLE	5
I. Income changes	5
II. Changes in level of saving	6
III. Popularity of different forms of savings	10
IV. Changes in Various Kinds of Savings	12
V. Habits of saving in different occupational groups	14
PART TWO. CHECKING ACCOUNTS AND CASH	18
VI. Statement of the problem	18
VII. Checking accounts	18
VIII. Cash for current use	23
IX. Cash savings	27
X. Where people think the cash is	30
PART THREE. REASONS PEOPLE SAVE AS THEY DO	38
XI. The Problem of Motivation	38
XII. Advantages of various kinds of savings	38
XIII. Why banks are not used more	41
XIV. Why people don't invest more in war bonds	45
APPENDIX	53
A. Tables	53
B. Rumors	70
C. Interviews with bankers	78

PART ONE

INCOME AND SAVINGS IN LOUISVILLE

I. INCOME CHANGES

Conversion to a war economy has brought many changes to the people of Louisville. War industry has been opened up in the area and considerable migration has taken place to fill these new jobs. While the readjustments to the new economic conditions have not benefited all segments of the population, approximately half of the families in the city have a total family income larger than they had before Pearl Harbor.

Change in Total Family Income Since Pearl Harbor

Increase in weekly income of \$40 or more	15%
Increase in weekly income of \$30 to \$39	9
Increase in weekly income of \$10 to \$29	26
Change in weekly income less than \$10	25
Decrease in weekly income of \$10 or more	12
Change not ascertained	<u>13</u>
	100%
	N=276

Available information indicates that the present distribution of family income in Louisville is approximately the same as that for the non-farm population of the country as a whole. Although there are various technical difficulties in making a precise comparison, the following table may be taken as a fairly accurate description of the present distribution of income.

<u>Weekly Family Income</u>	<u>Percent of Families</u>	
	<u>Louisville</u>	<u>National Non-Farm*</u>
Less than \$35	24%	27%
\$36 to \$55	33	31
\$56 to \$75	18	21
More than \$75	25	21
	<u>100%</u>	<u>100%</u>
	N=255	N=1016
	Median=\$52	Median=\$51

\* This distribution is based upon a national sample of families surveyed by the Division of Program Surveys in February, 1944.

## II. CHANGES IN LEVEL OF SAVING

Although half of the Louisville families surveyed report that their family income has increased since Pearl Harbor, only 39 percent say that their families are saving more now than before and 30 percent report a decrease in their rate of saving. These figures indicate the over-all impression people have about their total saving.\* While such an impression may not always be correct the fact that so few people believe they are saving more now than at the time of Pearl Harbor is significant.

"We're interested in how people's economic situations have changed since the year before Pearl Harbor, 1941. Compared to before the war, would you say that you folks are saving more, less, or about the same amount?"

Saving more	39%
Saving the same	21
Saving less	30
Have never saved	10
	<u>100%</u>
	N=276

How does it happen that the picture of changes in family savings is so different from that of changes in family income? What is the relationship between changes of income and changes of savings?

Savings and income. Only half of the families reporting an increase of income say that they are saving more. Twenty percent claim to be saving less, and ten percent say that they have never saved.

---

\* Caution should be taken in assuming that figures based on this question represent a true picture of total savings. The meaning of "savings" when left unspecified varies from person to person, and usually life insurance is not considered under this heading. Sometimes bond purchases through Payroll Deduction are not considered, either.

	<u>Change in Family Income Since 1941</u>		
	<u>More</u>	<u>Same</u>	<u>Less</u>
Saving more	51%	25%	24%
Saving same amount	19	24	26
Saving less	20	40	41
Never saved	10	11	9
	<u>100%</u>	<u>100%</u>	<u>100%</u>
	N=138	N=67	N=34

As one might expect, fewer of the families who have not experienced increases of income report that they are saving more. Even so, one out of every four whose income is unchanged, and the same number of those whose income has decreased, report that they are now saving more. Two out of five of these latter groups of families say that they are saving less.

We should expect changes in savings to be related to present level of income, since those families with high present income are more apt to have had income increases than families whose income is low. If a family is making, say, \$30 a week more than before Pearl Harbor, it will have a much better chance of falling into one of the higher income categories. To some extent, then, the fact that upper-income families are saving more would be expected on the ground that they must include a large proportion of those who are making a good deal more money than before Pearl Harbor. Even so, the percentage of families saving more varies so closely with the present level of income that it cannot be accounted for solely on the basis of the facts just pointed out.

<u>Changes in Amount of Savings</u>	<u>Weekly Income of Family</u>			
	<u>\$0-25</u>	<u>\$26-45</u>	<u>\$46-65</u>	<u>\$66 and over</u>
More	4%	26%	63%	57%
Same	29	23	19	20
Less	46	38	19	23
Never saved	21	13	10	0
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
	N=24	N=74	N=78	N=79

To some extent it is possible to see the relative influences upon savings of level of income and change in income by considering all three at once. Splitting the population into families receiving over and under \$45 a week, it is possible to see that, to some extent, the greater incidence of increases in savings found among the higher income group is

due to the fact that the increases in income which this group have experienced have been of greater magnitude than those reported by the lower income families.

#### Total Weekly Family Income

Change in Amount of Savings Since 1941	Over \$45 now			\$45 or less now		
	Increase of \$40 or more	Increase of \$10 to \$39	Same or less	Increase of \$40 or more	Increase of \$10 to \$39	Same or less
More	69%	54%	44%	33%	8%	
Same	17	17	25	21	26	
Less	15	18	29	29	50	
Never Saved	0	11	2	17	16	
	100%	100%	100%	100%	100%	
	N=41	N=54	N=48	N=1*	N=42	N=50

Change in income is important, but it does not tell the whole story. In the first place, a moderate increase has a very different meaning in terms of increased ability to save, in families of different income levels. If the major part of a family's income went for day-to-day expenses before Pearl Harbor, any increases except very large ones will probably do no more than balance the rise in living costs. As we go up the income scale, however, the proportion of income available for saving increases rapidly, so that it is much easier to convert into savings a moderate pay increase.

Moreover, some increase in savings has almost been forced in the higher income brackets, even when there have been no increases in income. Nearly half of the families making over \$45 a week and having no increase in income are saving more, while less than one in ten of the families making \$45 or less and having no increase in income are saving more. Normally, a larger amount of money is spent by upper-income families on major expenditures such as automobiles, refrigerators, travel, etc. - just the kinds of consumers' goods and services of which there are shortages. When such a family defers buying a car or radio, there is an automatic increase in savings, even though income may not have gone up. The price rises on cost-of-living items take up far more of the budget of lower-income families than they do of upper-income families.

\* Percentages were not computed since only one respondent fell in this category.

Finally, to the extent that there is voluntary reduction of expenditure and acceleration of savings in order to combat inflation or for patriotic reasons, it is much more feasible for families making more than \$45 a week to reduce their standards of living than it is for those that are less well off. Similarly pressure to participate in the Payroll Deduction Plan is likely to result in larger increases of saving the higher the family income, even if the income has not increased.

Reasons for change. How are these determinants of augmented saving reflected in the reasons that people give for changes that they have made? First, most people are aware that increase of income is a prime determinant; it is the most frequently mentioned reason for saving more.

Second, over half of those saving more say that they are doing so because they are now buying War Bonds, a third mentioning the Payroll Deduction Plan specifically.

"We have bonds taken out of my husband's salary now so we don't get our hands on the money to spend on something."

"We are saving more because we are saving some in bonds. We both work and they take it out of our pay and we're bound to save that, while if they didn't take it out we wouldn't."

In estimating the influence of the "automatic savings" factor introduced by payroll deduction, it should be remembered that the plan is more often found in groups that have increased incomes, whose incomes are higher than average and who are employed in war plants. A fifth of Louisville's families are headed by persons employed in a company clearly engaged in war work, and six out of ten of these families have increased their savings while only one out of ten is saving less. (See Table A, Appendix A.)

Third, of the families that are saving more, three out of ten say that they are doing so because they are spending less. Frequently this reduction is attributed to decreased family obligations, but often it represents budgeting and cutting down on non-essentials. It is interesting that this budgeting is usually represented as voluntary, and that people do not recognize the role of "the things they can't buy" in helping them to save.

Fourth, a few of the families with increased savings refer to specific plans they have for the future which have increased their motivation to save. Planning for the return of family members from the armed forces is common in this group.

Even when a specific motive is mentioned, however, it still must be remembered that the family's level of income is important in determining whether or not such belt-tightening is possible.

## Reasons Given For Increased Savings

	Percentage of families who are saving more*
Increased income	64%
Buying War Bonds now	55
Decreased expenditures	31
Stronger motive to save	7

N=108

People give two reasons for having decreased their savings. Nearly all of the families who have reduced their savings attribute this to increased expenditures. While a few speak of recently acquired obligations, by far the most frequently mentioned reason is the high cost of living. Half of those who are saving less also attribute the decrease to a decline in income.

## Reasons Given For Decreased Savings

	Percentage of families who are saving less*
Increased expenditures (cost of living)	98%
Decreased income	48

N=83

## III. POPULARITY OF DIFFERENT FORMS OF SAVINGS

Since it is difficult to obtain from individuals information about the exact amount of money going into various forms of savings, the present study was designed so as to concentrate upon attitudinal material. Several questions were asked, however, which permit a description of the popularity of different forms of savings.

---

\* Percentages total more than 100 since more than one reason was possible for each person.

Each family was questioned specifically about various types of savings in order to ascertain whether or not any members had money in each. In addition, all families were asked to designate the type of savings into which they are putting the largest amount of money. The following table presents the distributions obtained from both lines of questioning.

	Proportion of families having each type of savings *	Proportion of families reporting each type as largest savings
Life insurance	93%	9%
War Bonds	82	55
Checking account	37	5
Savings account	33	10
Debt retirement ***	33	**
Cash savings	29	4
Real estate	17	3
Securities	12	1
Other investments	4	2
Have no savings	7	7
Not ascertained	4	4
		<u>100%</u>
	N=276	N=276

Life insurance and War Bonds are clearly the most prevalent forms of savings, although relatively few people report that they are putting the largest amount of money into insurance. Taking into consideration the prevalence and relative importance of each type of savings, War Bonds stand out well above all others. Fifty-five percent of the families report that War Bonds are their major form of savings in contrast to the combined total of 19 percent who mention checking accounts, savings accounts, or cash savings.

- 
- \* Percentages total more than 100 since more than one savings could be mentioned.
  - \*\* Since most people do not consider debt retirement as a way of saving, no effort was made to include this in the rating of magnitude.
  - \*\*\* The figure on debt retirement does not necessarily indicate the number of people who are at the present time retiring debts. It is, rather, the number of people who say that they owe less now than at the time of Pearl Harbor.

National estimates indicate that more money has been going into these other liquid savings than into War Bonds. Are these two sets of data inconsistent? Although it is not possible to answer this question conclusively, the following possibilities may be mentioned. First, it is likely that the average magnitude of savings is greater for those families putting most of their savings into currency, demand deposits, or savings accounts than it is for those investing most in War Bonds. Second, it is likely that funds invested by unincorporated businesses (included in national estimates under the heading "individual") go preponderantly into forms other than War Bonds. Third, it is likely that some of the families interviewed were unwilling to state that they had more money in some form other than bonds and that in this respect the estimate of the survey is incorrect.

While it may be that all three of these possibilities are operative to some extent, the first two would seem adequate to account for the major part of the difference between apparent implications of this survey and national estimates.

#### IV. CHANGES IN VARIOUS KINDS OF SAVINGS

There has been considerable change since Pearl Harbor in the amount of money people are putting into the various forms of savings. War Bonds have been most frequently increased by far. Although the questionnaire did not inquire whether or not people were buying bonds prior to Pearl Harbor, it is reasonable to assume that most of the 82 percent who now buy bonds either were not doing so in 1941 or were investing less in bonds than now.

Life insurance has also been increased by many families. One out of three families has taken out more life insurance since Pearl Harbor.

With respect to savings accounts the picture is different. More people have reduced their savings accounts than have increased them. While one-quarter of the families report that they are saving less in savings accounts than they were in 1941, only one in ten reports an increase. Of those who have reduced their accounts, two-thirds say it is because they are saving less in general while one-third report that they are now putting into War Bonds money that they used to save in banks.

For all other forms of savings about as many families have increased as have decreased their savings.

Changes Since 1941 in Various Types of Savings

Change in Each Type	War Bonds	Life Insurance	Cash Savings	Checking Account	Savings Account	Real Estate and Other
Saving more	82%	35%	14%	13%	11%	9%
Saving same	-	58	10	17	12	20
Saving less	-	2	10	15	26	8
Never saved this way	14	5	66	55	49	62
Not ascertained	<u>0</u> 96%*	<u>0</u> 100%	<u>0</u> 100%**	<u>0</u> 100%	<u>2</u> 100%	<u>1</u> 100%

N=276

The data presented above are particularly significant when taken in conjunction with the previously cited reports of marked increases in the total volume of money going into demand deposits, savings accounts, and currency in Louisville. The present findings afford still further evidence that the increases that have occurred in these forms of family savings have been considerably greater per family than the decreases. Apparently relatively few families are responsible for a major part of the total increases which have occurred.

That all families taken together can be responsible for considerably less than the whole of these over-all increases is due to the fact that this survey excludes almost completely funds accumulated by partnerships, unincorporated business and the like.\*\*\*

Any attempt to relate the findings of this survey to total volume figures for Louisville must take one further fact into consideration. There has been a sizeable increase in the population of Louisville since Pearl

\* No question was asked families concerning changes in War Bonds since 1941 because so few people were buying at that time. For this reason, the percentages given above are to be interpreted somewhat differently from those for other forms of savings. Four percent of the families report that they have purchased bonds at some time but have now cashed all of them. These families are not given in the table.

\*\* See in this connection also the discussion of cash on hand for current use in Section VIII.

\*\*\* In this connection it is interesting to compare these findings with the opinions of some of the bankers in Louisville which are given in Appendix C.

Harbor and consequently a considerable portion of the total increase of liquid funds in Louisville reflects simply this growth of population rather than a per capita increase in savings.

#### V. HABITS OF SAVING IN DIFFERENT OCCUPATIONAL GROUPS

An interesting sidelight upon the general problem of the popularity of different forms of savings and changes that have taken place in them is given by examining the relationships of these matters to occupation. There are striking differences between the savings habits of families whose heads are in different occupations, differences that tell a good deal about various ways in which different segments of the total population dispose of their money.

Professional and business. The occupational group with the highest socio-economic status includes professional and semi-professional people, managers and officials, and independent businessmen. Taken as a whole, families whose chief breadwinners fall into this category have had fewer raises in income and have accordingly made fewer increases in savings than any others.\* As is true of all groups, life insurance and War Bonds are the most widespread means of saving, but a good many more of these families have checking accounts, and other investments such as real estate and securities, than do any others. Members of this group put less money into cash savings than any other form, but still nearly one out of four families saves at least a little in cash.

The principal increases of savings have been in those forms that are most widely held: checking accounts, life insurance, and other investments. However, there has been considerably more buying of new insurance in other groups despite the fact that the proportion of families owning insurance is approximately the same in all groups. Fewer professional and business families have put more into cash savings and savings accounts than have increased other kinds of savings. Of all occupational groups, professional and business families show the fewest increases of amounts going into savings accounts, both in absolute figures and proportionately to the total number saving

---

\* There may be a slight underestimation of the extent of increases in income in this group due to the method of computing such increases. A family with only one breadwinner, making more than \$75 a week both before and after Pearl Harbor, was scored as having had no change in income, though both increases and decreases might have occurred. However, the number of families involved is so small that this factor can be generally disregarded.

Income and Savings in Different Occupational Groups

Savings and changes since 1941	Professional, business, official	Clerical, sales	Service workers	Foremen, skilled workers	Semi-skilled, unskilled
Earning more	35%	50%	39%	73%	52%
Saving more	29	40	40	56	39
Has twice as much current cash or more	14	22	39	30	39
<u>Savings account</u> : Has one	31	35	45	36	25
: Increased	6	10	21	14	8
<u>Checking account</u> : Has one	71	53	27	38	25
: Increased	23	8	6	21	12
<u>Cash savings</u> : Has some	23	25	36	43	24
: Has increased	6	5	21	21	17
<u>Life insurance</u> : Has some	94	90	97	89	95
: Has more	23	48	24	41	38
<u>Other investments</u> : Has some	69	38	21	33	18
: Increased	20	8	6	14	4
<u>War Bonds</u> : Has some	86	90	70	94	81
Has been retiring debt	26	43	24	44	32
	N=35	N=40	N=33	N=63	N=84

this way. It is difficult to see this change as part of any general pattern except as a trend toward higher interest-bearing savings, in bonds and other investments. The increase in checking accounts seems to go counter to this trend, unless taken in conjunction with the very low figure on large increases of cash for current use. Apparently money for increased expenditures is being kept by this group in checking accounts much more than in cash, while an opposite trend is apparent in all other occupational groups.

Clerical, sales. About an average number of increases in income and savings has occurred among families headed by clerks or salesmen. After bonds and insurance, these families tend to use checking accounts and investments, much as the preceding group does though to a less widespread extent. Another similarity is their little use of cash savings.

However, in the changes that they have made, the clerical and sales group differs in one outstanding way: their preference for life insurance as a vehicle for their increased saving. The desire to be in a basically secure financial situation that this disposition of their money represents may be seen also in the large percentage of debt retirement among families of this group. The trends here are clearly away from liquid to less liquid savings, with comparatively small increases in cash for current use, cash savings and checking accounts. Though the bond ownership of these families is somewhat above average in prevalence, it could probably be increased because of the favorable preexisting attitudes towards saving.

Service workers. Though a relatively small number of families headed by domestic, protective and other service workers are making more money, the group as a whole seems to be saving a good deal. As among other groups, life insurance, War Bonds, and savings accounts are most prevalent in the order named. Life insurance, however, is held by 27 percent more families than War Bonds. Compared to other occupational groups, more of these families own life insurance and fewer own War Bonds than in any other group. Savings accounts are also found most frequently in this group. Cash savings are fairly prominent among service workers, and are held by considerably more families than have checking accounts. Taken with the very high percentage of large increases in cash on hand, these figures indicate that service workers have a strong preference for liquid savings, though few of them use checking accounts.

The greatest growth of cash savings has taken place in service workers' families. An equally large proportion of increases occur among skilled workers, who, however, have always saved more in this way. Debt retirement is most neglected by service workers' families as is the relatively illiquid life insurance. Apparently this group needs education towards the less immediately available ways of investing money before they are going to improve their record of bond ownership.

Skilled workers. Foremen and skilled workers are bringing home more pay increases than any other group, and are consequently saving more, both in general and in most of the specific forms. They have the highest percentage of ownership of War Bonds of any group, and unlike any other group, more of them have bonds than insurance. The form of savings next most prevalent is in cash, and then checking accounts. However, even more skilled workers are paying off old debts than have either of these two very liquid savings.

Increases in this group have been most frequent in life insurance, then in cash savings and checking accounts. When the numbers of increases are taken relative to the percentage having a form of savings at all, the increases in checking accounts and investments are particularly notable. Skilled workers are saving more in every way, but a considerable number of them are turning to the more "sophisticated" forms.

Semi-skilled, unskilled. Next to skilled workers, the unskilled and semi-skilled have most commonly experienced raises in income, but they are not saving as much more in proportion to their increases as other groups. Most of them have life insurance, but their War Bond record is not as good as average, and fewer of them have savings accounts, checking accounts and other investments than any other occupational group. By contrast, they are tied with service workers in having the greatest proportion of very large increases of current cash. To some extent, the figure of 52 percent earning more must be corrected for by taking into consideration that more of the families headed by unskilled workers are making less than any other group, and that general levels of income among these workers are not very high at best.

In no form of saving have unskilled workers made the greatest percentage increases. More families have taken out new insurance than have started saving more in any other way, and cash savings comes next. There is a moderate amount of debt retirement, but the outstanding fact about this group remains its preference for keeping larger amounts of money for current use, rather than saving.

PART TWO

CHECKING ACCOUNTS AND CASH

VI. STATEMENT OF THE PROBLEM

A major objective of this study has been to obtain a fuller understanding of the changes which have occurred in the past two years in respect to holdings of funds in currency and checking accounts. Taking the country as a whole, the Treasury Department has reported that the amount of currency in circulation has risen from approximately \$11 billions at the end of 1941 to \$20 billions at the end of 1943.

Treasury data concerning increases in liquid savings of individuals indicate that in 1942 and 1943 there was an increase of \$22.6 billions in holdings in currency and checking accounts. During the same period, the increase in holdings of Federal securities amounted to \$23.1 billions. In this connection it is important to note that the term "individual," when used in national estimates, includes partnerships, personal trust accounts, and unincorporated businesses.

What kinds of people are responsible for the increase in these forms of savings? What reasons lie behind their behavior? To answer these questions two major avenues of approach have been attempted in this study. First, families were interviewed concerning their savings and the reasons they have had for selecting the particular forms that they have chosen. Second, people were asked to relate their impressions of what the situation is in their community. This second approach was designed to yield more information than could be expected through the first concerning holdings in cash about which the owners, themselves, might be unwilling to talk.

VII. CHECKING ACCOUNTS

Changes in accounts. The increases which have occurred in checking accounts must necessarily be restricted to a relatively small segment of the total population since only 37 percent of the families have any accounts. Only 13 percent of the families report that their accounts are now larger than in 1941, and 15 percent say that they are now smaller.

"Do you have any money in checking accounts?"  
 "Do you have in it more, less, or about the same amount as  
 the year before Pearl Harbor?"

	Percentage of all families
More	9%
Started account since 1941	4
	} 13%
Same	17
Loss	7
Gave up account since 1941	8
	} 15%
Never had an account	55
	100%
	N=276

Correction for migration. These figures might, at first glance, be taken to mean that the number of families in Louisville who have checking accounts has decreased since Pearl Harbor. While it is true that more families have given up checking accounts than have started new ones, the number of families who have moved to Louisville and transferred their accounts to banks in the city is large enough to result in a net increase in the number of accounts.\*

An estimate of the percentage increase in the number of checking accounts in Louisville since the end of 1941 can be made. The sample is broken into two groups: first, families who were living in Louisville at the beginning of 1942; second, families who have moved to Louisville since then.

From the first group it is possible to estimate the number of families having accounts at that time and changes which they have made since then.\*\* From the second group it is possible to estimate the number of families that have brought new accounts to Louisville.

\* The interpretation offered here cannot be regarded as conclusive since differences as small as four percent are not statistically significant.

\*\* Throughout this discussion it is necessary to ignore families who have moved away from Louisville since they could not be interviewed. Since the population of Louisville has increased greatly over this time, the error introduced by this procedure is probably not great.

In the following table the number of families having accounts in Louisville in the beginning of 1942 and the number having accounts there now are expressed as the percentage of families living in Louisville early in 1942.

	Percentage of the number of families in Louisville at the beginning of 1942
Number of families having checking account in Louisville, 1942	40%
Number of families having checking account in Louisville, 1944	44

As far as family checking accounts are concerned, then, these data would indicate that there has been an increase in the number of checking accounts since Pearl Harbor of about ten percent.

If we consider only families that had checking accounts in 1941 and still have them, we find the following distribution of changes:

	Families living in Louisville before 1942	Families moving in after 1941
More in checking account	27%	27%
Same in checking account	49	67
Less in checking account	24	6
	100%	100%
	N=78	N=15

Taking into consideration the increased number of accounts due to migration into Louisville and the number of families changing the magnitude of deposits in old accounts, it would still appear that the increases which have occurred must be of rather large magnitude in order to account for the total changes which have occurred in Louisville. The following table indicates the magnitude of increase reported by these families that have increased their accounts.

"About how much more do you have in your checking account - more than twice as much, twice as much, less than twice as much?"

Percentage of families reporting an increase

More than twice as much	15%
About twice as much	16
Less than twice as much	23
Started account since 1941	31
More, but not sure how much	15
	<u>100%</u>
	N=36

Factors related to change. People who are putting more money into their checking accounts these days than they did before Pearl Harbor tend to have characteristics similar to those of people who are saving more in general. However, war workers particularly are making more use of checking accounts: more than three times as many are putting more in their accounts than are non-war workers.

	Head of family employed in war industry	Head of family not employed in war industry	Classification of type of industry not possible
More in checking account	26%	8%	15%
Same amount in checking account	10	22	12
Less in checking account	17	13	19
Never had checking account	47	57	52
Change not ascertained	0	0	2
	<u>100%</u>	<u>100%</u>	<u>100%</u>
	N=53	N=171	N=52

Families falling in two broad classifications of occupation are particularly prone to use checking accounts more: professional and business people, and skilled workers and foremen. Over 20 percent of these families have increased their checking accounts. On the other hand, a higher proportion of clerical and sales people have less in their accounts than any other occupational group (See Table C in Appendix A).

Reasons for changes. Families that have increased their checking accounts were asked to tell why they chose to augment this form rather than some other type of saving. The most prevalent reason is the convenience and ready availability of funds put in a checking account. Safety is mentioned by about one family in six, who compare checks to cash. One-sixth of the families do not refer to special features of checking accounts in comparison to other forms of saving but point simply to increased needs for money in this form. For one family in six, the growth of its checking account results from the failure of other investments and savings to be sufficiently attractive to draw these funds away. In some cases there is an explicit statement that no good investment opportunities exist; in others, the increase of income over expenses has resulted in a gradual accumulation in the account of funds that might be otherwise disposed of if there were sufficient inducement to overcome the inertia of habit. Service charges were mentioned by only three percent of those who have increased their deposits.

"What would you say was the reason you put more in your checking account instead of some other type of savings?"

Percentage of those with larger accounts\*

Liquidity or convenience	47%
Safer to mail by check	11
Safer than cash on hand	6
Needed for larger personal expenses	11
Needed for business purposes	6
Money left after expenses paid	11
No good opportunity for investment	6
To avoid service charges	3
Reason not ascertained	12

N=36

Eight out of ten of the families that have reduced their checking accounts say they did so because they were forced to reduce their total savings. The second most frequent reason, mentioned by only one family in six,

\* Percentages do not add to 100, since more than one reason could be given.

however, is that they are putting more money in War Bonds now. Other reasons are mentioned by only a few families: needs for current expenses are now less, bank is inconvenient, and money is now going into other savings.

"What would you say was the reason you cut down on your checking account instead of some other type of savings?"

	Percentage of those who have reduced accounts *
Had to reduce total savings	83%
Saving in War Bonds now	16
Current expenses are now less	5
Moved, bank too inconvenient	5
Put money into other saving	2
Reason not ascertained	5

N=41

#### VIII. CASH FOR CURRENT USE

People tend to think of the currency they have in two rather different terms; cash being held for day-to-day expenses and money that is being set aside for savings. In order to understand what is happening to the huge sums of currency now outstanding it is necessary to explore these two uses of currency separately. In doing so, however, it is well to remember that frequently this current-expense money is not all spent, but accumulates in pockets or in various repositories in the home as a kind of informal savings, which may be transferred to bank or bonds only after a considerable amount has collected.

Although 11 percent of the families report that they keep less cash on hand for current use than they did in the year before the war, nearly 60 percent say they have more. Indeed, more than a fourth of the persons interviewed said that they are keeping at least twice as much cash on hand as before the war.

\* Percentages do not add to 100 since more than one reason could be given.

"Compared to the year before Pearl Harbor, do you ordinarily have more, less, or about the same amount in cash on hand for current use - that is, not in the bank? About how much more, roughly - twice as much, more than twice as much, or less than twice as much?"

More than before			
More than twice as much		6%	} 57%
Twice as much		23	
Less than twice as much		25	
More, amount not known		3	
Some amount as before			32
Less than before			11
			<u>100%</u>

Factors related to increase. Families who have experienced increases of income since Pearl Harbor are much more likely to have more cash on hand for current use than those families whose incomes have remained unchanged or have declined. This fact reflects, in large part, increased expenditures by families who now are able, through their greater income, to spend more.

Change in Current Cash	Change in Income Since 1941		
	More	Same	Less
More than in 1941	67%	36%	42%
Same or less than in 1941	30	64	53
Change not ascertained	3	0	5
	<u>100%</u>	<u>100%</u>	<u>100%</u>
	N=138	N=67	N=34

Since people in war industries have generally received increases in income, it is not surprising to find that war workers are more likely than others to have increased their holding of current cash. Still more of them are keeping more cash on hand (70 percent), however, than would be expected even if we made the false assumption that all war workers had received raises in pay, since only 67 percent of those with pay increases have more current cash. Some other factor would seem to be involved.

	Head of family employed in war industry	Head of family not employed in war industry	Classification of type of industry not possible
More current cash than in 1941	70%	49%	56%
Same or less than in 1941	28	48	42
Change not ascertained	2	3	2
	<u>100%</u>	<u>100%</u>	<u>100%</u>
	N=53	N=171	N=52

Also related somewhat to change in income, as well as to being in war work, is the length of time the head of the family has been employed at his present job. One should expect, therefore, that change in holdings of cash for current use would be related to length of time on present job. Such a relation is found, in fact, but again it appears that more of those who have changed their jobs recently have increased their current cash than would be expected from change in income alone. The more settled the family, the more its members tend to put money into more permanent savings, rather than carrying it around with them.

	Head of family has taken present job since Pearl Harbor	Head of family held present job before Pearl Harbor
More current cash than in 1941	68%	51%
Same or less than in 1941	30	48
Change not ascertained	2	3
	<u>100%</u>	<u>100%</u>
	N=102	N=138

Among the various occupational groups, more industrial workers have increased their holdings of cash for current expenses than have any other type of workers. Professional and business people have the smallest proportion of increases, but even in this group, 43 percent of the families report that they are keeping more current cash on hand. (See Table F of Appendix A.)

Reasons for change. Most families assert that they have increased their holding of cash for current use out of necessity rather than choice. In

fact, many felt that the question about the reason for their increase was rather foolish. They thought anyone would know that the cost of living has risen and that more cash is needed to keep going these days.

The reasons given for increased holdings of cash for current use suggest that most people who now have more money in this form are keeping it for day-to-day spending and that the currency held with this intention actually does not constitute an informal or unintentional form of savings except for a small portion of the population.

"How does it happen that you are keeping it (more cash on hand for current use) in the form of cash rather than putting it in some type of savings?" \*

Higher prices make more cash necessary	58%
Increased personal expenses require more cash	6
Cash is most convenient in meeting expenses	23
Banks are inconvenient or otherwise undesirable	2
Extra cash not sufficient to put in savings	8
Reason not ascertained	13

N=150

There is evidence in the interviews that many of the people who speak of higher prices and the increased cost of living as a reason for holding more cash have also raised their standard of living somewhat. The following quotation illustrates a fairly frequent situation among this group of families.

"On the whole we're better off; my husband works steady now. Before the war he was out of work a great deal. He makes more now than ever before. It takes more to live, but we live better though not luxuriously.

Nearly a quarter of the families who keep more cash on hand for current use do so because of the great convenience of cash. To pay cash instead of having to ask for credit has satisfactions beyond the actual saving that is sometimes involved. Some other respondents who have checking accounts like to keep larger amounts of cash for expenses because of the fact that they have to pay for checks.

Since so few families have decreased the amount of cash they hold for current use, their reasons are not presented in tabular form. Nearly all of them state, in one way or another, that they are doing so because they are spending less. Decreased income is frequently the outstanding fact in the financial situation of these families.

\* Percentages total more than 100, since more than one reason was possible for each person.

**IX. CASH SAVINGS**

The number of families keeping currency for purposes of savings is, of course, considerably smaller than the number having cash for current use. While every family ordinarily has some cash on hand for day-to-day expenses, only three out of ten report that they save money in the form of cash.

"How about cash set aside for savings, that is, not in a bank account - do you ever save money in that way?"

Family has cash savings	29%
Family has no cash savings	71
	100%
	N=276

It is likely that these figures under-estimate the number of families saving in cash since people saving in cash may be reluctant to let anyone know about it out of fear of robbery or of social disapproval. On the other hand, included in this estimate of cash savings are some of the people who keep only minor accumulations in cash, such as "piggy banks". This fact would tend to give an over-estimation of the number of families who are saving sizeable sums in cash. About a third of the cash-savers say that they are saving money in cash only to put it into bonds or other forms of savings. Only one person in 20 states that his family is putting more money into cash savings than into any other form (see page 11).

Changes in cash savings. Fourteen percent of the families (about half of those with cash savings) report that they are saving more money in cash now than they were in 1941. Five percent are saving less and an additional five percent have given up cash savings altogether since Pearl Harbor.

"Are you saving in this way more, less or about the same amount as in the year before Pearl Harbor?"

	Percentage of all families
More than in 1941	13%
Started saving since 1941	1%
Same amount as in 1941	10

Less than in 1941	5%
Given up savings since 1941	5%
Never saved in cash	66
	100%
	N=276

About half of the families that have increased their cash savings say that they are now saving twice as much or more than they were in 1941. Since this group makes up only six percent of all families, these results would indicate that relatively few people are responsible for the major part of currency that is going into cash savings.

"About how much more (cash set aside for savings do you have), roughly - twice as much, more than twice as much, or less than twice as much?"

	Percentage of families with increased cash savings
More than twice as much	6%
Twice as much	40
Less than twice as much	43
Amount of increase not known	11
	100%
	N=35

Factors related to increases. Families who have increased cash savings are found rather widely throughout the population. Industrial and service workers have tended somewhat more frequently than other groups to save in cash and it is among these groups that a slightly greater proportion of the increases has occurred. (See Table G in Appendix A.)

There seems, moreover, to be no special impetus in the population as a whole toward cash savings but merely the kind of change to be expected of savings in general in good times. Among cash-savers the proportion who are saving more (42%) is about the same as the proportion of all savers who have stepped up their total rate of saving since 1941 (44%).

<u>Change in each kind of savings since 1941</u>	Percentage of families who save cash	Percentage of families who save in any form
Saving more now	42%	44%
Saving same amount	30	23
Saving less now	28	33
	100%	100%
	N=93	N=248

In keeping with these findings is the fact that families who have experienced increases in income show a larger percentage of increases in

cash savings than do families who have not increased their earnings. (See Table H in Appendix A.) Also closely related is the finding that people who have taken their present job since Pearl Harbor are more likely to have increased their cash savings than are people who have been employed at their present job since before Pearl Harbor. (See Table I in Appendix A.)

Reasons for change. Ready availability in time of emergency is stressed more often than any other single reason by those families that have increased their cash savings. Availability for non-emergency spending is also quite frequently mentioned. This latter group of people want to have the cash around "just in case they see something" they want to buy.

Viewing banks as the principal alternative, a considerable group of families point to disadvantages of banks in explaining their increase in cash savings. Distrust and fear of banks is mentioned most frequently, while inconvenience of banking runs second.

The remainder of the reasons for saving more cash are given by people who view their cash savings as a temporary accumulation for some further use. These people say that they are saving more in cash so that they can buy bonds, invest it in some other form of savings, pay debts or taxes, or make some large purchase.

Aside from the use of cash to cover up illegal activities (which, of course, people do not give as their own reason for holding cash), it seems that distrust of banks and unfamiliarity with their use are the principal influences which might lead to extremely large holdings of cash. The holding of cash for emergency expenditures might occasionally lead a family to keep a sizeable amount on hand, but unless they fear banks few people with large incomes rely upon cash reserves in case of an emergency. The remainder of the people, who are accumulating cash for other uses, represent largely "piggy bank" savers and it is extremely unlikely that these amounts are very great.

Percentage of families who have increased cash savings	Percentage of families who have not increased cash savings	Number of families
25	15	100
22	12	100
20	10	100
18	8	100
15	5	100

-22- and the families who have increased cash savings are more likely to have increased their cash savings than are the families who have not increased their cash savings.

"What is the main reason you put more of your savings in cash instead of in some other type of savings?"

	Percentage of families saving more in cash
Availability in case of emergency	28%
Availability for other spending	18
Distrust and fear of banks	18
Inconvenience and other objections to banks	8
Cash accumulated to buy bonds	13
Cash accumulated to put in other savings	15
Cash accumulated to pay debts, taxes, or to make large purchases	5
Liking for tangible possession	5
No reason obtained	6

N=39

The few families who have decreased their cash savings speak most frequently of a reduction of income. About one in five mentions putting into War Bonds money that would usually be kept in cash.

X. WHERE PEOPLE THINK THE CASH IS

As mentioned before, one objective of the present study is to explore the usefulness of questions frankly aimed at hearsay and gossip, in getting at information that might not be directly available. The several questions designed to elicit opinions about other people's actions brought in a mass of interesting data. These materials must be interpreted with great caution, however, particularly in any attempt to make quantitative estimates of the prevalence of hoarding on the basis of the specific stories that are told. It is not even possible to determine whether the apparent frequency of large cash-holdings is over-estimated or underestimated by this method, since many persons may know about any one

\* Percentages total to more than 100 since more than one reason could be given by a respondent.

holding, while not even the hoarder himself may tell about another. Consequently, the principal emphasis of this section is on the attitudes associated with this type of behavior.

Three questions were asked in attacking the problem. First, the problem itself was briefly introduced to the respondent, after he had finished telling about his own habits of saving, and he was asked to give his impression of the reasons "people" were acting in this way. Thus, if he himself was keeping currency out of circulation and did not want to tell about it, he might be induced to give his own reasons as those of people in general. This question was worded in the following way:

"Records show that the public has twice as much cash today as they used to have before the war, that is, actual cash, not money in bank accounts. Now, why do you think people keep all that money in the form of cash?"

Second, the attempt was made to get the respondent to be more specific, and say what kind of person he thought was involved:

"What kinds of people or groups do you think have this cash?"

Finally, the respondent was asked for a concrete instance, a story if he knew any. It seems reasonable to give more weight to other opinions on this subject of persons who knew of actual cases:

"Have you heard about anyone's keeping a good deal of money in cash?" (Interviewers were instructed to draw out examples.)

Reasons for holding cash: fears. A majority of the reasons that were offered for the disappearance of currency from circulation directly express some kind of fear, while other answers reflect fears indirectly. One respondent gave striking expression to this state of mind:

"They are afraid and they want something actual and concrete in these changing times. They are afraid they might be caught without shoes or necessities, corn meal and bacon."

The sequence of ideas is plain here. In a time of national emergency and general anxieties of many kinds, there arise fears that trusted basic institutions will fail, and more definite fears for one's personal security. These anxieties require some concrete symbol of value and security to allay them. The depression with its many bank failures, hit Louisville hard and shook the faith of many in one of the primary symbols of security, the bank. There is still safety in hard cash, however. Even in those troubled times ten or more years ago, the few who had kept their money in cash were better off; a similar emotional reasoning carries over to the present crisis.

The most prominent reason given by all respondents was fear and distrust of banks and their safety. In the group who might be expected to understand best the motivation for hoarding, those who knew of actual examples, the primacy of this reason is even more outstanding: four out of ten mention it, twice as many as the number who speak of the next most popular reason.

"People are depression conscious or afraid the banks will fail again and they're not informed that the banks are insured by the Government. Safety boxes are probably full of cash."

A small percentage of people also blame the inconvenience of banking hours, or cite other objections to banks.

<u>Reasons People Keep Money in Cash</u>	Percentage of those giving an example	Percentage of those giving no example	Percentage of total sample *
Fear and distrust of banks	41%	27%	32%
Inconvenience of banks or other undesirable features	7	4	4
Ignorance of banking practices or of ways to invest money	9	4	8
Fear of post-war depression or Government bankruptcy	10	11	11
Fear War Bonds will not be redeemed	4	5	4
Desire for quick availability in case of sickness or emergency	8	8	8
Liking for tangible possession of money	21	9	11
Desire to spend it	17	21	19
Wish to evade payment of income tax	12	2	6
Need of cash by transients and soldiers' families for moving	1	2	2
Don't know why they do	10	28	21
Not ascertained	1	6	6
	N=76	N=200	N=276

\* These columns do not total to 100 percent because respondents frequently gave more than one reason.

Another fear, mentioned by about one person out of ten, is that cash will be needed because "the Government's going under" or because a severe depression is expected to follow the war. These fears tend to be related to similar notions that banks will fail or have a holiday, and that War Bonds "won't be no good". However, when fears of these kinds are mentioned, the respondent frequently made it clear that he knew better than to worry about such things, bolstering his protestations with arguments similar to the following:

"They're scared something will happen to the Government; the Government may fail and not be able to pay off bonds. I think it's foolish to keep cash. If the Government fails, the money won't be any good either."

Fear of a need for funds in a more personal emergency is mentioned by a sizeable minority. Sickness particularly is an always-threatening emergency for a great number of people, one for which many feel they must have money more quickly available than it is in bonds or the bank.

"I think people should have ready cash for the hospital, if there is an emergency."

Though it is sometimes put forward without mention of fear, the desire for tangible physical possession of cash is usually mentioned in a context that shows it basically represents a need for security. It is noteworthy that this motive is the second most frequently mentioned by persons who give examples and that twice as many of them cite it as do all others.

"These people are probably like me. They haven't had any cash for so long they want to have the feel of it, want to have it on hand. It gives you a feeling of independence. They may fear bank failures too. These war wages are a false security. There was a depression after the last one. There will be another. The banks may close and a little cash will be right nice to have."

Other reasons. Nearly a fifth of the respondents mention the need for more cash due to the high cost of living, or say that people have more money and are out to spend it. This tends to be a first, more or less unthinking answer, often followed by something more illuminating; it is less frequent among those who give instances of hoarding. An occasional answer like the following is sometimes given:

"Lots of people save cash hoping to see some of these rare things for sale so they can grab them. I can't figure out why they would do that. Banks are safe anyway."

Though only five percent of all persons mentioned tax evasion as a reason that money was being kept in the form of cash, this reason is far

more prominent in the group who actually know about cash-holding; 12 percent of them offer this as an explanation, compared to two percent of all others. It would appear reasonable that tax evasion seldom was mentioned unless the respondent actually knew of its happening.

"My uncle buries his money in jars. My uncle is a country man and he has a stubborn streak. He doesn't want to give the Government anything. He hates the income tax. I don't know anybody else like him."

Groups said to have the cash. The greater part of the opinions about the kinds of persons holding cash seem to be based on general impressions about groups that are profiting from the war, rather than specific knowledge about the situation. War workers were most frequently mentioned, for example, but it seems likely that the wide publicity given to the high wages of some war workers had as much to do with this judgment as any definite knowledge.

"What kinds of people or groups do you think have this cash?"

War workers	17%
People whose income has risen	14
Laboring class	12
Rich people	12
Selfish or unpatriotic people	5
Business people	4
Racial or minority groups	4
People who are afraid of banks	3
Older people	3
Middle class people	1
Transients	1
Thrifty, economical people	1
People ignorant of banks	1
Don't know	16
Not ascertained	6
	<hr/>
	100%
	N=276

The second most frequently mentioned type of person is the one whose income has increased. Often it was specified in addition that this means the poor worker who never had any money before and doesn't know what to do with it now.

More weight may be attached to this judgment, since it is given somewhat more frequently by respondents who know of actual instances.

"People that never had money and are just getting high wages. People that have money know how to handle it. They know it's safe, but these others just know they got it now and they'll keep it on 'em just to be safe."

Most of the remaining answers merely portray the favorite whipping-boy of the respondent speaking; all classes from rich to poor are mentioned, along with racial and national minority groups, etc.

A small scattering of respondents give somewhat more reasoned answers, naming those who fear banks, old people, and transients. There was a notable absence of reference to Black Marketeers or other groups outside the law. On the whole, little importance can be attached to the data elicited by this question. Most interviewers felt that the respondents merely made a more or less reasonable guess, on the basis of prejudice as much as anything else.

Specific instances. Further reason to distrust the answers concerning the holding of cash by particular groups is the fact that fewer than three people in ten could cite a specific example of people keeping unusual amounts of cash.

"Have you heard about anyone's keeping a good deal of money in cash?"

Give specific example	28%
Give no example	72
	<hr/>
	100%
	N=276

All of the examples given by respondents are presented in a systematic arrangement in Appendix B.

Black Market and other illegal practices. There is not a single indication that any respondent knew of any Black Market dealings. Nothing of the sort was offered as a reason that money was being kept in cash (above, page 32), nor as a reason that people did not use banks more (see page 42). However, questions on both of these topics brought forth spontaneous answers from about four percent of the respondents, that some persons were not using banks but keeping money in cash in order to prevent the keeping of records, for income tax evasion.

A more direct approach to the Black Market problem was tried, in order to see whether anyone knew of specific practices, if not of their meaning. Two pairs of questions were asked for this purpose.

"Has anybody you do business with recently started to insist on payment in cash, rather than by check or any other way - as a general policy, that is?"

"Why do you think they wanted it that way?"

<u>Reasons for demanding cash</u>	Frequency*	Percent
Respondent has been asked to pay cash		
Firms are afraid of personal checks	4 )	
Payroll checks are too large to cash	2 )	
Transients give bad checks	1 )	5%
They know they can get cash now	1 )	
They have to pay off help in cash	1 )	
Don't know why; reason not ascertained	5 )	
 Respondent has never been asked to pay cash	 262	 95
	<u>N=276</u>	<u>100%</u>

Even among the few who remember having been asked to pay in cash by someone they do business with, there is only a scattering of miscellaneous answers, none of which points to the Black Market.

Likewise, an attempt to approach the problem through questions on the stopping of credit met with no success. Among the ten percent who knew any firm that had withdrawn credit, reasons are again scattered, and are all ordinary business reasons.

"Has anyone you do business with stopped offering credit to people as a general policy?"

"Do you have any idea why they're doing that?"

Someone has stopped offering credit		
To cut down on expenses	3 )	
Transients are too hard to collect from	2 )	
They know they can get cash	1 )	
To avoid risk	1 )	10%
Lack of labor	1 )	
Miscellaneous reasons	1 )	
Don't know why; reason not ascertained	1 )	
 No one has stopped offering credit	 90	 100%
	<u>N=276</u>	

\* Percentages are not given for separate reasons, due to the small frequencies of each.

These negative results do not necessarily mean that there are no Black Markets in Louisville; they may mean that the methods used were not well adapted to the purpose of ascertaining their prevalence.

Conclusions about currency. From a study of the sort attempted in Louisville it is not possible to conclude in precisely quantitative terms where the large increases of currency are going. The following conclusions, however, do seem reasonably safe:

1. People are admittedly keeping considerably more cash on hand for current uses than at the time of Pearl Harbor. Nearly six out of ten say they are keeping more, and one-third believe that they now keep at least twice as much as before Pearl Harbor.
2. Very few families admit saving in cash. While less than three in ten say they save cash, even fewer (six percent) report that they have increased cash savings since Pearl Harbor. Only a small proportion of the few who admit increasing their cash holdings, give reasons which suggest that the absolute magnitudes involved are great. The effective motives seem to be chiefly fear of banks, and the desire to have readily accessible funds particularly for emergency use.
3. People are willing to speculate about the kinds of persons who are holding cash and about the reasons they might have for doing so. Still, relatively few are able to cite concrete examples. The ones that are given, however, are dramatic, involving rather large amounts of money. This fact would suggest again that relatively few people may be responsible for the disappearance of rather large amounts of currency.
4. The possibility that currency is being held for any sort of illegal purpose does not occur to more than a very few people. Even rumors about cash hoarders do not involve Black Market or bootleg operators.

PART THREE

REASONS PEOPLE SAVE AS THEY DO

XI. THE PROBLEM OF MOTIVATION

In the preceding parts of this report analysis has been made of the reasons people give for changing the amount of money they have in various savings. Further information about the motives for saving is presented in the following pages, special attention being given to three types of inquiry.

First, each person was asked to tell how his family happened to decide to put so much money into the forms which constitute their major savings. Presumably the reasons people give for investing larger sums in a particular type of savings are most likely to be important reasons to them.

Second, a special set of questions was asked to explore more deeply the attitudes people have toward banks. The primary focus in this area is upon objections to banks or other obstacles that tend to keep people from using them more.

Third, people were asked to compare the advantages of investing in bonds with those derived from saving in other ways. Emphasis was placed upon those forms of savings which would appear to come most directly in competition with the sale of bonds.

XII. ADVANTAGES OF VARIOUS KINDS OF SAVINGS

The advantages of different kinds of savings mentioned by families who put a major part of their savings into each type are quite different from one form to another. For each type of savings a particular advantage seems to be widely popular, but it is highly significant that the consideration of safety is mentioned by a large number of people in connection with every type of savings.

The following table summarizes the most frequently mentioned advantage of each type of savings and the one that is mentioned by the second largest proportion of families.

"Which of the different ways of saving that you have now, including cash that you have around - which is the most important to you, that is, in which do you put the most money? What is your main reason for preferring that as a way of saving?"

<u>Major savings</u>	Reason mentioned most often	Reason mentioned next most often
War Bonds	Patriotism	Rate of interest and safety
Savings account	Liquidity and convenience	Safety
Life insurance	Protection	Safety and "good way to save"
Real estate, securities, and business investments	Return	Safety and regularity of return
Checking account	Liquidity and convenience	Safety
Cash	Liquidity and convenience	Safety

War Bonds. Patriotism is the leading motive for selecting War Bonds as a form of savings; over two-fifths of the families using bonds as their primary method of savings give this as their principal reason. Interest and safety are mentioned about half as often and the two have approximately the same popularity. About one person in 12 mentions ease of saving as his reason for investing most in War Bonds. These people often speak of the relatively effortless and "painless" system of payroll deduction, asserting that they save money in this way which they might not save otherwise. No other reasons for bond buying are mentioned often enough to be significant.

Savings Accounts. Liquidity and the convenience of savings accounts are most often given as the reason for using this type of savings. Nearly a third of those who rely on savings accounts as their main way of saving speak of the ready availability of funds that are kept in a savings account. About one family in five mentions safety as an important

Reasons People Give for Putting Major Amounts Into Various Kinds of Savings \*

	War Bonds	Savings Account	Life Insurance	Real Estate and other	Checking Account	Cash
Safety	23%	20%	12%	27%	13%	13%
Interest or return	27	13	8	33	0	0
Patriotism	47	0	0	0	0	0
Liquidity or convenience	1	30	2	0	60	90
Regularity of return	2	0	0	27	0	0
Forced to save this way (social pressure)	8	0	0	0	0	0
Protection	4	2	60	0	0	0
Good way to save, wouldn't save otherwise	9	9	12	0	0	0
To continue previous obligation	0	0	8	20	0	0
To provide burial	0	0	10	0	0	0
To prevent inflation	1	0	0	0	0	0
To hedge against inflation	0	0	0	10	0	0
Reason not ascertained	19	39	13	14	28	3
	N=154	N=34	N=13	N=15	N=32	N=29

\* Each family was asked to indicate the savings into which it is putting the most money. Those that mentioned War Bonds were asked to indicate their second largest form of savings. This table presents reasons for putting these large amounts into each form of savings mentioned by the families. Percentages total to more than 100 since more than one reason could be given by one family for any type of savings.

reason for keeping money in savings accounts, while 13 percent of the families who put a major part of their savings into savings accounts speak of the interest they receive. It is interesting to note that those who have increased their savings accounts in recent months cite similar reasons for their change. (See Table J in Appendix A.)

Life insurance. Protection far outranks any other motive for using life insurance as a primary savings device. This great stress upon protection, however, indicates that most people do not think of insurance as a savings but more as a means of providing for their beneficiaries or for their own burial. About six families in ten having the bulk of their savings in life insurance give protection as the reason for their choice. Safety and ease of saving rank next as motives, the two having about equal prevalence. These motives, however, are mentioned quite infrequently.

At least half of the families who have taken out new insurance since Pearl Harbor also mention protection, in some form or other, as their reason. A full quarter indicate that they are sold on the general proposition that everyone should have insurance but do not mention any specific advantages. (See Table K in Appendix A.)

Real estate, securities, and business investments. The amount of return, the regularity of return, and the safety of investments in real estate, securities, or business are mentioned with about equal frequency by families that put their major savings in these forms. Roughly one-third of these investors mention each of these reasons. A very small percentage of people mention that these investments provide a hedge against inflation. Similar types of reasons are given by those families that have recently increased their holdings in these investments. (See Table L in Appendix A.)

Checking accounts and cash savings. Liquidity and convenience are the primary reasons people give for their holdings both in checking accounts and in cash. This type of reason far outweighs all others in frequency of occurrence. Safety ranks second in frequency for both types of savings and occurs much less frequently. Other evidence discussed elsewhere in this report suggests, however, that for cash savings in particular safety is often an important concern.

### XIII. WHY BANKS ARE NOT USED MORE

An indirect way of approaching the problem of motivation for cash-saving is to ask not only what are the advantages of that way of handling money, but what are the disadvantages of other ways. For many purposes, the principal alternative to cash-holding is putting money into the bank, in either savings or checking accounts.

Questions asked. Two kinds of questions were asked in finding out why banks were not used by more people. First, in a general, open question, the respondent was asked to give his opinion of the reasons that restrained people from using banks. No suggestions were given; each person was left free to volunteer the factors that, in his mind, are most important in keeping other persons (and presumably himself to some extent) from using banks more. Thus, the objections to banks that are most vivid or outstanding the respondent's mind were tapped by this question. These are not necessarily the most important reasons in governing behavior, but they are at least the most prominent ones.

"In your opinion, what are the reasons people don't use banks more than they do?" \*

Banks are not safe enough	50%
Banking hours are not convenient enough	11
Service charges are too high	9
Can get more interest on money in other ways	7
want ready cash for spending	7
Ignorant of banking practices	6
Buying War Bonds instead	3
Trying to evade income tax	3
Amount needed to start account is too large	2
Like tangible possession of money	2
Banks discourage more deposits	1
Already committed to financial obligations	1
Banks don't treat you right	1
Don't know why	15
Not ascertained	5

N=276

Second, seven specific objections were read to the respondent, one by one, and he was asked if he had recently heard anyone make such a complaint. A "yes" was scored only if indicated that he had actually heard someone say something of the sort, or if he agreed with the statement himself; agreement on general impression or the like was not counted.

In this way, a measure was obtained of the extent to which people are aware of the principal complaints, entirely apart from their relative importance, or from their prominence in the respondent's thinking.

---

\* Percentages do not add to 100 because each respondent could give more than one reason.

"Here are some different reasons, or complaints, that have sometimes been given for not using banks. Have you ever heard any complaints:

	Proportion reporting agreement with, or having heard, complaint
About the safety of banks?"	53%
That banking hours are not convenient enough?"	41
That service charges are too high?"	35
That people in banks don't treat folks right?"	12
That the amount needed to start, or keep in an account is too large?"	24
That there aren't enough banks near enough to where people live?"	12
That you can get more interest on the money by putting it in something else?"	56

N=276

Fear. The outstanding reason given was fear that banks may fail, that they are not safe places to keep your money. Not only is this by far the most frequent of the spontaneous answers, being given by half the people (nearly five times as often as the next most popular), but almost everyone who had any awareness of this reason brought it up himself.

"I think they're scared. They crashed once and people think they'll do it again. It's a lack of confidence."

These figures are particularly interesting in view of the unimportance attached to popular fears of failure by bankers themselves. (See Appendix C.) It will be remembered that in addition to the above evidence of apprehension on this score, about a third of the respondents think that fear of banks is the reason people are keeping money in cash (see p. 32). In fact, when the whole interview is considered, only one-third of the respondents do not mention the possibility of bank failure.

Frequency of Reference to Fears of Bank Failure

Admit fear of bank failure, refer to failures in the past	5%	} 6%
Admit fear of bank failure, no mention of past failures	1	
Say others fear bank failure, refer to failures in the past	35	} 59
Say others fear bank failure, no mention of past failures	24	
Mention past failures, but not present fears of failure	1	
No mention of bank failures	<u>34</u>	
	100%	
	N=276	

In spite of the fact that few persons admit fears of this kind themselves, compared with the number who attribute such fears to others, undoubtedly many of the latter group do harbor anxieties about the safety of banks. The true feeling is betrayed in a number of answers such as the following, in which there is no direct admission:

"Most people seem to be afraid of banks since money was lost in 1929. ....Personally, I would use Postal Savings for I feel it would be safer."

Obviously, present concern over the safety of banks is largely determined by the memory of past misfortunes.\* Over 40 percent mention past failures, while 25 percent of the respondents spoke of present fears without specific citation of their basis in depression experiences. A few persons are aware enough of Federal Deposit Insurance to mention it spontaneously but often they express doubt that fears have been overcome.

"The Government guarantees deposits but I don't think the working man knows that. Some people are afraid of banks."

"Due to the bank failure in '29 people are afraid of 'em even though they passed a law insuring your money up to \$5000. They still don't have faith in it."

\* About a quarter of Louisville's banks failed in the depression years of 1930-32, including the Bank of Kentucky, largest in the State. Litigation about the last has continued up to the present. Some respondents said that they and many others were "wiped out" in these failures. In addition, a local bank failed in 1938.

### Frequency of Reference to Government Insurance of Banks

Mention Government deposit insurance	14%
Do not mention it	86
	<hr/>
	100%
	N=276

Inconvenience of banking hours. Second among spontaneous complaints, and high also in the extent to which people are aware of it, is the claim that the inconvenience of banking hours keeps people from using banks more. Even when banks were not specifically being discussed, three percent of the respondents offered the inconvenience of banking hours as a reason that money was being kept in cash.

"If they'd change their hours it would help a whole lot. The slang phrase is 'banker's hours' - that's a lazy day. That ain't really quite right, I don't think. But I know I never could get to a bank."

Inconvenience because of their location or insufficient numbers seems to be a relatively unimportant objection to banks, at least in Louisville, where there seems to be an adequate supply of banks and branches.

Service charges. A factor felt by many bankers to be important as a deterrent does not seem to play a very important part in public thinking about banks. About one person out of ten thinks that service charges prevent wider use of banking facilities, but hardly more than one out of three is even aware that there is this objection. Among those who have been personally affected, however, the feeling may be quite strong. Since there were comparatively few charges before the war, people are sometimes resentful and feel that advantage is being taken of them.

"You ain't lyin'....They are too high. Darn right! Our account got down low - had only \$3 in it - and they charged us a \$1. I can carry it around cheaper in my pocket!"

Low rate of interest. It is curious that although 56 percent of the families say they have heard the complaint that higher rates of interest are available in other forms of savings, only seven percent thought of it spontaneously when giving reasons that banks are not used more. Apparently it is fairly common knowledge that savings accounts pay low rates of interest, but few people are very excited about the fact. Probably many of the people who are concerned about the interest rate feel disturbed because it has gone down.

Other reasons. None of the other reasons which attribute any fault to the banks themselves seems to be very important. A number of people

point out that sheer ignorance prevents a number of persons from using banks who might do so otherwise: timidity based on the notion that using a bank is complex and difficult, and

"Just lack of education to the privileges and advantages of checking accounts. Most of their lives they haven't had the money to, and they don't appreciate the advantages."

In eight percent of the cases, ignorance of banks was given as a reason that people are holding cash out of circulation. The absolute size of these percentages is not particularly important, since they give no indication of the number of people who are not using banks for this reason, but they do point to a problem and a partial answer. No doubt many persons who are making money for the first time would use banks if they knew more about them.

XIV. WHY PEOPLE DON'T INVEST MORE IN WAR BONDS

War Bonds are, of course, very widely owned; in fact, they comprise the principal form of liquid savings for most families today. We have seen that bonds are the major savings of a majority of families (page 11), and only life insurance is more widely owned.

"Do you folks happen to own any War Bonds?" (If no) "Did you have any Government Bonds before Pearl Harbor?"

Own bonds now	82%
Had some but sold them	4
Never had any	14
	<hr/>
	100%
	N=276

However, most families that own bonds have other savings in addition, and obviously a large number could put even more into bonds than they do. What deters them?

Reasons for not buying more. When asked why he doesn't invest more in bonds than he does, almost everyone's first response is, "I'm buying all I can." In a third of the cases, no other reason is given.

"We're interested in finding out why people use one type of saving rather than another. Now why would you say you don't use that way of saving - War Bonds - more than you do?" \*

	Percentage of those owning bonds
Would buy more if I could	39%
Need a more liquid savings (for emergency, etc.)	22
If I bought more, I might have to cash them	8
Want diversity of investment	5
Have gotten into habit of saving other ways	3
Insurance is essential, would have to cut down on it	2
Don't like bonds; we may lose the war	1
Bonds are my only way of savings	16
No reason, don't know why not	3
Not ascertained	10

N=228

About a seventh say that War Bonds are their only way of saving, and a few do not buy more because they fear that they would have to cash them if they bought more. It is of course possible that these people actually cannot afford to buy more War Bonds.

Nearly one person out of five explains that it is necessary to have a more liquid savings, especially for emergencies:

"We put practically everything we have for saving into War Bonds, although we do keep a little in the bank for emergencies and unforeseen circumstances, because we can get it without waiting to cash bonds."

"My husband is in bad health and every three months he has to go to the hospital and I have to have money where I can get it (in checking account) and what with four children you never know when you'll need it. That's the reason I don't put more in bonds. I figure I might need it for an emergency - new babies, etc."

Aside from the fact that families owning checking accounts are more likely also to own bonds than are those without checking accounts, there

---

\* Percentages add to more than 100 because respondents often gave more than one reason.

is little difference between these two groups in their attitude toward bonds. (See Table M. in Appendix A.)

On the other hand, persons who have cash savings make the plea of inability to buy less frequently than others. Instead, the largest group of them - over a third - say that they need a more liquid and available form of savings. (See Table N, in Appendix A.)

Fear of non-redemption. Although only one percent mention their dislike or distrust of bonds as a reason for not buying more, at some point during the interview more than one person out of ten repeated rumors that bonds will not be fully redeemed. More often than not, the respondent indicated that he himself did not agree.

Spontaneous Mention of Fear of Non-Redemption of Bonds

Respondent fears Government will not fully repay	4%)	
Respondent fears a moratorium on bonds	1	} 11%
Respondent says others fear that Government will not fully repay	6	
None of above fears mentioned	89	
	<u>100%</u>	
		N=276

Even though few respondents admit that they believe stories of these kinds, they are prevalent enough to cause some doubt in more than a few people's minds, a doubt that may deter them from buying as many bonds as possible.

Comparison of bonds and checking accounts. Respondents were asked to make direct comparisons between bonds and checking accounts in order to furnish information about the appeal of this type of savings in comparison to bonds.

Their greater convenience, and the availability of the money, are the chief advantages people think checking accounts have over War Bonds.

"In your opinion, what advantages are there for keeping money in a checking account rather than in War Bonds?" \*

Accounts are more convenient	31%
Money in accounts is available in emergency	22
Checks are a good way to pay bills	13
Money in accounts is available for current expenses	12
Money in accounts can be withdrawn at any time without a wait	8
Accounts are safer	2
Checks carry prestige	1
Accounts have no advantage, or don't know of any	18
Not ascertained, or knows nothing about it	9

N-276

The general concept of availability is stated in three ways: with an emphasis on the more ready accessibility of money in emergency, on accessibility for current expenditure, and on the quickness with which money can be obtained at any time. Together with convenience, which is a closely related idea, this cluster of reasons makes up the great majority of those given. The only specific advantage of any importance other than these, is the advantage of checks for paying bills, since they guarantee that there will be a receipt. Even though two percent did say that checking accounts were safer, since bonds might not be redeemed, it is notable that nearly one respondent out of five could see no advantage at all to checking accounts over bonds.

Persons who have checking accounts tend to lay stress far more often upon availability for day-to-day expenses, and upon the argument that checks are a good way to pay bills. The prominence of these reasons as against factors such as safety or prestige, indicates that many persons do not think of their checking accounts as savings, but keep them merely as a way of paying their current bills. (See Table O, in Appendix A.)

When the terms of the comparison are reversed, half of the people give as an advantage of keeping money in bonds instead of in checking accounts that there is a greater return. Nearly as many mention patriotic considerations and a prominent notion is that money is less likely to be spent if salted away in bonds. Comparing the relative advantages

\* Percentages do not add to 100 since more than one advantage could be given.

of bonds and checking accounts, many more people cite the superior safety of bonds than say that checking accounts are safer.

"What are the advantages of keeping it in bonds instead of in a checking account?"\*

Bonds give you interest	50%
Buying bonds helps win the war	40
Money in bonds is less likely to be spent	27
Bonds are safer	21
Bonds are a good way to save; wouldn't save otherwise	17
Buying bonds helps control inflation	1
Bonds have no advantage or don't know of any	4
Not ascertained	5

N=276

The greater return of bonds as against checking accounts is mentioned somewhat more frequently by owners of checking accounts than by others. (See Table P, in Appendix A.)

Comparison of bonds and cash. Ready availability and convenience are likewise the principal advantages of cash over bonds, in the eyes of most people. One out of three persons mentions the desirability of being able to use cash at once in case of emergency, compared to the wait involved in cashing bonds. One in five gives as advantages of cash its greater convenience, and an equal number stress its availability for current expenses, frequently saying, "But you have to have a certain amount of cash to pay your daily bills." However, an even larger proportion of people think that cash has no advantages over bonds as a way to keep money.

---

\* Percentages do not add to 100, since more than one advantage could be given.

"What are the advantages of keeping money in cash rather than in War Bonds?" \*

Cash is available in an emergency	33%
Cash is available for current expenses	20
Cash is more convenient	20
Cash is safer	1
Cash is good to pay bills with, get discounts	1
Cash has no advantages or don't know of any	29

Not ascertained 4

N=276

Persons who are saving in cash give as an advantage of cash over bonds, the greater availability in case of emergency, twice as often as non-cash-savers. Since they think of their cash holdings as savings, they are less likely than others to mention everyday availability of cash and to say that they see no advantage in cash savings. (See Table Q, in Appendix A.)

The advantages of bonds over cash are quite similar to those attributed to bonds in the comparison with checking accounts; indeed, respondents often said, "The same as I just told you". Interest is again first, brought up by nearly half, and the superior safety of bonds is mentioned by twice as many persons as the number who thought bonds safer than checking accounts. Patriotic reasons are mentioned less frequently, possibly because interviewers had been instructed to ask for financial advantages in the previous questions in case only patriotic reasons were given, thus steering the respondents' thinking away from patriotic considerations on these questions too.

"What are the advantages of keeping money in bonds rather than in cash?" \*

Bonds pay you interest	46%
Bonds are safer than cash	42
Money in bonds is less likely to be spent	21
Buying bonds helps win the war	20

Bonds are a saving; wouldn't save otherwise	15
Buying bonds helps control inflation	1
Bonds have no advantages or don't know of any	4

Not ascertained 3

N=276

\* Percentages do not add to 100, since more than one advantage could be given.

A number of people, both in this context and previously, give answers that indicate they feel helped by the more or less forced character of bond-buying, that it overcomes the inertia that would keep them from saving, or the temptation to spend that having money in more readily accessible forms affords.

Cash-savers do not differ from others much in the advantages they find for keeping money in bonds rather than cash, except that they mention the saving aspect of bonds more, and put less frequent stress on the safety of bonds. (See Table R, Appendix A.)

Summary. While a few persons seem to be worried about the safety of War Bonds, and may be restrained from buying for that reason, in the great majority of cases the fault is not with the bonds themselves. Instead, people seem willing enough to buy, but think that they cannot buy more than they do. No doubt, this judgment is accurate enough in many families whose income is insufficient to provide a decent standard of living in a time of rising prices. But in many others, there exist moderate-sized holdings of the most liquid savings, currency and demand deposits, for two principal reasons. First, many persons feel that they have to keep a good deal of money available at a moment's notice in case of emergency; second, liquid funds are wanted for spending, to be able to buy something if the opportunity arises. If such people are to be persuaded to put more money in War Bonds, they need to be convinced that they can afford to, because they do not need so much money for these purposes in cash and checking accounts.

## APPENDIX A

Tables

Table A. Relation Between Nature of Work of Head of Family and Changes in Amount of Savings Since 1941.

Changes in Total Savings	Head of family employed in war industry	Head of family not employed in war industry	Classification of type of work not possible
Saving more	59%	34%	36%
Saving same amount	21	20	23
Saving less	11	35	33
Never saved	9	11	8
	100%	100%	100%
	N=53	N=171	N=52

Table B. Relation Between Occupation of Head of Family and Changes in Amount of Savings Since 1941.

Occupation	Changes in Savings			Never Saved	Total	
	More	Same	Less			
Professional, business, official	29%	23	46	2	100%	N=35
Clerical, sales	40%	20	35	5	100%	N=40
Service workers	40%	24	21	15	100%	N=33
Skilled workers, foremen	56%	21	19	4	100%	N=63
Semi-skilled, unskilled	39%	18	27	16	100%	N=84
Not gainfully employed	0%	25	56	19	100%	N=16

Table C. Relation Between Occupation of Head of Family and Change in Checking Account Since 1941

Occupation	Saving more	Saving same	Saving less	Never had account	Total
Professional, business, official	23%	40	14	23	100% N=35
Clerical, sales	6%	25	25	42	100% N=40
Service workers	6%	18	9	67	100% N=33
Skilled workers, foremen	21%	13	14	52	100% N=63
Semi-skilled, unskilled	12%	11	9	68	100% N=83
Not gainfully employed	0%	6	25	69	100% N=16

Table D. Relation Between Change in Total Family Income and Change in Checking Account Since 1941.

Change in checking account	Increase in weekly income of more than \$30	Increase in weekly income of \$10 to \$29	Change in weekly income of less than \$10	Decrease in weekly income of more than \$10
Saving more	21%	13%	11%	9%
Saving same amount	18	11	21	18
Saving less	8	11	13	38
Never had checking account	<u>53</u> 100% N=66	<u>65</u> 100% N=72	<u>65</u> 100% N=67	<u>35</u> 100% N=34

Table E. Relation Between Total Family Income and Change in Checking Account Since 1941.

Change in Checking Account	Total Weekly Family Income			
	\$0-\$25	\$26-\$45	\$46-\$65	Over \$65
Saving more	0%	8%	18%	18%
Saving same amount	4	12	13	32
Saving less	8	16	12	15
Never had checking account	<u>88</u>	<u>64</u>	<u>57</u>	<u>35</u>
	100%	100%	100%	100%
	N=24	N=74	N=77	N=79

Table F. Relation Between Occupation of Head of Family and Change in Amount of Current Cash Since 1941.

Occupation	Change in current cash		Not Ascertained	Total
	More	Same or Less		
Professional, business, official	43%	54	3	100% N=35
Clerical, sales	50%	50	0	100% N=40
Service workers	48%	52	0	100% N=33
Skilled workers, foremen	62%	32	6	100% N=63
Semi-skilled, unskilled	68%	30	2	100% N=84
Not gainfully employed	12%	88	0	100% N=16

Table G. Relation Between Occupation of Head of Family and Changes in Cash Savings Since 1941

Occupation	Saving More	Saving Same	Saving Less	Never Saved Cash	Total
Professional, business, official	6%	12	6	76	100% N=34
Clerical, sales	5%	12	10	73	100% N=40
Service workers	21%	12	6	61	100% N=33
Skilled workers, foremen	21%	16	11	52	100% N=63
Semi-skilled, unskilled	17%	6	10	67	100% N=83
Not gainfully employed	0%	0	19	81	100% N=16

Table H. Relation Between Change in Total Family Income and Change in Cash Savings Since 1941

Change in Cash Savings	Change in Weekly Income		
	Increased	Same	Decreased
Saving more	18%	6%	14%
Saving same amount	13	12	0
Saving less	12	9	6
Never saved in cash	67	71	80
Not ascertained	0	2	0
	100%	100%	100%
	N=138	N=65	N=36

Table I. Relation Between Length of Time Head of Family has Been on Job and Changes in Cash Savings Since 1941

Changes in Cash Savings	Time Head of Family Began Present Job	
	Since Pearl Harbor	Before Pearl Harbor
Saving more	23%	11%
Saving same amount	11	10
Saving less	11	7
Never saved in cash	54	71
Not ascertained	1	1
	100%	100%
	N=102	N=138

Table II. Relation Between Change in Total Family Income and Changes in Cash Savings Since 1941

Changes in Cash Savings	Change in Family Income	
	Increased	Decreased
Saving more	18	12
Saving same amount	10	10
Saving less	2	11
Never saved in cash	27	27
Not ascertained	2	0
	59	60
	100%	100%
	N=102	N=138

Table J. Reasons for Changes in Savings Account Since 1941

<u>Reasons for Increasing</u>	Percentage of families putting more in savings accounts *
Money in an account is safe	13%
You can get the money easily	6
You can get the money, but you don't spend it so much	6
The account brings in a good rate of interest	3
Income has increased (no particular reason for putting it in <u>this</u> form of savings)	55
Don't know why, not ascertained	26
	N=31
<u>Reasons for Decreasing</u>	Percentage of families putting less in savings accounts *
Saving in War Bonds now	34%
Gave up account upon moving	3
Rather have other investments	1
Had to reduce savings, less net income (no particular reason for reducing <u>this</u> form of savings)	67
Don't know why, not ascertained	13
	N=70

\* Percentages do not add to 100, because more than one reason could be given.

Table K. Reasons for Taking out More Life Insurance Since 1941

Reasons for Increase	Percentage of families taking out new insurance*
Insurance needed for protection	27%
Everyone should have insurance, a family member didn't	26
Insurance is needed to provide for survivors	22
Industrial insurance is cheap or easy to pay	14
Insurance is a good way to save	11
Insurance is needed for burial	7
Government insurance is cheap or easy to pay	6
Insurance is needed, because doing dangerous work	5
Insurance is a safe investment	3
Insurance is easier to collect than savings account in the event of death	2
Insurance gives greater return than savings accounts	2
Insurance is a way to make sure <u>beneficiary</u> gets the money	1
Diversity of investment is a good idea	1
If you wait until you are older, rates go up	1
Took out more insurance, no reason given	3

N=96

Reasons for Giving it up: Two reasons were mentioned by the six persons who had let insurance lapse: it cost too much to keep up, and the insured had ceased to work at the plant where he was buying through an industrial plan.

\* Percentages do not add to 100 since more than one reason could be given.

Table L. Reasons for Changes in Real Estate, Securities and Other Investments Since 1941

<u>Reasons for Increase</u>	Percentage of families increasing investments *
Pays better return than other savings	32%
Yields an income you can live off of	27
Affords future security (farms only)	18
Provides safety for savings	14
Can be used as collateral	5
Not ascertained	27
	N=22
<u>Reasons for Decrease</u>	Percentage of families decreasing investments *
Was too much trouble or inconvenient	25%
Made a profit selling now	20
Investing in War Bonds instead	15
Want to own our own home	15
Had to reduce savings, less net income (no particular reason for reducing <u>this</u> form of savings)	36
Not ascertained	25
	N=20

\* Percentages do not add to 100, since more than one reason could be given.

Table M. Relation Between Possession of Checking Account and Reasons for Not Using War Bonds More

Reasons	Has Checking Account *	Has None *
Would buy more if I could	43%	26%
Need a more liquid savings (for emergency, etc.)	17	18
Bonds are my only way of saving	7	18
If I bought more, I might have to cash them	7	6
Want diversity of investment	8	2
Have gotten into the habit of saving other ways	4	2
Insurance is essential, would have to cut down on it	2	2
Don't like bonds; we may lose the war	2	0
No reason, don't know why not	2	2
Not ascertained or owns no bonds	18	30
	N=104	N=171

\* Percentages do not add to 100, since more than one reason could be given.

Table N. Relation Between Possession of Cash Savings and Reasons for Not Using War Bonds More

Reasons	Has cash savings*	Has None*
Would buy more if I could	24%	35%
Need a more liquid savings (for emergency, etc.)	35	10
Bonds are my only way of saving	10	14
If I bought more, I might have to cash them	10	5
Want diversity of investment	4	5
Have gotten into the habit of saving other ways	4	2
Insurance is essential, would have to cut down on it	2	2
Don't like bonds; we may lose the war	1	**
No reason, don't know why not	2	3
Not ascertained, or owns no bonds	20	29
	N=80	N=194

\* Percentages do not add to 100, because more than one reason could be given.

\*\* Less than one percent.

Table O. Relation Between Possession of Checking Account and Stated Advantages of Keeping Money in Checking Accounts Instead of War Bonds

Advantages	Has checking account *	Has none *
Accounts are convenient, less trouble	33%	30%
Money in accounts is available in emergency	25	21
Checks are a good way to pay bills, a receipt	24	6
Money in accounts is available for current expenses	26	4
Money in accounts can be withdrawn at any time without a wait	8	9
Accounts are safer, bonds may not be good	3	1
Checks carry prestige	2	1
Accounts have no advantage, don't know of any	5	26
Not ascertained, or knows nothing about it	6	12
	N=104	N=171

\* Percentages do not add to 100, since more than one advantage could be given.

Table P. Relation Between Possession of Checking Account and Stated Advantages of Keeping Money in War Bonds Instead of Checking Accounts

Advantages	Has checking account *	Has none *
Bonds give you interest	61%	43%
Buying bonds helps win the war (patriotic reasons)	44	37
Money in bonds is less likely to be spent	27	27
Bonds are safer	16	23
Bonds are a good way to save; wouldn't save otherwise	19	16
Buying bonds helps control inflation	1	1
Bonds give you security for the future, after the war	3	1
Bonds have no advantage, don't know of any	2	5
Not ascertained	3	6
	N=104	N=171

\* Percentages do not add to 100 because more than one advantage could be given.

Table Q. Relation Between Saving in Cash and Stated Advantages of Keeping Money in Cash Rather Than War Bonds.

Advantages	Has cash savings *	Has none *
Cash is available in emergency	48%	26%
Cash is available for current expenses	15	23
Cash is more convenient, less trouble	24	19
Cash is safer, bonds may not be good	0	1
Cash is good to pay bills with, get discounts	0	1
Cash has no advantages, don't know of any	16	35
Not ascertained	6	4
	N=80	N=194

\* Percentages do not add to 100, since more than one advantage could be given.

Table R. Relation Between Saving in Cash and Stated Advantages of Keeping Money in War Bonds Rather Than Cash

Advantage	Has cash savings *	Has none *
Bonds pay you interest	24%	19%
Bonds are safer than cash	44	47
Money in bonds is less likely to be spent	34	46
Buying bonds helps win the war (patriotic reasons)	20	12
Bonds give you security for the future, after the war	5	2
Buying bonds helps control inflation	1	**
Bonds have no advantage, don't know of any	4	4*
Not ascertained	1	4
	N=80	N=194

\* Percentages do not add to 100, since more than one advantage could be mentioned.

\*\* Less than one percent.

Table S. Regularity of Family's Saving

Save left-over money only	30%
Save regularly by payroll deduction only	26 )
Save by payroll deduction plus left-overs	13 ) 39%
Save by regular personal plan only *	8 )
Save by personal plan plus left-overs	2 ) 10
Do not save in any way	20
Not ascertained	1
	100%
	N=276

\* Includes some who are also on payroll deduction. For this reason, and because a number of other persons who were on payroll deduction claimed not to be saving regularly, these figures should not be used to estimate the total number on payroll deduction (actually 57 percent of this sample).

Table T. Popularity of Different Kinds of Savings Accounts

Kind of Savings Account Used by Family Now or Formerly	Percentage of Families Ever Having Savings Accounts *
Savings bank	84%
Christmas savings	11
Postal savings	7
Building and loan association	4
Credit Union and other	3
	N=134

\* Percentages do not add to 100, since some families have more than one kind of account.

Table U. Composition of Sample by Kind of Dwelling in Which Family Lives

Type of Dwelling	Present Sample	1940 Census
One-family house	61%	60%
Two to four-family house	21 )	32
Rooming house	7 ) 28%	
Apartment house, tenement	10	8
Trailer and other	1	-
	<u>100%</u>	<u>100%</u>
	N=276	

Table V. Composition of Sample, by Race of Respondent

Race	Present Sample	1940 Census
White	83%	87%
Negro	16	13
Other	*	*
Not ascertained	1	-
	<u>100%</u>	<u>100%</u>
	N=276	

\* Less than one percent.

Table W. Number of Adults in Family Gainfully Employed

One adult gainfully employed	58%
Two	28
Three or more	7
None gainfully employed	4
Not ascertained	3
	<u>100%</u>
	N=276

Table X. Change in Number of Family Members Employed, Since 1941

Increase of two or more working	4%
Increase of one person	11
Same number working	65
Decrease of one person	10
Decrease of two or more persons	4
Not ascertained	6
	<u>100%</u>

Table Y. Relation Between Occupation of Head of Family and Change in Total Family Income Since 1941

Occupation	Change in Income			Not Ascertained	Total
	More	Same	Less		
Professional, business, official	35%	37	11	17	100% N=35
Clerical, sales	50%	26	10	15	100% N=40
Service workers	39%	43	9	9	100% N=33
Skilled workers, foremen	73%	14	5	8	100% N=63
Semi-skilled, unskilled	52%	22	18	8	100% N=84
Not gainfully employed	12%	12	25	51	100% N=16

## APPENDIX B

Rumors and Anecdotes About People Who  
Keep Large Amounts of Money in Cash

There follow here most of the specific instances of cash-holding that were obtained in answer to question 14b: "Have you heard about anyone's keeping a good deal of money in cash?" In some of the answers there seemed to be little evidence that the respondent had a concrete instance known to him in mind; these have been discarded.

In most of the instances, there are indications of the motivation behind the cash-holding. They have been roughly classified according to the principal motive given, though in many there are numerous reasons offered, which make any classification somewhat arbitrary.

## I. Motivation Suggested in Story

a. Fear of Banks

142. "Maybe some people don't trust banks. There are people who like to keep their money where they can get it. My sister and brother-in-law keep their cash in a bank vault in Chicago."

234. "Most poor people need what we have and don't trust anyone else with it. During the war the Government might take the money you put in the bank and use it, and then you wouldn't have it for when you need it. People don't like that; it's not sure, and cash is. I know a woman who saves all hers in the home and she has several people working in her home. Lots of white people do; one family I worked for feared banks and kept \$1000 always in the house. They kept it in a glass jar."

288. "Despite the high cost of living, I'm able to save regularly. Mind you, I do not use a bank. (Any definite reason why?) I'm not so easily bitten again. You see, I lost quite a deal in the crash of 1929; then too, it's definitely more convenient to have cash around where it is more available. I feel it is a safer investment - always on hand should an emergency arise and can be obtained without a minimum amount of red tape or delay. I feel quite a few people are like me, rather have it around so it can be easily obtained if needed..."

288. "They just haven't made up their minds that banks are safe. Since that calamity I'm skittish about them myself. They like to keep it so they can get it....It's kind of prevalent in the minds of some of the people of this country that if this war debt gets any bigger they will have to pay taxes on

money in the bank so they keep it hid.....I don't know anyone definite but I do know of people, other laborers where I work that keeps it right on them. Everybody now who has any sense has money so they keeps it with 'em - I know men who have \$200 or \$300 right on them!"

056. "I had a fella not long ago say he has some buried. I wouldn't like to myself that way but he figures he can dig it up when he needs it. He's scared of the bank - scared to loan it and let it get out of his hands."

021. "I know a man who makes a lot but has no bank account. I don't know where he keeps it but he is always saying he won't put his money in a bank."

202. "Yes, I think I know somebody. I think they think maybe the money in the bank will be taxed. I think they think the banks aren't safe. (What do you mean?) Wasn't there talk for a while that there was going to be a tax on all money put in the banks?"

181. "I have heard people say they had a lot of money that they were saving toward something, car or house. They say they're afraid of banks, expect another depression and are afraid if they have a lot in a bank they are liable to lose it."

186. "One man showed my husband and a bunch of men a roll of ten \$1000 bills the other night and said he'd made it all since the war, and said he kept it on him because he was afraid of those God damned banks."

099. "I know a man who carries \$200 or \$300 cash around all the time and when I asked why he didn't put it in the bank he said he was scared of banks."

069. "I have a grandmother - she wouldn't ever use a bank - just carries her money around - she's afraid of banks."

147. "My uncle keeps it that way. He doesn't trust anyone to play around with his money."

b. Fear of Banks and Government (or Bonds)

218. "Some people are afraid of the banks. Of course they are insured now but some people say the Government might fail. A man told me not to put any money in a bank now. Some people just don't know any better. The defense workers are the main ones who keep the cash if they don't spend it. They never had any before and they never have used banks. A friend of mine keeps all her money in

cash at home. I told her about people being held up and having their pocketbooks snatched but she says she wants to keep her money with her."

188. "I have a friend keeps money in his house who is afraid of banks. He doesn't like War Bonds because the Government may go under."

150. "I have one friend who is afraid of banks, bonds, insurance, etc. He keeps his money buried in a jar back of his house. Another keeps cash in a can in a trunk. One man who works with me carries \$700 or \$800 in a money belt around his waist all the time."

075. "I know one fellow had \$2000 in his pocket. I said first to him, 'go to the bank' - he said it pays almost no interest. I said then, 'buy bonds'. He said people say the Government will never pay back for those bonds. People are scared because they are ignorant and besides they have no gratitude toward this grand country..."

055. "They're afraid of the banks. Bonds too - I've heard people say don't get too many bonds, the first thing you know the Government will slap a big tax on them and you'll have that to pay. I've even heard of people burying money. I think it's crazy - it was a sizeable amount in the hundreds and this party has no faith in the banks. This party went and put \$50 in the bank on Saturday night and Monday the banks shut down."

c. "Like the Feel of it" and "to Show it Off"

208. "I've noticed some people - I never want to carry \$50 in my pocket - who have \$100 on them.....But with the gas situation, they can't get in and bank hours are not convenient. Then, they never had the money in their hands before, and like to keep it. (Do you see more of this in your practice than before?) I know I see more money on people in my practice, more tens and twenties than I've seen.....in 20 years of practice."

159. "We like to accumulate a fund to buy household equipment. (But couldn't you save it in the bank?) It would cost to check out. My wife likes the feel of cash. She did without so long. It's probably safer in the bank but to have money in your hands makes you feel like you are somebody whether you are or not.....Those people are probably like me. They haven't had any cash for so long they want to have the feel of it, want to have it on hand. It gives you a feeling of independence. They may fear bank failure too. These war wages are a false security. There was a depression after the last one. There will be another. The banks may close and a little cash will be right nice to have. My aunt won't invest in anything."

A man at the Bingo the other night had a roll of bills which he kept showing around to different groups. This is the first time he ever had as much money. I know; we have lived on this block for 16 years. He may be afraid of banks but I think he just wants to show people he now has cash."

083. "I have a couple of friends who are filling safety boxes with currency. They are afraid of a depression after the war - also fellows save that way who never made money before and are now making \$10 or \$15 a day and they just keep it in their pockets. They've probably never had a bank account. They need to be educated up to it."

205. "It could be the class of people who never had any money before and now they just want to keep it in case they want to spend it. I saw a man who was riding on the streetcar who had several hundred dollars in cash. He used to be on relief and probably will be back on it after the war."

067. "They just haven't had money before and don't know what to do with it. A lot of people might just want to show off. We have a friend who has a bank account, but he always carries \$200 or \$300 around just to show off."

203. "I've known people who save all their cash. They're people who never had money before and they don't want to turn it loose. Mostly country people. They're makin' good and they save all their wages. They're saving it for buyin' farms and things."

243. "I know of people who don't trust banks and they keep cash on themselves. Some people just like the feel of it in their pockets. Lots of colored people never had much money at one time and now they have and they don't want to part with it. A lady in this house, upstairs, keeps all her money on herself. My married son keeps a good lot in his house for his needs. He can't get to the bank often. He works for the Post Office. Most of my friends keep lots of money in their homes. (What is "a lot of money?") A hundred dollars, and a lot more, too, like a thousand dollars."

d. Convenience and Availability in Emergency

213. "I've heard of people burying money - my mother does it and no one in the family knows where it is. I keep mine in cash, because when I need it, I can get it. I imagine everyone else has the same idea."

175. "I don't know unless if like us, people want enough money on hand to pay doctor bills, or a funeral for an old mother, as we had."

We have already paid \$150 in cash for doctor bills. (Cash?) Yes, cash we had around here. When you have children you naturally keep more cash around for emergencies."

085. "My neighbors keep some cash on them - not large amounts. They call it their savings like I do.....They are all like me and don't always want to be broke. Having money on me makes me feel a little better. Having cash on myself we can pay doctors and such things and don't have to run bills for everything."

170. (Saves in cash) "Because I use as much as I can for War Bonds, but I have several hundred dollars on hand I can get to for emergencies and not wait 60 days to cash a bond."

189. "I know some of my friends, one girl in particular who carries a lot of cash on her all the time so if she gets the urge to buy something she has the cash. Some of the boys I know like to have cash in their pockets. Some of the boys won't buy extra bonds as they feel it takes ten years to get returns."

e. Evasion of Income Tax

120. ".....There are rumors that the Government is going to put out a new system of money, but I believe that's just talk that always starts during a war. So I still believe what the Government puts out is good. Now my uncle doesn't; he buries his money in jars. My uncle is a country man and he had a stubborn streak. He doesn't want to give the Government anything. He hates the income tax. I don't know anybody else like him."

201. "Might be afraid to put it in the bank as there's a record of it there. If they house it up they might avoid income tax but I'm not sure. I know of people that had money and went around in rags and a good bit of their money was in the house."

126. "I know one family that keeps all money in the house and if the house burns down, I don't know.....They keep it all in tin cans. But this family I think don't want the Government to have a record of what they got. They don't want to pay taxes."

f. Hoarding for "Safety"

239. "I knew a woman who buys bonds and cashes them 60 days later and keeps the money at home. She feels safer that way. See she buys ten percent of her salary but cashes them.....I sold something to a man today and he pulled out a billfold that was in sections. He had ones, fives, twenties all in sections and he had at least \$200 in that."

164. "Yes, I know several in the housing project who know better, but they think they can take better care of their money themselves. They even know of money which has been stolen right in the housing project - yet they don't seem to pay no mind."

161. "I know a man who lost \$3000 gambling at one night, and had to make his bets good. Parsons in the game were sceptical of his ability to pay and followed him home. Upon arrival the loser was found to have around \$10,000 in cash. He said he kept all of his money in the house well hidden and it was safer than any bank."

167. "I have two friends, one who carries around \$500 to \$700 and another who carries about \$1200. They don't trust any sort of saving. They feel cash is secure if they have it with them. They don't look to the future."

165. "We know a party that sold a farm for \$10,000 cash and he had it buried in the ground, 'cause some of the money was actually moldy. (Why in the ground?) Probably for safety."

g. Doesn't Want to Invest it

230. "Yes. A clerk in one of the banks told me of the money coming in to go into lock-boxes. A rather successful doctor's wife explained how there was no place to invest money if you didn't want to put it all into War Bonds, so she was an advocate of the lock-box at the bank, but not of cash."

183. "Well, like us, we need money around home all the time because you never know what illness will come up or something like that. When you need the money you need it. Of course we keep about \$10 a week as surplus ourselves. People probably don't want to wait for money like you have to if the money is in the bank, and you need it. (Any other reason?) No - well, I suppose some people want cash instead of investments that might not be worth anything when this next big depression hits us."

"I think war workers have it. There are several in this block who I think keep lots of cash that way."

"I haven't heard anything about it except what people who work with me at the ice plant say, they are keeping cash so they won't lose it in investments like I said. (Mary?) Well, 90 percent maybe of the fellows seem to feel that way there."

h. Wants Money in Cash in Order to Leave it to Someone

148. "A colored man cashed his bonds 'cause he was old. He heard his wife would have trouble cashing them if he died. So he cashed

them and put them in a safety deposit box. He doesn't know that she can't get in that."

151. "My grandmaw, she keeps a lot of cash right in her house. Maybe 'cause she's too old. She's saving her money so it can be easily divided among her children after she dies, but if she invests it, it might get all tangled up with some lawyer."

## II. Motivation Not Suggested in Story

### a. Stories About People Hoarding in Homes

211. "The folks I work for keep some money in wall safes. Others I've heard keep in their mattresses."

215. "Oh yes, I've heard of people burying it in the ground; hiding it in old cans around the house."

119. "Yes - on their persons. A woman in the neighborhood died and he d several thousands sewed in a mattress."

153. "My brother-in-law had money buried in the ground, before he died. Women are sewing it in their corsets. Others are sewing it in mattresses."

062. "I have a friend who keeps a lot of money around the house and she's always blabbering about it. I tell her she's crazy not to keep still about it. Another friend down the street won \$100 at a Bingo the other night and she just can't decide what to do with the money."

070. "A neighbor's family had \$800 or \$900 on hand - paid for furniture in cash, \$700."

121. "I've heard of it - a friend of mine's sister kept it all in cigar boxes. I'd be afraid to be robbed."

131. "A woman down in the next block died and her son came from out of town to sell the house, and when they took up the linoleum in the kitchen they found over \$2000. I'm only telling you this because she's dead."

### b. Stories About People Carrying Large Amounts on Their Persons

212. "I know a Jew who will always cash a check for me. Says he don't have a bank account. He keeps a big roll on him. He's the kind that's keeping the cash."

160. "Yes, I know someone who carried \$200 in her pocketbook and she hangs on to it pretty close. She says she'll put it in the bank when it gets to be a sizeable amount, but she never does. She may have more in it by now for all I know."

191. "I have seen fellows that I work with have as much as \$3000 on them. I don't know why they carry all that money around but they do."

171. "I know of someone who keeps \$100 bills and he keeps them in his pocket. Don't know why he does it."

152. "One man I worked with carried \$1000 in his pocket every day - in the same place two fellows carried \$500 to \$600 all the time. One colored man carried around \$200."

168. "I have seen people with two or three hundred dollars in their pockets."

APPENDIX C

Interviews With Bankers

In order to supplement the data of this report and to get an impression of the way the problem is viewed by technically competent people, interviews were conducted with officials of two of the leading banks of Louisville. Excerpts from the interviews with these two bankers are contained in this appendix and they present certain interesting contrasts to the information obtained from the general survey.

Bankers A and B Differed in Their Estimation of the Public's Saving Behavior

When asked, "Are people saving more?" banker A explained that they were and gave the reasons he thought to be responsible for this change.

"Well, it's our experience that people are saving more, in general. More money is made, and the people are restricted on their buying. They are also restricted on speculation. Also education for the postwar period is such that people are willing to wait to buy things they want, so they are saving money with those things in mind. Then, too, the pressure of 'pride' has been relieved. You don't have to buy a car every time your neighbor does.....More people are working than formerly. There are many people who get a Government allotment who work for a salary besides, so they can save a portion of their wages. Many of the middle class are saving for specific things; frequently they wish to invest in real estate, especially farms."

Banker B, on the other hand, tended to make somewhat different statements in answer to this question.

"People are better off, because you can compare our deposits. Since the war, this branch of our bank has had an increase in deposits of about 60 percent.

"People were saving more until the high taxes forced them to stop. I base this on the fact that we sell a lot of bonds, and they are redeeming them more and more. Last month (March) we redeemed more than we sold. The people say they need the money to pay taxes. So that's been the trend in the last six months - excluding, of course, during War Bond drives. That's a bad situation.....But I know that a lot of people just buy them to stand in good at the plant, and then they sell them after 60 days. Concerns should make surveys to find out who is keeping and who is selling the bonds they buy, and then these firms should not sell these people bonds.

"What are people doing with their money? I'd say they are buying their heads off. Of course some are saving - the economical ones, I mean. (How are they saving?) A lot are saving in War Bonds. I'd say there is very little speculation going on, in the market and securities.

".....The worker is not saving. (Why not?) Well, they've got an idea that it's going to last always. I mean the ignorant people do this. They never had anything that they have wanted and now they are getting it. I'm referring to the laboring class. But the white collar class is really in a hell of a fix, except those in war plants. Take our own bank, we can't afford to pay war wages, and even if we could we wouldn't want to set such a precedent for after the war. It would be bad, because we know we'll have to cut down sometime."

Both Bankers Agreed That There  
Are More Savings Accounts

Banker A: "I'd say they save more (this way). We also have more accounts, too, but we also have a greater increase in population in this area."

Banker B: "Outside of War Bonds, savings accounts is where most of the money is going. The reason is that the money in the bank is available to them when they want to buy a house or something."

Both bankers also felt that there is greater use of checking accounts.

Banker A: "Well, we have more checking accounts than we did, but I can't give you exact figures on how many more. Special accounts, where we have made arrangements for small accounts, with small charges for checks, have increased the number of checking accounts. Lots of people are opening accounts who never had one before. We get people every day who have no idea how banks operate, or anything about them."

Banker B: "Yes, there is more in checking accounts, because people are buying more stuff. These are people who were perhaps making about \$100 a month before all this, and now make between \$200 and \$300 a month. They are buying stuff they never had a chance to buy before....."

Neither Banker Seemed to Under-  
stand Public Distrust of Banks

Although a survey recently made by one of the banks in Louisville had shown that a sizeable proportion of the Louisville public does not

feel that bank deposits are entirely safe, neither of the bankers interviewed referred to this when asked his opinion as to why people do not use banks more than they do. Banker A felt that the use of service charges and more formal methods of identification had created public resentment.

"There is a group of people who have not been educated to use banks. They are the ones who resent service charges and who would spend 15 cents in carfare, not to mention their time they consume, to go about to pay their bills in cash. It is also this type who will pay more than we ever charge for checks for money orders. Also people resent your not cashing checks without investigation. A man came in the other day with a Government check; when I asked for identification, he was insulted and said he would never bring his account to this bank.....It is very easy to offend some of the older business men who in past years have borrowed money on 'character' alone. Banks can no longer do business this way. But this type of man is easily offended when you ask for a 'statement of his financial condition' before lending him money. When you ask for co-signers on the loan he is furious! (Such a person) will probably resent banks, or at least this one.

"Besides the feeling among the uneducated groups there is resentment against banks in a better class who got their attitudes during the depression. This occurred when lots of people who were speculating had loans called in by the banks, and they still feel great resentment against us. Many such people may never get over it."

Banker B seemed to have little idea as to what might be causing the public to hold back from the use of banks.

"Well, there's the service charges.....(Any other reasons?) I can't see why they should be afraid of banks, with the FDIC."

Neither Banker Thought of Banking Hours  
as Important in Determining Public Use

Banker A: "All members of the Louisville Clearing House Association have uniform hours. Most of the large banks belong to this Association. We have hours from nine to two on all days but Saturday, when we close at twelve. The Morris Plan Bank and the Royal Industrial stay open till four and on Mondays are open until nine P.M. They cater to defense workers and are comparatively small banks. I guess in a sense we don't cater to defense workers, especially. We like heads of business houses, etc., because it means more to us. Our hours are convenient for the professional people and business people we serve."

Banker B: "We work a 40-hour week here. I am sure that banking hours are not a factor in why people may not use banks. I think it's just a habit of people. If we were to keep the bank open to six P.M. everybody would come at 5:30. We used to keep open at night until seven, and they'd all wait until then to come in. We also used to stay open until two P.M. on Saturday, but our employees couldn't do anything. So we changed it back to 12, and the customers are just as happy - after they got used to it."

#### Both Bankers Welcomed New Depositors

Despite the impression that a good many of the respondents of the survey had that bankers do not want their money, both bankers described their efforts to attract new depositors.

Banker A: "There is more competition in good banking today than formerly, especially in FDIC. We try to attract depositors all the time because we need them to survive. (Interviewer: What methods do you use?) Well, we run a general ad in the paper occasionally, but we do most by personal solicitation. We see a business man whose business we would like to have. We study his business from as many angles as possible. We find out the services rendered him by the bank he is doing business with, and then we figure up some new services that he isn't getting.....Frequently the man will come over to us."

Banker B: "Yes, banks are working very hard to get new checking accounts, to have new depositors - to build up their business so that when this bubble bursts they will not have less depositors than they had before. We feel that when the Government stops all this spending, deposits in banks won't be as high as they are. So we are trying to solicit as many customers as we can."

#### Both Bankers Recognized the Large Increase in Outstanding Currency

When asked for their opinions as to the reasons for the increase in outstanding currency, both bankers emphasized the increased use of safety vaults.

Banker A: "Well, as I said, many fellows like to carry large rolls in their pockets, especially if they have never had that much money before. Of course, I can't say how much cash is in vaults, but I suppose there is

a lot. Also money around the house, because there is nothing to do with the money, either. Many who would want a car, radio, or an electric refrigerator and can't get them just keep the money in cash.

(What kinds of people or groups do you think have this cash?) "Your union or laboring class of people, I think, because they are the ones who got the biggest increases in salary. Also doctors are doing a little.

"The demand for safety deposit boxes is terrific at our head office, where I would say that the increase is 40 to 50 percent, or even somewhat higher. There is some ratio probably, in demand to the influx of population in this area. Also many people who never had securities are buying bonds and want a place to put them."

Banker B: "I don't know why. But there is a lot of cash going into safety deposit boxes. (What sort of people are doing this?) Educated people. (Why are they doing it?) I don't know, it seems silly. Bank deposits are insured up to \$5000, yet people take amounts out of accounts less than \$5000 and put it in a safety box. Only yesterday a woman whose husband had died and left her \$10,000 insurance came in to change the check she got. She withdrew the money and the teller asked her how she wanted it. She took the \$10,000 and put it into a safety box. And our vault-keeper says a lot of people are putting their money into safety boxes. (Why are they doing this?) Well, due to the bank-closing no doubt. They couldn't get but five percent of their deposits a month during the moratorium. (To what extent is this going on?) I don't know, it's not illegal. But that's why there is so much money out of circulation."

Both Bankers Advised their Clients to Invest in Government Bonds

In order to determine the attitude of these two bankers toward Government bonds the following question was asked: "How would you advise me to invest \$10,000 if I were to come as a regular customer?" Banker A's response indicated the effects of previous difficulties his bank had had.

"Of course we don't advise people on investments right now, because we stuck our neck out once and didn't do so well..... At the present time we only advise people on the type of Government bond they should buy.....

"People are mostly investing in U. S. Bonds. (After that?) People don't know what to do with their money. I have been asked that question a thousand times by people who have a big bank balance and don't know what to do with the money. I advise them to buy bonds, because I think it is the safest thing to do. (Why?) I believe it is the safest thing."

Banker B framed his answer in somewhat more detailed form but his conclusions are similar.

"That depends on whether you would need the income from the money. (If I do?) That depends on how much you require. If you need an income of four percent, we'll say, then you would have to sacrifice safety and invest the money in some common stock where you would get a yield. But if you could get along on two and a half percent interest, then I'd say Government G bonds. You get a check every six months, and they're safe. The Government guarantees it and if the Government's no good, nothing else is."

CABLE FROM WAR REFUGEE BOARD TO AMBASSADOR WILSON FOR SAXON, ALGIERS.

Sir Herbert Emerson has received in London through Gouverneur Valentin Smith, the Intergovernmental Committee representative in Algiers, the recommendation of the local management of Camp Lyautey that the camp be closed and its 600 inmates be transferred to existing camps in Egypt and Palestine and to countries willing to receive them. This recommendation is based on the opinion of the local management that in view of the improved international situation it is improbable that further large contingents of refugees will arrive at Lyautey and that therefore the costly maintenance of 600 persons in a camp established to care for 2,000 refugees is not (repeat not) justified.

Emerson replied to Smith that the question of the future of Camp Lyautey is one primarily for the British and American Governments in consultation with the French authorities and that the Intergovernmental Committee had no instructions to give although it felt that a decision to close the camp now would be premature.

For your information the War Refugee Board has cabled Ambassador Winant in London as follows:

QUOTE The War Refugee Board is in full agreement with Sir Herbert Emerson that a decision to close Camp Lyautey now would be highly premature. In our opinion the international situation has not (repeat not) become stabilized to such a degree as to justify the taking of an irrevocable step such as that suggested. Moreover, such a suggestion is difficult to understand, in view of the necessity of caring for increasing numbers of refugees escaping from enemy territory, and the recent decision to expand at once existing refugee facilities in the Middle East and to open new camps in French North Africa, Tripolitania and Oswego, New York. UNQUOTE

THIS IS WRB CABLE TO ALGIERS NO. 35.

MEMARKS/MSargoy/AAbrahamsontdh 7/20/44

July 20, 1944  
5:00 p.m.

CABLE FROM WAR REFUGEE BOARD TO AMBASSADOR WINANT, LONDON, ENGLAND

Please refer to your 5637 of July 17 concerning the recommendation transmitted by the Inter-governmental Committee representative in Algiers that the refugee camp at Fedhala be closed.

The War Refugee Board is in full agreement with Sir Herbert Emerson that a decision to close Camp Lyautey now would be highly premature. In our opinion the international situation has not (repeat not) become stabilized to such a degree as to justify the taking of an irrevocable step such as that suggested. Moreover, such a suggestion is difficult to understand, in view of the necessity of caring for increasing numbers of refugees escaping from enemy territory, and the recent decision to expand at once existing refugee facilities in the Middle East and to open new camps in French North Africa, Tripolitania and Oswego, New York.

July 20, 1944  
11:55 a.m.

MJMARKS/MSARGOY/AABRAHAMSON:dh 7/19/44

PLAIN  
 London  
 Dated July 20, 1944  
 Rec'd 12:30 p.m.

Secretary of State

Washington.  
 5724, Twentieth

Several newspapers today carry articles regarding recent German proposal to spare lives of remaining Jews in Hungary in exchange for war materials including 10,000 trucks "not to be used on the western front". All articles strongly condemn the proposal under such terms as "monstrous", "blackmail" etc. All point out that the British Government has kept American and Russian Governments fully informed. None gives the names of the emissaries who reached Turkey with the proposal.

Diplomatic correspondent of the TIMES calls the offer to "barter Jews for munitions" one of the "most loathsome" stories of the war. He states that the British Government knows that only defeat of Germany will provide security for Jews and other oppressed peoples in Europe and concludes that the proposal "seems to be simply a fantastic attempt to sow suspicion among the Allies".

Diplomatic correspondent of DAILY TELEGRAPH is more objective, giving a concise outline of the story and stating that "it is characterized in authoritative British quarters as a barefaced attempt to blackmail the Allies".

Article in MANCHESTER GUARDIAN covers fully the facts of the proposal as known, which it describes as "a recent German attempt to barter human lives in order to secure a negotiated peace or to secure, at any rate, a split in the United Nations". In short editorial in same paper, entitled "Blackmail", it is stated that the proposal shows that German persecution of Jews in Hungary was not due to mere hatred of Jews but that it was part of a wider scheme to split the Allies by attempting to range the tender-heartedness of the Anglo-Saxons against the realism of the Russians. "THE plot failed".

DAILY HERALD reporter characterizes proposal as "cold-blooded", "fantastic" and "incredible" and, after discussing possible German motives, concludes "whatever the evil purpose it is bound to fail".

DAILY MIRROR's article is equally condemnatory. Its conclusion is that proposal represents effort by Nazis to discover how far Allies may be "blackmailed" in an attempt to save lives.

At request of ASLOR, please furnish copies to

Secretary.....

-2- #5724, July 20, from London.

Secretary of the Treasury and Pehle, War Refugee Board.

WINANT

MEM

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London  
TO: Secretary of State, Washington  
DATED: July 20, 1944  
NUMBER: 5729

## SECRET

With reference to message of July 4 from the Department, Number 5269, on June 19 th the Embassy received a letter from the Foreign Office which is as follows, in paraphrase: We have received your letter of July 7th with reference to providing additional supplies to meet the needs of refugees in certain neutral countries.

We have approached the five neutral governments mentioned and our representatives have been directed to act in concert with their American colleagues in this matter.

WINANT

DCB:LCW 7/22/44

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London  
 TO: Secretary of State, Washington  
 DATE: July 20, 1944  
 NUMBER: 5733

SECRET

Please transmit to Paul Baerwald of the JDC substance of message from Emerson of IGC given below:

Your message which was received through U.S. Embassy is referred to herewith. We are only now able to implement credit scheme. We are in a position, under arrangements concluded with JDC acting as our agent, to allocate for the quarter ending September 30, 1944 the following sums: France \$300,000, Rumania \$300,000, northern Italy \$30,000, and Hungary \$300,000, making for the three months a total of \$930,000. We can allocate \$20,000 in a lump sum from private funds which have been placed at our disposal, in addition to allocations given above which are out of public funds. We should like to have this latter sum used for Hungary although it is not essential. Allocation from private funds should be kept in a separate account.

We would be willing to consider some increase in these allocations for the current quarter in event that a good case were established prior to quarter's end.

It can be assumed by you that for the quarter beginning October 1 similar allocations will be available if it is established that they are necessary. We would, in fact, consider an increase in allocations if good case is made. We would appreciate having proposals for that quarter prior to the 15th of September.

Arrangement with JDC was that our allocations were to supplement those made out of JDC funds and not to replace them. We do not wish to push this understanding to extremes so long as there is a gentlemen's agreement that to extent of their ability JDC will continue allotting funds and we have regard for their very urgent commitments in other quarters. JDC will no doubt keep us informed confidentially concerning this matter. In our opinion implementation of scheme should not be postponed until Schwartz has been interviewed by us. If you can get the necessary information through to him you may go straight ahead. We do not contemplate immediate need of giving Schwartz information as to full details of our arrangements, unless you are able to do so. We can discuss these with him when he comes to London, early in August presumably. From our point of view the vital instruction to Schwarz is that accounts be kept separate from JDC

allocations.....

- 2 -

allocations and we leave question of other immediate instructions up to you. It does not seem necessary for Malin to visit Lisbon at this time in view of Schwarz's arrival in near future, and it would not be convenient for Malin to make the trip.

WINANT

DGR:EBB  
7/21/44

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, LONDON  
TO: Secretary of State, Washington  
DATED: July 20, 1944  
NUMBER: 5734

SECRET

Will you send to Pehle, WRB, a paraphrase of the following message from Emerson:

By way of the US Embassy your message has been received by us. Due to the fact that only yesterday we at last concluded our arrangements with the British officials, our response was delayed. The following communication which today was cabled to Baerwald we hope will be satisfactory to you.

Your communication which was received through the US Embassy is reference. We are able only now to expedite credit plan. We are in a position under arrangements made with JDC acting as our agent to allot for the quarter ending September 30, 1944, the following sums: Northern Italy \$50,000, France \$300,000, Hungary \$300,000, Roumania \$300,000 making total for three months of \$950,000. Plus the above allocations which are out of public funds, from private funds which have been put at our disposal we can allocate \$20,000 in a lump sum. This last sum we should like to be utilized for Hungary although it is not essential. There should be kept a separate account of the allocation from private moneys.

Prior to the end of the quarter if a good case were established, we would be ready to give consideration to some increase for the current quarter in these allocations.

If the necessity for allocations is established, you can assume that like allocations will be available for the quarter commencing the first of October. We would, in fact, give consideration to an increase in the allocations if a good case is made. Prior to the sixteenth of September let us have proposals for that quarter.

With JDC we have made arrangement that our allocations were not to replace but supplement those which were made out of funds of JDC. For such time as there is a gentlemen's agreement that JDC will keep on allotting funds to the extent of their ability and having a regard for their very urgent commitments in other parts we do not desire to press this understanding too urgently. JDC, no doubt, will keep us confidentially advised concerning this matter. Until we see Schwartz our opinion is that implementation of the plan should not be delayed. If you are able to get the necessary data to him, you may proceed. We do not contemplate the immediate necessity of transmitting the complete details of our arrangements to Schwartz unless you can do this.

These can be

- 2 -

These can be discussed with him when he comes to London which will be presumably be in early August. From our viewpoint, a vital instruction to Schwartz is that accounts be kept separate from allocations of JDC but the question of other immediate instructions we leave to you. It does not appear to be necessary for Malin to pay a visit at Lisbon at the present time in view of the arrival of Schwartz before long and as it would be inconvenient for Malin to make such a visit.

WINANT

DCR:EMS  
7/22/44

AIRGRAM TO AMEMBASSY PORT-au-PRINCE, HAITI

Please convey to the Minister for Foreign Affairs the deep appreciation of this Government for Haiti's attitude and contemplated action as indicated in your A-369 of July 12. It is assumed that Haitian authorities are aware of the urgency of the situation and will act as promptly as possible. It is also assumed that the examination of documents issued in Haiti's name, referred to in your A-369, means examination by Haiti and that this point will be made clear in the instructions to the Haitian Legation at Bern.

12:00 noon  
July 20, 1944

Miss Chauncey (for the Sec'y) Abrahamson, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser, Mann, Stewart, Centra Files, Cable Control Files

LSLesser:ms 7/19/44

CABLE TO AMERICAN CONSULATE GENERAL, NAPLES, FOR ACKERMANN  
FROM WAR REFUGEE BOARD.

The following message has been received from Emerson, IGC:

QUOTE A message has been received recently from our representative in Italy which states, in effect, that there have been discovered records which are now available in Italy and which give complete lists of names of more than 15,000 individual refugees -- Yugoslavs who are not Jews, Jews, and other people -- who have been, at one time or another since the start of the war, in Italy. To trace many of them now is impossible. Other data is available which gives the names of refugees at free detention places and those held at certain camps at certain times. Our representative suggests that notification be given the Axis authorities that this information is in the possession of the Allies and that due punishment will be inflicted upon those responsible for the ill treatment or death of these people. I am referring this matter to you, since agreement has been reached with Washington that the field of action of the Intergovernmental Committee does not cover psychological action of this kind. Since it would possibly be of special interest to the War Crimes Commission, the information has also been sent to the British Foreign Office. UNQUOTE

Please consult Heathcote-Smith, IGC Representative. If possible examine records to determine their usefulness either for psychological purposes as indicated, or for purposes of initiating action that might result in the rescue or relief of persons whose names and whereabouts may be available.

THIS IS WEB CABLE TO NAPLES NO. 36

5:00 p.m.  
July 20, 1944

(css)

A. Abrahamson:m 7/19/44

## ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Consul, Naples  
DATED: July 20, 1944  
NUMBER: 392

SECRET

FOR ACKERMANN IN BARI FROM WAR REFUGEE BOARD.

Following is text of message received by Board from

McClelland in Bari:

QUOTE McClelland sends the following message for WRB for the attention of Representative of Yugoslav Committee National Liberation Bari, Mr. Smoldaka.

Katcha and Ribar are acquainted with the courier named Mala, who left with detailed report recently.

Contact has been established with OSE, Jewish children's relief and rescue committee, which offers funds necessary to save abandoned children of all nationalities and religions. Work with Hungarian resistance is also desired by OSE in effort to save Jewish children of Hungary. Please contact Max Perelman, representative of the American Joint Care Intergovernmental Committee, Naples, in connection with this child rescue work. The next courier will carry detailed instruction. Important medical supplies for Slovenia have been furnished by OSE. Your assistance with their transportation on LATINOVITCH from Trieste is requested. UNQUOTE

Provided you

Provided you have no objection, please deliver foregoing to Mr. Smoldaka.

HULL

A I R G R A M From: Personal Representative of the  
President to His Holiness the Pope

Despatched:

Date: July 20, 1944.

Rec'd: July 29, 4 pm

Secretary of State

Washington

A-2, July 20, 5 p.m.

For the Secretary. Department's 365 July 14, 6 p.m.

The following is the real situation of the Jews in Rome as of this date:

First: As a general brief statement there were 12,000 Jews in Rome before the Armistice on September 8, 1943. There were 12,000 there after we liberated Rome on June 4, 1944.

Second: Deportations and massacres. During the German intermezzo September 1943 to June 1944 the Jewish population decreased by about 2,000 (The DELASEM two months ago gave this figure as approximately 4,000) of which a) deportations to Germany and raids to collect workers approximately 1,760; b) shot by the Germans in the 24 March massacres 66, making a total of approximately 2,000.

Third: Influx during the German intermezzo. a) Jewish Italian citizens from Northern Italy 600 (NOTE: this may have been up to 900); b) Foreign Jewish Refugees from France 600; from concentration camps in Northern Italy 700, totaling about 2000.

It would therefore appear that there are still approximately 12,000 Jews in Rome and Southern Italy.

These figures were prepared specially by Heathcote Smith, representing the Intergovernmental Committee now permanently residing in Rome who made a careful investigation yesterday to provide this information.

Taylor

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Mission, Rome  
 TO: Secretary of State, Washington  
 DATE: July 20, 1944  
 NUMBER: 30

## CONFIDENTIAL

## ACKERMANN SENDS THE FOLLOWING FOR WEB.

1. The message given below is a supplement to Stauber's July 15 cable and the Army July 16 cable in connection with the movement of refugees. The last figure on refugees is 983. In view of the fact that statistics had to be prepared in a few hours and there was no time for a recheck, the breakdown in Army cable was only approximate.

2. Cases for stretcher and hospital were not serious; ten moved to ship but one broken leg only and one woman who four days previously had delivered child. The remainder were old persons bothered by difficult traveling and living conditions and the heat, or they were heart cases.

3. Languages: 131 family heads (out of approximately five hundred families) are English-speaking, 53 Spanish-speaking, 111 French, 14 Bulgarian, 246 Italian, 182 Yugoslav, 98 Polish, 424 German, and 127 miscellaneous, including Hungarian, Turkish, Rumanian, Hebrew, Czech, and Greek.

4. The group is being accompanied by Captain L.J. Korn, a United States repatriation officer of Displacement Person Subcommission. The special problems, background and selection of leaders are familiar to him. Copies of sailing list and forms 47-B-O-C-40 are being brought by Stauber but these may be required for some period by Intelligence. It is suggested by Stauber that it may be desirable for the War Department to detail Captain Korn for (\*)ive to Oswego. There is no time at present to write detailed report. A copy of the summary report which I am giving to AOC will be sent, and I will report fully some time in the future.

6. Work of the arrival of Dr. Gruber in Algiers has just been received, and unless otherwise advised, I will make arrangements for her shipment home sennest.

KIRK

(\*) Apparent Omission

## PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: AMLEGATION, Tehran  
DATED: July 20, 1944, 5 P.M.  
NUMBER: 436

SECRET

Your 443, June 20 and despatch 996, June 22.

Subsequent to giving careful consideration to the messages under reference, the Department has come to the conclusion that this is a subject in which no advice can be offered which would be of help. Concerning the Department's view, Mr. Leavitt of JDC has been advised and he is telegraphing Passman after consultation with his colleagues.

HULL

DCR: EMS

7-25-44

MJB

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

July 20, 1944

7 p.m.

## AMLEGATION

TANGIERS

97

The following from War Refugee Board.

Board been asked by Vaad Hahatzala Emergency Committee to recommend issuance of Treasury license allowing additional payment equivalent of \$3,000 in local currency to Mrs. Renee Reichman for food parcels to be forwarded to Hungary to persons in Camp Satoraljaújhely. Your recommendations concerning proposal requested by Board. Please advise, in particular, regarding origin of food stuffs, shipment method, and your opinion relative to possibility of delivery to camp named.

HULL  
(GLW)

WEB:MMV:OMH  
7/20/44

WE

SE NE AF S/CR

AIRGRAM

212

URGENT

FROM

MANAGUA

Dated July 20, 1944

Rec'd July 24, 3 pm

Secretary of State,  
Washington.

A-298, July 21, 10:30 a.m.

Department's airgram no. A-233, July 7, 11:30 a.m.

Nicaraguan Foreign Office states that message quoted in my A-177, dated April 25, 10:30 a.m., was handed to the Tropical Radio Telegraph Company in Managua on April 22 for transmission. No reference to the message has been received by the Nicaraguan Government from the Swiss Foreign Office. Tropical Radio is presently tracing the message.

Meanwhile, the Foreign Office dispatched the following telegram (in translation) to the Swiss Foreign Office on July 19:

"I repeat to Your Excellency my radiogram of April 22, in which I requested that the German Government be asked to apply international conventions on prisoners of war to every interned person in a concentration camp who is the bearer of a Nicaraguan passport, and particularly those enumerated in my radio of February 16. Accept, etc."

STEWART

801.2  
HEV/CP

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Jerusalem  
TO: Secretary of State, Washington  
DATED: July 20, 1944  
NUMBER: 101

## SECRET

There arrived in Palestine on the night of July 14, 735 refugees mostly from labor camps in Transdnestria. They consisted of 260 children, 201 women, and 274 men and traveled to Istanbul from Rumania on Bulgarian steamer KOSEK. 281 exchanged internees arrived on July 10 from Bergen Belsen camp, Hanover Province, and it is stated by official of Jewish agency that more Jews were received than there were Germans sent but substitutions are made for many of the Jews on the exchange list. Newly arrived internees say that within the next four weeks another group of 300<sup>is</sup> to leave Bergen Belsen.

It is understood that there is a program for bringing some 9,000 from Rumania and that they have arranged transportation for this number.

PINKERTON

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

TO BE SENT IN SECRET "W"

July 20, 1944

7 p.m.

AMEMBASSY,

LISBON.

2033

FOR NORWEG FOR DEXTER

With reference to ultimate sentence your 2095 July 7  
kindly communicate specific information concerning Hungarian  
channels available to you and identify recent despatches  
mentioning them.

HULL  
(GLW)

HULL

S/CR  
WEB; GLW; KG  
7/13/44

WE

SE

DSH-293

PLAIN  
Lisbon  
Dated July 20, 1944  
Rec'd 11:02 p.m.

Secretary of State,

Washington.

2248, July 20 @ p.m.

FOR EDWARD CAHILL FROM ELISABETH DEXTER

Unitarian 304 WRB 108. Referring your 206,  
Taft letter 123A unreceived. Please specify  
documents needed. Case may come under new WRB  
arrangements.

NORWEB

EMB

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm  
TO: Secretary of State, Washington  
DATED: July 20, 1944  
NUMBER: 2688

## SECRET

Following is no. 57 for the War Refugee Board.

The Swedish Foreign Office was informed by the Legation of the Board's intent to withhold action until the submission of final itemized BARDALIAND claim as stated in Department's cable of June 24, no. 1265, (no. 36 from WRS) and the Foreign Office has removed the request for preliminary payment of 80,000 Swedish kronor or \$20,000 after further discussion with the owners. The BARDALIAND is expected to arrive at Gothenburg at the end of the month and it is stated by the owners that before that time a full itemization cannot be made but that total costs are not likely to exceed 120,000 kronor. The preliminary estimate as the home office made it comes to a total of 106,730 kronor 61 and to allow for any possible but not expected saving below that estimate the preliminary payment of 80,000 kronor is requested.

JOHNSON

CABLE TO MINISTER HARRISON AT BERN FOR F. McCLELLAND FROM WAR REFUGEE BOARD

New York Times of July 19 carried article datelined Bern to effect that Interross has received Horthy assurances that deportation of Hungarian Jews is suspended, that Interross may assist detained Jews and collaborate in the evacuation of Jewish children. Please advise the Board promptly of the accuracy of this report and of any pertinent information in connection therewith.

THIS IS WRB BERN CABLE NO. 89.

4:45 p.m.  
July 20, 1944

LSLesser:tmh 7-20-44

S E C R E TCABLE TO MINISTER HARRISON, BERN, FOR McCLELLAND

The matter referred to in your 4025 of June 23rd has been discussed with the Foreign Minister of Haiti. The following is the substance of the Minister's reply as transmitted by Amembassy Port-au-Prince:

QUOTE The Haitian Government will issue instructions to the Legation at Bern to inform the German Government through the Swiss authorities that Haiti considers all of its passports held by persons in enemy or enemy-occupied territory valid until an examination of each case shall have been made. This applies to those persons who were unable to comply with the Decree-Law of February 4, 1942, as well as to those persons holding documents whose validity is open to doubt.

QUOTE The Minister stated that this decision, which he will confirm to me in writing, will require the approval of the Council of Ministers, a meeting of which will be held soon, but that he does not anticipate any objections from that body.

QUOTE He added that it is purely a humanitarian measure and that the Haitian Government considers that many of the persons who will benefit by it are undesirable. I gathered that, after the conclusion of hostilities, unfavorable decisions will be reached in many cases. UNQUOTE

THIS IS WRB CABLE TO BERN NO. 88

12:00 noon  
July 20, 1944

LSLesser:ms 7/19/44

Miss Chauncey (for the Sec'y) Abrahamson, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser, Mann, Stewart, Central Files, Cable Control Files

SPG-288

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

Ankara

Dated July 20, 1944

Rec'd 11:10 p.m.

Secretary of State  
Washington  
1321, July 20, 3 p.m.

FOR PEHLE WRB FROM HIRSCHMANN

Ankara No 99.

For your information Gilbert Simond of the Intercross forwarded to me today the following communication which he had received from Alexander Cretzianu Rumanian Minister to Turkey. This communication was in response to my request for information concerning the new official Rumanian organization for dealing with the belligerent attitude of Jews from Rumania. The following is translation of this document received from Simond:

"Communication received on July 13, 1944 from Mr. Alexander Cretzianu, Rumanian Minister to Turkey, conveying a statement by Mahal Antonescu, Vice President of the Council of Ministers.

I wish to inform you that an Inter-Ministerial Commission has been constituted since the beginning of the month of May, under my chairmanship, for the purpose of organizing officially and efficiently the belligerent attitude of Jews. During the sessions of this commission Fischer Fildermann and Zimmer, the representatives of the Jews of Rumania, have been consulted, as well as the Commissioner for Jewish Affairs. These persons have jointly established a practical means for organizing Jewish emigration, with the help of either medium size ships flying a foreign flag (which have recently affected transports) or ships of greater tonnage which the Service Maritime Agency may charter for that purpose.

The decision of the government has been officially communicated to the Swiss, Swedish, Turkish and Portuguese Legations; to the delegates of the International Red Cross Committee; as well as to His Eminence, the Apostolic Nuncio at Bucharest.

The Inter-Ministerial Commission is in full activity. I hope that the international organizations which have dealt with the question of Jewish emigration will assist it by giving it their full support."

The above

- 2 -

The above communication on behalf of Mahai Antonescu serves in our opinion to strengthen our view that the Rumanian Government is taking measures at the present time to assist the emigration of Jewish refugees.

KELLEY

RNK  
WSB

BAS-500  
 Distribution of true  
 reading only by special  
 arrangement. (SECRET W)

Ankara

Dated July 20, 1944

Rec'd 12:59 p.m. 21st.

Secretary of State,

Washington.

1322, July 20, 4 p.m. (SECTION ONE OF TWO SECTIONS)

FOR PERHLE WRB FROM HIRSCHMANN

Ankara No. 100

After weeks of negotiation between the Jewish Agency and the Vaad Haazalah representatives relative to an insistent demand by Griffel of the Vaad Haazalah that a larger representation of Agudath Israel and Vaad Haazalah refugees in Rumania be included in the contemplated voyages of ships from Constanza to Istanbul, I have advised Griffel that we will not (repeat not) interpose any objection to his taking independent steps to secure ships to bring from Constanza to Istanbul the refugees in whom his organization is exclusively interested.

A sharp difference has arisen and Griffel threatened to transmit telegrams and letters to his organization in the United States urgently demanding wide publicity for his contention of an alleged monopoly of the Jewish Agency in the matter. Our efforts have been directed towards effecting a compromise but the Jewish Agency, which in effect controls the distribution of certificates to Palestine, limits the issuance of such certificates for Agudath Israel people to a quota of six per cent after priority has been given to children, refugees from other countries and young trainees. In as much as the British Embassy has stated that every Jewish refugee reaching Istanbul would be given a Palestine certificate, we could perceive no grounds for requesting Griffel to refrain from taking independent action in securing ships. Especially was this so after he had been informed that there would be no difficulties placed in the way of his people leaving Bucharest and that the Jewish Agency was disinclined to alter its position either with regard to the quota allotted for Agudath Israel members or more especially regarding the allotment of places on ships for which the Jewish Agency makes arrangements. In this connection see point two below.

You are informed that the differences above stated have been composed by me and in the connection I have taken the following position as representative of the WRERD:

WTD  
 WFS

KELLEY

NMC-356  
Distribution of  
true reading only by  
special arrangement.  
(SECRET W)

Ankara

Dated July 20, 1944

Rec'd 10:30 a.m., 21st.

Secretary of State,  
Washington.  
1322, July 20, 4 p.m., (SECTION TWO)

One. We will not assume jurisdiction over the age, type, origin and organizational affiliation of the refugees who are chosen to proceed on ships from the Balkan countries to Istanbul and thence to Palestine. Our object is to initiate and assist in the steps which lead to the rescue of the largest number of refugees from the Balkans.

Two. We are endeavoring to pool the efforts of responsible and effective organizations represented in Turkey in order to concentrate where possible the ship movements under a single efficient direction.

Three. However, we will not discourage but will encourage arrangements of private organizations in any responsible effort to obtain vessels to engage in rescue work from the Balkan countries where there is a possibility that the flow of emigrants will be increased thereby.

Referring to the request for \$200,000 made in May by Griffel and his associates of their organization, Griffel has advised us that this sum was to be contributed to a common pool for rescue voyages. He did not at that time have a specific object and did not desire to use these funds independently. Griffel agrees now that sufficient funds are available from present sources to render the \$200,000 unnecessary.

I have advised both the Jewish Agency and the Joint Distribution Committee of my understanding with Griffel. Joseph Schwartz of the JDC is in agreement with the above. The Jewish Agency has accepted the situation. I am also led to believe by Schwartz that financial support for Griffel's proposed additional vessels would be provided, at least in part, through his organization.

(END OF MESSAGE)

WTD WFS

KELLEY

**GHE-234**  
 Distribution of  
 true reading only by  
 special arrangement.  
 (SECRET W)

Ankara

Dated July 20, 1944

Rec'd 10:15 p.m.

Secretary of State,  
 Washington,

1391, July 30, 1 p.m.

THIS TELEGRAM IS FROM HIRSCHMANN ANKARA NO 110 FOR

PHLE WRB:

The information below is a further report on the situation in Hungary with relation to efforts to rescue the Jewish population (REEMES 1332, July 21, Ankara No. 101).

Lists of 8,200 names for whom Palestine certificates have been authorized have been delivered to the Swiss Legation in Hungary through the channel of the Swiss Minister in Ankara. The Swiss Minister and the British Embassy in Ankara confirmed to me that they both had information to the effect that these lists have been received in Budapest.

It is understood, of course, that many of the approved certificate holders in the above list probably have been already deported. We are exploring methods of attempting to locate these deportees in order that the certificates might be made available to them.

Also 2,000 of the above 8,200 Jewish refugees are preparing to proceed from Hungary to Rumania and are awaiting Rumanian transit visas Cretzschmar has been urged by me to press his Government in Bucharest to provide these visas without delay.

Additional lists are being prepared by the Jewish Agency for submission to the British who have up to the present authorized certificates for all names that have been submitted.

KELLY

MEM  
 LMS

MJB-243

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

Istanbul

Dated July 20, 1944

Rec'd 8:31 p.m.

Secretary of State,  
Washington.

428, July 20, 9 a.m.

TO WAR REFUGEE BOARD FOR MOSES LEAVITT, JOINT  
DISTRIBUTION COMMITTEE, FROM JOSEPH SCHWARTZ.

The following is a statement of our accounts in connection with the rescue program up to the present date.

The steamship MARITZA and the steamship MILCA, each having made two voyages, brought 1,074 passengers at a cost of \$453,220. Four Turkish boats and one Greek boat, on which it is estimated approximately 3,700 passengers will be carried, will cost \$752,720. Of these five boats the steamship KESBEC has already arrived with 755 passengers. The total cost of all of the above ships is \$1,205,940. Against this amount we have already underwritten \$800,000 and the Jewish Agency has promised to participate to the extent of 20% with a possible increase to 25% from funds collected by Palestine Yishuv Egypt, South Africa for these purposes but not from the regular funds of the Jewish Agency nor from any funds collected in the United States of America. Thus the agency participation in the above boats will be at least \$241,188 or possibly \$301,485 leaving an additional amount to be appropriated us for these purposes of either \$164,752 or \$104,455.

The total cost of land transportation from Istanbul to Haifa and maintenance in Istanbul and en route from December 1943 through June 1944 for 2,719 persons is about \$28 7730 against which we have paid here \$30,000 sent by Mirelman plus \$10,000 from our own funds plus the request we made to have you transmit 50,000 to the British Passport control office Istanbul. This leaves balance to be paid on this account of \$197,730. I shall advise you within the next few days as to the manner of remitting this sum. The above figures do not include transportation from Istanbul to Haifa for 755 passengers who arrived on the steamship KESBEC. These figures will be included in the July accounts.

In addition to above there is another project for three opportunities and two Turkish vessels with a total capacity about 2,000 passengers costing

-2- #428, July 20, 9 a.m., from Istanbul

approximately \$507,300 of which we are asked to provide 80% or possibly 75%. I shall send details of this project later; meanwhile would ask that you authorize me to proceed with plans maintenance and transportation to Haifa of the above 5,700 passengers will cost approximately \$420,000 exclusive of the cost of refugees arriving from Bulgaria by train. Hirschmann is fully advised of all of the above projects.

BERRY

RR BB

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM

226  
DIVISION OF  
COMMUNICATIONS  
AND RECORDS

LL-162

PLAIN

Cairo

Dated July 20, 1945

Rec'd 3:30 p.m.

Secretary of State,  
Washington.

2087, Twentieth.

TO SECRETARY OF TREASURY FROM GUNTER.

Please request Ebtshaj of Iranian Delegation  
to contact me in Cairo on return from conference if  
possible.



TUCK

DU  
WTD

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM

DIVISION OF <sup>227</sup>  
COMMUNICATIONS  
AND RECORDS

KEM-240

PLAIN

London

Dated July 20, 1944

Rec'd

DEPARTMENT OF STATE  
DIVISION OF  
JUL 21 1944  
COMMUNICATIONS  
AND RECORDS

Secretary of State,  
Washington.

5750, Twentieth.

FOR SECRETARIES OF STATE AND TREASURY

The TIMES, TELEGRAPH and MANCHESTER GUARDIAN  
for July 20 carry neither news dispatch nor comment  
on the conference today.

The FINANCIAL NEWS quoting an "official spokesman" reports on the bank system of guaranteed loans and adds that "observers liken this part of the bank's function to the operation of Lloyds of London which acts as 'a reinsurance company' for its members by distributing risks". This article refers to the limited use to be made of gold by the bank; and the fact that "Lord Keynes won his point with the support of the United States and other European countries" when he changed the word "equally" to "equitably" in the Mexican amendment on the division of funds between reconstruction and development purposes.

The FINANCIAL TIMES

-2- #5750, July 20, from London.

The FINANCIAL TIMES reports agreement to limit bank loans to the amount of the capital, stating, "Some of the major capital goods exporting countries are opposed to too liberal credits on the grounds that their customers could shop elsewhere, and also for fear of inflation. The loan limitation also disappoints some United States Government representatives, who foresaw the possibility, through the world bank, of controlling world interest rates. This would be helpful to the American Treasury, which must refinance a tremendous war debt in the post-war years and would like low interest rates on foreign investments so that American funds would stay in this country".

Keynes is quoted on the location of head offices for the bank and fund that "in our view it is premature to take any final action on this matter". Mention is made of the Peruvian delegation statement calling for immediate solution of the "blocked balances question, with particular reference to sterling".

The DAILY EXPRESS describes Lord Keynes as making "a gesture to the Americans" by acceding to "the American desire". The NEWS CHRONICLE merely reports that the conference adopted the proposal for establishing the bank's headquarters in the country with the largest quota.

The DAILY MAIL

-3- #5750, July 20, from London.

The DAILY MAIL heads its news item "London gives way to United States" but reports also Lord Keynes' reservation that "the British Government might find it necessary later to ask that the location problem be decided between governments concerned rather than in technical conference". The DAILY MIRROR'S news item begins, "Lord Keynes has given up the fight to maintain London's traditional position as the financial center of the world" but also states reservation concerning later decision.

WINANT

EMB

DEPARTMENT OF STATE  
DIVISION OF COMMUNICATIONS AND RECORDS

MEMORANDUM

With reference to the Secretary of State's letter of January 1, 1944, there is transmitted herewith a paraphrase of a telegram from Moscow continuing Ambassador Harriman's interpretive comment upon developments in and respecting the Soviet Union as reflected in the Soviet Press.

July 20, 1944

## P. R. PHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, MOSCOW  
 TO: Secretary of State, Washington  
 DATED: July 15, 1944  
 NUMBER: 2603

This report covers the period from May 26 to July 8.

During the early days of June the rapid succession of dramatic events in the news included the inauguration of our shuttle bombing operations using Soviet bases, the full starting of the Red Army offensive, and the fulfillment of the commitments taken at Tehran. Around Nazi Germany the ring of iron was closing relentlessly. Now becoming part of a grand strategic plan of encirclement the Italian campaign has ceased to be a minor diversion. In sight was final victory.

On June 17, the anniversary of the Soviet American mutual aid agreement, a comprehensive survey of Allied material aid to the Soviet Union gave generous recognition and gratitude for Allied bombings and Allied aid in supplies. Featured were stories of Soviet American camaraderie at shuttle bombing bases.

References have frequently been made, on the other hand, to the expectation that when the "main forces" of the Allies come into action more rapid progress in France will result. There are continued and occasional references to last minute efforts by "appeasement groups" in Britain and the U.S. to split the coalition and work for a compromise peace, although criticisms of Allied military activities have been entirely lacking. Of our lenient policy toward Franco's regime in Spain there was also implied criticism.

2. The importance of continuing into the postwar period the wartime cooperation of the three great powers was emphasized by comment on the anniversaries of the Anglo-Soviet alliance and the Soviet-American mutual aid agreement. Without disclosing the Soviet position, except for criticism of the concept of the "freedom of the air," the value of cooperation in international air transport was discussed. Without comment, the news reported the opening of the international monetary conference.

3. An unusual amount of attention was given to American affairs. Fully reported were the visits and speeches of Vice President Wallace and Eric Johnston. Prominently reported was the presentation of the scrolls of honor from the President to Stalin for delivery to Leningrad and Stalingrad. Emphasizing particularly public support in the U.S. for the President's foreign and war policies, continued interest was displayed in

the

the presidential election campaign. Although suspicion of the isolationist elements in the Republican Party was not allayed by the foreign policy plank in the platform, which was regarded primarily as a vote catching device, criticism of Dewey was toned down as his nomination began to appear to be a certainty.

4. In the Soviet Press Poland continued to receive the major attention of all the United Nations. Featured were the visits from occupied Poland to the Soviet Union of the delegates of the Polish National Council and the establishment of their relations with the Union of Polish Patriots and the Polish Army, which were used as a background for continued attacks on the Polish American American Congress in Buffalo and the London Government and its supporters in Poland. Expressing his admiration for the Polish troops and gratitude to Stalin for making the Polish Army possible, Morawski, leader of the Polish delegation, issued an enthusiastic statement.

A resolution endorsing, in effect the Polish National Council as the body representing all democratic elements in Poland carrying on resistance to the Nazis and the logical group to (\*) for a Polish Government after liberation, was adopted on June 23 by the Union of Polish Patriots.

Although it was not mentioned in the Soviet press, a Soviet decree was issued granting the right to Polish citizenship to persons serving in the Polish Army in the Soviet Union or assisting the activities of that Army. As between Poland and the Soviet Union this contributes to a solution of one of the thorniest questions.

5. With regard to France, the comment was largely confined to descriptions of the importance of partisan activities in assisting Allied military operations. In the partisan movement De Gaulle was given credit of leadership. Proclaiming the coming liberation of France, its determined resistance and the certainty of its recovery to former greatness, a number of impassioned articles were let loose by the emotional Francophile Ehrenburg. Plans for the establishment of a democratic Government in liberated France were emphasized in those articles.

6. The comment on Italy was military primarily. Since Italian communists were represented, the new Bonomi Government received little comment, although approval was implied. Reports on activities of partisans were made. Including workers, peasants and the intelligentsia, these people were described as the "best sons of the Italian people." These same groups were described as constituting the new classes in the Soviet state by Vyshinski in his recent lectures.

7. In

-3-

7. In regard to Yugoslavia, the announcement of the Tito-Subas's agreement, as well as, presumably, Tito's military reverses, have suspended his glorification in the press for the time being, at least.

8. Both militarily and economically the complete failure of German strategy has been expounded and also the collapse of her naval position in the Atlantic and Black Sea and the deterioration of morale in the front and in the rear. Coincident with the liberation of territory in White Russia, German atrocities and destruction were reemphasized and assurances that Germans by their labor must rebuild what they have destroyed were repeated.

9. Following the opening of the Karelian offensive, Finland has come back into prominence. With the demand for full retribution, Finnish atrocities and plundering were publicized. Our subsequent break in diplomatic relations with Finland and expulsion of Procope were hailed as logical measures against the full ally of Germany after Ribbentrop's Helsinki visit.

10. Continued were the attacks on Spain as an accomplice of Hitler. The resolution of Representative Coffee, which advocated a break in Spanish American relations, was published and so were reports on the manufacture of parts for flying bombs in Spain, of new recruiting for the Blue Division and also the use against French partisans of its units. Uprooting of Fascism everywhere was reasserted as being necessary.

11. The "new order" of Japan was criticized and Japan's prospects for victory were belittled. Entirely pro-ally in their attitude were special articles reporting the progress of the Pacific operations.

Only briefly reported were the Chinese military operations. Although there was no reply from Stalin, the greetings of Chiang Kai Shek to Stalin on the third anniversary of Germany's attack was prominently published. Considered by the Soviet press as detrimental to the war effort, criticism was directed to the lack of unity in China. Indicative of the Soviet attitude toward China was the omission of Wallace's joint communique with Chiang Kai Shek in Chungking. The Soviet press has rarely mentioned any activity of the Chiang Kai Shek Government which could be interpreted as a contribution to the war effort.

12. Achievements of the Red Army begin to dominate the press, owing to the new Soviet offensive in Karelia and

White

-4-

White Russia. Analyzed with high praise, the "Stalin school of military strategy" has been credited with revolutionizing the conduct of the war.

13. Including President Kalinin's speech to a group of young Communists, material on Party activities stressed the importance of training new Party leaders in Communist principles and the importance of efficiency in production as a sine qua non for being a good Party member was again emphasized.

14. In the cultural field the search of Russian nationalism has become even stronger. In all phases achievements in Russian culture have been glorified and foreign contributions minimized, particularly those of Germany.

15. The announcement of the formation of a council for affairs of religious cults as a liaison between the Government and all religious denominations, except the Orthodox Church, was an important development in religion.

H.PRIMAN

(\* ) Apparent omission

DCR:MAS:JC

7/20/44

NOT TO BE RE TRANSMITTEDSECRETOPTEL No. 236

Information received up to 10 A.M. 20th July 1944.

1. NAVAL

Eight M.T. ships are now in CHERBOURG unloading gear for port clearance. On 18th a British Cruiser was hit by one bomb from single aircraft off NORMANDY; 8 fatal casualties, no major damage.

Early 19th. M.T.B.'s were in action with 5 enemy minesweepers off the CHANNEL ISLANDS. One M.T.B. was damaged by heavy and accurate fire. A British Submarine on patrol MALACCA STRAIT has sunk two tugs towing lighters, a small ship carrying passengers and 4 junks.

On 8th a British Submarine shelled and set on fire a 400 ton tanker off SABANG. Yesterday 46 U-Boat survivors picked up off DEVONSHIRE; cause of U-Boat sinking unknown.

2. MILITARY

Normandy U.S. sector. Small advances at several points. British sector slight German withdrawal south of TILLY SUR SEULLES has been followed up. South of CAEN and East of ORNE, Canadians have captured FLEURY, VAUCELLES and CORMELLES. S.E. of CAEN our armour made no further progress yesterday in face of fierce resistance by anti-tank guns and infantry from strongly defended villages. U.S. infantry are however within 500 yards of TROARN.

Italy ANCONA and LEGHORN now firmly in our hands. Near former Pole pressed on to N.W. and secured bridgehead over ESINO about 4 miles from coast. In centre South Africans have advanced 3 miles north of RADDA and further West French and U.S. Forces have made progress against German Rearguards, mines and demolitions.

Russia Russians report new advance between OSTROV and DVINSK of up to 25 miles deep by 45 miles in two days; they have forced the River SVISLOCH in the VOLKOVYSK sector and have advanced further towards BREST LITOVSK and LVOV.

3. AIR OPERATIONS

Western Front. 18th/19th. Total 2,725 tons dropped. WESSELING 694. Clear weather but smoke screen, good concentration of markers, good attack; storage tank seen to explode. BUER 737, no cloud good visibility, target well marked and highly concentrated bombing; unanimous reports of several large explosions with black smoke to 18,000 feet. AULNOYE - weather clear, good concentration. REVIGNY - clear weather but some haze, results not yet capable assessment owing to use of delayed action bombs. F.B. launching site obscured by haze, no definite results. 45 torpedo and rocket Beaufighters (2 missed) attacked a convoy off FRISIAN ISLANDS; 1 ship torpedoed, another damaged by rockete, 1 escort vessel blew up, 2 more set on fire and 2 more damaged.

19th. Escorted U.S. heavy bombers dropped 2,389 tons on 4 airfields, 5 factories, 5 railway centres, and other objectives in Central and Southern GERMANY. Very good results reported at oxygen works at MUNICH, an air components factory near FRIEDRICHSHAFEN, STRASBOURG Railway Centre and 2 airfields. German casualties on the ground and in action 58:4:19, ours 18 bombers, 7 fighters missing. Lancasters bombed an ordnance supply dump THIVERNY 543 tons and 2 F.B. launching sites 152. Medium and fighter bombers of A.E.A.F. bombed fuel dumps near AVRANGON and ORLEANS. 19th/20th. 88 aircraft despatched including 36 Mosquitoes BREMEN.

Southern Germany 19th. U.S. heavy bombers from MEDITERRANEAN attacked an ordnance depot 262 tons and railway centre 66 at MUNICH, a motor works and railway centre ALLACH 249, and aircraft component factory NEUABLING 215, and an airfield 169. Enemy casualties 9:0:4, ours 17 bombers 5 fighters missing.

Germany Activity During 24 hours ending 6 A.M. 20th 133 flying bombs launched.

Bretton Woods.  
 July 21, 1944  
 9:30 a.m.

BANK QUOTAS  
 BIS

Present:	Mr. White	Mr. Kelchner
	Mr. Vinson	Mr. Acheson
	Mr. Tobey	
	Mr. Brown	
	Mr. McDermott	
	Mr. Szymczak	
	Mr. Sweetzer	
	Mr. Ness	
	Mr. Spence	
	Miss Newcomer	
	Mrs. Morgenthau	
	Mrs. Klotz	

MR. VINSON: Mr. Secretary, if I may, I would like to bring up the matter of quotas.

H.M.JR: Try and stop you.

MR. VINSON: Commission Two meets at eleven o'clock?

MR. WHITE: Yes, eleven.

MR. VINSON: This is the last meeting, as I understand it, in which we can get the subscription of the Bank into the draft.

MR. WHITE: You can arrange to push it, to vary that if you want to.

MR. VINSON: Well, I was told--and I am a trusting young man--that this was the last meeting, but we may have a few more hours, then.

MR. WHITE: You mean it is not the law of the Medes and Persians. We can shift that around to suit ourselves.

- 2 -

MR. VINSON: In any event, we have no response from the USSR. Harry, Wolcott, and myself met with the Russians last night, and they said they had not received any cable. They told us that they cabled Moscow the exact language of Secretary Morgenthau, without comment, and I understood from that that that was the highest degree of recognition that they could give to Grandpa. Anyhow, that is what they stated.

MR. WHITE: They also said that it took two days to get a cable there, and they said they couldn't have gotten an answer before last night, though they hoped that they would get an answer.

MR. VINSON: The day before they said they could get the answer yesterday.

But the Subscription Committee, which will meet at ten-fifteen, will take some action unless their position is changed; many of the nations will reduce their quota if Russia goes in at nine hundred million dollars. Of course, that reduces the size and the effectiveness of the Bank.

One alternative is that the Subscription Committee may recommend that Russia's quota is one billion, two, one billion, one, or one billion. So far as the dollars are concerned, we can see fairly clear the eight billion, eight, even with Russia at nine, but that means that the U.S. subscribes thirty-two or three and a quarter billion dollars, but we passed that point.

If the other nations reduce their quota by twenty-five percent, which is the reduction in the Russian subscription, it makes a very serious situation in respect to the size of the Bank.

MR. WHITE: Are they informed that you would go to three and a quarter?

MR. VINSON: Lord Keynes was informed yesterday. The others were not.

H.M.JR: Will Lord Keynes be at this meeting?

- 3 -

MR. VINSON: He is a member of it.

H.M.JR: Will he be here?

MR. VINSON: I don't know, he represents U.K.

MR. WHITE: There was another meeting called at ten at his office.

MR. SPENCE: What country said they would reduce their subscription if Russia stays at nine?

MR. VINSON: France, Belgium, I think the Netherlands, and--

MR. WHITE: Well, if you decide, I suppose the way to handle it would be finally to say that we will make up the difference.

So far as the other countries are concerned, many of whom have been claiming--

MR. VINSON: It is a political situation, a question of Russia being up in the quota and being reduced in subscription.

Now, it may be that with our statement that we would go to three and a quarter it may be smooth, but I just wanted to anticipate, because this is the last meeting that might occur.

MR. WHITE: I think the Russians might be pushed up to a billion if we can wait. And I think we can wait at least until in the afternoon, because that quota provision can be inserted at the very last minute.

MR. TOBEY: Assuming the worst, that they don't hear from Russia, what is your modus operandi?

MR. VINSON: That is what I wanted, instructions as to what our position should be in the Quota Committee, rather, Subscription Committee. I don't know what the Committee will do, to be perfectly frank, because they

- 4 -

have their back bowed in regard to Russia reducing her subscription.

MR. SPENCE: What would be the attitude of the other countries if we make up this subscription? Wouldn't they still have the same argument that Russia's subscription is reduced?

MR. VINSON: That is exactly right.

MR. SPENCE: And they could say, "We will reduce." In my judgment they won't.

MR. WHITE: Would U.K. accept the nine?

MR. VINSON: U.K. wants to put it in one, two, and let them make their reservations.

MR. TOBEY: Has Lord Keynes been a little bit costly for the Russian Delegation in Committee?

MR. VINSON: Yes.

MR. WHITE: Why don't you do that with the one, put it in the reservation? It is kind of forcing their hand, though.

H.M.JR: I can tell you how I feel. I have been listening to this for a long time. My own inclination is, I would put them down for one, two, for two reasons: I think there is a good chance that they will accept it, and second, I don't particularly don't like towards our own public this idea of our making up the difference in what the Russians don't subscribe.

MR. VINSON: If that is the sentiment of the meeting--

MR. WHITE: What does that result in? You have one, two in there, and then if Russia doesn't accept the one, two, then it means that the agreement by every other country is null and void. You would have to contact every other country and get their agreement.

- 5 -

MR. VINSON: You have to do that on anything.

MR. WHITE: No, we are assuming that the Conference is over. The Russians are down for one, two, and they put in a reservation that they withhold their reservation. You are either then confronted with accepting nine hundred which you cannot do without referring it back to all the other countries and having another meeting on it, or you don't accept, and they are out.

H.M.JR: Take the position of Australia. Supposing Australia completely withdraws on the Fund and on the other. Then does the whole thing fall down?

MR. WHITE: That is a very different thing.

H.M.JR: Why is it different?

MR. WHITE: Well, if you assume that you are ready to accept the possibility that Russia withdraws, sure.

MR. VINSON: I can't see any difference.

MR. BROWN: Except in the amount, the effect on the public and the country that wants reconstruction.

MR. WHITE: Wouldn't you say there is a difference between Russia withdrawing and Australia?

MR. BROWN: I would say there is a great difference.

MR. VINSON: There is in the impact, but as far as the principle--

MR. WHITE: The important thing is what happens if Russia withdraws. I don't think it is clear.

H.M.JR: I don't think it is clear to you what I am trying to say.

MR. WHITE: Possibly.

H.M.JR: If we put Russia down for one, two, and she comes back and her Government says, "Well, we don't want

- 6 -

one, two, but nine hundred million--"

MR. WHITE: Then you have to contact every country who has given its contribution on the basis of Russia's one, two. The time to settle that issue is now; but if you are afraid they won't accept, then certainly you can't expect them, without acquiescing or discussing it with them, to accept the lower quota on the part of Russia without their acquiescence, it would seem to me.

H.M.JR: Mr. Brown has been trying to say something.

MR. BROWN: Well, I think that the Russians want the Bank. On the other hand, if you put them down at a billion two, and you have indicated you are prepared to accept a billion--

MR. VINSON: No, sir.

MR. BROWN: Haven't you?

MR. VINSON: No. They said they would go to a billion.

MR. BROWN: Or, if you had been prepared to go along with them--I don't mean you said anything to them, but I mean if you put it in and they don't come in, then they are out of the Bank permanently--I say, permanently. You would have to have another conference or send a document around to every other country if you were going to take Russia back in. Now, the Bank can get along without Australia. It hasn't been a devastated country, and it doesn't need money the way Russia does for reconstruction. But your effect on Eastern Europe and everything else is terrible.

H.M.JR: Then you wouldn't put them down for any figure other than what they agree to?

MR. BROWN: Well, if they said they hadn't gotten any word from Moscow or some place, I would put them down myself-- I am not a member of the Quota Committee--say, for a billion dollars, because I think they have indicated that they would take that. I don't know whether they will take a billion, two.

- 7 -

MR. WHITE: Now, if you put them down for a billion, the chances are, I think, that eventually they would accept it. They wouldn't let a hundred million stand in the way. But if you put it at a billion, two, and they have offered nine hundred, then there creeps into the consideration not a question as to whether they can afford another hundred million, but a feeling that you have ridden roughshod over their views, and they won't come into the Bank, and they may not even come into the Fund. Now, I think that is a vital consideration, and the difference between nine hundred and a billion is too small, from the point of view of guarantees, to make any difference.

H.M.JR: Following your thought to a conclusion, I wouldn't put them down for any amount other than what they agree to.

MR. WHITE: Either that or a billion, because I think they would stretch it.

If it were explained to them that going below a billion dollars would mean all the other countries would want to change their quotas; and since they haven't had an opportunity to hear from their Government--at least they say they haven't--you are going to set it at a billion and give them an opportunity later to decide whether to come in or not.

It would be preferable, obviously, to finish the thing up here, whichever way, but failing that, I think the next alternative is the billion. I think putting down a billion, two would be suicide.

H.M.JR: Is Mr. Stepanov on this Committee?

MR. VINSON: Yes, sir.

MR. WHITE: I think if you get anything out of him, it would have to be alone.

MR. TOBEY: Does he speak English?

MR. WHITE: No.

- 8 -

MR. SPENCE: Do all the other countries want to reduce their subscriptions in the same proportion as Russia?

MR. VINSON: That is what they said.

MISS NEWCOMER: What would they do if Russia put in a billion? Would they reduce their quotas?

MR. VINSON: Of course, we would increase our subscription, so the total would still be eight billion, eight.

MR. WHITE: Mr. Secretary, I have a suggestion just for consideration; I know it throws a monkey wrench in the machine, but I think I would call off this Quota Committee and wait about an hour or two and then get Stepanov down alone and try to get a decision on the billion dollars, because you want to close the thing up. Failing that, you can make a decision. But this Quota Committee is going to come down here; they won't get anywhere; they are going to make things more difficult for you to possibly jack them up, and they may get a cable this morning.

H.M.JR: This is wholly Judge Vinson's doings. He did it and told me about it afterwards, and he had certain reasons for it, which I was perfectly willing to accept.

MR. VINSON: The reason was that I was told by everybody from the top of the Secretariat down through Frank Coe--Mikesell came to my room with a message last night about one o'clock, saying that it was imperative to have this meeting this morning, that he had to get it into the draft, and that the mechanics of the Conference were such that it had to be done during the meeting, which began at eleven o'clock. I was under the impression that maybe it could be later on, the second meeting of the Commission, but I just didn't want any inaction on my part to jeopardize the Bank.

MR. WHITE: I am sure that is true. I am equally sure that it would mean more work and more pressure, and more night work, and I fully sympathize with them in their desire to get it over, but the matter is too vital to let a matter of

- 9 -

mechanics stand in the way. I think we could get them to agree.

MR. KELCHNER: I don't see how it will be possible to get a final act ready for signature tomorrow night if the Plenary Session is not held this evening.

MR. WHITE: I am not suggesting that it not be held this evening; I didn't make myself clear. The Plenary Session should be held this evening. What I was suggesting was merely that the other session should be postponed a few hours. There is no question of not holding the Plenary Session tonight.

MR. KELCHNER: Of course, there should be a clean copy of the Articles of Agreement.

MR. WHITE: If it is a little less than clean for the Plenary Session tonight, it is unimportant. It is desirable, but not vital.

H.M.JR: My own feeling is that I would like to go through with this ten-fifteen meeting. We had a little demonstration yesterday of what happened when we put the heat on them at the Conference, and I think to call this thing off and give the Russians the satisfaction of calling it off as a matter of human relations and trading is bad. I would much rather hold the meeting. Then, if we don't get anywhere, Judge Vinson and I will sit down with him immediately afterwards. That is my judgment for whatever it is worth.

MR. VINSON: Well, I feel like when the Committee meets they will make motions and try to get it through. The only way we can handle that--

H.M.JR: Who is chairman of this meeting?

MR. VINSON: A fellow by the name of Vinson.

MR. WHITE: I don't think you can put the heat on the Russians. They make up their minds outside. I don't think the heat was put on them last night. I think they

- 10 -

would have gone along with that, anyway, as soon as they understood it. The way they operate, if they don't have it in mind already to go to a billion dollars, then they are not going to a billion dollars as a result of the meeting.

If, on the other hand, they do have it in mind to go to a billion dollars, I think you can more effectively get them to raise it by personal conversation between you and Stepanov.

MR. TOBEY: In the meeting, is Lord Keynes a little irascible towards them?

MR. VINSON: If we have a meeting, there will be motions made. Lord Keynes has a long draft of a proposal which we won't accept; Lord Keynes will probably first take the position that they ought to go in for one billion, two. The only way we can stop that is tell him that is not the way to do it. If we are prepared to go through with the one, two, why that will go through the Committee with a whoop.

If we take the position of having the one billion, and suggest it to Lord Keynes or some of the other members, I think we can put that through.

H.M.JR: We had an example with the Russians on the one billion, two, on the Fund, on the twenty-five percent reduction. They never agreed to it. We put the thing up, and the twenty-five percent reduction part was never brought up. The thing went through, and it was an accomplished fact.

MR. WHITE: That is true of every provision but the subscription since the other countries are making their subscriptions in part, dependent upon their amount of guarantee. That wouldn't even have been true in the subscriptions to the quota, where you could have gotten away with it. But if the other countries are willing to leave it blank, don't put down any amount in the quota, that is a different story.

- 11 -

H.M.JR: Well, tactically, I think it would be a great mistake to call off this ten-fifteen meeting.

MR. SPENCE: What will our subscription be if we make up the difference between Russia and the amount subscribed?

MR. VINSON: Our subscription will be three and a quarter billion. Any increase that they make reduces our subscription. If they go to ten, our subscription will be about three, two. We have twenty-five million more. Poland has increased hers.

H.M.JR: That was in the instructions you got yesterday?

MR. VINSON: Yes, sir, eighty-three, forty-three if Russia's subscription is a billion, and that would be four hundred fifty-seven, I believe, million dollars. So our subscription would be reduced fifty million if Russia comes up to ten. If she comes up to twelve or puts in at twelve, that automatically reduces us to three billion. Three billion is a much better sum for us, I think.

MR. SPENCE: I think so, too.

H.M.JR: If they should stay at nine hundred million, our subscription would be three and a quarter billion?

MR. VINSON: That is right.

H.M.JR: And you had that authority from yesterday?

MR. VINSON: Yes, sir.

MR. WHITE: I understood you had that authority whether their subscription was ten or a billion, two; that our three-quarter billion is quite independent of what their subscription is, and that it was merely a tactic to withhold it to satisfy the other countries.

MR. VINSON: I didn't understand that. I understood you were trying to get the figure of eight billion, eight.

(Mr. Acheson enters the conference.)

- 12 -

H.M.JR: How do you mean you didn't understand the other?

MR. WHITE: I thought we were going to three and a quarter billion, irrespective of what the others did.

MR. VINSON: I didn't so understand. I understood that the extra five hundred million was to reach the eight billion, eight figure. You still don't know?

MR. WHITE: Against what?

H.M.JR: Who of the American Delegates comes to this Quota Committee?

MR. VINSON: White, Acheson, and Wolcott. Dean hasn't been at the Subscription meetings, but Harry and Jesse Wolcott have been.

H.M.JR: Do you want to summarize the thing for Dean, to get his advice?

MR. VINSON: We have a total of eight billion, two hundred forty-three million dollars, if Russia's subscription is nine hundred million dollars--

MR. ACHESON: And if ours is what?

MR. VINSON: And ours is twenty-seven fifty--

MR. ACHESON: The question is, what should we do?

H.M.JR: Yes.

MR. VINSON: I should state that the other countries have signified an intention of reducing. Whether they will carry that into effect, I do not know. I am certain they will unless the maximum figure is reached. If that maximum figure were reached by added subscriptions on our part, I believe that even though they would feel that Russia had been given preferred attention and had been permitted to reduce her quota--

- 13 -

MR. VINSON: The question is whether we should say one, two, for the Russians, one for the Russians, or nine hundred million for the Russians.

MR. ACHESON: I don't think you can say any more for the Russians than the Russians will agree to. I think that is clear without just having the row and busting the thing up. If you can't get them above nine hundred million, then I think you have to just put them down for that. I should think that we ought to put ourselves down for the maximum that we thought we would. Three and a quarter will bring you up to eight and a half.

MR. VINSON: No, we go a little higher than that, don't we, eight, two forty-three plus five hundred?

MR. ACHESON: Yes, that will bring you very close to where you want to go.

MR. TOBEY: But, Judge, did you make the point to Mr. Acheson that the other nations will demand reduction if they go to nine hundred million? That will change that picture, won't it?

MR. VINSON: They may, on account of their political situation, themselves. I don't believe that they will reduce if we--

MR. TOBEY: Take the three, two.

MR. ACHESON: I don't think they will.

MR. WHITE: They will complain about it and gripe about it, but they will sign.

H.M.JR: You have changed, because a day or two ago you thought we ought to put them down for one, two, didn't you?

MR. ACHESON: No, I thought one billion was all that made any sense for them to take, anyway. So it is only a question between nine and one. I think it would be better if they would take a billion; but if they won't, they won't.

- 14 -

H.M.JR: Your advice is to put them down for what they will agree to?

MR. ACHESON: Yes, sir. I think if you don't you will have a row, and it would be an undesirable thing to do now, particularly with these talks they are going to have next month.

H.M.JR: What do you think?

MR. BROWN: I would put them down for what they would agree to. So far as the working of the Bank goes, I think it makes very little difference what Russia's subscription is. It will affect the total loaning power of the Bank somewhat, but the market today doesn't put any great faith in Russia's guarantee, rightly or wrongly; maybe it ought to. Bonds will sell just as well, and the Bank would be as strong, or stronger, with a nine hundred million subscription by Russia than it would be with a billion, two. I have seen them in these Committees and Commissions, and I think if we put them down for a billion at this stage of the game and they have only agreed to nine hundred million, it is a matter of prestige and they just stay out of the Bank and stay out of the Fund. If they stayed out of the Bank alone, I wouldn't care so much. If they stay out of the Fund, I think it would seriously endanger the possibility of getting the Fund accepted. I would be in favor of putting them down for only what they agree to.

H.M.JR: Senator Tobey?

MR. TOBEY: I concur with Mr. Brown substantially.

MR. SPENCE: I think I would make an effort to persuade them to go to a billion. If they didn't do it, I would accept what they are willing to subscribe. We wouldn't put them down for any more than they are willing.

MISS NEWCOMER: I think we should put them down for what they are willing to subscribe.

MR. WHITE: I agree wholly with what Ned said, although I would like to see the effort made, but not in a Committee,

- 15 -

because I don't think it will be effective, and it might create disruption.

H.M.JR: Does anybody want to tell us in the five minutes we have left what happened yesterday on the BIS matter? Does anybody know?

MR. WHITE: It passed as had been agreed upon here.

H.M.JR: It is up to Commission Three?

MR. WHITE: Yes, it went through.

MR. BROWN: The original Norwegian resolution.

MR. ACHESON: Yes, it went through Commission Three.

H.M.JR: What attitude did the Netherlands take?

MR. WHITE: I think they wanted to propose it.

MR. TOBEY: Yes, they wanted to be joint with Norway in proposing it so there would be no implication that they would ever oppose it.

MR. TOBEY: After this happened, Mr. Chairman, and the Committee voted, I offered an amendment that a certified copy of this resolution be transmitted to Hitler, Goebbels and Goering. (Laughter)

MR. SPENCE: It would be hard to find Hitler's address this morning.

H.M.JR: If there is nothing else, then we will get ready for the ten-fifteen meeting.

Bretton Woods  
 July 21, 1944  
 10:15 a.m.

MEETING OF DELEGATION HEADS: QUOTAS

Present: Mr. Vinson	Mr. Nash, New Zealand
Mr. Acheson	Mr. Keilhan, Norway
Mr. White	Mr. Keynes, U.K.
Mr. Luxford	Mr. Stepanov, U.S.S.R.
Mrs. Klotz	Mr. Mackintosh, Canada
Mr. Gutt, Belgium	Mr. Souza Costa, Brazil
Mr. Feierabend,	Mr. Mendes-France, France
Czechoslovakia	Mr. Montouliou, Cuba
Mr. Raisman, India	Mr. Chi, China
Mr. Suarez, Mexico	
Mr. Bey, Egypt	

H.M.JR: Will you go ahead, Mr. Chairman, please?

MR. VINSON: As we say in Kentucky, we have made the far turn, and we are coming down the home stretch. We hope that a certain horse named the United Nations will reach the wire first.

Gentlemen, what is your pleasure? The totals of the subscriptions on the list add up to seven billion, three hundred and eighteen million dollars, without--

MR. KEYNES: How much?

MR. VINSON: Seven billion, three hundred and eighteen million, as I recall it, without the subscription of USSR.

MR. KEYNES: That is putting in the United States at?

MR. VINSON: Twenty-seven fifty. The typewritten list totals sixty-eight, twenty-seven, point nine. To that, of course, is added the Netherlands' two seventy-five, Australia's two hundred, and Iran's fifteen.

- 2 -

I think we get the sum of eight billion, two seventeen, point nine. Our goal is eight billion, eight.

On another occasion I was informed the U. S. would subscribe an additional two hundred and fifty million, which would be the top of the last two hundred fifty million of the eight billion, eight hundred million dollars.

With the Russian subscription of nine hundred million dollars, what is the attitude of the Committee in respect to the subscriptions indicated by the countries represented? With Russia's subscription nine hundred million dollars, our country is in position to state that if there are no reductions in the subscriptions listed, we can see, or rather, get close to the goal of eight billion, eight hundred million dollars. Assuming that that goal is reached, or approximately reached, is the Committee inclined to leave the subscriptions at the figures on the list?

MR. KEYNES: I should say yes to that, sir.

MR. VINSON: Is there dissent?

MR. RAISMAN: I am afraid I cannot undertake--if there is a reduction in the subscription of any important country, I don't think I could get my country to agree to a subscription equal to its quota. I had expected and hoped to be able to do so, provided that all countries of any importance accepted the same basis, but it would certainly put me in grave difficulties if there were a serious departure from that principle in the case of any important country.

MR. VINSON: That is the situation, gentlemen. The Committee must make a report. We are coming down the home stretch, and we certainly don't want the horse named United Nations to fall down and break a leg. I still revert to Kentucky.

MR. GUTT: Mr. Chairman, seeing the effort made by the United States, we would try as far as we are concerned to concur in it, and to maintain the figures which have been put forward.

- 3 -

MR. FEIERABEND: They asked for a decision from our Government, and I haven't received it, but I will not increase the figure as stated here.

MR. VINSON: Poland desires to increase her subscription twenty-five million dollars.

With the subscriptions of other countries standing as is, and taking the burden into consideration, gentlemen, in so doing--and I am not talking of the dollar burden, but I am speaking of the burden that comes to us, the greater difficulty that comes to us in the legislative field--the United States will subscribe three billion and a quarter to reach the eight billion, eight hundred million goal. That leaves, if my figures are correct, considering Poland's increase, twenty-five million--that leaves fifty-seven million dollars short of eight billion, eight hundred million dollars. We transfer that responsibility to you. We will help work it out, but I feel certain we can pick up that sum of money in some way.

MR. CHI: Mr. Chairman, China will be willing to take up fifty million, that is, to make our subscription six hundred million.

MR. VINSON: That is very fine. I think we should consider the situation of a number of countries that might desire to take smaller sums, but we will be happy to keep that in mind.

MR. MONTOLIEU: Mr. Chairman, although Cuba's contribution to the Bank is very small, we consulted the Cuban Government on the possibility of going as high as we possibly could if we could contribute to the success of the subscription, and I am very happy to announce that if the other South American nations within the limits of our quota are willing to increase it, we will be able to contribute a small increase to reach the goal.

MR. VINSON: That is very fine.

Without consultation with any South American country, or Latin American country, but knowing, gentlemen, the spirit

- 4 -

exhibited in several meetings with the Latin American countries, I took pains to make some computations; and while the suggestions come from our friends from Cuba really as a surprise, I knew the attitude of six or seven Latin American countries who would be willing to increase their subscriptions, except for the general idea of solidarity in this section of the world, coupled with the sensitivity on the part of their less strong neighbors. I want to impress that upon you, because some had the feeling that Latin America did not have this feeling.

MR. KEYNES: Mr. Secretary, the Soviet Delegate has not yet spoken. Before he does so, I should like to make an appeal to him. He has heard in the course of the last few minutes that Poland and China are prepared to make increased contributions to meet something that Russia cannot afford. I believe that that is because not only are they furthering most generously the purpose of the Bank, but they have more rightly appreciated the measure of risk involved.

I am convinced from our previous conversations that, no doubt, partly due to the natural difficulties of language, and so forth, the arguments with which I have persuaded my Government to take large participation have never been quite clearly understood by the Soviet Delegation. I am most sincerely convinced that these risks, spread as they are over a very long period to come, and not involving any lump-sum liability in the early years, can easily be supported by those of us who for at least the next five years will find ourselves in great economic distress.

The representative from India has pointed out that if the Soviet contribution remains at nine hundred, the Indian contribution will be half the Soviet contribution, which he would find difficult to justify. I do urge, most sincerely, that it is scarcely consistent with the honor and dignity of a great country to remain so uncompromising at this stage.

(Mr. Stepanov)

INTERPRETER: In determining this quota, Mr. Stepanov said that he was very respectful towards any other delegation

- 5 -

at the Conference. And Mr. Stepanov said that he is deeply moved by the willingness of the other delegations to reach the goal which was mentioned. He also says that he appreciates very much the attitude of some delegates, especially the delegates from China, which found it possible to increase its quota, but Mr. Stepanov can't agree with your representatives which were mentioned by Lord Keynes, that is, the representative of India, to connect their own quota with the quota of the USSR.

Mr. Stepanov said that while mentioning this figure, we have determined this figure not by taking into consideration the prospects of the future trade or something like that, but we have taken into consideration our actual possibilities, and Mr. Stepanov mentioned this figure because he had no authorization to mention any other figure. That is why this sum was mentioned, because there is no possibility of giving you any ~~other~~ figure.

Mr. Stepanov says that in these international organizations each country is participating and is determining its contribution in accordance with its own possibilities, and he doesn't see the necessity to connect the possibility of this particular country to contribute a certain sum with the possibility of other countries. He says that he is not willing to present any kind of a decision or to anticipate any kind of a decision of any delegation, and of the Delegation of India, but he says that it would not be correct to connect or even to compare the economic position of the USSR --the economic position of the USSR suffered so greatly in this war--with the economic position of India, which hasn't suffered so much in the course of this war. But he reiterates that he doesn't want to influence in any way the decision which might be taken by the other delegations and by the Delegation of India, because this is up to the Delegation to decide how they feel.

MR. VINSON: I probably should state that in a late conference last night I was assured by Mr. Stepanov that the Delegation from USSR had gone to the limit of their authority in approaching the subscription of nine hundred million dollars, but if that authority was increased, he

- 6 -

would notify me, and this morning when he came in the room he indicated to me that he had not received authority to increase this subscription.

MR. MACKINTOSH: Mr. Chairman, is it proposed to announce these subscriptions at the Commission Meeting immediately following?

MR. VINSON: It was thought that the Committee should conclude its deliberations and reach conclusions as quickly as it could, and then report to the Commission.

MR. MACKINTOSH: The reason for my question was that if I had an opportunity to consult Ottawa, I think it is possible that I might get authorization to increase the figure set against the Canadian name, I should say, to perhaps ten percent of the United States figure.

MR. VINSON: I believe that it would be worth while to have some delay. It might be that others could reach a conclusion whereby their subscriptions could be increased. And it might be that word would come from Moscow permitting their increase. I think it would be a most happy thing, and I think it would be heartening if some other nations could increase their quotas. I am not thinking in terms of dollars as far as the U. S. is concerned; I am thinking in terms of strength of the Bank and human banks.

H.M.JR: I wonder if this Committee would excuse me a minute while I ask the Russians if they and Judge Vinson and I could just step into the other room one minute.

(A short recess was held)

MR. VINSON: It seems to me that some progress might be made if we recess the Committee, Doctor White, until two o'clock.

MR. WHITE: Well, the next Commission meeting is at eleven, but if you can postpone it to either two or two-thirty--

- 7 -

MR. KEYNES: I won't be available then, I am afraid.

MR. WHITE: What hour?

MR. KEYNES: I shall be available, I think, at three, or soon after.

MR. WHITE: How about three-fifteen?

MR. KEYNES: I think that would be satisfactory.

MR. VINSON: We will recess, then, until three-fifteen, and hope that we have some reports that will make us all happy.

MR. MONTOULIEU: Does this Committee recess until three-fifteen?

MR. VINSON: The Committee will meet again at three-fifteen.

MR. MONTOULIEU: And then the Commission meeting will be after that?

MR. KEYNES: The Commission meets now at eleven, and I am hoping we can get through everything except this. Then we might have to have, immediately following the Subscription Committee meeting, a very short meeting of the Commission on this sole point which would meet immediately after. Then we have our Plenary at five, and I think we have plenty of time between three-fifteen and five to get through those two stages.

MR. WHITE: If necessary, the Plenary can be postponed a half hour, or an hour.

MR. KEYNES: We will call the Commission at four forty-five, and then start the Plenary as soon as the other meeting is over.

MR. WHITE: Since it is the same group, then, you can be flexible.

MR. VINSON: We will meet here at three-fifteen.

Bretton Woods, N.H.  
 July 21, 1944  
 3:15 p.m.

MEETING OF DELEGATION HEADS: QUOTAS

Present: Mr. Vinson	Mr. Bey, Egypt
Mr. Acheson	Mr. Nash, New Zealand
Mr. White	Mr. Keilhan, Norway
Mr. Luxford	Mr. Keynes, U.K.
Mrs. Klotz	Mr. Stepanov, U.S.S.R.
Mr. Gutt, Belgium	Mr. Mackintosh, Canada
Mr. Feierabend, Czechoslovakia	Mr. Souza Costa, Brazil
Mr. Raisman, India	Mr. Mendes-France, France
Mr. Suarez, Mexico	Mr. Montoulieu, Cuba
	Mr. Chi, China

MR. VINSON: Gentlemen, our horse, the United Nations, is at the eighth hole and is out in front.

MR. KEYNES: Is this a nine-hole or eighteen-hole course?

MR. VINSON: The Delegation from the U.S.S.R. informs me that they have had no further communications from their Government.

We have China with a suggested increase of fifty million, Poland with a suggested increase of twenty-five million, and Canada with a suggested increase of an amount that would be equal to ten percent of the quota of the United States.

MR. WHITE: Is that ten percent of the increase of the U.S., or ten percent of the aggregate?

MR. MACKINTOSH: Total.

MR. MENDES-FRANCE: Canada takes one-tenth?

MR. KEYNES: They will go to three twenty-five.

Bretton Woods, N.H.  
 July 21, 1944  
 3:15 p.m.

MEETING OF DELEGATION HEADS: QUOTAS

Present: Mr. Vinson	Mr. Bey, Egypt
Mr. Acheson	Mr. Nash, New Zealand
Mr. White	Mr. Keilhan, Norway
Mr. Luxford	Mr. Keynes, U.K.
Mrs. Klotz	Mr. Stepanov, U.S.S.R.
Mr. Gutt, Belgium	Mr. Mackintosh, Canada
Mr. Feierabend, Czechoslovakia	Mr. Souza Costa, Brazil
Mr. Raisman, India	Mr. Mendes-France, France
Mr. Suarez, Mexico	Mr. Montoulieu, Cuba
	Mr. Chi, China

MR. VINSON: Gentlemen, our horse, the United Nations, is at the eighth hole and is out in front.

MR. KEYNES: Is this a nine-hole or eighteen-hole course?

MR. VINSON: The Delegation from the U.S.S.R. informs me that they have had no further communications from their Government.

We have China with a suggested increase of fifty million, Poland with a suggested increase of twenty-five million, and Canada with a suggested increase of an amount that would be equal to ten percent of the quota of the United States.

MR. WHITE: Is that ten percent of the increase of the U.S., or ten percent of the aggregate?

MR. MACKINTOSH: Total.

MR. MENDES-FRANCE: Canada takes one-tenth?

MR. KEYNES: They will go to three twenty-five.

- 2 -

MR. VINSON: Our Latin American friends are in conference, but I assume they will be with us shortly.

MR. WHITE: They are discussing this very thing. We delayed the meeting by another meeting.

(The South American delegation enters the conference.)

MR. VINSON: Gentlemen, we have a report to the Committee from the Latin American countries.

Mr. Souza Costa, would you state the position of the Latin American countries?

MR. SOUZA COSTA: We had a meeting with the people of Latin America, and they agreed to raise the amount of quota to seventy instead of sixty.

MR. VINSON: Seventy percent for the Latin American countries as a whole?

MR. SOUZA COSTA: Yes.

MR. VINSON: That is very fine.

Are there any further suggestions or discussions, Lord Keynes?

MR. KEYNES: No, sir, I don't think there is anything further to add. I think we have reached the figure.

MR. VINSON: We will have to work out the Latin American figures, and we will have to--

MR. KEYNES: I suggest that we authorize you to present to the Commission at six o'clock a table which, in effect, would agree, I think, with every member concerned beforehand, but they would then see it on a stencil; and if there has been any inadvertent misunderstanding, there would be time to correct it. If that paper could be on the table for the Commission at six, I think that is all we need do. The idea, as I understand it, is to have a brief meeting of Commission Two at six, at which we should receive Mr. Vinson's

- 3 -

report and anything that the Drafting Committee or the Special Committee may have to say, which I don't think will be anything at all. We hope to finish about a quarter or twenty minutes past six.

The Chairman of Commission three will have to take the chair for a few minutes to report a formal matter, and the Executive Plenary, with Mr. Morgenthau in charge, would begin at six-thirty.

MR. VINSON: It is understood that the maximum figure is eight billion, eight hundred million.

Well, gentlemen, is there a second to Lord Keynes motion?

(Motion seconded)

MR. VINSON: All those in favor signify by saying aye.

(General assent)

MR. VINSON: Contrary?

(No response)

MR. VINSON: The motion is carried.

We thank you very much for not only your consideration, but your forbearance.