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THE WORLD BANK
Washington, D.C.

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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

[Correspondence]

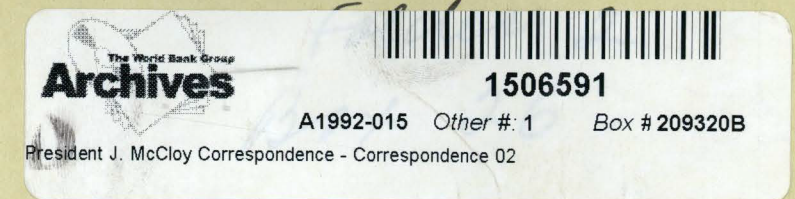
Mr. McCLOY - 1947 - 1949

RETURN TO ARCHIVES IN MC C3-120

ISN # 131652 ACC# A 92-005

BOX # 1

NUS LOCATION 473-17



**DECLASSIFIED
WITH RESTRICTIONS
WBG Archives**

FILE COPY

National Federation
of American Shippers

February 21, 1949

Dear Mr. Bailey:

Owing to my absence from Washington I have not heretofore had an opportunity of replying to your letter of January 10, 1949, with regard to your conversation with me concerning the insertion in loan agreements made by the Bank of provisions under which ships of the nations supplying the funds for the Bank might have a free competitive opportunity of offering their services in connection with the ocean transportation of goods obtained under loans made by the Bank.

The Bank is, of course, concerned that its borrowers incur no unreasonable costs in carrying out projects financed by it, including costs of transporting goods purchased with funds lent by it. To that end, our loan agreements customarily contain provisions under which the borrower must satisfy the Bank that the costs of purchasing and importing such goods are not unreasonable.

Inasmuch as the Bank does not ordinarily finance by its loans the local currency costs of the projects for which its loans are made, and transportation costs paid in local currency are not usually financed by the Bank. Moreover, in present conditions it is often in the sound economic interest of a country to finance the costs of a project, insofar as possible, in its local currency or in some currency other than dollars, even though on the basis of official rates of exchange the costs in such other currency may appear to be greater than the cost in dollars. It has not, therefore, been the practice of the Bank to include in its loan agreements any provisions which would restrict the borrower in its choice of suppliers of goods or services the cost of which is to be paid for out of the loan. Apart from the provisions above indicated with regard to the reasonableness of such costs, I do not believe that it would be practicable for the Bank to attempt to include in its loan agreements additional provisions such as you apparently have in mind.

Sincerely yours,

(signed) John J. McCloy

John J. McCloy

Mr. Frazer A. Bailey
National Federation of
American Shippers, Inc.
1809 G Street, N. W.
Washington 6, D. C.

February 18, 1949

Cleared
with Sumner
of Legal Department
2/17/49

Nat. Federation of Amer. Shipp.

February 10, 1949

Dear Mr. Bailey:

I wish to acknowledge receipt of your
letters to Mr. McCloy of January 10th and February
1st. ✓ Mr. McCloy is away from Washington and will
not be back until the latter part of this month.
Your letters will be brought to his attention upon
his return.

Sincerely yours,

Patricia J. Dermody
Sec'y. to Mr. McCloy

Mr. Frazer A. Bailey
National Federation of American Shipping, Inc.
1309 G Street N. W.
Washington 6, D. C.

*OK
21 Feb 49*

FEB 8 REC'D

NATIONAL FEDERATION OF AMERICAN SHIPPING, INC.

1809 G STREET, NORTHWEST
WASHINGTON 6, D. C.

FRAZER A. BAILEY
PRESIDENT
SAMUEL D. SCHELL
VICE-PRESIDENT
JOHN B. FORD
SECRETARY-TREASURER

February 1, 1949

ALFRED U. KREBS
COUNSEL
JOHN FORNEY RUDY
DIRECTOR OF PUBLIC RELATIONS
W. BRUCE MACNAMEE
EXECUTIVE ASSISTANT
EDWARD C. PHILLIPS
DIRECTOR OF TELECOMMUNICATIONS

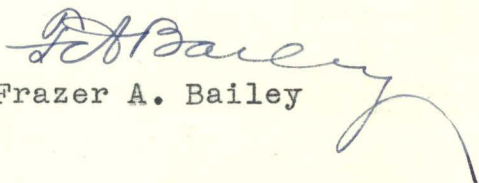
Mr. John J. McCloy, President
International Bank
1818 H Street, N. W.
Washington, D. C.

Dear Mr. McCloy:

This refers to our conversation and to my
confirmatory letter of January 10th.

It will be appreciated if you can advise
us at your earliest convenience concerning the subject
matter.

Sincerely,


Frazer A. Bailey

NATIONAL FEDERATION OF AMERICAN SHIPPING, INC.

1809 G STREET, NORTHWEST

WASHINGTON 2, D. C.

FRANZ A. BAILEY
PRESIDENT
SAMUEL D. SCHELL
VICE-PRESIDENT
JOHN B. FORD
SECRETARY-TREASURER

February 1, 1949

ALFRED U. KRESS
COUNSEL
JOHN FORNEY RUDY
DIRECTOR OF PUBLIC RELATIONS
W. BRUCE MACAMBER
EXECUTIVE ASSISTANT
EDWARD C. PHILLIPS
DIRECTOR OF TELECOMMUNICATIONS

Mr. John L. McGloidy, President
International Bank
1818 H Street, N. W.
Washington, D. C.

Dear Mr. McGloidy:

This refers to our conversation and to my
confirmatory letter of January 10th.

It will be appreciated if you can advise
us at your earliest convenience concerning the subject

matter.

Sincerely,


Franz A. Bailey

FEB 2 10 56 AM 1949

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Consolidate
Natl Fed'n of
Americ Shipping
JAN 11 REC'D
CABLE: NAFAS
605

NATIONAL FEDERATION OF AMERICAN SHIPPING, INC.

1809 G STREET, NORTHWEST
WASHINGTON 6, D. C.

Central files

FRAZER A. BAILEY
PRESIDENT
SAMUEL D. SCHELL
VICE-PRESIDENT
JOHN B. FORD
SECRETARY-TREASURER

January 10, 1949

ALFRED U. KREBS
COUNSEL
JOHN FORNEY RUDY
DIRECTOR OF PUBLIC RELATIONS
W. BRUCE MACNAMEE
EXECUTIVE ASSISTANT
EDWARD C. PHILLIPS
DIRECTOR OF TELECOMMUNICATIONS

for
x Chile Loan
x Loan Policy

Mr. John J. McCloy, President
International Bank
1818 H Street, N. W.
Washington, D. C.

Dear Mr. McCloy:

I want to thank you very kindly for the
interview last week.

This is merely to confirm my understanding
that at an early opportunity you will advise us, after
consultation with your associates, as to whether arrange-
ments may be made by the insertion of a proper provision
in the loan agreements, or otherwise, under which ships
of the nations supplying the funds for the International
Bank may have the free competitive opportunity of offering
their services in connection with the ocean transportation
of any commodities which may result from such loans.

In the particular instance, we have reference
to the Chilean loan.

Sincerely,

F. A. Bailey
Frazer A. Bailey

RECORDED AND INDEXED
JAN 11 1949
FBI - WASH DC

NATIONAL FEDERATION OF AMERICAN SHIPPING, INC.

1802 B STREET, NORTHWEST
WASHINGTON 6, D. C.

January 10, 1949

FRANZ A. BAILEY
PRESIDENT
SAMUEL D. SCHELL
VICE-PRESIDENT
JOHN B. FORD
SECRETARY-TREASURER

ALFRED U. KRESS
COUNSEL
JOHN FORNEY RUDY
DIRECTOR OF PUBLIC RELATIONS
W. BRUCE MACHAMER
EXECUTIVE ASSISTANT
EDWARD C. PHILLIPS
DIRECTOR OF TELECOMMUNICATIONS

Mr. John L. McCloy, President
International Bank
1818 H Street, N. W.
Washington, D. C.

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of any commodities which may result from such loans.

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Sincerely,

Franz A. Bailey

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JAN 11 10 17 AM 1949

Page 2
Mr. Baruch
February 21, 1949

The lack of equity capital does not disturb them at all. I think that a very interesting study could be made of what is going on in the large law offices of the country. They are busier, if anything, than they ever were, and they make just as much money, but instead of their work being as it was when I first came down to practice law in terms of productive projects such as putting together groups to build or expand railroads, public utilities, industries, etc., today their work is almost all defensive. They deal with taxes, anti-trust suits, litigations, Government administration work, almost exclusively. In short, directly or indirectly their clients are the Government. The investment markets are dried up and such accumulations of savings as there are seem to repose in the insurance companies and the savings banks where the investment is almost wholly in terms of fixed obligations. The result is that these people that I am talking about are all beginning to eye those institutions as being something which the Government must control as it is becoming monopolistic. Again there is an example of the tendency to rationalize everything in terms of further Government action. Incidentally, this tendency I think accounts for the fact that there are very few great leaders of the bar today. The big question I have in my mind is whether this is an inevitable over-powering trend which cannot be changed or whether it is a phase we are passing through to which there will be a reaction.

I like your example of the Doge of Venice. Naturally, I would like to see your report to Roosevelt. I will read it and send it back to you.

Sincerely,

Honorable Bernard M. Baruch
597 Madison Avenue
New York 22, New York

England
FEB 18 REC'D
B

BERNARD M. BARUCH

597 MADISON AVENUE

NEW YORK 22, N.Y.

February 17, 1949.

My dear Jack:

Herewith are some comments on the memorandum which I make as I go along reading it -

Page 2 - As to the results of the "unsound international lending in the 1920's", that was due to skullduggery both in the lending and in the use of the money. If the money had been loaned to individuals, or corporations, things might have been different. I note that the Sao Paulo loan on coffee is being paid back 100 cents on the dollar.

I have never been able to understand why we ~~did~~ not lend money direct to the English merchants, instead of to the English government. We would have received our money back and England would have gone ahead much faster. We are never going to get any people to lend money privately in those countries as long as there is the United States government ready to dish it out.

I think we have been giving too many grants. I was opposed to the original loan to Britain, and I am opposed to the method and manner of handling relief now, to them and other countries. I think this could have been done with a saving of at least 40%, by adopting a clearing house and assembling more fully information before we did anything. But, there was such a hurry, Always they hurry us even on inexact information.

I would have our government buy raw materials for five or ten years. That would encourage capital and induce some of those countries to go back to work. For instance, the English will not dig enough coal to support themselves, much less export forty to fifty million tons which would bring in about \$500 millions per year.

There is very little money for private investment in this country. Much is going into hiding in

tax exempts, etc. This is evidenced by so many stocks selling below their liquidating value. Paul Hoffman said that the Studebaker Company had enough cash and quick assets to pay off the market price (19) and leave their factories to their stockholders, and those factories were worth more than twice what the stock was then selling for.

The whole attitude of the borrower now is that if we do not lend that government the money, the people will side with the iron curtain. You know that is one of the pressures put on.

After World War I, many of the government officials abroad used to ask me to get the various agencies, charitable and government, out of the country so that the people would get back to work. All these countries are now very sorry for themselves. That condition exists here too. I do not know how much longer we can go on with that.

In making these various loans, we have exacted nothing from the nations, not even that they go back to work or get their economies in order. Roosevelt was much criticized for not getting some understanding with the Russians. Now we are helping our other associates and we have done nothing about an understanding, except to intimate to them that we are going to do a lot more, especially when they tell us that they will go Communist if we do not.

Page 4. Your remarks under "B" on the International Bank are sound. Are you aware that when the English lend other people money they always get repaid, or get something for it?

Page 7. Your remarks in the last paragraph are fine and right to the point.

Page 8. Bottom of the page, contrasting the Bank's rates with the EC loans is sound also. I think the EC loans, or most of them are absolutely ridiculous. I am surprised that Hoffman or Harriman have not made recommendations to change the whole setup.

Page 9. I agree with you when you say "competition between the International Bank and United States government lending agencies should be avoided." The whole lending policy of the government is utterly

confused and confusing. What makes the whole thing more difficult is that we haven't set down any international policy upon which we are to stand, and into which we can fit our own lives and the institutions you discuss in this document of yours.

I do not agree with what you say about the ERP. I think that we are helping them too much and they are doing too little. That is evidenced, as I told you, by the fact that the English will not produce enough coal for themselves.

I do not think we are strong enough to continue what we are doing through ERP. Remember the Doge of Venice who, when asked how he was going to protect his city, showed the gold florins. But they did not save Venice. Our submitting to pressure and fear will not save us. If the rest of the world will not help itself, the sooner we know this, the better for us, and we had better come right home and take it. This is pretty tough talk for a man of my background, but the people of the whole world have become mendicants and will not work when there is plenty of work for them to do. I do not see any country asking for loans from your bank as long as they can get the ECA to give them funds.

Page 13. "B" Development Loans - you are on solid ground.

Page 16. "D" Latin America - your suggestion seems to be sound.

Page 17. There is a sentence - "What really counts is whether the funds made available are administered in a business-like and imaginative manner." That is the essence of your whole document.

I also think well of the Pan-American highway.

That's that!

I would like to send you a copy of a report I made to President Truman on the mission I made to Europe at the request of President Roosevelt who died before I returned. If you would like to see it, I will send it to you to read (but not to copy) and return.

Sincerely yours,

Hon. J. J. McCloy, President
International Bank, Washington 6, D.C.

My 11/9.

File Baruch

OFFICE MEMORANDUM

FEB 15 REC'D

TO: Mr. John J. McCloy

DATE: February 15, 1949

FROM: Leonard B. Rist *L.R.*

SUBJECT: Mr. E. Baruch's letter to Mr. John Snyder

Mr. Baruch proposes that price pegging of non-perishable raw materials be substituted for government grants and loans abroad. This proposal suggests the following remarks:

1. I understand that this is a variation of an idea proposed by Mr. Baruch as long ago as 1919 when he urged U. S. Government stockpiling as a means of easing international transfers and facilitating repayment of inter-allied debts to the U.S.A. Several years ago he made the present proposal as an aid to assuring world prosperity and stressed the relative depletion of U. S. resources.
2. It is not clear whether the plan is to substitute ^{for} ERP, which is rather unlikely, or to provide a machinery for the implementation of Point 4. It is assumed here that the latter is the case.
3. This proposal is somewhat related to the policy decision now before the U. S. Government as concerns stockpiling operations. A number of mining operators could undertake more development if they were assured through long term contracts that their production would be taken up for stockpiling over the next few years.

The main effect of such long term contracts would be to stimulate production of the most needed materials. To the extent operations abroad are concerned, it might also stimulate exports of capital from the U.S.A., increase productive capacity in the producing countries and their dollar earnings from exports, which are all Mr. Baruch's purposes.

4. Mr. Baruch's present proposal goes, however, much further than that. It involves any non-perishable raw materials, whether strategic or not, whether in short supply or not.

Price support usually acts as a stimulus to production. There is therefore a good chance that an announcement such as Mr. Baruch suggests would at first achieve his aims, and as such it is worthy of serious consideration. The questions which arise are, however, the following:

Is this system certain to achieve the desired results in the long run?

Is it more or less wasteful than the present stockpiling program and the proposed subsidy program for domestic mines?

Are there not practical difficulties involved which may defeat the main purpose?

5. It is not certain that foreign private investment would automatically be fostered to the desirable extent. Foreign government on whose territory the projects would be located might be tempted to take a hard bargaining position if they felt that the attraction to investment is very great and practically riskless. Taxes, royalties, exchange controls, labor legislation would all raise costs and diminish probable profit margins. They could even bring about declining production and investment currently being considered by increasing costs beyond present prospects. Previous agreement with the prospective beneficiaries would therefore be a useful precaution.

There is a possibility also that American producers may oppose the plan since by removing price risks over the contract period, the risks thereafter would be accentuated by the accumulation of stocks which might overhang the market for years. The knowledge that the present American legislature cannot bind the hands of future legislatures is widespread and has already been advanced against the existing legislation which provides for more limited stockpiles.

It is, therefore, not certain the price support would, in the long run work as a stimulus to production.

6. Assuming that enterprise be stimulated by Mr. Baruch's plan, the question arises whether the activities which would thereby be encouraged are the most desirable ones. The present system of individual contracts with producers in foreign countries to some extent selects the activities which are most worth developing. In spite of some limited signs of unemployment in the U.S.A., Belgium and Italy, the world as a whole is fully employed. Labor shortages are, in fact, greatest in hazardous occupations such as mining. What would be involved is a diversion from present productive efforts to the production of more raw materials. It is hardly conceivable that the indirect effects of such a development could be as wholesome and balanced as the direct effects of the reconstruction and development now going on, or development grants and loans of a selective nature.

Another factor of waste would be involved in the stockpiling of materials which are not necessarily in short supply, of which there are many (rubber, mercury, molybdenum, to name a few). It could be argued that a revision of the plan would improve this side of the picture. If, instead of fixing a price to be upheld for a longer period, purchase prices were on a declining scale, an encouragement to continued production would be provided which would take account of the trend at present evidenced in the markets. This would not, however, dispense with the objection that some of the market prices at present are scarcity prices while some others are not. It may well be that the result of unlimited purchases by the U. S. would be to stimulate most the production of those raw materials which are not in short supply (silk and cotton, for example, and coal, at least in certain grades) and that we may see large stocks of commodities piling up for which there would be no demand while other commodities (perhaps some foodstuffs) remain in short supply. Price support breeds over-production unless subject to constant revision.

The grave readjustment which would be involved at the end of the purchase period may therefore imply a very costly and perhaps wasteful process.

7. As to the practical difficulties, they are very numerous. The first refers to the desirability of defining the materials concerned. Would textile fibers, timber, coal, iron ore and oil be included? The second refers, of course, to storage facilities. The third difficulty refers to the time necessary for building up new production facilities. In some cases it may easily reach four or five years. A market guarantee such as suggested would then be too short to stimulate investment. Finally, it is clear that a special decision as to prices and amounts would have to be made for each individual commodity and that an appraisal of the untapped resources and of the prospective consumption in each case bearing on the whole world, including the USSR, would have to be made to avoid wasteful surprises. This is perhaps not insuperable but it is certainly most intricate since the level at which prices would be fixed would have to take account of the agricultural price level.
8. In short, the basic intent of the proposal to minimize the strain on U.S.A. resources caused by foreign aid is impeccable. Strategic stockpiling may be used as a first step in the direction Mr. Baruch is aiming at. If longer term contracts could be made by the stockpiling authorities, that would, to a limited extent, achieve his aims. A blanket undertaking of the kind Mr. Baruch proposes is, however, too general and too vague to provide the basis for a balanced and economic expansion in world production. Its effects, therefore, are unlikely to be so favorable as implied in Mr. Baruch's memorandum.

B1

January 31, 1949

Dear Mr. Baruch:

Thank you for your letter of the 28th and the enclosed letter to John Snyder. Your idea is an intriguing one. I am going to have it studied at the Bank to see what our views are as to the effect of it. When I have got something on it I will let you know.

In the meantime, I am sending you a copy of a memorandum that I did not send to the President, though I addressed it to him. John Snyder got a copy of it and I would like to know what you think about it.

It is good to hear from you.

Sincerely,

Honorable Bernard M. Baruch
597 Madison Avenue
New York 22, New York

OFFICE MEMORANDUM

TO: Mr. Leonard Rist


DATE: January 31, 1949

FROM: Mr. John J. McCloy

SUBJECT:

Here is a letter from Barney Baruch which he sent to Secretary Snyder.

I would like to have your judgment as to what effect this might have on both the U. S. and the world economy.


J.J. McC.

January 28, 1949.

My dear John:

A great deal of good can come out of the President's idea of stimulating the production and living standards in the far reaches of the world.

A simple and dramatic way of accomplishing this would be for the President to announce that the United States stands ready to buy all non-perishable raw materials produced anywhere in the world, which cannot find a commercial market, for the next five to ten years -- seven years would be a good medium.

No complicated government machinery would have to be set up. The Congress could simply authorize some one of the existing procurement or lending agencies, perhaps the RFC, perhaps the one already buying critical materials, to make these purchases. Only the surplus which the regular commerce of the world could not consume would come to us. While the net purchases might not be very great, the stimulating effect of such an announcement by the President would be tremendous.

A guaranteed market would be provided for anyone wanting to work, to tap new sources of supply, open new mines, discover new ore bodies. All over the world enterprise would be underwritten. Capital would be encouraged out of hoarding and into productive investment. A sound basis would be provided for the securities of such institutions as the World Bank as well as private investors.

So that the United States will not be accused of trying to monopolize or exploit the world, we should offer to let any other nation share in the purchasing under the same terms and risks that we take.

By creating such an assured market we will not only bring to this country useable materials in exchange for our dollars, but we will lessen the strains on government financing. If the program is attempted through government loans etc., it increases

2.

the tax burdens. Instead of the government borrowing from its citizens to lend to other countries, let us arrange it so that American citizens can lend directly abroad.

This plan will stimulate private enterprise abroad, as the President wishes, instead of channeling everything through government cartels.

I am sending a copy of this letter to Messrs. McCloy and Hoffman.

Sincerely yours,

Hon. John Snyder,
Secretary of the Treasury,
Washington, D.C.

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK 22, N.Y.

JAN 31 REC'D

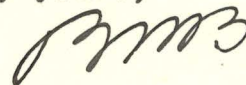
January 28, 1949.

My dear Jack:

Herewith is copy of a letter I sent
John Snyder.

As you can see, it is a simple,
dramatic way of stimulating investment,
production and work all over the world. It
would give the world a new credit foundation,
which would bring a great many demands upon
you for capital which you could prudently meet.
It would also attract a lot of private
capital. No new government agency would
be needed.

Sincerely yours,



Mr. John McCloy, President
International Bank for Reconstruction,
and Development,
1818 H Street,
Washington, D.C.

13

November 2, 1948

Dear B.M.B.:

All I know about the English loan is what I read in the newspapers. I hate to be critical of another man's job or the manner in which he conducts it but I must say I fail to understand all the theories behind the ECA lending.

In the first place I think they have inextricably confused lending with giving. The terms of the loan contracts are almost illusory in terms of repayment. They are in fact the "fuzziest" type of loan imaginable and I think they will tend to muddy the whole picture of international credits.

Moreover, I am coming to the conclusion that you cannot mix gifts with true loans. You cannot have one man say to another, I am going to give you a nickel and lend you a nickel, without compromising the loan. If loans are to be made I think they ought to be made by an entirely different agency from the one that makes grants.

Also, I have the feeling that a golden opportunity was lost with the French. Not long ago they were just on the verge of taking steps which were necessary to put their financial house in order. They said they could do this if they saw ECA aid coming through, and they seemed determined to do it. Then ECA aid did come but it came at easier terms than they expected and out the window went the stabilization of the franc. It will be a merry day before it is back in place again. We now have a sort of negative incentive situation whereby France gets \$1,300,000,000 more than any other Western European country and has done less to deserve it; and those who have done most get least. Witness Belgium.

As for the nationalization of steel, I am personally convinced that they would never have gone ahead with the nationalization of steel if they felt it clear that we would not consent to such experiment being made at this time, but no one had the political nerve to take that step even though everybody has the feeling that it will produce unfortunate results.

With all this atmosphere of gifts, lend lease, and illusory loans about it is very difficult to maintain any sensible or substantial concept of international credit.

Again I wish to emphasize that I do not want to be critical without knowing more about the whole situation than I do but your letter hit me just when I was at the peak of my doubts. Please treat it confidentially.

Sincerely,

Honorable Bernard M. Baruch
597 Madison Avenue
New York 22, New York

OCT 29 REC'D

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK 22, N. Y.

October 28, 1948.

My dear Jack:

I am glad you liked the photo. I was really happy and proud that you wanted it.

I noticed in the paper today that the Export Import Bank is lending England \$310 millions for its industries. Has everybody gone nuts?

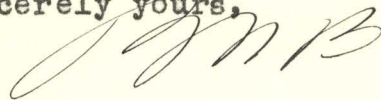
The Attorney General and our government are doing their best to break up combinations of trade, as they should. They have the Sherman Anti-Trust Law and the Clayton Act, and so on. England and America are doing everything to decartelize Germany and even Japan, and yet we lend England \$310 millions for her to lend to her industries when the King has just announced one of the objects is to nationalize steel.

In other words, we are going to help England to have bigger and better monopolies.

As surely as the sun rises and sets, the nationalization of steel will be followed by nationalization in other countries and we, in your time, will see it forced upon us here. Thus the most monstrous monopolies will be set up.

I am quite aware that we should do nothing regarding the government of any other country, but at least we should not help other governments destroy us and our free enterprise system which is the only thing that happens to be saving the rest of the world. It makes the ITO look like nothing.

Sincerely yours,



Hon. J. J. McCloy, President,
International Bank for Reconstruction
and Development,
Washington 6, D.C.

FILE COPY

August 13, 1948

Honorable Howard Buffett
House of Representatives
Washington, D. C.

Dear Mr. Congressman:

Mr. McCloy, who is out of town this week, has asked me to supply you with such information as we might have regarding the questions raised in your letter to him of August 4th on the legality of private possession of gold in a number of countries.

First I want to explain that the rules governing gold possession and gold transactions in many countries are rather involved and have been subject to frequent changes, and that the Bank has no precise up-to-date record. As suggested by Mr. McCloy your question is strictly speaking more within the province of the International Monetary Fund, and even that institution is only in the process of collecting the necessary source material. Furthermore, five of the countries mentioned by you (Eire, Switzerland, Spain, Portugal and Argentina) are not members of the Bank and the Fund. However, we are of course in a general way following the subject and I am in a position to give you the following brief picture which has been checked with the experts of the Monetary Fund.

Of the countries mentioned in your letter the following at the present time allow private citizens to hold gold in unlimited amounts: France, Switzerland, Greece, Turkey, India and Argentina. In the monetary union of Belgium and Luxembourg, as well as in Portugal, private gold possession is at least tolerated. In Eire possession of gold may no longer be prohibited outright, but since gold was sequestered during the war and all transactions in gold are prohibited, the question is mainly academic there. The remaining countries mentioned by you--Great Britain, Netherlands, Italy and Spain--do not allow private gold possession, although the regulations are more strictly enforced in some countries than in others.

FILE COPY

Honorable Howard Buffett

August 13, 1948

Where there is a prohibition against private possession of gold this does usually not include gold in the form of jewelry; by practice also small amounts of gold coins will in most cases be considered non-offensive. Permits will of course be granted for purchasing and holding gold for industrial and medical use, the licensing authority being in most cases the Central Bank.

Even those countries which internally permit private possession of gold may demand a license for gold transactions (this being the case in Switzerland), and nearly all maintain restrictions on exports and imports, but in several cases extensive smuggling takes place.

I enclose two memoranda prepared by the International Monetary Fund which review the rules for private imports and holdings of gold in a large number of countries. Since they were drawn up strictly for internal circulation in the Monetary Fund, I would request you not to refer to this material in any form. Although prepared in September 1946 and consequently obsolete for some countries--the most important being France--I hope the memoranda will prove of value to you as indicative of the position as it presented itself about one year after the end of the war. In France, a free gold market was established in connection with the devaluation of the franc in January of this year, and amnesty was granted to persons who--until then illegally--held gold.

The precise text of the regulations now in force can probably be obtained through the Embassies of the various countries in Washington.

In your letter you also raised the question whether the government in any of the enumerated countries during the period since World War I has confiscated or otherwise by law required the individual citizen to turn over his holdings of gold or gold coin to the government or to governmental agencies. Going beyond the current situation this question demands a rather extensive historical investigation. We are not at the moment in the possession of the necessary material for a complete answer. However, of the countries now permitting private gold possession, at least France and Greece have previously tried to enforce sales of privately held gold to the government.

May I point out, that as regards the inter-war period a number of studies regarding gold were undertaken under the auspices of the League of Nations, in which you will find much useful information on

FILE COPY

Honorable Howard Buffett

August 13, 1948

including the subject. Particularly, I beg to refer to "Legislation on Gold" published by the Economic and Financial Organization of the League of Nations in 1930 (League of Nations Publication 1930 II 29) and to the report of the gold delegation of the Financial Committee of the League of Nations published in 1932 (Official No.: C 502 M 243 1932 II A). The first of these publications gives the actual texts of laws and decrees regarding gold in force prior to the great economic crisis; the second volume contains a description and analysis of the economic development leading up to the breakdown of the gold standard in 1931, ~~under~~ the changing pattern of gold legislation and practice relating to gold. For the years since 1931 you will find in the Annual Reports of the Bank for International Settlements a considerable amount of information on the development of gold legislation and the gold market. No doubt the U.S. Treasury or the Federal Reserve Board will be able to supply you with additional information wherever needed.

I hope that such information as we have been able to furnish will prove of some value to you and will always be glad to be of any possible further assistance.

Sincerely yours,

Leonard B. Rist,
Director, Economic Department.

Enclosures (2).

I.M.F. Executive Board
Documents No. 60 and 62.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OUTGOING WIRE

Date: November 30, 1948
To: RT. HON. WINSTON CHURCHILL
WESTERHAM ENGLAND

INTERNATIONAL BANK

NOV 30 11 58 AM 1948

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NIGHT LETTER ☐

DAY LETTER ☐

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TEXT:

CONGRATULATIONS AND EVERY GOOD WISH FOR THE YEAR AHEAD.

JOHN J. McCLOY

NOV 30 11 58 AM 1948

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RECONSTRUCTION AND DEVELOPMENT

OFFICIAL ☒

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AUTHORIZED BY: McCloy

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NAME McCloy

DEPT. President

AUTHENTICATED FOR DISPATCH BY: 82

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No. 2

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OUTGOING WIRE

INTERNATIONAL BANK

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NOV 30

November 30, 1948

Date:

RT. HON. WINSTON CHURCHILL
WESTMINSTER PALACE
LONDON, ENGLAND

To:

TEXT:

CONGRATULATIONS AND EVERY GOOD WISH FOR THE YEAR AHEAD.

JOHN J. MCGLOY

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

NOV 30 11 43 AM 1948

☒ OFFICIAL
☐ PERSONAL

AUTHORIZED BY: McGLOY

NAME: McGLOY

DEPT.: President

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Correspondents / Participants From: R. C. Leffingwell				
Subject / Title Sterling Devaluation				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Vlada Alekankina</td><td>Date August 04, 2011</td></tr></table>	Withdrawn by Vlada Alekankina	Date August 04, 2011
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23 Wall Street
New York 8

R. C. LEFFINGWELL

To Ramsey

MAR 25 REC'D

Leffingwell

March 24, 1949

Dear Jack:

Homework and office work have fallen so heavily upon me that I haven't gotten around to acknowledging your very interesting and thoughtful letter of February 21st, or the accompanying letter of February 10th to you from Mr. Varvaressos (which I return herewith), or Mr. Varvaressos's and Mr. Zafiriou's essay on The Problem of Intra-European Trade and Payments and its Significance to European Recovery dated December 31, 1948.

Having in my previous letters expressed my own views and drawn your fire and that of Mr. Varvaressos, I don't think I ought to burden you with rejoinders and surrejoinders. The facts are I suppose pretty well known to all three of us. We have I think sufficiently expounded our differences of opinion, which are probably constitutional and incurable.

I am in fullest agreement with the main thesis of Mr. Varvaressos's essay on intra-European trade. I think he has done a great service in exposing the fallacy of the New Federalists or Western Unionists. As I wrote Bob Lovett nearly a year ago:

"I am a free trader; but the problem is to find solvent buyers, outside Western Europe, for European manufactures, in order to enable Europe to pay for necessary imports of food and raw material from the world outside. European nations cannot achieve recovery by taking in each other's washing, by exchanging

manufactured products with each other. There would still remain the problem of paying for the food and raw materials they must buy in the Americas and elsewhere."

Western Europe is highly industrialized and densely populated. Even before the war it was living to a considerable extent on the foreign and colonial wealth accumulated in better times. Now the foreign and colonial wealth is lost or impaired, and foreign debts have, particularly in the case of England, taken its place. Europe's monopoly of the manufacturing business of the world, which was pretty complete in the early days of the industrial revolution, has disappeared, and pretty much every nation to a greater or less extent has gone into the manufacturing business.

Europe has been able to do very well with immense American aid in the early post-war period, when world shortages and the elimination of Germany and Japan from the manufacturing business gave her a special opportunity. As the shortages disappear and the pipelines are filled up, her problem is going to be to find markets for her exports while she pursues a restrictionist policy in regard to her imports. It seems to me there is the gravest possible problem for Western Europe to solve, the problem of selling her manufactures to the western world for food and raw materials, and the less time and labor and material she devotes to intra-European trade the more she will have to devote to exports to the Americas and other suppliers of food and raw materials. I take it that is Mr. Varvaressos's main thesis, and with it I am in most complete agreement.

Yours ever

Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington 6, D. C.
Enclosure



FEB 14 REC'D

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

WASHINGTON 25, D. C.

February 10, 1949

Dear Mr. McCloy:

I have read with great interest Mr. Leffingwell's letter of January 19th which you kindly transmitted to me. Mr. Leffingwell's appreciative words on our Memoranda are a great encouragement to us and we value highly his stimulating comments on the problems we have discussed.

I should like to comment myself on some of the points raised by Mr. Leffingwell:

1. - The explanation of the fact mentioned in our Memorandum that during the first half of 1948 the French money supply remained stable while bank credit expanded is that there was a surplus on Government account which offset the expansion in money supply resulting from the expansion in bank credit.

The changes in money supply and its origins between February and June 1948 were as follows:

1 9 4 8
(Billion Francs)

<u>Money Supply</u>	<u>End</u> <u>January</u>	<u>End</u> <u>May</u>	<u>Sources of Money Supply</u>	<u>End</u> <u>January</u>	<u>End</u> <u>May</u>
Currency in circulation	922	791	Public accounts	1,084	1,015
Blocked notes	-	57	Private credits	522	635
Demand deposits in banks	635	728	Miscellaneous	41	34
Deposits at Bank of France	69	64	Total	1,712	1,749
Postal deposits	<u>86</u>	<u>109</u>			
Total	1,712	1,749			

The 50 per cent expansion in bank credit mentioned in our Memorandum refers to the period January-July when private credits increased from 490 billion francs to 737 billion. We quoted this expansion rather than the 25 per cent expansion during the months February-June shown in the preceding table because we thought it was important to indicate how great was the increase in bank credits in 1948 at a time when the Government was trying to apply a deflationary policy. We omitted to explain that the 2 per cent increase in money supply corresponded to a 25 per cent increase in bank credit and the 50 per cent increase in bank credit to a 12 per cent increase in money supply.^{1/} This, however, does not alter the fact which we wanted to bring out in our memorandum, that Government financing during that period was deflationary and that it helped maintain monetary stability in the face of a great expansion in bank credit.

2. - Mr. Leffingwell's comment on our suggestions for social reforms in France are the result of a misunderstanding, which is probably due to lack of clarity on our part resulting from an effort to condense what we had to say on France in 9 pages. It was never our intention to suggest that social reforms were an alternative to a balanced budget and credit restriction. In all our memoranda we have stressed that one of the most important tasks facing European countries is to achieve monetary and financial stability and restore confidence in their currencies. The point we wanted to make about France is that so long as the present inequitable system of taxation and administrative incompetence remained, the mere balancing of the budget could not restore equilibrium to the French economy because it would necessarily be accomplished through indirect taxes, which are

^{1/} As follows:

1948 (Billion Francs)					
<u>Money Supply</u>	<u>End</u>			<u>Sources of Money Supply</u>	
	<u>December</u>	<u>July</u>		<u>End</u>	<u>End</u>
				<u>December</u>	<u>July</u>
Currency in circulation	921	849	Public accounts	1,088	1,072
Blocked notes	-	23	Private credits	490	737
Demand deposits in banks	608	817	Miscellaneous	26	-2
Deposits at Bank of France	55	64	Total	1,669	1,872
Postal deposits	85	119			
Total	1,669	1,872			

paid largely by the masses, and which raise prices, lead to new demands for wage increases and set in motion the vicious spiral of inflation instead of checking it. That a budget which is balanced overwhelmingly through indirect taxes does not remain balanced very long in a country where labor is politically strong has been strikingly demonstrated in France during the last few years, and it is our impression that the latest version of budget balancing adopted in France will not prove more successful than the earlier ones. It is sufficient to compare the incidence of American and French taxes in order to realize how iniquitous the French tax system is and how greatly it contributes to the social tensions and class conflicts which paralyze France. In 1947 direct taxes represented 70 per cent of total taxes in the U.S.A. and only 26.4 in France, and of this percentage, one-third consisted of taxes on wages and salaries. It is this need for reforming the tax system in accordance with the requirements of our modern society and not public charity that we had in mind when we spoke of social reforms in France. We entirely agree with Mr. Leffingwell that inflation is the greatest of social injustices and hits the workers more than any other section of the population. Our point was that inflation cannot be stopped in France by raising indirect taxes. This is why we said that by merely asking for a balanced budget, without indicating who must bear the burdens of increased taxation, ECA encourages the French Government to continue seeking in indirect taxation the solution of the problem and at the same time alienates the French masses, who are exasperated by the iniquity of continuous increases in the prices of essentials.

3. - While I agree entirely with Mr. Leffingwell's plea for "honest money" and for realistic exchange rates, I cannot agree with his view that ensuring the convertibility of European currencies with the help of American dollars would be the best way of restoring monetary stability in Europe. You know my views on this matter, but I would like to make a few additional remarks.

An essential prerequisite of convertibility is that the supply of a currency in world markets should not exceed its demand. This in turn depends on the existence of equilibrium between the goods and services which a country wishes to buy from abroad and those which foreign countries wish to buy from her. This condition obviously does not obtain in present-day Europe, and that is why convertibility of European currencies, if it were to be attempted, would have to be supported with American dollars. The amount of dollars that would be required would depend on the gap between the supply and demand of European currencies. Any dollar fund, however large, would melt away in a few months given the present volume of money supply in Europe. It is sufficient to recall that the British attempt at convertibility cost nearly a billion dollars in a few months in order to realize what the cost would have been if the experiment had been generalized for the whole of Europe. The only way to prevent the wholesale dissipation of dollars would have been to carry out a drastic monetary reform and rigidly control the volume of money supply, i.e., to take the very measures which the Europeans have been unable to take and which, if taken, would have restored the value of their currencies without the need for dollar support. Thus, convertibility of European currencies under present conditions would have required either an unlimited amount of dollars or full American control of European finances. Since neither course is feasible, the only alternative would have been to rely on undertakings by European countries that they will set their financial houses in order. But we know from experience that

such undertakings, however solemn and specific, are seldom effective when there is no real pressure to do the things promised and, in my view, of all conceivable arrangements, dollar-supported convertibility would have been the least calculated to provide a stimulant for financial retrenchment and drastic monetary measures. Thus, while I agree with Mr. Leffingwell that a return to convertibility and multilateral trade is essential for the creation of a prosperous and well-integrated world economy, I feel that such a return cannot be ensured through the use of American dollars, (unless Americans are prepared to give away much larger sums than they are doing now), but will be possible only after economic and social equilibrium has been reestablished in Europe. Such equilibrium in turn depends, in my view, on greater production and on the realization that American help will not continue indefinitely.

4. - Here again, I find myself unable to agree with Mr. Leffingwell's view that Europe needs a restricted investment program and a longer period of American aid than the European Recovery Program contemplates. Mr. Leffingwell points to the inflationary effects of investment and at the same time doubts the possibility of Europe becoming independent of American aid in four years. There can be no question that investment is inflationary because it creates incomes without providing the goods on which these incomes will seek to be spent. Without substantial new investments, however, European production cannot expand above its present levels, since both equipment and manpower are at present fully utilized in Europe. This means that if new investments are on a restricted scale, Europe's productive capacity in 1952 will not be much greater than it is at present nor will Europe's ability to pay for its essential imports be much greater. In other words, the purpose of the Marshall Plan, which is to make Europe self-supporting at a tolerable standard of living, will not have been fulfilled, and it will be necessary either to reduce sharply European living standards or continue American assistance beyond the original period. The first course would have the same disadvantages then that it had last year when the United States decided that it was in the American interest to come to Europe's help. It would involve the same social pressures and the same danger of Communist domination that faced Europe last year, and would create the same dislocation in the world economy and the same strangulation of world trade that threatened to overtake the world in 1947. In other words, it would mean that American aid to Europe during the preceding four years has been largely wasted.

As regards the second course, which is also the course recommended by Mr. Leffingwell, I feel that there are serious dangers in prolonging a relationship between Europe and the United States which can be justified only as an emergency arrangement. You yourself have drawn attention to these dangers, and I shall not, therefore, repeat the arguments against a prolongation of Government-financed assistance to Europe. But I would like to state here that, in my view, the ten-year period of aid proposed by Mr. Leffingwell, when added to the four year period which has already elapsed, is definitely too long and is more likely to produce a pattern of permanent dependence and insolvency in Europe than spur European countries to take the measures that will restore health in their economic and social life. I would even go so far as to say that the shorter the period within which the drastic adjustments needed in Europe will have to be made, the greater will be the sense of urgency and, therefore, the greater the chances that the necessary effort will be forthcoming.

5. - I was very interested in Mr. Leffingwell's suggestion that it might be preferable to confine Marshall Plan aid to Europe to food, fuel and some essential raw materials. I myself have been thinking along these lines for some time, and I am beginning to wonder whether this might not be a more effective means of notifying Europe that it should not depend on the United States for everything and possibly inducing a greater sense of urgency in some European countries. Such an arrangement would also relieve ECA of responsibilities which it is not well equipped to handle. Is there any reason why, once ECA takes care of current needs for food and raw material imports, European countries should not be able to carry out their reconstruction projects themselves, especially since they can be assisted by the International Bank which they themselves entrusted with the task of helping European reconstruction? But I cannot agree with Mr. Leffingwell that Europe does not need American equipment. On the contrary, I feel that the more American equipment they install the better the prospects for expanded production. Europe may itself be an important producer of heavy industrial goods, but it is far behind the United States in technological progress, and is unable to produce many of the types of machinery which ensure to American industry its incomparable efficiency.

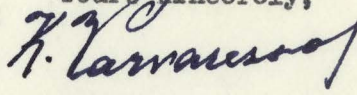
6. - There is another point on which I am again more optimistic than Mr. Leffingwell. Mr. Leffingwell wonders what will happen "when every nation has got itself provided with modern plant and equipment to make exports of manufactures". Who will import their exports? When all are equipped to be sellers, who, he asks, will the buyers be?

I agree that present European plans, unless they are better coordinated and adjusted to take properly into account the structure of world demand, may lead to the creation of excessive capacity in many lines and the production of unsaleable goods. But I do not agree that an expansion and modernization in European production is not necessary. It is necessary first, in order to provide goods that are at present supplied free by the United States, second, in order to enable Europeans to pay for overseas supplies which before the war were paid for with investment income receipts and, third, in order to provide the larger volume of goods required in Europe itself as a result of the increase in population and the demand of the working classes for a better standard of living. A reduction in European imports and an expansion in European exports is part of the process of adjustment which will make Europe self-supporting. Sound money is essential for European recovery, but sound money alone will not produce the additional goods that are necessary if Europe is to maintain its present living standards when American aid is discontinued.

7. - In conclusion, I find that we agree with Mr. Leffingwell on the aims of economic policy, but our views differ on how best these aims can be achieved. Mr. Leffingwell feels that sound money is so essential to European recovery that it would justify using American resources to restore the value of European currencies. My view is that it is not possible to get really good currencies, that is convertible currencies, in present-day Europe unless the social tensions and class conflicts which weaken the European economy are solved and unless European productivity is sufficiently increased to provide the volume of goods necessary to maintain economic and social stability. In other words, Mr. Leffingwell feels that the

European monetary problem can be attacked from the purely monetary angle, while I think that its solution is inextricably bound up with the solution of Europe's basic difficulties.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'K. Varvaressos', written in a cursive style.

K. Varvaressos

Mr. John J. McCloy
President
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.

J.P. Morgan & Co

February 21, 1949

Dear Mr. Leffingwell:

see 2/3

I have your letter of February 3rd, and in order to keep the fuel burning I am sending you a copy of a letter which Varvaressos sent to me as a result of your letter of the 19th to me.

As to your letter of February 3rd perhaps I used the wrong expression in speaking of the "suffering of the borrowers," nonetheless I think they did over-borrow and I think American investment houses did over-lend. The competition that went on in Europe and in Latin America for loans was something to see. I know because I was a part of it. In saying that they suffered I meant to suggest no more than that their credit was impaired. One cannot deny that they received the money and did something with it. Much that they did was not beneficial, much was, but we must admit I think that our private lending overlooked some fundamentals of economics.

The last thing I would want to do is to contribute to the abuse of the lenders which was indulged in by the Roosevelt Administration and to side with those who feel that the world's ills were induced by American bankers.

I think you misunderstood my reference to the wisdom of limiting ECA loans to those countries where there is a capacity to repay. I would not say that all countries that have a capacity to repay should be forced to take a loan. In fact I would be disposed to give them a grant if by themselves they arrived at a position that gave them the capacity to repay. I would not continue this process very long but I do think there is much to be gained by the introduction of the positive incentive. We have to break down this concept that the poorer the job that is turned in the more money can be demanded. What I do say is that no one should be foisted with a loan unless he has the capacity to repay. I do not think it would be wise to charge any country with a loan when we know, or have good reason to know, that they cannot repay, even with the best effort.

My suggestion for a foundation occurred as a result of a good bit of touring around Latin American countries. The dearth of primary and secondary "knowhow" is so great that I believe we could do something profitable in that field. I think we could make grants to establish or expand agricultural schools, mechanical training schools, and some medicinal centers with the idea of creating minor technicians locally, on whom one has to depend for any long range development. It does little good to have engineers from M.I.T. or other consultants from the United States, go down and spend a short time in Latin America and return. One has to teach the Indians and the Negroes of that area how to oil a machine and keep it in repair. I believe if you had on the board of such a foundation, even though it were Government financed, the type of men that sit on the Carnegie and Rockefeller Foundations you would be able to find, I believe, plenty of room for the profitable expenditure of such funds.

Page 2
Mr. Leffingwell
February 21, 1949

I would have the funds matched by local contributions, but without agencies that can generate even moderate technical knowledge in these countries you are not going to make much progress. I would certainly not make it a bottomless purse. As I indicated, since 1910 the Rockefeller Foundation has been supplying the world on five hundred million dollars. I would start out with much less and not have it subject to political appointment. The initial board could be appointed by the President and thereafter could be self-perpetuating and would continue to exist until the funds ran out. I think Congress could do this legally. Whether they would is another matter but the less political it was the more goodwill would result. I do not know of any other way in which this matter of training can be stimulated within a relatively short time with continuity and good sense.

As to the Inter-American Highway, I quite agree that it alone is not enough but it does have a very important economic effect in the places where it runs. In traveling through these countries along the highway I noticed that the houses are in better condition than on the trails and roads that lead off the highway. Even though it does not always follow market routes it is far better than having no contact at all running from one border to another. It is true they need feeders as well but feeders will develop more readily if a trunk road is in existence. The mere introduction of a long spinal highway does not fill all the market needs of a country but I am convinced it has a definite economic effect on the country. I am told that in planning the highway considerable thought has been given to its proximity to harbors and fertile areas.

Sincerely,

Mr. Russell C. Leffingwell
J. P. Morgan & Co., Inc.
23 Wall Street
New York, New York

FEB 4 REC'D

*23 Wall Street
New York 8*

R. C. LEFFINGWELL

February 3, 1949

Dear Jack:

I read your letter of January 25th and the accompanying confidential memorandum to the President with the utmost interest. I think the memorandum is very wise and sound. I think it is an admirable job. There are two or three comments or questions which I think might interest you.

On page 2 of the memorandum you say that many countries are still suffering from the unfortunate consequences of their overborrowing in the 1920s. I wondered a little about that. My firm's experience with foreign lending when we were in the issuing business was on the whole very good, barring loans to the countries which were our friends and became our enemies later, and which were made for the most part at the request or with the sanction of the governments of the Allies. I enclose a memorandum showing what has happened to our loans up to date. Of course our experience was better than that of other issuing houses, and I think I may say this was due to the fact that we were more discriminating and more restrained than the other houses. Though there were loans made for foolish purposes by others I doubt that the countries suffered much from the consequences of the loans. I think they suffered from the consequences of the war, and of general mismanagement of their affairs, and their indifference to the maintenance of their credit. It was the American investors who

suffered from the bad loans, and while the defaulting countries' credit suffered it suffered from the conditions which led to the default rather than from the loans.

I am inclined to stress this because I think it is a mistake to say that the defaulting borrowers suffered. They got the proceeds of the loans all right, even if they did borrow too much. The fault was on the whole theirs far more than that of the American lenders.

The fault also was that of the United States Government, which now for many years has shown complete indifference to the interests of American investors, and even animosity against the interests of the American investors, and has rewarded with new loans and grants governments in default towards American investors.

There is a noteworthy contrast between the treatment our government meted out to American and other investors in oil in Mexico and that it recently meted out to American investors in oil in the Middle East, where it had strategical interests to serve.

President Roosevelt treated abusively certain American investments in Brazil (in which we had no interest). Our government has shown complete indifference to the interests of American investors in the loans which we sponsored to Germany, Austria, Italy and Japan, although these were looked upon with great favor by our government when they were made.

I look upon the indifference and even the antagonism of our government to the interests of American investors abroad as the chief obstacle to world reconstruction by private investment.

On page 12 you say that, except in the case of those ERP countries which are able to assume real obligations to repay, ECA assistance should be entirely on a grant basis. This seems to me to give support to the negative incentive which you have yourself before called attention to. It does seem to me that the ability to repay depends so much on the obligor's effort that it is a grave question whether it would not be in the end to the interest of the United States to make all ECA assistance take the form of grants, so that those nations which make the greatest effort to balance their budgets and their international payments should not by virtue of that very effort be burdened with the obligation of repayment which those that neglected to make the effort would escape. There are some governments in Europe which will prefer forever to cast their burdens on American taxpayers rather than on their own. I think it would be in our interest to exactly reverse the process which you suggest, and oblige those countries to promise to repay any advances we may make, while relieving the countries of any obligation of repayment which are making adequate effort. I should reward virtue rather than penalize it.

I am a little startled by your suggestion of a humanitarian foundation for Latin America, if that means one founded, organized and financed by our government. Would it be possible, do you think, for a political institution intended, as you say, to be conducive of political good will, and with such broad humanitarian purposes as you suggest, to escape becoming a political resting place for deserving party ~~hates~~ and a source of irritation to the countries for which it was supposed to be doing

good? The do-gooders or philanthropoids have a hard job when they are privately endowed and administered. I have had a quarter century of experience as a Trustee of the Carnegie Corporation of New York, the last and greatest of Mr. Carnegie's foundations. It is hard to find a place to do good with 3 or 4 or 5 million dollars a year of private funds. What would you do with the bottomless purse of the federal government at your disposal?

Referring to page 18 about the "Inter-American Highway", I have been told, I do not know with what justification, that a trunk line connecting isolated communities will be of little benefit, for these have grown up on lines governed by the mountain ranges and the valleys and the rivers, and there is no great need of a through highway. What is needed is a series of networks of roads in each of these communities connecting the towns and villages of each country with each other and the sea.

On the face of it this makes sense to me. The populations have always tended to spread and grow along lines indicated by natural contours from the sea to the hilltops, and not along the spine of a continent or isthmus.

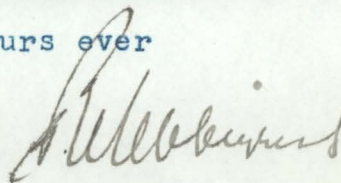
Referring to your letter itself and the marked passage on page 4 in regard to the matter of overvaluation, I fully agree that the currency problems of the nations cannot be solved by the application out of hand of a single exchange rate formula. There are several evils in the present situation. One is overvaluation, that is, pegged rates higher than the situation justifies, and the other is inconvertibility, and the latter is at least as important, probably more important than the former. I enclose a copy of a

letter I wrote Mr. Gutt, for whom I have high regard, on July 6, 1948, in which I expressed this view.

I suppose Gutt is more or less a prisoner of his executive directors. I fully agree that you are right to hesitate to take public issue with him.

Yes, indeed I have seen since I wrote you Frank Graham's excellent article on the "Cause and Cure of the Dollar Shortage".

Yours ever



Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington 6, D. C.

Enclosures

<u>Country of issuer</u>	<u>Amount originally issued</u>	<u>Amount retired</u>	<u>Amount outstanding</u>
Argentina	\$ 159,800,000	\$ 159,800,000	\$ ---
Australia	165,000,000	93,272,000	71,728,000
Austria	50,000,000	29,819,200	20,180,800
Belgium	285,000,000	270,215,600	14,784,400
Canada	180,348,000	180,348,000	---
Chile	24,000,000	24,000,000	---
Cuba	59,000,000	59,000,000 (a)	---
France	300,000,000	296,542,000	3,458,000 (a)
Germany	208,250,000	57,311,000	150,939,000
Italy	142,000,000	128,139,500	13,860,500
Japan	284,180,000 (b)	87,050,300	197,129,700
Switzerland	50,000,000	50,000,000	---
U. K.	278,179,000	278,179,000	---
Total	\$2,185,757,000	\$1,713,676,600	\$472,080,400
Corporate	68,000,000	68,000,000	---
Total	\$2,253,757,000	\$1,781,676,600	\$472,080,400

(a) After redemption of \$768,700 bonds
January 15, 1949.

(b) Includes \$21 million of bonds not offered
for subscription, but exchanged for
outstanding sterling bonds.

C
O
P
Y

July 6, 1948

Dear M. Gutt:

I appreciate so much your kindness in sending me a copy of your address before the Bankers' Association for Foreign Trade on "The European Recovery Program and the Future Pattern of World Trade."

You have with your usual clarity covered all the points, and with much that you have to say I am in fullest accord. There is however one important point in regard to which I venture to question you, with great deference to your high authority. You say that nobody can dispute the desirability of restoring a system of multilateral payments, but you doubt that the world has the economic strength and flexibility to restore such a system in the near future. I, on the other hand, doubt that the world can recover economic strength and flexibility until a system of multilateral payments is restored.

My view is that the great trading countries will not be able to balance their payments while their currencies are not currently freely available or acceptable for payments at home and abroad, and their trade is hedged around with embargoes, quotas and exchange controls, and bilateral barter agreements.

It seems to me of the first importance to world recovery that currencies should be currently available and acceptable for goods and services at home and abroad at some price. I

think it is a mistake to attach more importance to the nominal price of a currency than to its exchangeability for goods and services at home and abroad.

I hope you will stop in some time when you are in New York. I should so like to see you and talk these things and other things over with you. With very high regard, I am

Faithfully yours

(SIGNED) R. C. LEFFINGWELL

M. Camille Gutt
Chairman of the Executive Board
International Monetary Fund
State Department Building
Washington, D. C.

JAN 26 REC'D

23 Wall Street
New York 8

R. C. LEFFINGWELL

January 25, 1949

Dear Jack:

Many thanks for sending me your Minneapolis speech of January 19th. I read it with interest and found it wise and thoughtful, although, as you will have seen by my last letter, I don't agree with you about everything.

I do not think we can have full recovery while currencies are overvalued and inconvertible, and trade is a matter of barter between governments. Balanced budgets and balanced international payments cannot come first. The surgical operation must precede the cure.

I do not think that there can be any considerable American private investment abroad as long as exchange controls prevent remittances from abroad. Americans won't move money into a country which won't let them take it out. There's no point in keeping the receiving teller's window open if the paying teller's window is shut. I am not speaking of war debts, which should be blocked of course.

Yours ever



Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington 6, D. C.

L

January 25, 1949

Dear Mr. Leffingwell:

I have your most interesting letter of January 19th and am much impressed by it. What you say about money appeals to me as being eminently sound. So many things can be traced to this bad money condition that I am constantly tempted to throw what weight I have in the direction you indicate as being sound. I have hesitated to do so because the matter of monetary stabilization is not my responsibility as much as it is Gutt's and I am not sure enough of my ground, particularly in the face of those who know so much more about it than I do.

I made a speech the other day in Minneapolis, a copy of which I am sending to you, and I had a paragraph in it in which I stressed the over valuation of most of the currencies in relation to the dollar and the effect this all had on the problem that we are trying to cure. What I said was rather bluntly put, the substance of it was that I did not see much sense in postponing the day of reckoning, that realistic valuations should be permitted and encouraged sooner rather than late. I thought I had better clear it with the Fund people, which I did, and I finally compromised with the paragraph which I have marked on page 4. I am not sure that I did right. I am going to have a talk with Gutt as soon as I have a chance to digest your letter a little more completely and in the meantime look forward to your comments on Varvaressos' volume 2.

I do not know whether you have been reading the papers recently but you can deny authoritatively that I had anything to do with the President's inaugural speech. I am sending you a copy for your own information of a draft memorandum which I never sent to the President but which I did send to John Snyder, that gave my philosophy on Government lending. As a great deal of conjecture has arisen regarding the contents of this memorandum I hope you will not pass it on to anyone, at least until the present hue and cry substantially subsides.

Sincerely,

Mr. Russell Leffingwell
23 Wall Street
New York 8, New York

23 Wall Street
New York 8

R. C. LEFFINGWELL

January 19, 1949

Leffingwell
JAN 24 REC'D

Dear Jack:

I have read with great interest the first installment of the confidential paper by Varvaressos and Zafirion on The Prospects of European Recovery, which you so kindly sent me. It seems to me to be a very beautiful job, and I was very much impressed by it.

On page 29 the authors say that the money supply in France increased by only 2% between February and June 1948 in spite of a 50% expansion in bank credit. This is almost a contradiction in terms, for bank credit is of course part of the money supply. That this is so in France is briefly stated on page 17 of the little book on "The Monetary Problem of France" by Dieterlen and Rist, with a foreword by your chief economist, Basch.

On page 36 the authors say that E.C.A. should proclaim publicly that further aid and also French recovery depend on social reform, that this might be more effective than demands for a balanced budget or credit restriction. I disagree. There is not the slightest possibility that any measures of social reform can relieve the hardships of the workers in France, without fiscal and monetary reform to put an end to the fall of the franc. Inflation is the worst of all social injustices, for it robs the worker of the fruits of his toil, it robs the thrifty of their savings. How can public charity take the place of honest money?

The greatest obstacle to European recovery and world

recovery is bad money. The fading franc and the inconvertible pound are the basic problems.

Falling currencies, inconvertible currencies, and the exchange controls, quotas and embargoes, and mass buying and selling by governments, adopted to defend them, restrict trade and recovery.

The best suggestion in the Paris report of the Marshall Plan countries in 1947 was the suggestion for exchange support. This we turned down cold, doubtless because the International Monetary Fund was expected to attend to that.

The Fund, however, by the sanction it has given to overvaluation of currencies and the resistance it has offered to revaluation, has obstructed monetary reform. Any marked overvaluation of any currency is certain to distort the balance of payments, both the movement of goods and the movement of capital, adversely to the country whose currency is overvalued. The overvaluation subsidizes imports and retards exports of goods. It subsidizes exports and retards imports of capital. Its influence is so powerful in both cases that no artificial controls can be sufficiently efficient to overcome it.

The Fund does not dispute the desirability of restoring a system of multilateral payments, but doubts that the world has the economic strength and flexibility to restore such a system in the near future. I, on the other hand, doubt that the world can recover economic strength and flexibility until a system of multilateral payments is restored. It is necessary to restore convertibility and realistic values to the world's currencies and to free trade from the barriers which are holding it down. Budgets must be balanced,

and, to the end that international accounts shall be balanced, prices must be allowed to rise and fall to influence the supply and demand for goods, and interest rates must be allowed to rise and fall too to influence the movement of money. All these things have to happen in order that there shall be recovery, world recovery. The prime thing is money, money that will buy things, and won't fade like the franc, and isn't frozen like the pound. For lack of good money the world is lapsing into barter.

But the nations do not act as though they want world recovery. Each seems to seek its own recovery at the expense of the world. Fantastically, they seem to imagine that by building high enough barriers around the economy of each nation, by making each nation self-supporting, by having each nation increase its heavy industries, by having each nation become an autarchy, recovery can be achieved. Never since Adam Smith has there been such a wave of mercantilism.

Though lower tariffs are desirable as always, tariffs are insignificant as trade barriers compared to bad money and the devices resorted to to defend it. European union, a union of discordant political, national and racial elements, a consolidation of deficit countries cannot solve the problem. The Benlux customs union is a polite gesture only so long as inconvertible currencies, quotas and embargoes prevent or restrict trade.

The course the nations are pursuing, and we are encouraging, can only lead to the decline and fall of Western Europe through gradual attrition by trade restriction. That decline and fall has been retarded by our grants and loans, but it cannot be cured if

present policies continue. Europe is living only by our aid. To recover it is necessary to Europe to turn back from the barter economy to the money economy, to multilateral trade.

One of the gravest errors which we are making is to encourage and subsidize undue capital expenditures in France and England and elsewhere abroad, and here at home. Every country is making capital expenditures in excess of its savings. The capital expenditures increase the present income of the people without any present increase of the supply of consumable goods, and thus increase inflationary pressures, increase present demand without increasing present supply.

Every nation in Europe has got a four or five year plan to increase its exports and decrease its imports. When every nation has got itself provided with modern plant and equipment to make exports of manufactures, who will import their exports? When all are equipped to be sellers, who will the buyers be?

In my letter of May 29, 1947, to you I expressed the view that your bank's work of reconstruction and development would be hopeless unless the Government of the United States proceeded, vigorously and whole-heartedly, with the free use of its immense resources, to restore peace and law and order in Europe and Asia, and meanwhile to provide food and fuel for those in need, to the limit of its capacity. I did not suggest that the Government of the United States embark on the field of foreign capital expenditures, a field which had been assigned to your bank.

I might well have added, as proper subject for Marshall aid, fertilizer, raw materials and machine tools, and, in view of

the futility of the World Fund, exchange support. But I think it was a mistake for us to provide capital equipment. The Europeans should make that for themselves and for each other, except so far as your bank can provide them.

Granted good money and multilateral trade, the dollar shortage should fade away before long. The cheap-money inflationary policy of the Treasury and Federal Reserve Board, the extravagance of our Governments, Federal, State and local, high taxes, high wages, high farm prices, may price us out of our foreign markets, decrease our exports and increase our imports, and solve the problem of the dollar shortage -- as Keynes foresaw in his posthumous essay in the Economic Journal.

Marshall aid must continue, and for a longer period than we planned. However, Western European nations will never balance their own budgets or their own international accounts as long as American taxpayers are willing to do it for them. It will always be easier for hard-pressed Europeans to tax us than themselves if we let them. The so-called dollar shortage will continue as long as Europeans can get goods given them here which they would have to pay for elsewhere. Our free gifts subsidize and perpetuate Europe's adverse balance. Now, they are vitally necessary, but they should taper off year by year.

Now, what should we do?

1. We should press for realistic revaluation of currencies, convertibility of currencies, removal of exchange controls, quotas and embargoes, and the return to natural interest rates and prices, and balanced budgets.

2. We should suggest curtailment of all capital programs in excess of current savings.

3. If and as these requirements are met, country by country, we should support their exchanges.

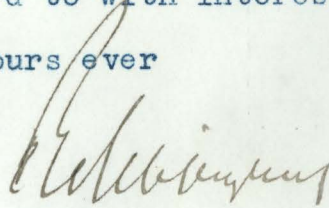
4. We should reduce our aid 10% a year every year and extend the period of aid to ten years.

I have not here attempted to deal with military aid or lend lease. We citizens have not yet been informed by our government what is proposed in regard to lend lease. However one may make some general remarks applicable to military expenditure for ourselves or for others. The risk of immediate war with Russia must never for a moment be forgotten. We must be always alert and ready for it. Nevertheless, it may be that Russia will prefer to continue, without fighting, her heretofore successful effort to conquer the world by subversion and revolution, nation by nation; shaking the tree now and then, and letting the ripe apples fall into her basket. Therefore we must keep ourselves strong and rich and must not exhaust ourselves by excessive military expenditure during possibly many years of contention without war. The men trained and weapons made now may be obsolete when shooting comes; and if we arm our continental allies it is not clear, on the past record, that they will fight. So we must prepare ourselves for war, but without exhausting ourselves by building mass armies or mass armaments. The health, wealth and vigor of our people will be more valuable when war comes than mere might of armament. We must not be already war-weary when war comes.

I have received your letter with a second installment

of homework which I look forward to with interest. Many thanks.

Yours ever



Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington 6, D. C.

RECEIVED
U.S. DEPARTMENT OF COMMERCE
WASHINGTON, D.C. 20540
JUL 20 1963

of homework which I look forward to with interest. Many thanks.

Yours ever

William J. McCloy

Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington 8, D. C.

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RECONSTRUCTION AND DEVELOPMENT

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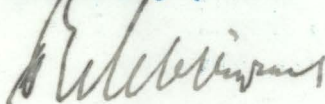
R. C. LEFFINGWELL

December 23, 1948

Dear Jack:

Many thanks for sending me
the memorandum on the Prospects of
European Recovery by Dr. Varvaressos.
I am very glad indeed to have it and to
have the opportunity to read it. I'll
let you have my comments in due course.

Sincerely yours



Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington 6, D. C.

DEC 27 1948

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New York 8

R. C. LEFFINOWELL

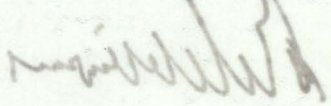
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Sincerely yours



RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
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Hon. John J. McGlothy
President, International Bank for
Reconstruction and Development
Washington 6, D. C.

December 21, 1948

Dear Mr. Leffingwell:

I am sending you herewith a copy of Dr. Varvaressos's last memorandum on the Prospects of European Recovery. It is not a Bank publication in any sense and represents at the moment only his viewpoint. I would not like to have it get any wide dissemination as there are some critical remarks in it which might cause us some trouble if associated with the Bank.

I thought it might interest you and I should like to have any comments you might have after you have had a chance to look it over.

Sincerely,

Russell C. Leffingwell, Esq.
J. P. Morgan & Co., Inc.
23 Wall Street
New York 5, N. Y.

Enc.

JJM:mel

23 Wall Street
New York 8

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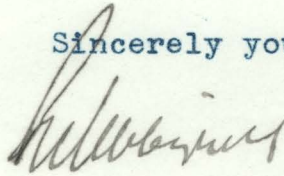
R. C. LEFFINGWELL

October 11, 1948

Dear Jack:

Thank you so much for your nice note about my inflation paper. It is about time I had another look at you. I hope you will come in when you are in town, either downtown or up.

Sincerely yours



Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington, 6, D. C.

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

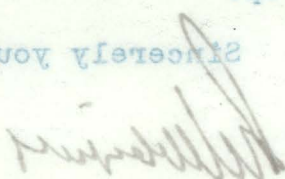
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R. C. LEFFINELL

Mr. Jack:

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Sincerely yours



Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington, D. C.

October 11, 1948

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love about my inflation paper. It is
Thank you so much for your nice

hope you will come in when you are in town,

OCT 12 1948

Mr. Jack

October 6, 1948

Dear Mr. Leffingwell:

You must be pleased by the comment which attends your article in FORTUNE. I am hearing it discussed on all sides and, of course, I was intensely interested in it myself.

We had a most interesting meeting of the Board of Governors of the Bank.

Sincerely,

Mr. Russell C. Leffingwell
J. P. Morgan & Co., Inc.
23 Wall Street
New York, New York

L

March 22, 1948

Dear Mr. Leffingwell:

I read your letter with the greatest interest.

I hope to be in New York the latter part of this week and to have an opportunity to drop in to see you for a few minutes.

Sincerely,

Mr. R. C. Leffingwell,
23 Wall Street,
New York 8, N. Y.

JJM:mel

Carmody
23 Wall Street
New York 8

R. C. LEFFINGWELL

MAR 19 1948

March 18, 1948

acknowledged

Dear Jack:

I read night before last Dr. Varvaressos' memorandum on The Prospects of European Recovery Under the Marshall Plan. I agree with you. It is most penetrating. I am grateful indeed for the opportunity to read it.

What Dr. Varvaressos says about a European customs union is a breath of fresh air. I am a free trader; but the problem is to find solvent buyers, outside Western Europe, for European manufactures, in order to enable Europe to pay for necessary imports of food and raw material from the world outside. European nations cannot achieve recovery by taking in each other's washing, by exchanging manufactured products with each other. There would still remain the problem of paying for the food and raw materials they must buy in the Americas and elsewhere.

If there is to be rationalization of the European economy on the basis of maximum efficiency and mass production, who is to decide where the European Pittsburgh and the European Detroit are to be located? In Germany, or France, or England? And who is going to decide by what method the necessary migration of laborers, from the abandoned inefficient plants to the European Pittsburgh and the European Detroit, is going to be made? Any integration and concentration of industry in the interest of economy and efficiency would involve concentration of economic and military power and population. If purely economic considerations are to control, then

the decision must rest on factors such as the location of coal and iron, water power and transportation, etc. On the other hand, if political and military considerations are to control, then England would be the place to concentrate economic power, for there we have a stable democratic government and a dependable population, and relative remoteness from the enemies, Germany and Russia. But what would France and Italy and the others say to that?

Every government of Europe is to a greater or less extent dependent on its mines and manufactures for the support of its population and the revenues of its government. No one of them could survive concentration of economic power outside its borders to the exclusion of its own.

Like every well meant effort to eliminate the economic consequences of the fact that the world is divided in upwards of fifty sovereign states, without eliminating the fact itself, the proposal for a European customs union will get us nowhere.

I agree with Varvaressos in general, but I think I should place greater emphasis here and there upon certain things:

I do not consider that Western Europe can become self-supporting unless peace and law and order are restored in the world. It is not possible for European recovery to proceed on any satisfactory scale under the imminent menace of the advance of the Russian steamroller.

It may be that the measures which President Truman proposed to the joint session of Congress on March 17th, if promptly implemented, will help to give some relief to Europe from the fear of this menace. That fear is a depressant and an obstacle to recovery.

The deterioration of the European economy is due to the war and also to the effort, and the incapacity, of governments, which is to say, of politicians and civil servants, to plan and manage everybody's business. European recovery cannot proceed to the point of self-sufficiency until Europeans, voluntarily, of their own accord, relax government controls and regulation. These keep business in a strait jacket and insure that it cannot be profitable. The old-fashioned and outmoded incentives, the profit and loss system, must be allowed to function. Planning and forbidding and exhortation will not take the place of the hope of gain and the fear of unemployment. The government planned and managed economy is certain to be a retrogressive economy.

Europe cannot recover without establishing monetary order; and this cannot be done as long as a cheap-money full-employment policy is preferred to sound money.

Europe cannot recover until her monies are devalued in terms of the dollar, and, when devalued, defended by balanced budgets and dearer money.

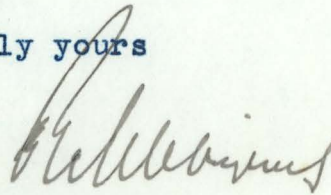
While these elementary principles are denied we can help Europe survive, but not to recover. However we must help Europe to survive, though only she herself can do the things necessary to recovery.

It is important that these matters should be understood, at least by the policy makers, in this country, but I do not think we should go preaching them around Europe, or making acceptance of these policies a condition of our support. It matters not that a lot of mistakes are being made in Western Europe by free peoples, of their own choice, while they remain free and free to

change again. What matters is that west of the Stettin-Trieste line there are free peoples still alive and breathing and wishing to maintain their freedom.

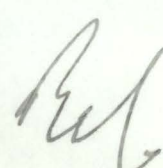
It is I believe our plain duty, and to our self-interest, to support them in their effort to the full extent of our ability, both with goods and money, and arms if need be. These western Europeans are the survivors of the great European civilization. They are threatened by the avalanche of barbarism from the East. It is our duty and our interest to defend them with all our resources and our might.

Sincerely yours



Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington 6, D. C.

*Forgive this long screw. Don't bother
to answer it, but do read it and think
about it. Perhaps you will be the one to do
the job. I hope so.*



M.

March 12, 1948

Dear Mr. Leffingwell:

One of the Executive Directors of the Bank, Dr. Varvaressos, has written the enclosed memorandum on the European Recovery, and I thought it most penetrating. It occurred to me that you might be interested in reading it.

Sincerely,

Mr. Russell C. Leffingwell
J. P. Morgan & Co., Inc.
23 Wall Street
New York, New York

23 Wall Street
New York 8

MAR 16 REC'D

L

R. C. LEFFINGWELL

March 15, 1948

Dear Jack:

Thank you so much for sending me with your letter of March 12th, the memorandum on the Prospects of European Recovery under the Marshall Plan by Professor K. Varvaressos. It was most thoughtful of you to send it to me. I look forward with great interest to reading it.

With best wishes,

Sincerely yours

R. C. Leffingwell

Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington 6, D. C.

23 Wall Street
New York 8

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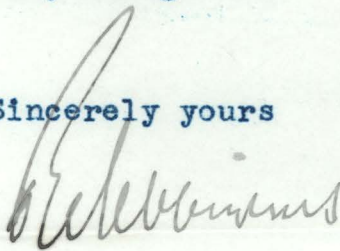
R. C. LEFFINGWELL

February 9, 1948

Dear Jack:

Many thanks for letting me see your address at Philadelphia on January 15th. I read it with great interest and enlightenment, and got considerable encouragement from what you had to say about the way things are going in Europe.

Sincerely yours



Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington, D. C.

23 Wall Street
New York 8

JAN 20 REC'D

R. C. LEFFINGWELL

January 19, 1948

Dear Jack:

Thanks so much for your nice little note about my Sweet Briar talk. I thought the last paragraph about the Marshall Plan might interest you or I should hardly have had the temerity to bother you with it.

With every good wish,

Sincerely yours

Reverend

Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington 6, D. C.

P. S. I am sorry to miss your talk here Thursday. I have to be in Washington that day. RCL

January 14, 1948

Dear Mr. Leffingwell:

I received through the mail the other day your talk at Sweet Briar regarding Carter Glass. It was a very interesting and human account of a great figure. I enjoyed reading it very much.

Sincerely,

Mr. J. C. Leffingwell
23 Wall Street
New York 8, New York

August 18, 1947

Dear Mr. Leffingwell:

On returning to my office I have your
letter of the 11th enclosing the letter of
introduction to Lord Bicester. I appreciate
your thoughtfulness very much and will take the
first opportunity to call upon him.

Again, many thanks.

Sincerely,

Mr. Russell Leffingwell
23 Wall Street
New York 8, New York

A Talk by R. C. Leffingwell, Chairman of the Executive Committee of J. P. Morgan & Co. Incorporated, Former Assistant Secretary of the Treasury (1917-1920) On the Occasion of the Presentation of a Portrait of Senator Glass to Sweet Briar College January 8, 1948.

President Lucas, ladies and gentlemen:

It is a pleasure to be asked to Sweet Briar at any time. To be asked to talk about my dear friend and long-ago chief in the Treasury, Carter Glass, is an honor. But to be asked twice to do these things, twice to visit Sweet Briar and to talk about Mr. Glass, is enough to turn my head—or would be if President Lucas had not reminded me that she was not here when I came before. So she doesn't know what she is letting you in for and herself.

Today we celebrate the presentation of the portrait of Senator Glass given by his son and daughter to Sweet Briar, where his sister Miss Meta Glass presided for many years with dignity, charm, and success. Eight years ago, on Senator Glass's eighty-second birthday, a Chair of Government was presented to Sweet Briar by his friends in his honor. I am glad to come again to your lovely campus, and to join you in doing honor to a great man, and a great citizen of your neighboring city of Lynchburg, which he loved so well and where he lived his long life.

To some of you, perhaps many of you, anything I can say about Mr. Glass will be an old story; but it is a good story worth telling. Mr. Glass was of a family that settled in Virginia three hundred years ago. He was born in Lynchburg ninety years ago—ninety years and four days ago to be exact. He was a little boy at the time of the Civil War and his father was a Major in the Confederate Army. The Glass family, like so many families, were impoverished by the Civil War, and young Carter had to leave school at the age of thirteen. He went to work for his father as a newsboy; for his father, like himself, was a newspaper editor. Young Carter's ambition was to become a reporter, and he thought his

father was slow in giving him the opportunity. But he finally won the opportunity and made a scoop in reporting the Pocahontas mine disaster; for which he won the nickname Poke. Earlier in life he had shown his belligerent qualities by defying a bigger boy and won the nickname Pluck. Pluck and Poke, these were two good names for him.

Carter Glass's lack of a formal education seems only to have stirred his ambition, by reading and study, to fill the gap, and he became a master of journalistic and forensic eloquence. No one could hurl adjectives about with greater power, and no one, when aroused to wrath by evils in public or private life, had more terrifying powers of vituperation; although the worst oath he ever swore was "dad-bum it." It was not the words merely, but the great power of moral indignation which existed in that sandy-headed little man that made him a force for righteousness in his city, in his State, and in his nation.

I have said Glass loved Lynchburg where he made his home. Virginia too was his home, and the United States was his home. When some years ago another portrait of him was presented by his friends to William and Mary College a question arose about the inscription. Some one suggested: "Carter Glass of Virginia". Another said no, he was "Carter Glass of the United States", and so the inscription stood.

I like to think of his love of Virginia and his love of Lynchburg, and of his love of his home and his Jersey cattle. He was a great traditionalist. He called his home Montview in the tradition of the great Virginia statesman to which he justly aspired; for wasn't Washington's home Mount Vernon, Jefferson's Monticello and Madison's Montpelier?

Though his life was devoted to journalism and politics and statesmanship and finance, he had time not only for the Jersey cows he loved on his farm Montview, but for literature and learning. He allowed himself to indulge in the quaint conviction that Bacon wrote Shakespeare. Though I braved him on many a fiscal and monetary issue, I never

dared challenge his deep belief that Francis Bacon, Lord Verulam, was the author of Shakespeare's plays.

I like these aspects of the Senator's character: love of his family, his home, his cows, his play with the name of his home, and with the Baconian theory. All these relaxations enabled Carter Glass, in spite of his frail physique, to serve his town, his State and his nation through a long life.

Carter Glass rose from reporter to editor and to owner of his important newspapers in Lynchburg. He became a power in Virginia politics and had a part in breaking the political machine that dominated the politics of the State when he entered the field. He was a member of the Constitutional convention that wrote the Virginia constitution and a member of the State Legislature, and from 1902 to 1918 he was a member of the House of Representatives of the United States. From late 1918 to early 1920 he was Secretary of the Treasury of the United States, and thus in charge of the finances of the country during the difficult period immediately following Armistice Day of the First World War. From 1920 until his death he was a Senator of the United States.

As Chairman of the Banking and Currency Committee under President Wilson, Glass was the author, sponsor and chief advocate of the Federal Reserve Act, and he lived to be the defender of the Federal Reserve System in Congress and in the court of public opinion. While Secretary of the Treasury he was ex officio a member and Chairman of the Federal Reserve Board, though he seldom took part in its discussions. When he did take part it was to some purpose. It was his deciding vote that established a 6% bank rate in January 1920 and so terminated the inflation that set in after the First World War.

For his work in the creation of the Federal Reserve System Glass deserves to be remembered throughout time. This was one of the most im-

portant events, if not the most important, in the monetary history of the United States. Some providence must reign over the lives and welfare of the American people. It was a marvelous thing that President Wilson and Carter Glass were inspired to provide us with an adequate monetary system, and that the Federal Reserve System was brought into being just a year before the First World War broke out in Europe. It is horrible to think what might have befallen us if we had had to face the First World War hobbled by the archaic monetary system which was left over to us by the 19th century. We should never cease to be grateful to Wilson and Glass and their colleagues in the Government and Congress, and to those of the bankers of America who joined in working out the Federal Reserve System. That system with all its defects, and it has defects, with all the human errors of judgment which its managers have made, and there have been such errors, has served the country well through two wars of unparalleled horror. Let us remember to be grateful to Carter Glass for his part in creating and defending it.

Carter Glass served as Secretary of the Treasury with distinction and high ability. He gave his confidence to the men in the Treasury who had served his distinguished predecessor, Secretary McAdoo, and they gave him theirs. I have spoken of Glass's capacity for moral indignation. Loyalty was another of his great qualities. He was loyal to President Wilson, loved him, and almost adored him. Glass was loyal to those who served him in the Treasury and supported them with the full power of his great position and his great prestige. When in 1920 he resigned from the Treasury to become Senator from Virginia, Glass begged the President to appoint one of his Treasury assistants as his successor, and he literally wept when his recommendation was not adopted by President Wilson, who, because of his grave illness, was almost inaccessible. Again in 1933, when President-elect Franklin Roose-

velt begged Carter Glass to be his Secretary of the Treasury, Glass laid down two unacceptable conditions, that the gold standard should be maintained and he should have for Undersecretary one of the men who had been his assistants in the Treasury under President Wilson thirteen years before.

These incidents well illustrate the Senator's loyalty and devotion to his principles and his friends, through thick and thin, right or wrong.

Throughout the First World War and the period between the wars and after Glass always showed his burning patriotism, his love of his country, and his hatred of foreign despotisms and aggressors. Of frail physique and a sufferer from bad health for many years of his life, any crisis or need of his country called forth his full energies. Late in life when he was ill and despondent and preparing to die, Cary Grayson, his physician, aroused him to health and strength by telling him he was perfectly able to make an important speech, and he had better get up and go ahead and do it. The old war horse arose from his sick bed and delivered a great philippic.

Carter Glass's love of our country and gratitude to our Allies was so great, his hatred of foreign despotism so bitter, that I feel sure if he were with us today his voice would be raised in support of Secretary Marshall's plan to aid sixteen nations of Western Europe to struggle back to tolerable conditions of life and peace and welfare. Of course I have no right to say that. No man has the right to speak for another, least of all for another who is dead and unable to contradict him. But every act of Carter Glass's life, every utterance of his, teaches these lessons: not to run away from a problem, but to face it; to be loyal to our friends; to be outspoken in condemnation of those we disapprove; to give help where help is needed; to struggle and spend our energies and our wealth to preserve freedom and free institutions among men. The lesson of Carter Glass's life for old and young, for the citizen and for the nation, is to be loyal to the right and fearless in defending it.

JUN 2 1947

*23 Wall Street
New York 8*

May 29, 1947

R. C. LEFFINGWELL

Dear Jack:

I was very much impressed by the thoughtful and statesmanlike little talk you made at Ned Sunderland's dinner Monday night. Everything you have said and done in the course of reorganizing the bank and planning its operations has commended itself to the community and raised high hopes.

Turning it over in my mind after I got home that evening and again the next morning, it seemed to me that just possibly your very thoughtful questions addressed to Ned's guests had elicited a good deal of very interesting comment from Foster and others, but no very clear answers. So it occurred to me that I might quietly attempt to think out the answers I would make and then write them down for any use they may be to you.

Your first question was: What can be done about the propaganda emanating from Russia and, indeed, from all Europe, to the effect that we in the United States are going to have a great depression?

My answer is that we had better do nothing about that propaganda except use our intelligence to avoid having a great depression. Europeans will not forget our great deflations of 1921, 1932 and 1937, nor their repercussions upon Europe. Some Europeans fear a repetition of such a crisis. Others hope for it. If we should attempt a counter propaganda to the effect that we are not going to have a repetition of any of these crises, the facts might turn

out to falsify the propaganda. If we were to attempt, as you suggested, to explain to the world that our vicissitudes and ups and downs are a good thing, there are classes in our community, particularly organized labor and farmers, that would rise in their wrath and assert we were crazy. Rightly or wrongly the American community in general, and the farmers and organized labor in particular, demand that we should iron out the peaks and valleys.

As a matter of fact we are having a recession and could have a depression if our government and governmental authorities do not relieve the present acute needs of Europe by exports of food and fuel at our government's expense, and reduce taxes on business and personal incomes promptly, and discontinue the drastic monetary deflation which has been taking place in the last five months.

Your second question was: What should the International Bank do about making loans to Poland and Czechoslovakia, both countries behind the iron curtain?

① My answer is, first, you have to decide how such loans would affect the credit of the International Bank itself. You will not, in my opinion, be able to sell the International Bank's bonds in good volume if you include in its portfolio any bonds which you think, or the investing community thinks, are not good bonds. I say "any" intentionally, because however small the amount of bad bonds you put in your portfolio your doing so will be regarded as an indication of policy, and there will be no way of giving assurance that you are only going to make a few bad loans, as it were. I consider that in order that you shall have at your disposal marketable bonds of the International Bank it is essential that you should, both in your

speeches and in your practice in lending, make it unequivocally clear that you will not knowingly make any loans that are not in your opinion good loans.

My second answer is that I should never dream for a minute of admitting that the iron curtain is impenetrable. I think it is certain that in both Poland and Czechoslovakia there are millions of people who wish to be free and independent, and who haven't any notion of submitting forever to Russian dominion. It would be a major disaster if our government, or any governmental institution such as yours, should accept the line down the middle of Europe, which the Russians have drawn, as an impenetrable barrier.

My conclusion from these two somewhat diverse observations is that you should not decide that you won't lend money to Poland and Czechoslovakia, but that it will take a good deal of convincing to show you that loans to them can be safely made. The chances are that you cannot do business in those countries until our government has managed somehow or other to lift the iron curtain.

Your third question was: What about loans to Central and South American countries? There again I think the first answer and perhaps the last answer is the same as in regard to loans to Poland and Czechoslovakia. You cannot make loans that look like bad loans, and expect to be able to sell your own debentures. Except for the Argentine I do not think of any Central or South American country that hasn't got a contemptible, discreditable, record of default to American investors. All you have to do is to look in any morning's Times for the quotations of foreign bonds in this market to see what value the market places on these bonds. That is the measure of the value which the market will place upon your loans to defaulting

countries.

Investors in this country will, in my opinion, consider the bonds of the International Bank with scepticism if it lends money to countries in default on their debt to American investors, at least until steps are taken to resume payment on these countries' indebtedness to American investors.

There are some general observations that I might add. All of them are more or less platitudinous.

The Bretton Woods Agreement proceeded upon the assumption that when victory came we should promptly have a peaceful and orderly world in which the sole problem would be of monetary and physical reconstruction. Instead, after two years we still have fundamental disagreement among the victors, and a policy of strangulation of the vanquished. Boundaries are unsettled. Eastern Europe has been withdrawn behind the iron curtain into a self-contained economy under Russian auspices. A great part of Germany is inside the iron curtain and the remaining part divided between three military governments of the victors. The huge, vigorous and intelligent populations of the vanquished countries of Europe and Asia are not contributing to the world's production, but are pensioners dependent upon the largess of the victors. Hunger and cold and monetary disorder threaten the whole of continental Europe; while England is unable to balance her international payments or to find solvent buyers able to make payment in good money for such exports as she is able to make. The immediate and urgent problem before the government of the United States, in cooperation with England and France and other free nations, is to restore law and order and establish peace, provide food and fuel, and prevent the western world at least from sinking into chaos

and anarchy.

These problems are not within the scope and the plans of the International Bank, nor even remotely within its powers. It is not possible for an investors' bank to deal with political problems which leave Europe and Asia in a state of disintegration and decay. Nor is it possible to make sound and safe, or even reasonably safe, loans, with investors' monies, for enterprises or undertakings in countries whose very existence as free states is threatened.

I look upon the work of reconstruction and development, which is your task in the International Bank, as quite hopeless of ultimate success unless previously the government of the United States proceeds vigorously and whole-heartedly with the free use of the immense resources at its disposal to restore peace and law and order in Europe and Asia; and meanwhile to provide food and fuel to those in need to the limit of its capacity. The political aspects of this task and also the economic aspects are matters for the government of the United States. Food and fuel are consumed in their use. There can be no reconstruction and development without them, but the expenditure to relieve hunger and cold should be borne by the government of the United States representing all the people, and not by the investors in the International Bank's bonds.

What is more, expenditures for food and fuel which we have been making, and should continue to make, either out of the Treasury of the United States or the Export-Import Bank essentially for relief, should either be cancelled altogether, or repayment both as to principal and interest be deferred until after the International Bank's loans have been paid off. It is quite hopeless for the International Bank to attempt to raise dollars in the market here to pay

off principal or interest of loans made by the government or the Export-Import Bank in the post-war period.

Take the case of France. The indebtedness of perhaps \$2 billion which France has incurred to the government of the United States and the Export-Import Bank could, if the principal and interest were exacted of France, use up the proceeds of the modest little loan you made the other day very fast indeed.

The prospectus of the \$20 million Netherlands Loan issued May 27th by Kuhn Loeb & Co. states that the proceeds are to be used to pay back, or to reduce the amount still available under, the \$200 million Export-Import Bank credit in which commercial banks participated, or for the purpose of acquiring goods and services for the reconstruction of the Netherlands in Europe. Is the International Bank also going to ask investors to bail out the Export-Import Bank and the Government of the United States?

as I suggest
If you insist on such a policy and do not allow the government of the United States to shift to your shoulders the burdens both political and financial which should be borne by the government itself and its agencies, and if you confine yourself to non-political loans of reconstruction and development which you in your own judgment think are good loans under all the circumstances, I am hopeful that the International Bank may become an important instrument for world reconstruction and development, and may be able to sell its bonds in important amounts to American savings banks and insurance companies, and commercial banks that have savings deposits.

For many years to come the most that can be hoped for is that the countries and undertakings to which the International

AUG 12 1947

23 Wall Street
New York 8

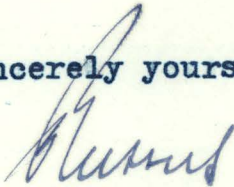
R. C. LEFFINGWELL

August 11, 1947

Dear Jack:

I hear you are going abroad
and I send you herewith a letter of
introduction to Lord Bicester, the head
of Morgan Grenfell & Company. I also
enclose for your information a copy of
a letter which I have written him so that
he may know who it is who is knocking on
his door.

Sincerely yours



Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington, D. C.

Enclosures

L.

August 11, 1947

Dear Vivian:

I enclose a copy of a letter I have given to our friend Mr. John J. McCloy, President of the International Bank for Reconstruction and Development, who is going abroad the end of August or the first of September.

Jack McCloy was Assistant Secretary of War under Colonel Stimson and is generally accredited with a large part of the success of the civil administration of our war effort. He is a lawyer and was a partner in my old firm, the Cravath firm. After the war he became a partner in the law firm of Milbank, Tweed, Hope, Hadley & McCloy. However the urge to be of public service in these dark days was too much for Jack and he accepted the presidency of the World Bank, where he is doing an outstanding job.

Jack is a close personal friend of many of us here, of George Whitney, Harry Davison, Henry Alexander, and others. He is a brother-in-law of our Ambassador to the Court of St. James's, Lewis Douglas. He is also a brother-in-law of our own director Jack Zinsser. Jack McCloy is first rate in every way, and we shall all be grateful for any help which you and the partners can give him.

Yours ever

(SIGNED) R. C. LEFFINGWELL

The Rt. Hon. Lord Bicester
Messrs. Morgan Grenfell & Co. Ltd.
23, Great Winchester Street
London, E. C. 2
England

Enclosure
ROL:PAW

MAY 19 1947

J. P. MORGAN & CO.
INCORPORATED
23 Wall Street
New York

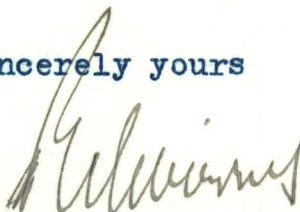
R. C. LEFFINGWELL
CHAIRMAN OF THE EXECUTIVE COMMITTEE

New York, May 16, 1947

Dear Mr. President:

I received your letter of May 15th with the enclosed copy of the loan agreement, guarantee agreement and collateral papers in connection with the granting of the loan to France. I shall examine these with interest. Meanwhile I congratulate you and your colleagues upon making this modest and amply justified loan to France.

Sincerely yours



Hon. John J. McCloy
President, International Bank for
Reconstruction and Development
Washington, D. C.

Saltonstall, Leverett

MILLARD E. TYDINGS, MD., CHAIRMAN

RICHARD B. RUSSELL, GA.
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STYLES BRIDGES, N. H.
CHAN GURNEY, S. DAK.
LEVERETT SALTONSTALL, MASS.
WAYNE MORSE, OREG.
RAYMOND E. BALDWIN, CONN.
WILLIAM F. KNOWLAND, CALIF.

J. NELSON TRIBBY, CLERK

United States Senate
COMMITTEE ON ARMED SERVICES

JUN 13 REC'D

1

June 10, 1949

Mr. John J. McCloy
Office of the President
International Bank for Reconstruction
and Development
Washington, D. C.

Dear Jack:

Thanks for the note from Leffingwell in reply
to my request for information by Andres. I am
treating it in the confidential spirit in which
it is written.

Best regards!

Sincerely,

Leverett

Leverett Saltonstall
United States Senator



U.K.

NOV 16 REC'D

BRITISH EMBASSY,
WASHINGTON, D.C.

Nov 16th 1948

Dear Jack,

Thank you very much for your note
of good wishes & congratulation on the arrival
of a son for Princess Elizabeth. We are
all very pleased and feel very much
touched at the many friends of our country
who rejoice with us. Let us hope the little
Prince will one day be head of a strong
& prosperous country in a peaceful world.

Yours ever

Oliver Franks.

2

June 8, 1949

Dear Senator:

I am returning herewith your correspondence with F. H. Andres & Co. I think this matter should have been referred to the International Monetary Fund rather than to the Bank, since it deals with monetary-currency matters and exchange rate problems, which are the province of the Fund. I think the United States authorities in the Fund are disposed to take a contrary view to that assumed by Mr. Andres, but I may be wrong about this.

I have the feeling that pressures are growing so great that in spite of all the determination of the British to hold the existing pound rate, they may be at some point forced into a devaluation. More than this I cannot say, indeed I probably should not say this much. Certainly I would not like to be quoted because of the misunderstandings it might give rise to.

I am sending you a copy of a memorandum prepared by Russell Leffingwell in New York, which bears on this problem. I thought it might prove of interest to you, but I must ask you to keep it confidential, at least as coming from him, inasmuch as I have not his authority to release it.

Sincerely,

Honorable Leverett Saltonstall
United States Senate
Washington, D. C.

Encs.

JJM:mel

FILE COPY

March 8, 1949

Dear Bill:

not in files

In reply to your letter of February 17 requesting some ideas, based on the experience of the Bank, which might be of value to you in meeting criticisms of the ITO proposal, I am enclosing a memorandum prepared at my request by a member of the Bank's staff. I hope it may be of value to you.

I concur fully in the ideas expressed in the memorandum but you will understand, of course, that they are not intended as a statement of the views of the Bank as an institution. They are, rather, an expression of personal opinion, intended for your own use and not for quotation. If you feel that it would be desirable to publicize or quote them, I hope you will get in touch with me.

With warm personal regards,

Sincerely,

(signed) John J. McCloy

Mr. William L. Batt
President
SKF Industries, Inc.
P.O. Box 6731
Philadelphia 32, Pennsylvania

X ITO

MEMORANDUM FOR MR. McCLOY

The Value of an International Agency such as the ITO, in
the Light of Experience of the International Bank

The functions and organization of ITO are rather different from those of the Bank, although their spheres of activity are closely related, so it is not possible to draw a precise analogy. But certain criticisms similar to those now directed at ITO were initially made against the Bank, notably the following: (1) that American interests and American resources were not properly safeguarded; (2) that the Bank would be dominated by political considerations; (3) that any international body inevitably would be impotent or ineffective; and (4) that the conception and functions of the Bank were too limited, that it did not go far enough in integrating and underwriting the world economy. The following paragraphs take up these criticisms in turn.

1. Neglect of American interests. The United States has been the principal organizer and advocate of both the Bank and ITO. This initiative on the part of the United States has been based on a broad conception of American interests, which recognized that the United States having become by far the most important factor in world production, finance and trade, its security and welfare are inescapably tied up with the early reconstruction and long-range stabilization and development of the world economy. If this conception is sound, the fundamental national interest which it asserts clearly merits precedence over the special interests of particular economic groups.

But the objectives of international reconstruction, stability and development are of equal concern to other countries as well as the United States. This common concern is reflected in the international status and responsibility of both the Bank and ITO. The problems that confront the world can be better solved by realistic international collaboration than by unilateral action or loud assertion of conflicting dogmas and slogans. In this connection, the very large measure of agreement on policy and on specific decisions, that has prevailed among the Bank's staff members and Executive Directors from various countries, is most significant and encouraging.

Among the principal aims of the Bank -- and with a slightly different emphasis, of the ITO -- are the elimination, so far as possible, of discrimination by member countries against foreign interests, and the creation of a favorable climate for orderly trade and investment. This frequently requires basic changes in national economic policies, or extensive financial and administrative reforms, which may go against important political ideas and interests. There is good evidence that the Bank's



U.K. OCT 13 REC'D

Treasury Chambers, Great George Street, S.W. 1

New York. October. 6th 1848.

Dear Jack McCloy,

I am off today back to the U.K. and I could not leave without saying how very happy I am at having had the opportunity of meeting and talking with you + your wife.

Both my wife + I are most grateful to you for your kindness + courtesy to us.

We thoroughly enjoyed our stay and I am only sad that it has

OCT 13 1890
TREASURY CHAMBERS, GREAT GEORGE STREET, S.W.1
Come To an end all too soon.

I shall look forward to
seeing you again before too long

With ever thanks & good wishes.

Yours &c
Richard Cippos

White House
MAR 22 REC'D U.S. Govt

THE WHITE HOUSE
WASHINGTON

THE ASSISTANT TO THE PRESIDENT

MAR 21 1949

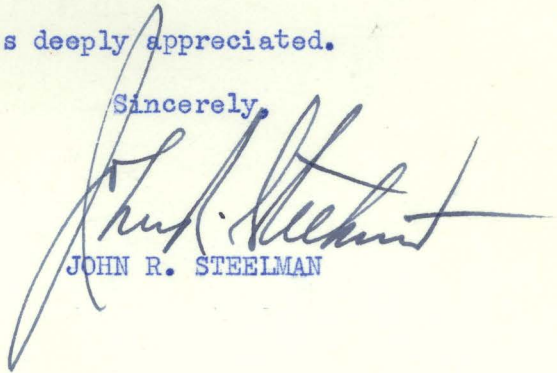
Dear Mr. McCloy:

It was pleasant to hear, upon my return, that the International Bank for Reconstruction and Development will be represented at the Committee for Economic Development meeting on May 12.

I understand that you may be in Europe on that date and, in such an event, Mr. Garner will be with us. Mr. Jackson will keep in touch with your office and as soon as you make a definite decision, he will arrange the details with you.

Your cooperation is deeply appreciated.

Sincerely,


JOHN R. STEELMAN

Mr. John J. McCloy
President
International Bank for
Reconstruction and Development
Washington 25, D. C.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

MAR 22 8 42 AM 1949

Mr. John A. McCloy,
President
International Bank for
Reconstruction and Development
Washington 25, D. C.

JOHN R. STEINMAN

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Dear Mr. McCloy:

MAR 21 1949

WASHINGTON
THE WHITE HOUSE

THE ASSISTANT TO THE PRESIDENT

MAR 22 REC'D

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

White House, The
4
MAR 10 REC'D

TO: Mr. John J. McCloy
DATE: March 8, 1949
FROM: Drew Dudley *DD*
SUBJECT: White House Meeting for Board of Trustees, Committee for Economic Development, May 12, 1949

The White House is having a private, off-the-record meeting for the Board of Trustees of the Committee for Economic Development on May 12, 1949. The afternoon will be devoted to a discussion of Point IV, which will be led by the Secretary of State, Dean Acheson, and Willard Thorp. Included on the afternoon program is Paul Hoffman, who will discuss "New Industries and Jobs Created Abroad"; the Secretary of Agriculture, Charles Brannan, will discuss the role of the Department of Agriculture in Point IV.

Dr. Steelman's office at the White House wants to have the Bank represented and has asked if you will be available to join the above-named Cabinet officers, presenting what the Bank has done up to now with its funds abroad and what it believes its role to be in implementing economic development. I indicated to Dr. Steelman's office that I would discuss the matter with you but that I expected you would be in Europe. I said that I knew you would be appreciative of the invitation and, as soon as your plans crystallized, we would let them know. If you are in Europe, it is suggested that the Bank's story on this point be presented by Mr. Garner.

Attached is a list of the Board of Trustees of the Committee for Economic Development so that you may see the composition of the audience.

Drew Dudley

Attachment 1
List of Trustees

*I think we certainly
should attend this
I will do it if we
know I shall think
same - *DD**