

INFORMAL AND EXPLORATORY DISCUSSIONS
REGARDING POSTWAR ECONOMIC POLICY¹

840.50/3432 : Telegram

*The Ambassador in the United Kingdom (Winant) to the Secretary
of State*

LONDON, January 4, 1944—5 p. m.

[Received 6:21 p. m.]

56. In accordance with the arrangement made by Penrose² with Hawkins³ and Pasvolsky⁴ before leaving Washington, this is the first of a number of messages based on personal conversations with British civil servants some of whom took part in the recent United States-United Kingdom economic talks. We suggest that it be circulated for confidential use by those concerned with the economic conversations only.

*Economic Talks on Article VII Questions:*⁵ It appears doubtful whether the British group will be ready to renew the discussions much before the beginning of March. This is due to three causes:

(1) On their return to London the group took about 6 weeks to clear off arrears of other work;

(2) The prolonged absence of the Prime Minister has hindered clearance of economic matters at the Cabinet level;

(3) The necessity of consultation with the Dominions slows up action on amendments of the positions outlined in former meetings with economists of the Dominions Governments.

As the success of most of the international economic measures depends on multilateral agreement, the British are anxious to have the Dominions keep in agreement with Britain and the United States at each stage in the economic talks. They feel, however, that there are

¹ Continued from *Foreign Relations*, 1943, vol. I, pp. 1099-1126.

² Ernest F. Penrose, Special Assistant to the Ambassador in London.

³ Harry C. Hawkins, Chief of the Division of Commercial Policy and Agreements; appointed Director of the Office of Economic Affairs, January 15, 1944, and Counselor of Embassy for Economic Affairs at London, September 12, 1944.

⁴ Leo Pasvolsky, Special Assistant to the Secretary of State.

⁵ Article VII of the Lend Lease Agreement between the United States and the United Kingdom, signed at Washington February 23, 1942; for text, see Department of State Executive Agreement Series No. 241, or 56 Stat. (pt. 2) 1433. Article VII provided for conversations between the two Governments "to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations." Article VIII, which set February 23, 1942, as the effective date of this Agreement, should not be confused with Article VIII of the United States-United Kingdom Agreement signed November 17, 1938, mentioned in telegram 4783, June 16, 1944, to London, p. 47.

disadvantages in having large numbers around one table in the early stages of formulation of the economic measures. The alternative is to have separate consultations between the American-British meetings such as those in Washington between the United States and Canada and other consultations which the British will have with the Dominions before the next talks. The British realize that this takes time but intend to speed it up as much as possible.

There appears to be considerable interest and some concern in British Government circles as to the furthest point to which the international economic measures can be taken up to the time of the presidential election. The British civil servants agree, of course, that the working out of agreed positions among the technicians has still a considerable way to go, especially on questions of commercial policy, raw materials, subsidies and cartels. They are considering, however, what plans should be made to prepare the way in political circles and among the public and would be glad to hear of any views we may have on this subject.

Subsidies: Recently personal conversations with Meade and Liesching⁶ indicate that there may be substantial opposition in Great Britain and some of the Dominions to a formal limit on domestic subsidies. This opposition appears to be mainly political and based on the fear that if the interested group are to be persuaded to agree to substantial tariff reductions and elimination of preferences and import quotas, it would not be practicable to apply a rigid limit to domestic subsidies. On this point, the British seem to have in mind (1) certain sections of their domestic producers and (2) countries in an early stage of industrialization some of which have built up their industries during the war.

In practice this covers cases that come legitimately within the category of the infant industry, but the British seem also to have in mind other less defensible cases where political pressures predominate over economic considerations. The British think that the visible drain on the taxpayer arising out of subsidies would in practice be a severe restraining influence that would keep protectionism within reasonable limits if tariffs were held down and import quotas eliminated.

The line between infant industry subsidies and other subsidies has not yet been clearly drawn and an early attempt at an approximate working definition seems essential to further progress in the discussion. So far it appears that British ideas on the subject are still vague.

Meade, expressing a personal opinion, put forward the following suggestion: (1) That export subsidies should be banned; (2) that domestic subsidies should be permitted; (3) that provision should be made under certain conditions for declaring a commodity to be in a

⁶James E. Meade and Percivale Liesching of the British Board of Trade.

state of surplus, and that after such a declaration countries with domestic subsidies on the commodity should agree to remove such subsidies completely as long as the state of surplus continued. Failure to do so would release other countries from the obligation not to apply export subsidies to the commodity in question.

Multilateral Tariff Reductions: Among the various formulas for multilateral tariff cuts, Meade expressed a personal preference for the principle of an agreed proportionate reduction of tariffs keeping within a specified tariff floor and ceiling. Among suggestions from the American side, he liked best the idea of a 15% tariff floor with a 50% reduction of tariffs which are above the floor.

WINANT

840.50/3437 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, January 5, 1944—10 p. m.

[Received 11:03 p. m.]

106. The following is for confidential use by groups concerned with the Article VII conversations and belongs to the series indicated in paragraph 1 of Embassy's 56, January 4, 1944:

*Long Term International Investment:*⁷ Keynes⁸ in personal conversation said that he had not yet had time to work out fully and set down his views on international investment but that he would concentrate on it as soon as he had cleared away some immediate tasks.

He restated his general thesis regarding private losses and public gains in past international investments, and the difficulties of constructing an international organization which will reduce the first without reducing the second. According to this thesis, the financial losses of individual investors have greatly exceeded financial gains made by them but there has been a very large net gain to borrowing and lending countries and to the whole world as a result of the economic development made possible by the international investments, including a large part of those which brought losses to the actual investors.

Keynes pointed out that the United States Treasury proposal for a United Nations bank of reconstruction and development aims at "sound" international investment and this soundness applies particularly to the financial prospects of the investments. Therefore, international investment in projects that raise productivity but fail to

⁷ For additional documentation regarding monetary and financial matters, see pp. 106 ff.

⁸ John Maynard Keynes, Economic Adviser to the British Government.

bring financial returns might not come within its operations even though many projects that fail even to produce sufficient direct financial returns to service the loans are of the greatest benefit. Keynes, of course, appreciates the political difficulties of setting up an international investment body without stressing financial "soundness" as a fundamental principle. He will concentrate on this problem shortly.

Keynes stressed the importance of international loans that can be used by borrowers to obtain consumption goods to sustain workers engaged on capital projects. In some of the Asiatic countries external aid is needed for this purpose rather than for the import of capital goods.

Further information on the development of British thinking on this subject will be obtained as opportunities arise.

WINANT

840.50/3449 : Telegram

The Minister in Australia (Johnson) to the Secretary of State

CANBERRA, January 8, 1944—2 p. m.

[Received January 8—1:16 p. m.]

4. Informed that Dixon⁹ reports Article VII talks with Canada were at the invitation of the United States Government. I am asked if there is special reason for singling out Canada and what our attitude might be if Australia desired to have similar talks. They feel that their studies have developed points of view more representative of these alternations or units and which would assist you in anticipating such nations.

Incidentally I am in possession of a set of documents constituting those studies and the agreed recommendations by their Interdepartmental Committee on External Relations which will be presented to Cabinet next week. (See my despatch 564 September 18 last.)¹⁰ These are being copied and will accompany an airmail despatch within a few days.¹¹ What they will want to say at the talks you will read in these documents covering employment, money, commodities, tariffs, etc; hence it [will?] be advisable to stall until they have been read by all concerned there.

JOHNSON

⁹ Owen Dixon, Australian Minister in the United States.

¹⁰ Not printed.

¹¹ Despatch 657, January 11, not printed.

840.50/3449 : Telegram

The Secretary of State to the Minister in Australia (Johnson)

WASHINGTON, January 17, 1944—7 p. m.

7. Please inform appropriate authorities, in reply to query mentioned in your 4, January 8, that Canada was invited for brief Article VII discussions because of possibility for Canadians to arrive, owing to proximity of Ottawa, while we were awaiting information regarding arrangements of Russian and Chinese Governments for sending delegations to Washington. Russian and Chinese Governments were invited, simultaneously with the United Kingdom, to send delegations to discuss informally Article VII problems; but no definitive arrangement yet made by Russians or Chinese, although anticipated momentarily.

In your discretion, you might indicate that the Department proposes to have such conversations with all principal countries subscribing to Article VII, including Australia; that Department is gratified at Australia's interest and has informally kept in touch on general pertinent developments with McCarthy¹² and Fletcher, who represented Australia in the similar Commonwealth discussions in London last summer.

HULL

840.50/3467 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, January 19, 1944—noon.

[Received 9:35 p. m.]

491. Embassy's 56, January 4 and 66 [106], January 5. For those concerned with economic conversations under Article VII.

International Commodity Organization. Robbins¹³ in personal conversation drew a rough contrast between what he thought the best procedure in dealing with monetary and commercial policy on the one hand and commodity questions on the other. In regard to the two former, he thought it necessary to work out in considerable detail the preliminary measures to be adopted. In regard to the latter, he holds to the view that the initial step should be agreement on a very general statement of principles and on the framework of a general commodity council, and that agreement on this should be possible at a fairly early stage. He thought the application of the principles to particular commodities could be worked out later and that the general

¹² E. McCarthy, Assistant Secretary, Australian Department of Commerce and Agriculture.

¹³ Lionel Robbins of the Economic Secretariat, British War Cabinet Offices.

agreement need not wait for the working out of detailed methods of application. As to the practicability of purely buffer stock arrangements, he envisaged a period of experimentation with certain commodities. He emphasized that the British Government would continue to act as it had done in the case of rubber¹⁴ and oppose renewal of prewar commodity controls pending establishment of a general international commodity council, after which arrangements for particular commodities would be formulated in line with agreed general principles and with the approval of the general commodity council.

Robbins is personally more sympathetic to the case for a formal limit to subsidies than others with whom the subject has been discussed but shares their doubts of its political practicability here. It seems possible that some progress might be made here after a detailed study of alternative methods of formulating such limits.

Fears of American Postwar Depression. There is increasing evidence here of concern about the ability of the United States to maintain a high level of employment after the war. This creates an attitude of reservation regarding the prospects for international economic reconstruction, and thus may indirectly affect the political reception that will be given here to measures for implementing Article VII of the mutual aid agreement.

Keynes, Robbins and Meade have recently emphasized the importance of this in personal conversations. Keynes felt that the vast majority in American business and congressional circles had not yet grasped the fundamental principles of full employment policy and would reject the measures necessary to apply them. Meade argued for maximum elasticity in exchange rates, chiefly because of his skepticism of America's ability to prevent serious depression even a decade after the war. Robbins spoke of a tendency in some civil service and ministerial circles here to favor going slow with commitments on international economic reconstruction for fear that a slump in America would dislocate international economic organization. The British group that took part in the economic conversations vigorously opposes this tendency but would welcome evidence of greater activity in the formulation of domestic plans for maintaining full employment in the United States, and of a more favorable attitude in the legislative branch towards the adoption of the necessary measures for maintaining employment after the war. In particular, they do not think there is much evidence that any comprehensive housing program is being prepared. In Britain, it is felt that a well considered housing program is essential to the maintenance of construction activity after the war and the British program is well under way.

¹⁴ For documentation regarding termination of the International Rubber Regulation Agreement and exploratory discussions for a new agreement, see pp. 950 ff.

There is no doubt that the greater the evidences of American activity in respect to postwar domestic full employment measures the more disposition there will be in political and public circles here to favor large British contributions to international economic reconstruction.

British Labor Viewpoints Relevant to Article VII Discussions. We learn in strict confidence that the General Council of the Trade Union Congress is preparing to approach the Government with an offer to waive the restoration of restrictive union practices after the war on condition that the Government gives assurances it will adopt adequate measures for the maintenance of full employment.

In regard to British press statements implying that the General Council of the Trade Union Congress has endorsed the Edgar Jones plan for a world trade alliance,¹⁵ we find from personal inquiries that the Council has not endorsed any of the specific proposals of the World Trade Alliance but has merely given its approval to the principle of a permanent international economic organization concerned with international trade problems.

WINANT

840.50/3437 : Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, January 19, 1944—1 p. m.

464. Embassy's telegrams on Article VII talks background, your 56 of January 4 and 106 of January 5, very helpful. Please continue to supply as much information of this nature as possible.

HULL

840.50/3500 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, February 6, 1944—11 p. m.

[Received February 7—8:35 a. m.]

1026. For those concerned with Article VII discussions. This telegram continues the series included in Embassy's 56, January 4, 106, January 5 and 491, January 19:

Talks With Dominions. Ronald¹⁶ indicated recently that these would probably take place about the last week in February.

¹⁵ For information concerning the organization of the World Trade Alliance at London, July 19, 1943, under leadership of Sir Edgar R. Jones, see the *London Times*, July 20, 1943, p. 2.

¹⁶ Nigel Bruce Ronald, British Assistant Under Secretary of State for Foreign Affairs.

State Trading. The principles of state trading may be important in relation to British imports after the war and possibly in relation to some reestablished or newly established governments on the continent of Europe. Some British economists in Government stress that the subject should not be considered as if the Soviet Union were the only important case involved.

The future of the Ministry of Food has been discussed from time to time in Government circles and with it the question of bulk purchasing of food imports under Government direction or control. It appears certain that the Ministry will continue some time after the war and probable that it will continue permanently. Bulk purchasing contracts will not now be made that go beyond 1946 or 1947 since the long term policy is still undecided and will be formed by the Cabinet on the basis of political considerations. Certain commitments to domestic farmers will probably cover the same period since it would be politically impracticable to give guaranteed prices for the products of farmers overseas without doing the same for farmers at home. While the Ministry of Food is likely to be established on a permanent basis the forces opposed to continuance of state trading beyond the transition period seem likely in the present Government to outweigh those in favor of it. If the war ends this year, however, bulk purchasing under present commitments will continue for about 2 years and ultimate policy may be determined by a differently constituted Government from the present one.

There are considerable differences of opinion in Parliament and among both permanent and temporary civil servants on bulk purchasing of certain imports in peacetime under Government direction. Commercial importing interests of course oppose state trading. A number of temporary civil servants in the Ministry of Food and the raw material controls were drawn from the trades concerned and many of them oppose continuance of Government trading operations and controls after the immediate post-war transition. Even among this group there are individual exceptions. The economists are not wholly in agreement on the subject. Information on the individual positions of some of them will be sent in a later message.

In the course of internal civil service discussions those opposed to bulk purchasing under Government control use as one of their objections the argument that the United States would be opposed to such forms of trading. This argument, particularly when used by those considered to be influenced by private commercial interests, adds to the feeling among some of the British tendencies that the United States will be a drag on post-war social change. Congressional utterances and actions and stress in American public utterances on the virtues of private enterprise have led to suspicion of future American

policy among many in liberal and labor and even left wing conservative circles. In international trade questions, the issue is somewhat clouded by lack of a clearly conceived progressive policy and failure to grasp the importance of reconciling planning with an advantageous territorial division of labor.

At the technical level, work on internal commodity questions has been distributed as follows: Foods are in the hands of the Ministry of Food, not of the Ministry of Agriculture. The Ministry of Food insisted strongly on this arrangement. Minerals are dealt with by the Ministry of Supply and by the raw material controls some of which are attached to the Ministry of Supply. The Ministry of Agriculture has designated some of its economic staff to examine the relation of Article VII talks to domestic agricultural policy. For this purpose P. Lamartine Yates and Mrs. Holland have been brought into the Ministry under Enfield.¹⁷

Yates in a personal conversation referred recently to the joint statement on state trading (made after the Washington talks), paragraph 9,¹⁸ in which two criteria are formulated to assist in determining whether in any given case protectionism under state trading exceeded the maximum allowed under tariff agreements. He thought the first criterion was useful but was unable to attach any clear meaning to the second, which is put in the form of a question "whether the monopoly was satisfying the full domestic demand for the foreign products".

Yates is personally in favor of a limit on subsidies and mentioned a suggestion that it might be fixed at a level that did not raise domestic prices by more than 25 percent above the "world" level. However, in further conversation he spoke favorably of "indirect" subsidies for certain products. Such subsidies are opposed by most of the British economists.

State trading is being studied by some of the British technicians concerned with food and agriculture from the point of view of the problem of offsetting fluctuations in world prices. They are considering the advisability of bulk state purchase of imports accompanied by guaranteed domestic prices of the product. This would involve some degree of stabilization to offset world fluctuations. Subsidies might be used for welfare purposes in support of a policy to guarantee to the consumer certain basic foods at prices within the reach of the low income groups, or to maintain guaranteed prices to domestic producers of certain products in the event of sharp fluctuations in world prices. In general there is a feeling that much more work needs

¹⁷ R. R. Enfield, Principal Assistant Secretary, British Ministry of Agriculture and Fisheries.

¹⁸ See telegram 1316, December 2, 1943, 2 p. m., to Moscow, item VI d, paragraphs 4 (a) and (b), *Foreign Relations*, 1943, vol. I, pp. 1119, 1123.

to be done to distinguish between the use of subsidies for purposes of stabilization and their use for protectionist purposes.

WINANT

840.50/3513 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, February 12, 1944—6 p. m.
[Received February 13—10:40 a. m.]

1211. For those concerned with Article VII discussions. Reference Embassy's telegram 1026, February 6:

Relation Between Domestic and International Reconstruction. The move to expedite the talks with the Dominions has been accompanied by an intensification of work on the Article VII discussions.

There are also numerous signs of increased activity in planning for domestic as well as international economic reconstruction and since the two cannot be kept in isolation from one another, the effect is to widen the interest in the progress of international plans. Those concerned with domestic plans are anxiously scanning the international field to determine how far it may impose limitations on what can be done at home.

In the near future White Papers will be issued on four subjects—a national medical service, the Government's position on the Beveridge report, workmen's compensation and full employment policy.¹⁹ These papers will represent Government policy approved in ministerial as well as civil service circles and their publication will constitute a step in the direction of legislation.

The White Paper on a national medical service will be comprehensive and based on the acceptance of Government responsibility for ensuring that a full medical service shall be made available to all regardless of income. The economic aspects of the measure will be the most difficult and important. The objective will be to establish health centers in which practitioners will work in association. Coordination of the voluntary hospitals and those of the local authorities will be dealt with. There have been sharp differences on the methods of remuneration of doctors under national service. Sir Wilson Jamieson, chief medical officer of the Ministry of Health, and the more forward looking persons in the field believe that a salaried service is the only satisfactory method but compromise with the British Medical Association seems likely on this point.

¹⁹ The four White Papers were printed during the summer of 1944 as British Cmd. 6502, 6527, 6550, and 6551. For text of the Beveridge report of 1942, see British Cmd. 6404: *Social Insurance and Allied Services, Report by Sir William Beveridge*, November 1942.

The paper on full employment policy, which will probably be issued within the next three months, will be an important state document, constituting for the first time a British Government statement of official policy on the principles of full employment. It will represent agreement among the leading British economists now in government service and who compose the great majority of economists in the country, and approval by the Cabinet. The bearing of international economic policy on the prospects of full domestic employment will be recognized and we believe discussed to some extent.

The personal conversations with government economists and other civil servants on which this message is based confirm the views expressed in the second subtitle of Embassy's telegram 491, January 19, noon.

The greatest single anxiety of the British with respect to the prospects of postwar international economic organization and of the maintenance of full employment at home has to do with our chances of maintaining a continuously high level of economic activity in the United States. This anxiety is intensified at present by fears of an increasingly conservative attitude in the Congress after the next election leading to an unwillingness not only to enter into bold international economic arrangements but also to permit effective government action to raise economic activity to and maintain it at the level needed to secure full employment in peacetime.

The public demand in Britain for full employment policies after the war is likely to be so strong that no government of any party or combination of parties that failed to meet it can hope to survive. The spotlight was first turned on social security among measures for postwar domestic reconstruction. This was largely due to the able way in which Beveridge seized the opportunity given by his appointment to head a committee on the subject. It is significant that the Beveridge report stresses the assumption that adequate measures will be taken to maintain a high level of employment, and that Beveridge, again sensing the public feeling, is now giving all his energies to the preparation of a report on full employment policies which, though not associated with any government inquiry, may be expected to have a wide effect on public opinion.

In general, government economists and permanent civil servants believe that the attitudes of the British Government, business men, trade unions and the public have now developed to a stage which makes it politically practicable to follow successfully a domestic policy of full employment provided that external economic conditions are favorable. They are very sceptical, however, whether a corresponding development has taken place in the United States and many other countries and the question with which they are most concerned

is how to meet the public demand for full employment in an economic system open to the effects of changes in the rest of the world.

The British economists point out that increased incomes resulting from the pursuit of a full employment policy lead in the absence of restraint to increased purchases of goods abroad. According to one calculation relating to inter-war experience 15 to 20 percent of the rise in incomes is spent on imports. How, it is asked, are exports to be increased correspondingly if an important part of the rest of the world is not following successfully the same type of domestic policy? And if exports cannot be expanded sufficiently, how is the resulting maladjustment in the balance of payments to be met? Lively discussions on these questions in Whitehall and among the few economists—mainly of Continental European origin—who remain outside show differences in emphasis. One approach is to hold out for substantial flexibility in exchange rates and reservation of the right to resort to limitation of imports temporarily to correct maladjustments in the balance of payments. These are regarded as emergency and temporary measures adopted on the assumption that satisfactory readjustments on a multilateral basis will subsequently be attained.

Another approach is to stress the importance of stability in trading arrangements as a means to stability in production and employment. Trading arrangements, it is said, are much more a matter of long term arrangements than they were formerly. By such arrangements Britain might assure itself of essential imports over a stated period of time. It is argued that this would not necessarily involve bilateralism in the sense of balancing accounts between any two countries but might take the form of a sort of planned multilateralism.

Such an approach attracts some of the permanent civil servants and business men who in the inter-war period leaned towards *laissez faire*. This does not arise simply out of fears regarding the balance of payments position but also out of the habits and practices associated with wartime trading. Civil servants and business men have become so accustomed to bulk purchasing, long term contracts, planned expansion of capacity to meet guaranteed demand that some of them are reluctant to return to the uncertainties of former individualist peacetime methods of trading and production. A most important factor in Britain, which does not have equal force in all countries, is that the wartime methods and controls have been operated with impressive efficiency in the civilian sector of the war economy as well as in production for the armed forces, with the result that on the whole distrust of the ability of government in economic matters has diminished, especially in government circles.

It is only in exceptional cases—and then rarely in government circles—that this second approach is pushed to extremes and that

complete regimentation of world trade by multilateral planning is advocated. In most cases, there is a genuine desire for multilateral trade and nondiscrimination and a groping for means of reconciling them with a greater degree of forward planning and large scale operations than were practiced in the 19th and early 20th centuries. When pressed on how far they would carry the second approach described above, some of its advocates take the following position. In pursuing a full employment policy Britain will find itself unable to increase exports enough to offset increased imports. When adverse tendencies appear in its balance of payments, it should put up the whole problem to an international gathering, perhaps through an international commercial policy organization. Its case would be that it could not abandon a full employment policy, that that policy was increasing markets for the goods of other countries, and that those countries should undertake to seek methods of taking more British goods to avoid the necessity of restriction of British imports. Several methods are suggested—one in terms of contracts to take goods needed for internal development in those countries, another that purchases arising out of long term international lending should be directed for a time to readjusting the balance of payments in Britain. While the precise methods may be open to question and need further study, the advocacy of full international consultation by an appropriately equipped body seems one to be encouraged and developed in more detail.

A leading permanent official of the General Council of the Trade Union Congress also in personal conversation strongly favored continuous international consultation on international trade problems. He said his members were not sympathetic towards what he considered to be the tendency of economists to subordinate everything to the interests of the "consumer" in the abstract. He referred especially to cases in which technical changes reducing costs of production of articles consumed only by high income groups might injure workers markedly in return for benefiting wealthy people slightly. He favored international as well as domestic measures for softening the impact of structural changes. As regards the TUC's attitude to the "World Trade Alliance" he said that they wished to encourage employers to seek international consultation on trade problems, that they were not committed to support any detailed scheme of the World Trade Alliance and that he thought the literature put out by the Alliance was *woolly*.

It is evident that the TUC has not yet done any detailed work on international economic problems and that for the most part it will examine and form a policy on measures proposed by others rather than construct proposals of its own. There seems little doubt that

it would strongly support international organizations on commercial policy, raw materials and monetary questions.

Chester, a well-informed economist of the War Cabinet Secretariat, when asked whether he thought that the fears that full employment policies in Britain would be prejudiced by external influences, would create any risk that Parliament would reject measures on the lines that are being worked out in the Article VII talks, replied strongly in the negative. Inside government circles the economists who participated in the Article VII talks are firmly upholding their position in favor of full cooperation with us in developing and giving effect to the measures discussed in the Washington talks.

We are sending shortly a pamphlet "Export Policy and Full Employment" by E. F. Schumacher which is of special interest in relation to present problems. The eighth in the reports series "Published Material Relating to Postwar Economic Planning and Reconstruction" which will be dispatched next week includes a discussion of the pamphlet.

International Investment. Keynes, who is extremely pleased at the agreement on the monetary plan at the technical level, says he will now turn to the consideration of international investment. Since the British wish to clear the monetary plan with the Dominions, they are keeping it strictly private until the talks with the Dominions take place late in the month.

WINANT

840.50/4-1844 : Telegram

*President Roosevelt to the British Prime Minister (Churchill)*²⁰

WASHINGTON, 23 February 1944.

476. The Governments of the United Nations have, in recent months, taken a number of important steps toward laying foundations for postwar cooperative action in the various fields of international economic relations. The United Nations Conference on Food and Agriculture, held in May, 1943,²¹ you will remember, led to an Interim Commission which is now drafting recommendations for a permanent organization in this field to put before the various governments. Already the United Nations Relief and Rehabilitation Administration has been established²² and is now in operation. Preparatory to a possible convocation of an United Nations Monetary Conference,²³

²⁰ An identical message was sent on the same date to Premier Stalin.

²¹ See *Foreign Relations*, 1943, vol. I, pp. 820 ff.

²² See *ibid.*, pp. 851 ff.

²³ For documentation on the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, July 1-22, 1944, see pp. 106 ff.

there have been informal technical discussions at the expert level among many of the United Nations on mechanisms for internal monetary stabilization. On a more restricted scale similar discussions have been taking place with regard to the possibility of setting up mechanisms for facilitating international developmental investment. With regard to such questions as commodity policy, cartels, and commercial policy, informal discussions have been taking place among some of the United Nations. It is contemplated that discussions will take place on such questions as oil,²⁴ commercial aviation,²⁵ etc. The International Labor Organization will hold a conference in April,²⁶ in part for the purpose of considering that organization's future activities.

At the Moscow meeting of Foreign Ministers²⁷ the Secretary of State, in a document entitled "Bases of Our Program for International Economic Cooperation,"²⁸ emphasized the need of both informal discussions and formal conferences on various economic problems. It was suggested that "the time has come for the establishment of a Commission comprising of [*sic*] representatives of the principal United Nations and possibly certain others of the United Nations for the joint planning of the procedures to be followed in these matters."

I do not mean to raise at this time and in this connection the broader issues of international organization for the maintenance of peace and security. Preliminary discussions on this subject are currently in contemplation between our three governments under the terms of the Moscow Protocol.²⁹ What I am raising here is the question of further steps toward the establishment of United Nations machinery for postwar economic collaboration which was raised by the Secretary of State at the Moscow meeting³⁰ and was discussed by you, Marshal Stalin and myself at Teheran.³¹ It is clear to me that there is a manifest need for United Nations machinery for joint planning of the procedures by which consideration should be given to the various fields of international economic cooperation, the subjects which should be discussed, the order of discussion, and the means of coordinating existing and prospective arrangements and activities.

²⁴ For documentation regarding Anglo-American petroleum discussions and agreement signed August 8, 1944, see vol. III, pp. 94 ff.

²⁵ For documentation regarding the International Civil Aviation Conference held November 1–December 7, 1944, and agreements adopted, see pp. 355 ff.

²⁶ For documentation on the 26th International Labor Conference held at Philadelphia April 20–May 12, 1944, see pp. 1007 ff.

²⁷ For documentation regarding the Moscow Conference, October 18–November 1, 1943, see *Foreign Relations*, 1943, vol. I, pp. 513 ff.

²⁸ *Ibid.*, p. 763.

²⁹ See Annex 1 of the Protocol, *ibid.*, pp. 749, 755.

³⁰ *Ibid.*, pp. 665–666.

³¹ See *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, pp. 530–533.

I should appreciate it very much if you would give me your ideas on the suggestions made by the Secretary of State at Moscow, together with any other ideas you may have as to the best procedures to be followed in this matter which is of such great importance.

840.50/4-1844 : Telegram

President Roosevelt to the British Prime Minister (Churchill)

WASHINGTON, 23 February 1944.

477. Reference my message No. 476,^{31a} in which was suggested the need for United Nations machinery for joint planning of the procedures by which consideration should be given to the various fields of post-war international economic relations, I think that our two governments should be giving attention to the future status of the combined boards.³² The good work these boards have been doing has impressed me as I know it has you. As we go forward with United Nations planning in the international economic field, it is clear that the question of the part which the combined boards could or should play in such future arrangements as may be planned will become of increasing importance.

The question is bound to be raised regarding the relation between combined boards and the United Nations not represented on them. I do not think that it has yet been satisfactorily solved even though some phases of this question have been discussed in an exchange of memoranda between the British Embassy and the Department of State.

Possible solutions are being worked up by us and I think that it is of the greatest importance that on your side you give immediate consideration to the matter. In order to prepare ourselves to meet these questions, I believe that in the near future we should have exchanges of views on this subject.

840.50/3559a : Telegram

*The Ambassador in the United Kingdom (Winant) to
President Roosevelt*

[LONDON,] 27 February, 1944.

Your message to the Prime Minister in relation to the establishment of machinery for post-war economic collaboration was welcomed here. He turned it over to Eden³³ and the job of coordinating the British

^{31a} *Supra.*

³² For a list of Combined Boards on which the United States was represented, see Department of State *Bulletin*, January 16, 1943, p. 67.

³³ Anthony Eden, British Secretary of State for Foreign Affairs.

position has been given to Dick Law who is now a full Secretary of State but in the Foreign Office, a unique assignment under usual British procedure. He deals with economic and social problems that involve international relationships. I have been asked to consult with him on the problems raised. It would be very helpful to me if I knew our thinking in this field which I understand has been considered by a group in the State Department.

I am wiring you directly as the subject matter relates to a cable you personally addressed to the Prime Minister.

[WINANT]

840.50/3559a : Telegram

The Acting Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, March 1, 1944—10 p. m.

1565. Personal for the Ambassador. 1. The President has turned over to me your telegram of February 27 regarding his messages to the Prime Minister.

2. Our thought, as explained in the messages, is that the time has come for pushing vigorously forward the question of creating some kind of United Nations machinery to plan and coordinate activities in the field of international economic cooperation. The messages were prompted in part by the fact that we have had no reaction from either the British or the Soviet governments to the suggestion made by Secretary Hull at Moscow (see document entitled "Bases of Our Program for International Economic Cooperation" attached to the Protocol of the Moscow Conference), and in part by the emerging question of what to do about the future of the Combined Boards.

3. The message regarding United Nations machinery was sent to both the Prime Minister and Marshal Stalin. The message regarding the Combined Boards went only to the Prime Minister, since these Boards are still an Anglo-American affair.

4. What we are after fundamentally is the inauguration of discussions looking toward the following:

a. Creation of some United Nations machinery for joint planning of international discussions and possible conferences in the various separate fields of international economic relations;

b. Creation of some general United Nations agency for the coordination of the activities of such separate agencies as may be set up in the various fields—for example, food and agriculture, monetary relations, labor etc. It may well be that a United Nations conference, held within the next few months, would provide the most effective method of setting up such a general agency.

c. Development of a policy for the possible utilization, especially during the transitional period, of such wartime mechanisms as the Combined Boards.

5. The Moscow proposal envisaged the creation of a small Commission to do the initial planning. Such a Commission could well, at the beginning, be a kind of steering group. We proposed a Commission of seven—the four major powers plus Canada, the Netherlands and Brazil. It may well be that a Commission of the four major powers only would be more effective.

6. The British Government may have other ideas as to procedure. If so, we should very much like to have their views.

STETTINIUS

840.50/3568a

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

No. 3801

WASHINGTON, March 2, 1944.

SIR: For your background information there is enclosed some material³⁴ relating to informal exploratory conversations between officials of the United States and Canada which took place at Washington from January 3 to 7, 1944. These conversations covered the same subjects as the earlier United States–United Kingdom conversations of which a summary statement was sent you with the Department's instruction of November 8, 1944 [1943]³⁵ and were of an equally tentative and confidential nature. The United States Government had not formulated any position on the questions discussed, and the American officials participating in the discussions did so in their individual capacities.

The enclosed papers consist primarily of agenda and studies prepared in connection with the United States–Canadian discussions of cartels and of international commodity arrangements. No summary statement covering these discussions of the sort covering the United States–United Kingdom discussions has been prepared, nor have papers similar to the enclosed been prepared covering the discussions with the Canadians on commercial policy.³⁶ None of the enclosed papers in any sense indicates the position of the United States Government. They were prepared by individual officials of the United States Government solely to facilitate the United States–Canadian discussions referred to and possible future discussions of these subjects. They have had no general clearance and in some instances may be at variance with official positions which may be ultimately adopted by the United States Government.

³⁴ Not attached to file copy.

³⁵ *Foreign Relations*, 1943, vol. I, p. 1115.

³⁶ A summary statement of United States–Canadian discussions on commercial policy was transmitted to London in instruction 3854, March 15; no copy of this statement found in Department files.

In as much as the enclosed papers are similar in nature to the incidental papers previously prepared in connection with the United States-United Kingdom discussions referred to above, and in as much as the United States-United Kingdom discussions are summarized in the statement sent you on November 8, it is not considered necessary, for your adequate information on this subject, to send you the incidental papers prepared in connection with the United States-United Kingdom discussions, particularly since these papers are rather bulky and in many instances were prepared for the sole purpose of use during the discussions.

Very truly yours,

For the Secretary of State:
DEAN ACHESON

840.50/3560 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, March 4, 1944—10 p. m.

[Received March 5—5:12 p. m.]

1807. For those engaged in Article VII discussions (see Embassy's 1211, February 12). The informal technical talks between the British and the Dominions on Article VII questions are progressing and will continue next week and perhaps in the following week as well. They are being held in strict secrecy and information in this and subsequent telegrams concerning them should be treated as particularly confidential since it is obtained privately and not officially. Following are preliminary notes which will be supplemented when the talks have developed further.

International Commodity Questions. The British now appear to be moving to a position roughly as follows: Agreements respecting particular commodities might be negotiated directly by governments in the light of agreed general principles adopted by a General Commodity Council. Such agreements in draft form might be submitted to the General Commodity Council for comment and advice before adoption.

The use of buffer stocks as a means of control of the business cycle was discussed at the meetings and the general conclusion is likely to be in favor of experimenting in this field with at least a few commodities. The British strongly favored this and Keynes intervened vigorously in support of it. He admitted the difficulties of covering a large number of commodities with this objective in view but argued that a beginning should be made as early as possible with a very small number of raw materials because of the importance of developing a flexible, quickly responding instrument of control over investment.

He feels that public works and public action to stimulate private investment in fixed capital operate too slowly to offset sharp changes in business activity and that it is therefore necessary to supplement such measures by developing means of effecting quick changes in investment and disinvestment in working capital.

The Canadians have stressed the importance of bringing commodity measures into operation promptly after the war. They are becoming sceptical of any tendency to treat the international commodity plan as a long run measure only to come into operation after a postwar transition period has been completed and a supposed equilibrium has been reached. They suggest that the Article VII plans, at least in respect to some raw materials, should start with the immediate postwar position and should tackle the disposal of wartime stocks in ways that would minimize undesirable fluctuations. The experience thus gained might help to set the pattern for subsequent operations.

Tariffs. So far the Canadians have shown themselves ready to consider a larger percentage cut in tariffs than the British seem inclined to favor. The British still hold out for both a ceiling and a floor. They also still oppose a formal limit on subsidies and the Canadians seem to be coming round to their viewpoint on the ground that some political safety valve is probably necessary to obtain acceptance at the political level of the comprehensive series of measures on commercial policy which are under consideration. The tendency is to assume that cost to the taxpayer will set an effective limit to subsidies. This of course, while probably true of total subsidy expenditure, leaves the way open to excessive subsidization in respect to particular commodities.

Full Employment. There has been some discussion of the relation of domestic full employment to the international monetary trade and commodity measures. The Australians have taken the lead in stressing the importance of this subject. So far it does not seem that substantial practical results have come from the discussion. There has been general recognition of the necessity of maintaining a high level of domestic activity if the international measures are to operate satisfactorily but constructive suggestions are hampered by consciousness of political limitations on the ability of international organization[s] or meetings to influence the domestic economic policy of a particular country. Keynes expressed the view that such international advice as would be readily acceptable by a country would be of little use while advice that would be effective if adopted would usually be resented or at least not accepted.

Some of those taking part in the discussions refer to these difficulties as giving additional reason for the establishment of international buffer stocks. They argue that if raw material stocks are dealt with separately in each country in times of maladjustment nationalistic

policies will lead to the adoption of conflicting and inappropriate measures in different countries, while buffer stocks under international control might be a convenient instrument through which international influences could be brought to bear on national policies.

WINANT

840.50/3561 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, March 5, 1944—9 p. m.

[Received March 5—8:20 p. m.]

1816. Personal for the Acting Secretary. Department's 1565, March 1. The Prime Minister's reply on the message concerning United Nations economic machinery will be dispatched shortly and his reply on the Combined Boards will follow a few days later.

Richard Law will advise Eden and the Prime Minister on both matters. Ronald is advising Law that the reply should suggest as a first step direct conversations between the Foreign Office and the State Department on (1) the range of economic subjects that should be included in United Nations discussions; (2) groupings of these subjects suitable for single discussions and conferences; (3) other United Nations that should be brought into the discussions of each group of subjects and perhaps procedures for bringing them in.

It will be suggested that these preliminary discussions should be brought to a head when the Under Secretary arrives here.³⁷

In regard to the creation of a general United Nations agency for the coordination of the activities of separate international economic agencies Ronald thinks that consideration should be given to the question whether this might be included in the agenda of the informal technical conversations as a continuation of the discussions initiated in the Washington talks by the Sub-Committee on Employment Policy. However the Foreign Office seems to be open minded on the subject and an alternative method, for example direct governmental discussion of the subject at an early date, would probably meet with agreement here.

As regards the question of setting up a small commission to act as a steering group Ronald seems to think this should be taken up immediately after tentative understanding is reached on the range of economic subjects to be covered.

The appropriate British departments are submitting their views on the economic subjects that should be covered and it is likely that,

³⁷ For the report to the Secretary of State by the Under Secretary on his mission to London, April 7-29, 1944, see vol. III, pp. 1 ff.

in addition to those on which discussions have already started under Article VII, they will include at least shipping,³⁸ inland transport,³⁹ and telecommunications and civil aviation.⁴⁰ These subjects, except possibly the last, are believed by the Foreign Office to be of the greatest importance to the immediate post-military phase in liberated areas and to the transition period after the war as well as to long term reconstruction.

There have been some fluctuations in the views of the British departments on the position of the Combined Boards machinery after the end of the war in Europe. One line of British thinking was described in Embassy's telegram 7538, October 31 [30], 1943.⁴¹ It may find its way in some form into the Prime Minister's reply to the President's message and therefore will be of special interest to you at this time. Some of the departments however have been afraid that if the Combined Boards were given additional jobs not directly concerned with their present operations, as for example functions concerned with UNRRA operations,⁴² their efficiency in performing their present functions might be impaired and this must be avoided at all costs until Japan is defeated as well as Germany. To a considerable extent however the suggestions outlined in Embassy's 7538, October 30, seem to meet this point.

This should be considered as a preliminary reply to your 1565 of March 1. Ronald's advice based on consultations with the departments on economic machinery will go to Richard Law today and to Eden and the Prime Minister shortly after. There may possibly be a delay of 4 or 5 days before advice on the Combined Boards question is put in final form.

WINANT

*The Chairman of the Council of People's Commissars of the Soviet Union (Stalin) to President Roosevelt*⁴³

[Translation]

[Moscow,] March 10, 1944.

I have received your message⁴⁴ on the question of post-war economic collaboration. Undoubtedly, the questions touched upon in Mr.

³⁸ For documentation regarding the Interallied Shipping Conference, held at London, July 19–August 5, 1944, see pp. 639 ff.

³⁹ For discussions regarding the establishment of a European Inland Transport Organization and Conference held at London, beginning October 10, 1944, see pp. 743 ff.

⁴⁰ For documentation regarding civil aviation, see pp. 355 ff.

⁴¹ *Foreign Relations*, 1943, vol. I, p. 1114.

⁴² For documentation pertaining to U.S. participation in UNRRA activities, see pp. 331 ff.

⁴³ Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

⁴⁴ See footnote 20, p. 14.

Hull's note regarding international collaboration in the sphere of economics are of great importance and demand attention. I consider as quite expedient the establishment at the present time of a United Nations apparatus for the working out of these questions and also for the establishment of conditions and order of consideration of various problems of the international economic collaboration in accordance with the decisions of the Moscow and Teheran Conferences.

840.50/3581 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, March 10, 1944—9 p. m.

[Received March 12—7 a. m.]

1973. Personal for the Acting Secretary. The Prime Minister's reply to the President's letter on economic machinery has been held up through differences of view among civil service and ministerial advisors.

One view has been that the formulation of the list of subjects to be covered and the question of an overall economic body and of a steering body should be dealt with at a future United States-British-Soviet discussion in Washington. A second view has been that direct discussion on the subjects to be covered should be started at once between the Foreign Office and the State Department and should be brought to a head during your visit here.

Ronald believes that the second of these views of procedure (see also Embassy's 1816, of March 5, 9 p. m.) will probably be adopted. He again expressed a personal view that decisions on the subject matter of economic negotiations should be reached before proceeding to the question of an international steering committee.

In a further conversation Ronald gave indications of an important modification of some of his past views. After expressing agreement on the need for more rapid progress on international economic discussions he suggested that a change from the technique of preliminary informal discussions at the technical level to the technique adopted at the Hot Springs Conference might at this stage produce more rapid advance. Such a procedure would aim at international agreement on general principles followed by continuing work on detailed measures. It would of course be necessary that the countries chiefly concerned should follow up the agreement on principles by putting their best technicians at once into the work of preparing detailed measures

to implement such principles. Departments and Ministers would be obliged to reach policy decisions on principles to meet the deadline of conference dates.

This modification in Ronald's attitude seems to be due in part at least to difficulties in getting the Departments and Ministers, particularly Ministers, to reach policy decisions on a number of important international economic matters. These difficulties result mainly from the following: (1) Insufficient thought has been given by Ministers to many of these matters and by the Departments to some of them. (2) There are growing internal difficulties in the coalition Government with respect to the electoral truce and to future political arrangements. On the relation of the second point to future economic discussions a separate message will follow shortly in the series on Article VII questions.

This message should have minimum circulation to protect Embassy's contacts here.

WINANT

840.50/35983 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, March 17, 1944—6 p. m.

[Received 9:14 p. m.]

2170. The replies to be made by the Prime Minister to the President's letters on economic machinery and on the Combined Boards are still under discussion by his advisers. Ronald indicated slight changes in the position outlined in Embassy's 1973 March 10. Owing to lack of time the suggestion to open discussions at once between the Foreign Office and the State Department on the subject matter to be covered in international economic discussions and bring them to a conclusion during the Under Secretary's visit is not now practicable, and as a substitute the British may suggest that preliminary discussions should be held with the Under Secretary during his visit but that conclusions be postponed until the visit of the British technicians to Washington to continue the informal Article VII talks. Ronald thought the British would be ready to resume these talks early in May.

In addition Ronald thought that in the Prime Minister's reply the establishment of a steering committee would be accepted in principle but it might be suggested that it should not be set up until tentative decisions had been reached during the talks in May on the scope of the subject matter to be discussed.

WINANT

840.50/3608½ : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, March 24, 1944—2 p. m.
[Received March 25—10:18 a. m.]

2388. For the Secretary and Under Secretary. It is unlikely that the British will be ready to resume Article VII talks before May but I think that some pressure might usefully be applied to fix the date at the beginning of May.

On the question of a steering committee for all the international economic discussions, the British appear to be anxious that such a committee should not itself engage in economic negotiations but be confined to organization of conversations and negotiations. They are still inclined to postpone action on the steering committee until the talks take place in May. If you wish to proceed at once, independently of the Article VII talks, to set up the steering committee, I believe that urgent representations will have to be made to the British.

Immediately following this message we are sending two further messages: Embassy's 2389 and 2390 in the series of confidential Article VII telegrams, analyzing the position here in some detail.

Opie⁴⁵ left here yesterday and will see Pasvolsky immediately on arrival.

WINANT

840.50/3639 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, March 24, 1944—3 p. m.
[Received March 25—11 a. m.]

2389. The United Kingdom-Dominions talks on Article VII question[s] have now ended after 3 weeks intensive discussions with two and sometimes three meetings a day. The British have been urged by the Dominions to resume their talks with us as soon as possible.

For those concerned with Article VII discussions—No. 7 in the series (see especially Embassy's 56 of January 4, 5 p. m.) all indications point to the beginning of May as the earliest practicable date and Opie shares this view.

The chief Australian technicians have been changed in each of the successive United Kingdom-Dominions talks on Article VII matters. This time Nobe [?] was the chief member. Australian participation

⁴⁵ Redvers Opie, Counselor, British Embassy at Washington.

has been on a different basis from Canadian. Whereas the Canadian technicians have had a fairly free hand within general policy limits, the Australian technicians have been bound by rigid instructions. They have been obliged to refer back to Canberra even on points of detail and a large volume of cables appears to have passed. There is reason to think that the Australians have been willing to accept fairly wide measures but usually with some form of escape clause, especially on commercial policy. Judging from these indications it may be expected that Australia will raise far more difficulties than the other Dominions and Great Britain in the working out of Article VII agreements.

Canadian views on the form of international organization dealing with commercial policy and commodity agreements expressed in confidential conversations are on the following lines: It is undesirable to multiply separate bodies more than is strictly necessary since co-ordination of a large number of separate specialized bodies is more difficult than coordination of a smaller number of broader bodies with specialist subgroups. Therefore there should be one commercial policy organization which should include commodity agreements and the discussion of cartel questions as well as what commonly goes as commercial policy. There would be a commodity agreement section within the general organization. It would work out principles of commodity agreements, and proposed agreements by Governments would be submitted to it for comment. It would evaluate and make recommendations on the draft agreements. It would not have power to veto proposed agreements. If it made an adverse recommendation any Government or Governments involved could appeal to the full commercial policy organization which would pass on the controversial points. If the Governments concerned did not accept this advice the commercial policy organization might exclude them from certain advantageous commercial policy arrangements relevant to the commodities involved.

On the monetary organization, the Canadians appear to have taken the view that once the principle of a fixed fund was established the question whether the *Unitas*⁴⁶ or the non-*Unitas* version should be adopted was unimportant. Though the British have not yet reached a decision the indications are, from private Dominions as well as British sources, that they will accept the non-*Unitas* version. Opie and certain Dominions economists have urged them to do so.

⁴⁶ Proposed monetary unit of the Fund. See part IV of the preliminary draft outline issued by the Treasury Department April 6, 1943, Department of State publication No. 2866: *Proceedings and Documents of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-22, 1944* (Washington, Government Printing Office, 1948), vol. II, pp. 1536, 1543.

An able Dominions economist discussed privately the British attitude on cartel questions. He stressed the great differences between the historical backgrounds in United States and United Kingdom on monopoly. Britain, he said, concerned itself very little about monopoly during its long period of almost complete freedom of trade, when external competition severely limited the possibilities of domestic monopoly. In the same period the United States was becoming increasingly protectionist and domestic monopolies were built up in part behind the shelter of tariff walls. Some American observers, he pointed out, believe that drastic cuts in tariffs would be more effective than any amount of legislation in restraining domestic monopolies.

In the 1930's Britain became a protectionist country but at the same time the Axis Powers adopted increasingly autarchic policies and British bilateral and cartel policies were in part considered as methods of self defence in a world rapidly heading for war. The Axis Powers had set the pace and Britain was obliged to a considerable extent to use similar weapons. Consequently, he said, there has not been in the minds of the British such an association of cartels and monopoly with moral turpitude as has grown up in many circles in the United States where the individual participating in monopolistic arrangements is regarded almost as a felon.

In addition, of course, in Britain there has been little systematic investigation of monopoly and almost none of cartels.

We would add to this point of view that British who attempt to read the literature on American experience in regulating monopoly tend to become confused particularly by conflicting American opinions on the practical effectiveness of legislative regulation. Among some of them there seems to be a tendency to exaggerate the difficulties of control but a group of financial journalists has increasingly taken up the attack on British monopolies and on international cartels. There has so far been very limited discussion of patent questions in relation to monopolies.

Meade,⁴⁷ in a private conversation, indicated that slow progress is being made by the British working on the problem of monopoly and cartel policy. So far attention has been devoted largely to the question of domestic policy which he believes must be clarified before it will be possible for the British to embark upon useful discussions of the international problem.

Meade agreed that it was desirable that British and American technicians should each give advance consideration to the issues regarding cartels which the other side regards as important. He hinted the

⁴⁷ James E. Meade, of the British Board of Trade.

difficulties were at the Ministerial level. The coalition Government, he said, contains representatives of many interests and points of view, including those favorable to monopolies and cartels as well as those favoring a strong anti-cartel line, and it is at best a slow process to work out a program acceptable to everyone.

WINANT

840.50/3640 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, March 24, 1944—6 p. m.

[Received March 25—11:55 p. m.]

2390. For those concerned with Article VII discussions—number 8 in the series. This message is concerned with internal British political developments in relation to postwar international economic reconstruction.

It is intended (*a*) as a counterpart to two former messages in this series (Embassy's 1211, February 12 and 1807, March 4) discussing British concern regarding the possible reactions on international economic reconstruction of American political developments in 1944; (*b*) to give some explanation of the decrease of initiative and the slower pace [*pace*] of British action on Article VII questions.

Underlying elements of unity and stability in British politics have been pronounced ever since May 1940. There has been a genuine coalition Government and all parties have been thoroughly united not only in the prosecution of the war but also—with a measure of compromise—in the social and economic measures adopted in the civilian sector of the war economy. Drastic rationing and controls over prices, production and distribution together with mobilization of both male and female labor and its direction into occupations on a scale unexcelled and perhaps unequalled in any other country, have been accepted by all parties and by the masses of people and administered with outstanding efficiency.

Questions arise how long this unity and stability will continue and to what extent will domestic political changes, when they come, affect British willingness to undertake commitments in international economic matters. Attempts to answer such questions must necessarily be tentative and subject to error and what follows should be considered as a preliminary discussion, subject to correction and extension in the light of further developments and of the results of further inquiries.

First, the electoral truce is becoming increasingly unpopular. The restiveness of the constituencies goes deep. It is influenced in the main by the conviction that the present House of Commons, elected

in 1935 with an overwhelmingly conservative majority, is not representative of the country and that Parliament, heavily weighted on the conservative side, cannot be trusted to push postwar plans.

Second, there appears to be a widespread belief, expressed in journals, in cartoons and in casual conversation, that the Government is stalling on postwar social and economic reconstruction. This belief is held by groups and individuals in widely varying degrees.

In its crudest form it is applied to the whole field of reconstruction and in this it is clearly unjustified. The Government has worked out and made public comprehensive and far-reaching measures which will revolutionize the nation's educational and health services. The education measures are already in the legislative stage. In addition far-reaching social security measures will be announced shortly. The health and social security measures may be expected to place Britain in a leading world position in those fields. Other plans, national and international, are in process of formation but in the British system of Government the strictest secrecy surrounds such plans and the public and even most of the House of Commons have only the vaguest ideas of what the Government is doing.

In the better informed sections of the public and of the Labor and Liberal parties and press considerable credit is given to the coalition Government for its work in "social" fields of reconstruction. It seems clear that the Conservative Party, as well as the Labor and Liberal Parties, is ready to go far in these fields and is not inhibited by doctrinaire aversion to far-reaching Government operation and control in them. Thus there is a wide common area of agreement in the field of domestic postwar reconstruction and a coalition government could carry through a far-reaching program.

Plans for housing programs have been made and the Government's intentions have been announced on a 2-year program of temporary and permanent dwellings to be undertaken by public local authorities and on labor trains [*training?*] and recruitment in the building industry. Here again there is a substantial area of agreement. But here, in one part of the field, disagreement begins.

The formulation of Government policy on land acquisition and utilization and accretions to land values in areas to be developed raises questions of political policy and affect number of vested interests towards which the attitudes of the political parties differ considerably. Strenuous efforts are being made to reach a compromise position in order to meet a persistent public demand for a specific Government policy. But it is extremely difficult to go far enough to satisfy the Labor and Liberal Parties without alienating powerful factions in the Conservative Party. In discussions of methods of public control over land utilization the issue of land nationalization or at least a

wide extension of public ownership of land inevitably rises. Until very recently it seemed that the Conservative Party could not go far enough to meet the progressive trend and that though a temporary compromise might be reached within the coalition it was unlikely that such a compromise would continue to be acceptable for long to all the political parties and the public.

But recent developments have modified this prospect. The adverse by-election results in the last 2 months, the hostile reception to Mr. Willinck's statement in the Commons on March 8 on housing and the course of the debate on March 15, the report of the Tory Reform Committee on a policy for land (development and control), the interim report of the Subcommittee on Housing of the Conservative Party Central Committee on postwar problems, and the severely critical tone of the press, the local authorities, the building trade unions, the contractors associations and the building societies on the failure of the Government to declare a land policy have shaken up the Cabinet severely. There are reasons for believing that the Cabinet is engaged in urgent consultations in which the Prime Minister is taking a hand and that important decisions will soon be reached. There is definite prospect that the Conservatives in the Cabinet may be forced to make more far-reaching concessions than they were previously willing to make.

If this should happen it may have a marked effect on the future of coalition Government and of postwar policy on economic reconstruction. Social security, health and medical services, and education are fields in which an agreed coalition program is practicable and is actually beginning to be put into effect. If to this both housing and policy of land development and control can be added the area covered by agreed measures will be so wide that there will be a formidable case for continuing coalition Government during a limited period immediately after the war. The issue hangs in the balance, however, and it would be dangerous to assume that it will necessarily be decided on its purely economic merits.

It is in the field of the relation of the state to industrial and trading organization that substantial rifts are most likely to develop in the future between the parties. The Labor Party advocates in general more extensive government ownership and control than the Conservative Party desires. Even if this rift is patched up in the field of land policy it seems likely to break out again in industrial fields. However, it is not easy to specify the precise basis for these probable rifts. It seems likely that they lie more in general political philosophy and in public discussions of political principles than in the extent of probable differences of practical application in the early postwar years. The area of actual and prospective agreement described above

is wide enough to make large inroads on parliamentary time and on administrative resources. The additional measures which a Labour government could accomplish as compared with a coalition government would be sharply limited in practice. Moreover, none of the political parties has the resources or ability to prepare complicated economic measures in a form for practical application without the help of the permanent and the temporary Civil Service and the latter will continue for some time to be overworked on a vast number of complicated administrative and policy questions connected with the war, with liberated areas and with the immediate transition period as well as with more far-reaching reconstruction problems. Signs of fatigue are noticeable among British experts and administrators in Government. They are a small group of highly able and well trained persons on whom enormous demands have been and will continue to be made. They are essential to the success of any economic program.

The economist of the General Council of the Trade Union Congress recently said confidentially that the Labour Party could not offer a practicable program for the immediate postwar period containing more than 10 percent above an agreed coalition program. Economists of the War Cabinet Secretariat take a similar view. In fact it is difficult to find economists here who do not favor a preliminary period of coalition government on an agreed reconstruction program.

Additional fields in which doctrinal differences on public ownership and control exist include coal mines, railways, banks and electric power.

There can be little doubt, however, that the case for nationalization of coal mines has become so strong that however much it would be disliked by the Conservative section of a coalition government the extraordinarily difficult position of the coal industry might induce them reluctantly to accept it. Coal wages have risen but output per worker has actually fallen. Prospects for postwar exports of coal are black unless some fundamental remedies are adopted. Effective remedies would probably require (1) relating earnings to output more closely than at present; (2) drastic technical changes in the pit; (3) proper grouping of operating units. Since coal in Britain faces no competition from hydroelectric power or domestic oil or natural gas, competitive inducements to improved methods are weak and there is a growing tendency even among thinkers generally opposed to "socialistic" measures to conclude that the second and third of the remedies can only be applied after nationalization in some form. Even Conservative objections tend increasingly to be based more on fears of precedent than on the intrinsic merits of the case.

Two points arise here from the point of view of the Article VII discussions: (1) In view of the part played by coal in British exports

in the past the doubling of labor costs per unit of output since 1938 will add to the unfavorable aspects of the British balance of payments position; (2) if, as is not unlikely, the coal industry is nationalized, the problem of appropriate price and subsidy policies with reference to exports from a government industry will arise.

Though Labor on the whole favors nationalization of railways there is a fairly widespread feeling among economists and administrators that because of the wide measure of public control already existing, nationalization of railways in itself would not achieve any very significant economic gain. The same view is widely held with reference to the nationalization of banks.

However, the conventional arguments of the past on socialism and private enterprise have been overshadowed by discussions on full employment and national planning. Thus nationalization of banking is advocated by some groups as necessary to give the state power to maintain investment at an appropriate level: others think that there is sufficient control already to render this unnecessary. Nationalization of railways is widely considered as a side issue, the main issue being national planning with reference to the transport system as a whole. The difference between Labor and Conservative circles on these issues is probably in the last resort more on means than on ends. A comparison between the speeches of Morrison⁴⁸ and Lyttelton⁴⁹ helps to illustrate this.

However, the difference on means should not be underestimated. It is particularly noticeable in regard to monopoly questions. There seems little doubt that a Labor government would establish sharper controls over monopoly than a Conservative or a coalition government would do. Agreement on international cartel policy would probably be easier with a Labor than with any other government here. At the same time Labor would be more likely to maintain bulk purchasing of food imports under government direction and this would, as indicated in Embassy's 1026 of February 6, 11 p. m., necessitate careful definitions in the Article VII agreements as to conditions of nondiscrimination.

Thus when account is taken of (*a*) the substantial area of agreement already existing between the parties on social legislation, (*b*) the widespread recognition that the state must continue firm economic control for a few years, and (*c*) the time and resources needed to put into effect the agreed measures discussed above and others covering demobilization, the gradual relaxation of controls, and the reconversion of industry—the conclusion may be drawn that the economic

⁴⁸ Herbert Morrison, British Labour Party, Home Secretary and Minister of Home Security.

⁴⁹ Oliver Lyttelton, British Conservative Party, Minister of Production.

programs capable of early practical application by a coalition or a Labor government would not differ widely.

But the dissolution of the coalition is likely to be decided on other grounds than the differences between the economic measures which the different political parties would be able to adopt in early post-war period. There are convincing political reasons as far as present indications go why the present coalition is unlikely to last long after the defeat of Germany. First, there is a widespread consciousness in the country of the unrepresentative character of the present House of Commons. Second, local Labor parties feel themselves stultified by enforced inaction in the constituencies. Third, the electoral truce is unpopular all round. Fourth, many Conservatives would like to cash in on Mr. Churchill's war reputation as soon as practicable, and certainly before the war in the Far East ends.

However, many of those who oppose the electoral truce and demand a general election as early as possible recognize when pressed that there is a strong case for the formation of another coalition to carry through an agreed program in the early post-war years. In fact, though the point cannot be proved, it is conceivable that the majority of British people, if pressed to take a definite position, would favor (1) holding a general election quickly after the fall of Germany, (2) the formation of a new temporary coalition to put into legislative effect a common post-war program in a specified period after which there would be a complete return to party politics.

Such a procedure would face many hazards. It would be difficult or impracticable to arrange any commitments in advance that a new coalition would subsequently be formed. If one party gained a sweeping majority it might not be willing to consider a new coalition.

There is, however, one factor which might influence even a party with a clear majority to favor a temporary post-war coalition. It will be essential to maintain a number of economic controls for some time after the war. Some of these controls will be unpopular in peacetime and a single party government might suffer from this unpopularity in a subsequent election. Thus the uncertainties are so great that confident predictions are impossible. The difficulties of the coalition government which have been analyzed above account to a considerable extent for the slower pace and the hesitancy of the British in recent months in following up the Article VII conversations. The difficulty has been largely at the ministerial level and as the conversations advance towards the stage of formal negotiations it becomes increasingly necessary to obtain the assent of Ministers to specific policies. The political uncertainties described above have made Ministers hesitant to take long range decisions. A leading civil servant in a

confidential conversation recently referred to the coalition government as "a dying administration".

The significance of this statement should not be exaggerated. The administration functions with undiminished efficiency in the war effort and in addition—as far as the civil service goes—in planning for the transition and for long range reconstruction.

Nor is the difficulty of getting ministerial decisions on post-war questions due solely to the difficulties described above. Ministers, like the leading experts and civil servants, are suffering from fatigue and some of them are intensely preoccupied with the work and prospects associated with the coming Western offensive. This should be taken carefully into account in any attempts to press the British to speed up decisions on post-war matters.

I thought the Secretary, and the Under Secretary and those who will accompany him here might find it useful to get this message before the group leaves for London.

WINANT

840.50/3683

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] April 4, 1944.

The British Ambassador called at his request. He brought up the matter as to whether this Government desires to move forward very soon with general economic conferences, et cetera. I replied that there were strong reasons being advanced from the world standpoint for early conferences between us and the British in particular and others along with them, and that the matter is under consideration now, and that the Treasury will be ready to join with us in giving the British private information as to our attitude very soon. The Ambassador said he especially desired to be informed as soon as we are able to do so. I said we would do this.

C[ORDELL] H[ULL]

840.50/3593½ : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

WASHINGTON, April 14, 1944—8 p. m.

2964. This is for the Ambassador and refers to your 2170 of March 17. Please urge a favorable reply to the President's two messages to the Prime Minister of February 23 regarding the establishment of international economic machinery and the related question of the future of the Combined Boards.

The establishment of the commission proposed at Moscow to act as a steering committee is considered most urgent because of the great need for a regularized mechanism which would assure that constant and orderly consideration is given jointly to planning international consultation on post-war economic matters. General approval of the proposal has already been received from the Russians.⁵⁰ Presentation of our more detailed ideas to both the Russians and British awaits approval in principle from the British.

The Department feels that joint procedures in this field have been much too spasmodic and unsystematic and that this is jeopardizing successful international action on economic questions. It is also believed that it is highly important that a permanent over-all economic body be established most expeditiously and the suggested commission is needed as a clearing house for the ideas of various countries regarding such a permanent body. It is envisaged that perhaps a sub-group of the commission might act as a preparatory commission for an international conference held to establish permanent machinery.

Please also urge strongly that the British avoid further delay on the resumption of the Article VII exploratory discussions between British and American experts. The continuation of these discussions in our opinion is necessary apart from the question of the economic commission. Study of the alternatives regarding American post-war commercial, commodity, and cartel policies has reached a point where practically no further progress can be made without having additional indication from British experts regarding the many technical problems bearing on the feasibility of our alternative ideas on these highly important matters. It is considered lamentable that progress in these fields has not advanced considerably further to date and all efforts should be made to avoid additional delay.

Please stress that the Department considers that both the establishment of a commission and the resumption of Article VII discussions with British experts are matters of the greatest urgency, and that neither project should be delayed pending conclusion of the other, but both should be pressed forward simultaneously with maximum expedition. A decision regarding the establishment of the commission should not be deferred until the resumption of Article VII discussion, nor should resumption of Article VII discussion be delayed until the question of the suggested commission is finalized.

Please inform the Under Secretary.

HULL

⁵⁰ See telegram of March 10 from Premier Stalin to President Roosevelt, p. 22.

840.50/4-1844: Telegram

The British Prime Minister (Churchill) to President Roosevelt

[LONDON,] 15 April 1944.

647. Reference your 476 and 477.^{50a} I am in agreement that we should clear our minds on the question as to which matters might profitably be discussed internationally before the end of the war. In a preliminary way at least, the visit of Mr. Stettinius to London should provide an opportunity for discussing the procedure best calculated to ensure that all these economic questions are dealt with in the right order and at the right time.

Reference your 477, on the subject of Combined Boards and their future status, I entirely agree with you that the Boards have done good work and that we should further study the part which they could and should play in our future arrangements. I propose to send instructions to our representatives in Washington as I think that the initial discussions on this had better take place in Washington between the appropriate United States agencies and our representatives there.

740.0011 Stettinius Mission/38a: Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, April 17, 1944—midnight.

3074. Esdel No. 30. The following may be of interest to the Under Secretary if the British bring up the matter and discussion becomes necessary.

1. Discussions have been proceeding within the Department as to the future of the Combined Boards. It is generally felt to be necessary that the Boards continue their present functions in relation to scarce war materials, facilities and shipping until the end of the war unless, prior to that time, alleviation of shortages makes continuation of controls unnecessary. In view of the intimate relationship between the British and the Americans on the Combined Boards and with the Canadians on the Combined Food Board and the Combined Production and Resources Board, it is felt that under present conditions expansion of the Boards to include representatives of other countries at the top level would impair their efficiency and usefulness.

2. It is also generally felt that it would be desirable, both to facilitate the operation of the Boards and to satisfy third countries, to

^{50a} *Ante*, pp. 14 and 16, respectively.

invite other countries to be represented on working subcommittees dealing with subjects in which such other countries have an interest as substantial producers or consumers. Representation on the working groups only and not on the Boards themselves might be made more palatable by stressing that (a) third countries will not be interested in all items handled by the Board, (b) since the US and the UK have assumed the basic responsibility for managing the over-all war supply problems of the United Nations, such responsibility carries with it the need for certain special operating techniques, and (c) the Boards are purely wartime mechanisms to deal with acute war shortages and should be liquidated as soon as possible and not extended beyond their essential wartime purpose.

3. If it is necessary to resort to action in concert with other countries to handle the emergency supply and shipping problems existing at the termination of hostilities, it would be desirable to work this out on a broader basis than the Combined Boards.

4. It is generally agreed to be impractical to try later to expand the Boards themselves into a United Nations organization. Any international organization to handle the problems mentioned in paragraph 3, or to deal with surpluses during the war or after, or which is planned for the postwar period should be considered as a separate matter.

These matters have been discussed with US members of the Combined Boards, but such discussions have been on a preliminary basis only. It is anticipated that the US allocating authorities and the US members of the Boards will support the suggestions made above.

HULL

840.50/3306 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Harriman)*

WASHINGTON, April 19, 1944—5 p. m.

959. 1. Reference is made to the President's message to Premier Stalin of February 23, suggesting the urgent need for establishing the international economic machinery proposed by Secretary Hull at the Moscow Conference, and to the Premier's favorable reply of March 10. The President sent an identic message to Prime Minister Churchill on the same date.

Please explain to the appropriate officials of the Soviet Government that further communication with them regarding this proposal has been delayed for the reason that definite acceptance in principle by the British has not as yet been forthcoming. In your discretion you may indicate that the Department is pressing for early British accept-

ance and has sent a cable to London of which the substantive portions of interest are as follows:

[For the text of two paragraphs here omitted, see the second and third paragraphs of telegram 2964, April 14, 8 p. m., to London, printed on page 34.]

2. With reference to the Department's telegram no. 1315 of December 2, 1943⁵¹ and previous communications on this subject, you are reminded that the Soviet Government has not yet acted upon our invitation of last September⁵² to undertake informal exploratory talks in connection with Article VII of the Mutual Aid Agreement. Please urge upon the Soviet officials the desirability of initiating these discussions, to which this Government attaches the greatest importance, as soon as possible. In this connection you may find it useful to refer to the fact that similar preliminary discussions have now also been held with the Canadians; that the topics under consideration are gradually being made the subject of consultation with the representatives of the various American Republics through the medium of the Inter-American Financial and Economic Advisory Committee at Washington; and that discussions with the British will probably soon be resumed on a more intensive basis.

You should make it clear that the international economic machinery referred to in 1, above, will not preclude the need for early Article VII talks on a bilateral basis. The Department considers that both the establishment of the economic machinery and the initiation of Article VII talks with Soviet experts are matters of the greatest urgency and that neither project should be delayed pending conclusion of the other, but both should be pressed forward simultaneously with maximum expedition.

HULL

840.50/3713: Telegram

The Ambassador in the Soviet Union (Harriman) to the Secretary of State

Moscow, April 22, 1944—8 p. m.

[Received April 22—4:43 p. m.]

1385. The substance of the Department's 999 [959], April 19, 5 p. m., was incorporated in two letters to Molotov⁵³ which I handed to Vyshinski⁵⁴ on April 21. I emphasized the importance which my Government attaches to the two questions.

I had not known of the communication of March 10 from Stalin to the President referred to in the Department's telegram. I do not

⁵¹ *Foreign Relations*, 1943, vol. I, p. 1118.

⁵² See telegram 791, September 3, 1943, 5 p. m., to Moscow, *ibid.*, p. 1111.

⁵³ Vyacheslav Mikhailovich Molotov, Soviet People's Commissar for Foreign Affairs.

⁵⁴ Andrey Yanuaryevich Vyshinsky, Soviet Assistant People's Commissar for Foreign Affairs.

now normally receive from Molotov copies of messages which are transmitted through the Soviet Ambassador in Washington to the President or to the Department. In view of this, it would be helpful if I could be kept informed of the substance of messages transmitted through Gromyko.⁵⁵

HARRIMAN

840.50/5-144

Memorandum by Mr. Hayden Raynor, Special Assistant to the Under Secretary of State, to the Director of the Office of Economic Affairs (Hawkins)

[WASHINGTON,] May 1, 1944.

MR. HAWKINS: I believe you will be interested in the following excerpts from conversations Mr. Stettinius had with Mr. Eden and the Prime Minister:⁵⁶

"Mr. Eden. He mentioned the fact that he was embarrassed at not being able to give us a final answer on the Steering Committee proposal but stated that he would review the matter with the Prime Minister promptly and hoped to be in a position to communicate with you on definite lines within the next two weeks."

"The Prime Minister. I impressed upon the Prime Minister the importance of continuing with the economic conversations as rapidly as possible. The Prime Minister stated that he would have to have a thorough review of this matter with the Dominions Prime Ministers in discussions here in the next two weeks, that there were a number of important political considerations on the part of his Government that had to be taken into careful consideration, and that it was impossible for him to indicate at this time with any certainty as to when these conversations could be resumed or on what level.

"I received the impression from the Prime Minister that we might in two or three weeks time receive a less favorable answer from the British than Eden hopes."

HAYDEN RAYNOR

840.50/3741 : Telegram

The Chargé in the Soviet Union (Hamilton) to the Secretary of State

Moscow, May 4, 1944—10 a. m.

[Received 9:50 p. m.]

1576. Embassy's 1385, April 22, 8 p. m. The following is a paraphrase of a translation of a note from Molotov dated May 3:

"I have received Ambassador Harriman's letter of April 21 concerning the question of establishing United Nations machinery for

⁵⁵ Andrey Andreyevich Gromyko, Soviet Ambassador in the United States. Paraphrase copy of Premier Stalin's telegram of March 10 to President Roosevelt, printed on p. 22, was transmitted to Moscow in telegram 1037, April 26, 9 p. m., not printed.

⁵⁶ Marginal note: "On April 25—J.M.L."

postwar economic collaboration. Whenever you are able to provide them I would appreciate receiving more detailed views of the Government of the USA on this question.⁵⁷

HAMILTON

641.0031/148: Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

WASHINGTON, May 4, 1944—9 p. m.

3579. During a conversation with Lord Halifax on May 4 I complimented him on his recent speech⁵⁷ and observed that there was quite a contrast between it and some of Mr. Churchill's recent utterances⁵⁸ which gave the impression that the Prime Minister favored the maintenance intact of Empire preferences and a tightening up of the Commonwealth, while at the same time he was preaching closer relations between the three great Western nations. I said that all of this together had discouraged many people in this country and in many small countries whose governments and people were becoming increasingly fearful that the three great Western nations would draw ever closer together and practice the worst forms of imperialism while neglecting the smaller nations. Mr. Churchill seemed to me to be overlooking this situation. I recalled my attempts to keep alive our views as to economic cooperation and future commercial policy and added that the future would indeed be dangerous unless we could have more cooperation from the British and have it now. I recalled the fight which the President and I have waged in this country for more liberal commercial policies against overwhelming odds and said that if we had faltered as the Prime Minister seemed to be faltering we would have gotten exactly nowhere.

I need not emphasize to you my concern over this matter and count upon you to take every opportunity to impress our views upon the British authorities.

HULL

840.50/3750: Telegram

The Chargé in the Soviet Union (Hamilton) to the Secretary of State

Moscow, May 12, 1944—4 p. m.

[Received May 13—1:15 a. m.]

1674. During a call this afternoon on the Chief of the American Section of the Foreign Office I referred to the Ambassador's letter of April 21 to Mr. Molotov in regard to the invitation extended to the

⁵⁷ Presumably his address on international cooperation at the University of Michigan, April 21, 1944, *British Speeches of the Day* (New York, British Information Service), vol. 2, p. 30.

⁵⁸ See Churchill's speech on unity in the Commonwealth and Empire to the House of Commons, April 21, 1944, *Parliamentary Debates*, House of Commons, 5th series, vol. 399, col. 577.

Soviet Government to undertake the informal talks outlined in part 2 of the Department's 959, April 19, 5 p. m.

I expressed the hope that the Soviet Government could give early and favorable consideration to this matter and asked that it be brought to the attention of Mr. Molotov. This Mr. Tsarapkin said he would do.

HAMILTON

800.515/1054 : Telegram

The Chargé in the United Kingdom (Bucknell) to the Secretary of State

LONDON, May 13, 1944—6 p. m.

[Received 8:58 p. m.]

3914. For those concerned with Article VII questions. No. 9 in the series. In an informal conversation Keynes said that the opposition to the monetary plan was a minor offshoot of the opposition to the commercial policy plan as latter is conceived by members of Parliament and the public who hold no accurate information on it and entertain the most erroneous notions of its nature. Keynes thought the debate on the monetary plan showed almost incredible stupidity. There were vague suspicions that the monetary plan might have some connection with the commercial policy plan. There had, however, already been a sharp reaction against the House of Commons on the matter. Keynes said the agitation against the monetary plan was instigated by two or three people only. He does not believe that it should be taken too seriously and thinks the monetary plan can be got through.

2. When asked why there was not greater appreciation by Parliament and the public of the vital importance to Great Britain of reduction of obstacles to trade, Keynes said that outside civil service and ministerial circles it was vaguely assumed that the commercial policy talks and the commercial policy plan had to do only with trade between Britain and the United States. In Britain the United States is not regarded as a leading potential market for British goods and there is more concern to obtain wider entry to other markets. United States tariffs are considered as of great importance in a multilateral framework but the reduction of United States tariffs without reduction in the obstacles to entry into the markets of other countries makes only a very limited appeal and would not be a sufficient inducement to Britain to enter into commitments that would drastically limit its freedom of action. The aspect of the commercial policy plan which

would have the greatest appeal to Britain was its multilateral scope and that had not yet been revealed to Parliament and the public.

3. When asked whether he thought that Empire preferences were the main reason for the difficulties at the ministerial level regarding the commercial policy plan, Keynes replied that no doubt that played some part but much more important was the form in which the paper on the commercial policy discussions was drawn up. The central difficulty was that in the document the exposition at a number of points started out with flat prohibitions of certain measures and practices and only later introduced qualifications and limitations which indicated that the measures and practices could be resorted to in specified conditions and were not really "prohibited" at all in any absolute sense. This form of exposition might appeal to American opinion but the circumstances here were quite different. It was understood by the British that Lend-Lease would come to an end the moment hostilities ceased. Such a sudden move would obviously create serious difficulties unless some temporary substitute were found. It was obvious, however, that the United States could make no commitments concerning any substitute measure until after the elections.

4. In these circumstances the form of exposition adopted in the commercial policy document with its emphasis on the prohibitory aspects of the plan had quickly run into grave difficulties when brought to the ministerial level after the return of the technicians from Washington. The absence as yet of any specific measures to fill the gap between the end of Lend-Lease and the reestablishment of British export trade is a matter of grave concern here and makes prohibitions of quantitative controls appear a remote and academic ideal.

5. Keynes believes that the substance of the commercial policy plan could be entirely preserved in a redrafted document which would do much to allay the fears that had been aroused in ministerial quarters by the existing draft. He said that in the drafting of the monetary plan he had constantly kept political factors in mind and frequently had slipped in phrases which without making any difference whatever to the substance of the plan spiked the guns of hostile critics or allayed the fears of honest doubters. He thought the Board of Trade drafters of statements on commercial policy had acted too much like civil servants and not enough like politicians.

6. Regarding the Monetary Conference, Keynes said, and this point was also made by Ronald in an informal conversation this morning, that it was impracticable for any leading Minister to leave the country now because of the second front and that therefore the British view was that the Conference should be intermediate between a purely technical conference and a fully political conference entering into

final commitments. Asked as to his views on procedure regarding the international investment plan, Keynes replied that he expected to go to Washington himself and that he hoped that parallel with the monetary talks there would be purely technical United Kingdom–United States talks on the bank for reconstruction and development. He thought that if these talks made sufficiently rapid progress the subject might be thrown into the Monetary Conference before the latter ended.

7. Ronald like Keynes stressed the overwhelming concentration of the attention of leading Ministers on second front matters. He said further that in such circumstances commercial policy had the appearance to them of being academic. In the Foreign Office, however, they realized fully that the appearance conflicted with the reality in this matter. This morning Ronald was about to seek information as to the results of discussions with the Dominions Premiers on Article VII. He thought it probable that the discussions would be inconclusive.

8. We are assured from reliable sources that all the technicians who took part in the Article VII talks together with practically all civil servants in the Foreign Office share our views as to the urgency and importance of rapidly pushing forward the Article VII talks and economic reconstruction plans generally; that they have put forward their best efforts to make progress within the Government; and that they have not backtracked from the general positions they took in the informal talks in Washington. Obstacles to advance lie in ministerial circles.

9. From the conversation with Keynes referred to above and from other indications, it seems probable that future progress with long term economic reconstruction depends partly on parallel progress on systematic and comprehensive lines in planning to deal with transitional difficulties and especially those which will arise if Lend-Lease ends suddenly. Precise indications are not yet available of detailed British views on transitional measures in the economic field but we shall try to obtain further information at the civil service level. Keynes called attention to paragraph 12 of the paper given to the Department on the International Development Bank⁵⁹ in which the proposed international institution is conceived as helping to bridge the gap between the limited amount of rehabilitation that UNRRA can accomplish and proposes [*purposes*] of the International Monetary Fund.

10. A short separate message will follow on points concerned with international transport. In future we propose to include comments on this subject in the Article VII series of messages.

⁵⁹ *Post*, p. 120.

11. Please bring this message to the attention of the Ambassador when he arrives and also of Gallman.⁶⁰

BUCKNELL

840.50/3785 : Telegram

The Chargé in the Soviet Union (Hamilton) to the Secretary of State

Moscow, May 26, 1944—11 a. m.

[Received May 27—6:27 a. m.]

1891. Embassy's 1674, May 12, 4 p. m. During a call on Vyshinski on May 25 I referred to the invitation extended to the Soviet Government to undertake informal talks under Article VII of the Mutual Aid Agreement and expressed the earnest hope that the Soviet Government would see its way clear to agreeing to initiate the talks at an early date. Vyshinski replied that he was acquainted with the subject but that it fell within the competence of the People's Commissariat for Foreign Trade. He stated that he would advise the interested officials of that Commissariat of my approach in the matter.

HAMILTON

611.0031 Executive Committee/S26

Memorandum by the Secretary of State to President Roosevelt

[WASHINGTON,] June 2, 1944.

The Executive Committee on Economic Foreign Policy^{60a} at its meeting on May 26, 1944 approved the attached recommendations regarding legislation to facilitate the financing of reconstruction, with the understanding that such legislation would be sought at a favorable time—possibly after the invasion has been launched.

I believe that it is necessary and desirable that such legislation be sought as soon as practicable. If you approve, I will request the several agencies involved to draft legislation which might be brought up in the Congress in July or August.^{60b}

⁶⁰ Waldemar J. Gallman, Counselor of Embassy at London.

^{60a} The Executive Committee on Economic Foreign Policy was established in April 1944 "to examine problems and developments affecting the economic foreign policy of the United States and to formulate recommendations in regard thereto for the consideration of the Secretary of State, and, in appropriate cases, of the President." See Department of State publication No. 3580: *Postwar Foreign Policy Preparation, 1939-1945* (Washington, Government Printing Office, 1949), pp. 218-220.

^{60b} Marginal note: "CH OK FDR."

[Annex]

RECONSTRUCTION FINANCING AND RELATED PROBLEMS

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS^{60c}

(1) It is the policy of the Government of the United States to engage in a properly conceived program of foreign investment to aid in financing the reconstruction of war-torn areas and for related purposes including facilitating the export generally of capital goods from the United States and the economic development and industrialization of the less developed areas of the world.

(2) This policy includes the elimination of unnecessary obstacles to the flow of private foreign investment and the regulation of private foreign investment to the extent necessary to eliminate abuses detrimental to international relations.

(3) Adequate provision does not now exist for financing reconstruction and development programs which it may be anticipated will arise during the next year or until the United Nations Bank for Reconstruction and Development is established. Moreover there exist areas for financing inappropriate to the United Nations Bank but appropriate for unilateral and bilateral arrangements involving United States Government institutions.

(4) In general reconstruction financing should take the form of loans with expectation of eventual full repayment.

Recommendations

1. Export-Import Bank—request immediate Congressional action to extend the powers of the Export-Import Bank:

- a. Increase lending powers by one billion dollars or so at this time.
- b. Eliminate default (similar to Johnson Act) limitations.

2. Johnson Act—request its repeal, preferably in connection with extension of the powers of the Export-Import Bank, in order to permit private participation in the extension of credits to certain European countries.

^{60c} This document, identified in other copies as ECEFP D-5/44, summarizes a longer memorandum of May 24, 1944, by Emilio G. Collado, Chief of the Division of Financial and Monetary Affairs (Lot 122 (Rev) S/S-S, Box 21, not printed). Collado listed the following needs and requests for reconstruction and development financing: "1. Needs of Italian reconstruction. 2. The discussion of Ambassador Harriman with the Russians regarding an initial 500 million dollar credit for exports of capital goods to Russia. 3. Conversations with Ambassador Harriman regarding reconstruction in the Balkans and Poland. 4. The Chinese request for a billion dollar loan. 5. The Dutch request for a 300 million dollar credit. 6. Latin American projects including: a. Railways in Brazil. b. Chilean steel mill. c. Further Rio Negro power projects in Uruguay. d. Further Mexican industrial projects. e. Colombian industrial projects. f. Dominican cement and other projects."

3. Securities and Exchange Commission—

a. By amendment of the Securities Act bring all foreign loans and investment, whether publicly offered or privately placed, within the jurisdiction of the SEC, thereby providing a basis for regulatory procedures as to all such foreign transactions through financial institutions. By a similar amendment to the Investment Companies Act, bring the foreign activities of private investment trusts under supervision similar to that already existing with respect to publicly owned investment trusts.

b. Urge the Securities and Exchange Commission to require by administrative ruling or to request on a voluntary basis, if feasible, registered corporations to file with it current reports of loans made to foreign enterprises or foreign governments or of investments in foreign plants or subsidiaries.

840.50/3827 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, June 15, 1944—5 p. m.

[Received 9:04 p. m.]

4782. For those concerned with Article VII questions: No. 9 [10] in series. In an informal conversation Keynes expressed optimism on the prospects of agreement not only on the stabilization fund but also on the Bank for Reconstruction and Development.

After reading the United States Treasury memorandum⁶¹ he had formed the conclusion that there was ground for acceptable compromise between the United States and United Kingdom positions on international investment.

He expressed a strong desire and hope that during the forthcoming discussions the plans for the bank would be advanced to a point parallel with the stage reached on the stabilization fund.

The deadlock on the question of continuing the commercial policy talks continues. There is little controversy on the question of commodity policy, and delay in continuing the discussions on this field is merely a by-product of the difficulties at the ministerial level on the commercial policy talks. Both Ronald and Keynes have expressed the view that while there should be no inherent difficulty on the commodity policy talks they regarded them as being so bound up with general commercial policy that there would be little point in attempting to continue them until the deadlock on the commercial policy talks has been broken.

These and other personal talks with officials concerned with Article VII discussions support the views expressed in Embassy's 3914 of

⁶¹ See statement on the Bank for Reconstruction and Development drafted by American technical experts, contained in telegram 3076, April 17, to London, p. 115.

May 13 that the civil service viewpoint remains unchanged in fundamentals. Civil servants have from time to time pressed Ministers vigorously and there has been much argument and some friction behind the scenes, particularly with regard to the question of continuing the conversations at the technical level. Because of this friction some of the British with whom we frequently discuss commercial policy matters have asked recently not to have their names quoted even confidentially at present.

British civil servants concerned with the commercial policy talks are pessimistic regarding the immediate future. They agree that the multilateral scope of the proposed international commercial policy arrangements would have a favorable effect on British opinion if it were known. However, they doubt whether this would have much practical effect before the November elections since there is widespread fear in Britain that the results of those elections might be to destroy the chances that the United States will be willing to enter into an arrangement for a substantial all round reduction in trade barriers.

Ronald also does not see any prospects of breaking the deadlock on commercial policy in the immediate future. On the other hand Keynes is more hopeful and it was evident during a conversation with him on Tuesday last that he intends to make strong personal efforts within governmental circles to get the commercial policy talks restarted as soon as he returns from the United States. He said that he had been so completely tied up with the work on the monetary and investment plans that he had been unable recently to take any active steps in relation to the commercial policy and commodity talks.

If Keynes is able later to throw his energies into attempting to break the deadlock there is in our opinion some hope that his persuasive powers, his influence with Ministers and his political insight may produce more effective results than can be reached through the Board of Trade civil servants who, though technically able and of high integrity, are far less effective in political strategy.

WINANT

841.24/2239 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

WASHINGTON, June 16, 1944—midnight.

4783. Please wire fullest information available and recent developments on the contracts referred to in your 4426 and 4427, June 2.⁶²

Please point out to appropriate Foreign Office officials that such long-term contracts on a strictly bilateral basis, extending perhaps

⁶² Neither printed; they contained reports regarding British negotiations for the conclusion of long-term contracts with overseas countries for meat and dairy products (841.24/2237, 2239).

well into the post-hostilities period, would have to be viewed by this Government in the light of Article VIII of the United States-United Kingdom trade agreement⁶³ and might be in conflict with the provisions with regard to state trading as contemplated in the United States-British exploratory commercial-policy talks of last autumn and the resulting joint statement. Please wire also result of your interview.

Ottawa is being requested⁶⁴ to talk with External Affairs along similar lines. Canberra, Wellington and Pretoria are being informed by telegraph.⁶⁵

HULL

840.50/3881a : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

WASHINGTON, June 16, 1944—midnight.

4784. In as much as the British delegation to the monetary conference will include Keynes, Robertson,⁶⁶ Robbins, Ronald and Snelling,⁶⁷ all of whom participated in the Article VII discussions last October, it occurs to us that it may be possible to take advantage of their presence in this country for a brief resumption of those discussions. For the immediate purposes we have in view, the discussions need not be of longer duration than a few days or perhaps a week immediately following the monetary conference. They would, of course, be entirely informal and exploratory and confidential.

Our information as to the latest trends of British thought on the subjects considered during the last exploratory discussions is fragmentary and incomplete, and we should like very much, for purposes of assisting us in directing our own further thought, to have fuller information regarding the British thinking. Similarly the British would doubtless like to be acquainted with the result of our further study and consideration of these questions.

If the British Government should think favorably of the idea, it might wish to send other officials concerned in these discussions to participate in them. But the fact that part of the group would be here for the monetary conference would involve a minimum of travel and would facilitate avoiding publicity regarding the talks.

⁶³ Signed November 17, 1938: for text, see Department of State Executive Agreement Series No. 164, or 54 Stat. (pt. 2) 1897.

⁶⁴ Telegram 44, June 16, not printed.

⁶⁵ Telegrams 74, 217, and 80, respectively, not printed.

⁶⁶ Dennis H. Robertson, Economic Adviser, British Treasury.

⁶⁷ A. W. Snelling, British Dominions Office.

We have in mind only a series of meetings for stock-taking of current thinking and developments on both sides and would not seek to arrive at definitive conclusions or commitments. We would consider it indispensable that discussions be resumed later in the year, in London if the British so desire, with a view to formulating detailed projects for consideration of the two Governments.

Please discuss the matter with the appropriate authorities in the above sense and advise us promptly of their reactions.

A copy of this telegram is being given informally to the British Embassy here.

HULL

840.50/3832 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, June 20, 1944—8 p. m.

[Received June 20—5:55 p. m.]

4920. Your 4784 of June 16 reached me this morning. I have taken up your suggestion with Mr. Eden formally and have also discussed it informally with Sir John Anderson⁶⁸ and Richard Law. Mr. Eden in my opinion is the best man to bring up the subject in the Cabinet but both Anderson and Law are friendly and directly interested.

I believe you were wise in suggesting that the conversations should be informal and it will much simplify the difficulty in arranging such a meeting if we keep it below the ministerial level.

Mr. Eden told me that he would get me a reply shortly.

WINANT

841.24/2247 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, June 22, 1944—5 p. m.

[Received 6:25 p. m.]

4956. We have taken up with appropriate Foreign Office officials the matter raised in Department's 4783, June 16. It may be a few days before a reply comes. Meanwhile the following preliminary analysis is based in part on recent confidential conversations with some leading civil servants with a view to the preparation of a discussion of some commercial policy problems in a future Article VII message.

The actual or proposed contracts in question seem to be the outcome mainly of transitional rather than long-run factors. The dominating

⁶⁸ Chancellor of the Exchequer.

factor consists in fears of a repetition of events that occurred after the last war, that is, a rise in prices in the early, and a fall in the later, postwar transition period.

1. Britain as a large importer of essential foodstuffs seeks arrangements that will restrain undue rises in prices in the early transition.

2. The Dominions and some Latin American countries, as large exporters of foodstuffs, seek arrangements that will protect their producers against a substantial fall in prices in the later part of the transition period.

3. Both the large importing and the large exporting countries desire arrangements that will prevent a falling off in food production, the first because of their need to maintain domestic food consumption and the second because of their need to maintain agricultural incomes at home and a satisfactory balance of payments with other countries.

This analysis seems to be supported by such information as we have, which we will supplement later, regarding the contracts referred to in Department's 4783, of June 16. We understand that United Kingdom wished to have a 2 rather than 4-year bacon contract with Canada, and later agreed to a 4-year period because of Canadian insistence. It is our impression that the Canadians after a new examination of the proposed 4-year contract have expressed dissatisfaction with the prices proposed for the last 2 years of the period, and that no agreement has yet been reached on the contract.

Canadians are also, we understand, pressing for a longer period fixing of particular wheat price ceilings and floor, on the theory that United Kingdom will benefit by the ceiling in the early transition period and that Canada should therefore have the benefit of the floor in the later transition period.

Similar considerations apply to other Dominions and it is our understanding that at last [*sic*] New Zealand originally pressed United Kingdom for much longer term contracts than those now under consideration.

Thus the conclusion in abstract terms is that the large importers fear high prices in the near future and the large exporters fear low prices following an initial boom. Since both fear any falling off in production, a compromise tends to be reached which makes the contracts larger than the large importers desired at the outset. The pressure for long contracts, e.g., 4 years, seems to have come from the Dominions and not from United Kingdom. But United Kingdom believes that there is real danger of falling off in the production of certain foodstuffs due to the fears of a postwar agricultural slump. Some of the British maintain that such a falling off has already shown itself in certain overseas areas, e.g., in the case of certain New Zealand dairy products.

In the case of New Zealand, there may be a tendency to favor long contracts as a matter of long-run policy associated with a belief in state trading. But in Great Britain, we know definitely that no decision has yet been taken on the question whether bulk state purchase of imports will be continued after the postwar transition period. A highly-placed official recently said confidentially to us that he did not believe that the present Government would or could make any decision. We believe this view is correct and we know definitely that there are serious differences of view on the subject within both ministerial and civil service circles. It seems hardly possible that a reconciliation of the viewpoints can be made within a coalition government and we think it most probable that the issue will be left undecided until after the next election.

In these circumstances, we do not believe that the negotiations on the contracts in question indicate any conscious attempt on the part of United Kingdom to set long-term policy in a new direction. They are rather a spillover of wartime measures in an attempt to provide against an expected immediate postwar boom. This is as far as United Kingdom wants to go but the Dominions want to extend the measures to take account of the expected postwar slump also.

We agree, however, that the whole matter requires careful consideration in the light of the Article VII conversations and of Article VIII of the Anglo-American Trade Agreement, since measures intended for the transition only may at a later stage influence long-term policy.

The United Kingdom position in the negotiations on the contracts was cleared at the ministerial level before the negotiations were entered into and British officials do not believe that their policy conflicts with the substance of the Article VII talks. It appears from our conversations here that both in United Kingdom and in the Dominions, insufficient attention has been given to the point that the longer a contract runs the greater the likelihood that relative costs in different producing areas will change and that in the later period of the contract, low cost producers in outside areas will be excluded from important markets, and thus the principle stated in the last sentence of paragraph 1 of Article VIII of the United States-United Kingdom Trade Agreement will not be adhered to.

Another aspect of this question that came up recently in a personal conversation with a leading civil servant here is the attitude of the European Allies towards what may appear to be a policy of purchase in advance on a large scale by one country only of certain scarce foodstuffs of which the world supply is extremely limited. The United Kingdom position is apparently that such contracts are made by them subject to allocations of the Combined Food Board. Here

again the British feel that it is all important to prevent a fall in overseas production of such foods and that in so far as such contracts do this they benefit all concerned in a period of anticipated future scarcity.

A further message will be sent as soon as a reply is received from the appropriate Foreign Office officials. We should appreciate having this message circulated to all those concerned with Article VII discussions since it contains an advance statement of some materials that were being prepared for their information.

WINANT

840.50/3827 : Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, June 24, 1944—6 p. m.

4984. We assume from your 4782, June 15, 5 p. m. and previous telegrams that the "deadlock" referred to is that in London between the civil servants and the Ministers.

We would be keenly interested in any further information you can give us on this matter, particularly concerning thought on the ministerial level, and any suggestions you may have as to how progress may be expedited.

HULL

841.24/6-3044 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, June 30, 1944—4 p. m.

[Received 4:50 p. m.]

5171. Embassy's 4956 of June 22 and Department's 4783 of June 16. Coulson of the Foreign Office⁶⁹ in an informal conversation replied to the points raised concerning bulk food contracts. He stated emphatically that the British Government regards the arrangements under negotiation as transitional measures aimed at standardizing prices of scarce foods in the transition period. In no sense are they to be regarded as necessarily indicative of or as setting a precedent for long range policy. He called attention to the fact that the arrangements concern only products which it is agreed will be scarce in the immediate postwar period and which therefore in the absence of organized measures would be subject to excessive price rises. UK was dependent on imports of such foods perhaps more than any other

⁶⁹ John Eltringham Coulson, Acting First Secretary.

country and therefore had the utmost concern to protect itself against excessive scarcity prices and against a fall in overseas production.

The British Government he said do not regard these measures as conflicting with the Article VII discussions. In those discussions it was recognized that exceptional measures would have to be taken in the transition period. The British regard the measures in question as justified under the Hot Springs Resolutions, especially Resolution XIII.⁷⁰

Coulson added that the foods covered by such arrangements would be subject to reallocation by the appropriate authorities.

The nature of this reply seems to confirm the preliminary analysis given in Embassy's 4956 of June 22. We should appreciate the Department's views after consideration of these explanations.

WINANT

840.50/7-944 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, July 9, 1944—5 p. m.

[Received July 9—1:30 p. m.]

5419. I hope very much that you will give your personal support to my 5413 of July 8⁷¹ and to my 5412 of July 8 (Comea series 68).⁷² I feel strongly that Allied success on the battlefronts of Europe obligates us to expedite the work of the European Advisory Commission.

There is another matter that deeply concerns me. For over 2 years or ever since the adoption of lend-lease legislation by the Congress and the acceptance of Article VII by the United Nations, I have urged you to send over representatives to discuss with the British Government the implications of this Article. Because of the internal political situation at home or the military situation abroad, or because of reasons unknown to me, you have felt that even informal conferences were not timely and nothing has come of my requests. The Civil Service here and other officials responsible for developing an economic policy have become impatient at the continued postponement in the Cabinet of consideration to what many of them believe to be primary economic issues affecting postwar problems. The Prime Minister as I have explained to you in previous messages is reluctant to raise points which divide the coalition and create schism within the conservative ranks. I have not been able to get any support to date for informal conferences in Washington on these questions by

⁷⁰ Department of State publication No. 1948: *United Nations Conference on Food and Agriculture, Hot Springs, Virginia, May 18-June 3, 1943, Final Act and Section Reports* (Washington, Government Printing Office, 1943), p. 17.

⁷¹ Not printed.

⁷² Vol. I, p. 241.

members of the British Monetary Delegation before they return to London. There is a slowly-growing assumption here that we also are indifferent, which has weakened our support and strengthened the opposition. I am personally convinced that whatever necessary things we must do to establish world police power, it cannot be lasting unless we can also reach agreement on a world economy that permits employment and orderly economic progress.

I believe if you could send Acheson⁷³ and Hawkins here, it would open up a constructive approach to a successful settlement of those policies which you have so long and so ably advocated.

WINANT

840.50/7-1144: Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, July 11, 1944—6 p. m.

[Received July 11—1:46 p. m.]

5445. Personal for the Secretary. In my message to you (5419, July 9) I was thinking of Article VII in relation to commercial policy. It occurred to me that while Richard Law is in Washington for the oil conference⁷⁴ he might invite Acheson and Hawkins to come here after discussing the situation with you. Would you approve of this procedure? It would be necessary for Law to get authority from the Cabinet here to issue the invitation.

WINANT

841.24/6-3044: Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, July 12, 1944—7 p. m.

5473. Although the British, according to your 5171 of June 30 and your 4956 of June 22, emphasize the purely transitional nature of their bulk food purchases, the contracts obviously may extend far into the post-hostilities period and tend to build up vested interests. We recognize the uncertainties facing post-war international trade and the serious practical difficulties which would handicap an attempt on the part of either of our countries, or of various others, to restore trade immediately after hostilities completely to commercial channels. However, we feel that a great effort should be made by all countries which find such bulk purchases indispensable as a transitional

⁷³ Dean Acheson, Assistant Secretary of State.

⁷⁴ For documentation on Anglo-American petroleum discussions, see vol. III, pp. 94 ff.

measure to keep the contract period as short as possible and to include therein, to the greatest practicable extent, all countries that have supplied the purchasing country with such products in the past or appear likely to be able to do so on a competitive basis in the future.

To do otherwise would in our opinion inevitably impede the achievement of a regime of multilateral trade along as liberal lines as contemplated in last fall's Article VII talks and would seem of doubtful compatibility with the following statement in the first paragraph of the introductory note on commercial policy presented by the British at the beginning of those talks: "While, during the transitional period immediately after the war when we are seeking to restore our balance of trade, we may have to retain some special measures of control, we hope that we and other countries will be able to emerge from this stage without undue delay."

Our earnest hope is that both our Governments, faced with a key responsibility for the pattern of post-war world trade, will lean over backward to be sure that measures they adopt in the first instance to ease the transition from war conditions are not of a character which will unnecessarily prejudice the attainment of our joint long-run aims.

This country too has perplexing transitional problems. The British should not consider it as a petty hint of retaliation if we point out the responsibility which this Government may face in the event that British bulk purchases devoted primarily or exclusively to Empire countries should threaten to contribute to post-war depression in the raw material export markets of certain countries, particularly smaller countries, which markets have been greatly enlarged by our war demands. This Government hopes that private trading may take care of the needs of these markets. But if it fails to do so the pressure on this Government to direct some of the purchasing power of the United States toward such countries, possibly at the expense of British countries, will inevitably be great.

Please discuss the matter with appropriate authorities in the foregoing sense and advise us promptly of their reactions.

HULL

S40.50/7-1544 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, July 15, 1944—6 p. m.

[Received 6:23 p. m.]

5604. For those concerned with Article VII discussions. No. 11 of the series. Embassy's 4782 of June 15 should have been numbered 10. After further conversations with civil servants concerned with

Article VII questions, we have the following comments to make on the matters raised in Department's 4984, of June 24, 6 p. m.

1. The deadlock on commercial policy is a deadlock within ministerial circles which, because of the Prime Minister's desire to maintain Cabinet unity, causes complete ministerial inaction. This in turn creates a deadlock between the civil servants and the Ministers because the former are willing and anxious to resume Article VII discussions promptly.

2. The split in ministerial circles appears to be most acute in relation to postwar agricultural policy and imperial preference. Cartels are a third but less important area of controversy.

3. The extreme agricultural group wishes to apply practically all forms of protectionism to United Kingdom agriculture with a view to maintaining most wartime increases in cultivation and expanding beef cattle. In the opinion of opponents of agricultural protectionism, extreme views are unlikely to prevail but can only be countered successfully by concessions in the matter of subsidies and by emphasis on nutrition policy. If the Department feels that in future talks, it can relax pressure for a fixed ceiling on subsidies and trust to the taxpayer as a safeguard against extreme subsidization, it would be easier to reach agreement on this point. United Kingdom servants are not themselves opposed to a ceiling on subsidies but they believe it is impracticable to get political circles to accept it.

4. Obstacles to the elimination of preferences come mainly from two sources. First, there is political sentiment for Commonwealth unity. Second, there is an economic argument as follows: The elimination of preferences must not be achieved by raising the rate to countries formerly receiving the preferential rate. Therefore, Britain would stand to lose on its exports to Empire countries, which amounts to a substantial proportion of its total exports. The United States would experience no such losses. Similarly as regards imports, United Kingdom would drop protection in respect of (1) the reduction of the non-preferential to the preferential rate; (2) the reduction provided by say the 50% general cut in tariffs.

United States would drop protection only or mainly in respect of (2).

5. We have previously pointed out in this series of messages that the British have only recently begun to give serious consideration to cartel questions and that their views are still in an early stage of development. Lately, however, there have been two new tendencies. British press and public opinion is taking an increasingly unfavorable and in some cases hostile view of cartels. Second, Beaverbrook⁷⁵ and his newspapers have been making particularly vigorous attacks

⁷⁵ William Maxwell Aitken, Lord Beaverbrook, British Lord Privy Seal and publisher of the *Daily Express* and *Evening Standard*.

on cartels. The precise motives behind Beaverbrook's attacks are not quite clear but some civil servants who are generally opposed to his views think that on cartel questions his position may be helpful.

The confidential views of British civil servants who in general personally support our position on cartels is that it will not be possible to obtain acceptance here for the whole series of provisions set by the United States members in the document on the Article VII talks in Washington. They think, however, that a start could be made by adopting (a) stringent provisions on publicity, (b) provisions for international machinery under which each country could bring complaints relative to specific practices before an international body.

They consider that prohibitions and regulations of specific practices would then grow out of this international machinery.

WINANT

840.50/7-2044

*The British Chargé (Campbell) to the Under Secretary of State
(Stettinius)*

WASHINGTON, July 20, 1944.

MY DEAR MR. UNDER SECRETARY: You will no doubt recall that on the 24th [23rd] February the President telegraphed the Prime Minister about the future work of the Combined Boards and after stating that in his opinion the work done by these combined organisations had been most helpful in the conduct of the war stated that he thought the time had come to consider the part that they should play in future and in particular how other countries should be associated in their work. The Prime Minister on the 16th [15th] of April replied to this proposal. He concurred fully with the views put forward by the President, suggested that the discussions on this subject should take place in Washington between representatives of the appropriate United States and United Kingdom agencies and stated that the necessary instructions would be sent to the United Kingdom representatives concerned in Washington. These instructions have now been received. The question therefore arises of the form which such discussions should take and how they should best be initiated. It is our view that the discussions should be informal and exploratory only and that their purpose should be to discover the extent to which the views of the Member Governments are developing on similar lines. It would be our hope that such discussions would make it possible then to decide what further action was required.

If you should agree with the idea of holding informal discussions on this basis the question arises of the best method to adopt. In our view the manner in which we arrange to hold these discussions is important. The work of one Board differs from that of another and

each has therefore tended to meet its problems in the way best suited to itself. These differences in the nature of the approach made by the Boards to the problems each has to solve tend to make general discussions in precise terms about their future scope and work somewhat difficult since what applies to one Board does not necessarily or equally apply to another. On the other hand there are certain general principles which will we think be found to apply to all the Boards and upon which it would be desirable to reach agreement. In particular it seems clear that discussions about the Boards would soon touch upon some of those questions which were discussed between us at the time of the Article VII talks in the autumn of last year and the tentative conclusions then reached would clearly have to be taken into account when consideration was given to the future work of one or more of the Combined Boards.

We feel that it might be easier to discuss these general principles if United States, Canadian and United Kingdom officials directly concerned in the operations of each of the Boards first examined between themselves the problems likely to be faced by their respective Boards in the future and in particular in the period between the end of the German war and the end of the Japanese war ("Stage II"). Such examination should we hope, result in agreement at the working level on the nature and substance of the work which each Board could do in Stage II and any adjustments in method of operation which might seem called for. It might also prove possible to give some indication of the commodities to which each Board considers it would be called upon to pay most attention in this period. One of the general questions which will fall to be considered is the manner in which the governments of certain of the United Nations who are not Members of the Board should be consulted. This question too could we believe be most easily dealt with if each Board could consider in the first instance which Governments it would from the practical point of view be most necessary to bring into consultation and also the manner of consultation which would best fit in with the operating machinery of the Board.

I understand that the officers of the Boards have in fact begun to discuss these and other questions informally. In view of these considerations I would like to suggest that the informal discussions which have been begun within the Boards should be continued with the idea of reaching provisional conclusions by say the 15th August. After that I suggest that it would be appropriate if the general questions arising could be reviewed by an informal group including representatives of the State Department, the Canadian Embassy, the British Embassy and the Minister Resident as well as of the Boards. The object of such a group as I see it would be to consider with representatives of the Boards, and against the background of their particular

studies, the general principles which should apply to the future work of the Boards. Among the points which I presume would have to be considered would be the scope and setting of the Boards within the general framework of continuing collaboration between the Member Governments, the relationship between the Boards and countries not represented upon them and the relationship between the Boards and any international commodity organisation which may subsequently be established. It would also fall to this group to see whether any of the conclusions reached by the individual Boards as to their own methods of work in Stage II were repugnant to the conclusions reached by the others.

If you should agree with this method of furthering the discussions started by the President and the Prime Minister I would be very glad to make the necessary arrangements on the United Kingdom side, and you might wish to consider a similar approach to United States members of the Boards.

I have discussed this informally with the Canadian Chargé d'Affaires who thinks that the suggested procedure would meet with the approval of his Government but is taking steps to confirm this.

In all the foregoing I refer only to the Combined Raw Materials Board, the Combined Food Board and the Combined Production and Resources Boards. It would not in my opinion be appropriate to include within the scope of these discussions either the work of the Combined Munitions Assignment Board or that of the Combined Shipping Adjustment Boards. The former is primarily an organisation established to deal with the allocation of war material and being linked closely with the decisions of the Combined Chiefs of Staff would fall outside the scope of these discussions. The latter can it seems to me also be omitted since the discussions which have taken place between our two Governments have already resulted in agreement on the future principles and machinery to be applied in handling the work of the Combined Shipping Adjustment Boards.

Believe me [etc.]

RONALD I. CAMPBELL

840.50/7-2044 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, July 20, 1944—9 p. m.

[Received July 21—2:05 a. m.]

5766. For those concerned with Article VII discussions: No. 12 of series.

(1) Regarding the question of bulk purchases and state trading which has recently been discussed by the Committee on Trade Con-

trols and some aspects of which have formed the subject of Department's 4783, June 16; and 5473, July 12; and Embassy's 4956, June 22; 5171, June 30; and the immediately preceding telegram,⁷⁶ we wish to emphasize that there is no evidence that any new long-term commercial policy concerned with state trading or bulk purchases has been adopted by the British Government.

(2) The points made in the penultimate paragraph of Department's 5473, July 12, are valid in relation to a general policy in favor of bulk contracts over the whole field of raw materials or any part of it that included any products likely to be in abundant supply soon after the war, particularly if such contracts are discriminatory and cover long periods.

(3) But the contracts referred to in Department's 5473, July 12, are concerned only with certain finished foodstuffs which it is generally agreed will be in scarce supply for some time to come. The concern of the UK in these arrangements is to keep up the supply and keep down the price of essential scarce food imports. The Dominions happen to be the most convenient source of supply at present available for the particular products concerned. The British are extremely anxious on two points—first, as to their food supply and second, as to their balance of payments. Having regard to the second point we do not believe that, because of sentiment towards the British Empire, they would be willing to pay any more than is necessary for their imports of the scarce food products.

(4) We doubt the applicability of the term "contracts" to the arrangements under negotiation between UK and the Dominions with respect to meat, cheese and butter. These arrangements are not contracts in any legal sense and there is no legal commitment. Only statements of agreement to purchase are under consideration. Only in the case of Canadian bacon are definite quantities specified. In the other cases what is contemplated is an agreement to purchase the exportable surpluses. As regards the agreement on Canadian bacon the operative position at present concerns only the period up to the end of 1945. The Canadians had pressed for a 4 instead of a 2 year arrangement. UK was willing to agree but at prices lower than those ruling up to the end of 1945. The Canadians, however, have rejected this on the ground that the proposed price for 1946-47 is too low. There is in addition an agreement to purchase the exportable sugar in British Caribbean areas. In all these cases the UK is greatly concerned to avoid excessive prices in the later war and early post-war periods.

(5) It should be noted also that these arrangements do not prejudice the question of state or private trading on the side of British imports. If the Government should decide to hand back the import-

⁷⁶ Telegram 5765, July 20, not printed.

ing business in these lines to private trading channels the arrangements in question would not form any obstacle. The late Sir Josiah Stamp⁷⁷ laid down the pattern of state importing arrangements early in the war in such a way that the brokers and other intermediaries were taken into the government organization. The private trading channels could easily be reconstituted and all the obtainable imports could be absorbed.

(6) There appear to us, however, to be some differences between public sentiment and perhaps governmental attitudes in US and UK towards the continued need of controls after the war. The damage and impoverishment on the European continent, the continuing damage in southern England, the prolonged low rations of meat, cheese, eggs and milk, the consciousness of the large scale needs of areas in close proximity that are about to be liberated, have combined to create in Great Britain a first hand experience and a strong consciousness of the realities of scarcities in the goods needed to supply basic needs, together with a restraint on the tendency to assume that the fall of Germany will bring a speedy end to the existence of scarcities and the need of controls. There are even doubts whether existing rations in UK can be wholly maintained in the early period after the end of the war in Europe.

(7) Moreover, the attitude to controls appear to be less impatient and less hostile here than in many parts of the world. We have had frequent occasion in Embassy reports in the last few years to point out the high degree of efficiency and equity which have been attained in the operation of most of these controls. During the war reduced supplies in relation to total needs have been distributed so effectively through wartime control measures that much greater equity has been attained and fewer people have been in extreme want than in the pre-war days.

(8) An understanding of present British attitudes depends in part upon an appreciation of the effectiveness of government controlled operations in wartime, with a related absence of doctrinaire attitudes of hostility to governmental intervention in economic matters. Controls are not desired for the sake of control but there seems to be a good prospect that in the early post-war period particular controls will not be lightly discarded if it can be demonstrated that they are necessary to equitable and orderly distribution and readjustment in the interests of the general welfare.

(9) Applying this to control of imports, it seems most unlikely that direct government control of imports of essential rationed foods will be abandoned until scarcity conditions no longer exist. The

⁷⁷ Killed in an air raid in April 1941; he had been Director of the Bank of England, member of the Economic Advisory Council, and Adviser on Economic Coordination to a Ministerial Committee since 1939.

fundamental principle underlying British food control and food rationing is that the Government must control all stages from production or import to retail sales as long as there is any actual or prospective shortage. Control of supplies at the source is regarded as essential and the success of food control has been greatly aided by the ability of the Government to organize and take possession of food imports. Controls over any particular food are not likely to be abandoned piecemeal, starting with the import stage or any other stage. Rather the Government is likely to wait until it is quite clear that supplies are so abundant that rationing and other controls can be dropped simultaneously with relaxation of import controls.

(10) The central issue in the question of bulk purchases discussed in Department's 4783, June 16, and 5473, July 12, and Embassy's 4956, June 22, 5171, June 30, appears to us to concern the length of the contract or other arrangement and the probable world supply position in respect of meat and dairy products in that period. As to the reference to raw materials in the penultimate paragraph in Department's 5473, July 12, there is no reason to believe that the measures under negotiation concerning meat and dairy products have any relation to or constitute any precedent for UK policy on raw materials.

(11) The bases of food requirements for the post military period have now been adopted by the European Committee of UNRRA and the detailed requirements are in course of preparation. When taken in conjunction with the figures of plan A for the military period and with requirements for USSR under Lend-Lease, they should give a rough picture subject to quarterly amendment of a large part of anticipated food demands in liberated areas. If in addition an appraisal can be made, perhaps by the Combined Food Board, of the probable world position of meat and dairy products, a rough judgment can be made of the probable supply and demand position of these foods for limited future period. In London it is strongly believed that there will be a substantial scarcity. As indicated in Embassy's telegrams cited above, the British consider that measures are necessary to secure an increase or even to prevent a decrease in the production of some of these goods in overseas areas. We should appreciate information as to whether Washington shares the view that a substantial scarcity is anticipated and that measures should be taken to offset it.

(12) On the question of restoring trade to commercial channels, we understand that British opinion is still divided on the question how far there should be a return of food importing to the pre-war channels and how far and in what form the state should participate in organization of food imports after the transition period. There seems, however, to be substantial agreement that the state must continue to play a large part in the transition period and that if and in so far as it continues to take part in trading in the long run it should

make purchases on commercial principles. The internal differences on state trading after the transition are sharp and have given rise to considerable controversy, in the course of which we understand from private sources that the advocates of private trading have used the argument that USA would be opposed to any other form of trading by UK. This in turn, in so far as it has been believed, has led to criticism of any attempt that might be made by USA to interfere in such British decisions. It is clear that the interest of USA is non-discrimination and in the avoidance of undesirable monopoly or monopoly practices will be recognized on all sides. But if USA attempted to bring pressure on UK to adopt private trading only and avoid all state operations as a matter of policy in respect to all imports the effect would probably be to create resentment among the British people. It would probably be felt, even apart from the economic merits of the question, that the role of the state in external trade, like its role in internal trade, is a matter for domestic decision provided that certain standards of relations with other countries were observed. British civil servants have pointed out in personal conversations with us that it is possible and even likely that in some of the European countries after liberation governments will play a considerable role in external trade even beyond the transition period. The right of the Soviet Union to engage in state trading is recognized.

(13) This analysis does not imply that UK will probably continue some form of state trading after the transition period. There are strong interests opposed to such forms of trading. Post transition policy on the subject cannot be predicted at present.

(14) American emphasis on the necessity of restoring multilateral trade as soon as possible and on reducing trade barriers and eliminating discriminations serve a valuable purpose here. But if in addition American statements were made which might be interpreted by UK and the European Allies as an attempt to bring pressure on them concerning the extent of private enterprise which they should maintain in their economic systems, the effect might be to alienate opinion and sentiments towards the United States among the peoples concerned.

WINANT

840.50/7-944 : Telegram

The Acting Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, July 31, 1944—10 p. m.

6036. Reurtel 5419, July 9. We are sending you by air mail copies of memoranda of conversations⁷⁸ which we have had with Richard

⁷⁸ For memoranda of conversations held on July 19 and July 20, see vol. III, p. 50.

Law. We had a frank exchange of views in which Mr. Law stressed the financial difficulties of Great Britain and requested our understanding and assistance and in which we emphasized the importance which we attach to a broader and more liberal commercial policy. Mr. Law said that Sir John Anderson might come to Washington in August. He informed us that he was authorized by his Government to say that the British Government would be prepared to resume Article VII conversations "in the autumn". He stated that the British officials taking part in the conversations would be headed by several officers of Cabinet rank, but he stressed the fact that this need not affect in any way the composition of the American group since the actual conversations on the British side would be carried on by the same British officials who came to Washington last September.

In view of these developments it seems unnecessary to send anyone to London now as suggested in your recent telegrams.

STETTINIUS

840.50/8-344 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, August 3, 1944—3 p. m.

[Received August 3—12:20 p. m.]

6179. Coulson of the Foreign Office has given us an informal written reply to the representations we made to the Foreign Office following the receipt of Department's 5473, July 12 (see also Embassy's 5765, July 20⁷⁹).

The reply states that the British have two principal reasons for entering into the food contracts in question. The first is to secure their supplies of food. They state that the commodities in question will probably be in scarce supply through the whole period of the contracts and they are hoping that an assured market will encourage the maintenance of production. The foods concerned have long been strictly rationed in U.K. and it is considered vital that arrangements be made to maintain the essential quantities required.

The second reason is that the contracts will, in the opinion of the British, prevent violent oscillations in the prices of the foods resulting from unrestricted competition for short supplies, the danger of which was foreseen at the Food and Agriculture Conference.

The British do not agree that the period of the contracts should necessarily be as short as possible but consider that the duration should be determined chiefly by the length of the period in which the com-

⁷⁹ Telegram 5765 not printed.

modities in question are expected to be in short supply. On this matter their judgment rests on commercial considerations.

The reply then refers to the question of including all the countries that have supplied U.K. previously or may in the future be able to supply U.K. on competitive conditions, and states that the British are certainly prepared to consider similar contracts with other supply countries so long as these can be made on equally favorable conditions and provided that in the interim period the U.K. exchange situation permits.

The British view is that there ought to be no unwarranted delay in passing out of the transition, during which it may be necessary to maintain special measures of control to restore the balance of trade. But they do not consider the contracts in question as having any connection whatever with such measures. Rather they consider the food contracts as the most favorable commercial bargain that they can make. They regard them, not as inimical to the long run objectives which U.S. and U.K. share, but as a positive contribution to restoration of stability. While they appreciate the apprehension that bulk buying from some countries may have unfavorable effects on other countries, they do not believe that there is any likelihood that such effects will be produced by any contracts which they are negotiating or have under consideration.

The reply concludes by emphasizing that the only reason why the long term contracts in question are with British Commonwealth countries is that those countries are in the main U.K. sources of supply for the particular foods concerned.

We are sending the exact text of the reply by air mail immediately.⁸⁰

WINANT

840.50/7-2044

The Acting Secretary of State to the British Chargé (Campbell)

WASHINGTON, August 11, 1944.

MY DEAR SIR RONALD: I received your letter of July 20 in which you discussed the procedures to be followed in starting conversations about the future work of the Combined Boards. You suggested that, as a first step, it would be desirable for the officials directly concerned with the operations of each Board to discuss between themselves the problems likely to be faced in the future by their particular Board. Such informal discussions would be continued only for a limited period of time and would form a background against which general principles could be evolved with regard to all the Boards. It was also

⁸⁰ Despatch 17268, August 3, not printed.

your suggestion that the problem be restricted to the Combined Raw Materials Board, the Combined Food Board and the Combined Production and Resources Board.

After considering this matter, we have come to the conclusion that the procedure suggested by you is an advantageous way to start these discussions and accordingly we are communicating with the United States members of the three Boards mentioned above,⁸¹ asking them to undertake these informal discussions with the hope that tentative recommendations can be made at an early date. In your letter you suggested that the conversations might be concluded by the 15th of this month. This may be too short a time but we are suggesting that an attempt be made to conclude these preliminary discussions by that time or as soon thereafter as possible.

Sincerely yours,

EDWARD R. STETTINIUS, JR.

840.50/8-1144 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, August 11, 1944—11 p. m.

[Received August 12—7 a. m.]

6473. For those concerned with Article VII discussions—No. 13 of series.

In an informal talk on economic reconstruction matters, Ronald expressed great satisfaction with the outcome of the Bretton Woods Conference. In regard to the commercial policy talks he asked whether the State Department would prefer a date before or after the election. The general impression he gave was that the exact date "in the autumn" might be arranged largely to suit our convenience. In view of the importance of the subject and the possibility that the war might be over before November, he personally hoped that it would be possible to arrange the time without regard to the election.

2. Ronald said that Ministers would go with the officials and would be the operating group. The officials who took part in the previous discussions will, in all probability, be in the delegation. He thought it probable that the Ministers would be the Chancellor of the Exchequer, the President of the Board of Trade and the Minister of State and it was possible that there might be another, but he did not know at this stage. He thought the objective would be to reach an agreed statement of principles perhaps analogous to that put before the Bretton Woods Conference at the outset or that adopted by the oil conference. This would subsequently be put before a United Nations conference with a view to a multilateral agreement.

⁸¹ Letters dated August 8, 1944, not printed.

3. The following estimate of the present position here is based in part on further personal talks with leading officials concerned with commercial policy, who have expressed themselves frankly in strict confidence. The general position here since very early in the year has been that officials had given their advice, which was in favor of a prompt resumption of conversations on the basis of a progressive commercial policy. This advice was not acted on because of the ministerial position described in previous messages. The officials concerned were greatly irritated by ministerial attitudes and expressed themselves strongly in private to Ministers. One of them said he had been so annoyed that for some time he have [*gave?*] up working on the subject and turned full time to other work within his responsibilities. Recent moves regarding the resumption of the talks were the result of external representations made to Ministers and of the efforts of certain Ministers and were made without discussions with civil servants. Now that Ministers have decided to resume talks they have to consider the general lines of policy for the U.K. representatives. Officials view with scepticism the idea of Ministers dealing unassisted with the intricacies of commercial policy and expect that the civil servants concerned with commercial policy will shortly be consulted.

4. These further talks confirm the view expressed in paragraph 1 of Embassy's 5604 of July 15, that the two major differences on commercial policy which have been responsible for the delay have to do with agriculture and preferences. They disclose that one of the chief difficulties has to do with import quotas. Civil servants remain firmly opposed to quotas except as possible emergency measures to meet temporary balance of payments difficulties. But to some Ministers and their political supporters import quotas appeal strongly because of their simplicity. They were such an important protective device in the thirties that vested interests grew up around them. Extreme agricultural protectionists are afraid that tariffs may be surmounted by cost reductions and prefer the certainty of quantitative restrictions. Not only agriculturists but also some political "planners" here give lip-service to "expansion" at the same time as they advocate quotas. Such views are expressed by certain members of the House of Commons and by the *Times* under the influence of E. H. Carr.⁸² The agitation for quotas must be recognized as a political force of some importance even though it is opposed by all economists in Government, and by most of them outside—the only exceptions being a few economists of Continental European origin now in Oxford.

5. We have privately discussed with leading officials the best means of meeting the danger of the agitation for quotas. At present the

⁸² Assistant Editor of the London *Times*, 1941-46.

danger centers largely on certain agricultural products and we believe that the most effective means of offsetting arguments for restrictive policies in the field is to press nutrition policy vigorously. This can be given a political and public appeal more effective than the conventional arguments of economists. It seems reasonably demonstrable that quotas on imports of dairy products into U.K. in the thirties kept down consumption of foods of particular nutritional importance. We have noted a significant change recently in the attitude of some leading permanent civil servants to nutrition questions. Eighteen months ago they regarded the subject with indifference or amused tolerance. Now, however, they look increasingly to nutrition policy as a useful instrument in support of economic policies with which they are concerned. This applies both to commercial policy and to colonial policy. We think, therefore, that certain aspects of nutrition questions might be worked into the discussions on commercial policy in a positive and constructive approach under cover of which a very strong stand could be made against quotas. After further conversations here we will try to make more detailed suggestions.

6. It would undoubtedly assist the Board of Trade officials, who are strenuously opposing quotas and high tariffs, if the demand for a fixed ceiling on subsidies were not pressed and if the taxpayer were relied on for the present to prevent excessive subsidies. We do not wish to minimize in any way the strong case for a ceiling on subsidies, but would suggest that the matter be weighed carefully in relation to the menace of quotas and high direct protectionism. There is a danger that any gains which might be made by putting pressure on U.K. to agree to a ceiling on subsidies would lead to more than offsetting losses in other fields of commercial policy.

7. As regards preferences we would suggest on the basis of our recent talks here that the most promising approach would be to refrain as far as possible from turning the spotlight on them in isolation from other issues and to treat them as one item linked up with a number of other items in a comprehensive approach. We think that the strategy and form of approach in this matter is quite as important as the concrete proposals that may be put forward. There is a widespread feeling even among the most progressive U.K. officials whose personal views on commercial policy are close to ours, that Americans do not appreciate or fully understand the relationships between U.K. and the Dominions. They feel that these relationships are in some respects a model which those concerned with the organization of a peaceful world might study to advantage. They consider that the extension of preferences in the early thirties was primarily a response to the Smoot-Hawley tariff,⁸³ and they wonder whether Congress will

⁸³ 46 Stat. 590.

be prepared to make the very substantial cut in tariffs which the U.K. public, in view of the anticipated postwar balance of payments difficulties, would consider as a necessary offset to giving up all or a substantial part of preferences. Therefore, they do not respond favorably to a frontal attack from Americans on preferences per se, particularly if there seems to them to be an implication that the adoption of preferences was a more heinous offense than the erection of a very high wall around a market of continental dimensions. Given due appreciation of these psychological and other factors, however, there should be good prospects for advances in this field of commercial policy.

8. As regards cartels, it came out confidentially in our recent talks that the Board of Trade has now carried out investigations into the operations of some U.K. combinations. The conclusions they appear to have reached are that some of these combinations have engaged in questionable practices, but that there are a considerable number of which this cannot be said. We intend to have further personal talks on this since the reactions of different officials are not quite identical on the question how far it will be practicable to get Ministers, Parliament and public to go in regulatory or prohibitive measures. All seem agreed, however, that it will not be possible to get acceptance of what one official called "list of what are sins and what are not sins". All are also agreed that a start can be made at least on international consultation.

9. We shall continue to keep in close touch with the leading officials concerned with commercial policy.

WINANT

800.602/8-1244

*Memorandum by the President's Special Counsel (Rosenman) to
President Roosevelt*

WASHINGTON, August 17, 1944.

I think that it would be advisable for you, some time in early September, to make a statement or take some action on the subject of *international cartels*.

At your suggestion, I have discussed the matter at length with State Department people and the present situation is briefly this:

As you know, the British are not much interested in anti-cartel discussions because:

(1) Several strong factions in their government believe that international cartels are good and should be encouraged;

(2) They incorrectly believe that the American people (outside of a small group) are not interested in the subject; and

(3) They believe that continued cartelization will give them a better position in the post-war world not only politically, but because of their foreign exchange situation.

Last fall, however, the British did reluctantly discuss the problems with the State Department in very general terms.

The other European countries are probably sympathetic with the British point of view. However, the Latin-American countries are sympathetic with our point of view on cartels as is, probably, Russia.

Largely as a result of the insistence of Secretary Hull, the British have agreed to continue to carry on cartel discussions, and the discussions are now set for the coming fall, without any definite date.

Probably the British would prefer to postpone them entirely until after the war, but I think this is one field where there will be an uphill fight even to get any international action, and, therefore, I think it should be pushed now while the cohesive force of the war is in effect.

Besides, I think this is the time *politically* again to take a public position in the matter which would be consistent with your anti-monopoly policy.

There is a very good Inter-departmental Committee in the State Department on the subject of cartels, and they have prepared an excellent memorandum as a basis for these discussions with the British.

I assume that you would want to discuss this with Secretary Hull. The statement could take the form of a letter from you to him on this whole subject.^{83a} If you think well of it I can, with the help of this State Department Committee, prepare a draft of such communication for your approval.

S[AMUEL] I. R[OSENMAN]

840.50/8-2844

The British Chargé (Campbell) to the Under Secretary of State (Stettinius)

WASHINGTON, 28 August, 1944.

MY DEAR MR. UNDER SECRETARY: In your letter of August 11th about the procedure for discussions regarding the future work of the Combined Boards, you were good enough to tell me that you had communicated with the United States members of the three Boards and asked them to conclude the preliminary discussions within the

^{83a} Secretary Hull in a memorandum of September 4, 1944, informed President Roosevelt that he saw merit in this suggestion but that he thought the letter "should be drafted with a view towards setting forth the objectives of this Government, but in such a manner so as to retain flexibility with respect to the method of achieving that end." Mr. Hull then suggested the language that was actually embodied in the President's letter of September 6 (*infra*), the only change being in the third sentence from the end, which in Mr. Hull's draft began "All cartel practices" instead of "Cartel practices". (800.602/8-1244)

Boards as soon as possible. I understand from the United Kingdom representatives on the Boards that the discussions have made substantial progress, and it is our view that the time has come when further consideration might be given to the establishment of the informal group mentioned in the fourth paragraph of my earlier letter. We should propose that the group should be composed on the United Kingdom side of Mr. Marris and Mr. Opie of the British Embassy, Mr. F. G. Lee of the Treasury Delegation, Mr. R. B. Stevens of the Civil Secretariat (representing the Minister Resident) and of the United Kingdom executive officers of the three Boards concerned. It would be clearly understood that the functions of the group would be exploratory only and that its findings would be referred to the Governments concerned and to the United Kingdom, United States, and Canadian members of the Boards.

If you agree that we are now ready to take the next step in these discussions perhaps you would be so good as to give consideration on your side to United States membership and to suggest a date on which a preliminary meeting might be held.

I have been in touch with the Canadian Chargé d'Affaires on this matter and I understand that he is in general agreement with this proposal and will communicate with you separately regarding Canadian representation.

Very sincerely yours

RONALD I. CAMPBELL

800.602/9-644

President Roosevelt to the Secretary of State

WASHINGTON, September 6, 1944.

DEAR MR. SECRETARY: During the past half century the United States has developed a tradition in opposition to private monopolies. The Sherman and Clayton Acts have become as much a part of the American way of life as the due process clause of the Constitution. By protecting the consumer against monopoly these statutes guarantee him the benefits of competition.

This policy goes hand in glove with the liberal principles of international trade for which you have stood through many years of public service. The trade agreement program has as its objective the elimination of barriers to the free flow of trade in international commerce; the anti-trust statutes aim at the elimination of monopolistic restraints of trade in inter-state and foreign commerce.

Unfortunately, a number of foreign countries, particularly in continental Europe, do not possess such a tradition against cartels. On the contrary, cartels have received encouragement from some of these governments. Especially is this true with respect to Germany.

Moreover, cartels were utilized by the Nazis as governmental instrumentalities to achieve political ends. The history of the use of the I. G. Farben trust by the Nazis reads like a detective story. The defeat of the Nazi armies will have to be followed by the eradication of these weapons of economic warfare. But more than the elimination of the political activities of German cartels will be required. Cartel practices which restrict the free flow of goods in foreign commerce will have to be curbed. With international trade involved this end can be achieved only through collaborative action by the United Nations.

I hope that you will keep your eye on this whole subject of international cartels because we are approaching the time when discussions will almost certainly arise between us and other nations.

Very sincerely yours,

FRANKLIN D. ROOSEVELT

840.50/9-844 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, September 8, 1944—2 p. m.

[Received 7:45 p. m.]

7350. For those concerned with Article VII discussions—No. 14 in the series.

1. Robbins, who returned recently, said he was disappointed with the public reception here of the results of the Bretton Woods Conference. He spoke of the difficulty, which we have frequently pointed out in this series of messages, arising out of the almost complete recruitment of United Kingdom economists and the extensive recruitment of the able industrial organizers by Government during the war. Powerful public support would come from them in peace time for such measures as those recommended at Bretton Woods. But they are obliged to maintain silence for the most part as long as they remain in Government. The only recent exception has been Keynes' short letters to the *Times* replying to critics.

Robbins pointed out that apart from the Beaverbrook press, the attacks on Bretton Woods came almost entirely from émigrés of continental European origin. Much of the financial press has been on the whole favorable. It appears that what Robbins is most concerned with is the lack of a comeback in public against the writings of the émigré economists and financial journalist[s]. He said that Ministers are apt to be sensitive to the trend of public discussion. However, he has not yet had time since his return to check on the reactions of the Ministers most concerned.

[Here follow further observations on critics of the Bretton Woods Conference.]

However, the fact that the viewpoint of the group in question thrives in some circles is probably due in the main to the widespread fear in Great Britain, which exists among all sections of opinion including those most committed to economic cooperation with us, that the United States is both unprepared and unwilling to prepare effectively for the maintenance of a high level of employment. American political sentiment is widely interpreted here as straining to get rid of controls, to minimize governmental operations and intervention in economic matter[s] and to rely on private enterprise to guide the economic life of the nation. It is recognized that these sentiments are not shared by leading American economists and by responsible administrators, but it is feared that a tide of political reaction will make it impossible for public authorities to adopt the necessary governmental measures to prevent an initial short inflationary boom followed quickly by drastic deflation.

In these circumstances, we return to the question raised in earlier messages in this series whether any action could be taken to reduce these fears which are widespread not only in United Kingdom but also among representatives of the European Allies. We have understood that the Australians have for some time pressed for a conference on full employment along the lines of the Hot Springs Food Conference. While recognizing the arguments for such a conference, we would point out, however, that it would not allay the fears described above unless a United States delegation could come to it with at least the general outlines of a national policy.

The primary need is for the early formulation of a national policy that will bring assurance to the rest of the world that at least the problems involved in the maintenance of full employment are officially recognized and that responsibility is assumed by the United States Government for the preparation of domestic plans sufficiently detailed to be put into effect promptly when signs of impending fluctuations appear. This applies particularly to plans for publicly sponsored investment, local as well as national, above all housing, to check declines in private investment.

We believe that an authoritative public statement on this matter in Washington would improve the prospects in this country and in European countries, liberated or to be liberated, of whole-hearted implementation of the recommendations at Bretton Woods and of the early formulation and subsequent implementation of recommendations on commercial, commodity and cartel policy along lines that we seek.

2. Further personal talks on the subject of controls as well as Mr. Harcourt Johnstone's⁸⁴ speech confirm the view that the maintenance of a strict control over particular products is regarded as essential so long as scarcity conditions remain and that complete control is likely to remain on a given product as long as any control is needed. If any part of a control is lifted before the rest, it seems likely that it will be at the consumer-rationing end and only on the import side afterwards when it has been demonstrated that there is enough to go round after rationing stops. The apparent difference of emphasis between London and some United States opinion groups may be due in part to the greater consciousness and experience of commodity scarcities here but also to the expectations of continued shipping scarcities which will affect United Kingdom incomparably more than United States [and] will probably force retention of rationing here for a time even after world scarcity passes.

In addition to the scarcity aspect, controls are likely to be used to facilitate readjustment of industry with specific priorities in view, one of the most important of which has to do with export industries. Some 1½ million workers have been moved out of export industries into direct war industries and occupations, many of them in connection with concentration plans. The sweeping curtailment of export industries during the war gives rise to considerable concern regarding the postwar period. Officials are above all anxious that United Kingdom shall place itself on a self-supporting basis from the standpoint of its balance of payments as quickly as possible after the end of the war in all theaters of operation. They dislike the idea of continued dependence after that time on any temporary wartime arrangements, and they also would deplore the substitution of external loans, which would cause further deterioration in their long-term debtor-creditor position. The only satisfactory course open to them is the restoration and expansion of their export trade and in view of the tremendous diversion of labor and materials away from export lines during the war, they feel that very high priorities must be given in respect of both workers and raw materials to export industries immediately after the war.

Some concern is felt privately among officials at what they believe to be inadequate realization on the part of the American public and Congress of (1) the loss to United Kingdom in a common war effort of the fruits of a century of saving and investment, (2) the extent of increase of exports necessary to offset this loss, (3) the extent of United Kingdom diversion of resources from export trades to the war effort. Officials believe that the State Department fully understands the situation but they doubt whether Congress and the Ameri-

⁸⁴ British Parliamentary Under Secretary of State for Overseas Trade.

can public do and they take note of such attacks as that quoted here from the *Wall Street Journal* which seem to them both to urge prompt cessation of Lend-Lease and also to adopt a combative attitude towards future United Kingdom efforts to reestablish and expand its trade. Criticisms made by United Kingdom economic officials in regard to this state of affairs are directed mainly if not entirely at United Kingdom information services and at alleged excessive United Kingdom secrecy on some of the facts that would make the position clearer in other countries.

3. Plans concerning particular commodities are originated as regards food in the Ministry of Food, as regards raw materials and iron and steel and their products in the Ministry of Supply, and as regards other manufactured products chiefly in the Board of Trade. The Ministry of Supply has a few able economists who are free from trade bias and who have held important operating posts during the war. The future of the iron and steel trade is a matter of concern to these economists. They are, it may be said in confidence, strongly against the prewar setup and especially against the Import Duties Advisory Committee which worked on purely opportunist lines and became an appendage of the Iron and Steel Federation. Economists in Government who are acquainted with the industry believe that the IDAC should be eliminated entirely and that the Federation should be reformed on new lines. They are seriously concerned about the postwar position of the industry. The principal defect, they believe, is in the location of many producing units in the industry. "Efficiency" in the industry is largely a matter of transport costs and they believe that all plants working on imported ore should be re-located right on the coast close to the appropriate ports. In addition, many small or inefficient producing units should be eliminated. But they do not believe that these changes could be carried through by the industry itself because of the numerous interests involved. Their view is that only the Government could bring about such a wide reform on the basis of a national plan for the industry.

Such plans could probably be produced by an able group of younger men in the Ministry but our impression gathered privately is that Duncan, the present Minister, because of his past association with the Federation and with the industry, and because it is possible that he is looking to a job in the Federation in future, would not back any Government action on a comprehensive scale. Therefore, plans are hanging fire and there is danger that the industry will be unready to meet postwar conditions in the most effective manner.

An able economist of the Ministry of Supply (who has specialized in the history of the iron and steel industries) said he thought that there would be a shortage of iron and steel in the early postwar period

in United Kingdom and perhaps in Europe but after 3 or 4 years production would tend to outrun demand and pressure for cartel arrangements and import restrictions would become strong. He did not believe the demand for iron and steel could be increased beyond 25% above the 1937 level except in the immediate reconstruction period.

In these personal conversations, a Ministry of Supply economist and a Colonial Office economist both raised the point that economies of large scale operation apply to international trade in a number of commodities as well as to production and to domestic trade and a policy of merely forcing dissolution of cartels, though desirable, may not provide a solution in all cases. A Colonial Office economist who generally favors private trade expressed the view that the cocoa trade from West Africa could best be handled by Government operation of shipment. He thought also that the banana trade must necessarily be handled in bulk on a rigid schedule by very large units of operation and that such monopoly as this involves should not be left in private hands. An economist of the Ministry of Supply expressed the personal view that in about 10 years the iron and steel industry would have to be nationalized in United Kingdom as the only effective means of reorganizing the industry on efficient lines and eliminating private cartel arrangements. He thought this would not mean an end of competition but a change in its form: There would be substantial competition in operating results of different units. These views were not put forward by doctrinaires but by Government economists with little or no political attachments. The Colonial Office appears to be doing considerable work on British colonial territories but very little on the relations between these colonies and those of other countries—apart from the Caribbean area. We shall follow up the trading aspects of colonial problems in future messages.

WINANT

840.50/8-1144: Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

WASHINGTON, September 18, 1944—6 p. m.

7598. With reference to conversations in Washington with Richard Law (reDepts 6036, July 31) and your conversations with Ronald (reEmbs 6473, August 11) regarding Article VII talks, we sent letter to the President on September 2⁸⁵ suggesting that he seek support of Prime Minister for resumption of conversations about the middle of

⁸⁵ Not printed.

October. Conversations would cover commercial policy, commodity agreement policy, cartel policy and state trading.

We have been giving consideration to the procedure involved and have reached the following conclusions:

As soon as the preparatory work here has been completed, which it is expected will be about the middle of October, you and your staff, including Hawkins,⁸⁶ assisted by a few competent people sent quietly to London for the purpose would begin exploratory discussions with a view to comparing the trends of thought of the two Governments since the last talks were held, and ascertaining the areas of agreement and the points at issue. We feel that any publicity at this stage should be avoided. We would determine, in the light of the measure of agreement reached in these informal talks, and other developments, what the next steps should be.

Please discuss the foregoing with the appropriate British authorities and advise us whether the arrangements contemplated are satisfactory to them.

If agreeable to you, Hawkins would remain here until about October 15 to assist in the preparatory work, but even though this work had not been completed, he would proceed to London at that time to take up his duties in the Embassy. These duties would initially include the carrying on of the preliminary exploratory discussions with the British above referred to.

HULL

840.50/8-344: Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*⁸⁷

WASHINGTON, September 19, 1944—midnight.

7647. Reurtel 5766, July 20, and 6179, August 3, reurdes 17268, August 3.⁸⁸ Despite British view that need of insuring adequate supplies of scarce foodstuffs at stable, reasonable prices justifies long-term bulk-purchase contracts, and despite understandable desire of Dominions for dependable markets, and even though products of substantial immediate interest to American exporters or importers may not now be covered by the contracts, we remain concerned over pos-

⁸⁶ Harry C. Hawkins, appointed Economic Counselor at London, September 12, 1944.

⁸⁷ Text of this telegram quoted to the Ambassador in Canada in airgram A-142, September 27, 5:55 p. m., with instructions to report information obtainable regarding questions asked of London and to send the information and reports requested in last paragraph of the telegram quoted.

⁸⁸ Despatch 17268 not printed; it transmitted text of British Foreign Office note summarized in telegram 6179, August 3, from London, p. 64.

sibility that they run counter to the principles of Article VIII of the Trade Agreement.

To extent shortages of certain products may actually exist after the war, meat and dairy-products importing countries desiring to obtain adequate supplies at stable reasonable prices may feel that the British contracts conflict with their interests.

The possibility if not the probability that the duration of the British bulk purchases will extend beyond the periods of short supply for many, at least, of the products involved causes us special concern. Government bulk purchases, in times of commodity abundance, could become far more discriminatory than tariff or quota preferences. The reported contemplated minimum purchases of bacon from Canada are at three times the rate of United Kingdom pre-war bacon imports from Canada, and the purchases reported in your 6239, August 4,⁸⁹ seem to be tantamount to long-term freezing of a position for New Zealand in the United Kingdom market regardless of the possible development of lower cost production elsewhere. In a telegram dated September 1 from Buenos Aires it is stated that

“Embassy has just received reliable report to effect that large British house here received cable from home office London stating British Ministry Food informed it that 4-year meat contract would be signed shortly. Local representative Ministry of Food doubts accuracy of report but Department may wish investigate.”

The existence of such long-term contracts might present a substantial handicap to other countries with equally or more efficient production attempting to regain their pre-war position in the United Kingdom market.

In expressing concern with regard to this matter we do not consider that we are reflecting a doctrinaire attitude of opposition to necessary governmental intervention in economic matters, or lack of sympathy with the British Government in meeting the vital problem of British food needs. It seems clear to us, however, that inelastic, long-term government purchase contracts for large quantities are likely in the end to do more to retard than to advance achievement of our two governments' underlying objectives, set forth in Article VII of the mutual-aid agreement, of expanded world trade on a non-discriminatory basis.

Your 5766, July 20, paragraph 10, states that there is no reason to believe that the measures under negotiation concerning meat and dairy products have any relation to or constitute any precedent for United Kingdom policy on raw materials. In this connection *Business Week* for July 15 states that

⁸⁹ Not printed; it reported a 4-year agreement for purchase by the United Kingdom from New Zealand of surplus dairy and meat products.

"Ottawa has revealed that British government representatives have arranged with private Canadian interests for the purchase of 2,500,000,000 bd. ft. of lumber to be delivered during the first 2 years after the defeat of Germany. Contracts will soon be signed in London."

Please inform appropriate officials that we hope that the subject of state trading can be thoroughly explored with the British delegation when Article VII talks are resumed, and convey to them the sense of the foregoing so that they may understand that our opinions on state trading in general and on the criteria for state-trading contracts have not changed in principle from those held during the talks last year. We would appreciate an early report on their reactions.

We are still uninformed regarding many features of the contracts and we should like a report on the following questions: (1) What provision exists in the contracts for their termination or for alteration in the quantities or prices involved in case any product comes into long supply and other countries are in a position to sell on a competitive basis? (2) What is the exact definition of exportable surplus in the agreements? (3) What control, if any, over the use of sterling resulting from the bulk purchases is contemplated in the agreements?

Please send available information on the reported lumber contract with Canada and the reported meat contract with the Argentine referred to above. Also, send by mail copies of any of the long-term contracts which may be available. In general please follow and report promptly all developments in connection with individual bulk purchases or with over-all policy concerning them.

HULL

840.50/8-2844

*The Director of the Office of Wartime Economic Affairs (Taft)
to the British Minister (Campbell)*

WASHINGTON, September 20, 1944.

DEAR SIR RONALD: I refer to your letter of August 28 to the Under Secretary regarding the future of the Combined Boards, and to his reply of August 31.⁹⁰

Mr. Acheson is out of town, but I am informed that the appropriate agencies of this Government have reached agreement with respect to a preliminary United States position and that we are ready to begin conversations as soon as you and the Canadian representation may wish. The group on the United States side will be composed of Mr. Bernard Haley, or Mr. Leroy Stinebower, and me, from the Department, Mr. Lauchlin Currie from the Foreign Economic Ad-

⁹⁰ Latter not printed.

ministration, and the United States Executive Officers of the three Boards concerned.

Mr. Acheson has requested me to arrange with Mr. Marris and the Canadians the initiation of these conversations.

Sincerely yours,

CHARLES P. TAFT

800.24/9-2144

Memorandum by the Secretary of State to President Roosevelt

WASHINGTON, September 21, 1944.

There is transmitted herewith a copy of a policy document on the future of the Combined Boards for your information in the event that this question, on which you have previously corresponded with Mr. Churchill, may arise for current discussion. This document has been approved by the Executive Committee on Economic Foreign Policy and is intended to serve as an instruction to a United States committee for conversations on the future of the Combined Boards with a British committee.

C[ORDELL] H[ULL]

[Enclosure]

No. ECEFP D-54/44

SEPTEMBER 20, 1944.

EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY
COMMITTEE ON WARTIME TRADE CONTROLS

THE FUTURE OF THE COMBINED BOARDS

It has been and is the long term objective of this Government to work toward an expansion of private international trade on a multi-lateral basis without discrimination or undue restriction. Wartime trade controls and governmental participation in trade have been introduced for the purpose of effective prosecution of the war in all its phases. All such controls and governmental participation cannot be eliminated as soon as the war ends. Steps should be taken, however, to set limitations on such controls, consistent with the solution of major national and international problems arising during the transition from a wartime to a peacetime economy. Among other things, this calls for a reexamination of the scope of operations of the Combined Boards.

Present Work of the Combined Boards

The three boards in question—the Combined Food Board, the Combined Raw Materials Board, and the Combined Production and Re-

sources Board—were set up to secure the most efficient disposition, in the light of war needs, of the resources of the non-Axis world.⁹¹ All supplies and facilities were to be regarded as a pool and related to total requirements. As a result, almost every Board recommendation has foreign trade implications. New trade patterns have been set up. Export and import markets have been established which often do not coincide with a preestablished or normal basis. Such dislocations are, of course, inevitable in wartime.

Recent Examination of the Future of the Boards

Preliminary discussions concerning the Combined Boards were brought to a head when on July 20, 1944, Sir Ronald Campbell addressed a letter to the Under Secretary, requesting the opinion of this Government on the future of the Combined Boards. This letter has been acknowledged and copies sent to the U.S. members of the three Boards mentioned above, with the suggestion that the U.S. members meet with their British and, in appropriate cases, Canadian colleagues⁹² in order to obtain a preliminary statement of the recommendations of those immediately concerned with the operation of the Boards. Sir Ronald Campbell's inquiry has underlined the urgency of reaching a judgment with respect to the American position. The lack of a clear definition of the future status and of the proper sphere of current operations of the Combined Boards has led to uncertainty on the part of the operating officials.

Preliminary Position of the United States Concerning Membership on the Boards

Abolition of the Boards, so long as war needs exist, cannot be considered. Direct enlargement of membership has been considered, but seems inadvisable at this time because of reasons of security, because the primary responsibility for meeting supply problems must fall upon the United States and the British Empire, and because working relations cannot now be readily established with a large group of countries. It may become advisable, however, to place on certain important committees of the Boards representatives of other countries when their peculiar position as important producers or consumers should be taken into account. This has already been done on occasion, and in the future consideration should be given to the principles and methods by which added representation may be given.

⁹¹ For documentation relating to the establishment of the Combined Boards, see the records of the First Washington Conference, December 22, 1941-January 12, 1942, to be published in a subsequent volume, *Foreign Relations, The Conferences at Washington and Casablanca, 1941-1943*.

⁹² Canada was a member of the Combined Food Board and the Combined Production and Resources Board.

Preliminary Position of United States Concerning Scope of Operations

It is believed that the scope of operations of the Boards should be redefined. Put in the most general terms, the Boards should restrict their allocation recommendations to cases of (1) items which are in short supply and which are needed for direct war purposes or for the maintenance of essential civilian economies, related to the war and to the transitional period, and (2) to items the transportation of which involves so substantial a use of shipping that uncontrolled movements might lead to undue waste of shipping facilities. The Boards should themselves be able to decide what items, within these limits, they consider will require their recommendation of future allocations. In deciding upon what items are not in short supply, the Boards should appraise what would be the net annual global position, after the removal of allocation recommendations. But even in the case of a short item, the Boards should recommend allocations of only that part of the supply which is necessary for the war effort, or the maintenance of essential civilian economies, related to the war and to the transitional period, and should not feel it necessary to recommend allocations of the total supply in all countries. They should keep in mind that, so far as is consistent with the prosecution of the war and the adjustment of scarcities in the transitional period, the area of free movement of commodities and products in international trade should be progressively enlarged.

This position is taken because it is believed that the Boards were set up to handle specific war problems and, by the very nature of their organization, are not designed to handle other than wartime problems. In the period of war mobilization the control mechanisms upon which the Boards relied were directed toward a limited common objective. As the war supply problems ease, the need for the type of combined economic operation carried on by the Boards decreases. The Boards have been appropriately limited in membership. As more nations become free, this limitation will increase concern about United States-British Empire domination. In the near future it will not be easy to justify United States-British Empire decisions concerning the allocation of supplies of other nations. Furthermore, the dislocation of trade patterns, occasioned by the war and made effective through the Boards, creates opportunity for discriminatory national advantage. Within the British Empire differences of opinion, which are suppressed in wartime, will arise and it will not be to the interest of the United States to become involved unnecessarily in these disputes, as it would if it remained a senior partner on the Boards.

However, it is felt that informal consultation and interchange on common industrial and agricultural production problems of a technical nature may be useful in the transition to peace as well as in war.

Therefore, the Boards with their statistical and technical staffs and background of experience may continue to act as convenient forums for such informal discussion and interchange.

Corollaries of the Preliminary United States Position

This position that the Boards should restrict their activities to questions of short supply and transportation has a number of corollaries. It means:

(a) That the Boards should not recommend allocations of long supply items, except when transportation considerations make them necessary;

(b) that the Boards should not use allocation recommendations of items in short supply to increase exports of long supply items;

(c) that the Boards should not make recommendations for the purpose of controlling foreign prices of items in long supply, or of items in short supply that are not necessary to the war or to essential civilian economies;

(d) that the Combined Boards should not recommend allocations of capital goods for export for long-term reconstruction and industrialization, except where such goods are both in short supply and an allocation is necessary to meet direct war needs or to maintain essential civilian economies in the transitional period;

(e) the several member governments would be generally expected to advise the appropriate personnel of the other member governments in advance of effecting substantial cutbacks in procurement or development procedures in third countries.

Transitional Surpluses

If the scope of the Boards' operations is to be gradually contracted, the question arises as to what steps need to be taken to handle transitional problems, particularly those of surplus commodities. It is recognized that the Combined Boards have statistical and technical facilities concerning many commodities and products, and these should be maintained in operation. It is recognized also that the problems of transitional surpluses can be advantageously studied by the technical staffs of the Combined Boards.

Although the Boards are inadequately constituted to deal with surplus situations, the problem of surpluses will come before the technical staffs dealing with commodities. The exchange of information between the technical staffs should be continued as long as the Boards continue in existence or until some international mechanism is established to deal with post-war commodity problems. The United States officers of the Combined Boards, with the assistance of other interested agencies, should draw up and submit a statement of findings to the Executive Committee on Economic Foreign Policy for the Committee's consideration and recommendation of action where surpluses are found. Until the United States position is established United States members of the Boards and the technical staffs should

not undertake to formulate solutions of surplus problems with the representatives of other nations.

841.24/10-1644

*The British Minister (Campbell) to the Under Secretary of State (Stettinius)*⁹³

WASHINGTON, September 23, 1944.

MY DEAR MR. STETTINIUS:

1. I have been asked by His Majesty's Government in the United Kingdom to say that the authorities in London have been giving thought to the position which will arise in respect of supplies in the United Kingdom and the Colonies (among which supplies of lend-lease origin will be an important element, involving special considerations) which will become surplus to military requirements and available for disposal to civilians or otherwise.

2. The volume of movable stores no longer required for military use in the European theatre on conclusion of hostilities with Germany is likely to be considerable. While a large part will be used in the Far East, and a further quantity for relief and rehabilitation purposes on the Continent, nevertheless a substantial balance will be available for disposal to civilians or otherwise. The problem created by these surpluses will largely be a new one. Up to now movable stores have been made available for civilian purposes either because it has been essential for the efficient conduct of military operations that they should be supplied to civilian economy or because the stores in question had become, through destruction, deterioration or obsolescence, useless for the purpose for which they were originally intended. In the first case the military authorities are only acting as a necessary channel of supply in the light of military necessities; in the latter, the supplies thrown up are of the nature of scrap and salvage. In contrast, military supplies thrown up at the end of the European war will be different both in volume and character. In volume they will be far greater. In character for the most part they will not be essential to civilian economy, although many of them may be readily saleable.

3. Special problems are presented by the intermingling of supplies of lend-lease origin. In order to provide orderly disposal, arrangements have been made by the British Government to govern the marketing of surplus stores, as they have been by the United States

⁹³ Original not found in Department files; this copy made from a carbon attached to a memorandum of conversation of October 16, 1944 (not printed) by Mr. Frank W. Fetter, Adviser in the Division of Financial and Monetary Affairs.

Government in the United States of America. But lend-lease stores cannot automatically be treated under these arrangements. The United Kingdom Government has not the power to divert supplies of lend-lease origin to ordinary civilian use without the consent of the President of the United States. Further, Article 5 of the Mutual Aid Agreement of February 23rd, 1942⁹⁴ puts certain obligations upon us—that article reads: “The Government of the United Kingdom will return to the United States of America at the end of the present emergency, as determined by the President, such defence articles transferred under this agreement as shall not have been destroyed, lost, or consumed and as shall be determined by the President to be useful in defense of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America.” It follows that special arrangements are therefore necessary to deal with supplies of lend-lease origin.

4. The Government of the United Kingdom cannot however contemplate, as a general arrangement covering all types of goods, a solution whereby the disposal of goods of lend-lease origin should proceed subject to financial adjustments being made subsequently either by paying over the direct proceeds of the sale of such goods or on some proportionate basis.

This would not be possible in view of the drain on the foreign exchange resources which would be involved. The exchange reasons which prevent the importation into the sterling area of American goods which are not absolutely essential prevent the United Kingdom Government from being able to contemplate an arrangement of this kind. However desirable administratively an overall settlement on these lines might appear, we should not be justified, either from our own point of view or that of the United States, in entering into such a commitment in respect of supplies whose priority cannot be represented as being in any sense high.

5. The only alternative therefore that is left is to make arrangements so that surplus supplies of lend-lease origin are available for return to the United States. It is recognized this is likely to present administrative and other difficulties which should be explored well in advance, and that channels and machinery of recapture will require considerable thought. It would therefore seem desirable for joint discussions to be undertaken as soon as possible.

⁹⁴ Preliminary Agreement between the United States and the United Kingdom regarding principles applying to mutual aid in the prosecution of the war against aggression, signed at Washington, February 23, 1942. For text, see Department of State Executive Agreement Series No. 241, or 56 Stat. (pt. 2) 1433. For documentation concerning negotiation of the Agreement, see *Foreign Relations*, 1942, vol. 1, pp. 525 ff.

6. There remains the special case of supplies (whether of lend-lease or United States Army origin) which are surplus to military requirements but essential to the civilian economy. Here it would appear reasonable that the ordinary ruling of lend-lease eligibility should apply and that where such supplies are required for civilian end use and are eligible for procurement under lend-lease, permission for re-transfer under lend-lease should be given, during the currency of the Lend/Lease Act, without question of payment arising. Where however such supplies are ineligible, they would be purchased on such a basis as might be arranged and subject to the usual exchange control and procurement machinery.

7. Mention has been made of United States military supplies, as opposed to lend-lease supplies. The arguments set out in paragraph 4 above apply even more strongly here, and there would be no possibility of purchases of non-essentials for civilian purposes in this sphere.

8. It must be emphasized that the above proposals relate to the United Kingdom and Colonial Empire only. The United Kingdom Government is not in a position to speak for the Governments of the Dominions, or of India or the other Governments of the countries in the sterling area. Nevertheless the same broad considerations must inevitably apply as in the case of the United Kingdom and the Colonies, since for any payments that are to be made to the United States, dollars must be found from the common Sterling area pool. It is hoped, therefore, that in the case of these countries, similar principles will be applied as regards surplus lend-lease or United States army goods which may be found there. Furthermore that in the case of non-British countries in the sterling area consultation and parallel action will be maintained by the United States and the United Kingdom in regard to principles of disposal.

9. His Majesty's Government would be grateful for the views of the United States authorities on what is recognized to be a difficult and complicated problem. If the State Department would like to enter into the discussions envisaged in paragraph 5 above, we should be happy to make the necessary arrangements. If it were thought the said discussions would be useful, I would propose to designate a small committee of United Kingdom representatives for this purpose comprising Mr. F. G. Lee of the United Kingdom Treasury Delegation, Mr. J. H. Penson of the British Ministry of Supply Mission, Mr. T. Childs and a representative of this Embassy.

10. I am sending a copy of this letter to Mr. Crowley.⁹⁶

Yours sincerely,

RONALD I. CAMPBELL

⁹⁶ Leo T. Crowley, Foreign Economic Administrator.

800.602/9-644

Memorandum by the Secretary of State to President Roosevelt

WASHINGTON, September 27, 1944.

In further response to your letter of September 6,^{98a} directing attention to the importance of intergovernmental discussions on the subject of international cartels, there is herewith transmitted a statement of recommendations regarding policy for dealing with international cartels and related private business arrangements prepared by the interdepartmental Committee on Private Monopolies and Cartels and approved by the Executive Committee on Economic Foreign Policy.

The proposed cartel policy is regarded by the Executive Committee as tentative and preliminary, and as subject to such modifications as may be deemed desirable after consideration of further views on this and other aspects of commercial policy. A report on the closely related subject of intergovernmental commodity agreements is now under consideration by the Executive Committee and will soon be submitted to you.

It is believed, however, that the proposed cartel policy in its present form is sufficiently definitive to serve as a working basis in discussions with other governments. In view of such discussions, it is not believed that the statement should be made public. Alternative proposals are also being studied in order that carefully thought out recommendations may be available in case of need.

C[ORDELL] H[ULL]

[Annex]

ECEFP D-53/44
(Cf. D-11 and D-49)

SEPTEMBER 20, 1944.

TENTATIVE PROGRAM FOR DEALING WITH INTERNATIONAL CARTELS

(As approved by the Executive Committee on Economic Foreign Policy on September 15, 1944)

SUMMARY

1. The United States should advocate, in discussions with other nations, the adoption of a coordinated program by which each nation undertakes to prohibit the most restrictive cartel practices which burden international trade.

^{98a} For text of Secretary Hull's initial reply of September 11, in which he indicated that he was asking the Executive Committee on Economic Foreign Policy to expedite their work on the subject of international cartels, see Department of State *Bulletin*, September 17, 1944, p. 292.

2. International conventions and national laws about patents, trade marks, and company organizations should be amended or supplemented to make such restrictive cartel practices more difficult.

3. Programs involving international regulation of trade or production undertaken for such purposes as international security, conservation, and public health and morals, and in dealing under certain prescribed conditions with the correction of basic economic maladjustments should be agreed upon by the governments rather than private interests.

4. To facilitate the development and administration of this program, there should be established an International Office for Business Practices.

Comment

These proposals are based upon conclusions that the typical effects of cartels are to reduce output, raise and stabilize selling prices, increase profit margins, reduce employment, and protect high cost members; and that through such activities cartels reduce employment and investment opportunities, hinder the development of liberal policies in international trade, delay the readjustment of dislocated industries, and sometimes thwart national policies or serve as the instrument of aggressive governments. The claims that cartels help preserve balance in international payments and that they can help solve problems of economic readjustment are regarded as unfounded.

It is recognized that pressures to organize cartels arise in large part from depressions, trade barriers, and unbalanced over-expansion of particular industries, and that the success of a program directed against cartel restrictions must depend in large part upon successful policies for coping with such matters.

840.50/9-2944 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, September 29, 1944—5 p. m.

[Received September 29—4 p. m.]

8139. In trying to collect information you wanted in Department's 7647, September 19, I would suggest that you talk with Law and Penrose if, on leaving the UNRRA Council meeting in Montreal,⁹⁷ they are returning to London through Washington.

WINANT

⁹⁷ With regard to the second session of the United Nations Relief and Rehabilitation Administration's Council at Montreal, September 1944, see pp. 334 and 338-354, *passim*; for documentation relating to the establishment of UNRRA, see *Foreign Relations*, 1943, vol. I, pp. 851 ff.

840.50/10-1244: Telegram

The Ambassador in Canada (Atherton) to the Secretary of State

OTTAWA, October 12, 1944—5 p. m.

[Received 8:08 p. m.]

48. The subject of state trading as raised in the Department's A-142, September 27, 5:55 p. m.⁹⁸ was discussed today with Angus⁹⁹ of External Affairs who will give definite answers in a few days.¹ Beyond [*sic*] in the meantime he said basic Canadian policy does not contemplate conclusion of bulk purchase agreements extending transition period. The bacon contract for example was for 2 years and will expire in 1945. It contains no provision for prior termination or alteration should bacon come into long supply and other countries are in a position to sell on competitive terms. There was no definition of surplus in the contract. Britain agreed to purchase and Canada agreed to sell 900,000,000 pounds and any additional quantity if available at stipulated prices during the 2-year period. Use of resulting sterling is not covered in the Canadian contracts. Angus said Canada has operated with Great Britain on the Hyde Park principle.² Through mutual aid, through greatly increased expenditures in Great Britain, in behalf of Canadian Armed Forces, and through other devious means Canada has sought and has succeeded remarkably well in keeping down her sterling balances.

Angus said lumber contracts would be between British timber controller and individual Canadian producers. From the Canadian side this would not be state trading and Canada would not necessarily know the provisions of the contracts. Although lumber deal has not yet been completed certain information is available from press releases et cetera. The objective of the deal is to provide for shipments of [1.2 billion] feet for each of the 2 years after the close of the European phase of the war. Timber controller Williamson has stated that this will amount to from one-quarter to one-third of total Canadian production.

The Minister of Trade and Commerce has stated that the United Kingdom officials are dealing direct with producers and further than

⁹⁸ See footnote 87, p. 77.

⁹⁹ Henry F. Angus, special assistant to the Canadian Under Secretary of State for External Affairs.

¹ Despatch 1569, October 13, from Ottawa (not printed), reported that an officer of the Embassy had been called that day to the Department of External Affairs by Mr. Angus to receive definite replies to the questions posed in the Department's instructions; but that, as these replies did not add any information to that contained in the Embassy's telegram 48, a further telegram was not being submitted at that time (840.50/10-1344).

² See statement released to the press by the White House April 20, 1941, regarding an agreement between President Roosevelt and Canadian Prime Minister Mackenzie King with respect to the exchange of defense articles with Canada, Department of State *Bulletin*, April 26, 1941, p. 494.

[*that?*] the value "considerably exceeds the average annual value of pre-war total exports." He also said that the deal covers hard and soft woods, pit props, and other lumber products. Apparently the deal is on the basis of current prices but the contracts will "provide for adjustments in price in accordance with variations in costs of production".

In 1938, 44% of Canadian lumber exports were to the United Kingdom and 38% to the United States. The main competition in the United Kingdom market was from Scandinavia, the Baltic countries and Russia. In terms of post war trade the Canadian lumber interests are particularly fearful of Scandinavian competition with them. The deal apparently covers shipments in excess not only of pre-war exports to Great Britain but of current exports as well. The Government is definitely using the program as a means of reassuring the lumber industry that demand for its production as well as its place in the British market will be maintained after the war. Angus stated his conviction that lumber will be in acutely short supply for a long time to come.

The Canadian timber controller's office has been advised by the Embassy that negotiations with the British are in progress and that conclusions have not yet been reached. We will continue to follow these talks and report further.

ATHERTON

.800.24/10-1744

The Secretary of State to Diplomatic and Consular Officers

WASHINGTON, October 17, 1944.

SIRS: I enclose herewith for your information a copy of a memorandum transmitted by the Department to the Surplus War Property Administration indicating the Department's policy for disposal abroad of surplus property.

The sale to foreign buyers of surplus property will involve many problems closely related to the foreign policy of the United States. Therefore, a close working relationship will be necessary both in Washington and the field between the Department and those responsible for disposal of surpluses abroad. The Department has informed the Administration in Washington that it is prepared to render assistance in the field through its diplomatic missions and consular offices. This assistance will, in general, include advice concerning the overall problem of disposal of surplus property in each country and its relation to our commercial policy, and information concerning the potential market for surplus property in each country. The foreign disposal agency, where necessary, will send to the field such technical and

other personnel as may be required to carry on those of its functions which cannot be performed by regular or auxiliary Foreign Services.

The functions now assigned to the Surplus Property Board, which was created by a recent act of the Congress,³ have until now been performed by the Surplus War Property Administration, created by an executive order of the President.⁴ The Surplus War Property Administration had designated the Foreign Economic Administration as its foreign disposal agency, and it is indicated that the Foreign Economic Administration, or one of its subsidiaries, will continue as the foreign disposal agency under the Board.

From time to time, the Foreign Economic Administration has transmitted to its representatives in the field information concerning its procedures for surplus disposal, and at present is sending a preliminary guide for property disposal dated September 22, 1944. These regulations are tentative, and should be referred to the Chief of the Mission, in order that the practices to be followed in each country may be in conformity with the foreign policy of the United States towards that country, and the procedures and practices developed by the mission in its relations with the foreign country.

The procedure for the disposal of surplus aircraft abroad has been worked out, and in Washington will differ generally from the procedure used in disposing of other types of surplus property. Lieutenant Colonel William B. Harding, Director of the Aviation Division, Surplus War Property Administration, is in charge of aircraft disposal. He is advised concerning both policy and procedure by the inter-departmental Working Committee of the Surplus War Property Administration, in which the Department of State has a representative.

The Foreign Economic Administration is transmitting to all of its Special Representatives an instruction containing general regulations and procedures for the disposal of surplus aircraft in the field. You may wish to consult with the Special Representative of the Foreign Economic Administration about this particular matter.

Very truly yours,

For the Secretary of State:

DEAN ACHESON

[Enclosure]

PROPOSED POLICIES FOR DISPOSAL ABROAD OF SURPLUS PROPERTY

In view of the important foreign policy aspects of the disposal abroad of surplus property, the State Department believes the following policies or guiding principles should apply to the disposal abroad of (a) surplus property located outside the United States; and (b)

³ Surplus Property Act, October 3, 1944; 58 Stat. 765.

⁴ Executive Order No. 9425; 9 *Federal Register* 2071.

surplus property located within the United States and which is disposed of to foreign buyers, except in such cases as the provisions of the Surplus Property Disposal Act may provide otherwise. These principles are intended to constitute a basis for the preparation of regulations and procedures.

1. In order that all sales of surplus property abroad shall conform to the foreign policy of this Government, the foreign disposal agency should maintain close working arrangements with the Department of State and United States diplomatic missions and consular offices abroad and, to the extent possible, use the facilities and personnel of such missions and offices.

2. Although not a prerequisite to sales of surplus property abroad, wherever possible agreements should be negotiated by the Department of State or diplomatic missions with all foreign governments having jurisdiction over areas in which surplus property is to be disposed of, to provide that the United States Government shall not be liable for any claims arising directly or indirectly out of the sale of such property, and to arrange for such procedures and policies as may be appropriate to obtain effective and orderly disposal of the property.

3. In the disposal of surplus property to foreign buyers private channels of trade should be utilized unless there are compelling reasons to the contrary.

4. The foreign disposal agency should impose no restrictions upon the disposal abroad of specialized machinery and equipment, nor of technical information. The Executive Committee on Economic Foreign Policy representing the several U.S. Government departments and agencies concerned, at its meeting September 1, 1944, said "the policy recommended is that no restrictions be imposed on the export of technical information except those based on military security and interference with the war effort . . .".

In response to a request from the Administrator of the Surplus War Property Administration⁶ with regard to policy as to disposal abroad of surplus industrial equipment, machine tools, and machinery, the above Committee replied under date of September 4, 1944 that

"it should particularly like to call to your attention a quotation from an earlier memorandum of the Executive Committee which was submitted by the Secretary of State to and approved by the President.⁷

"It is the policy of the Government of the United States to engage in a properly conceived program of foreign investment to aid in financing the reconstruction of war-torn areas and for related purposes, including facilitating the export generally of capital goods from the United States and the economic development and industrialization of the less developed areas of the world."

"It is the view of the Executive Committee that the sale of surplus industrial equipment abroad falls within the scope of this policy."⁸

⁶ William L. Clayton.

⁷ Memorandum of June 2, and its Annex, pp. 44-46.

5. Although the basic principle in the disposal of surplus property abroad is ordinarily to obtain the highest net return, in whatever area this may best be realized, considerations of foreign economic or political policy may in special cases make departure from this principle advisable.

6. In the disposal of surplus property abroad, with the exception of transport aircraft, the foreign disposal agency should give preference to purchase in the following order in cases of approximately equal prices and terms: (1) to United States Government agencies; (2) to UNRRA or other agencies, government or private, intending to use the property for relief and rehabilitation; (3) to United States manufacturers, or their authorized representatives, of goods carrying such manufacturers' names or trademarks.

7. Ordinarily, disposal should be for dollar funds payable in the United States at or prior to the release of the property. When it is impracticable to consummate sales on this basis, other terms may be authorized by the Board after consultation with other appropriate United States Government agencies.

8. No sales should be made of surplus communications equipment abroad unless they have been cleared through the Department of State.

No sales or transfers are to be made of arms, ammunition and implements of war as defined by the President's proclamation of April 9, 1942,⁸ or of other military weapons, or of components thereof, until such sales or transfers have in each individual case been approved by the Department of State and by other interested agencies.

9. No sales should be made to persons on the "Proclaimed List of Certain Blocked Nationals",⁹ or to agents of such persons.

800.24/10-1944

The Director of the Office of Wartime Economic Affairs (Taft) to the British Minister (Campbell)

WASHINGTON, October 19, 1944.

MY DEAR SIR RONALD: Mr. Stettinius has turned over to me your letter of September 24 [23], 1944, regarding the disposition of surplus

⁸ "Enumeration of Arms, Ammunition, and Implements of War"; for text, see Department of State *Bulletin*, April 11, 1942, p. 323.

⁹ Proclamation by President Roosevelt, July 17, 1941; for text, see Department of State *Bulletin*, July 19, 1941, p. 42. The Proclaimed List was designed to control rigidly the export of specified articles to those persons named on the list in the interests of maintaining the security of the United States. The list was to be published in the *Federal Register* with additions and deletions as circumstances required. For documentation concerning the Proclaimed List, see pp. 154 ff.

property, and a copy of his reply of September 25,¹⁰ which indicated that I would get in touch with you directly in regard to the questions raised in your letter.

We are presently studying the various considerations raised by your letter. We feel that rather than to attempt an answer at this time to each point made in your letter, it would be helpful and would expedite consideration of the problem if, as you suggest, the matter were discussed between representatives of the United Kingdom and this Government.

I have discussed your letter with Mr. Leo T. Crowley, Foreign Economic Administrator. We are appointing a joint Foreign Economic Administration and State Department Committee to consider with the representatives of your Government named in your letter the entire problem of surplus disposal.

Sincerely yours,

CHARLES P. TAFT

611.0031 Executive Committee/10-1944

Memorandum by the Secretary of State to President Roosevelt

WASHINGTON, October 19, 1944.

PROPOSAL ON INTERNATIONAL COMMODITY ARRANGEMENTS

There is transmitted herewith a report on international commodity arrangements which has been approved by the Executive Committee on Economic Foreign Policy. As indicated in the covering summary, the report recommends the establishment of an international commodity organization for facilitating cooperation among governments in dealing with commodity problems of world scope, such as those presented by cotton, sugar, and wheat. It also recommends the establishment of an international code of principles for governing, under the supervision of that organization, the negotiation, provisions, and operation of intergovernmental agreements in respect of particular commodities.

With reference to the question of the place of an international commodity organization in the framework of world economic organization, the Executive Committee decided to defer consideration until a later date at which time the subject will be considered as part of the general problem of world economic organization.

I am favorably disposed to the report as a whole especially as a basis for further discussions, if you concur, with the Governments of the

¹⁰ Letter not found in Department files.

United Kingdom and Canada, and also with the governments of other countries.^{10a}

C[ORDELL] H[ULL]

[Annex]

ECEFP D-55/44

SEPTEMBER 19, 1944.

EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY

COMMITTEE ON COMMODITY AGREEMENTS

SUMMARY OF THE REPORT ON INTERNATIONAL COMMODITY
ARRANGEMENTS^{10b}

The introduction of the report briefly reviews the principal recommendations on international commodity organization contained in the resolutions of the Hot Springs Conference on Food and Agriculture and the Second Report of the Interim Food Commission, and calls attention to the informal exchange of views on international commodity policy which took place last fall and winter between representatives of the United States and the United Kingdom and Canada, respectively. The case for a jointly agreed international commodity policy is held to rest upon four sets of conditions, namely, (a) the effects of the present war in promoting a lopsided development of raw material production, and the subsequent likelihood of serious maladjustment in the conditions of supply and demand of a number of primary commodities during the post-war period; (b) the failure of the price mechanism in certain cases to adjust production readily to peace-time changes in the basic conditions of supply and demand; (c) the demonstrated instability of raw material prices and incomes in recent decades; and (d) the need for reconciling existing unilateral national policies in support of internationally-traded commodities with international policies for the promotion of world trade.

^{10a} A notation in the files of the Executive Committee on Economic Foreign Policy (PD-13, dated December 29, 1945; Lot 122 (rev.) S/S-S, box 21) records that after the report was approved by the President, the Secretary of State sent copies to the Chiefs of all United States Missions and to the heads of various other Departments and independent agencies, and also that the "recommendations contained in this document were incorporated in summary form in ECEFP D-108, *Proposal to Establish an International Trade Organization* (PD-45), which was the basis of recent negotiations with United Kingdom officials. . . . The program agreed to with the British as a basis for general international discussion may be found in *Proposals for Expansion of World Trade and Employment*" (Department of State publication No. 2411, November 1945).

^{10b} The full report in 24 typewritten pages is not printed here.

The Committee believes that a number of special problems of economic maladjustment in primary commodities are likely to exist in the post-war period, even if it be assumed that a high degree of success will be achieved in the program for the relaxation of international trade barriers and other programs for international economic expansion. It believes, furthermore, that a properly conceived and executed, selective program for international commodity agreements can be harmonized with a broad program of international economic expansion, and may actually enhance, rather than impair, the prospects of attaining the objectives of a policy of removing international trade barriers. The report recognizes, however, that it will be necessary to provide adequate safeguards against possible abuses of international commodity agreements. These safeguards include provisions for the protection of the interests of consumers, minority groups of producers, and other interests concerned in international commodity agreements, and further provisions that such international commodity arrangements shall promote as their ultimate objective the expansion of efficient production in place of inefficient production.

The Committee recommends the establishment, along lines to be discussed below, of an international commodity organization for the following purposes:

1. To investigate and study international primary commodity problems with a view to making recommendations to governments;
2. To facilitate discussion and cooperation among governments in dealing with international primary commodity problems; and
3. To participate in, and to supervise, the formulation and operation of such international commodity arrangements as may be deemed desirable, in order to insure that they shall be in accord with an agreed code of principles.

As an essential part of such an international commodity organization the Committee recommends acceptance of a code of principles for international commodity policy. These principles relate to the rights and obligations of governments as members of the international commodity organization, and the methods to be observed in formulating and operating international commodity agreements.

With respect to the various proposals for international buffer stocks in primary commodities, particularly the proposal for a program of buffer stocks operations with broad commodity coverage as a means of promoting general international economic stability, the Committee recommends that the problem be referred to the proposed international commodity organization for further study. Although the Committee has considered the subject at length and has had the benefit of a special study on buffer stocks prepared by one of its subcommittees (see attached memorandum on International Buffer Stocks),¹⁰⁰ it believes that the problems and difficulties of a program of international buffer

¹⁰⁰ Not printed.

stocks are of such a character as to make it unwise to go beyond this recommendation at the present time.

In the final section of the report dealing with the structure of the international organization, the Committee recommends the establishment of an international commodity commission as part of such world economic organization as may be set up. It will be essential that the policies and operations of the commodity organization be fully coordinated with the policies of other specialized agencies which have been, or may be, set up in the fields of trade and production, finance, food and agriculture, and labor.

The majority of the Committee feels that if an international organization for trade and production is formed, this integration of policies could best be achieved through having the commodity commission as a branch of such an agency. The representatives of the Department of Agriculture on the Committee hold that the commodity organization should not be part of a general trade and production body. Whatever the machinery, the Committee is unanimously of the opinion that the coordination of commodity and other economic policies is essential.

840.50/11-1544 : Airgram

The Chargé in Canada (Clark) to the Secretary of State

OTTAWA, November 15, 1944—5:30 p. m.

[Received November 17—5 p. m.]

A-46. Reference Department's A-142, September 27, 5:55 p. m.¹¹ and Embassy's despatch No. 1640, October 26, 1944.¹² With despatch Embassy forwarded copies of contracts as offered by British Timber Controller to Canadian lumber producers.

Munro, in charge of exports, Canadian Timber Control, has advised Embassy of change in proposed eastern contracts. Eastern Canadian lumber operations are largely confined to winter and with extended negotiations on postwar contracts, eastern producers required more definite 1945 commitments. Early proposals were for contracts to become effective 28 days after end of European war.

British Timber Controller now offering eastern producers a flat contract for 1945 on the basis of 1944 prices and volume. British also offering 1946 contract with "postwar" provisions of original contracts. Industry understands that similar contract will be offered in the fall of 1945 to cover the year 1947.

Despite early announcement of British intention to obtain 1.2 billion board feet for 2 postwar years, Munro doubts that this volume will be contracted or will be obtained. In 5 years 1934-1938 Canadian lumber exports to the U.K. averaged .9 billion as compared with .4

¹¹ See footnote 87, p. 77.

¹² Not printed.

billion to U.S. In the years 1939-1944 lumber exports to the U.K. averaged 1.0 billion as compared to .9 billion to U.S. In 1944 exports to the U.K. were 1.0 billion and to the U.S. .9 billion.

Accordingly, even if announced totals of exports to Britain were obtained, they would only represent a level of lumber exports to the U.K. as has previously been attained in years of large production and export. For example, from 1936-1940 average exports to the U.K. amounted to 1.2 billion.

There is, however, no guarantee that the U.K. will receive stated objectives. Munro stated that the British Government attempted to obtain volume commitments direct from the Canadian Government itself. As the Canadian Government has refrained from buying and then re-selling lumber even during the war, it was not prepared to make any such postwar state trading commitment. Furthermore, the Department of Munitions and Supply was not prepared to allow the British Government to "stake out" a definite volume of the Canadian lumber trade even with private operators. Thus Canadian operators have only been able to guarantee to the British a certain percentage of their annual production. All the contracts provide that the operators can change the volume of shipments in the event the Canadian Government should demand increased lumber for domestic purposes or should decide upon an alteration of export markets.

The net result therefore is that the British Government is offering to buy a certain volume and to pay operators in Canadian dollars. Volume available will probably be based not only on a percentage basis but can be adjusted in the event of some contrary policy decision by the Canadian Government.

There has been no change in the provisions for price variation nor in the manner of determining cost variation in connection therewith.

Munro stated that revised contracts are now being prepared and that they would soon be available to the trade and to the Embassy. At such time the Embassy will report further.

CLARK

840.50/11-1544 : Telegram

The Acting Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, November 24, 1944—11 p. m.

9894. From Haley¹³ to Hawkins. ReDeptel 9599 November 15.¹⁴ In connection with consideration by the Post-war Programs Committee of the multilateral and multilateral-bilateral methods for im-

¹³ Bernard F. Haley, Director of the Office of Economic Affairs, and Vice Chairman of the Executive Committee on Economic Foreign Policy.

¹⁴ Not printed.

plementing trade-barrier reduction please report urgently anything you may have learned since your arrival regarding recent British thinking on this question which would be of value to the Committee. [Haley.]

STETTINIUS

840.50/11-2844 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, November 28, 1944—7 p. m.
[Received November 28—6:01 p. m.]

10497. From Hawkins for Haley. Last night we discussed with Liesching¹⁵ and Shackle¹⁶ the status of the Article VII work and have made arrangements for talks with the principal officials concerned with the UK preparatory work. We hope by the middle of next week to be able to give you some indication of the direction of UK thinking and particularly of points that need special consideration in formulating the position that our delegation will take when it comes here to resume the Article VII talks. We touched upon the question of the so-called multilateral-bilateral approach to the reduction of trade barriers. Liesching said that so far as he knew there has been no change in the British attitude, which was one of opposition to this method. He also mentioned in passing the technical and negotiating difficulties of the comprehensive multilateral approach. [Hawkins.]

WINANT

[A statement by Assistant Secretary of State Acheson before the Subcommittee on Foreign Trade and Shipping of the Special Committee of the House of Representatives on Post-War Economic Policy and Planning, November 30, 1944, is printed in Department of State *Bulletin*, December 3, 1944, page 656.]

840.50/12-744 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, December 7, 1944—8 p. m.
[Received 8:30 p. m.]

10831. ReDepts [*ReEmbs*] 10497, November 28. Hawkins, Penrose and Steere¹⁷ held an informal conversation today with Liesching,

¹⁵ Percivale Liesching, of the British Board of Trade.

¹⁶ R. J. Shackle, Principal Assistant Secretary, British Board of Trade.

¹⁷ Loyd V. Steere, Agricultural Attaché, American Embassy at London.

Eady,¹⁸ Ferguson,¹⁹ Robbins and Shackle on commercial policy matters.

1. Liesching expressed regret that a number of circumstances had arisen which had caused delay in going into these matters with us.

2. He referred to recent discussions in the House of Commons and said that they reflected doubts as to the ability of the United Kingdom to fit itself into a multilateral system in the peculiar circumstances in which the country would find itself immediately after the war. The people would not be quick to indulge in acts of faith. Questions were raised also, on which they would like elucidation, regarding the United States adoption of export subsidies (wheat and cotton). If [*These?*] difficulties and doubts applied particularly to the transition period, and since the talks in October 1943, they had come to the view that not enough attention had been given to transition problems.

3. The public has not been informed of the informal Article VII talks but thinks that pressures might have been exercised in regard to Imperial preferences and feared that preferences might have been singled out of a doctrine basis and given more importance than high tariffs. Parliamentary debates show what might be expected if it appeared that the United Kingdom were going to be "hustled" on Imperial preferences.

As regards agriculture he said that Ministers had taken the view that the assumptions made in the Washington talks were unacceptable and the techniques suggested there would not suffice. They might, therefore, suggest variations in the principles applicable to agriculture. It was necessary to prevent unlimited protection and preserve multilateralism, but at the same time to take care of stability and the political factors bound up with it. They felt also that account should be taken of the position of the European countries in framing recommendations, particularly from the standpoint of agricultural stability.

5. Hawkins gave an oral outline of the proposed clauses on full employment in the preamble of the draft text of the proposed multilateral convention. He said that this and any other verbal summaries that he might give corresponded to a draft text²⁰ that had been under consideration at the official level in ECEFP. The reaction to this statement was wholly favorable. Eady was particularly impressed with it and said that it was not a mere "persuasive statement" but brought out the purpose of such measures as were necessary, clearly affirmed the principle of international responsibility and gave a "sort of right to appeal". Robbins said there were fears in the House of

¹⁸ Sir Wilfred Eady, Additional Second Secretary, British Treasury.

¹⁹ Presumably Sir Donald Ferguson, Permanent Secretary, British Ministry of Agriculture and Fisheries.

²⁰ Not printed.

Commons that full employment had not been taken into account in postwar international economic plans.

6. Liesching raised the question of a minimum preference and indicated that he would want to return to the subject at a later stage. An escape clause along the lines of article XVII of the draft submitted to the Executive Committee seemed to be regarded favorably.

7. It is planned to continue this conversation in a day or two and we expect that more controversial points will be reached. Liesching has agreed to indicate to us the direction of British thinking on the various questions.

WINANT

811.20 Defense (M)/11-2744

Memorandum by the Secretary of State to President Roosevelt

WASHINGTON, December 12, 1944.

A Tripartite Committee of representatives of the United Kingdom, Canada and the United States, to discuss the future of three of the Combined Boards has reached agreement on the enclosed drafts²¹ relating to the Combined Raw Materials Board, the Combined Production and Resources Board and the Combined Food Board. These papers are being transmitted to London and Ottawa with a recommendation that they be approved as drafted.

There is also enclosed a draft of a proposed joint press release²¹ that would be issued simultaneously by you and the Prime Ministers of the United Kingdom and Canada, perhaps between December 15 and December 20.²² The exact time of the release would be fixed after receiving reports of approval by the respective governments. In each case, a request is being made for as prompt a reply as possible.

You may feel it unnecessary to read each memorandum in full. Their contents are interpreted for the public in the press release. Briefly, these Boards would continue until the end of the war with Germany or Japan, whichever is the longer. They would concern themselves in their administrative recommendations only with those essential commodities and products that are in short supply, or involve difficult transportation problems. The language of the memoranda seeks to secure against the use of the Boards for commercial or trade policy purposes, which could embarrass this Government in its relations with countries outside the Board machinery.

EDWARD R. STETTINIUS, JR.

²¹ Not printed.

²² See footnote 28, p. 105.

840.50/12-1544 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, December 15, 1944—6 p. m.

[Received December 15—5:38 p. m.]

11114. Continuing the conversation reported in Embassy's 10831, December 7, Liesching, Robbins, Eady and Fergusson today outlined to Hawkins, Penrose and Steere tentative United Kingdom views on agricultural policy in relation to the commercial policy convention. Discussion was confined to elucidation of these views and we did not comment on the merits or demerits of the United Kingdom position. The conversation will be continued next Tuesday²³ when Liesching will outline United Kingdom views on discrimination. The substance of United Kingdom views on agriculture follows:

1. The United Kingdom have abandoned the idea of bringing agriculture wholly within the general provisions of the multilateral convention on commercial policy and instead have framed a plan for multilateral provisions for trade in food products which would be included in a multilateral convention on commercial policy. They support this stand on the ground that agricultural production is particularly subject to wide fluctuations and that ideas developed at Washington are not adequate for dealing with this problem.

2. Special stress is given to the need for stability. The United Kingdom will require large imports after the war. They also wish to maintain a balanced agriculture with assurance against price collapse. The problem is how to reconcile large imports with conditions for domestic farmers sufficiently stable to permit long-term plans to be made.

3. Their conclusion is that such stability cannot be attained unless imports are regulated, that no single method is adequate for the purpose of such regulation, and that either tariffs or subsidies or quotas or a combination of two or all of them might have to be used in particular cases. They have therefore, as far as primary foodstuffs go, departed from the views expressed in Article VII talks in Washington favoring the use of subsidies instead of quotas and tariffs and do not wish to be restricted as to method of controlling imports, but will accept certain limitations on their use such as those outlined below.

4. They recognize the dangers of excessive protection and wish to limit the total amount of protection of primary foodstuffs. The central part of their plan which would be applicable both to state and private trading is as follows. In respect of any primary foodstuff entering into international trade, the multilateral convention would provide (1) that any assistance to domestic producers should be re-

²³ December 19.

lated to a prescribed level of production which would be a given percentage of production in a representative period (we think the United Kingdom have in mind a higher percentage than that in the representative period), (2) that the amount of protection given should be such as not to raise the domestic price above a given percentage of the world price. This percentage would be the subject of international agreement and would be based on a moving average. If production goes above the prescribed level, the amount of protection must be reduced. In other words, production targets are set and provision is made for the reduction of protection if these are exceeded, as in the prewar United Kingdom wheat act.

5. The United Kingdom officials hold that for export countries this plan would have the advantage that production and protection of the products in question in the import countries would be limited. This would involve limitation of subsidies along with limitation of other forms of protection. In addition, while the plan provides for assistance up to a certain level of protected domestic production in the importing countries, the advantage of any expansion in the market above that level would go to lowest cost producers.

6. The United Kingdom officials believe that this approach would have a more favorable reception not only within Great Britain but also within the continental European countries than the approach made in the Article VII talks in Washington.

WINANT

840.50/12-2044 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, December 20, 1944—7 p. m.

[Received 7:45 p. m.]

11306. ReEmbs 10831, December 7, and 11114, December 15. Liesching, Eady, Robbins and Fergusson in another informal conversation with Hawkins, Steere and Penrose today outlined the tentative United Kingdom position on criteria of nondiscrimination with reference to quantitative restrictions and state trading.

1. With respect to quantitative restrictions they felt that while global quotas would give freest play to competitive forces and hence would be least discriminatory, they involved such serious technical difficulties that normally quotas would be allocated. The representative merits formula for allotting quotas is still acceptable to them as a starting point, but they point out the difficulties of finding a representative period after 5 years of war and the need for taking account of other considerations in making allotments. In other words, the representative period formula must be given much greater flexibility.

2. With reference to state trading, they accept the "commercial consideration" principle, under which importing countries would buy to their best advantage, prices varying in line with commercial influences. They think, however, that this is compatible with allotment among suppliers, using the representative period modified by evidence of changes in trends and by latitude to refrain from buying "job lots" due to temporary and capricious changes. Thus they appear to envisage where desirable the allotment of purchases in state trading on principles resembling those on which quotas would be allotted in administering quantitative restrictions.

3. With respect either to the allocation of quotas or government purchases, they have in view the probability that rather than attempting to allocate under any general formula the importing country would consult the supplying countries and try to arrive at an agreement as to what would be the fairest allocation in all the circumstances.

4. It is possible that in British thinking in regard to control measures to stabilize the position of primary agricultural food producers, government purchase arrangements initiated by the importing country with purchases allocated in consultation with supplying countries would be substituted in some cases for international commodity agreements. It may be that they feel that in this way the importing country would be in a stronger position to exercise an influence on prices. We will endeavor to ascertain more definitely their trend of thinking on this point.

5. The United Kingdom officials emphasized strongly their desire to avoid having any words hostile to state trading either in the convention or in the records of negotiations. They feel that opposition would be created in the USSR and other countries which may favor state trading in the post war period if the draft multilateral convention to be presented to an international conference appeared to have been drawn up for their own purposes by a country or countries which dislike state trading. This point is also of importance to them as a matter of domestic politics.

WINANT

800.24/12-2044

*Memorandum by the Assistant Secretary of State (Acheson) to
Mr. Harry L. Hopkins, Special Assistant to President Roosevelt*

WASHINGTON, December 28, 1944.

DEAR HARRY: The memorandum²⁴ you enclosed with your note of December 20²⁵ simply set forth a preliminary position to serve as a

²⁴ Memorandum of September 20, on "The Future of the Combined Boards", printed on p. 80.

²⁵ Not printed.

guide to the United States negotiators in reaching a determination with the British and Canadians on the future of the Combined Boards.

The paper has now served its purpose and individual memoranda have been agreed to in Washington regarding the Combined Production and Resources Board, the Combined Raw Materials Board and the Combined Food Board. These were sent to the President accompanied by a memorandum dated December 12, 1944, a copy of which is enclosed.²⁶

We have subsequently received the President's approval.²⁷ Informal approval has also been transmitted to the Department by the Canadians after consideration in Ottawa.

The British members of the group doing the negotiating here have sent the papers to London with a recommendation that they be accepted. The matter having been carried this far, I do not believe you need concern yourself with it further.²⁸

DEAN ACHESON

²⁶ *Ante*, p. 101.

²⁷ Memorandum from President Roosevelt to the Secretary of State, December 20, not printed.

²⁸ For text of statement by President Roosevelt on the decision to maintain the Combined Boards as well as the announcement by President Roosevelt and the Prime Ministers of Great Britain and Canada, both released to the press on January 19, 1945, see Department of State *Bulletin*, January 28, 1945, pp. 119-121.