

July 18, 1946

MEMORANDUM

I met this morning with John Young, partner of Morgan Stanley & Co., and Dudley Scoll. Mr. Young called to give me a report on his trip with Harold Stanley through northern Europe. They arrived in England and spent a week travelling in the country as well as in London. Rations were very poor and of all the places they visited, England was in worse shape than any of them. The people appeared tired and discouraged.

Going to the Continent, they were very much impressed with France. Every indication was that the French were making real progress; food was more plentiful; many American travelers, largely business men, were discernible in the hotels and the difference in the France of a year ago and today is almost unbelievable. (Mr. Charles Dewey reports almost identical views as a result of his trip with Mr. Aldrich). The French are very pleased with the loans they received from the Export-Import Bank and the surplus property settlements, lend lease, et al. He visited with Monick, Monnet, and Bidault. He expressed the opinion that France is now the bright hope of the Continent and that every effort should be made to follow her activities.

They then visited in Belgium. Governor Frere told them about his pleasant visit with me here at the Bank and told them he intended to resist doing any further borrowing. Of all the countries they visited, Belgium is in the best shape of those which had been devastated by the war. In the event Belgium needs any further dollars, Morgan Stanley was prepared to endeavor to sell a bond issue for them over here. (I have also been informed that Smith Barney & Co., Lehman Bros., Goldman Sachs & Co., Courts & Co.,

Bacon, Whipple & Company, and several other influential bond houses affiliated with this group are willing to participate.

They then visited Denmark. The Danes are very sturdy and well fed, and the country literally exudes food. The Danes realize that they must cut down on their eating because food is the number one surplus item and they must build up their export trade if they wish to develop. Their ^{major} ~~primary~~ problem is in the fact that they lack coal and must import it from Great Britain. Great Britain has increased the price of coal from 200% over the prices prevailing before the war, while the exports of Danish dairy products and food to Britain have only gone up about 125% and they have been unsuccessful in effecting an equalization of this differential. Morgan Stanley intends to bring out a 3 $\frac{1}{2}$ % - 25 year issue late this year.

Sweden was next on the list. In their opinion, Sweden is the most prosperous country either of them had ever seen. Labor is very scarce. There are no shortages and practically everyone in Sweden has benefited by the war. The Swedes are very afraid of the Russians and are endeavoring to hide their prosperity for fear the Kremlin will start putting pressure on them, and also cause communistic activities within the country. Most of the business men are making so much money they are ashamed of themselves and many common laborers are getting three and four times what executives got before the war.

Norway, on the other hand, is poverty stricken. The shops are empty; the people appear tired and worried; they dislike the Swedes intensely as the Swedes do them. They feel the Swedes generally benefited by the war and did everything to assist Germany while Germany was winning, becoming pro-Russian during the period when Russia was in the ascendancy and are now leaning toward the United Nations and pretend that they have always been very pro-American and pro-British.

The Export-Import Bank credit to Norway was mentioned in a conversation with the Governor of the Bank of Norway, and he indicated that they probably would not use it; this, of course, because of the shipping clause (Public Resolution #17). They are confident that the Norwegians are rebuilding the country as rapidly as possible and they were informed by the Foreign Trade Ministry that exports and imports are now about equal.

They then visited the Netherlands. Minister Lieftinck has survived the reshuffles in the Cabinet, but does not appear to be very popular with business men generally. They were very appreciative of the Export-Import Bank credit and in particular the "200 million" short-term item. Every indication is that the Dutch will avail themselves of this. The Kuhn Loeb bond issue has now been postponed until after Labor Day, but it is hopeful that this issue will prove successful and shortly after its sale, Morgan Stanley intends to go forward with the Danish issue previously referred to. The Dutch appear to be having a good deal of difficulty straightening out the ravages of war and in the opinion of both Stanley and Young, the Netherlands are considerably worse off than Belgium. They discussed the Netherlands East Indies situation at some length with most of the high officials and they couldn't learn anything that would encourage them. There is no question that the Dutch East Indies represents one of the greatest sources of wealth in the entire world, but the political situation is getting more and more difficult and the Hague is not very happy about its solution.

The only other item of interest that he had to report was that after a visit with Sir Charles Hambro and several other talks with British and French business men, they were encouraged about the situation in Czechoslovakia. They are hopeful we may extend some credit to Czechoslovakia, and Mr. Hambro told them that Hambro's bank is opening credits of a substantial nature in Prague.