JOHN L. ROWE
215 WEST SEVENTH STREET
LOS ANGELES
14

November 18, 1943

Leon Fraser, Esq.,
President
First National Bank of New York
2 Wall Street
New York City, New York

My dear Sir:

It was with keen interest that I read the statement attributed to you advocating utilization of The Bank for International Settlements as the channel to facilitate stabilization of world currencies. It so happens I mention The Bank for International Settlements in my booklet "Have You Any Money".

This rather sketchy treatise was written under my pen name, "Leslie Ward". For a time I published "Ward's Forecast" covering business trends and related subjects. The pseudonym, "Leslie Ward" originated as a result of linking together my middle name, Leslie, and the middle name of a young friend of mine in New York who handled the business end of our joint enterprise.

It is unfortunate, indeed, that crippling events of the last two decades have caused too many of our worthwhile citizens to surrender to cowardice or to pander to mob mentality. We hardly need more new institutions! Rather we should strive to re-establish to dignity and honor the many already in existence. Your viewpoint on this subject was refreshing, indeed.

Respectfully yours,

John L. Rowe

John L. Rowe

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Enclosure

HAVE YOU ANY MONEY?

FOREWORD

There was a time when the general prosperity of any country could be fairly determined from the condition and activity of its principal stock exchange. Share prices in years past reflected varying degrees of confidence. But times have changed for the moment! Governments now endeavor to legislate people into thinking as they would have them think. We come now to the point of "Have You Any Money?" It was hopefully written to banish any future fears emanating from annoying dictators and super-economists. It is they who keep right on promoting these frequent emergencies and pseudo-crises. We can always forgive the awkward shortages and recurring surpluses, the planning and the regimentation. Here nature has a hand! We are always amused by our glorious politicians. Their exciting careers can be just one vote after another provided they avoid any unholy reference to debt money. Should you decide to pursue this discourse further you will probably discover life is very real, though for the most part it is just another fairy tale. But I trust you will conclude with me that the lucid moments are enjoyed best if you have some understanding of our money and credit system.

LESLIE WARD.

October 1st, 1941.

HAVE YOU ANY MONEY?

In the long history of the human race, different types of minds have risen to power and affluence. A particular era was propitious to the growth of their beliefs or suppositions. But nothing really changes, except perhaps space and time. In our father's day the wrapping was brown paper. Today, it is cellophane. As a result, we should see things easier. But do we? If the answer is in the affirmative, this is then a futile effort. We have made a pair of gloves for an armless person! Some among us know the Old World will always have these evil days when nations are in a mad race to see who can make the most noise. Finally, the noise subsides. Once more, all join hands willingly and hopefully to theorize on how equilibrium and a lasting peace can be attained. And so it goes!

The time was when warfare was a recourse to people settling individual disputes. To eliminate these constant disputes and killings, the legal fraternity instituted its code of ethics. It laid down a broad and complex series of edicts. These edicts were intended to unionize mankind. They prescribed dispassionate considerations for rules of fairplay. As a result, knowledge and culture spread. Mysticism and dogma gave way to reason and logic. Unbeknown to most of us, the world was slipping comfortably into the realm of socialism. War now was to become the function of responsible government.

Now all wars are basically of the same origin. Every new one we are told is the hope of civilization. This is a misstatement of fact. This subterfuge originates with militarists and those who endeavor to fatten on the cultivated fears of isolated people. Nowadays these militarists find themselves socialized along with the scavengers and schemers seeking only selfish advantage.

In this Old World conflict few are allowed to profit! The greatest burden falls on the rich everywhere. This time the noncombatants pay dearly for protection. However, this great war should not be too burdensome for the New World. Our social structure is still comparatively even. By Old World standards, we have avoided culture in the sense of social strata. We have instead, developed our educational facilities to a point where people have learned to do things for themselves. We are learning to think independently. As a result, this titanic struggle for power and Old World domination will create boundless opportunities when a peaceful solution is reached. Peace should permit all people this time to sack, completely, the old shackles. For us all, a great and thrilling future lies ahead.

While the Old World is engaged in war, we in the New World are compellingly aware of the sordid struggle of starving masses. Men and women in high places cry out against the futility of life. For the most part, these sincere people have already been pushed or crowded into life's weary treadmill. It is the treadmill wherein the anthropological differences are obliterated. The philosophers of yesterday are paired together. But their daily utteraces and cries are heard or read by curious millions. Is civilization over? Are we going steadily downward to a lower standard of living? Must we in America come to know the poverty and hopelessness which typifies the Orient or sub-standard Europe? No, indeed! Just as warfare is now a responsible function of government, so should the social and financial structure of government be given dispassionate consideration when the next peace is written. The next time we hope justice will prevail! There should be a central depository for world gold. Irresponsible custodians of money should quietly be eliminated. The complicated financial machinery on which foreign exchange once functioned could be streamlined and simplified. A Bank for International Settlements is already in existence. Its next operation should be for the function of all responsible governments. Warfare this time must remove the shackles to a long and prosperous world-peace.

We in the Americas are the progeny of the working classes of Europe and Asia. By nature we are adventurers. We shall never fall back trembling to known ground. The American people will undoubtedly go forward to see what lies beyond. In our land fearsome taboos are being dispelled. Logic slowly replaces age-old customs. It is the spirit of our people to be curious. We are not allergic to change. We abandon the ikon. We embrace the iconoclast! Nevertheless, some among us are rightly confused and perplexed by the swiftly moving panorama of world events. To them this message is addressed.

Money Is Community Debt.

We hear now a great deal about the function of money. Money is simply community debt. Its future validity is what makes it acceptable. It is a pledge by society that the members will render service to the holder of the money when and wherever a service is demanded. This pledge is given unequivocably because of a service someone has previously rendered. The pledge is indisputable! Nor is society interested as to why the pledge circulates from person to person. It is only when circulation is tedious that financial engineers come forward with their panaceas and cures.

Having issued money, a government in need of funds offers its interest bearing bonds and notes to induce a return of the money to its treasury. The money so returned is issued again to persons who render service. The process is repeated over and over again. Such bonds and notes are fiat money. Fiat money is legal tender by law! Its intrinsic value is seldom equal to its nominal value. It may be a great deal more! It may be a great deal less! Systems of fiat money always break down. This results in whole or partial repudiation. When a breakdown occurs the means by which a monetary system is bolstered and revitalized is by coin clipping or increased taxation. Here in America we do both!

You may wonder how this system of fiat money functions in relation to its recipients. First, think of fiat money or government debt in relation to the value of those things for which both are exchangeable. Money has no fixed or stable value. When people work overtime destroying each other as they do today, the purchasing power of money falls in proportion to the devastation of war. We in America are not yet in actual war. In our land money still buys a great deal. On the other hand, most commodities bring little. The very opposite condition exists in Europe and Asia. By comparison, their money purchases very little. Commodities bring a great deal. You cannot stabilize the purchasing power of money unless you can successfully stabilize and regiment all life, itself. To have even a fair trial, such stabilization and regimentation would have to extend to every niche and corner of the globe. It isn't possible. Dictators will find this out for themselves. Free men and women will always rise to thwart them.

So money values are simply reciprocals of commodity values. When labor-saving devices short cut productive methods and the effort to live is thereby lightened, money values should normally decrease. They never do! People continue to multiply. This keeps competition alive and stimulated. It makes increased earnings difficult. So you see, the value of money in war or peace is affected by numerous elements. Therefore, fiat money or Federal debt money has no value of its own. Its imputed exchange value always depends upon public confidence in the issuing power. In our land, this issuing power is lodged with the privately owned Federal Reserve System. The balance of power rests now with the Democratic Party and its leader, President Roosevelt. Nevertheless, the American dollar plus Federal bonds and notes are always a proof of credit guaranteed by 130,000,000 American people.

As population expands a natural demand results for more fiat money. This is necessary to record the credit or debit balances of those who continually serve society. Because America is now large enough to be a compelling force in the society of nations and because the Old World is at war, our money and securities are desired by the people of all nations. They believe them a sound token. They believe America safe from the ravages of war. They have faith in our ability to keep our money and commercial system functioning.

Our elaborate financial economy is founded upon our enormous gold reserves plus the industry and fundamental honesty of the people. It is a complicated system. To it, we add arm after arm. Federal functions now reach out directly or indirectly into the field of railroad transportation, public utilities, foreign lending, private banking, public works, and defense. Therefore, public debt must expand. Now, when you issue public debt you assume the people are willing to be taxed. Strangely enough, we once encouraged immigration in the belief our per capita debt could be kept within reasonable limitations by increasing our productive population. Instead, we learned more population meant more governmental expense. It meant a greater demand for money. It called for more jobs. The creative ability of private enterprise was crowded to capacity finding employment for these eager, hopeful souls. It is this question of expanding public debt which has brought the unfortunate schism between political and private enterprise. Business leaders are being constantly reminded of Sir Ernest John Pickstone Benn's wise observation, "Politics is a short-sighted business, while business is a long-minded affair. . . . Whenever a man goes out to spend his own money he can be trusted to get something like value for it; when the State spends money, value leaves the market." At some future time our generation cannot shirk its responsibilities in relation to this debt financing. With peace, millions of aliens and their new offspring will wish to return home. Billions in savings will be called up. It is now we come to debased money. A more descriptive designation would be coin clipping.

Warfare and Debts.

Throughout the world, new debts are now accumulating faster than new wealth. This is because warfare never produces new wealth. It merely endeavors to clear the air! Values created by war efforts are exploded on land or sunk at sea. Therefore, war bonds which people of belligerent nations are compelled to buy represent absolutely nothing! There is really no moral nor patriotic reason why they should be assumed and paid by the labor of future generations. Because governments are aware of this bitter though controversial fact, private circulation of gold must be discouraged everywhere. Free circulation it is believed might drastically impede war and defense efforts. Therefore, gold redemption may be deferred until a guaranteed world peace is assured. The debt money which governments now issue in lieu of gold money is the credit for services rendered. This debt money is payable in a future return of service.

It is of course, unfortunate, society must always mortgage the future. People are impatient. They must have things now! Interest bearing contracts are avidly signed without thought of the unpredictable future. As a result, days of reckoning and severe adjustment always arrive. It is then hysterical panic is halted through debased money. Governments deflate money values—bank credits, Federal bonds or notes, corporate debt, life insurance and annuities—by making the power of gold effective. A dollar's worth of gold is surrendered for every dollar of government debt or paper currency. The weight of this newly minted gold dollar measures the amount of debasing. Debasing gold money is popularly referred to as defrauding creditors, i.e., the owners of money and money values. In advanced capitalistic society it is nearly always a pleasant deception. Few catch on until it is too late.

Meanwhile, the weight of gold which owners of money values will be given when peace returns, must be the result of complex appraisals of various and related factors. The more important considerations will involve interest-bearing debt, commodities (including gold), productive facilities and labor. Obviously, gold redemption and settlement on an international basis can only function realistically in time of peace. In time of war, price movements are continually upward, debt expansion is rapid, while labor and material shortages are general. As a result, any monetary system tied to a fixed weight of gold must fail miserably. People would hoard gold coins knowing full well their relative value in terms of future purchasing power would in some distant year be very great. Those in our land who cry now for gold redemption are for the most part the same selfish, shortsighted people who use the high ideals of fraternalism, unionization, religion, or racial distinctions, to achieve their lust for power and advantage. Success and money sometimes blind too many to the fact they are surrounded by others of high mentality who, too, will act fearlessly when roused. The present conflict of ideological differences proves this point. This struggle merely attempts, among other things, to remove the iniquities of a financial obligarchy which had proven both inhuman and heartless.

Futility of World War I.

After World War I, the old money system was continued. As a result, countless men who labored long and hard to provide homes and security for themselves and their families were gradually trampled or pushed into lives of hopeless drudgery. This evil must not be permitted again. Of course, you will say there are always among us those who drag their weary way through life unhappy and unwilling to lift up their head toward the improvement and betterment of their fellowman. This is true. Unfortunately, there are those, too, who are shiftless, selfish, weak, or anti-social—too many wholly destructive in their views. We know them as those who would destroy what remains of our own free enterprise system. But the vast majority, the educated people of normal habits, recognize the necessity for strong and noble leadership and the essential change which accompanies such leadership. To strive for perfection is to insist on balanced relations between all nations—weak and strong. Those who say now our civilization is dying are forgetful of the eager fearlessness and impulsiveness of irrepressible youth. It is they who will erect a better civilization on what remains of the one we are now discarding.

In the new world order, countless millions of educated men and women, many of whom are not now in the public eye, will vigorously challenge the "old order"—that small minority who would stay inevitable change and progress. We all must realize this living world is forever moving forward into its unpredictable future. A part of this future must be an improved money system which can stamp out the obvious past inequalities. The small but powerful group who still sit in the lofty temples of finance are being compelled by the exigencies of warfare to make voluntary—even involuntary—concessions. They should not be just temporary concessions, as indeed they were during World War I. Concessions this time must become permanent, else there is grave danger of dictatorship sweeping many more into its maelstrom of despairing drudgery wherein a mere handful of ruthless leaders gain mastery over a resentful uncultured mob, cringing hopelessly under the fear of hunger and want.

Now the price of gold is anchored for one purpose. It guarantees the stability of invested wealth! Yet the element of time will always prove this premise false! It is argued a fixed gold price protects the surplus wealth of those who are in a position to command the services of others. Let us consider this point in relation to an international monetary system.

When credits, whether in the form of bonds or bank deposits, bring in let us say forty dollars per day and going wages are ten dollars per day, the creditor commands the services of four wage earners. If wages are reduced to five dollars per day the creditor commands the services of eight wage earners. Therefore, the relative wealth of the creditor has been increased! On the other hand, should the daily wage standards be raised to twenty dollars per day, then the creditor has command over only two wage earners. Relative wealth has been drastically decreased! The ups and downs of labor and commodity prices must always determine the relative purchasing power of invested wealth! It is these recurring cycles which make the poor relatively poorer and some of the rich relatively richer. But the temporary benefits which accrue to the investing class under these conditions are illusory. Only for a time do they enjoy their advantage. Let us examine this point further.

When the wage earner is unable to contribute toward taxes, the burden must be shifted more and more on the wealthy. Incomes are taxed more heavily. Eventually, this must cause the whole credit structure to break down. Securities depreciate, some becoming worthless. Real estate values fall. Rent collections are difficult. Mortgages default. Corporate and quasi-public debt cannot always be redeemed. The increasing tax burden, plus the curtailed purchasing power of the masses, plus the reduced purchasing power of the investing class, ultimately usher in severe dislocations.

Gradually, members of the investing class through loss of income and savings find it essential to seek real employment. Now the ranks of the unemployed are being swelled. New and eager workers are offering their services. Only those of great and independent wealth are surviving the stress. With the decadence of the great middle class the super-wealthy become more powerful. Sometimes under such trying conditions the masses openly revolt. There is a gigantic social upheaval. Our own country underwent just such an upheaval in 1933. It was peaceful but severe. Russia's revolution, like Spain's, took the more violent form. In recent years, India has threatened several times. But the Mohammedans were always cowed into submission by the clever Mahatma Ghandi. As a result, brilliant British diplomats retain economic domination over India to this day. Even now, we witness the energetic Nipponese attempting to duplicate in China the economic benefits which have accrued to the British through their domination of India. Germany's impressive war machine is being directed toward a similar stake. The vast material resources of Russia are a rich plum.

Folly of Unregulated Capital Movements.

Why must these revolutions and counter-revolutions occur with such regularity? I daresay, the principal cause is the unregulated movements of international funk money. For example, sudden withdrawals of vast sums of gold from our own country during and after 1929 were largely responsible for the great unrest which followed in India. These gold withdrawals were forced on India by far-sighted international financiers. This influx of gold to India caused their own money unit to become virtually worthless in terms of current purchasing power. The vast Indian population became restless. In the end there was deliberate revolt against soaring prices. Here is grim proof of the working of Gresham's law. Real gold coin was thoroughly debasing the accepted circulating medium of India which had been silver and paper. Other members of the society of nations will attract international venture capital so long as overbearing and oppressive leadership can keep wages and business taxes at low levels. Mexico, rich in natural resources, has always been exploited by selfish interests without regard for the welfare and consideration of the Mexican people.

When international capital is hurriedly shifted from country to country, a fixed conversion price for gold is considered desirable. It gives invested wealth a definite guarantee to its permanence. Any sudden change in the price level of gold, it was always argued, would subject owners of international credits to enormous losses. Critics who opposed tinkering with the price level of gold rightfully declared an advance beyond $20.67 an ounce would work great hardship on the debtor class. This is true only when private bankers are allowed to effect settlement of contracts. It is not true when governments retain their sovereign right to exact settlement.

Monetary Revolution.

So it was in 1933 the United States of America broke international banking precedent. The Federal government settled contracts between its own citizens—both debtor and creditor. For the first time in over a century here was a drastic step in the dreaded direction of equalization of opportunity. Under the Old World caste system here was monetary blasphemy of the worst kind. By Presidential edict all gold held by citizens of the United States of America was declared forfeited. It was declared the property of the Federal government. Private ownership of gold coin was outlawed. Actually, no one was harmed by this governmental action. The mechanics were simple.

Assume I owed you five thousand dollars payable in gold at the old statutory level. I appeared at my bank and handed over five thousand dollars in currency. I requested the agent to pay you five thousand dollars in gold at $20.67 an ounce or roughly two hundred and forty-two ounces. With the new price for gold set at $35 an ounce, we know the two hundred and forty-two ounces owed you is now worth eight thousand four hundred and seventy dollars. Nevertheless, my debt is only five thousand dollars! My banking agent pays you five thousand dollars and retains three thousand four hundred and seventy dollars for credit to the Federal Treasury. I have lost absolutely nothing in this transaction. You have gained absolutely nothing. Yet our contract is fulfilled. To be sure, a few shrewd, far-sighted speculators, who hoarded gold or owned gold credits were grieviously annoyed by this revolutionary practice. They hoped this profit would revert wholly to them. This was the old system on which the international banking fraternity had fed for years. To be sure, foreign speculators owning gold bullion did profit. But are they not now paying dearly for their ill-gotten gains?

During the years 1900 to 1940, we know the world's stock of gold available for monetary use has more than doubled. With this gold added to reserves, various central banking systems have proceeded to issue debt money to the amount of several times the going value of newly acquired gold. The money so obtained is spent in governmental activities. To effect service and ultimate redemption for this debt-money nations are compelled to exact taxes and collect them!

Interest at the rate of three per cent per annum approximates one hundred per cent in thirty-three years. Hence when three hundred dollars in three per cent bonds are issued it is contemplated to pay out six hundred dollars in principal and interest at the redemption date thirty-three years later or approximately six times the specie coverage. This kind of arithmetic has been common practice. It should have been exploded by events which followed World War I. We know default after default occurred then. The hurried expansion of indebtedness reached such heights during and after World War I that the ordinary increase in productive population and real wealth could not support the increasing tax burden. Finally, gold redemption at the old statutory level was abandoned.

When the tax burden becomes intolerable unrest and revolt are sure to follow. The cost of World War I exceeded all expectations. The cost of this present debacle must exceed all calculations. War debts are never paid honestly! When warfare ends, the debts remain. These debts are not stated in hours of labor nor in quantities of commodities. They are stated in terms of debt money; dollars, sterling, reichsmarks, lira, yen, etc. This being the case, the debts must be redeemed in money or repudiated. Because the stupendous indebtedness resulting from warfare cannot be honestly paid, monetary legerdemain, through a manipulation of the price level of gold is the accepted practice.

Price Level of Gold.

Now there is considerable obscurity as to just what the price level of gold implies. If all debts could be automatically retired throughout the world and commercial life could be started anew, a mad scramble would follow. There would be rapid and accelerated bidding for labor. This would constitute prosperity. Since debts cannot be so easily cancelled we aim to decrease the load of debt by decreasing the ratio between the numerical value of the debts and the numerical value of the available means of payment. A flexible international gold purchase policy will attain this objective.

The pattern for solving the chaos resulting from World War I was wrong! The Allies demanded from the vanquished certain tribute. Politicians and statesmen gave way to the dominating mastery of clever, self-seeking minorities. The same old band of brigands were permitted to retain their monetary powers as though nothing had happened. It was just such a condition that left the society of nations in the deplorable state we find it today. Those of high mental attainments who wanted to eradicate poverty and ignorance, curb greed and avarice, develop education and culture and give to European society a standard of living comparable to ours were deterred by selfish zealots, wholly destructive in their views. These foreign manipulators simply wanted the wealth of the future for themselves. As a result we now witness another war wherein these selfish people pay for their follies instead of making unwholesome profits.

We surely know now America has no real friends in the Old World. Our Republic has been depicted throughout Europe, Asia and South America as a nation of Shylocks. We demanded the pound of flesh from the same people periodically and these same people periodically were finding ways to evade payment. Because our leadership failed abroad it naturally follows it failed at home. We should know now the whole international exchange system is inter-related and sympathetic. You cannot successfully repeal the fundamental laws of supply and demand, cause and effect and action and reaction and remain long aloof from your folly.

Monetary Chicanery Exposed.

After 1929 the evils of World War I were revealed. By that time the British, French and ourselves had acquired too much fictitious wealth. We suddenly found ourselves hog-fat. Our brains, muscles and vital organs were flabby and bloated with an unhealthy accumulation of easy money. Too many wholly incapable persons found themselves in positions of leadership for which they lacked both merit and ability. Others floated into positions of affluence through sheer luck. We are witnessing now the healthy change which should be for the betterment of mankind. We are having a needed economic awakening. Among other things, we are learning it was sinful to have kept the price of gold anchored so long at the same old level. Here was the root of all the evil.

The crushing international financial system which has always been an inhuman and heartless legal juggernaut has finally been exposed. It was exposed by the follies it practiced on unsuspecting people after World War I. As a result, a great World Bank, wholly removed from selfish and scheming hands, will open up vistas and unending opportunities which no mere League of Nations could ever command. Those who fight this conflict to its final and ultimate conclusion should never again allow themselves to be subjected to gallery seats in a post-war world. The people must strive to keep the competitive system alive so they can provide capable and honest leadership from their own ranks. They must not be left to drift without regard to future consequences. Past sins are too alive to be wholly ignored. Always remember America's immense unused gold hoard can be a powerful bludgeon. Wisely directed and utilized it can effect a righteous international exchange system and a prosperous world economy.

I daresay, Union Now, like the famed League of Nations, is just another fantastic scheme calculated to evade the real issue. Like the sociological inventions of fanciful adherents to Communism, Union Now will never correct the real basic evil. It is the international money system which has been at fault. A few financiers have been permitted to manipulate the international gold standard until there develops this hopeless fatalism which finally leads to warfare. Only through central banking systems, tied through rigid international agreement and collaboration to a world bank, can the gold money standard be made to function for the humane benefit of all. If, after this war, a few nations are again permitted to gamble on margin and issue several times as much debt money as there is gold, then this bloody contest, like others, will have been fought in vain.

To improve the world money system so the vast potential energies of mankind can be directed away from war into peaceful pursuits should be right now the happy goal of farsighted political and financial leaders. For too long, life has been just a miserable existence for most of the humans who make up the society of nations. At this point, it is really sad to relate, but nevertheless true, the international monetary system which can provide unrestrained material progress and simultaneously check the opposing forces of dishonesty and ambitious aggrandizement of power has not yet been devised. A high gold price; semi-free gold market; and finally, gold redemption; have been recent steps out of the morass resulting when profligate government crumples.

Future of Gold Assured.

In view of our enormous gold reserves it is not unnatural for us to be concerned about the future of gold should the Axis powers—Germany, Japan and Italy—gain a stalemate peace in Europe and Asia. The power of gold will never falter! All Europe, including Russia, is in a measure still capitalistic. Gold is the basis of Soviet Russia's monetary system. Russia mines her fabulous gold reserves to exchange for the material benefits which accrue to other nations where people are freely allowed and encouraged, through a private enterprise system, to glory in the creation of new and astounding works. New goals and achievements must continue to be the hope of mankind. Some member of the society of nations will always set a high example in striving to stamp out poverty and ignorance. Curious, eager people will always be with us. And gold will remain as the standard for measuring new and old values no matter how involved or intricate becomes the international banking system. Gold will be the base in Germany when her people are allowed to win gold by exchanging hours of labor with those nations possessing gold. The Communists, themselves, will never win gold. The Soviet system is non-competitive. It is, therefore, non-creative! Everyone knows the revolution rooted out private ownership of property. Under the Soviet system extended ownership and title is vested wholly in the State.

Despite prevailing contrary opinion, a satisfactory substitute for gold has never been discovered. Its use, in a monetary sense, is older than organized society. Gold as a money token was not selected by any gathering of sages. Nor was gold introduced into the world by sinister promoters. The power of dictators had nothing to do with its wide acceptance. Gold is a unique substance. It is peculiarly adaptable to preserve honesty in the exchange of labor between people of all lands. The gold standard was developed by the Occidental people. The future of gold as a money token is definite and certain. The cost of war should permit monetary and fiscal authorities to justify America's high dollar price for gold no matter how this war ends. Of course, it will be necessary to perform again some monetary gymnastics to make gold effective in world commerce. Resourceful political and banking leadership can find a way whenever a reasonable and valid peace agenda can be commenced. That day will surely come! It will arrive when Europe's and Asia's war lords run short of the ammunition which can never surmount plague and famine.

Need for Flexible Gold Standard.

Meanwhile, this war, like others preceding it, causes labor, fabricators of raw materials, entrepreneurs and merchants to strive for high prices. When commodities, including gold, bring rising prices, then labor demands its relative share. Since warfare exaggerates the price level of labor and commodities the price level of gold should float free in peacetime to permit easy cancellation of government and inter-government debt. This is axiomatic! For example, Lord Macaulay in his "History of England" recounts how the British debt during the vigorous war and commercial battle with Louis XIV rose from £50,000,000 to more than £800,000,000. He writes, "... at every stage in the growth of that debt it was seriously asserted by wise men that bankruptcy and ruin were at hand... still the debt went on growing; and still bankruptcy and ruin were as remote as ever..."

What did England do? The British then wisely allowed gold to seek its natural price level until gold became less valuable in relation to other commodities, including labor. Gold found its natural price level through the workings of fundamental economic law. This natural price level was for many years $20.67 in the American dollar equivalent. Thus, in 1816 Great Britain established an official gold price throughout the world. They then set out to solidify their unique position. A plan for controlled and coordinated development of the world banking and commercial structure was undertaken. Raw commodities were conveyed from all parts of the world to British ports in British ships. The British Isles became the one great supply house for manufactured goods. London was the world banking center. As masters of the sea and the monetary structure, British authorities accepted their tremendous responsibilities seriously. So long as statesmanship and high financial ideals prevailed, the society of nations under British tutelage made remarkable progress.

Britain's Dilemma Arrives!

Finally, as it always does, statesmanship became tinged with political ambition. Financial ideals gradually decayed, then rotted with greed. Benevolent political leadership gave way to a desire for mastery. Certain nations were challenging British commercial and banking supremacy. Finally, the selfishness which generally follows the accumulation of great wealth and the responsibility of leadership asserted itself. Warfare was the inevitable result.

Just preceding World War I and after, too, Britishers relied more and more upon political and financial intrigue. Progress in the technique of manufacturing and scientific research was neglected. The best British minds were engaged in world politics and high finance. England clung tenaciously to old standards. It was the horse instead of the tractor. It was always more merchant ships instead of airships! Yet Jules Verne, late in the nineteenth century, in his fascinating yarn, "Clipper of the Clouds," foretold the coming of the airship. Did he not then admonish his fellowmen by telling them the nation which controlled the air might rule the earth? But good old England, with the ruling element resisting the standardization of the machine-age and firmly defensive of individual rights, trusted to luck.

It was the same old fixed anchorage for gold until cumulative evils forced England to abandon the gold standard in 1931. It came too late! Even so, the British still tried doggedly to maintain their world banking prestige and commercial dominance. It was the same aristocracy of noble chaps, exquisitely mannered and impeccably tailored, ruling by right of birth and blood over the obedient masses. Critics were compelled to admit the great British people had always made the best of things, according to circumstances. They had succeeded magnificently in the past so why misgivings now? Wasn't the English way preferable to a Five-Year Plan or a bloody social revolution? Why turn everything inside out and upside down on the mere pretext that by doing so bloody civil war and revolution could be averted? As in former years, the essential honesty and perseverence of the British people would overcome difficulties. This was the accepted attitude, as England muddled along with a character and tradition which will always prove miraculous.

Despite Great Britain's intense political efforts, the rising influence of America, Germany and Japan in the society of nations was too formidable a challenge. So it was in 1932, the British gave up their last vestige of dominance in world affairs. Adoption by America of the controversial Hawley-Smoot tariff finally compelled the Empire to sack free trade for protected markets. Other countries were quick to follow. National self-sufficiency became the goal of all nations!

When violent trade dislocations appear, first come tariffs, then embargoes, and finally, warfare. World War I and World War II are of the same origin. The British are meeting this second challenge courageously. Whether the Empire will survive to re-establish its pre-eminent position is sheer guesswork. Who knows an answer which may take years deciding?

Reconstruction Through a World Bank.

When this war is finally recorded, history will probably tell how the so-called Axis powers bit off more than they could chew. In any event, there are those who now tell us our New World can never survive with the Old World divided into different spheres of influence, under different types of financial and commercial domination. Soviet Russia is still holding on, despite the years of peaceful though earnest effort to discredit and destroy their communal system. Who can deny with supporting facts this final reshuffling of the Old World's economic and financial blocs may not bring benefits and gains not now visible through the dark clouds of war, confusion and propaganda? Or can anyone assuredly deny the Old World, left alone, cannot find the answers which will bring all peoples close together again in a final collaboration of common interests? Any adventure of blood always clears the air of much cant and dogma. To be sure, World War I was a striking exception. With America's direct interference, that quarrel settled nothing!

Did not our forefathers make many mistakes? They fought numerous wars. They labored under many delusions. Somehow, the people of the Old World have always muddled through. After each healthy fight or lawsuit, civilized people somehow retain the wisdom to whip new problems until new mistakes create others.

The fact remains, America is honored today as the great shelter for a free and articulate people. In addition, we are the world storehouse for idle gold. Down through the ages, when greed, vanity and ignorance have led mankind into mires of reckless indiscretions and finally war, a gleam of gold from the dark recesses of the earth has lighted the way back to peace, prosperity and sanity. It will be so again! But the right of those with money or Federal credits to be protected by a permanently fixed price for gold should be the broken twig against the bludgeon. Indeed, gold should never again be the permanently stable reference to other commodities which it was from 1816 to 1931. Who cares if the price of gold is arbitrarily adjusted next time by a consortium of qualified international representatives, with term appointments, working within the framework of the Bank for International Settlements? Should any single nation be allowed again this exclusive right and authority? To facilitate the gathering of vital statistical information, could not clearing offices of the Bank for International Settlements be established in all representative countries, small and large, on all continents? Then, when peace assuredly comes our vast unused gold hoard could really be a dependable vehicle to accelerate an impoverished, tired and disillusioned people back to gainful, productive pursuits.

The Old World is not pursuing an unchartered course. Warfare nearly always brings a redistribution of opportunity. The people of Asia and Europe are now simply aligned on two sides! They determine who shall write the rules to guide their next generation in the ways of peace and opportunity. But America must this time take the leadership in writing and establishing the international monetary rules. We have the gold! There is already in existence an International Bank for Settlements. We can conceive a workable plan for its benevolent operation. It is in the interests of the American people to exercise their new power and strength wisely. By doing so we can protect our own economy and institutions while simultaneously developing an international monetary and exchange system which could hold in check selfish and scheming aggrandizement.

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Article Title: The Money Market

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Henry Tod

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22nd November, 1943.

Mr. Leon Fraser,
The President,
The First National Bank of New York,
New York,
U.S.A.

Dear Sir,

I am prompted by the report in "The Times" of the 17th November to write you just a short letter because I recognise that you will receive shoals of correspondence in view of the very practical suggestions you have made in connection with international currency etc.

Personally I have always felt that unless the United States makes some use of its gold stocks for worlds and its own benefit then we shall never reach financial or economic composure.

I wrote an article a year or two ago on this subject for a trade paper called "Export". I am enclosing a copy and also an amplification of same that I made to the chairman of the Research Committee of the Institute of Export. "Export" is their official paper. My suggestions for the use of gold are more expansive than yours but I just thought you might find in these very sketchy writings some germs of ideas that might suggest to you a widening of your proposed scheme.

I sincerely hope that your scheme will be given serious consideration and as a Director of this Company with Anglo-Colonial experience of fourty-six years, I am

P.T.O.

thoroughly of the opinion that you are on the right track.

With all best wishes and compliments,

Yours very truly,

Sydney Jacobs.

Author(s): Sydney Jacobs

Title: Stability of Currency

Date: August 1941

Page Numbers:

Memorandum for Mr. A. E. Upton, Chairman of the Research Committee of the Institute of Export.

When I tendered my article in August "Export" on "Stability of Currency" I did so with a desire to promote discussion. Very little earnest discussion ensued, and instead some attention, has, in the interim, been focused on other "plans" - mainly I feel because there has been the oft repeated general statement that "the Gold Standard broke down". I firmly state that this is not a fact. The system failed in universal application because those nations who so wished for their own ends ceased to play to the rules and left England to make the error, with all best intentions, of returning to what was an unilateral Gold Standard - which of course could not prevail, just as I feel that no one country could adopt free trade if all other nations are protectionist.

I want to emphasise this point for a misconception of the facts is leaving many to seek new and experimental methods forworld's finance.

I have reread my article and in light of no definite criticism must assume that there are many members of the Institute who agree that my suggestion has some merit as I feel is the case and I know is so from my own touch with many competent thinkers inside and outside the Institute. So too, I have had nothing placed before me in the several "plans" that I view as applicable to world's finance. This question must be approached from that angle. Unilateral financial arrangements will not meet the demands required for stabilization of international dealings can if applied universally will, I opine, lead eventually to certain friction between nations. This postulates I do not agree with many of the conclusions reached on this subject of finance generally in the interim report.

My proposal does not suggest that the ownership of such gold stocks as exist should be relinquished. I propose a "Trusteeship", holding such stocks for the contributing nations. This gold in the aggregate of the first established stock need not pass out of the hands of the trustees. It is there to be refunded if the world's Gold Standard consortium breaks down. Under my scheme freshly mined stocks will be acquired by the trustees as against what is sold for manufacturing purposes.

So a plea for a retrial of the Gold Standard throughout the world is to my mind a practical proposition that will be the more readily applicable and acceptable than these new "plans" and it does appear to me that, if America earnestly desired, as the largest holder of Gold, to contribute towards economic composure she should not, in her own interests, resist the idea of making use of these stocks in world's interests as well, by the establishment of this trust even if it was designed for a stated period only - then for reviewal - to set up a solid basis by which international trade can be pursued, with a sense of stability as soon as peace happily arrives.

My scheme presupposes two fundamentals if this trust is launched.

(1) The Trust is the only buyer and seller of gold.

(2) Exchanges should be agreed by the members of the Trust which should include all trading nations and such exchanges should be fixed and reviewed only by consent of the Trustees appointed to work th the scheme.

Gold would not be circulated. That is unnecessary and would lead to hoarding which should be prevented. The system would be one of bookkeeping - where balances of each member would vary each year from the original allocation in the books - and the annual balance sheet would show the position of each country.

My idea is that for say the first ten years of peace, in order to bridge the period to reasonably normal times, there should be, as suggested in my article, a marginal reserve created that could be used to help those nations that are slower than others to find their economic feet once more. The stronger nations must be prepared to help others to reach that stage.

I feel that some such stability of currency and exchanges is fundamental to world's recovery and, if Gold can be used and not remain idle, to provide that stability it will clear the way, in a calmer atmosphere, to allow time to be given to the economic questions which are, I contend, the second and not the first line of attack, except for the carrying out of seeing that the oppressed nations are tendered free supplies of the fundamental needs of human folk.

I consider the establishment of external stability is vital. Internal matters are domestic and do not come within the ambit of consideration at present. They will be more easily handled and if necessary adjusted later for this is a world's matter and I repeat should always be approached from the one angle only. If there is not a reasonably composed world then the constituent nations can never be singly happy.

No reference is, in my view, needed to the calls for use of Gold by the Gold producing countries. Again that is a minor consideration except that the established export industries in Gold must, if kept in being, help towards the more comfortable flow of international trade.

There is a tendency to feel that those who favour the Gold Standard are thinking in terms of possession of Gold or worshiping "The Golden Calf". That is one of the many parrot phrases so loosely used in these days. I repeat that there is no need for circulation of Gold under this cheme to either nations or individuals.

My conviction in this matter flows solely in the feeling of what will more readily appeal and be understandable to the whole world, and my desire to see the adoption of a system that is the most easily manageable from the aspect of the least chance of continuous friction.

I should like to think that our Institute could set afoot a real practical discussion on this subject and perhaps that could best be undertaken in the first instance by a research committee discussion, hoping always that, if we can agree on an official statement of view, we could then try to find reliable correspondents in America that could probe the matter there.

(Sgd). SYDNEY JACOBS.

11.9.42

November 22, 1943

Dear Mr. Guinness:

Thanks for your letter of November 18. I am taking home your enclosure to read.

It will be a pleasure to see you one of these days. I am out of town a great deal in connection with the Red Cross but if you will give me a ring we will try to get together.

Faithfully yours,

Arthur R. Guinness, Esq.
Metropolitan Club
Fifth Avenue at 60th Street
New York 23, N.Y.

CHEMICAL BANK & TRUST COMPANY

165 BROADWAY

NEW YORK 15

November 18, 1943.

PLEASE ADDRESS REPLY TO:
ARTHUR R. GUINNESS,
METROPOLITAN CLUB,
FIFTH AVENUE at 60th STREET,
NEW YORK 23, N. Y.

Mr. Leon Fraser, President,
First National Bank,
2 Wall Street,
New York 5 N. Y.

Dear Mr. Fraser,

I was very much interested in your speech at the Herald-Tribune Forum the other evening and would like to have a full text as the one given in the papers was very abridged.

✓ 11/19/43

We have been doing a good deal of work at the British National Committee of the International Chamber of Commerce on these problems and for your confidential information I enclose a copy of our chapter on currency,etc. I should greatly value a talk with you on the subject.

Our report is not an agreed document in England. We are over here talking over the subject with our opposite numbers, the American National Committee of the International Chamber of Commerce and Mr. Winthrop Aldrich is taking part.

May I call on you some time to have a talk?

Very sincerely yours,

Arthur Guinness

R.

Author(s): British National Committee of the International Chamber of Commerce

Title: Chapter V: Currency Standards, Foreign Exchange and International Credit

Date: [1943]

Page Numbers:

November 22, 1943

Dear Mr. Ward:

I am obliged to you for your interesting letter of November 18, and the enclosure, which I have carefully read but return as you may require it again. We seem to be moving in the same direction.

Faithfully yours,

encl.

Thomas E. Ward, Esq.
30 Church Street
New York, N.Y.

THOMAS E. WARD
THIRTY CHURCH STREET
NEW YORK

November 18, 1943.

Dear Mr. Fraser:-

I am deeply interested in the splendid suggestion which you made that international money of tomorrow be a dollar-sterling standard. Your thoughts on international currency control recalls a remark made by the late Sir Henri Deterding who was the head of a company with which I was associated many years ago. He said, "Anything which is complicated is wrong; anything which is simple, however, will never be accepted by the economists."

Shortly before the war broke out I called at the office of the Bank of International Settlements for I was interested in discussing possibilities of returning to a gold standard for both the dollar and the pound. My interest in this connection was evidenced in a plan which I had submitted to the British Treasury in connection with the settlement of the war debts which plan, incidentally, was being considered for immediate favorable action which action was interrupted by the outbreak of World War II.

I shall take the liberty of enclosing copy of a letter which I wrote to the New York Times a few weeks ago, which will evidence to you the fact that I am in agreement with you.

There is absolutely no need for elaborate new machinery and, as you say, we should dispel the illusion that any international instrument can work a miracle in the creation of stable currencies.

With best wishes.

Yours sincerely,

TEW/EAM..
ENCL...

Mr. Leon Fraser, President,
First National Bank of New York,
2 Wall Street,
New York City

Herald Trib

MICHAEL A. PARISANO
10 EAST 3rd STREET
NEW CASTLE, DEL.

November 23,1943

Mr. Leon Fraser
President.
First National Bank
Wall Street
New York, N.Y.

Dear Sir:

I take the liberty of sending you an illustrated article pertaining to World Stability, titled STABILITY FOR PEACE AND PROSPERITY, dealing with the subject of stability, as the foundation of all national prosperity and progress, and trust that when you examine it, you may find something of value and interest to you and your Organization, especially at this present time when Stabilization of Finance, Industry and Commerce is most essential and desired by the entire world.

You have the power to do much to accomplish this result, which will benefit all nations, and doubtless this subject has received long and careful consideration at your hands.

My congratulations to you for the great speech made at the Herald Tribune Forum, and at the same time wishing you a successful adaptation of the idea, for most essential stability in world affairs.

Yours very truly,

Michael A. Parisano

Michael A. Parisano

P.S.

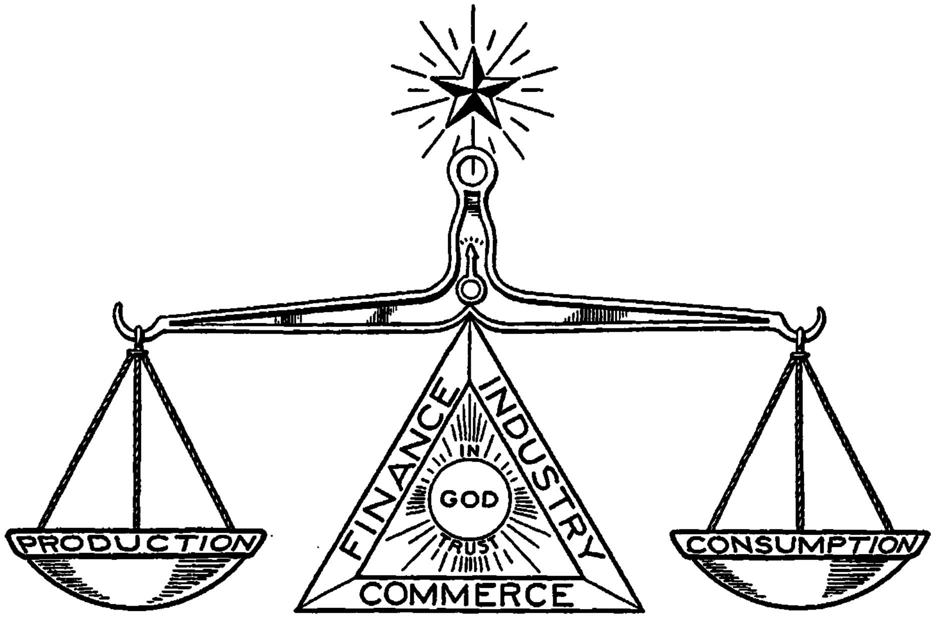
WORLD STABILITY FOR PEACE PROGRESS AND PROSPERITY.

STABILITY FOR PEACE AND PROSPERITY

STABILITY IN FINANCE, INDUSTRY AND COMMERCE IS THE MASTER KEY WHICH SHALL UNLOCK THE DOOR LEADING TO WORLD PROSPERITY AND UNIVERSAL PEACE

By

MICHAEL A. PARISANO



THE LAW OF NATURE

UNIVERSAL STABILITY

STABILITY FOR PEACE AND PROSPERITY

STABILITY IN FINANCE, INDUSTRY AND COMMERCE IS THE MASTER KEY WHICH SHALL UNLOCK THE DOOR LEADING TO WORLD PROSPERITY AND UNIVERSAL PEACE.

Universal Stability and the Triunity of Prosperity.

The triangle of Finance, Industry and Commerce is the supporting pivot of the scale that has to stabilize production and consumption throughout the world in order to establish prosperity and peace. Therefore, the above three principles are the powers that can stabilize the scale of future conditions and nothing else can take their places. They are the pyramids of power and we cannot do without either of them. They constitute a continuous chain which interlinks one with the other. As a consequence, the nations are compelled to unite capital and labor, so that the pull in one direction may serve to accomplish stabilization in world affairs.

The illustration which accompanies this article, symbolizes graphically the writer's conception of World Stability for Prosperity and Peace. The ideology behind this idea of World Stability points to a development of those inherently humane influences which should make practical the age-old benediction of "Peace on earth and good will toward all men." The approach to this ideology, by way of Finance, Industry and Commerce, simple as it may appear, is nevertheless, in the writer's opinion the very fundamental means toward establishing influences essential for the happiness and betterment of human society the world over.

Rational economics visualizes a balance of industry through Finance, a balance of Commerce through Industry and balance of Finance through altruistic government - a government having the legal power to balance the monetary value of the metals of exchange, such as gold, silver or platinum.

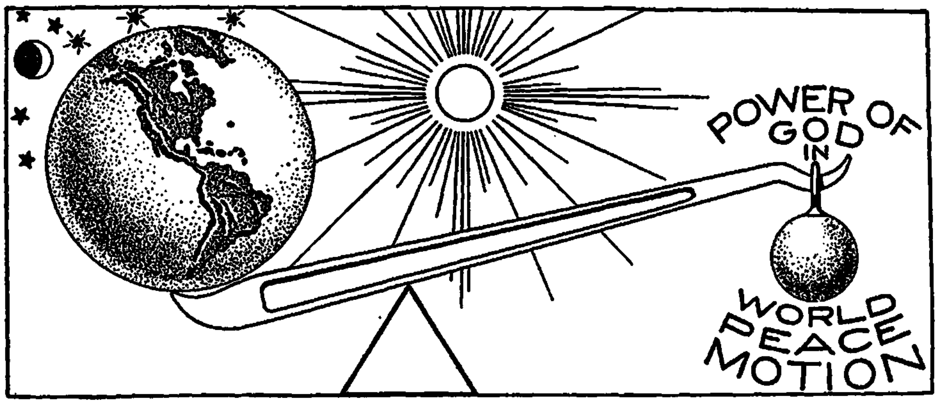
One of our most distressing problems is the instability of market prices of all commodities. The erratic, unreasonable and almost insane fluctuation of prices is probably one of the most painful symptoms of our present period of depression. To bring peace to the industries of the world we must first have prices stabilized and firmly controlled.

In the establishment of business stability the world over, nations will lose their incentive for friction and discord. Stability in commerce is by far the most certain way of bringing about a better understanding among the peoples of the earth and permanent international good-will.

To realize this, almost all the nations of the earth should unite and create a plan in which an absolute standard of fixed monetary value prevails. The universal adoption of a fixed standard of value of any of the precious metals which may be used as a medium of exchange, both domestically and internationally, will directly serve to stabilize the entire financial and economic structure of the world - a structure which at this moment is rocking perilously on the brink of imminent destruction.

Regardless of all the theories to the contrary, under the present existing state of economics, the monetary system cannot be dispensed with. It has thus far proved itself to be the best means of exchange for labor and the products of labor. The three handmaids of labor, Finance, Industry and Commerce, constitute the triunity upon which every phase of business directly depends, and therefore, with which this article mainly deals.

Instability of capital spells instability of business. These two are interactive and interdependent. Retrenchment of capital inevitably leads to stagnation of business, with the resultant state of depression, more or less widespread. Obviously, any law which has for its basic effect the stabilization of Finance, Industry and Commerce, must take in under its terms of uniformity and equality the integral divisions of Finance, Industry and Commerce, namely Production and Consumption, Demand and Distribution. False economy must eventually lead to chaos.



THE SUN, MOON AND EARTH IN STATE OF STABILITY.
An Analogy

The sun, the moon and the earth maintain a state of stability toward each other through the great stabilizing forces of nature, be they of the phenomena of gravitation or electro-magnetism, or whatever it may be that future science may discover.

Without the beneficent properties of the sun in transmitting light and warmth to this earth, a state of cold would exist which would be so intense as to make life on this planet, as we know it, impossible. The moon with its powerful gravitational pull on this earth serves to stabilize the earth's revolutions; regulates the tides and in general gives to our whole planetary system that perennial uniformity with which we are so familiar.

The sun transmits a tremendous amount of heat, while the moon, so far as we know, appears to be utterly cold, the temperature probably below that which our present instruments are capable of computing. The earth, on the other hand, is the beneficent recipient of the properties which emanate from both these celestial bodies. Here, before our very eyes, we have a great cosmic example of stability from which it behooves us to take a lesson; to utilize the intelligence the Almighty God has given us, and to so endeavor to balance our minds that loyalty and respect for one another may be the order of the day and that true justice to all mankind shall prevail to the end of time.

Our present state of society is in a condition closely resembling a tremendous electric force which is about to make contact between its negative and positive poles, which, creating an explosion, may set loose a conflagration whose termination may be beyond prophesy. And as in electricity, a neutralizer - an insulator is essential for the purpose of safeguarding dangerous and unforeseen contacts, so in society we are compelled to utilize an insulating force as it were, which, in this thesis, is incorporated under the term World Stability. There may be other unknown and amazingly intricate forces which operate to influence people's minds in one direction or another. There do appear to be waves of concerted action from time to time which sweep like a tide over nations carrying them on to higher peaks of progression or backwards, as woefully too frequently happens, to the lower levels of retrogression. But in the end the climb is always upward.

Man is essentially an instrument motivated from outside forces. Neither his mind, nor his heart nor his motor processes can properly function when he is surrounded by deleterious influences. In a stabilized society, in a well-balanced scale of the highest human values, there must be no animosity, no bickering, no inflammatory controversies, no hatreds and no jealousies.

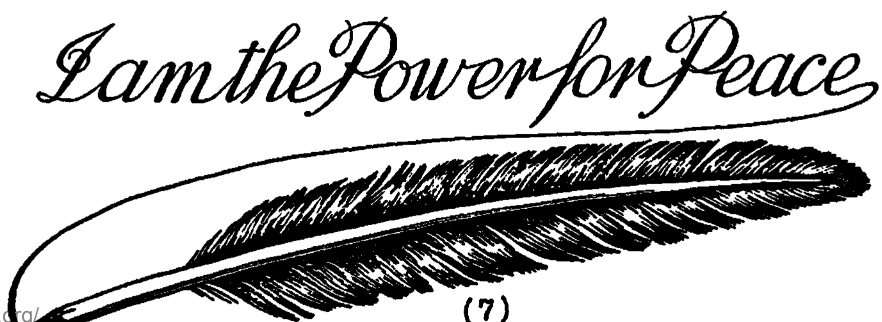
UNIVERSAL STABILIZATION IN THE PREVENTION OF DEPRESSION

Depression is a pathological state of society. Prosperity and Peace are the indicators of its health and well-being. To convert society into a state of health, nations, the component parts of society, must be cooperative. The nations' currency systems, the very basis of their economic structure, must be stabilized. There can be no progress until this has been accomplished. The accompanying illustrations will serve to clarify the idea and the theory of stability in its relationship to man's environmental forces. It should prove particularly interesting to all those whose ideals lead them to work and hope for the final establishment of universal peace.

All about us we see the forces of nature in a state of stability. Time, space, gravity are eternally constant. Whatever variations there may be are so slight that we are not aware of them. Every phenomenon of life conforms to system, regularity and stability. Man only runs counter to nature's laws. Man's nature is in constant conflict with the laws of stability about him. But, recognizing this fact, and conscious of the difficulties this contrariness is constantly bringing him, his greatest efforts to correct the defects should be persistently and patiently employed, and eternal vigilance is the price of his prosperity and his peace.

Thus, universal peace and prosperity is not an idle dream. It can be accomplished by organizing a widespread movement for World Stabilization for Prosperity and Peace. Through this movement the peoples of all nations may be educated to a better and more rational understanding among themselves. The representatives of the nations may then be given a place to meet and unite for the purpose of deciding ways and means for an all-embracing world stability which shall lead to prosperity and an enduring Peace.

Michael A. Parisano



MICHAEL A. PARISANO
10 EAST 3rd ST.
NEW CASTLE, DEL.

MICHAEL A. PARISANO
10 EAST 3rd ST.
NEW CASTLE, DEL.

Author(s):

Article Title: Banker Fraser's Proposal

Journal Title: Time Magazine

Volume Number: Issue Number:

Date: November 29, 1943

Page Numbers: 84-86

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File

W. RANDOLPH BURGESS
55 WALL STREET
NEW YORK

November 29, 1943.

Dear Leon:

You may have noticed the crack at our report in the London Economist. I thought of answering it as indicated herewith. What do you think?

Sincerely yours,

W. Randolph Burgess
per R.G.H.

Mr. Leon Fraser,
President, First National Bank,
2 Wall Street, New York, N. Y.

Copy has been sent to
Mr. Fraser
Mr. Rentschler
Dr. Stonier
Mr. Cadman
Mr. Roberts

November 29, 1943.

Dear Mr. Tyerman:

While a consistent, and usually admiring, reader of the ECONOMIST, I have just seen your issue of September 18 with its comment entitled, "Through American Blinkers," on the report of the Economic Policy Commission of the American Bankers Association. From your date line, as well as the article, it seems clear that you had to rely on an inadequate cabled dispatch and did not have before you a complete copy of our report. I enclose one herewith. From it you will see that we do not say most of the things which so horrify your writer.

A difference in point of view such as your article suggests would be disturbing at a time when so much depends on understanding between our two countries on these vital matters. This report to the American Bankers Association was not an offhand or one-man product but represented an effort of many months to ascertain and set down the informed opinion of bankers and others in many parts of our country. It has been well received here.

Your review uses one phrase well calculated to make American readers see red. Your writer says, " - the task, not so much of welding the official British and American views, but of bringing American opinion into line with any compromise between the two, will be difficult." That approach does not go down well in our democracy. Is not the real task one of finding out American and British opinion in this matter, and then bringing official views into line? I have a notion that British and American public opinion are not too far apart. This is perhaps illustrated by the recent Moscow meeting, the results of which met instant and almost unanimous approval here. The United Nations Relief and

Rehabilitation proposals are also being well received. Both of these plans are characterized by simple directness and common sense. This may be suggestive for the currency plans.

Without yielding to the temptation to discuss a number of points on which your article seems to me misleading, I must mention my concern at one point of view. The article quotes, or rather misquotes, as proving the antedeluvian nature of the report, from the following paragraph. The misquotation consists of lifting the middle sentence of the paragraph from its context and omitting from that sentence the qualifying adverb, "assuredly."

> "The rate question cannot be settled alone. It goes along with all the other problems of peace and war and trade barriers reviewed here. No country can assuredly maintain a stable currency unless its internal economy is in order - its budget under control, its price level reasonably stable, and its external payments and receipts well balanced. A stable currency is a logical result of a sound economy and cannot exist long in its absence."

Is it possible that the ECONOMIST or economic thought in England believes that a stable currency can be maintained without this sort of foundation? The attitude of the two nations on this question is basic to any understanding.

One might venture to say that the American people have had a look at monetary instability and don't like it. (The White plan reflects this.) They hope to attain stability without serious domestic sacrifice; indeed their desire for stability arises largely from domestic reasons. The British people have looked at instability and don't like it either. But they have also looked at the possible domestic sacrifices necessary for currency stability. The natural question is how much Great Britain is willing to pay to maintain the position of the pound, especially if the international economic atmosphere is cloudy. Does the Keynes plan reflect some desire for a gradual currency depreciation? The success of any international stabilization mechanism depends on the answer to these questions. It is for these basic reasons that the attitude of the ECONOMIST is especially interesting.

Sincerely yours,

W. Randolph Burgess

Mr. Donald Tyerman,
Acting Editor, THE ECONOMIST,
Brettenham House,
15 Lancaster Place,
London, W. C., 2, England.

Author(s):

Article Title: Through American Blinkers

Journal Title: The Economist

Volume Number: Issue Number:

Date: September 18, 1943

Page Numbers: 404-405

November 29, 1943

Henry Steffens, Sr., Esq.
Librarian
Essex County Hospital
Cedar Grove, New Jersey

Dear Mr. Steffens:

This is a tardy acknowledgment of your letter of November 23. Because I am just leaving town, I cannot deal at length with the very interesting contents.

Faithfully yours,

The Librarian

Nov. 23, 1943

Leon Fraser Esq.,
c/o First National Bank,
New York, N.Y.,

Dear Sir:

In your paper on "Reconstructing World Money" you advocate a five point program:

"(a) A credit to Great Britain in the form of a call on gold in the amount of, say, five billion dollars" etc. and "such a credit would constitute a constructive use of some of our surplus gold."

If the ten million families of Britain should have a call on five billion gold dollars, other things being equal, for our thirty million families fifteen billion gold dollars should be reserved. Some other things are more than equal for we have a higher price level to maintain. Our excessive cost of building and operating ships and the heavy discounts our exporters must give to meet world prices is evidence of that. And the twelve Federal Reserve Banks combined reported, as of November 17th, "Gold certificates on hand and due from United States Treasury $19,803,215,000." If I am not mistaken the world's known monetary gold has been estimated at $30,000,000,000. If less than ten per cent of the world's population need twenty billions of this how can the ninety odd percent be reconstructed with only ten billions?

"Our surplus gold" has been used up by an inflation of our currency. The "ratio of total reserves to deposit and Federal Reserve note liabilities combined" has dropped from 81.2% a year ago to 66.7% to-day. If the gold content of the dollar had not been reduced that ratio would be less than 40% to-day.

In 1914 Banker A. Barton Hepburn said of the new Federal Reserve System "the act, under good, competent, conservative management, would work very well, whereas a different kind of management might entail disagreeable consequences. The act provided for unlimited <u>inflation</u>; this, however, <u>may be prevented by proper management</u>." etc.

You may say his old-fashioned ideas do not hold since gold settlements were abandoned for managed (paper) currencies. I believe, however, that the precious metals are the only satisfactory money that the world has ever known and all other kinds of money can be geared to them in a way that will economize the use of the metals and restore that surplus which you visualize but does not, to-day, exist.

You say "Great Britain will constitute the world's financial problem No. 1." That problem, however, cannot be solved by isolating our own and Britain's interests from those of the world as a whole. She needs most new productive industries to replace her failing ones and larger markets that only the building up of the purchasing power of the world as a whole can give her.

The reduction of the gold content of the dollar to 59% of what it had been for one hundred years did not achieve the purpose of the Cornell professors and raise our internal prices 69%. In justice to them it should be said they claimed it would do so eventually if not immediately. But the war and inflation of bank credit has brought that about. Bankers maintained in the Sound Money Campaign of 1896 that inferior money will drive a better one into hoarding. The inferior money raises prices. It has also been said that when gold is permitted to function freely it will buy in goods and services an equivalent of the cost, in labor and overhead, of producing the gold. I believe that is true.

The gold deposited by the Federal Reserve Banks with the Government was the property of the banks and their customers. When the deposits were made the Government gave a certificate for a lighter (new law) dollar for each of the heavier old dollars. The government kept the excess gold as a sort of tax on the gold holders but the President preferred to call it a "profit." And, as the New Deal had turned in a "profit" instead of a "tax receipt" the Congress obligingly permitted its use to support the pound sterling. It has been said that this fund, of several billion dollars, is still revolving at near its original amount. Have you overlooked that when you suggest another call of five billion dollars be placed at Britain's disposal?

The cut in the old dollar's content only restored, for a time, the old parity, in international exchange, between the dollar and the pound. The slipping of the pound did not raise internal prices in Britain because it was not drastic enough to more than offset her internal inflation.

There are two ways of reconstructing world money as I see it. If you do not cut the gold content of the currencies to offset inflation you will have to discard the interchange of gold, inferior currency and bank credits at par or suffer a depression, with its attendant bankruptcies, more severe than that of the thirties. I will refrain from discussing this further and assume you would prefer a major operation that would put the world, in the shortest possible time, on an economically sound foundation.

To the world's known monetary gold stocks add an estimate of the unknown hoards in countries like India that can be brought under governmental control by the same methods as have been successful in our country. Do the same with silver and value it at the gold price for silver bullion. Apportion the worlds total monetary gold and silver to each sovereign state or colonial dominion on the basis of population with such modification of this division as factors other than population may prove to be necessary. On the basis of population the United States would be entitled to the use of 6½% and taking all other factors into consideration may use no more than 10% of the world's gold and silver monetary stocks to support our economy. The government should assume control of all our surplus gold and silver by "taxing" it away from private ownership and the resultant "profit" should be at the call of the world and not of Britain alone.

Our surplus gold and silver should remain in the vaults that hold it now earmarked to ~~bring~~ make the total monetary metal resources that every sovereign state and colonial dominion may have the same as we retain for ourselves and available to them in the form of gold and silver certificates when they meet the same conditions we lay down for ourselves.

I will not bore you by entering into further detail in this first letter. I am not a banker but have transacted business with banks at home and abroad for forty years. The record of your career in the Herald Tribune says you "came up without previous commercial experience to head the First National." So there are things that I learned in foreign trade and shipping that may help you in your efforts to "reconstruct world money."

During Hoover's administration I suggested to your friend Mr. Owen D. Young a revaluation of the gold dollar at about the same figure was later fixed for it.

At the time so many considered it dishonorable that I was surprised when Mr. Young advised me he had passed my ideas to the Federal Reserve Bank of New York. I do not for a moment believe that the dollar was revalued because I suggested it. It just happened that commercial experience had taught me things that must be accepted, eventually, because they are right.

Respectfully yours,

Henry Steffens, Sr.
Librarian

TWENTY EAST SEVENTY-SIXTH STREET
NEW YORK, N.Y.
RHINELANDER 4-1690

November 30, 1943.

Leon Fraser, Esq.,
President, The First National Bank
of the City of New York,
2 Wall Street,
New York. N.Y.

Dear Mr. Fraser,

Thank you very much for your letter of November 22nd and for the full text of your address which was sent me under cover of the New York Herald Tribune; (as you had seen from my first letter, I am a reader of the New York Times and not of the Tribune; this is why I had not seen the publication in the Sunday number of the Tribune). I am very glad to have your address in this form and will keep it in my files as an important document on monetary questions.

May I express a wish; on page 4 of the address you say: "The rigidity of the old gold standard would be avoided by continued active management of the monetary mechanism with the goal of high production". It would be extremely useful if you could find a moment to develop the idea expressed in this sentence; as you know there are many plans setting as their aim high production or, according to the usual slogan, "full employment"; some of these plans seem very dangerous, to the point of jeopardizing the financial stability of the United States. It would be very helpful, therefore, if a plan could be found which would not entail this danger.

With renewed thanks, believe me,

Yours sincerely,

Robert Wolff

Robert Wolff.

W

November 22, 1943

Robert Wolff, Esq.
20 East 76th Street
New York, N.Y.

Dear Mr. Wolff:

Thanks so much for sending me your volume. I had heard about it before but I did not have a copy. I am taking it home to study.

My remarks were very sketchy, but in accordance with your suggestion I will see that the full text gets to you. It was published in yesterday's Sunday Supplement of the Tribune.

Faithfully yours,

TWENTY EAST SEVENTY-SIXTH STREET
NEW YORK, N.Y.
RHINELANDER 4-1690

November 19, 1943.

Leon Fraser, Esq.,
President, The First National Bank
of the City of New York,
2 Wall Street,
New York. N.Y.

Dear Mr. Fraser,

You may remember that I had the pleasure of meeting you at your office in New York in October of 1937; I was introduced to you by a letter from Professor Charles Rist.

If I take the liberty of writing you now, it is because I have read with great interest in the New York Times of November 17th a summary of your criticism of the British and American plans for post-war currencies. Your exceptional experience in such matters lends great weight to your observations and I think that your proposals offer a much simpler and much more constructive method of dealing with these problems.

I hope that your address will be published in full; if this is the case, I should appreciate your letting me know in which periodical it will appear; if not, would it be too much to ask for a copy of the text of your address? Should you have only a few copies, I would not fail to return it to you so that it may be of use to other persons.

On the other hand, may I present you with a copy of my book, published by Brentano's a few months ago, entitled "Economie et Finances de la France.- Passé et Avenir". Its origin is the following:

In 1940 I was inclined to believe that the only hope for France ever to recover lay in a "mea culpa" in all respects. Notes which I had been taking on the subject developed into a book, written directly in English - bad English - entitled "The Economic Causes of the French Collapse". The book took on form only by and by and rather slowly owing to pressure of other work. It was completed in the Spring of 1942. At that time I tried to find an American publisher, but since the book is of no interest to the general public, I have so far not been successful in this endeavor. So I began a French "translation". In the Autumn of 1942 the French text was selected by Brentano's for their new collection of French

Leon Fraser, Esq. November 19, 1943.

Editions, but since I had only dealt with the period 1919-1939, they asked me to write an additional chapter embodying suggestions for the future; hence the change in the title of the book.

The book does not contain anything that you do not know already; however it may help you to call to mind some moments of the past through which you have lived.

Yours very truly,

Robert Wolff

Robert Wolff.

This document is protected by copyright and has been removed.

Author(s):

Article Title: Leon Fraser's Views on Money and Banking

Journal Title: [Am. M. M.]

Volume Number: L Issue Number:

Date: November 30, 1943

Page Numbers:

Mr. Leon Fraser

For your information. File

FROM

ASSISTANT TO CHAIRMAN

UNITED STATES STEEL CORPORATION

NEW YORK

Cleveland Plain Dealer

Author(s):

Article Title: London Bankers Back Fraser Plan for Stabilization

Journal Title: Journal of Commerce

Volume Number: Issue Number:

Date: December 6, 1943

Page Numbers:

Pending

December 9, 1943

Mr. Roland W. Mann
14 Hudson Street
Bangor, Maine

Dear Mr. Mann:

Your letter of December 4 came in just as Mr. Fraser was leaving for Washington. You may be assured that this will be brought to his attention immediately upon his return.

Yours very truly,

Secretary to Mr. Leon Fraser

ROLAND W. MANN
BANGOR
MAINE
14 Hudson Street. December 4, 1943.

Leon Fraser, Esq.,
First National Bank of New York,
New York City.

Dear Sir:

The recent report, appearing in "Time" magazine of November 29th, containing the substance of your address before the 'Herald Tribune' Forum, was of such deep interest to me that, although quite unknown to you, I am, nevertheless, taking this liberty of addressing you in connection with a possible framework of the proposed World Bank.

In recent months I have been exploring various methods for the safeguarding of a portion of our gold supply, and at the same time seeking to avoid any necessity for the United States entering into any direct commitments or guarantees of whatever obligations may be incurred in furtherance of the purposes for which said bank is to be established, but rather to discover some indirect method of meeting that end, as embodied in the following general outline of the suggested Plan, provided, of course, that the four United Nations can be induced to assent to its provisions.

One - That the United Nations jointly and severally organize a corporation with an authorized capital of ten billion dollars, consisting of one hundred thousand units, each to have a par of $100,000, their value to be based upon that of the to be determined dollar pound.

Two - Each of the four Nations to authorize an issue of its own respective ten to twenty-year collateral trust Gold Bonds, to an amount in each case equivalent in par value, as adjusted to that of the dollar pound.

Three- Each nation to segregate from its holdings of owned gold coin and bullion an amount thereof equivalent to the extent to which each nation shall contribute, on a definitely established and permanent basis, to the acquisition of its respective contribution to the shares of the said World Bank.

ROLAND W. MANN
BANGOR
MAINE

December 4, 1943.

Four - Each of the four United Nations to deposit such amount of gold as collateral to the aforesaid bond issues, to be held inviolate for that purpose only. Both the said bonds and the accompanying gold to secure them to be held en bloc in some to be mutually agreed upon financial world centre.

Five - Simultaneously with the deposit of the respective collateral trust issues by the four United Nations, the corporation shall authorize and issue ten billion dollars of its Circulating Currency for use from time to time among the devastated nations, as the requirements of each may be determined by the Board of Managers of the World Bank Corporation.

Without referring to various other points of weakness, all of which are of defintely serious menace to our economic future, the present plan outlined by Dr. Harry White, whose recent concessions to Sir.John Keynes' insistence that the amount of income and volume of world trade enjoyed by each nation shall constitute important factors in the determination of the extent to which each nation shall participate in the ownership of the proposed World Bank, cannot fail to result in a highly unstable and constantly fluctuating situation, in response to the changing conditions of international trade.

This provision appears, to those who are realistic in their approach to such matters and who may possess some intimation of the underlying purposes, however cleverly disguised, of the Keynes plan, as a clear indication of the expectation that England may ultimately assume Germany's former position as the middleman of continental Europe. Furthermore, through her control of certain areas in the Pacific, and her influence in Turkey, upon whose raw products we depend for a not inconsiderable portion of our import trade, she could also have recourse to cartels with other nations not necessarily under her control, by subsidies to her shipping and other industrial concerns, and by other devices of interference with the free flow of world trade, with the result that our present position of dominance in world affairs and as

ROLAND W. MANN
BANGOR
MAINE

 December 4, 1943.

holders of the largest supply of gold could gradually revert to England, and our holdings of gold be seriously depleted, since these undertakings would necessitate replenishment of her gold supply. To this end, the Keynes Plan is clearly directed, and provides the groundwork either for the perpetuation of the balance of power theory, or that of colonial expansion and control, either of which would operate directly against our future economic well-being.

As far as Dr. White's contribution to the aforesaid proposal is concerned, it's one thing for an expert to formulate a financial plan, but quite another for him to visualize its economic effects and to disregard their economic implications. It is my conviction that unconsciously Dr. White has been unduly influenced by Sir John Keynes in the latter's effort ultimately to return England to its former unquestioned position of a dominant world power.

As to the plan to set up a stabilization fund of eight billion dollars of our gold, with no ultimate benefit to ourselves, our gold reserve of that amount would be laid open to artificial regulation by other nations with no protection whatever, in view of our one-third minority interest in the World Bank. This amount would serve as an invitation to the less favored nations to avoid the stabilizing of their respective currencies, and they would continue to depend upon the largess of the United Nations; whereas in the absence of any such fund a distinct inducement would exist to adjust their currency values to that of the dollar pound, and thus with our gifts and advances of commodities they would gradually return to a dignified and self-supporting status. That part of the White-Keynes proposal is consistent with the similar line of endeavor as the preceding one; is unconscionable in its conception, as well as unsound from an international banking standpoint, and should be entirely eliminated as a concomitant to the proposed World Bank.

Some months since, in order to protect a substantial portion of our gold supply, I had formulated a Plan embodying certain amendments to the Federal Reserve Act, the substance of which I herewith enclose, which I had submitted to Mr. Secretary Morgenthau, and which I understand is now being considered by Senator George and other members of his committee. It now occurs to me that certain aspects of it might conceivably be

ROLAND W. MANN
BANGOR
MAINE

L. F. 4. December 4, 1943.

coordinated with or be supplemental to, the foregoing Plan. In it emphasis is laid upon the necessity of placing our own financial house in order before we can embark upon the unpredictable adventure in international affairs. The bonds in each case would be similar in form, except in the latter, the circulation function would be eliminated, and the aggregate of the requirements of bothwould call for some fifteen billion dollars, the balance of some seven billion and a half of gold to remain inviolate in the Treasury for our own exclusive use during the period of economic maladjustment here and abroad, but subject to the direction of the Congress.

With my apologies for having imposed the foregoing upon you, and anticipating your reaction to the suggestions submitted,

I am, dear Sir,

Very truly yours,

Roland W. Mann

Roland W. Mann

RWM/F

Enclosure

A Plan for Amending
Certain Provisions of the
Existing Federal Reserve Act.

The objectives of the following Plan are <u>first</u> to establish an amplified and more uniform system of currency and banking by affording a profit inducement to all the commercial banks in the country to become members of the Federal Reserve System, as amended, since today, after some 25 years of operation, only some 6600 out of 14,722 commercial banks in the United States have become members of that System.

<u>Second</u>, to eliminate the present existing method of issuing currency based upon the aggregate securities and notes of industrial corporations and individual borrowers, of widely and constantly varying replacement or liquidation value, which is quite unfamiliar to and unrecognized in the financial centers of the world, held in the investment portfolios of the above banks, minority in number.

<u>Third</u>, to keep a major part of our gold reserve at home, safeguarded by raids against it, after the war, on the part of alien or friendly interests, and from depletion of its volume or value by any hitherto undisclosed or future executive mandate.

<u>Fourth</u>, to afford an additional basis for annual revenue to accrue both to the U. S. Treasury and to the member banks, supplementing in the former case the former tax levies, without imposing a penalty upon either, but on the contrary, to insure a substantial annual profit to them both.

As long as the present uncoordinated currency situation is permitted to exist, we are likely to be faced with a grave menace to the integrity of our national currency, by failing to maintain a solvent and dependable system here at home, in the unpredictable future confronting us during the period immediately following the war, nor shall we be able, either with dignity or effectiveness, to do our part with the other United Nations in the rehabilitation of the devastated areas abroad; an adventure upon which we cannot with safety embark until we have first put our own financial house in order.

To accomplish these ends, the following is submitted:

<u>One</u> Require that all of the 14,722 commercial banks of the United States shall become members of the Federal Reserve System, asamended, or of any other succeeding it.

<u>Two</u> Require the Secretary of the Treasury to segregate from the accumulation of gold coin and bullion (twenty-two billion plus) now held in the Treasury vaults to no constructive end, not less than five nor more than ten billion dollars thereof at its present ordained dollar value.

Three Require the said Treasurer specifically to set aside such gold to be held inviolate and to deposit such portion thereof as may be necessary for the purpose of depositing it as collateral security for a proposed new issue of U. S. Government Ten to Twenty-Year One Per Cent "Circulation" Gold Bonds.

Four Require the Treasury and all commercial banks to exchange with each other, par for par, such portion of $10,896,889,000 U. S. Treasury Three-Year Savings Notes, Series "C", as the latter may hold in their investment portfolios, for the bonds of the new One Per Cent issue.

Five Require all member banks, upon their completion of the above exchange, to deliver their so-received new One Per Cent bonds to the Comptroller of the Currency, who shall issue and return to each such bank new U. S. "Circulation" bank notes at par for their so deposited bonds.

Six Provide that simultaneously with the delivery of the new National Bank notes the Federal Reserve Bank shall cancel and retire from circulation an equal amount of its outstanding issues, in order to avoid any further inflationary tendencies, and also that in consideration for the Treasury having extended to the banks the profitable function of issuing their own bank notes, that each bank shall divide all such profits as may accrue to it with the Treasury, as set forth in the following calculation, and thus reestablish and again put into effect the long sponsored Republican theories of a sound system of banking and currency, in contradistinction to the more recent Democratic practice of employing the assets of banks, minority in number, as a basis for our national currency issues.

It will be noted from the above that each of the provisions of the Plan coordinates with and is dependent upon the proper functioning of the others; hence, if any one is eliminated, the whole structure would be without force and effect. Further, in no other way can any relief be afforded to the Treasury except by increasing the volume of its indebtedness, or by a form of sequestration of the principal of corporations, estates and individuals, which latter alternative may be resorted to when the capacity of the public for absorbing future issues of Treasury bonds or notes reaches its saturation point. In any case, the banks of the country must be depended upon to provide additional sums to meet the Treasury's deficit financing.

- Calculation -
showing annual results, from Bank circulation
based upon
Each $100,000 unit of 10-to-20-Year U.S.Gov't
One Per Cent "Circulation" Gold Bonds,
upon their exchange for the $10,894,889,000
U.S. Treasury 3-year Savings Notes, Series "C"
at present held in investment portfolios of
14,722 commercial banks in the United States.

Money at	6%	5%	4%	3%	2%
Revenue yearly from $100,000 1% bonds	$1000	$1000	$1000	$1000	$1000
From $100,000 notes loaned at 6%	6000				
From $90,000 notes Loaned at 5%		4500			
From $80,000 notes Loaned at 4%			3200		
From $70,000 notes Loaned at 3%				2100	
From $60,000 notes Loaned at 2%					1200
Gross Annual Revenue	$7000	$5500	$4200	$3100	$2200
Less cost of printing bills and express, etc.	300	250	200	150	100
Net Yearly Profit to be divided between Treasury and banks.	6700	5250	4000	2950	2100

Tml.

December 11, 1943

J. H. Clifford Johnston, Esq.
Kingston House
Princes Gate
London, S.W. 7
England

Dear Mr. Johnston:

Thanks so much for sending me your articles that I have examined with great interest. I think the practical application requires overcoming certain difficulties that now prevail.

With much appreciation for your thought,

Faithfully yours,

Kingston House,
Princes Gate,
London S.W.7.
~~4, DEAN'S YARD~~
~~WESTMINSTER~~
~~S.W.1.~~

TELEPHONES
~~ABBEY 2344 & 5~~
KENsington 6835

17th November 1943

Dear Mr. Leon Fraser,

I am sending you the enclosed literature as a basis for a practical experiment, suggested by your proposal for a dollar-sterling standard.

Leaving Governments and central banks alone for the moment, if the First National Bank and, say, the Chase National Bank, with Lloyds Bank and the National Provincial Bank in London would act as clearing bankers for an international branch of the Bankers' Clearing House, at fixed exchanges stabilized on gold, a start could be made at once in reconstruction without any more delay or political meandering.

Subsequently, your suggestion of a call on gold would be the salvation of the economic world and the United States, whose gold holding is unproductive at present, could be both safeguarded and recompensed by charging a commission of 1% on the turnover. In this event the old British war debt need not be cancelled but could be worked out in the course of time.

If your side would take the initiative there would be no difficulty here with our clearing banks.

Yours sincerely,

J.H. Clifford Johnston

Author(s): J. H. Clifford Johnston

Article Title: A Banking Chimera

Journal Title:

Volume Number: Issue Number:

Date: November 1943

Page Numbers: 270-272

Author(s): J. H. Clifford Johnston

Title: Unitive Clearing and Gold Sovereigns

Date: [1943]

Page Numbers:

Author(s): J. H. Clifford Johnston

Title: The Master Key - A British Sovereign: A Recall to the Honest Pound Sterling

Date: 1943

Page Numbers:

Trib.

December 11, 1943

Dr. Robert Eisler
The Dower House
Maugersbury
Stow-on-the-Wold
England

Dear Dr. Eisler:

Much obliged for your letter of November 21. I have been familiar in a general way with the studies of the Drs. Guillaume.

I am afraid I do not have any way of getting the interesting articles you enclosed published at this end.

With thanks for your note,

Faithfully yours,

File

Dr.Robert Eisler
The Dower House,Maugersbury
Stow-on-the-Wold

Nov.21st 1943

Mr.Leon Fraser,
President,First National Bank of New York
New York City
N.Y.,U.S.A.

Sir,

The undersigned,author of THIS MONEY MAZE and STABLE MONEY published in London 1931 and 1932 who first advocated in a number of books,articles and lectures in three world languages a Dollar-Sterling Standard has read with great interest the report in THE TIMES of London Nov.17th of your speech of the 16th at the New York Herald-Tribune Forum.

Being in whole-hearted agreement with your proposal and completely opposed to the fantastic ideas of a continuous expansion of world currencies by governments budgeting for ever bigger and better deficits to prevent incipient regressions I venture to send you an English article of mine setting forth the one legislative proviso we need to make a currency linked to gold workable throughout both unpreventable inflation and inevitable deflation periods. The article is based on solid research published in two volumes - so far only in French - by Drs.Guillaume, mathematical analysis upon which my friend and myself have spent not less than 8000 £ .

Unless the simple laws outlined in the article are put on the statute-book,recurrent crises are inevitable.If this is accepted, they will become a thing of the past like the plagues which used to ravage the Western world for centuries .

If you are interested,I shall be delighted to see my article reproduced wherever you can get it published in America.

I am,Sir,

very faithfully yours

Robert Eisler

Author(s): Robert Eisler

Article Title: Guillaume Theory of Credit Crises

Journal Title: Oxford Mail

Volume Number: Issue Number:

Date: November August 21, 1943

Page Numbers:

Author(s): Robert Eisler

Article Title: The Economics of Permanent Peace: A Scientific Solution of the Reparations and Security Problem

Journal Title: Oxford Mail

Volume Number: Issue Number:

Date: November August 16, 1943

Page Numbers:

Author(s): Robert Eisler

Article Title: Abolish Customs Barriers

Journal Title: Oxford Mail

Volume Number: Issue Number:

Date: November August 19, 1943

Page Numbers:

December 14, 1943

Robert W. Griffith, Esq.
c/o National Credit Office, Inc.
Two Park Avenue
New York, N.Y.

Dear Mr. Griffith:

Thank you for your note of December 10, and for the enclosure which I have examined. While the proposal is ingenious, I do not find in it anything of especial interest so far as I am concerned, and I greatly doubt that it would be useful to impose on Dr. Hoeniger's time in this connection - the more so as I am absent from the City a great deal in the present circumstances.

With thanks,

Faithfully yours,

National Credit Office

INCORPORATED

Two Park Avenue

Established 1900 New York CAledonia 5-9401

December 10, 1943

Mr. Leon Fraser
The First National Bank
Of The City of New York
2 Wall Street
New York 5, N. Y.

Dear Mr. Fraser:

At the suggestion of Mr. Arthur D. Whiteside, I would like to call to your attention the enclosed resume of a plan for financing one particular phase of post-war trade with Europe, namely medium term reconstruction credit for equipment.

This is the work of Dr. Heinrich Hoeniger who resides at 317 North Fulton Avenue, Mt. Vernon, N. Y. Dr. Hoeniger is at present Associate Professor of Economics at Hunter College, New York City.

Prior to coming to this country in 1938, he had a distinguished career in the law as well as in the field of economics in Germany. He was at one time Dean of Law at Freiburg University and has published numerous works on accounts receivable, financing, labor problems, etc.

If you are interested, I am sure Dr. Hoeniger would be glad to discuss with you the development of his plan and also other ideas on this subject.

Very truly yours,

Robert W. Griffith

Robert W. Griffith

abb

COLLATERAL SECURITY FOR SELF-LIQUIDATING

RECONSTRUCTION CREDIT ON EQUIPMENT

Private financing of medium term equipment credit for reconstruction purposes encounters difficulties due to the lack of an appropriate method of securing and liquidating such type of credit. There are, however, generally recognized and practiced methods of financing short-term raw material credits. There is, furthermore, an obvious interdependence between the interests of the material and the equipment seller; for, the material seller will get no payment unless his customer has the equipment to process the material properly and to sell the product, and vice versa. The following suggestion for securing equipment credit rests on this mutuality of interests.

Raw material credit can be and frequently is secured through three main types of collaterals in the following sequence:

(1) Conditional Sale

(2) Chattel mortgage on the manufactured goods

(3) After sale of these goods, assignment of the receivables.

Chattel mortgages and assignments of receivables,although sometimes hampered through bankruptcy laws, are widely used in European countries. The commodities under chattel mortgage are of higher value than the raw material, previously under conditional sale. This increase in value, commonly known as value added through manufacture, is partly due to the use of equipment furnished on credit. The equipment creditor is, therefore, entitled to demand that a portion of the value added through manufacture should be set aside for securing the equipment credit.

In other words, the security available after the processing of the material through chattel mortgage and subsequently through the receivables, assigned in advance, should be split and allocated in adequate proportion to the raw material and the equipment credit.

This works out in the following way: A cotton exporter and a machine manufacturer, having sold their goods to "F" in France, obtain advances upon their shipments through their regular bank connections, e.g. bank "A" and bank "B" in New York, respectively. These two American banks get in touch with the same bank in France which either takes over the American credits or administers them as an agent of the American banks by supervising the ensuing chattel mortgages and subsequently collecting the assigned receivables.

From the receipts on these receivables the raw material credit is to be paid off completely, while only a small percentage of each of them is to be credited to the equipment account. These latter small percentages of the individual receivables are to be figured out so that their total per annum would approximate 20% of the equipment credit. Thus, the equipment credit liquidates itself in five years.

The suggested plan employs established financing methods in a particular way. It can, therefore, be carried out in the main through private initiative. Only some government implementation of this financing device through appropriate provisions in the reconstruction trade agreements with the countries concerned would be needed: firstly, suspension of statutory regulations which hamper the proposed financing method; and secondly, the strict provision that all reconstruction credits granted to an individual enterprise must be serviced by the same bank of the country concerned. Mandatory recording of the reconstruction credits in question would sufficiently safeguard observation of this latter provision.

Conclusion:

The formula advanced here is simply this: A small percentage of the value added through manufacture to the available securities is to be apportioned as security to the equipment credit.

This formula can be utilized for securing medium term equipment credit of any kind and wherever necessary, as e.g. in South America.

Research is needed in order to work out the particulars with reference to the specific legal and economic conditions in the various countries and also the varying needs of the different industries.

Heinrich Hoeniger

Heinrich Hoeniger
317 North Fulton Avenue
Mt. Vernon, N. Y.

December 16, 1943

Edmond E. Lincoln, Esq.
Room 9136
De Pont Building
Wilmington 98, Delaware

Dear Mr. Lincoln:

I appreciate your thought of me in enclosing the confidential but highly instructive data with your note of yesterday. I have examined the material with much interest and approbation.

It was nice to catch a glimpse of you the other evening.

With best Holiday greetings,

Faithfully yours,

File

Confidential

ROOM 9136, DU PONT BUILDING
WILMINGTON, DELAWARE
98

December 15, 1943

Mr. Leon Fraser, President,
First National Bank of New York,
2 Wall Street,
New York City.

Dear Mr. Fraser:

In view of current "muddy" thinking on some of our post-war financial problems, you may be interested in the attached.

With best regards,

Sincerely yours,

Edmund E. Lincoln

Enclosure

This document contains internal or confidential information and has been removed.

Author(s):

Title: Some Current "Savings" Illusions -- With Particular Reference to Post-War "Purchasing Power"

Date: December 6, 1943

Page Numbers: 1-7

Her. Trib -
(also see "Fenard")

December 20, 1943

Vice Admiral R. Fenard
Chief of the French Naval Mission
in the United States
French Naval Mission
Munitions Building
Washington 25, D.C.

My dear Admiral Fenard:

Frequent absences from the City have delayed answering your kind letter.

An extensive literature on the subject of international monetary stabilization has appeared in recent months. Much of the discussion centers around the White (American) and Keynes (British) plans.

I am sure you will have no difficulty in obtaining copies of these plans in Washington. The White "Proposal for a United and Associated Nations' Stabilization Fund" may be obtained from the United States Treasury, and the Keynes' proposal for "An International Clearing Union" may be obtained from the British Information Services, 1336 New York Avenue, N.W., Washington, D.C.

Numerous discussions of these plans have been published by various organizations and individuals. I am enclosing a reprint of an article by Dr. John H. Williams of Harvard University from the July issue of FOREIGN AFFAIRS, which I think will be of interest to you. A second article by Dr. Williams appears in the January 1944 issue of the same publication. I also understand that the National Bureau of Economic Research (1819 Broadway, New York, N.Y.) will publish shortly a pamphlet on "British and American Plans for International Currency Stabilization," by Mr. J. H. Riddle.

In addition to the British and American plans for international currency stabilization, there is also a Canadian plan which includes modifications of the other two. This was published under the title of "Tentative Draft Proposals of Canadian Experts for International Exchange Union", and released in this country by the Canadian Wartime Information Board, 1205-15th Street, N.W., Washington, D.C.

There was also reference in the papers last May to a "French Plan". The news account stated that this plan was written prior to the release of the British and American plans by a "group of administrative officials". The only names specifically mentioned were those of Andrè Istel, referred to as "former financial adviser to the Reynaud Ministry and one of the negotiators of the Franco-British financial agreement of 1939", and Hervè Alphand, referred to as "former French financial attachè in Washington and former head of trade agreements at the French Ministry of Commerce", who represented France at the International Food Conference. So far as I know, this plan was not formally published, but had a limited distribution in mimeographed form.

I trust that the references given above will provide at least some of the materials you may wish for your consideration of the subject.

Faithfully yours,

encl.

August 6, 1943

Sixth re-draft

Pol. Fed.

Proposed re-draft of "Section 4 - Monetary Stability"

of Economic Policy Commission on

"Place of the United States in the Post-War Economy"

4. Monetary Stability

Ranking close to the hazard of war as an obstacle to human material progress is the changing value of money. When there is question about the value of money, trade is disorganized, dormant, or feverish, as in Germany and Central Europe after the last war and in France during the monetary troubles of the '20s and '30s. Especially is the advance planning on which full employment so largely depends blocked by doubt of the value of money. The depression of the middle '30s certainly owed some of its severity to fears about money — about its gold value and about the goodness of bank deposits. Money and enterprise grew timid and went into hiding together.

The period of "Pax Britannica" was also a period of stable money when the pound, and for most of the time the dollar, were firmly anchored to and freely exchangeable for a given amount of gold. It was one of the sources of the great material progress of that period.

In the welter of uncertainties which will surround us after the war it is essential, as has been said before, to reduce the areas of doubt, to fix the points of the compass. Only so can the people who want to plan, who want to trade, who want to provide work, go ahead with assurance. Currency value is one of the factors basic to decisions in business and government transactions.

The necessity for currency stability is again being widely recognized, but it will be hard to achieve. Many countries will be impoverished and in disorder, with seriously disturbed balances of foreign payments. Many are far along the road of internal inflation already. Old trade channels will be disrupted. Many countries will lack adequate reserves of gold and foreign exchange. For practically all, the problem of finding rates of exchange that truly reflect the internal purchasing power of different currencies will be a perplexing one. Wrong rates would invite serious difficulties as proved true after World War I.

The rate question cannot be settled alone. It goes along with all the other problems of peace and war and trade barriers reviewed here. No country can assuredly maintain a stable currency unless its internal economy is in order — its budget under control, its price level reasonably stable, and its external payments and receipts well balanced. A stable currency is a logical result of a sound economy and cannot exist long in its absence.

The basic requirements for stabilization are twofold in character. The first concerns the general political and economic background. The second is the more technical question of international monetary arrangements.

It is in the second area that recent proposals have been made for the establishment of an international institution. In April of this year both the American and British Treasuries made public tentative plans for currency stabilization known as the White and Keynes plans.* Both

* On June 9 the Canadian Finance Minister, Mr. James L. Ilsley, likewise made public tentative proposals of Canadian experts for a post-war currency stabilization plan which incorporated many of the features of the White and Keynes plans.

Governments have wisely refrained from rigid and premature adherence to any particular formula and have invited full consideration and debate.

Both plans contemplate the setting up of an international agency -- the White plan, an actual fund of gold, foreign exchange and securities; the Keynes plan, a "clearing union" without capital assets to begin with. Management of the credit agency would be vested by both plans in a governing board with broad powers. Under both plans member countries would be encouraged and aided in fixing the value of their currencies, and once values are fixed they could not alter the value of their exchange rates without the approval of the governing board, except small changes under certain circumstances.

without

Under both plans countries running behind in their balance of payments could borrow other currencies at nominal rates. Countries borrowing from the agency in excess of specified limitations would be required, under both plans, to carry out measures recommanded by the board for bringing their exchanges into balance. Such measures, it is stated specifically by the Keynes plan, might include a devaluation of currency, control over capital movements, or even such domestic measures as the board deems appropriate.

The White plan would charge the exchange fund with the purchase and liquidation of the large volume of international balances frozen by the war, essentially a long-term operation. The Keynes plan apparently would permit, large credit extensions for indefinite periods at nominal rates.

Both plans would provide for the compilation and exchange of information as to foreign balances and the flow of funds and trade.

The Keynes plan is the more ambitious of the two proposals, and the provisions for basing lending quotas on the sum total of imports and exports of member countries would set up enormous credit facilities that would be highly inflationary in a world which will be trying to counteract the inflationary influences created by war. This plan would be particularly inflationary in the United States by both causing an expansion of Federal Reserve credit to the extent other countries borrowed dollars, and by creating large demands for our people at a time when goods are scarce, and the country is trying to meet the wants of its own people. The White plan would apparently involve less danger in this respect in that the sums available would be much smaller and based on member contributions to a central fund, and provisions for lending appear more safeguarded.

Conversations between representatives of different governments have been going on. While these plans are in the discussion stage it would be premature to draw final conclusions about them, nor is there space to discuss them fully in this report. There are, however, certain principles which have been clarified by the discussion up to this point.

The first is that some international institution is desirable to help nations in stabilizing their currencies, as a meeting place for the discussion of monetary questions, to collect information which is a necessary basis for sound principles, and to make some arrangements for stabilization credits in cases where they are justified. The experience with the Bank for International Settlements showed to those who studied its operations the value of such an institution. On a more modest scale the Tripartite Agreement was another encouraging example of the possibility and value of consultation. Whether the needs of the situation would be met best by modifications in the structure of the Bank for International Settlements or the establishment of a new institution is a question which should be fully examined.

The second essential point is that an institution of this sort is no cure all and is no substitute for the hard, patient labor of reestablishment of economic soundness in the participating countries, of the balancing of budgets, and readjustments to post-war conditions. Especially important is the economic condition of the key countries, the United States and England. To extend credit before sound economic programs are established may be to pour money down a rat hole. In their first form neither of these plans gives adequate recognition to this truth. There clearly must be sharper distinction between operations in the period when economic adjustments are in process and the later period of more nearly normal conditions. The kind of credits needed in the immediate post-war reconstruction period are not primarily short-term banking credits appropriate for such an institution, but should be longer term funding. (F)

A third point relates to the general scale and scope of the operations of such an institution. President Dodds of Princeton has recently suggested that any international organization "must not attempt to frame a super-government so new and unfamiliar that men will not be prepared to participate in it." The Keynes plan clearly violates this principle; the White plan also is open to that objection in its first form both with respect to the amount of money the United States would be asked to put in and the extent to which we and other countries would surrender freedom of action in monetary policy. The principle of limitation of power is especially applicable to an institution whose board might represent one or two creditor countries and twenty or twenty-five debtor countries.

The success of such an institution will depend not on the vastness of its legal powers, but on the support given it by key countries. It was not just lack of power that crippled the League of Nations, but lack of support. The British Commonwealth of Nations has no constitution and no legal powers. It is tied together by enlightened loyalty. Implications of compulsion and broad controls, regardless of how carefully veiled they may be, are not suitable unifying factors in international monetary matters. Free collaboration based on mutual advantages and built up by persuasion and friendly relationships offers the most promising approach to the problem.

Fourth. Credits granted by such an agency should be extended in accordance with sound standards, based on the merits of the individual case, and conditioned on adequate commitments by the debtor. They should be temporary in nature and made at a fair rate of interest. A system of quotas or shares in a credit pool which gives debtor countries the impression that they have a right to credits up to some amount is unsound in principle, and raises hopes that cannot be realized. Such a system would encourage the impression that credits received may not have to be liquidated, and would invite abuses of the credit facilities. Any formula which attempts to determine in advance the credit needs and credit worthiness of each country is impracticable. result in

It ~~may~~ is be hoped that further public discussion of the Keynes and White plans may lead to substantial modifications of the proposals to conform with ~~these~~ foregoing principles, or some alternative mechanism for attaining the results so desirable for all. To date, the discussion has been conducted largely to ...

In concluding this section it seems wise to emphasize again the principle that no institution no matter how well designed can work miracles in this or any other field. That is an illustion all too often cherished. Basically stable money is possible only with stable national economies and in particular the United States must lead the way. The first requisite

that the choice lies ~~whether~~ select one or the other of the plans ... and ~~the~~ basis for any genuine progress toward stabilization is a stable doller free of all exchange restrictions, a dollar in which the world has full confidence. Regardless of the standards adopted, or the organization set up, some strong currency must in fact be the main stabilizing influence. So far as can now be foreseen that strong foundation currency must be the dollar.

The second step should be to establish definite rates between the dollar and the pound sterling - the two currencies in which the major part of world trade has been conducted for the past century. Many currencies would already be stable in relation to the dollar or the pound, and other countries could gradually make the necessary adjustments. Where financial aid is needed it should be granted only after due consideration of the merits in each individual case. Each country must of necessity work out its monetary salvation largely by its own efforts. It cannot shift responsibility. In this process the presence of an institution, as a mechanism to encourage consultation may be useful, but its function as a lender of money can only properly begin when a sound economic program has been put into effect.

It should again be emphasized, however, that the United States cannot successfully promote international monetary stability without making determined efforts to put its own affairs in order by balancing its budget and checking inflationary influences. If we continue in time of peace to have fiscal policies which result in unbroken series of annual deficits, all efforts to maintain international monetary stability will inevitably fail. Confidence in the dollar will also be enhanced by a clear out policy that the dollar will be redeemable in gold, in foreign trade, with no deviation from the present value.

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