

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date June 28, 1946.

To Chairman Eccles

Subject: Clipping from the "Times-Herald"

From Mr. Knapp

concerning the British loan.

JKM

Attached is a clipping from Tuesday's "Times-Herald" reprinting what is purported to be a memorandum prepared in the Treasury by a member of Secretary Vinson's staff. This supposed memorandum concludes that in view of the British import and export experience so far this year, the loan to Britain should be reduced by 2 billion dollars. This article in the "Times-Herald" has been introduced into the "Congressional Record" by Representative Woodruff (R., Michigan) and I imagine a good deal will be heard about it in the forthcoming debate in the House on the British loan.

Harold Glasser tells me that as far as he knows no such memorandum was ever prepared in the Treasury. It is based entirely upon published information except that a confidential figure for British gold and dollar balances is used.

In general, the facts presented in the memorandum are accurate except that they are somewhat "slanted". One obviously false statement is made to the effect that the Administration has been informed that the British debts to India, Egypt, Palestine, etc., will be settled "at a small fraction of the nominal indebtedness".

As for the figures on the British balance of payments, the memorandum considerably overstates the case by saying that British exports are running at a rate 1 billion dollars more than estimated and imports at a rate 1 billion dollars less. Actually British imports during the first four months were at an annual rate about half a billion dollars less than estimated during the loan negotiations, and exports for the first five months were at an annual rate about 250 million dollars better than estimated. For the year as a whole, British imports will probably fall short of the estimated figure by several hundred million dollars (though not perhaps by a full half a billion). On the other hand, it would now appear that exports might exceed the estimates by as much as 7 or 800 million dollars.

In short, whereas my memorandum to you dated May 20 (copy attached) estimated that the British merchandise trade deficit in 1946 might be as much as a billion dollars smaller than had been estimated during the loan negotiations, this figure should now be considered as a minimum rather than a maximum.

Attachments 2

JBK:mla

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The citation for the original is:

Waldrop, Frank C. "A Bum Deal." *Washington Times-Herald* (DC), June 25, 1946.