

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date July 16, 1946.

To Chairman Eccles

Subject: _____

From Mr. Knapp

Attached are (1) the text of the statement issued by the President on June 26 concerning his appointment of "a committee of industrialists and bankers to make a report and recommendation on the financing of international reconstruction" and (2) a copy of a statement issued by Mr. Winthrop Aldrich, chairman of this committee, following a call at the White House on July 9.

The function of this group and its relationship to the National Advisory Council is still not very clear. You will note that Winthrop Aldrich interprets it as follows:

"Generally speaking, the function of the Committee, as I see it, will be to devise ways and means, in cooperation with the National Advisory Council, to accomplish the following purposes:

First: to bring into orderly common effort public and private finance, through businessmen and bankers, in the foreign field;

Second: to foster the application of the productive capacity of the United States in the most effective manner possible to the needs of domestic consumption and foreign reconstruction;

Third: to promote relations between American and foreign business enterprise for the purpose of developing and maintaining foreign trade, both export and import, on a high and expanding level."

At another point Mr. Aldrich stated that his committee would make its report and recommendations to the N.A.C. and work with the Council "on the lending aspects of its assignment". Mr. Aldrich further stated that he was going to lose no time in getting the committee organized.

The main question in my mind is whether the Aldrich committee is going to concern itself with the U. S. Government's foreign lending program through the Export-Import Bank and the Bretton Woods institutions, or whether it will confine itself to the stimulation of private foreign investment without

Government participation or guarantee. The President's statement places great emphasis upon the "return of our foreign commerce and investments to private channels" and Mr. Aldrich's statement contains the following passage:

"Government loans to other governments are necessary like many other things done in war or the aftermath of war. They cannot be the continuing basis of international trade between free countries; they should be supplemented and eventually replaced by private international financing. The Government is doing its part. The President has appointed this Committee to encourage industry and private capital to do its part."

Personally I do not see how the Aldrich committee can avoid concerning itself with the Government's lending program, and probably we shall now hear much more about the danger of Government competition with private lenders in the international field. On the other hand, when the President speaks in his statement of the N.A.C.'s "duty of formulating our national policy on foreign lending", he seems to be including national policy on private foreign investment. Further discussion may therefore develop concerning the extent to which the National Advisory Council should express its views on proposed private lending operations.

Of course, the usefulness of the committee depends in large part upon its membership and upon the quality of the staff which it assembles to do the job. I presume you will have your own ideas as to the people who have been asked to serve on the committee; I shall attempt to keep informed on the development of the committee's staff.

Attachments (2)

C O P Y

IMMEDIATE RELEASE

JUNE 26, 1946

STATEMENT BY THE PRESIDENT

I have appointed a committee of industrialists and bankers to make a report and recommendation on the financing of international reconstruction. They will work closely with the National Advisory Council, which has the duty of formulating our national policy on foreign lending.

I have appointed this committee of citizens of knowledge and experience because our foreign trade, export and import, must in the long run be privately handled and privately financed if it is to serve well this country and world economy.

It is true that for the immediate present governmental help is needed in order to get our foreign trade under way. But I am anxious that there shall be the fullest cooperation between the governmental agencies and private industry and finance. Our common aim is the return of our foreign commerce and investments to private channels as soon as possible.

The committee which I have appointed is as follows:

Mr. Herbert H. Pease,
President, New Britain Machine Co.
New Britain, Connecticut.

Mr. Champ Carry,
President,
Pullman-Standard Car Manufacturing Corp.,
Chicago, Illinois.

Mr. Walter J. Cummings,
Chairman,
Continental-Illinois National
Bank and Trust Co.,
Chicago, Illinois.

Mr. L. M. Giannini,
President, Bank of America,
San Francisco, California.

Mr. Paul G. Hoffman,
President, Studebaker Corporation,
South Bend, Indiana.

Mr. Edward Hopkinson, Jr.,
Partner, Drexel and Company,
Philadelphia, Pennsylvania.

Mr. Fowler McCormick,
Chairman,
International Harvester Co.,
Chicago, Illinois.

Mr. Irving S. Olds,
Chairman, U.S. Steel Corp.,
New York, N. Y.

Mr. Gordon S. Rentschler,
Chairman, National City Bank
of New York,
New York, N. Y.

Mr. A. W. Robertson,
Chairman,
Westinghouse Electric Corp.,
Pittsburgh, Pennsylvania.

Mr. Winthrop W. Aldrich,
Chairman, The Chase National
Bank of the City of New York,
New York, N. Y.

Mr. Tom K. Smith,
President, The Boatmen's
National Bank of St. Louis,
St. Louis, Missouri.

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July 9, 1946.

Winthrop W. Aldrich, Chairman of the Committee for Financing Foreign Trade, recently appointed by the President made the following statement today:

In his letter appointing the Committee the President said in part:

"It is of vital importance to our country and to the stabilization of the international economy, that we proceed as rapidly as possible with another of the major objectives of our reconversion program; namely to tie in our national productive capacity with the world's reconstruction requirements.

The conduct and financing of our foreign trade should be handled by private industry with the cooperation and such assistance as is necessary from the proper Government agencies."

Government loans to other governments are necessary like many other things done in war or the aftermath of war. They cannot be the continuing basis of international trade between free countries; they should be supplemented and eventually replaced by private international financing.

The Government is doing its part. The President has appointed this Committee to encourage industry and private capital to do its part.

The Department of State explained last May to the representatives of foreign governments having purchasing missions in this country that the policy of the American Government favors the use of private commercial channels in international trade and proposed that "such trading agencies should conduct their trade in accordance with usual commercial considerations".

The Government has done and is doing, through the Export-Import Bank, its part in making the wheels of trade begin to move. The Government has further subscribed to the International Bank and the International Fund set up under the Bretton Woods Agreement. It has in the Office of International Trade in the Department of Commerce, which is primarily concerned with foreign trade promotion, a specialized staff to study the effects of loans on the expansion of foreign trade and our domestic economy. That office has already pointed out that while there are less goods of many kinds than our own population demands, there are already some fields in which surplus capacity is looming up.

Generally speaking, the function of the Committee, as I see it, will be to devise ways and means, in cooperation with the National Advisory Council, to accomplish the following purposes:

- First: to bring into orderly common effort public and private finance, through businessmen and bankers, in the foreign field;
- Second: to foster the application of the productive capacity of the United States in the most effective manner possible to the needs of domestic consumption and foreign reconstruction;
- Third: to promote relations between American and foreign business enterprise for the purpose of developing and maintaining foreign trade, both export and import, on a high and expanding level.

The accomplishment of these purposes would not only help in rebuilding the economy of the world but would increase and stabilize employment in this country.

The Committee will also work with the Departments of State and Commerce in connection with the trade promotion aspects of its work. The National Advisory Council, to which the Committee will make its report and recommendations and with which it will work on the lending aspects of its assignment, includes the heads of the Treasury Department, the Department of State, the Department of Commerce, the Export-Import Bank, and the Board of Governors of the Federal Reserve System.

I have just come back from attending the meetings of the Council of the International Chamber of Commerce in Paris and have set to work immediately to get the data together to provide a basis for discussions by the Committee. We shall move forward under the President's instructions just as rapidly as the magnitude of the task permits.

I had a short letter from the President last Wednesday in which he said:

"I shall look to you as Chairman of the Committee to call the members together and organize the work of the Committee."

I shall lose no time in doing just that.

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