

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date July 22, 1946.

To Chairman Eccles

Subject: Section on China in International

From Mr. Knapp

Statistical Bureau Foreign Letter of June  
20, 1946.

With regard to the attached article on China, I imagine that your main interest relates to the passages on T. V. Soong's position and to the report that General Wedemeyer "will not press for a compromise with the Chinese Communists as a prerequisite for a loan".

1. On the first point, Arthur Hersey has given me the following report:

"It is probably true that T. V. Soong has a large personal fortune, but if he escapes in any way from 'government control of his private fortune', it is because of his position within the Chinese Government, not because of 'diplomatic immunity'. It is probably also true that his influence in the Chinese Government is precarious. He is probably not strong with the 'liberal intellectuals,' nor with the Generalissimo. Most important, however, he is distrusted by the ultra-Chinese right wing in the Kuomintang because of his foreign ways and use of foreign advisers. His position really rests on his ability, for which the dominant right wing has to tolerate him. Incidentally, it is nonsense to say that the 'right-wing anti-Communist elements' are 'progressives who want an efficient new administration and agrarian reforms'. The pressure for efficient administration comes from the public. The question of agrarian reform is the outstanding issue between the Chinese Communists and the Kuomintang, next to the question of who is to hold power and patronage."

2. On the second point, the article is clearly wrong. The new American Ambassador to China is Dr. J. Leighton Stuart, President of Yenching University, and not General Wedemeyer. It is reported that Dr. Stuart was named at the suggestion of General Marshall and it is reasonable to assume that he will pursue General Marshall's policies even if the General returns to this country. From newspaper reports it would appear that General Marshall's mission is on the point of failure and that extensive civil war in China is imminent. Under such circumstances there is certainly no chance of the loan going through, at least until the National Advisory Council has fully reconsidered the position of the loan to China.

Attachment

Form F. R. 511

TO Mr. Knapp

FROM Miss Benton

REMARKS:

7/16/46

The Chairman would like to have you read the portion of the attached on China. He is interested in knowing whether or not there is anything to this report. He would be glad to have any information you can get from the State Department or others regarding it.

CHAIRMAN'S OFFICE

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