

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

CONFIDENTIAL**Office Correspondence**Date August 18, 1941To Board of GovernorsSubject: Joint Economic Committees ofFrom Alvin H. HansenCanada and the United States

Mr. Walter R. Gardner, Mr. Charles P. Kindleberger, and I left for Ottawa on Thursday, August 7 to attend the second joint meeting of the Joint Economic Committees of Canada and the United States, held in three sessions on August 8 and 9. Mr. Kindleberger remained in Ottawa until Monday evening, August 12 in order to complete some details of reporting the meeting. Mr. Gardner left Ottawa Saturday evening at four o'clock. I stayed in Ottawa on Sunday, August 11 and arrived in Washington at 12:35 on Monday, August 12.

A press release of the joint meeting is attached. In addition to the Committee members and others mentioned as present, Mr. H. C. Goldenberg, Associate Director-General, Economics and Statistics Branch of the Department of Munitions and Supply, Mr. Louis Rasminsky, Assistant to the Chairman of the Foreign Exchange Control Board, Mr. James E. Coyne, Financial Attache of the Canadian Legation in Washington, and Mr. J. J. Deutsch of the Bank of Canada attended for Canada; Mr. Frank A. Southard, Assistant Director of the Division of Monetary Research, Treasury Department, Mr. Douglas V. Brown, Assistant to Mr. Batt of the Office of Production Management, Mr. Gardner, and Mr. Kindleberger attended for the United States.

The Committees have assumed the function of watching the progress being made under the Hyde Park Declaration of April 20, in which Prime Minister King and President Roosevelt signified their intention (1) that the United States would purchase \$200,000,000 to \$300,000,000 in materials and war supplies from Canada over and above current or "normal" imports and (2) that the United States would send to Canada under Lend-Lease to the United Kingdom component parts and materials to be assembled or fabricated in Canada for subsequent shipment to the United Kingdom. A subcommittee, consisting of Mr. H. C. Goldenberg, Mr. J. E. Coyne, and Mr. L. D. Stinebower prepared a report on progress in Hyde Park transactions. This showed that some \$250,000,000 of United States purchases from Canada had been contracted for or were under consideration as of June 30, 1941, while only \$70,000,000 of supplies were to be shipped north by the United States under Lend-Lease to the United Kingdom as of the same date. Both sets of figures relate to contracts extending over several years, but down payments being made on nonferrous metal contracts, particularly aluminum, would tend to equalize United States payments to Canada over this period. In the future, the subcommittee is to report to the Joint Economic Committees quarterly.

A resolution recommending that Canadian ocean shipping requirements be made known to the authorities in Washington allocating shipping space for imports and exports and that a principle of equal consideration for Canadian and United States needs be established was passed on Saturday, August 9. This has subsequently been forwarded to the President through the Secretary of State and to the Prime Minister by way of the Secretary of State for External Affairs. The resolution on shipping is the second passed by the Joint Economic Committees. The previous one urged an integration of the operation of export control in the two countries and was passed in the initial joint meeting of July 15 and 16. The resolution on shipping was required in the view of the Committees (1) because the general impression that Canadian shipping requirements are handled through the British Shipping Mission in Washington is erroneous and (2) because all Canadian ocean-going ships save one have been transferred or are in process of being transferred from "safe routes" to the North Atlantic run.

Of the wide variety of topics relating to the defense programs in the two countries under consideration by the Committees the Board of Governors may be interested in six, as follows:

1. The possibility of further integration in the aircraft, tank, and ordnance programs of the two countries, currently being investigated by Mr. W. L. Batt and Mr. D. V. Brown for the United States and the Department of Munitions and Supply for Canada.
2. Plant and material capacity in Canada which is or may in the future be slack and which the United States may be able to use. A memorandum has been prepared by Mr. H. C. Goldenberg and this is under consideration by the Office of Production Management representatives on the United States Committee.
3. The existence of tariff impediments to the movement of defense goods. It was explained that the use of Government funds provided by the Army, the Navy, the Metals Reserve Corporation, Defense Plant Corporation, etc. has made it possible to overcome tariff barriers on defense goods bought in Canada by the United States. Mr. Batt and Mr. Durand will investigate the matter further for the United States Committee and Mr. H. C. Goldenberg will look into it for Canada.
4. The possibility that Canada is devoting resources to the production of nondefense goods for export to the United States in order to obtain dollars with which to buy defense materials when these resources are needed for

the Canadian defense program and the dollars can be provided in some other way. In this connection the possibility of transferring resources and of men and equipment from gold production to other strategic metals is being considered. A subcommittee has been appointed to explore the limits of effective collaboration in this connection and consists of Mr. Alex Skelton, Mr. H. F. Angus for Canada and Mr. W. L. Batt and Dr. E. Dana Durand for the United States. The United States Committee has invited the cooperation of the Office of Price Administration and Civilian Supply and Mr. Leon Henderson has asked Dr. Calvin B. Hoover to represent him.

5. The equalization, so far as possible, of priority regulations and restrictions on civilian consumption. This question is being explored by a subcommittee consisting of Mr. Batt, Mr. Henderson (who will probably again designate Dr. Hoover as his alternate), and me, for the United States, and Dr. W. A. Mackintosh, Mr. H. C. Goldenberg, and Mr. K. W. Taylor, Secretary of the Wartime Prices and Trade Board, for Canada.

6. Wartime collaboration in agriculture. Dr. Georges Bouchard is preparing a memorandum in this connection which will be submitted for the consideration of Mr. Leslie A. Wheeler and his Office of Foreign Agricultural Relations in the United States Department of Agriculture. Mr. Wheeler is cooperating closely with the United States Committee.

In addition to the studies and recommendations which are being prepared in connection with defense collaboration between Canada and the United States, the Committees are devoting a considerable portion of their time to the prospects for long-run post-war collaboration. In this connection, Messrs. Skelton and Deutsch of the Bank of Canada and Mr. Kindleberger have already prepared outlines of a long-run memorandum. For the next meeting of the Joint Committees they will prepare a 50-60 page summary of the full memorandum, which it is hoped will be completed by the end of the year.

In the work of the Joint Economic Committees, particularly those aspects dealing with post-war collaboration, there are a number of parallel organizations covering fields of varying scope with which the Joint Economic Committees are attempting to maintain contact. In Canada there is a Committee for Reconstruction appointed by the Government, headed by Dr. F. Cyril James, Vice-Chancellor and Principal of McGill University, with which the Canadian Committee is attempting

to effect a working liaison. In the United States the recently appointed Economic Defense Board is charged with the duty of concerning itself with the post-war international economic interests of the United States, and the United States Committee, through direct contact between Vice-President Wallace and me, is striving to arrive at effective collaboration machinery. This will consist, I hope, of a representative of the Economic Defense Board being present at Joint and United States Committee meetings. In addition, the Institute for International Studies, located at Princeton, has called a conference of representatives of countries bordering the North Atlantic Ocean which will be held in Maine between September 4 and September 11. Messrs. Berle, Currie and White, who are either members of or have an interest in the work of our Committees, are attending as representatives of the United States Government, and Dr. Mackintosh and Mr. Skelton of the Canadian Committee will be among those representing the Canadian Government. Other governmental representatives will attend for the United Kingdom and for the exiled governments of France and Norway. It has been suggested that it would be advisable for me to attend this meeting, at least over the week end of September 6, and that Mr. Kindleberger, who is devoting his full time to the Committee's work, be present. Mr. Kindleberger and Messrs. Skelton and Deutsch have already arranged to use their spare time at this conference, in the event Mr. Kindleberger is able to attend, to shape up the preliminary (50- or 60-page) draft of the memorandum on post-war collaboration.

Following the meetings of the Joint Economic Committees in Washington and Ottawa, it has been agreed that future meetings will be held alternately in New York and Montreal in order to economize on travel time. The next meeting will be held in New York on September 18, 19, and 20. It was suggested by representatives of the Board of Governors at Ottawa that the Federal Reserve Bank of New York might be willing to provide a meeting place for the Committees, but the sense of the joint meeting was that it would be preferable to obtain a meeting room in a hotel so that further time might be saved for the work of the Committee.

Attachment

JOINT ECONOMIC COMMITTEES
of Canada and the United States

Immediate Press Release

August 9th, 1941

The Joint Economic Committees of Canada and the United States, meeting in Ottawa in a two-day session over August 8 and 9, reviewed the progress being made under the terms of the Hyde Park declaration of April 20. According to reports presented to the Committees, arrangements made and currently envisaged will make a significant contribution to the relief of Canadian exchange problems. A wide range of further topics regarding wartime coordination between Canada and the United States was discussed, including shipping, and civilian priorities and restrictions. In Saturday's meeting the Committees devoted attention to the completion of the framework within which the problem of extending economic collaboration between the two countries into the post-war period is to be studied.

Dr. W. A. Mackintosh, special assistant to the Deputy Minister of Finance, presided as acting chairman of the Canadian Committee. Dr. H. L. Keenleyside, Assistant Under-Secretary of State for External Affairs, Mr. J. G. Bouchard, Assistant Deputy Minister of Agriculture, Mr. Alex Skelton, chief of the research department of the Bank of Canada and Mr. H. F. Angus, Liaison Officer, Department of External Affairs, comprised the other members of the Canadian Committee present. Mr. Alvin H. Hansen, special economic adviser to the Board of Governors of the Federal Reserve System, Mr. W. L. Batt, deputy director of the production division of the Office of Production Management, Mr. E. D. Durand of the United States Tariff Commission, and Mr. L. D. Stinebower, Liaison Officer, Department of State, attended for the United States Committee. Others present included the American Minister to Canada, the Hon. J. Pierrepont Moffat, Mr. L. Currie, administrative assistant to President Roosevelt, and Mr. J. Viner, of the U. S. Treasury Department.