



TREASURY DEPARTMENT

Washington,

ASSISTANT SECRETARY

September 29, 1950

Memorandum to: Messrs. Arey, Bissell, Blaisdell, Szymczak and Thorp

From: Wm. McC. Martin, Jr.

The flight of U.S. capital from the United States to Canada has reached such alarming proportions today (75 Million Dollars, June; 75 Million Dollars, July; 184 Million Dollars, August; 300 Million Dollars up to today, September, and between 50 and 75 million dollars expected today) that Mr. Douglas Abbott, Secretary of Finance in Canada, expects to declare a free market tomorrow afternoon, after a meeting of the Cabinet Saturday morning.

I have put this matter into the International Monetary Fund which will meet at 10:00 A.M. tomorrow morning to give approval. As the markets will not close until 7:00 P.M. this evening, I have been very careful about letting this information get out. A careful examination of the balance of payments sheets in Canada reveals no reason at the present time for revaluation of the Canadian dollar. Accordingly, I believe the free dollar idea should be acceptable to all of us, and I would appreciate your informing your respective principals that, subject to their concurrence, Secretary Snyder will approve such action approximately Monday noon.

If any of them care to, they can call him directly on the telephone, but I would hope that this matter not be discussed with anyone else in the individual Departments.

Re Philippines

It is now anticipated that the 22 Million Pesos to be drawn by the Philippines from the Monetary Fund this weekend will last between twenty and thirty days. The schoolteachers have begun to riot and there is a good deal of bloodshed in the hills.

I think that we will have to meet on this matter sometime a week from this Sunday, October 8, preferably in the afternoon, to determine a recommendation for the President, not later than Monday noon, October 9.

I do not think this should be discussed at the time the Bell report comes before the Council, and suggest that you brief your principals as fully as possible prior to that time.

