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ROTARY CLUB OF PRINCETON, N. J.-----  
FEBRUARY 24, 1948  
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"ATOMIC ENERGY - WHAT IT MEANS TO YOU"  
AS A WORLD CITIZEN

The title of this talk could be "The Control of Atomic Energy and the Marshall Plan", or it could be "Can the United States Survive as a Nation"? You may take your choice as we go through the propositions.

When I was asked by Mr. Clark to talk on this problem, I suddenly realized that the atom was off my mind. I had spend about two years as Chairman of the Social Science Research Council's Committee on Economic and Social Aspects of Atomic Energy and had become quite immersed in the subject. My part in that work was finished about a year ago. It came as somewhat of a shock to me the other day to realize that it was completely off my mind. When I probed a little to find out what was on my mind, I found that it was the Marshall Plan. When I probed a little more deeply, I discovered an organic connection between the two, or certainly a psychological connection. That is what I propose to tell you about.

I think the same shift in preoccupation has happened among the American people. Up until last June or July, there was the danger of something approaching a state of frustration here, because every approach to this problem of atomic energy, particularly in its international aspects, was ending in a blind alley. The unexpected reception that attended Secretary Marshall's suggestion that something comprehensive might be done to rescue Europe reflects the same reaction that I went through. Concern over the Marshall Plan has furnished a constructive alternative to concern over what was essentially an insoluble problem. I think that it is a good thing that this has happened. I think that if we had remained exclusively preoccupied with the problem of the control of atomic energy during a period when no satisfactory agreement was possible, the results in our foreign policy might have been incalculable.

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of these implications is this new military instrument which makes it possible for civilization to destroy itself. In its international aspects, atomic energy is overwhelmingly military.

I would like to consider the background of the development of the bomb. First, why was it developed? Why did we do it? I think that all of us would have breathed a sigh of relief if our research had shown that the use of atomic energy for military purposes was impossible. Nevertheless, we had to try to do it. In the world in which we lived, we were not wholly free agents. If fission were possible and a way could be discovered to put it to military use, we had to try to be the first to discover that way. There was a compulsion that over-rode what might, in another context, be called the general interest.

Second, when we had the bomb, why was it used? There again, personally I think that it had to be used. I have many friends who think that that decision might have gone the other way. Personally, I think that any one of us, if he had been in the position of the general staff, with the responsibilities of a general staff, would have made the same decision: that it had to be used.

The fact, however, now that we have atomic energy, that we have the atomic bomb, and that we have used it, leaves us in a position from which we will never escape--neither we nor our children. There is now available an instrument for the destruction--not of the human race, but of everything we know of as civilization. The pressing problem of our time, once the discovery was made, became the problem of control. How can we control a discovery like this, retain its beneficent uses and prevent its use as an instrument of destruction?

There are, I think, three possible approaches to control. The first two are universal; the third unilateral.

The first universal approach is a religious one. This is the sort of problem that, in other times, in other societies, the religious organization has controlled. It has done so on a moral basis--on the basis that there are certain things that people do not do. These moral inhibitions have been enforced

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by a religious hierarchy. I feel personally that in the end the control of atomic energy may well be achieved on this basis, but the religious or moral approach to control clearly is not feasible at the present moment. There is no universal religion; there is no universal hierarchy to enforce a religious or moral sanction. As an immediate solution to the problem, the religious approach is more or less out.

The second universal approach is through the police. A great many people describe it in terms of a world government. That is a secondary consideration. World government would help only because it would make unified police action possible. The atomic bomb and its destructiveness is the sort of thing that has to be guarded against, not merely by declaring it illegal, as in the United Nations, or in a world parliament, but by using the police and the methods developed by the police to root out the danger wherever it may be. It cannot be controlled on the basis of a Kellogg Pact. It is only through police action, through an international, or transnational, organization similar to the F.B.I., or the Gestapo or the NKVD that one can use the state as a political instrument to control this type of menace and to prevent it from being used for destructive purposes. That essentially is the avenue that our government took in its proposals for international control of atomic energy.

However, police action alone was not enough. The brilliance of the Lilienthal-Acheson report lay in its realization that we could not maintain the quality of personnel necessary to control a thing like atomic energy in an organization that was mainly a police force. It would be necessary to combine the policing and inspection function with a positive constructive function if we hoped to attract and hold brilliant men of the caliber necessary to handle the problem. The proposals that we put forward--the Lilienthal, Acheson, Baruch proposals--consequently represented a combined approach to the control of atomic energy. They relied on the constructive responses of the atomic scientists to galvanize the police functions of the control authority and thus sought to pre-

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vent the use of this discovery for destructive purposes.

This proposal broke down completely when Russia refused to go along. I think personally that the Russian refusal was inevitable. The point is very simple. Russia could not tolerate international police action of the kind proposed inside the Russian state and still be Russia. The two were not compatible. Had they accepted it, their own social system would have disappeared. If they were determined to maintain their social system they couldn't simultaneously accept this type of control of atomic energy. As a result, the universal approach to control through police action failed too.

The third possibility was unilateral. There was a cushion of time. We had the bomb; nobody else had it at the moment. It was cushion of time possibly of two or three years' duration, possibly of ten. That cushion of time led to the obvious inference: could we not, with the bomb in our pocket, use that cushion of time to impose a solution on the world for its own protection, to keep it from self-destruction? That is a perfectly logical proposal. It breaks down, however, for a reason that is very similar to the one that made the international approach through police action impracticable. The reason is that it is we Americans who have this bomb at the present moment. We are not a police state. We don't think and live easily in terms of coercion. We could not adopt the unilateral approach and make it work. We would not be American if we tried to make it work. We wouldn't have the callousness to enforce it if we tried.

These are the bare essentials of the problem as I see them. They describe the situation today. They describe the situation last June when Secretary Marshall made his proposal. I doubt if he realized the reception his proposal would receive. He had come back from the Moscow conference blanked on every side. Europe was disintegrating. He knew that we would be required to help in some way and he thought that the approach ought to be more than just a unilateral

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approach or a bilateral approach. It required some way of galvanizing the nations of Europe as a whole into an objective cooperative attack on their problems. It required also help from us. As a result he made a very simple suggestion in his speech on June 7, 1947. He suggested that he would welcome European initiative in working out a comprehensive recovery program.

The reception to that speech marks a turning point in the world. The suggestion took root everywhere. It released energies. Within a few weeks the European nations were getting together to see what it was they needed to do for themselves, and what help they would need from us. On this side the reaction was equally galvanic. Within a short time people everywhere--outside the government as well as within--were debating the problem, investigating its implications, working out its details. The number of reports that have been issued is staggering. I try to keep currently abreast of these reports--it is one of my jobs--and I just have not been able to begin to read them all. It is amazing, the reaction that resulted from that suggestion.

I am not going to go into the Marshall plan here. I am trying simply to sketch the relation of the Marshall Plan to the problem of the control of atomic energy. From that point of view, the essential feature is, I think, that it deals with things that we, as Americans, can do; we cannot carry out effective police action--we are no good at that. We can do a great deal to help to create healthier political conditions, in which people are free to go about their work and to have elections and to fight out issues, through the ballot-box. That we can do a lot about; that goes way back to the well-springs of our traditions. We can do a lot also about economic recovery--we are an industrial nation, we have a lot of industrial "know-how".

We tackle problems like these with alacrity, and now our attention is focussed on probably the most interesting economic problem the world has ever had. Here is Western Europe truncated, having lost much of its agricultural

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base, with a larger population than prewar, having lost its overseas investments and the income it got from these; yet it must somehow get back to a self-supporting basis. Well, the only way it can do that is the American way, by tremendous industrialization, by greater productivity, by the employment of capital to increase output per worker, by imitating America in the integration of the economic base that is left. It will not come about by sixteen separate nations all working within their own little boundaries, but only on the broader over-all basis that we have worked out in this country. The Marshall Plan, from both its political aspects and its economic aspects, is something we can comprehend and deal with. It relies for its success on things that we know about. As far as I can see it has completely superseded, done away with, the sense of frustration and fear that was spreading early last summer, when it became quite apparent that atomic energy would not be controlled, that this awful business of further development of the atomic bomb was going to have to go forward, and that we were getting nearer to the time when it would no longer be our possession alone.

I am nearly through. There remains one question. In view of this situation, where do we stand today on the problem of atomic energy? I think it is quite clear that we are going to live with this bomb and that means we are going to live with the possibility of destruction ever-present. There are times in the world when we are faced with insoluble problems--problems that may become soluble sometime but that are simply insoluble in the context of the immediate situation. I think that this is one of those times. We are going to have to learn to live with the problem of the bomb. That does not mean that bombs will inevitably rain down on us next week or two or three years from now. The decision to use the bomb will be a terrible decision for anybody ever to make. It will not be made lightly. But as we learn to live with this insoluble problem, we will also be engaged in rebuilding for ourselves and for our friends the kind of world in which we can function. I think that as we try to handle this problem of danger day by day, month by month, in all its very difficult international

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aspects, we will handle it much more sanely if we live in a world in which the nations of Western Europe who have more or less our own traditions, our own background, our own sense of freedom, and political rights, are back on their feet, out of the morass of disintegration. I think that we will be able to handle it much more sanely if we succeed in recreating in Western Europe a sense of unity among the nations themselves and with us. We want a democracy there--with decisions reached by consent, not coercion--not the sort of thing that is happening in Czechoslovakia today. We want also economic self-respect. We want to get those countries to the point where they are self-supporting and, consequently, can respect themselves and not feel that they have to toady to anybody--to Russia, to ourselves, or anybody else.

*W. W. Riefler  
Institute for Advanced Study*

Recorded by Roger H. Eichorn  
SoundScriber.

~~Handwritten scribble~~  
 (16) Frankfurt/Main - Hoechst 2  
 McNeir-Kaseme

March 6, 1948

Dear Winfield Riefler,

Your friendly letter of February 17 arrived on February 23, was a relief to me. I had been wondering why you had not answered my letter of last year and am glad to have your explanation. I'm awfully sorry there was no chance to see each other last year. I still was at Monden (Westphalia) when you were in this country and you probably did not get there at all. I hope you will be here again some time. Don't forget to call me up then (Tel. 961, ext. 620). Mrs. Troemel wishes to be remembered to you both. I have just with me some photos of March '29 showing you, Mrs. Riefler, and your oldest (Donald?). How are your boys? We had often been thinking of all of you, especially wondering if the boys had been drawn into the war. Fortunately our boys were too young for that, they are 16 and 13 now, and the little daughter is six. I terribly miss them. We have been separated for eight years now. My family is living in the ruins of Aachen, and there is still no chance of getting united again. Connections are bad; trains overcrowded. My wife is wearing herself out trying to feed and clothe the children. Our second boy and the daughter have grown fast recently and their state of health is giving us some worry. Not belonging to the bartering section of the German economy, as mentioned in my last letter, we have no means to improve our rations, which now stand at less than 1/3 of normal and contain neither fat nor meat, and it is only thanks to some friends abroad that we have been able so far to get through this period which is more difficult than any previous one. Forgive me for mentioning this at all. These problems are a source of constant troubles and are particularly vexing for all of us who should like to work most energetically for a better world but are simply held down by hunger and exhaustion. One can stand that for some time but not indefinitely and we see no hope yet of improvement.

And this leads me again to the subject of my last letter. Unless the Russian methods are adopted things cannot be put right, especially by force. We are in for a great experiment in freedom. This country has become the battle-ground of the great combat between the ideas of freedom and respect of human person and those of the slave state. In '40 this combat was raging over London while the German people was enslaved. The German people is free now from that slavery; there are many people realizing the ideals of a free society. On the other hand hunger and isolation from the rest of the world have suppressed sound developments. Democracy does not mean much to many people here. Whatever can be said against the Germans (they certainly have not proved a likeable people for generations, but at least all the decent ones still feel ashamed and humiliated at the horrible misdeeds committed in their name) it cannot be denied that they have had a terrible punishment. And it is in this country that the most important decisions will have to be taken soon. When I wrote you last I could not foresee that our nearest neighbor to the east would be enslaved so soon and so thoroughly. The road to freedom is wider open than ever and it is alluring to many in this country as in others. Communism has its attractions insofar as it has a definite though rather primitive ideology, as it plays on the wishes of the hungry masses and promises key



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positions to the would-be slave masters. The ideas of the west are definitely superior but they do not appeal to the man in the street who decides the fate of democracies. It is his imagination we must try to catch; it is his voluntary cooperation we need. It is he whom we must convince that we mean the respect of the human person and genuine liberty, and some Frenchman or Englishman said the other day that people in Europe were just craving for this. The fact that Germany is in such a state of decay does also mean that there are the greatest chances for a new formation. People are waiting to be called up for new tasks--the question is: Who will be first, east or west? The greater energy so far, I regret to say, has come from the east. Only by drastic and startling action can people here, in Europe and elsewhere, be made to rally for our ideals. This is the political background of what I wrote in my last letter. I have pondered over it again and again. You know I am a bit of an economist myself. I realize the economic difficulties of my suggestions, the inevitable crisis (but this would be a crisis leading to recuperation, and for years to come our world will go from crisis to crisis unless we take bold measures). In short it would be a plunge into freedom, but I have no doubt that people everywhere would soon learn how to move and act in freedom, released from the fetters of economic and political controls. The main duties of states would be to see that everybody is playing the game fairly, that all aspirations for tyranny were suppressed from the beginning. Would not that be a much nobler task for a state than to see to it that every or not even every one of its citizens once a month gets a box of matches, for instance? The state is debased and even corrupted by interfering too much into economic everyday affairs of which the citizens should take care themselves, individually or cooperatively. This, I may add, is the Christian concept of state, and since you knew me I have become a genuine believer in Christ (I finally made up my mind in 1938 when I had to take a decision on my children's education). I think I must mention this in order to show you the sincerity of my ideas since you can't be aware of who I have become during all these long years.

And to conclude: the German people has no state now and as things are, chances for political unity are only very slight. Splitting up this country would create new and dangerous problems. Since things cannot be allowed to drift any longer unless Germany is to be left to the east, and with Germany the rest of the continent, mainly Italy and France, one decisive step can be taken: establishing--apart from any political organization--a free society based on free economy. In every state economy the currency is the product of state legislation. Since we have no state we cannot have such legislation but this does not mean that we cannot have any currency, it only means that we must take refuge to the only currency there is without state backing: the gold standard with gold circulation. The gold standard is indeed the currency of free economy and free society.\*

Am I clear enough? Do you see what I mean? Am I wrong? Please, do think things over, discuss it with your friends or come here to make up a kind of advanced headquarters for this--new invasion which must be started as surprisingly as in 1944. I trust I would be as successful as then.

As far as I know I can't send this letter by air. I hope it won't take too long. With kindest regards to all of you, in which Mrs. Troemel joins me,

/s/ Werner Troemel

\*All that is needed is a gold fund for Germany or any part of it controlled by a body of experts.

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I hope you <sup>will</sup> be here again some time. Don't forget to call me up then (Tel. 13 961, ext. 630).

Mrs. Troemel wishes to be remembered to you both. I have just with me some photos of March '29 showing you, Mrs. Kiefler, and your elder (Donald?). How are your boys? We had often been thinking of all of you, especially wondering if they <sup>had</sup> been drawn into the war. Fortunately our boys were too young for that, they are 16 and 13 now, and the little daughter

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Sincerely yours,

Werner Troemel.

All that is needed is a gold fund for Germany  
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1948

The Long-term Capitalization Rate  
of the American Economy

W. W. Riefler

Introduction

In view of the current discussion of the wisdom of modifying support policies for long-term Treasuries, I feel it my duty to raise the problem of the long-term capitalization rate of the American economy. The reasons for and against changing current support policies for Treasury issues have focussed in large part on the current inflation, the current phase of the postwar reconversion boom that we are experiencing, or the current phase of the business cycle in which we find ourselves. I have neither heard nor read much significant discussion of long-term considerations other than the obvious necessity of stopping the inflation, or the undesirability of increasing the interest charges of the Treasury. It is my conviction that we are dealing with a much more fundamental problem than this, or rather that the policies which are under consideration to deal with the inflation impinge on a much more fundamental problem than this, namely, the long-term capitalization rate of the American economy.

About 1900, the American economy was capitalized at a range of long-term rates that rested on a bottom around 3-1/2 per cent, i.e., the best borrowers — at that time the soundest railroads — paid around 3-1/2 per cent for long-term money, less favored borrowers paid more. In my home town in Western New York, for example, home owners on first mortgages paid 5 per cent. In other sections of the country rates were higher. These rates of interest for long-term money were low and persisted for a long time. They became capitalized into the economy, i.e., the capital value of land, of buildings, of equipment, all were affected by these low long-term rates for money. Land, buildings, equipment commanded higher market prices because long-term money was low.

From 1900 to 1920, long-term money rates rose, slowly, very slowly, until 1917 and much more rapidly thereafter. Commodity prices also rose slowly but steadily from 1900 to 1914 and very rapidly thereafter until 1920. Property values reflected both of these forces; they rose less than one might have expected on the basis of the commodity price index alone because long-term interest rates were also rising. By 1920, however, the whole economy of the United States was capitalized at much higher long-term rates than in 1900 or 1914. In general, the rates ranged upwards from a base between 4-1/2 and 5 per cent.

I have long felt that many of the peculiar characteristics of the 1920's reflected primarily the shift in the world ~~structure~~ of long-term interest rates that resulted from the First World War. The United States emerged

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from that war a current creditor rather than a debtor on international account, a long-term lender of new money rather than a borrower. Great Britain emerged from the war a current debtor rather than a creditor on international account, a borrower of new money rather than a lender. At the same time, the economy of the United States was capitalized at long-term rates resting on a base of 4-1/2 to 5 per cent for the best risks, while the economy of Great Britain was capitalized at long-term rates resting on levels of 3-1/2 to 4 per cent for the best borrowers. In a free market, the action of the forces of arbitrage could have only one result under these conditions, long-term interest rates in the United States would tend to fall under these conditions, those in London would tend to rise. The falling long-term interest rates in the United States would require a recapitalization of equities and durable goods, capital gains would prevail, speculation would be buoyant. The rising long-term interest rates in London would require a recapitalization of the British economy at higher long-term rates. Capital values would fall, capital gains would predominate.

### The Problem

I agree fully that sales of long-term Treasuries to the Federal Reserve Banks by insurance companies and other non-bank investors are the most important factor making for inflation in the United States at the present time. I agree also that a support price for governments sufficiently low to deter such sales would probably bring the inflation under control more effectively than any other move the monetary authorities could make. I am not prepared, however, to endorse such a move in the long-term money markets without adequate consideration of its effect upon the rates of capitalization of the American economy and without some consideration of the methods by which the monetary authorities are prepared to deal with these effects.

The American economy is now capitalized at a range of rates resting on 2-1/2 per cent as a bottom. From a long-term viewpoint, I think this is near an equilibrium level. By this I mean that it is sufficiently below long-term rates to sustain a steady outflow of capital if international tensions should ease, the Marshall Plan succeed and interconvertibility of currencies should be restored. Any higher capitalization rate in the American economy would add another factor to delay and impede the restoration of convertibility of currencies. From our long-term domestic point of view, I see no reason to question a series of capitalization ratios resting on a 2-1/2 per cent long-term rate level. Admittedly this is difficult ground for judgment, but I am sufficiently impressed with some phases of the "economic maturity" argument, the high productivity of this country, and therefore the high margin for saving without great impairment of consumption essentials, to feel that it is the duty of the monetary authorities to seek to maintain as low a long-term interest rate as is possible without inflation. The present exorbitantly large inflationary demands for capital in our markets do not seem to me to reflect appreciably the fact that we are capitalized at low interest rates. They seem to me to reflect

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directly (1) the piling up of a huge backlog of deferred demand for capital goods during the war, (2) the existence of an excessive volume of money as a result of war financing, and (3) the pyramiding of capital demands that are typical of all boom periods. In other words, all three of the factors primarily responsible for the inflation reflect ephemeral situations rather than long-term capitalization rates.

These considerations lead me personally to the conclusion that there is no evidence to indicate that the System's long-run policy should envisage a long-term Treasury rate above 2-1/2 per cent. I have no personal addiction to the "par" . There is no valid reason that governments should sell at or above par than below. It happens, however, that this long-run view of mine as to the capitalization rate that will be consistent with high level production without inflation would result in a market price for Treasuries around par.

The present situation which we face is how to deal with a boom in which the current rate of investment demand is well in excess of availabilities. Booms are not exceptional in American history. They have always been temporary. Basically, I would prefer to deal with this boom by freeing short-term rates, letting them rise to or above the long-term rate before I on the long-term rate. The current dumping of long-terms by the insurance companies, however, places the System with a condition, not a theory. Its immediate imperative problem is to stop this dumping. The recommendation of the committee that support prices for governments be dropped drastically is directed solely toward this objective. It should be viewed as temporary, as a policy that will be revised as soon as it can be without encouraging a renewal of dumping. It should not be viewed as a permanent rise in the long-term rate of capitalization of the economy. It would be a mistake, for example, if insurance companies or old age security reserve systems should raise the rates on which they compute their reserve requirements as a result of a temporary phenomenon of this kind.

Should the System adopt the policy recommended, it should adopt simultaneously resolutions that will insure aggressive buying if necessary to raise long-term Treasuries from 95 to 97 as soon as dumping stops and back to par as soon as the inflation is over. The knowledge that the System has this viewpoint and has adopted such resolutions will help to diminish the dumping.

We should change our slogan "Maintenance of the 2-1/2 per cent yield level" — not for the foreseeable future — that is important, but "for the long future", i.e., something to be returned to after the present temporary .

**CHRISTIAN A. HERTER**  
10TH DISTRICT, MASSACHUSETTS  
  
COMMITTEE ON RULES  
  
JOINT COMMITTEE ON THE  
ECONOMIC REPORT  
  
VICE-CHAIRMAN  
SELECT COMMITTEE ON FOREIGN  
AID

**Congress of the United States**  
**House of Representatives**  
**Washington, D. C.**

**HARRIET A. CONEL**  
SECRETARY  
  
**MARY E. BRISTOR**  
ASST. SECRETARY  
  
BOSTON OFFICE:  
1703 POST OFFICE BUILDING  
RITA KEENAN MURPHY

April 20, 1948

**Dr. Winfield W. Riefler**  
**The Institute for Advanced Study**  
**Princeton University**  
**Princeton, New Jersey**

**Dear Win:**

Thanks so much for your very good letter of April 15th. We are all delighted that you are going to be able to take over the reins of the School and guide its policy in the days to come. Everyone with whom I have talked feels that we could not have made a better choice.

I shall be looking forward to seeing you down here in the very near future.

**Best as ever,**

*Chris*



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 22, 1948

Mr. Winfield W. Riefler,  
Institute for Advanced Study,  
Princeton, New Jersey.

Dear Mr. Riefler:

The Board of Governors of the Federal Reserve System has appointed you as Assistant to the Chairman of the Board of Governors of the Federal Reserve System, with basic salary at the rate of \$15,000 per annum, effective as of the date upon which you enter upon the performance of your duties.

When you come to Washington we will arrange for your physical examination by our doctor.

Very truly yours,

A handwritten signature in cursive script that reads "F. A. Nelson".

F. A. Nelson, Director,  
Division of Personnel Administration.

CHRISTIAN A. HERTER  
10TH DISTRICT, MASSACHUSETTS

COMMITTEE ON RULES

**Congress of the United States**  
**House of Representatives**  
**Washington, D. C.**

HARRIET A. CONEL  
SECRETARY

MARY E. BRISTOR  
ASST. SECRETARY

BOSTON OFFICE:  
1703 POST OFFICE BUILDING  
RITA KEENAN MURPHY

May 24, 1948

Dr. Winfield W. Riefler  
Assistant to the Chairman  
of the Board  
Federal Reserve System  
Washington 25, D. C.

Dear Win:

Now that the Select Committee on Foreign Aid has completed its work and been officially terminated, I want you to know how deeply I appreciate the part you played in the successful accomplishment of our mission. There is no question in my mind that our staff was the equal of any that ever before served a Congressional Committee on a vitally important task. You can take real pride in your contribution to a job well done.

It is generally agreed that our Committee had a large part in galvanizing the thought of Congress and the country as a whole to the point where the ECA was passed with surprising speed. Our report should prove to be of great value to those who will administer the Act in the days to come as well as being a source of fundamental material for all who are involved in other ways in international activities.

I cannot close without saying again how grateful I am for your cheerful and efficient support throughout the Select Committee's life.

With kindest personal regards.

Most sincerely,



Sent Air Mail - Special Delivery

September 3, 1948.

Mr. Thomas B. McCabe,  
Kimball House,  
Northeast Harbor, Maine.

Dear Tom:

Here is a draft of a letter to the insurance companies that I have worked out. I have shown it to no one else. I want you to see it, and consider whether you like the approach before you arrive here Tuesday morning.

I think the letter would have real impact, more impact than the increase in reserve requirements taken alone. Together the two actions ought to produce results. The insurance companies are now considering a huge volume of financing for the fall quarter, much larger than their current revenues and much larger than savings of the country justify. A decrease in their bids to a level consistent with their revenues would have a marked effect. As the letter is drafted, you are asking them only to put the facts before their responsible officials and to act according to their conscience. I believe, however, that they would feel they would have to conform.

A letter like this would of course be a major policy move and a major personal move on your part. It would lead to repercussions. Considered strictly on its merits, however, from a narrow viewpoint, you are asking the insurance companies merely to hold their government portfolio constant during a period of crisis. This is certainly not extreme. It should appeal to the Treasury. In essence, it is a counterpart to the American Bankers Association committee (the Dodge Committee) which has asked commercial banks to be prudent in their lending. I wonder why the insurance loophole was not covered last spring when the program of voluntary restraint was adopted. In the meantime, it has grown to a very big loophole indeed.

As ever,

Winfield W. Riefler.

Enclosure

WWR:cls



Suggested draft of a letter to the heads  
of major life insurance companies

Mr. George L. Harrison, Chairman,  
New York Life Insurance Company,  
51 Madison Avenue,  
New York, New York.

Dear Mr. Harrison:

A situation has arisen this autumn in connection with the investment activities of the life insurance companies which I desire to call to your personal attention and through you to the attention of your Board and the officers of your Company who are responsible for the broad lines of your investment policy decisions. It relates to the control of the inflation from which the country is now suffering. I know that you are as worried over this situation as I am, not only because the insurance business is completely tied to financial investments, but also because the holders and beneficiaries of life insurance policies are drawn from all sections of the community and include in their number an appreciable, and possibly a major, fraction of the community. As a consequence, anything which affects adversely the life of the nation is likely to affect adversely the well-being of life insurance. This is particularly true when the problems that beset us are financial, and especially true when they have to deal with inflation and instability in the value of money. The inflation that has already taken place has drastically reduced the real value of life insurance policies outstanding. Every day that it continues it affects adversely the incentive to invest savings in life insurance as compared to other forms of investment.

The specific situation that has arisen this autumn and that forms the occasion for this letter is the large amount of U. S. government securities which the Federal Reserve Banks now find it necessary to buy and to hold as a result of portfolio sales by the insurance companies. I think I appreciate fully the considerations that have motivated the insurance companies in scheduling their sales. Throughout the period of hostilities, the life insurance companies cooperated to the full by investing their current receipts in Treasury issues. As a result, they acquired a portfolio in which Treasury issues bulked disproportionately large, not with respect to quality but mainly from the point of view of yield. I feel that it has been entirely reasonable for the life insurance companies, now that the war is over, to seek greater diversity and a higher aggregate yield on their investments, thereby restoring the yield on their portfolio to a more favorable relation to their reserve calculations. Under the circumstances that prevail this autumn, however, the current execution of such a policy, to the extent that it involves a decrease in the government security portfolio of the insurance companies, is directly financing the inflation.

-2-

The reason that the situation this autumn differs from that which earlier prevailed, is the disappearance in June of the Treasury surplus. So long as the Treasury was collecting from the public a larger volume of cash than it was paying out and had a sizable margin left over for debt retirement, their funds were available, in effect, to take over U. S. securities sold by the insurance companies in pursuit of their postwar policy of portfolio diversification. Now that that surplus has disappeared, there is no offsetting source of funds to absorb these bonds. As a result, they are now being absorbed and held directly by the Federal Reserve Banks. Each dollar of securities so absorbed puts a dollar of additional reserves into the money market.

I do not wish to imply that the diversification of life insurance portfolios will be the only source of inflationary demands this autumn, or that all our problems would be solved by the presence of a surplus in the Federal budget. To do so would fly in the face of the facts of the past three years when we have had a major inflationary development in spite of the fact that the Treasury surplus was absorbing securities disposed of by the life insurance companies. The blunt fact is that we are operating in an extremely complicated situation in which no one factor can be singled out either as a cause or a cure of the inflation. It remains true nevertheless that the disappearance of the surplus incredibly complicates the problem of credit management and that it has come moreover at a time when the physical supply situation was beginning to show signs of balance and to indicate that the inflation might be more amenable to control by wise moves in the area of money and credit.

I would appreciate it if you would bring these facts to the consideration of those who are responsible for policy decisions in your Company to enable them to make such adjustments in their policies in the light of these facts as their conscience and their obligations to their policyholders may indicate. I have long believed that this inflation could not be brought under control by the government alone or by any one agency in the government alone. It is a job for team play and everyone is on the team. It has been my job since April to help shape Federal Reserve policies to get the inflation under control. In pursuit of that objective, I have played my part in raising interest rates in the short-term money markets, in raising re-discount rates, in securing authority from Congress to (1) reimpose controls over consumer credit, and (2) to increase the reserve requirements of member banks. These moves will be in the right direction but they will not, so far as we can see, prevent a major expansion of credit between now and the end of the year. It is not in my power to create a budget surplus during the next six months. From a practical point of view, it is not in the power of any man to plug that new hole in our armor before the new Congress reconvenes and acts. It is for that reason that I am laying the situation frankly before you for such action as you think proper.

-3-

It is fitting that I should tell you how I feel I would act if I were in your place. I think I would decide to hold my portfolio of government securities constant in volume until the inflationary situation had turned. I think I would feel that this was in the best interest of my policyholders as citizens and as individuals purchasing life insurance. To make this decision would involve a foregoing of interest of around  $1/2$  of one per cent on that part of the U. S. securities portfolio that otherwise would have been switched into higher yielding assets. If Congress should act in the coming session the deferment would be for only six months and would amount only to about  $1/4$  of one per cent on the amounts that might have been switched. Such an amount is utterly negligible from the direct standpoint of the pecuniary well-being of policyholders when it is compared with the consequences of another loss, say, of 4 per cent in the <sup>total</sup> purchasing power of all the funds tied up in life insurance policies. In making such a decision to defer switching out of Treasury issues, I would be aware that the action would have relatively little effect if my company were the only one to adopt such a course. I think I would feel that the majority of companies would react to the facts in the same way that I had and that the consequences of such a common reaction would aid very materially in combatting inflation during the autumn.

<sup>Our</sup> final point. Some of your officers may feel that the Federal Reserve System is at fault in this situation in maintaining its policy of supporting the  $2-1/2$  per cent yield level on Treasury securities under existing conditions. I have given this problem the most serious consideration and continue in the conviction that such support should be continued. This conclusion is, I believe, supported by the weight of responsible financial opinion in this country.

Sincerely yours,

Thomas B. McCabe.

September 22, 1943.

Mr. H. H. Kelly, Chairman,  
United States Civil Service Committee  
of Expert Examiners for Economists,  
Department of State,  
Washington 25, D. C.

Dear Mr. Kelly:

On September 10 you sent me a form to fill out with respect to the application of Mr. Rifat Tirana for the position of International Economist in the Department of State. You say in the letter that a reply in the form of a written letter can substitute for filling out of the form. Because of the fact that my knowledge of Mr. Tirana is intimate and extends over a considerable period of years, but never involved a direct working relationship with him, I would prefer to answer in the form of a letter rather than the questionnaire.

I met Mr. Tirana first on a trip of his to Washington in 1933 or 1934, but my real contact began in 1936 when I visited Geneva and went out of my way to make contact with him when he was with the Secretariat of the League of Nations. Subsequent to that time, I served as American member of the Finance Committee of the League of Nations, of the Statistical Sub-Committee of the League of Nations on Financial Statistics, and on the League of Nations Commission on Economic Stability.

Through August 1939 I went to Geneva twice a year on missions, and after July 1940 saw a great deal of the economic work of the League when it was moved to this country. As long as Mr. Tirana was with the League of Nations, I saw a great deal of him on these trips. When he left the League to come to this country, he came first to my house. I was one of those who recommended him here at that time.

My subsequent contacts have been equally close except for the last two or three years, in which I have seen relatively little of him, much as I desire to do so.

Mr. H. H. Kelly

-2-

From this period of extended contact, my inclination would be to answer all of the questions on the questionnaire in the most favorable light. Mr. Tirana is certainly a man of unusual charm, intelligence, and ability. He is certainly an outstanding individual. So far as I know, he writes very well and organizes well. I regard him in every way as loyal to the United States. I would imagine that he would be an outstanding candidate for appointment to the Department of State.

Very sincerely yours,

Winfield T. Riedler,  
Assistant to the Chairman.

WWR:cls

UNITED STATES CIVIL SERVICE COMMITTEE OF EXPERT EXAMINERS FOR ECONOMISTS  
DEPARTMENT OF STATE  
WASHINGTON 25, D. C.

September 10, 1948

Name of applicant:

Tilana, Rifat

Title of position:

International Economist

Mr. W. W. Riefler,  
Federal Reserve Board,  
Washington, D. C.

Dear Mr. Riefler:

The applicant named above is being examined for the position indicated, in the Department of State. In evaluating the potentialities of prospective employees, we would like to have the considered opinion of former teachers, employers, and associates who are acquainted with the candidate, and who know the quality of his work. Your help in selecting an individual to fill this position is desired on the basis of your knowledge of the applicant.

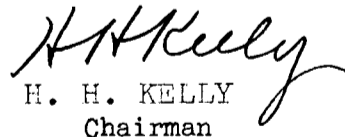
A qualifications voucher has been prepared which contains a list of certain of the qualities which is believed an individual must have in acceptable combination in order to perform the duties of this position. It would be appreciated if you would complete this form and return it at your earliest convenience. If you prefer, you may write a letter covering essentially the same traits as are listed on the form, plus any other information which seems pertinent.

We realize that some of these traits are difficult to judge objectively. Nevertheless, your considered appraisal is desired with respect to the qualities of which you have personal knowledge. Since your judgment should be based on his past performance, any items which you have had no opportunity to observe should be omitted. If you feel that someone else knows more about the candidate than you, feel free to ask him for information. If someone besides you fills out the form or assists you in filling it out, that person should sign it, indicating the items which he completed.

enclosed

A description of the duties of this position is ~~checked on page 2~~, for your use in evaluating the qualifications of the candidate for this position. Your assistance will be greatly appreciated by the Committee and the information you furnish will be treated as confidential. A self-addressed franked envelope is enclosed for convenience in replying.

Very truly yours,

  
H. H. KELLY  
Chairman

Enclosures - 3

Tirana, Rifat

BUDGET BUREAU NO. 50-R128  
APPROVAL EXPIRES JULY 31, 1950

UNITED STATES CIVIL SERVICE COMMITTEE OF EXPERT EXAMINERS FOR ECONOMISTS

DEPARTMENT OF STATE  
WASHINGTON 25, D. C.

QUALIFICATIONS INQUIRY FOR ECONOMIST POSITIONS

1. Give your estimate of the applicant's qualifications for each of the elements listed below. (Place a check mark for each element in that column which best expresses your opinion.)

ELEMENTS	SOMEWHAT WEAK OR SPOTTY	ADEQUATE	VERY GOOD	EXCEPTIONAL KNOWLEDGE OR ABILITY
KNOWLEDGE OF THE PRINCIPLES AND THEORY OF ECONOMICS				
KNOWLEDGE OF THE PRINCIPLES AND THEORY OF THE SPECIALIZED BRANCH OF ECONOMICS USED IN THIS POSITION				
KNOWLEDGE OF RESEARCH METHODS AND SOURCES OF DATA APPROPRIATE TO THIS POSITION				
ABILITY TO CONDUCT INDEPENDENT ECONOMIC RESEARCH				
2. ABILITY TO PLAN AND DIRECT ECONOMIC RESEARCH STUDIES:				
<input type="checkbox"/> NOT A GOOD RESEARCH ADMINISTRATOR		<input type="checkbox"/> VERY GOOD		
<input type="checkbox"/> GENERALLY SATISFACTORY		<input type="checkbox"/> OUTSTANDING		
3. ABILITY TO SERVE AS CONSULTANT ON CURRENT PROBLEMS RELATED TO THE BRANCH OF ECONOMICS USED IN THIS POSITION:				
<input type="checkbox"/> SOMEWHAT WEAK		<input type="checkbox"/> VERY GOOD		
<input type="checkbox"/> SATISFACTORY		<input type="checkbox"/> OUTSTANDING		
4. KNOWLEDGE OF CURRENT PROBLEMS, DOMESTIC AND INTERNATIONAL, RELATED TO THE WORK OF THIS POSITION:				
<input type="checkbox"/> NOT UP-TO-DATE IN THIS FIELD		<input type="checkbox"/> VERY WELL INFORMED		
<input type="checkbox"/> KNOWS THE CURRENT SITUATION		<input type="checkbox"/> EXCEPTIONAL KNOWLEDGE		
5. ABILITY TO COORDINATE HIS ECONOMIC RECOMMENDATIONS WITH THE PROGRAM OBJECTIVES OF AN ORGANIZATION:				
<input type="checkbox"/> SOMEWHAT RESTRICTED PERSPECTIVE		<input type="checkbox"/> UNUSUAL ABILITY		
<input type="checkbox"/> AS GOOD AS MOST		<input type="checkbox"/> EXCEPTIONAL ABILITY		
6. ABILITY TO EXPRESS HIMSELF IN WRITTEN ECONOMIC REPORTS:				
<input type="checkbox"/> SOMEWHAT HARD TO FOLLOW		<input type="checkbox"/> VERY GOOD		
<input type="checkbox"/> WRITES GOOD REPORTS		<input type="checkbox"/> EXCEPTIONALLY CLEAR AND CONCISE		
7. ABILITY TO EXPRESS HIMSELF ORALLY ON ECONOMIC MATTERS:				
<input type="checkbox"/> NOT A GOOD SPEAKER		<input type="checkbox"/> VERY GOOD		
<input type="checkbox"/> MAKES GOOD ORAL PRESENTATIONS		<input type="checkbox"/> EXCEPTIONAL SPEAKING ABILITY		
8. SKILL IN OBTAINING APPROVAL OF IDEAS AND PROGRAMS:				
<input type="checkbox"/> NOT A GOOD SALESMAN		<input type="checkbox"/> BETTER THAN MOST		
<input type="checkbox"/> HAS AVERAGE SKILL		<input type="checkbox"/> EXCEPTIONALLY CONVINCING		
9. ABILITY TO DEAL WITH THE PUBLIC AND MAINTAIN WORK RELATIONSHIPS WITH GROUPS AND INDIVIDUALS OUTSIDE THE ORGANIZATION:				
<input type="checkbox"/> NOT GOOD AT CONTACT WORK		<input type="checkbox"/> BETTER THAN MOST		
<input type="checkbox"/> SATISFACTORY		<input type="checkbox"/> EXCEPTIONAL ABILITY		
10. ABILITY TO WORK AS A MEMBER OF A TEAM:				
<input type="checkbox"/> HARD TO GET ALONG WITH		<input type="checkbox"/> A GOOD TEAM WORKER		
11. WILLINGNESS TO ACCEPT DIRECTION AND SUGGESTIONS:				
<input type="checkbox"/> TENDS TO RESENT SUPERVISION		<input type="checkbox"/> EASY TO SUPERVISE		
12. ABILITY TO SUPERVISE AND DIRECT OTHERS:				
<input type="checkbox"/> TENDS TO BE A POOR SUPERVISOR		<input type="checkbox"/> A VERY GOOD SUPERVISOR		
<input type="checkbox"/> GENERALLY SATISFACTORY		<input type="checkbox"/> REMARKABLE SKILL AND EFFECTIVENESS		
13. ABILITY TO APPLY COMMON SENSE AND SOUND JUDGMENT TO ECONOMIC PROBLEMS AND ARRIVE AT SOUND CONCLUSIONS AND WORKABLE METHODS:				
<input type="checkbox"/> INCLINED TO BE UNREALISTIC OR INFLEXIBLE		<input type="checkbox"/> BETTER THAN MOST		
<input type="checkbox"/> GENERALLY SOUND		<input type="checkbox"/> UNUSUAL COMMON SENSE AND SOUND JUDGMENT		
14. APPLICATION AND EFFORT ON ASSIGNMENTS:				
<input type="checkbox"/> OFTEN NEEDS PRODDING		<input type="checkbox"/> WORKS HARDER THAN MOST		
<input type="checkbox"/> GENERALLY ACCEPTABLE		<input type="checkbox"/> EXCEPTIONALLY INDUSTRIOUS		

(over)

BUDGET BUREAU NO. 50-R128 APPROVAL EXPIRES JULY 31, 1950	Page 2	
15. ESTIMATED FITNESS FOR THE TYPE AND LEVEL OF ECONOMIC WORK FOR WHICH APPLYING:		
<input type="checkbox"/> NOT THE TYPE FOR THIS JOB	<input type="checkbox"/> A GOOD PERSON FOR THIS WORK	
<input type="checkbox"/> SOME DOUBTS OR RESERVATIONS	<input type="checkbox"/> ONE OF THE BEST	
16. INDICATE IN WHAT CAPACITIES AND FOR WHAT PERIOD OF TIME YOU HAVE BEEN ASSOCIATED WITH THE APPLICANT BY GIVING IN THE APPROPRIATE BLANKS, THE YEARS IN WHICH SUCH ASSOCIATION BEGAN AND ENDED—SUCH AS 1932-37.		
I AM, OR HAVE BEEN ASSOCIATED WITH THE APPLICANT AS:		
<input type="checkbox"/> HIS TEACHER _____	<input type="checkbox"/> HIS EMPLOYER _____	
<input type="checkbox"/> HIS FELLOW EMPLOYEE _____	<input type="checkbox"/> HIS WORK ASSISTANT OR SUBORDINATE _____	
<input type="checkbox"/> HIS CO-WORKER ON A SPECIFIC PROJECT _____	<input type="checkbox"/> OTHER, ( <i>Specify</i> ) _____	
<input type="checkbox"/> HIS SUPERVISOR OR DIRECTOR OF HIS WORK _____		
NAME OF INSTITUTION OR COMPANY:		
DESCRIBE HIS DUTIES AND RESPONSIBILITIES DURING THE PERIOD (s) INDICATED ABOVE:		
17. HAVE YOU ANY INFORMATION INDICATING THAT THIS PERSON BELONGS TO ANY ORGANIZATION WHICH ADVOCATES OVERTHROWING OUR CONSTITUTIONAL FORM OF GOVERNMENT BY FORCE OR OTHER ILLEGAL MEANS, OR IS THERE REASON TO QUESTION HIS LOYALTY TO THE UNITED STATES?		
<input type="checkbox"/> YES		
<input type="checkbox"/> NO		
IF YOUR ANSWER IS "YES" PLEASE LIST THE ORGANIZATION, OR GIVE THE REASONS YOU QUESTION HIS LOYALTY TO THE UNITED STATES.		
18. WHAT IS THE PERSON'S REPUTATION WITH RESPECT TO HONESTY, INTEGRITY AND GENERAL CONDUCT? IF YOUR ANSWER IS UNFAVORABLE, PLEASE EXPLAIN FULLY.		
19. ADDITIONAL COMMENTS		
_____ DATE	_____ TITLE OR POSITION	_____ SIGNATURE



GENERAL STATEMENT OF DUTIES  
INTERNATIONAL ECONOMISTS POSITIONS  
At Salaries of \$10,305 to \$10,330 a Year  
DEPARTMENT OF STATE

International Economists at these salary levels in the Department of State plan, direct, administer, supervise, advise on, or perform professional work pertaining to the formulation and implementation of the foreign policy of the United States in the field of international economics. Such work is conducted with the widest possible latitude for the exercise of independent judgment subject to only the most general supervision. They negotiate and otherwise deal with representatives of other governments on international economic problems. They propose, appraise and implement action on specific international economic problems. They may direct and supervise the work of a staff of professional personnel. Such top level work requires a substantial understanding of international economic and political problems and programs including programs of the United States and other governments together with knowledge of United States and foreign governments and international organizations, structure, operations, and personnel. Certain specific positions require a knowledge of a specialized field of international economic problems pertinent to the particular positions to be filled.

ADDRESS OFFICIAL COMMUNICATIONS TO  
THE SECRETARY OF STATE  
WASHINGTON 25, D. C.



DEPARTMENT OF STATE  
WASHINGTON

*Mr. Riefler*

December 6, 1948

Dear Mr. Riefler:

I have received your letter of November 19, 1948, giving an outline of the work of the Economic Warfare Division of the Embassy in London during 1942 and of the activities of Mr. James Somerville during his connection with it. This information is exactly what we needed to complete Mr. Somerville's records, and I wish to thank you most cordially for providing it. Your letter will, of course, be kept entirely confidential.

Very truly yours,

*Clement J. Sobotka*

Clement J. Sobotka, Associate Chief  
Division of Foreign Service Personnel

Mr. Winfield W. Riefler,  
Assistant to the Chairman, Board of Governors,  
Federal Reserve System,  
Federal Reserve Building,  
Washington, D. C.

December 6, 1948

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Clement J. Sobotka, Associate Chief  
Division of Foreign Service Personnel

Mr. Winfield W. Riefler,  
Assistant to the Chairman, Board of Governors,  
Federal Reserve System,  
Federal Reserve Building,  
Washington, D. C.

November 19, 1948.

Mr. Clement J. Sobotka,  
Associate Chief,  
Division of Foreign Service Personnel,  
Department of State,  
Washington, D. C.

Dear Mr. Sobotka:

I am very pleased to help to clear up any misconception that may exist in the personnel records concerning the contribution of Mr. James Somerville to the 1942 operations of the Economic Warfare Division of the American Embassy in London. I am writing in the understanding that this communication is entirely confidential and that I can be frank in my comments.

I was sent to London early in March 1942 as Principal Officer of the Board of Economic Warfare to sit for them on the Blockade Committee which was located at the Ministry of Economic Warfare and which the United States had just joined on the basis of "equal voice". You may recall that the exact status of the Board of Economic Warfare in relation to the Department of State was not settled at that time and that some tension existed as to what the relationship should be. In making this initial trip, it was my purpose to examine the problem of future organization on the ground in London and then to return and report my personal recommendations on organization to the home officials of the Board of Economic Warfare.

When I arrived in London, I found that all matters pertaining to the Ministry of Economic Warfare were being handled by Mr. James Somerville, who held the rank, I believe, of Second Secretary in the American Embassy. He recognized, as did I, that our relative responsibilities with respect to Economic Warfare were quite hazy and would remain so until the status of the Board of Economic Warfare was settled. In these difficult circumstances, he handled our mutual relations with complete tact and cooperation. I found that he had established magnificent personal contacts with officials of the Ministry of Economic Warfare at all levels. There was no problem at all of securing American access to officials or to information at the Ministry of Economic Warfare.

Mr. Clement J. Sobotka

-2-

On my return to Washington at the end of June 1942, I recommended to the Board of Economic Warfare:

1. That American-British negotiations with respect to Economic Warfare activities be transferred in the main from Washington to London.
2. That all economic warfare activities that involved relations with the Ministry of Economic Warfare in London be handled through an adequately staffed economic warfare division that would be an integral part of the American Embassy in London rather than through a separate B.E.W. field office in London.
3. That the proposed Economic Warfare Division be headed by a Board of Economic Warfare official with the rank of Minister but that it be staffed by personnel borrowed from the Department of State and from other Washington Departments as well as from the Board of Economic Warfare.

These recommendations were finally adopted on the condition that I accept the position of head of the new Economic Warfare Division. Before accepting, I stipulated that Mr. Somerville be made second in command and that his rank in the Embassy be raised.

The contemplated shift of negotiations to London required intimate and continuous familiarity with the personnel operating in Washington. It was my plan, consequently, on my return to London to request Mr. Somerville to visit Washington in two or three weeks, in other words as soon as sufficient time elapsed for me to familiarize myself with current developments there. I thought at that time that one or the other of us ought to be in Washington fairly frequently, if we were to maintain adequate liaison with the home base.

When I returned to London in mid-September 1942, I found the situation radically changed as compared with the preceding June. The Economic Warfare Division had increased enormously in size and was still growing rapidly. The work load was increasing even more rapidly. Mr. Somerville was a very tired man and was certainly not in the best of health. He had been working until the early hours of the morning almost continuously and his work basket was always heaped before him. When I informed him of the program under which he was to return to Washington early in October to familiarize

/ Mr. Clement J. Sobotka

-3-

himself with the complex economic warfare agencies that were developing there, he was loathe to leave until he had completed tasks he had set himself in London. It is this situation that finally gave occasion for the Ambassador's request, concurred in by me, that Mr. Somerville be recalled for consultation. One day the Ambassador requested me to visit him to talk over the organization of the Division. After going over the whole question, including my original plans, in which the Ambassador concurred, we decided that a message of recall was the only device available that would prevail on Mr. Somerville to make the much needed break with his routine. The message was accordingly sent.

Mr. Somerville's health was such that he was not actually able to depart until a considerable further period had elapsed. Subsequent to that time, I had an opportunity to review Mr. Somerville's contribution to our operations as a whole. I can never rate too highly Mr. Somerville's contribution in setting up the Division originally and in the selection of personnel for the Division. To staff the organization adequately, we were compelled to pick up a considerable number of people in London where skilled manpower was extremely scarce. In numerous cases, Mr. Somerville, after great care, made selections with respect to which I had reservations. In no case were these reservations justified. The gift which he has for establishing exceptional contacts in the field showed itself also in his ability to select personnel.

I have written you frankly and at length because I think the record ought to be clear. Mr. Somerville made a substantial contribution in the opening phases of the Economic Warfare activities in London. He wore himself out in the process.

Very truly yours,

Winfield W. Riefler,  
Assistant to the Chairman.

NWR:cls

*Mr. Riefler*

DEPARTMENT OF STATE  
WASHINGTON

November 1, 1948

Dear Mr. Riefler:

The Division of Foreign Service Personnel was visited this morning by Mr. James Somerville, Jr., a Foreign Service Officer who served with you in the Economic Warfare Division of the Embassy at London during 1943 and 1944.

In discussing his record Mr. Somerville expressed the feeling that the value of his services in London had not been adequately set forth. It is, indeed, quite possible that the reports received by the Department of his work in the Economic Warfare Division did not give as complete a picture as might be desirable of Mr. Somerville, and that in this connection he may have been done some injustice.

It would be greatly appreciated, therefore, if you would find it convenient to furnish me, for insertion into Mr. Somerville's record, a frank and objective statement of the value you attached to his work under your direction in London.

Very truly yours,

*Clement J. Sobotka*

Clement J. Sobotka, Associate Chief  
Division of Foreign Service Personnel

Mr. Winfield W. Riefler,  
Assistant to the Chairman of the Board of Governors,  
Federal Reserve System  
Federal Reserve Building  
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