

May 1, 1947

TO: U Mr. Acheson
FROM: A-B Joseph Jones

An important omission in this outline is a discussion of why the World Bank cannot do the job, or why the American banking community cannot do it; also why the expenditures must be largely in terms of grants-in-aid rather than loans. I quote Walter Lippmann, May 1, on this point:

"In acting to forestall this collapse, we can afford to have no illusions. The deficit of the western European countries cannot be met, as Mr. McCloy's recent address makes clear, by the World Bank, or by the American banking community. The sums needed are too large. The transactions are abnormal and altogether outside ordinary private finance. Nor can the deficit be met by government loans because in fact these sums cannot be paid back. They will have to be contributed as a national investment in peace and prosperity. That will mean the revival in some form or other of what was known in war time as lend-lease. A different name for it may be invented. But that in fact is what it will have to be."

Mr. McCloy's address on April 18 makes it crystal clear that the contributions to the International Bank are merely for the purpose of providing security for private capital invested abroad. He also said, "We can't and we won't grant loans in order to accomplish political objectives. We can and we will refuse loans where the political uncertainties are so great as to make a loan economically unsound."

This definitely and authoritatively rules out the International Bank as a major factor in the kind of deficit financing which we have got to do in the next two or three years.

I feel certain that your listeners both today and next week will raise questions in this area, and it would seem to me a good idea to hit this rather hard in your original presentation.

A-B:JMJones:eh

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