

DEPARTMENT OF STATE

ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS

NOTES

October 31, 1939.

I just attended another session at the Treasury. The Secretary of the Treasury, Mr. Hanes, Mr. Jones, Mr. Welles and myself and various other people from the different departments were present. The subject was preparation for the conversations with Jaramillo, presumably to lay the basis for model adjustment and settlement. It consisted of reviewing briefly certain obvious aspects of the Colombian situation as bearing upon their ability to meet their present defaulted debts and the service of any new funds we might let them have. With the air of a bright child on a voyage of discovery, Morgenthau and Jones reviewed the obvious. As we were coming back, I suggested to Welles and Duggan that I supposed the course we were taking might be called "Economics 3-C", and they corrected to say, oh, no, "Economics A". The intensity of interest on the part of the Secretary of the Treasury to settle the defaulted bond situation was plain. Now, however, he wants the S.E.C. to send over a representative to sit in with the Committee of three in discussing the matter with the Colombians. Hanes was instructed to ask the S.E.C. to designate a representative for that purpose, and with dis-
confiture agreed to do so.

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There was a brief review of the history of the previous debt negotiations on the subject, in the course of which Morgenthau made a mockingly innocent reference to the Council saying he did not know what they had been doing. This remark ties in with his various criticisms and denunciations of its work. I had vowed that I would not intervene in this part of the discussion, and though it was difficult I kept my mouth closed except to make certain factual contributions.

On the way back I remarked to Welles that it would be necessary for the State Department very carefully to protect its position, since it had gone so definitely on record, in the course of its controversy with Senator Glass and others, to the effect that it did not "approve" bond issues or bond settlements. Certainly in this arrangement, responsibility could be pinned on the Government. Welles said he understood the dangers but all that was contemplated was that the discussions should seek to determine what offer we could tell the Colombian Government we believed was fair enough to warrant us in going ahead and making them new loans.

I also said to Welles I did not think we should do any talking to the press about this defaulted debt situation. He agreed, and said yesterday he had had to deal with the difficulty before he had learned the Secretary of the Treasury had

had said that in the course of his talks with Colombia we would also form an arrangement for Colombia's internal financial arrangements. He had rushed over to the Treasury, and they had gotten hold of the reporter and corrected the version.

The Secretary of State yesterday morning showed his anxiety regarding the role we might play in this matter, but did not in any way take a conclusive position, and I am not in a position to do so. It is possible some settlement can be managed with Colombia because the surrounding circumstances are good. Peru and Brazil will be the real test cases. Then, too, I suppose if in the future these settlements that the Government arranges break down, someone else will be in office.

In the course of our meeting, Senator Bankhead telephoned in regard to certain statements made by Pittman in the course of debate on the Neutrality Act about the possibility of the stabilization fund making loans to belligerent governments. The Secretary of the Treasury, as though producing a great artist, turned on the loud speaker and permitted all of us to hear him assure the Speaker that in his letter to Senator Vandenburg he had covered this subject. Nothing of this type would ever be done. I could not help recalling our controversy over Brazilian frozen commercial credits.

The question of the representation at the Guatemala
meeting

meeting is still unsettled, and everyone concerned walks around in rather mild desperation. I was told that now Hanes was asked to telephone John Williams and ask if he would go. This would be an admirable solution, but I doubt whether he will go. I have told all and sundry that I will no more concern myself with the matter and I intend to stick to that position.

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