

Washington Digest

World Monetary Plans Seen as Boon to Trade

Funds Would Help Restore Production and Stimulate Exchange of Goods in Postwar Era, Treasury Says.

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I have just come from a luncheon of creamed chicken and rice, green salad and trimmings. The food was not, however, the interesting part of the affair. The "food for thought" that went with it, was. And so was the setting. We were served from a large oval table in the conference room of the United States treasury. The hosts were Secretary of the Treasury Henry Morgenthau and a squad of his fiscal experts.

The subject of the conversation was the same one which was discussed at many of the more than 200 conferences which took place around that same table and which led up to the Bretton Woods monetary conference last July. Today that same subject is before Congress in the form of pending legislation which would authorize American participation in an international bank of reconstruction and development and an international monetary fund.

Upon the passage of this legislation and the creation of the bank and fund, the master-minds on money matters tell me, depends the success of any world security organization which may come out of the United Nations meeting at San Francisco.

Aim to Stop Economic Warfare

The reason for that statement, boiled down to its essence is this: you can't stop international warfare unless you stop economic warfare.

Economic warfare in this sense means international trade practices not in the common good—specifically some of the practices indulged in by nations competing for foreign trade before and after the grand smash of '29.

How is this warfare to be restrained?

Quid pro quo, of course. In the vicious fight for trade after the war a large number of nations will have three strikes on them to start. They are wrecked, some physically and a great many more financially, politically, economically. Those which will emerge less affected by the war scourge, like the United States, will be equally affected if they have nobody with money or credit enough to buy their goods.

Therefore in exchange for an agreement to abide by certain fair practices as we might call them, and contributions in cash or its equivalent, under the Bretton Woods agreement a nation would receive membership in an international bank which would guarantee private loans—make some direct—for the purpose of reconstruction and development so they can build factories and do other things necessary to create goods to sell and earn money to buy. These loans would be loans in which the risk is too great for a private institution to take, and which if they were made and bonds offered to the public the public wouldn't touch. But guaranteed by the international bank over a long term, private bankers would lend the money and the public, with the word of 44 nations behind the bonds, would hardly be skittish.

The monetary fund would be created for the purpose of stabilizing exchange, and facilitating the growth of international trade. The members would agree to tie their exchange to the gold standard and not change it unless the governors and directors of the fund approve. This would stop, among other things, what amounts to imposing hidden tariffs on foreign goods by changing the rates of exchange of a country's currency in terms of other nation's currency. In their mad efforts to export goods at any price and get credits abroad, the Germans had all sorts of different kinds of marks that had one value here and another there.

As to the administration of the bank and fund, a very careful system has been worked out regulating the amount of financial responsibility each country would have. The figure would be based on the trade of a nation over a certain past period with some other modifications. For instance, the United States would assume roughly one-third of the financial responsibility and have one-third of the votes

on how the money or credit is to be handled.

Relief for U. S. Bankers' Risks

One of the chief arguments as to the direct value of the program for the United States is this: it is estimated that in the postwar period, the United States bankers will have to do the bulk of the world lending. Estimated on the amount we did after the last war, perhaps as much as 90 per cent. Rather than have the lenders risk the loss as they did last time, it would be better to have the government and the governments of the rest of the nations bear two-thirds of the risk. This they would do under the international bank. It is pointed out by treasury officials that not only will most of the money be borrowed from private bankers in this country for the next five or ten years (since we have most of the money to loan) but most of it will likewise be spent here since we have most of the things foreign countries need.

There are two chief reasons why such an international financial program will be to the disadvantage of the private banker although by no means all bankers oppose it. One is that the governments of nations will control the world fiscal policy and not the leading private international bankers who had the control before. The second is that in the long run, as sponsors of the plan admit, it will lower interest rates.

Those two reasons are not stressed by the vocal opponents of the measure before members of congress. Many other objections, some highly technical, are set forth. The main suggestion in the report of a committee of the American Bankers association is that because of unsettled political conditions throughout the world, any action ought to be postponed until these conditions stabilize. They say that the nations should agree to certain changes in the program before it is presented to the congress.

Some of the changes suggested are prompted by honest conviction, some are due, according to treasury officials, to a misinterpretation of the program. There is a group in the United States which says that the United States will come out of the little end of the horn under the arrangement and that the British sold us a bill of goods. There is a group in England which says that Britain will come out of the little end of the horn and that the United States sold their representatives a bill of goods.

That is one thing which, quite aside from the arguments pro and con on the various disputed parts of the program, demonstrates that it must be pretty good.

Some weeks ago in this column I tried to explain "why Germany came back" after its defeats in France.

May I be permitted to explain why the Nazis couldn't come back for the second time?

Once again we have to consider, not the military organization of Germany alone, but the civilian organization as well. Nazi discipline, because it was based on an entirely anti-human foundation, finally collapsed. It was a discipline of (1) deceit, (2) force. Both were bound to fail in the end because it failed to take into consideration one thing which the Nazis refuse to admit exists—the human soul.

Nazism with threats, brute force, and an organization which could carry out the threats and exercise the force, was effective up to a certain point. Then it failed. Its strength was in "bending the twig," as I tried to point out in my earlier analysis. Youth worshipped the false god of Nazism as long as its clay feet could be concealed. Youth knew no other god. But the moment the clay feet crumbled in the defeat of its armies (i.e. force failed) youth deserted.

Even the older people, despite the numbing fear of the espionage of the gaudier, the fear of the concentration camp, fear of the firing squad, began passive resistance. The Volksturm (the military unit drafted by Hitler) refused to fight, refused to assemble when ordered, hid. Regulations were evaded. Taxes went unpaid.

BARBS... by Baukhage

One reason why Stalin can't leave Russia to meet even the world's bigwigs was revealed at the Yalta conference—he makes all the military decisions himself.

The Japanese government has taken over all the airplane factories, giving the "Jap industrialists who want peace another reminder that there isn't much profit in war.

In spite of the shortage of nurses, doctors, dentists, the health of the nation, according to OWI, shows no serious decline. Probably just a case of supply and demand.

General De Gaulle says that France needs 12 million "fine babies" in the next 10 years. He may not get 12 million but they will also "fine"—ask their mothers.

Manila Wracked and Guttured by Spiteful Demolitions



Once-proud Manila joins the cities of the dead, wracked and gutted by battle and the spiteful demolitions of the Japs. The stately buildings which formerly housed government and industry are now largely hollow shells. The marts of trade echo only to the crash of falling timbers. Reins of the civil government return to the Philippine commonwealth, and the battered capital binds its wound and looks forward to a rebirth.

Postwar Sleeping Cars to Show Radical Changes



The new Pullman three-tier sleeper, to be used in postwar period, is shown in upper left. Lower left, the duplex-roomette railroad car is one of several new designs being presented to railroad officials by the Pullman company. Upper right, the traditional rectangular table arrangements give way to a modernized scheme in the new diner. Lower right, a redear captain examines revolutionary method of handling luggage on the new coach model.

American Farmer in Germany



Even in conquered German territory, Pvt. Harold W. Barnes of Centerburg, Ohio, finds time to put into practice the knowledge acquired on a farm at Centerburg. He was right at home when he found the new litter of pigs at a farmhouse near Sindorf, Germany, and helped to pull them through their first days under American occupational rule.

Nazi Type Air Raid Shelter



German air raid shelters have been working overtime thanks to the American air forces. Photo shows Pfc. Archie Bakay, Akron, Ohio, left; and Pfc. Charles Smart, Franklin, N. C., with guns alert as they inspect one of the typical shelters in Duren, Germany. They are infantrymen of the 104th division of the U. S. 1st army.

G.I.s Nearer Japan



American navy, marines and infantry, supported by tank corps, continue to advance island by island toward Tokyo. Map shows how new landing gives the American forces control of the entire Philippines.

New Big Ten Chief



Photo shows Kenneth "Tug" Wilson, former athletic director at Northwestern university, who has just been appointed commissioner of the Big Ten conference. He has resigned from Northwestern.



PLOT ON HITLER

Those whose business it is to study the intricate problem of German politics have now come to the conclusion that if it hadn't been for the July 20 putsch against Hitler, we might have been saved six months or so of fighting.

The attempt on Hitler's life gave him the excuse to clean out every military man not in sympathy with the war, and his military leaders since then have lacked the courage to suggest an armistice—even though they knew the war was hopeless.

Here is the inside story of what happened.

The Hitler plot had been cleverly arranged by the British. They had been working for months with a small secret segment of anti-Hitler officers inside the German army. Actually, their pipelines into Germany had been laid even before the war started. Weeks and weeks of the most minute planning had gone into the plot.

However, as in anything as dangerous as an attempt to assassinate the world's chief madman, something went wrong at the last minute. A high-up German officer on the general staff had agreed to place a briefcase containing a time-bomb alongside Hitler's chair during a meeting of the general staff.

He did so. But either Hitler moved away or else did not sit where expected. At any rate when the bomb went off, it killed several officers, but Hitler was only wounded in the hand by a bomb fragment.

That incident, however, touched off the bloodiest blood purge in history. Neutral sources estimate that 100,000 German officers and other high-up officials suspected of anti-Hitler bias were killed. Any German leader who had grown cool regarding the war or was slightly critical of Hitler was included.

In the last war, it was the German general staff who demanded of the Kaiser that he sue for peace as early as September 29, 1918. The German civilian government resisted. In this war it was expected that the professional military caste would see the futility of further fighting and also sue for peace after the Normandy invasion last June.

But as a result of the July purge the military leaders who survived dared not brave Hitler's wrath.

POSTWAR CONSCRIPTION
Although no final decision has been made by FDR personally, Undersecretary of War Bob Patterson and several other White House advisers are urging him to press for immediate congressional action on a postwar compulsory military training law covering all men 18 to 25.

Patterson and some of the army brass hats want Roosevelt to jam the conscription bill through congress before the war is over. They are using the line with FDR that passage of a peacetime conscription bill by congress now will be further evidence to the United Nations that this country will maintain a sizable military force to help keep the peace.

Congressional leaders so far are against immediate consideration, feel they'll have their hands full in the next few months getting more urgent postwar measures through capitol hill, such as jobs, without starting up a terrific controversy over conscription.

Note: The White House is being deluged with mail against postwar conscription. Most of the public seems to be against it.

CAPITAL CHAFF

¶ The German people have been ordered to kill all chickens in order to save feed.

¶ A secret report has been circulated among top WPB officials showing that, as of February 1, the manpower situation was excellent. Manpower Commissioner McNutt has told the senate military affairs committee privately the same thing.

... Senator Chandler of Kentucky quoting Vice Chairman William Batt of the WPB "That we have already out-produced our enemies and our Allies."

¶ Representative Charles La Follette, liberal Indiana Republican and a close friend of Wendell L. Willkie, never had met his son, Philip Willkie, until his recent trip to London where Lieutenant Willkie was stationed. A few days later La Follette bumped into Philip accidentally in New York, and a few days after that Willkie arrived in Washington and was a guest at La Follette's home.

¶ The Norwegian embassy has protested to Louis B. Mayer against Metro-Goldwyn-Mayer's plan to screen "Victoria," by novelist Knut Hamsun, who turned quivering. The Norwegians don't want any book by any quivering featured in Hollywood. Three weeks have now passed and the Norwegian embassy is wondering why Louis B. Mayer has not replied.

¶ The California Veterans of Foreign Wars have requested Roosevelt to drop deportation proceedings against west coast labor leader Harry Bridges.

THE CHEERFUL CHIRUP

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