CANADA AND THE RECONSTRUCTION
OF THE INTERNATIONAL ECONOMY, 1941-1947

by

Kathleen Britt Rasmussen

A thesis submitted in conformity with the requirements
for the degree of Doctor of Philosophy
Graduate Department of History
University of Toronto

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Abstract of “Canada and the Reconstruction of the International Economy, 1941-1947”
A thesis submitted in conformity with the requirements for the degree of Doctor of Philosophy, 2001
by Kathleen Britt Rasmussen
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When Canadian policy makers in WWII reflected upon the events of the preceding thirty years, they remembered chaos, devastation, and strife: in little more than a generation, the world had twice been plunged into war and had been ravaged by a ferocious economic depression. The present war offered the chance to design a postwar order that would prevent the repetition of the mistakes of the past. So palpable was the sense of possibility that Deputy Minister of Finance W. C. Clark was moved to exclaim in December 1943:

Surely, we cannot afford to be defeatist! Surely two world wars in a quarter century must have taught this generation something! Surely they must at last have taught us that if we are to survive, we must seek to unleash against our common peacetime problems all the resources of the human mind and the human heart which, when applied to the problems of war, have resulted as we know in accomplishments little short of the miraculous!

Canadians had concluded that the world’s problems could not be avoided by remaining aloof, as they had attempted to do during the interwar period, and were determined to help build a better world.

This thesis examines Canada’s role in the reconstruction of the international economy from 1941 to 1947. Canadian policy makers believed that a multilateral liberalized global economy was in the best interests of their nation, and the world as a whole, and did all they could to help rebuild the postwar international economy along these lines. Along the way, they made a significant contribution to the reconstruction process: Canadian experts helped found the IMF and World Bank;

1. National Archives of Canada, RG19/3391/04747P-13, “Address by W. C. Clark given before the Institute of Post-War Reconstruction, New York University, on December 15th, 1943”.

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Canada loaned the UK $1.25 billion to facilitate an early return to sterling convertibility; Canadian officials contributed to the creation of the GATT and ITO. The international economic institutions that resulted from seven years of effort did not always match Canadian expectations, but they did represent a good beginning.
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It is amazing how many things have to fall into place in order to complete a thesis; it is a great pleasure to acknowledge my excellent fortune now. I have been the beneficiary of generous financial assistance, without which this thesis might never have been completed, from the Social Sciences and Humanities Research Council, the Ontario Graduate Scholarship Program, the University of Toronto School of Graduate Studies, the University of Toronto Department of History, the University of Toronto Centre for International Studies, and the Royal Bank.

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Introduction

When United Nations policy makers in WWII reflected upon the events of the preceding thirty years, they remembered chaos, devastation, and strife: in little more than a generation, the world had twice been plunged into war and had been ravaged by a ferocious economic depression. The present war offered the chance to begin anew, to design a postwar order that would ensure that the mistakes of the past would not be repeated. So palpable was the sense of possibility that W. C. Clark, the usually reserved Canadian Deputy Minister of Finance, was moved to exhort a New York audience in December 1943:

Surely, we cannot afford to be defeatist! Surely two world wars in a quarter century must have taught this generation something! Surely they must at last have taught us that if we are to survive, we must seek to unleash against our common peacetime problems all the resources of the human mind and the human heart which, when applied to the problems of war, have resulted as we know in accomplishments little short of the miraculous!¹

Canadians had concluded that the problems of the world could not be avoided by remaining aloof, as they had attempted to do during the interwar period. Security required bold and active engagement: in both the political and economic realms, Canadians were determined to participate in the building of a better world.

Canadian policy makers had firm ideas about how the international economy should be reconstructed. The onset of the Great Depression had been characterized by economic warfare: sky-high tariffs, exclusionary trading agreements, competitive exchange depreciation, bilateral currency arrangements. Such practices had been both the cause and effect of the economic misery of the 1930s and had contributed to the outbreak of the war. Peace and prosperity could only be had in

¹ National Archives of Canada, RG19/3391/04747P-13, “Address by W. C. Clark given before the Institute of Post-War Reconstruction, New York University, on December 15th, 1943".
a world of economic cooperation, multilaterally convertible currencies, and liberalized trade.

Happily, such a world also met Canada's specific needs. The war had reinforced its historic dependence on a healthy export sector, and although wartime levels of exports could not be sustained, Canadian policy makers believed that a large volume of trade would continue to be the key to Canadian prosperity. Multilateral currency convertibility would enable Canada to settle its international accounts: before the war, Canada had habitually maintained a trade deficit with the United States that it settled with the proceeds of its trade surplus with the United Kingdom. Multilateral trade liberalization would afford Canada the opportunity to compete in many markets and diversify its trading patterns.

Canadian policy makers had a clear picture of the sort of economy they hoped would emerge from the Second World War: the question was, what could they do to help bring it about? Canada was not a great power, and was still a victim, on occasion, of the notion that its membership in the Commonwealth meant that it was merely an appendage of the United Kingdom. But it had some advantages in making its voice heard. It had made a significant contribution to the war effort, in men and in arms. In contrast to the United Kingdom and Europe, the war for Canada had meant not destruction and poverty, but economic diversification and prosperity. It had not been invaded, and its government was intact: it had the time and the resources to devote to planning a better world. Neighbour to the United States and brethren to the United Kingdom, Canada had close working

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relationships with the two principal architects of the postwar international system. Its government officials were well educated, well connected, and well respected, and their ministers almost always embraced their advice. Moreover, their belief in the need for a multilateral liberalized global economy was shared by the vast majority of their countrymen and by key decision makers in the United States and the United Kingdom.\(^3\)

Ultimately, success depended upon the willingness and ability of the US and UK to cooperate along bold and enlightened lines. But the United States was regarded as having turned its back on the rest of the world after the First World War, and there was genuine concern that it might do so again.\(^4\) The economic strength of the United Kingdom, already sapped by WWI, was being exhausted by its total war effort against Germany: it might even not be able to participate in a multilateral liberalized economy, let alone share the lead in creating it.

The story that follows is largely one of the North Atlantic triangle: the focus is on Canada’s interactions with the United States and the United Kingdom. The overwhelming importance of the US and UK to the postwar planning process is one reason for this; the overwhelming importance of these nations to Canada is another. In addition, Canada’s policies towards these two nations are representative of its policies as a whole. Canada sought enhanced access to US and UK markets,

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4. See, for example, Holmes, pp. 45-46; 161-162.
and it also sought enhanced access to markets in Europe and Latin America. Its efforts to stimulate imports from the UK mirrored its efforts to encourage imports from Europe. The 1946 loan to the United Kingdom capped off the lending Canada did, largely to Western Europe, under the Export Credits Insurance Act of 1944. Canada did not ignore its relations with other nations by any means: indeed, its connections to nations outside the North Atlantic fold increased substantially during this period, but they never came close to eclipsing the importance of the US and UK connections.

The officials and ministers responsible for Canada’s postwar policies formed a cohesive group that changed little over the period covered by this thesis: the policy makers of 1941 were largely the policy makers of 1947. William Lyon Mackenzie King was the Prime Minister, and had been so for the better part of two decades. King could be moody and petulant, and was famous for his ability to waffle: his Minister of Finance once said that he “uses language for some purpose other than to express thought”. But he was also the shrewdest of politicians and passionately committed to the welfare of his country. His word, however ambiguously expressed, was law. J. L. Ilsley was the Minister of Finance during most of the years covered by this thesis. Upright and honest, he was greatly admired by the officials who served him, with whom he worked closely and well. Louis St. Laurent was the Minister of Justice until he took over as the Secretary of State for External Affairs in September 1946, a post held until that point by King. With one important exception, he was generally not involved in the formation of international economic policy, but his influence in the Cabinet, particularly with King, was often decisive.

Much has been written about Canada’s top civil servants during this period, the officials J. L. Granatstein has dubbed “The Ottawa Men”. This attention has not been unwarranted: they were an extraordinary group. On the whole they were intelligent and well-spoken, as at home in Washington or London as they were in Ottawa. The majority of them had done post-graduate work, usually in the UK or the US. Although intellectual in bent, they were not ivory tower dwellers. They were very pragmatic and seldom let the perfect be the enemy of the good. James Meade, a UK official, described the milieu in which they worked very well:

The atmosphere of Ottawa is altogether sane and attractive. At the same time, after London and Washington, one gets the strange impression of a sort of doll’s house world; everything is on a so much smaller scale. Everybody knows everybody else. There is only one club where everybody lunches and sees everybody else and knows with whom everybody else is lunching and talking. The Government Departments are all housed in one or two blocks of buildings all within a stone’s throw of each other. Everybody knows not only what everybody else is working at all [sic], but also what he does in his private life. I suppose this sort of life might become rather trying; but at first sight it appears to have many of the solid attractions which one is apt to ascribe to the Greek ΠΟΛΙΤΕΚ.  

The Deputy Minister of Finance was W. Clifford Clark. He had been a professor of economics at Queen’s University before his appointment as Deputy Minister in 1932. He was prone to bouts of ill-health, but this did not stop him from working exceedingly hard: his wartime efforts led to a physical collapse in mid-1945 and a temporary leave of absence from the government. His shoes were filled on that occasion by William A. Mackintosh, his closest advisor and a former student.


Mackintosh had also been a Queen’s professor before he joined Finance at the behest of Clark at the beginning of the war.\textsuperscript{10} The Bank of Canada also participated in the policy making process. Its Governor, Graham Towers, came from a commercial banking background, but was not the cautious, conservative type of which one usually thinks when one thinks of a banker: he was not afraid of new ideas and encouraged bold initiatives. Louis Rasminsky was among his ablest advisers. Before the war, Rasminsky had worked for the League of Nations, and his experiences there contributed to his pragmatic internationalism.\textsuperscript{11} Finally, there was the Department of External Affairs. Its Under-Secretary, Norman Robertson, was famous for his deep sighs and Eeyore-like manner. But there was much more to the man. His biographer writes of Robertson’s attitude towards his position as a civil servant thus: “Norman Robertson was proud of his calling and his colleagues, and felt it was a joy to have found a role where he could at once serve his country, use his intellect to the fullest, and be fulfilled in his work. He lived for his work and he did it supremely well.”\textsuperscript{12} Robertson worked very closely with Hume Wrong and Lester Pearson: together, these three men were the prime force behind the effort to secure a larger role for Canada in postwar world affairs.\textsuperscript{13}

When it came to the reconstruction of the postwar international economy, Canada knew what it wanted and was not devoid of the resources it needed to get it. All that remains is to see how it did.

\textsuperscript{10} Granatstein, pp. 154-159.

\textsuperscript{11} Bruce Muirhead, \textit{Against the Odds: The Public Life and Times of Louis Rasminsky} (Toronto: University of Toronto Press Incorporated, 1999), pp. 82-84.


\textsuperscript{13} Holmes, pp. 13-16.
Chapter 1: First Principles and False Starts

William Lyon Mackenzie King fretted. The Prime Minister of the United Kingdom, Winston Churchill, and the President of the United States, Franklin Delano Roosevelt, the leaders of the world’s most powerful democratic nations, were shortly to hold a conference at sea, just off the shores of Newfoundland. This, King believed, was a foolhardy thing for them to do. It was August 1941 and anything could happen in an Atlantic ocean in which the German submarine menace had yet to be subdued. They could be torpedoed. They could be killed. They had taken far too great a risk for far too little a return and King thought that they would be better off not at the helms of warships in the Atlantic, but at the helms of their respective ships of state.¹

It was not only Roosevelt’s and Churchill’s rashness that bothered him; he was also upset by the nature of their meeting. Both men were accompanied by top military and civilian advisers, which meant that great affairs of state were being discussed, matters that would affect the course of the war. King had been told by the UK High Commissioner in Canada, Malcolm MacDonald, that he would be kept informed of what took place², but he was not placated. This was typical UK Tory behaviour, King fumed, this “forgetting or ignoring the Dominon because of a supposed superiority and a readiness to consider others first.”³ It was also in keeping with the way in which the British

¹. William Lyon Mackenzie King Diary [WLMK], August 6th, 1941. The image of Churchill and Roosevelt being better off aboard their respective ships of state is King’s: “I doubt if any better work could not have been done by both Churchill and the President in saving their own countries any unnecessary concern at this time and being on the bridge of their own ships of state.” See WLMK, August 8th, 1941.

². WLMK, August 6th, 1941.

³. WLMK, August 9th, 1941. The rightness of his feelings about this episode were confirmed to King in a vision, in which he saw himself among a group of people when suddenly his old political rival, R. B. Bennett, now Lord Bennett, arrived. Bennett ordered drinks all around, but
and the Americans had been behaving ever since they had started drawing closer together. King deplored this trend of "leaving Canada completely to one side - simply saying that we would be told what had been done though having no voice in the arrangements."  

A few days later, King learned that Roosevelt and Churchill intended to issue a joint statement at the conclusion of their conference laying out the common interest of their two nations in the defeat of Nazi Germany and the construction of a new and better postwar world. King did not oppose the idea of a declaration, nor would he disapprove of its content when he eventually saw it, but he was troubled that the leaders of the United Kingdom and the United States would issue such an important statement without first consulting the leader of their great ally, Canada. Canada should have been given the chance to see and agree to the statement. King told MacDonald that while he would not make a big stink over the issue, he could not be held responsible for the effect that this sort of behaviour might have on others.

King stood by his promise not to raise a fuss. He did observe at an August 13th meeting of the Cabinet War Committee that he had found it odd that Canada had not been more involved in the conference and expressed his hope that such a situation would not recur. However, in conversation when the drinks came, there was no drink for King.

4. WLMK, August 7th, 1941.
5. WLMK, August 12th, 1941.
6. WLMK, August 12th, 1941.
7. National Archives of Canada [NAC], RG2/7C/C4654/5671, Minutes of Cabinet War Committee Meeting held August 13th, 1941 (Exhibit 103).
with Roosevelt shortly thereafter, King did not bring up the slight that he felt had been dealt Canada	extsuperscript{8}, nor does he seem to have pressed the issue with Churchill in London a few days later.	extsuperscript{9} In fact, when Churchill offered explanations as to why King had been excluded from the conference, King "[t]old him I fully understood the situation and besides I could see the embarrassment I would have been to other parts of the Empire."\textsuperscript{10}

There King let the matter lie, but the episode is of interest as an early manifestation of an attitude that would shape the behaviour of Canadian politicians and officials in the years to come. Canadians were adamant that they should be involved in making decisions that affected the future of their nation, and they sought a greater role in the policy making process in both the political and economic realms during the war and into the postwar period. This was far from the last time that Canadians would be desirous of playing a larger part in the making of decisions that affected their most vital interests.

The matters discussed by Roosevelt and Churchill as they bobbed on the Atlantic did indeed affect Canada's vital interests. As noted, they had issued a joint statement in which they laid out their hopes for the sort of world that might be possible at the end of the war. This declaration came to be known as the Atlantic Charter, and it was the first public statement of the common goals of these two soon-to-be allies in war and peace. Of its eight points, two were primarily concerned with the

\textsuperscript{8} WLMK, August 17\textsuperscript{th}, 1941.

\textsuperscript{9} See, for example, various conversations King had with his British colleagues in London about the conference: WLMK, August 21\textsuperscript{st}, 22\textsuperscript{nd}, 24\textsuperscript{th}, 28\textsuperscript{th}, 1941.

\textsuperscript{10} WLMK, August 22\textsuperscript{nd}, 1941.
nature of the international economy that the US and UK hoped to create after the war. These were Points Four and Five, the final versions of which read as follows:

**Fourth,** They will endeavour, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity;

**Fifth,** They desire to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labour standards, economic advancement, and social security.  

These were matters in which Canada had a vital interest; hence King's annoyance at having been left out of the discussion of them. While no Canadians had been present at the conference between Churchill and Roosevelt, the interests of Canada, as well as those of the other Dominions of the British Commonwealth, had in fact been the subject of discussion in at least one instance. This was during the discussion of Point Four.

Roosevelt had come up with the idea of issuing a joint declaration; Churchill came up with the first draft.  

12 His section on postwar Anglo-American economic policy was promptly rejected as too weak by one of Roosevelt's most influential advisers, Under-Secretary of State Sumner Welles. Welles wanted Churchill to promise that at the end of the war the system of preferential tariffs maintained among the principal Commonwealth nations would be abolished.  

13 This system,
sometimes referred to as the Ottawa agreements because it had been arranged in Ottawa in 1932, was also known as the imperial preference system. The US Secretary of State, Cordell Hull, had been a fanatical opponent of the imperial preference system for years, and he, Welles, and other top State Department officials were committed to destroying it. Welles submitted to Roosevelt an alternative draft, one that unequivocally committed both the United States and the United Kingdom to "the elimination of any discrimination in either the United States or in the United Kingdom against the importation of any product originating in the other country".

Roosevelt preferred a demonstration of US-UK unity and common purpose to the extraction of pledges from Churchill and, at his prompting, Welles's draft was reworked to read: "Fourth, they will endeavour to further the enjoyment by all peoples of access, without discrimination and on equal terms, to the markets and to the raw materials of the world which are needed for their economic prosperity." Churchill expressed his distaste for this version on August 11th, inquiring whether this commitment would cover imperial preferences. When Welles replied in the affirmative, Churchill responded that he could not commit the UK government to such a course without first consulting its partners in the Ottawa agreements, the Dominions and India, and that

14. For the American opposition to imperial preference, see, for example, Gardner, pp. 16-20; Thomas W. Zeiler, Free Trade, Free World: The Advent of GATT (Chapel Hill: The University of North Carolina Press, 1999), pp. 7-9; Francine McKenzie, Rethinking the Bonds of Commonwealth, 1939-1948: Politics, Preference and Postwar Planning (manuscript of forthcoming volume in Palgrave's Cambridge Imperial and Post-Colonial Studies Series, 2001), pp. 41-46. W. A. Mackintosh, a top Department of Finance official, would later reminisce about "the difficulty one had with ... the Americans' theological involvements in the iniquity of the British preferences". See Acheson et al., p. 40.

15. From Sumner Welles's draft of Point Four as reproduced in Pressnell, p. 374.

16. Zeiler, pp. 24-26; Gardner, pp. 41, 44.
“it would be at least a week before he could hope to obtain by telegraph the opinion of the Dominions with regard to this question.” Churchill later added that if Dominion approval could not be obtained, the issuance of the joint declaration might have to be delayed. Harry Hopkins, Special Adviser and Assistant to President Roosevelt, thought “it ... inconceivable that the issuance of the joint declaration should be held up by a matter of this kind.” Roosevelt agreed, and he eventually accepted a redraft by Churchill that read: “Fourth, they will endeavour with due respect to their existing obligations to further the enjoyment by all peoples of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity.” This new version, with its phrase “with due respect to their existing obligations”, seemed to lessen the commitment towards abandoning imperial preferences, leaving many in the UK relieved and many in the US dissatisfied.

Although no Canadians were consulted about the wording of the Atlantic Charter, it would appear that Churchill was at least looking out for their interests in insisting that he could agree to nothing in the field of postwar economic policy without first consulting the Dominions. Perhaps; but in

17. Franklin Delano Roosevelt President Library [FDR]. Sumner Welles Papers/151/08/Major Correspondents 1920-1950/ FDR/Atlantic Charter, 1941, Memorandum of Conversation, August 11\textsuperscript{a}, 1941.

18. Gardner, pp. 45-47.

19. Churchill’s redraft as reproduced in Pressnell, p. 376.

arguing the need for consultation, Churchill might not have been entirely forthcoming as to his reasons for wishing to forestall accepting commitments. After all, the UK government was, and would continue to be, bitterly divided over the wisdom of dispensing with imperial preferences, with several ministers strongly in favour of retaining the Ottawa system. Though it could be argued that the need to do so was obviated by the successful watering down of Point Four, and the ability to do so was circumscribed by the press of time, it must also be remembered that for all of his talk about the need to discuss the matter with the Dominions, Churchill never consulted the Canadian government about the wording of the declaration.

The Atlantic Charter was in keeping with Canadian interests and the Canadian government eventually associated itself with it, though it was not pleased with the way in which it had come about. Nor was it pleased by a UK proposal to announce Dominion acceptance of the Charter before the Dominions had in fact given it. The whole episode pointed towards a most unsavoury future, one in which Canada would have its decisions made for it by the United Kingdom and the United States. Fortunately, however, Canadian views on postwar issues would soon be more actively sought. Whether they would be taken into consideration was another matter.

The United Kingdom was far more diligent about ascertaining Canadian views when it came to the ‘consideration’ that it agreed to accord the United States in exchange for lend-lease assistance. In March 1941, the still-neutral United States passed the Lend-Lease Act, which empowered the

21. In particular, L. S. Amery and Lord Beaverbrook, two influential members of the Churchill government, were strongly in favour of imperial preferences. See Gardner, p. 33.

22. NAC, RG2/7C/C4654/5671, Minutes of Cabinet War Committee Meetings held August 22nd, 1941 (Exhibit 104) and September 18th, 1941 (Exhibit 108).
Roosevelt government to give the United Kingdom desperately needed materials to maintain its all-out war effort against Germany. The UK was not required to pay for these materials in cash: instead, it promised to grant the US some future ‘consideration’, the exact nature of which was left to be decided through later negotiations.

The story of the negotiations concerning the determination of the consideration is a long and complex one.\textsuperscript{23} The Americans first indicated that they might wish to link the consideration to issues of postwar commercial policy in the late spring and early summer of 1941. However, most in the UK government, including the Dominions Office, did not feel that discussion of the issue had progressed sufficiently to warrant consulting the Dominions about it.\textsuperscript{24} It was only when Hull, annoyed at the lost opportunity of the Atlantic Charter, became determined in September 1941 to extract a commitment from the UK government to liberal commercial policies, including the elimination of imperial preference, in the postwar period in return for lend-lease assistance\textsuperscript{25}, that matters progressed to the point where the Dominions had to be apprised of the status of the negotiations.

In September 1941 the UK forwarded to the Dominions a lend-lease agreement drafted by the US. The Churchill government was generally satisfied with it, save for the implied commitment in its seventh article to forswear the use of exchange and import controls after the war, controls that might be necessary in the uncertain conditions of the postwar world. Nor did it like the apparent

\textsuperscript{23} See, for example, Pressnell, pp. 28-59; Gardner, pp. 54-62, 64-68.

\textsuperscript{24} Pressnell, p. 31.

\textsuperscript{25} Pressnell, p. 40.
obligation to abolish the imperial preference system contained within that same article. As a result, the British intended to redraft Article VII so as to dilute its compulsory force, in much the same way as Churchill had done with his amendments to Point Four of the Atlantic Charter, by emphasizing the need for each government to work “within the limits of their governing economic conditions.”

The Canadians shared the British dislike for the commitment to eliminate preferences contained within Article VII. It should not be deduced from this that the Canadians were enamoured of the imperial preference system: a few weeks before the arrival of the American draft lend-lease agreement, King himself had served notice on both the US and UK governments that his government had no great love for the Ottawa agreements. But the Canadians recognized that many in the United States had made it their life’s mission to rid the world of the evil of preferential trade arrangements. The importance of this issue to influential members of the Roosevelt administration meant that it might be a useful tool for Canadian policy makers.


27. King told Roosevelt in a telephone conversation on August 17th that “there was a lot about the Ottawa agreements that I did not take any stock in.” In London on August 28th he told Lord Halifax, the UK Ambassador to the United States, that “we, as a Liberal Government, would have no difficulty in holding to that greater freedom of trade. That it would have to be done by degrees. We had felt policies of the Ottawa Conference had been wrong. We would probably lose some of our following who were in manufacturing centres. We could afford to do that and the party would still be strong for greater freedom of trade throughout the world.” See WLMK, August 17th, 1941 and August 28th, 1941.

28. Evidence of this can be seen in the Canadian attitude towards the 1941 US request for a reduction in the UK preferential tariff on apples, discussed below in Chapter 5. In particular, see NAC, RG19/3989/T-2-2, W. A. Mackintosh to W. C. Clark, December 3rd, 1941.
There was one thing that the Canadians did not like about the UK draft, which called for early conversations towards implementing the commitments undertaken in Article VII and, more generally, planning the shape of the postwar international economy.\textsuperscript{29} The proposed discussions were to be between the US and the UK: nowhere was mention made of including the Dominions in these talks, notwithstanding their obvious interest in them. Once again Canada was being left out of the loop. This was just what had happened the month before during the making of the Atlantic Charter; the same thing had also occurred three years before during the discussions leading up to the 1938 US-UK trade agreement. Norman Robertson, the Under-Secretary of State for External Affairs, pointed this out to King a few days after receiving the draft lend-lease agreement:

\begin{quote}
In return for the assistance now extended under Lease-Lend, the United States is really pressing for payment, not at the expense of the United Kingdom but at the expense of the other parts of the Empire which enjoy a preferred position in the British market. We spent months in Washington in 1938 convincing the United States Government that, when the United Kingdom reduced its duties on United States wheat, apples, and lumber, it was not the United Kingdom but Canada that was really making an economic concession in favour of United States export interest. It looks as if the old argument will have to be renewed again. It is certainly not an argument which solely concerns the United Kingdom and the United States.
\end{quote}

Robertson advised telling London that Canada supported its proposal to water down the wording of Article VII, while stressing that the question of imperial preferences was not one that the UK and the US could decide alone. Consultation with the Dominions was an absolute necessity; as such, the proposal for bilateral discussions was "inadequate".\textsuperscript{30} On October 9\textsuperscript{th}, the Cabinet War Committee decided to advise the UK that Canada had a vital interest in the matters at issue in

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\textsuperscript{29} PRO, DO114/112, Dominions Paper No. 206, "War (Economic), Correspondence and Papers, 1940-1946", SSDA to SSEA, D.591, September 30\textsuperscript{th}, 1941.
\textsuperscript{30} NAC, RG2/7C/5/C4654/5671, N. A. Robertson to the Prime Minister, October 3\textsuperscript{rd}, 1941. See also Jack Granatstein's description of Robertson's reaction in A Man of Influence, pp. 116-117.
\end{flushright}
Article VII and that provision had to be made for its inclusion in any talks on the matter.\textsuperscript{31}

In mid-October the UK submitted its revision to the US; in early December, the US responded with a new draft designed to meet UK criticisms.\textsuperscript{32} The British cabled their dislike for the latest US proposal to the Dominions on December 20\textsuperscript{th}, believing it to contain still too strong a commitment in the matter of imperial preferences. Moreover, they now thought that they could get the US to adopt a more lenient attitude towards the whole issue of the consideration, not least because Pearl Harbor had brought the United States into the war alongside the United Kingdom.\textsuperscript{33} On Christmas Day, the UK notified the Dominions that it had directed its Ambassador in Washington, Lord Halifax, to propose to the US an exchange of letters laying out their understanding of the commitment contained in Article VII.\textsuperscript{34} Halifax’s response was not encouraging, as he strongly advised his government to stop prevaricating and quickly come to an agreement with the Americans. The pressures of the Congressional timetable were making the Roosevelt administration increasingly insistent about settling the issue\textsuperscript{35}: Roosevelt would shortly need to give Congress concrete evidence that the United States of America was not being played for a sucker by the wily old United Kingdom.

\textsuperscript{31} NAC, RG2/7C/C4654/5671, Minutes of Cabinet War Committee Meeting held October 9\textsuperscript{th}, 1941 (Exhibit 111).

\textsuperscript{32} Pressnell, pp. 45-46.

\textsuperscript{33} PRO, DO114/112, Dominions Paper No. 206, “War (Economic), Correspondence and Papers, 1940-1946”, SSDA to SSEA, D.753, December 20\textsuperscript{th}, 1941.

\textsuperscript{34} PRO, DO114/112, Dominions Paper No. 206, “War (Economic), Correspondence and Papers, 1940-1946", SSDA to SSEA, D.767, December 25\textsuperscript{th}, 1941.

\textsuperscript{35} NAC, RG2/43/U-12-8/1941-1942, SSDA to SSEA, D.4, January 2\textsuperscript{nd}, 1942.
On the same day that the UK government shared Halifax’s assessment with the Canadian government, the Secretary of State for Dominion Affairs asked Malcolm MacDonald, the UK High Commissioner in Canada, to ascertain how the Canadians felt about the consideration issue.36 A little over a week later, MacDonald reported that Robertson saw no reason for Canada to object to the latest US draft and agreed with Halifax that it would be a bad idea to try to put the Americans off. Robertson would advise his ministers to give their blessing to an early settlement of the issue on the basis of the most recent US draft. MacDonald concluded that while Canadian ministers had not yet discussed the issue, they would likely agree with Robertson; in particular, he thought King “strongly inclined to do so.”37

While Canada might have been ready to act quickly, the UK was not. It continued to hope for an exchange of interpretive notes to water down the commitment contained within Article VII, formally presenting this idea to the US in early February 1942.38 But the Americans would have none of it, replying quickly and decisively that there could be no reservations to Article VII. The

36. PRO, DO114/112, Dominions Paper No. 206, “War (Economic), Correspondence and Papers, 1940-1946”, SSDA to the United Kingdom High Commissioner in Canada [UKHCC], No.11, January 2nd, 1942.

37. PRO, DO114/112, Dominions Paper No. 206, “War (Economic), Correspondence and Papers, 1940-1946”, UKHCC to SSDA, No.60, January 10th, 1942. Granatstein notes that while Robertson was still annoyed by the lack of US consideration for Canadian interests in this matter, “[u]nder present circumstances ... [Robertson did] not think we would be justified in pressing our objections on this score to the point of imperilling [sic] the direct negotiations between the United Kingdom and the United States”. Moreover, while Canada had an interest in keeping its preferential status in Commonwealth markets, it had “a greater interest in supporting the main objectives of American international economic policy”. See Granatstein, A Man of Influence, pp. 119-120.

British saw the writing on the wall and quickly cabled round to the Dominions asking for approval.39

In a memorandum dated February 14th, Robertson urged King to support British acceptance of Article VII. A meeting the previous evening with the Deputy Ministers of Finance, Trade and Commerce, and Customs, as well as the Governor of the Bank of Canada, had revealed that all were agreed that, given the situation, Canada could not object to UK acceptance. Robertson concluded: "Nobody can foresee what the pattern of our economic relations after the war will be with the United States and the other countries of the British Empire. All we do know is that none of us can return to the precise arrangements prevailing before the war."40 On February 18th, the Cabinet War Committee gave its approval41, which it cabled to the UK on February 19th, 1942:

In all of the circumstances which have been very fully set out in your telegram under reference and earlier telegrams, and in view of the firm assurances which have been received from the United States about the mutual character of the adjustments to be made in realizing the objectives set forth in Article 7 of draft Lease-Lend Agreement, our Government does not see any objection to the United Kingdom proceeding immediately with arrangements for signature outlined in your telegram.42

The final version of Article VII that appeared in the Mutual Aid Agreement signed by the United States and the United Kingdom on February 23rd, 1942, was:

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of the 11th March 1941, the terms and conditions thereof shall be such as not to


40. NAC, RG2/43/U-12-8/1941-1942, Norman Robertson to the Prime Minister, February 14th, 1942.

41. NAC, RG2/7C/C4874/5674, Minutes of Cabinet War Committee Meeting held February 18th, 1942 (Exhibit 144).

42. NAC, RG2/43/U-12-8/1941-1942, SSEA to SSDA, No.52, February 19th, 1942.
burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on the 12th August, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

At an early convenient date conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.\(^{43}\)

From the Canadian point of view, the Article VII episode must have represented a change for the better compared to the experience of the creation of the Atlantic Charter. The UK had consulted Canada on the wording of the article. The commitment to dismantle the imperial preference system seemed to have been watered down in the final version of the article, which had also been amended to substitute multilateral talks about postwar economic policy for the bilateral ones originally suggested by the UK. Canada could have little to complain about where Article VII was concerned, particularly since Canada itself was not bound by it.

Just as the UK had needed US assistance by the early part of 1941, so had Canada. The war effort wrecked havoc on Canada’s financial relations with the United States, such that by the spring of 1941 Canada’s US dollar reserve position was in very bad shape. Like the UK, Canada needed to come to some sort of arrangement with the US in order to maintain its all-out war effort. The solution for the United Kingdom had been the lend-lease program. Canada opted for another, less

\(^{43}\) As quoted in Pressnell, p. 372.
constricting arrangement, struck on a fine Sunday in April amidst the early spring splendour of Hyde Park, New York.

On April 20th, 1941, King paid a visit to the Roosevelt family estate in Hyde Park. On that day he and Roosevelt found the solution to Canada’s US dollar problem that had been eluding their advisers for weeks, one that did not involve Canada entering into a formal arrangement under the lend-lease program. Instead, American dollars would be funneled to Canada through annual guaranteed purchases of defence articles by the United States in Canada to the tune of $200 million to $300 million per year. In addition, given that a large part of Canada’s deficit of US dollars was attributable to the need to pay for imports from the United States to incorporate into war-related goods that were then shipped directly to the United Kingdom, Roosevelt agreed that such purchases were to be charged against the United Kingdom’s lend-lease account, thereby releasing Canada from having to come up with the American dollars to pay for them. King and Roosevelt also pledged to use the economic resources of their nations so as best to assist the fight against the forces of tyranny in Europe.44

The Hyde Park Declaration, as this arrangement would come to be called, had many significant implications, two of which are of particular concern here. First, Canada managed to solve its dollar problem without resort to lend-lease. This meant that Canada did not have to sign a lend-lease agreement with the United States. This in turn meant that Canada was not formally bound to any of the provisions of the standard lend-lease agreement, including the above mentioned Article VII.

This would shortly become very important to Canada, as will be discussed below. Second, the Hyde Park Declaration brought Canadian and American officials into a closer working relationship, and led, indirectly, to the formation of the Joint Economic Committees.

The idea that Canada and the US should create a bilateral organization to effect better economic cooperation predated the Hyde Park Declaration. In an aide-memoire dated March 17th, 1941, Canada suggested to the United States that each nation set up a three member committee. Each committee would work independently on issues requiring bilateral cooperation and then work together in joint session. In their work the committees should seek:

(a) to effect a more economic, more efficient, and more co-ordinated utilization of the combined resources of the two countries in the production of war requirements, and

(b) to minimize the probable post-war economic disequilibrium consequent upon the changes which the economy in each country is presently undergoing.

The Americans were immediately sympathetic to this idea45, and remained so even after the Hyde Park arrangements disposed of some of the issues that had prompted the suggestion in the first place. Hyde Park had not taken care of everything; for example, "[t]he long range aspects of the problem, both those during the present emergency and those comprehended in the numbered paragraph (b) of the Aide-Memoire under reference, do not appear to be covered by existing arrangements." The Americans agreed that the two countries should establish a joint committee "to explore ... the possibility of a greater degree of economic cooperation between Canada and the United States".46

45. FDR, Adolf Berle Papers/60/Joint Economic Committee - Canada-US - 1941 + 1943, A-B AAB:AA to The Secretary and Welles, April 19th, 1941.

The establishment of the Joint Economic Committees (JEC) was announced on June 17th, 1941. Their membership indicates that both nations took this venture seriously. On the American side there were William Batt, Harry Dexter White, Alvin Hansen, and E. Dana Durand, with Adolf Berle as an occasional member; on the Canadian, W. A. Mackintosh, J. G. Bouchard, and Alex Skelton, with Hugh Keenleyside as an occasional member.

Canada now had a formal means of consultation with the United States. Each side had its sceptics as to its potential usefulness. Three days after the announcement of the committees, Mackintosh wrote that he was not “bursting with ideas for” consideration by the new body. Berle adopted a more cynical tone: “Last night, to the opening dinner for the Joint Canadian-American Committee to work out economic cooperation, post-war settlements, and reform the universe. The people on it seem to be thinking on very broad lines.”

47. In June 1941, C. H. Herbert, of the Sun Life Assurance Company of Canada, wrote Mackintosh praising the establishment of the committees (despite, he notes, Mackintosh’s suspicion that the whole venture would never even get off the ground in the first place), adding, “I am even more glad to see that you are a member of it and that you are joined - both from this country and from the United States - by a number of others who are what “The Economist” calls capable of “economic statesmanship”.” See NAC, RG19/3570/J-01, C. H. Herbert to W. A. Mackintosh, June 19th, 1941.


49. NAC, RG19/3570/J-01, W. A. Mackintosh to C. H. Herbert, June 20th, 1941.

50. FDR, Adolf Berle Papers/213/Diary/July-September 1941, Memorandum, July 15th, 1941.
The members of the JEC were indeed thinking on very broad lines, approaching issues from the ground up, taking nothing for granted, and canvassing all theoretical possibilities. On July 15th, 1941, Alvin Hansen, Chairman of the American Committee, wrote that he "agree[d] heartily with" Alex Skelton's contention "that we must not limit our view of the post-war problem posed by the terms of reference of these committees to that of facilitating demobilization alone."^51 Hansen proposed some issues to be considered in an appraisal of the possibilities for the long-run integration of the Canadian and American economies, and expressed his hope "that the Committees will launch a determined blitz into the no man's land of post-war collaboration and gain tenable territory for Canada and the United States, which it may be possible to share with the rest of the world."^52 Progress in this area, to American minds at least, was needed soon: the involuntary entry of the Soviet Union into the hostilities in June 1941 suggested that the end of the war, though perhaps not imminent, was near enough that serious thinking on postwar issues needed to begin.\(^53\)

It was the Americans who launched the blitz two weeks later. In a memorandum entitled "Suggested outline for a report on Canadian-United States Economic Relations in the Post-War World", they suggested examining a number of issues associated with the past, present, and future

^51. NAC, RG19/3573/J-01c, "Scope of Committees' Program", by Alvin Hansen, July 15\(^{th}\), 1941. The decision to think along broad lines was confirmed at a meeting in November 1941. See Queen's University Archives [QU], W. C. Clark Papers/3/E-3-2, Joint Economic Committees, Canada-United States, Minutes of the Fourth Joint Meeting, Montreal, November 7\(^{th}\), 8\(^{th}\), and 9\(^{th}\), 1941, Minutes of the Second Session of the Joint Meeting, November 7\(^{th}\), 1941.

^52. NAC, RG19/3573/J-01c, "Scope of Committees' Program", by Alvin Hansen, July 15\(^{th}\), 1941.

^53. US National Archives and Records Administration [NARA], RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/42/Canada: Mutual Assistance, Mr. Southard to Mr. White, July 30\(^{th}\), 1941.
economic situations of and relations between the two nations, including the areas in which parallel policies might prove helpful after the war, as well as the areas in which greater cooperation, collaboration, and integration between the two economies might prove of use.\textsuperscript{44} A little over a week later, Charles Kindleberger added the need to consider issues that might arise from changes in tariffs and other barriers to trade between Canada and the United States.\textsuperscript{55}

The Canadian response was restrained, suggesting that a fundamental flaw in the American outline was its implicit assumption of "an ideal political atmosphere following the war." Furthermore, they needed to find some sort of central theme that tied together the issues raised by the Americans, as the committees "shall always face the danger of turning out encyclopedic but pointless masses of material." The Canadians suggested that they discuss ways to maximize continental income. The first issue to be addressed was whether they should base their plans on the assumption of the need for continental self-sufficiency or on the possibility of multilateral international economic activity. There was at present no way of telling which of these two approaches would be necessary at the end of the war: as the memo noted, "A German victory would make the decision clear; a British victory will leave it in doubt." This uncertainty did not obviate the need to consider the issue. One way or the other they would have to face hard choices, and they could either think about them now and be ready for them when they arose, or they could put them off, only to face them later, unprepared and forced to fall back upon hastily decided solutions. The Canadians asserted that,

\textsuperscript{44} NAC, RG19/3573/1-01c, "Suggested outline for a report on Canadian-United States Economic Relations in the Post-War World", by Alvin Hansen, July 29\textsuperscript{th}, 1941.

\textsuperscript{55} NAC, RG19/3573/1-01c, "Suggested outline for a report on Canadian-United States Economic Relations in the Post-War World", by Alvin Hansen, Addendum to Memo dated July 29\textsuperscript{th}, 1941, August 6\textsuperscript{th}, 1941.
In considering these problems we may reach conclusions recommending radical and drastic action, but in appraising these conclusions we must always keep in mind the alternative, that is, what the situation will be if we fail to take radical and drastic action. It is suggested that our whole review of the economies of the United States and Canada in relation to each other and to the rest of the world should be made in just this light; that we can scarcely over-emphasize the dangers of lack of collaboration and lack of action in developing the case for collaboration and action.

Studies might fruitfully be undertaken on many of the issues suggested by the Americans, including the way in which conditions of the postwar world would affect the two countries:

The items in this section outline some of the larger problems with which Canada and the United States will have to cope in the post-war world. They would be discussed so as to emphasize the difficulties which would ensue if matters were allowed to drift or were handled by the usual orthodox and ad hoc methods. If the discussion is properly pointed, the places, methods and desirability of joint action and long-run collaboration would be clear and obvious.56

The Canadian suggestions were considered at the JEC meetings in Ottawa on August 8th and 9th, 1941. There was a good deal of discussion about the importance of the role of the US as an importer in any postwar scenario. Mackintosh asserted that their "report on long-run collaboration cannot hope to be an actual blueprint, but rather should present the various ways by which post-war problems may be met." The committees agreed to use the Canadian memorandum as the starting point for a report on long-run Canadian-American economic collaboration and that a draft of the report should be ready for their next joint meeting.57

The draft report was presented to the fourth JEC meetings in Montreal on November 7th, 8th, and 9th, 1941.

56. NAC, RG19/3573/J-01c, "After the War", by the Canadian Section of the Joint Economic Committees, August 6th, 1941.

57. NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/42/Canada: Mutual Assistance, Mr. Southard to Mr. White, August 14th, 1941.
1941. Much discussion was occasioned by its third and fourth sections, which dealt with the postwar international economic situation and the way in which Canada and the US would be affected by the postwar world. Mackintosh observed that there was almost unanimous agreement that the report should not be limited to considering Canadian and American options in a postwar world in which only regional economic collaboration was possible, even if this was the most likely eventuality. Instead, it should present the options available in a world in which wider international collaboration was possible. The committees agreed that the report should not consider Canadian-American postwar economic relations in isolation, but in the context "of the widest economic universe that it is practicable to attain." 58

Hansen then shared the conclusions about postwar international economic collaboration he had reached on a recent visit to the United Kingdom. He suggested that the best approach to the problem of international economic collaboration was to take a closer look at the difficult position in which the UK would likely find itself at the end of the war. The exigencies of its war effort had forced it to sell off its international investments, abandon many of its foreign markets, as well as a good portion of its shipping and insurance income, and amass great debts abroad. However, at the end of the war, the needs of reconstruction would force the UK to import a vast amount of goods from abroad. In these circumstances there would be only two routes open to it. The first was the path of Schachtian bilateralism adopted by Germany in the 1930s, a path that would be undesirable from the point of view of the United States and other nations. The second path was that of multilateralism, wherein the world economy would be reconstructed so that a high degree of

58. QU, W. C. Clark Papers/3/E-3-2, Joint Economic Committees, Canada-United States, Minutes of the Fourth Joint Meeting, Montreal, November 7th, 8th, and 9th, 1941, Minutes of the Third Session of the Joint Meeting, November 8th, 1941.
international trade and investment could flourish and the UK would have ample opportunities for prosperity. To achieve such a world, Hansen suggested, international collaboration on a large scale would be needed:

He said that the conditions necessary to achieve a solution through the international approach could only be obtained by the maintenance of high levels of national income in each country, through appropriate internal policies, by the revival of international investment and the development of backward areas, and by international collaboration in the reduction of trade barriers. If effective efforts were made to maintain high levels of activity by internal measures in a wide range of countries, particularly in the United States, the United Kingdom, the British Dominions, Holland, Sweden, Norway, etc., there would be an all-round demand for imports which would create a basis for a large volume of international trade, an adequate supply of United States dollars and sufficient opportunities for England to achieve a balance in her external accounts.

The maintenance of full employment was too important to be left to independent and unsupervised initiative; what was needed was an "international anti-depression board which would ensure collaboration and advise the respective governments on such matters as timing, methods, types of projects, etc." There might also be an organization to oversee international investment, either guaranteeing or insuring it and then directing it towards less industrialized nations. This would contribute to a high level of international investment, a necessary condition of a high level of international trade.59

Hansen concluded by submitting a draft statement that could be made by the governments of the United States and the United Kingdom on the desirability of a multilateral approach to postwar economic problems. The two nations would pledge themselves to pursue collaboratively domestic policies designed to bring about "the fullest possible employment" and an increased level of production and standard of living, and to promote international trade and the most effective use of

59. QU, W. C. Clark Papers/3/E-3-2, Joint Economic Committees, Canada-United States, Minutes of the Fourth Joint Meeting, Montreal, November 7th, 8th, and 9th, 1941, Minutes of the Third Session of the Joint Meeting, November 8th, 1941.
international resources. Other governments would be invited to adhere to the declaration and undertake actions necessary to the achievement of its goals. The declaration also called for the establishment of an International Economic Board to advise governments on "internal policy designed to promote full employment, economic stability, and world trade" and an International Development Corporation to make funds available for development projects, as well as sponsor an International Resources Survey geared towards identifying potential development projects throughout the world.60

Hansen's presentation was received sympathetically. Mackintosh thought that the "suggestions regarding collaboration on a broad international basis not only presented a framework for further study but constituted something which the Committees might wish to promote." He later noted that Canada would have a tough time trying to survive in a world characterized by economic bilateralism; as such, it had a fundamental interest in international economic cooperation and would be very interested in Hansen’s scheme. The committees resolved to prepare a report that would outline the need for, and means of, postwar multilateral economic cooperation. While the report would focus on the options available in a world in which international economic cooperation was possible, it should also examine the available options in what was the "most realistic possibility", a world in which widespread international cooperation was not possible.61 They also agreed to draft "a resolution for presentation to the two governments recommending that Canada and the United

60. QU, W. C. Clark Papers/3/E-3-2, Joint Economic Committees, Canada-United States, Minutes of the Fourth Joint Meeting, Montreal, November 7th, 8th, and 9th, 1941, Minutes of the Third Session of the Joint Meeting, November 8th, 1941.

61. QU, W. C. Clark Papers/3/E-3-2, Joint Economic Committees, Canada-United States, Minutes of the Fourth Joint Meeting, Montreal, November 7th, 8th, and 9th, 1941, Minutes of the Third Session of the Joint Meeting, November 8th, 1941.
States take steps to invite the United Kingdom to join an agreement for the joint tripartite declaration and adoption of a programme for post-war international economic collaboration along the lines suggested by Mr. Hansen.\textsuperscript{62}

Both the report and the resolution, the product of the efforts of members of both committees, were ready for the next joint meeting, held in New York City. On December 5\textsuperscript{th}, 1941, the committees adopted the report and the resolution, and pledged to submit them for the consideration of their respective governments. The resolution, Number 6, recognized that the postwar economic problems of Canada and the United States could not be considered in isolation from international economic conditions; that national prosperity could not be had through policies that sought domestic or regional self-sufficiency; that international collaboration was a necessary condition of expanded international trade and the most efficient use of the world’s resources; that there was a need for an international mechanism through which domestic and foreign economic policies could be created and coordinated; and, given the need to begin both planning and acting for the postwar world, that the US, Canada, and the UK constituted “a sufficient nucleus” of nations to get the ball of international cooperation rolling, though it might be desirable to secure the acceptance of other nations to a joint declaration of postwar intentions.\textsuperscript{63}

A tripartite declaration, which the Joint Economic Committees recommended the Canadian and

\begin{itemize}
\item \textsuperscript{62} QU, W. C. Clark Papers/3/E-3-2, Joint Economic Committees, Canada-United States, Minutes of the Fourth Joint Meeting, Montreal, November 7\textsuperscript{th}, 8\textsuperscript{th}, and 9\textsuperscript{th}, 1941, Minutes of the Fourth Session of the Joint Meeting, November 8\textsuperscript{th}, 1941.
\item \textsuperscript{63} NAC, RG2/2/D-18-3 1941, Cabinet War Committee Document No.45B, “Resolution of the Joint Economic Committees of Canada and the United States, Resolution No. 6”, December 5\textsuperscript{th}, 1941.
\end{itemize}
American governments ask the British government to join them in making, stressed the need for international economic collaboration “in promoting full employment, increasing production, expanding markets, improving standards of living; and fostering social security and economic stability throughout the world.” To achieve these goals, the declaratory governments would promise to pursue coordinated internal and external policies geared towards the effective use of national and international resources and to “establish forthwith an International Stabilization and Development Board ... to work out specific programs of international collaboration on the following lines:

(a) To prevent depression or to check inflationary tendencies in the post-war period and from the long-range standpoint to promote continuing economic stability and full employment.

(b) To make an International Resources Survey for the purpose of exploring the needs and opportunities for socially and economically desirable reconstruction and developmental projects in countries or broader regions where the capital required for such projects is not readily available, it being understood that such projects shall not be explored or carried out in any area without the consent and collaboration of the government or governments of the area affected.

(c) To work out specific and concrete plans for the organization of such public international agencies or instrumentalities as may be helpful in promoting such projects by credit, investment or commodity operations, or by other means, and in furthering the objectives set forth in this declaration.”

The “Report on International Economic Collaboration”, which accompanied the resolution, stressed “that the post-war problems of Canada and the United States cannot be treated in isolation from the rest of the world”, as autarkic tendencies among the nations outside of North America would threaten the export-oriented sectors of the US and Canadian economies. Given the importance of developments in the wider world to their two nations, “[t]he foremost task of collaborative action

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64. NAC, RG2/2/D-18-3 1941, Cabinet War Committee Document No.45B, “Resolution of the Joint Economic Committees of Canada and the United States, Resolution No. 6”, December 5th, 1941.
in Canada and the United States, therefore, consists in the endeavour, by their own policies and by their united influence and cooperation with other nations, to make it possible for all nations to adjust to post-war conditions in concert, rather than individually, competitively, and at one another's expense."

The report then examined how the anticipated postwar difficulties of the United Kingdom could be seen as a microcosm of the general problems likely to be faced at the end of the war. Closely parallelling Hansen's remarks in November, it emphasized that were the nations of the world forced into adopting bilateralist policies, the result would be a very difficult existence for the United States and an impossible one for Canada. Both nations needed the freest possible international economic interaction. The report also asserted that domestic and foreign economic policies went hand in hand: domestic policies aimed at full employment and improved standards of living could only work in a stable international system, while a stable international system could only come about if such goals were pursued in every country. It would be up to the larger countries to take the lead in both the domestic and international fields, but smaller nations would also have to take positive action in pursuit of the same goals. The nations of the world had to work together, coordinating their domestic and foreign policies. The report concluded:

What immediate steps can be taken to this end? A primary requisite is provision for joint study, and for joint formulation and recommendation of policy to the governments concerned. Steps should be taken to provide machinery for this immediately, commencing with the most convenient grouping of countries which can provide a practical working basis, and expanding it as circumstances make desirable. The United States and the United Kingdom are the two obvious pivotal powers, and the intimate and extensive relations of Canada with each, as well as her own importance in the world economy, make her a logical

and desirable addition. The specific proposal made by the Joint Economic Committees is for a joint declaration of policy by the Governments of the United States of America, United Kingdom, and Canada, and for the establishment by them of an International Stabilization and Development Board to formulate and recommend methods of implementing the declaration.66

Mackintosh submitted the report and the resolution to the Canadian government on December 17th, 1941. In a letter to King, he strongly endorsed the course proposed in the resolution and report. The JEC recognized that the approach to be adopted towards the postwar economy was a matter for decision by governments67, but the members of the Canadian committee believed “that it is only by promoting and participating in a collaboration between the United States and the United Kingdom, with the threefold object of developing co-ordinated policies for maintaining employment, ensuring relative freedom of trade, and contributing to productive international investment, that Canada can find after the war the larger world economy necessary to her tolerable existence.”68 The report and resolution came before the Cabinet War Committee on December 19th, 1941, but it deferred its decision until it had had time to consider them more fully.69 Mackintosh, for his part, was hopeful that the Joint Economic Committees might actually achieve something important in the field of


67. NAC, RG2/2/D-18-3 1941, Cabinet War Committee Document No.45C, Joint Economic Committees, Canada-United States, “Report on International Economic Collaboration”, December 5th, 1941. Mackintosh stressed the same point in a letter to Arnold Heeney, the Clerk of the Privy Council, which he sent along with the letter to King and the report and resolution. See NAC, RG2/2/D-18-3 1941, W. A. Mackintosh to A. D. P. Heeney, December 17th, 1941.

68. NAC, RG2/2/D-18-3 1941, Cabinet War Committee Document No.45A, W. A. Mackintosh to W. L. Mackenzie King, December 17th, 1941.

69. NAC, RG2/7C/C4654/5672, Minutes of Cabinet War Committee Meeting held December 19th, 1941 (Exhibit 131).
postwar planning.  

His hopes were soon dashed. Hansen had submitted the JEC report and resolution to Roosevelt in the middle of December. It quickly became apparent that there were some within the Roosevelt administration who were not impressed. On January 22nd, 1942, Hume Wrong, "the de facto head of the Canadian legation" in Washington, reported that Dean Acheson, the US Assistant Secretary of State, had told him "that the Resolution adopted by the Joint Economic Committees at their meeting in New York in December was causing him a great deal of hesitation, and I gathered from him that it was not likely that the State Department would support its acceptance by the President."  

Wrong gathered correctly. On February 3rd, Hull sent Roosevelt for his signature a letter to Hansen that effectively squelched the whole initiative. While avowing support for expert consideration of ways to make the postwar world a better place, and expressing confidence that the JEC's work would be of use as discussion on this matter continued, the letter said:

> With reference to your recommendation that the Governments of the United States and Canada invite the Governments of the United Kingdom and perhaps other governments to join in a declaration along the lines indicated, and establish at once an International

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70. On January 5th, 1942, Mackintosh wrote to R. A. C. Henry of the work of the Joint Economic Committees: "However, I think we have succeeded in doing a few useful things in wartime collaboration, and I hope we may be able to accomplish more with respect to the post-war period." See NAC, RG19/3571/J-01 (second file), W. A. Mackintosh to R. A. C. Henry, January 5th, 1942.


72. NAC, RG19/3572/J-01, Hume Wrong to Norman Robertson, January 22nd, 1942.

73. FDR, Franklin Delano Roosevelt Papers/Official Files/4519, "Joint Economic Committee of Canada and US, 1939-1942", Cordell Hull to Franklin Roosevelt, February 3rd, 1942.
Stabilization and Development Board, I feel that further discussions within this Government, and between this Government and other Governments concerned, in regard to basic principles and broad objectives will be necessary before it becomes feasible to draw up and present any comprehensive plan or international organization designed to implement the economic principles set forth in the Atlantic Charter.\textsuperscript{74}

One of the first joint initiatives by American and Canadian officials in the field of postwar planning had been dashed almost as soon as it had been proposed. Despite several subsequent attempts by their members to devise a useful program of work in the postwar planning field, never again did the Joint Economic Committees formally submit to their governments a sweeping proposal along the lines of Resolution 6. Atrophy set in, and the Joint Economic Committees were formally disbanded in late 1943.

There were many reasons why the Joint Economic Committees failed to achieve anything concrete in the field of postwar planning. Membership problems, lack of desire on the part of either government to exploit the committees' possibilities, the problems of a bilateral organization trying to make multilateral plans, uncertainty as to the nature of the postwar world, and uncertainty as to governmental postwar priorities were all identified as reasons for their lack of success.\textsuperscript{75} Moreover, their one big postwar initiative, Resolution 6, was too ambitious. Berle got it right when he mused

\begin{flushright}
\textsuperscript{74} FDR, Franklin Delano Roosevelt Papers/Official Files/4519, "Joint Economic Committee of Canada and US, 1939-1942", Franklin Roosevelt to Alvin Hansen, February 6\textsuperscript{th}, 1942.

\textsuperscript{75} See, for example, NAC, RG19/3572/J-01, "Joint Economic Committees of Canada and the United States", Memorandum for the Under Secretary, January 6\textsuperscript{th}, 1943; W. A. Mackintosh to H. L. Keenleyside, February 2\textsuperscript{nd}, 1943; W. A. Mackintosh to A. G. Grauer, March 15\textsuperscript{th}, 1943; NAC, RG19/3569/J-01, "Joint Economic Committees of Canada and the United States", Memorandum for the Under-Secretary, September 2\textsuperscript{nd}, 1943. See also QU, W. C. Clark Papers/3/E-3-2, "Memorandum on the Joint Economic Committees of Canada and the United States", October 8\textsuperscript{th}, 1943.
\end{flushright}
that JEC members were out to "reform the universe". However, ideas that sound great in the conference room often lose their appeal when tried out in the cabinet room. Mackintosh recognized this in a letter to Hansen in late April 1942: noting the apparent unwillingness of their governments to pursue any further postwar planning at that time, Mackintosh cautioned that JEC members were in danger of running too far ahead of their respective governments in their opinions and their plans. In fact, they already had.

Nevertheless, the work of the Joint Economic Committees is important for what it reveals about early Canadian and American attitudes towards postwar planning. It shows that Canadian and American officials were eager to get cracking on planning for the postwar world very early on in the war, even before the US had become a belligerent. Their work showed a good appreciation of the potential postwar troubles of the UK; it also showed an understanding of the disastrous implications of such troubles for Canada and the US. Moreover, broadly speaking, what the members of the Joint Economic Committees wanted, their respective national governments eventually declared themselves to want too: grand initiatives, international cooperation, multilateralism. Finally, Resolution 6's assertion of the need for an early approach to the UK on issues of postwar planning presaged the eventual pattern of that planning, as the United States and the United Kingdom soon became the nexus of the process. American and Canadian officials had quickly discovered that Canada-US relations could not be considered in isolation from the rest of the world. They had also realized that no real progress could be made in planning for the world

76. FDR, Adolf Berle Papers/213/Diary/July-September 1941, Memorandum, July 15th, 1941.

77. NAC, RG19/3571/J-01, W. A. Mackintosh to Alvin Hansen, April 27th, 1942.
after the war without British cooperation\textsuperscript{28}; ironically, the same understanding contributed to the death of their proposal in February 1942.

The future of postwar planning lay not in the work of the Joint Economic Committees, but in the discussions to which the US and UK had pledged themselves in Article VII of the Mutual Aid Agreement. As noted above, Canada chose not to be a recipient of American lend-lease assistance and so was not bound by Article VII. There were many reasons why Canada chose not to accept lend-lease from the United States\textsuperscript{79}; ironically, in light of later events, one of the reasons was to avoid being obligated to accept the commitments contained in Article VII.

Despite the Hyde Park arrangement, by February 1942 the Canadian US dollar position was in poor shape. American officials sought ways to ameliorate their ally's financial position so that it could continue to give its all to the now common war effort. The top official in the Treasury Department, Harry Dexter White, wanted to explore all possible means of helping the Canadians, including signing them on to the lend-lease program, despite the fact that the latter had made their opposition

\textsuperscript{78} Mackintosh, for one, had learned this lesson well. In a letter to Hansen in late April 1942, he observed that the United States and Canada had “gone far enough to encounter the difficulties of post-war planning on a bilateral basis. Indeed, our discussions have led us to the conclusion that a major object should be to escape the necessity of working on a bilateral basis.” See NAC, RG19/3571/J-01, W. A. Mackintosh to Alvin Hansen, April 27\textsuperscript{th}, 1942. In May he suggested to Hansen that they consider establishing links between a revamped JEC and comparable bodies or individuals in the United Kingdom. See NAC, RG19/3571/J-01, W. A. Mackintosh to Alvin Hansen, May 21\textsuperscript{st}, 1942.

to this course known to the US government. Nevertheless, in May 1942 American officials proposed to the Canadians that financial assistance to Canada be housed within the greater lend-lease mansion. The Canadians were not enthusiastic, not least because they did not want to commit their nation to the provisions of Article VII. Political issues were involved. While the Canadian government favoured postwar commercial liberalization, some Canadians favoured retaining the Ottawa agreements, and it would be unwise to antagonize them. More important, while the Canadian government might agree with the intent of Article VII, it did not want it to appear as though it were being forced to accept the postwar economic order envisioned in the article. Might not an agreement be drawn up that did not include the article? The Americans understood the Canadians' position, and many thought that they had a valid point: such an article in an agreement between Canada and the US was unnecessary given the Canadian commitment to a liberalized multilateral postwar world order. But the State Department insisted that all lend-lease agreements include Article VII. There could be no exceptions, not even for Canada.

Nothing came of the proposal that Canada accept lend-lease. The Canadians did not want it, and many on the US side did not think they needed to take it. Mackintosh noted that the idea, which had

80. QU, W. C. Clark Papers/3/E-3-2, Minutes of the United States Committee of the Joint Economic Committee, Meeting held February 18th, 1942.


82. NAC, RG19/3571/J-01, W. A. Mackintosh to A. F. W. Plumptre, May 5th, 1942.

originated in the State Department, had not received enthusiastic support from any other quarter in the Roosevelt administration. He also observed that Lauchlin Currie, a close and influential adviser to the President, said that Canada was doing just fine financially and would continue to do just fine. Currie was right: Canada was never forced to take lend-lease aid from the United States and thus avoided being formally committed to Article VII.

Although Article VII had its disadvantages, it also had its advantages. Chief among these was that the US-UK talks held under its aegis quickly became the most important talks in town. Canadian officials came to see that by staying out of the lend-lease program, they risked being left out of essential postwar planning discussions. On May 27th, 1942, W. C. Clark, the Deputy Minister of Finance, wrote Robertson about some recent Dominions Office telegrams that referred to the possibility of early US-UK talks on postwar economic policy. Clark urged, “While I realize the difficulties, it seems to me important that we should participate in such talks, if the discussions go on without our participation, we will have very little opportunity later to influence decisions, which may well be of the most critical importance for us.” Perhaps they could convince their US colleagues on the JEC to suggest Canadian inclusion in the forthcoming talks. If this did not work, perhaps a direct appeal to London would; surely Canada was clearly qualified to participate:

I think the resolution of the Joint Economic Committees might be quoted as part of a reasoned argument for our inclusion. ... It could be pointed out that our discussions on the matters have gone some distance with the U.S., and we ought not to be in the position of being represented by the U.S. Further, we not only have interests similar to those of Australia and New Zealand in these matters but much more intimate interests. We are the extreme case of the effects of the repercussions of U.K. and U.S. relations. We can do more to help those relations and much more to injure them than any other country. We are a

84. NAC, RG19/3571/J-01, W. A. Mackintosh to W. C. Clark, May 4th, 1942.

85. These telegrams will be discussed in greater detail in chapter 2.
substantial industrial power. ... I would think we have a strong case for inclusion unless the discussions were to be limited to Article 7 of the Lend-Lease Agreement. We would be a vital link in any exchange arrangement, and would be expected to contribute to an international investment program; also, we could exercise a fairly substantial veto on trade arrangements. In none of these matters can the U.K. represent us as she can represent Australia.  

Good arguments all, but Canadian officials quickly concluded that the one weak point in their case might well prove the determining factor: the fact that the proposed discussions were to be expressly linked to Article VII. Another way was needed.

Canadian officials broached this issue with their American colleagues at the June 1942 JEC meetings in Ottawa. Upon his return to Washington, Berle reported that Robertson had asked him to speculate on how he saw the postwar economic planning process shaping up. Berle’s response implied that the Article VII obligation would form the centre around which the process would revolve:

We were actually negotiating lend-lease agreements with the interested governments, the plan being that all of them should contain a standard article, which was Article VII of the British statement, with which Mr. Robertson was familiar. This contemplated discussions looking towards lowering of obstacles to trade and collaboration in post-war problems. I observed that the Canadian Government had steadily declined to enter into a lend-lease agreement.

Robertson retorted with a long list of reasons why Canada had not wanted to conclude a lend-lease agreement and asked whether there might not be some other way in which Canada could associate itself with Article VII; after all, “Article VII stood on its own bottom, rather than as a quid pro quo in a lease-lend agreement. Certainly in the case of Canada.” Berle admitted the truth of this, but was unsure how the United States could enter into such a commitment outside the lend-lease

86. NAC, RG19/3571/J-01, W. C. Clark to Norman Robertson, May 27th, 1942.
Hugh Keenleyside, of the Department of External Affairs, was also present during this discussion, and he asked Berle whether Canada should perhaps sign a Mutual Aid Agreement with the US that included an Article VII provision but that excluded any real lend-lease aspect. Berle would not presume to tell the Canadians what to do in this matter, but added that "[i]t was perfectly true that if the lease-lend agreements were the sole pattern of economic post-war exchanges, anyone who did not have such an agreement would either be excluded or have to find some other way into the pacts. I said that undoubtedly this Government would be glad to consider any suggestion that the Canadian Government might have in the matter."

Robertson responded by detailing the difficulties of the Canadian position. It was a member of the Commonwealth, but not completely so because of its voluntary exclusion from the sterling bloc. It was a nation of the Americas, but not a member of the Pan-American Union. It was putting forth a massive war effort, but it was not accorded representation on any of the primary bodies devoted to the running of the war. To add insult to injury, the US-UK lend-lease agreement had been at [Canada’s] expense. Thus, Britain had agreed to let down the preference bars within the Empire. The net result of that was that the trade which Canada now had with Britain would be transferred to the United States. There had been a feeling that it was hardly kind to Canada for the United States to exact as a quid pro quo from Britain for our war aid the transfer to the United States of markets previously held by Canadians.

Berle said that Article VII was not meant to be an exclusive Anglo-American arrangement;
hopefully, it would be extended to cover all of the nations of the world, in which case Canadian interests would not be hurt in any way. He invited the Canadians to feel free to discuss with American officials this or any other issue, but no further suggestions were offered as to how Canada could get in on the Article VII action.\(^8^9\)

Robertson’s plea must have impressed Berle, as the Americans made the next move. About a month later, Jack Hickerson, of the US State Department’s European Division, drafted a note that he hoped might commit Canada and the US to the same obligations as those laid out in Article VII without Canada having to become a formal participant in the lend-lease program. Hickerson communicated the draft to the American Minister in Ottawa, Pierrepont Moffat, and asked him to ascertain whether this was the sort of thing that Robertson had in mind. Although the draft had not been cleared by the State Department, Hickerson did not think its wording would be cause for any concern “since it incorporated practically verbatim the pertinent language of the Lease Lend Agreements”.\(^9^0\)

When Moffat approached Robertson with Hickerson’s draft note, he did not receive the sort of welcome he might have expected, given that it had been Robertson who had raised the issue in the first place. Perturbed at various slights that he felt had been dealt Canada of late, Robertson was not feeling cooperative:

Briefly Robertson, depressed by Harry Hopkins’ rejection of Canada’s request for representation on the Munitions Assignments Board, said that he would study the note and

\(^{89}\) FDR, Adolf Berle Papers/214/Diary/June-August 1942, Memorandum of Conversation, June 10\(^{th}\), 1942.

\(^{90}\) NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/11/British Commonwealth - Art. 7 talks - Canada (Lend-Lease), Hickerson to the Secretary, July 16\(^{th}\), 1942.
give Mr. Moffat his comments after Mr. Moffat’s return from the west, about July 19; but Mr. Robertson continued Canada had received so little credit for paying her own way and had been kicked around so much on other matters by the United States and the United Kingdom that it might be a good idea for Canada to reconsider her whole position in respect to lease lend questions. I think that this statement may be heavily discounted. I believe that the Canadians will approve the proposed exchange of notes. We expect word to that effect shortly after Moffat’s return from western Canada.  

Berle tried to get the Canadians to move on the issue. During a meeting with Merchant Mahoney of the Canadian legation on another matter on July 28th, he mentioned that the US had submitted a draft note to the Canadian government that contained the essentials of Article VII “so that the door should be wide open to the Canadian Government if it wished to join in these discussions.” Mahoney said that the draft was under discussion in Ottawa. Berle told Mahoney of the progress that had been made in getting the Article VII talks underway, noting that one of the things they were considering discussing was an organization for postwar exchange stabilization and that he “wished to emphasize, among other things, that as it lay in our minds, discussions to that end would have to include not only the British but the Canadians as well, and probably a number of other countries.”

Despite the apparent willingness of the Americans to secure for the Canadians a place at the Article VII table, there the matter lay until the autumn. On October 2nd, 1942, Moffat had another discussion with Robertson about the issue, and this time the Canadians took more decisive action. That same day, Robertson discussed the matter with Clark, Mackintosh, Deputy Minister of Trade

91. NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/11/British Commonwealth - Art. 7 talks - Canada (Lend-Lease), Hickerson to the Secretary, July 16th, 1942.

and Commerce Dana Wilgress, and the Governor of the Bank of Canada, Graham Towers; three days later Robertson forwarded them copies of the US draft note.

Wilgress’s response was immediate and enthusiastic. He had “come to the conclusion that it is essential for us to enter into this exchange of notes without further delay.” The commitment to enter into talks at an early date would permit Canada to offer “concrete proposals” in keeping with the draft note: Wilgress noted that “[t]he submission of any more concrete proposals at the present time will be sure to meet with the objection that the Government of the United States has not the constitutional authority to enter into more binding commitments at the present time.” He generally approved of the note as drafted, though he thought that perhaps it should be made clear that Canada’s position in relation to the commitments contained in the note was not the same as that of nations that had accepted these commitments in return for lend-lease.93

Clark’s response came a day later. Strangely, given his exhortation to Robertson in May that they should do whatever they could to get themselves included in the proposed Anglo-American Article VII talks, Clark said that he “had completely forgotten that there was in Article VII so specific a commitment to enter into conversations “at an early date.”” He, Mackintosh, and Wrong had discussed the matter further; Mackintosh would soon write of their thoughts on the matter.94

Wrong’s and Mackintosh’s response was to redraft the US note so as to take better account of Canada’s special position. Wrong wanted to make it clear that Canada was offering wartime

93. NAC, RG25/2870/1843-J-40C, Dana Wilgress to Norman Robertson, October 5th, 1942.
assistance to its allies on terms similar to those under which the US was extending assistance, hoping that it would thus become clear that there was an important difference between Canada accepting commitments about postwar economic policy through an exchange of notes with the United States and accepting those commitments through accepting lend-lease aid. Wrong also sought to highlight the special relationship between the United States and Canada. Though he sent the draft to Robertson, Wrong was not satisfied with it, thinking that “it needs a good deal of polishing and we might at the end try out on the United States rather more concrete as a statement of policy for our two countries alone.”

On the US side, Moffat remained eager to get the note exchange underway as quickly as possible, even speaking to King about it during a luncheon at the Canadian Club. Robertson discussed the Canadian redraft with Moffat on October 17th, forwarding a copy a couple of days later. The same day Robertson explained to King both his feelings about and the current status of the note:

I saw no objection in principle to our subscribing to the proposed declaration of policy, but was a little worried about the misconstruction that might be put upon Canada accepting in terms a commitment which the other United Nations had given as a more or less direct quid pro quo for Lease-Lend assistance. You will note that the language of the United States draft follows with minor variations that used in Article 7 of the Lease-Lend Agreements.

Our counter draft is intended to achieve the purposes which the United States had in mind in first proposing the joint declaration, and would at the same time differentiate the Canadian position from that of the beneficiaries of Lease-Lend assistance, and stress the special relationship between Canada and the United States which will continue to influence

95. NAC, RG25/2870/1843-J-40C, Hume Wrong to Norman Robertson, October 7th, 1942.

96. NAC, RG25/2870/1843-J-40C, Norman Robertson to the Prime Minister, October 19th, 1942.

our post-war economic relationships.\textsuperscript{98}

The Canadian redraft satisfied Canadian and American officials alike.\textsuperscript{99} It was approved by the Cabinet War Committee on October 28\textsuperscript{th}, with a single small amendment\textsuperscript{100} that the Americans quickly agreed. The note required a little more tinkering\textsuperscript{101}, as well as final Cabinet War Committee clearance, but Berle was optimistic about a quick resolution, telling Moffat over lunch in Washington on November 16\textsuperscript{th} that “[w]e shall be accepting Canada’s adherence to Lend-Lease pretty soon, and the Canadians are hoping we shall start consultations regarding economic

\textsuperscript{98} NAC, RG25/2870/1843-J-40C, Norman Robertson to the Prime Minister, October 19\textsuperscript{th}, 1942. Interestingly, when Robertson forwarded copies of the US draft and the Canadian redraft to Lester Pearson in Washington, his covering letter referred to the desire to differentiate the Canadian position from the position of those taking lend-lease assistance, but not the desire to emphasize the uniqueness of the Canadian-American relationship. See NAC, RG25/2870/1843-J-40C, Norman Robertson to Lester Pearson, October 19\textsuperscript{th}, 1942.

\textsuperscript{99} See, for example, NAC, RG25/2870/1843-J-40C, Dana Wilgress to Norman Robertson, October 27\textsuperscript{th}, 1942 and G. F. Towers to Norman Robertson, October 28\textsuperscript{th}, 1942; NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/11/British Commonwealth - Art. 7 talks - Canada (Lend-Lease), Hickerson to the Secretary, October 27\textsuperscript{th}, 1942.

\textsuperscript{100} NAC, RG2/7C/C4874/5677, Minutes of Cabinet War Committee Meeting held October 28\textsuperscript{th}, 1942 (Exhibit 201). The amendment was the deletion of the second paragraph of the note, which referred to the aid that Canada was providing to the UK. Robertson explained to Moffat that Canada wanted to delete this paragraph because as it stood it conveyed the erroneous notion that Canada was supplying its allies with war supplies free of charge, when, in fact, the reality of the arrangements was much more complex. The State Department had no problem with dropping this paragraph, given that it had been the Canadians who had suggested its inclusion in the first place. See NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Williams-Hickerson Files 1935-1947/M1244/11/British Commonwealth - Art. 7 talks - Canada (Lend-Lease), Hickerson to Messrs. Southworth and Hawkins, November 2\textsuperscript{nd}, 1942.

\textsuperscript{101} For example, a phrase that ran “and with a high degree of economic inter-dependence” was expunged at Canada’s initiative. See NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Williams-Hickerson Files 1935-1947/M1244/11/British Commonwealth - Art. 7 talks - Canada (Lend-Lease), Hickerson to Messrs. Southworth and Hawkins, November 2\textsuperscript{nd}, 1942.
collaboration, pronto.” Berle’s optimism was well founded: the Canadians were now eager to settle the matter so that they could get down to the real business of concrete talks about postwar economic policy as soon as possible. This eagerness is evident in a November 24th letter from Clark to Robertson: “I agree that under the circumstances we should agree to the draft as revised, particularly as further delay would probably hinder us in endeavouring to discuss these matters jointly with the United Kingdom and the United States rather than independently.”

The exchange of notes took place on November 30th, 1942. The notes proclaimed that the two nations were “in agreement that post-war settlements must be such as to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations.” To achieve these goals

the Governments of the United States of America and of Canada are prepared to cooperate in formulating a program of agreed action, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

Noting the similar interests of the Canadian and American governments in the realm of postwar international economic policy, the notes committed them to early talks, to include other interested nations, geared towards the achievement of the goals outlined above, “in the light of governing economic conditions”. During these talks, Canada and the US would “seek to furnish to the world


concrete evidence of the ways in which two neighbouring countries that have a long experience of friendly relations and a high degree of economic interdependence, and that share the conviction that such reciprocally beneficial relations must form part of a general system, may promote by agreed action their mutual interests to the benefit of themselves and other countries. 104 The way was now clear for Canadian participation in any talks arising from Article VII.

The tale thus far has largely been one of failure. Canada did not play an important part in the making of the Atlantic Charter or Article VII. It did play an important part in the Joint Economic Committees, but the Joint Economic Committees did not play an important part in the international postwar planning process. Instead of Resolution 6 becoming the foundation upon which a larger consideration of postwar issues was based, it was Article VII that provided that foundation, and the Canadians were forced to find a way to associate themselves with the commitments contained within it. But Canada had made clear its determination to be consulted and had given an indication of the approach it was likely to take to postwar economic issues. Moreover, by the end of 1942 the groundwork for greater Canadian participation in the postwar planning process had in fact already been laid.

104. FDR, Franklin Roosevelt Papers/President’s Personal Files/3089/William Lyon Mackenzie King, Cordell Hull to Leighton McCarthy, November 30th, 1942, as reproduced in Department of State Press Release, No.569, December 1st, 1942.
Chapter 2: The British Clearing Union and the American Stabilization Fund

Independently of one another, on either side of the Atlantic, two economists were hard at work preparing plans for a new postwar international monetary order. One was John Maynard Keynes, brilliant of mind and personality, a celebrated and controversial figure long before he began wartime service as a special adviser to the UK Treasury. The other was Harry Dexter White, who, as Director of Monetary Research and Assistant to the Secretary, was the most influential official at the US Treasury, the trusted adviser of its Secretary, Henry Morgenthau. By the end of 1941, each had begun work on plans to facilitate multilateral international payments. These plans would be the subject of the first substantive discussions on the shape of the postwar international economy. British and American officials were eager to have Canadian views on their respective proposals. Canada would play a larger part in the discussions stimulated by these plans than it had in any discussion about the postwar world ever before.

A number of approaches to international monetary organization had been attempted in the interwar years. First there was the gold standard, the system that had obtained prior to the First World War, when it had come to symbolize order and prosperity. After the war, and after a lengthy initial period of reconstruction and readjustment, it was re-adopted by the principal trading nations. By the early


1930s, its clear failure to encourage stability and prosperity led to its wholesale abandonment. Thereafter, some nations experimented with bilateral clearing arrangements; others with fixed exchange rate regimes; still others allowed the value of their currencies to fluctuate according to the whims of the international currency market. Most nations were accused of engaging in competitive devaluation, cheapening the relative worth of their currencies so as to make their goods more attractively priced, in order to capture a little more of what little international trade was still taking place during the Great Depression. The lessons that most people took away from the interwar international monetary experience were threefold: the gold standard did not work; bilateral clearing arrangements did not work; floating exchange rates did not work. A new approach was needed.

Both Keynes and White offered a new approach. Although their plans differed in detail, they were similar in intent. They both provided for a system in which exchange rates would be fixed, to encourage stability in international commercial relationships. These rates would not be rigidly fixed as under the gold standard, but could be adjusted if there were severe imbalances in the international economy. Nations experiencing temporary deficits in their balance of payments would be helped to finance these deficits so that they could maintain the value of their exchange rates. While both the Keynes plan and the White plan sought these ends, they did so in different ways. These differences led to extensive discussions and negotiations in which Canada would play not a small part.

Washington was the first to signal publicly that it was thinking seriously about postwar monetary issues. In January 1942, at a meeting of the Foreign Ministers of the American Republics in Rio de Janeiro, a resolution proposed by the US was passed. Resolution XV suggested that the
assembled nations

cooperate in the creation of an organization to promote stability of foreign exchange rates, encourage the international movement of productive capital, facilitate the reduction of artificial and discriminatory barriers to the movement of goods, assist in the correction of the maldistribution of gold, strengthen monetary systems, and facilitate the maintenance of monetary policies that avoid serious inflation or delation [sic].

The resolution also called upon the finance ministers of the American republics to meet to establish an international stabilization fund.\(^4\)

On February 6\(^{th}\), 1942, A. F. W. Plumptre, economic attaché at the Canadian legation in Washington, approached White for more information on both the international stabilization fund and the inter-American bank that had also been proposed at Rio, inquiring specifically how Canada might fit into these institutions.\(^5\) White was not forthcoming with details, if only because his ideas on the stabilization fund were not developed enough. He did tell Plumptre that he did not intend to limit membership to the American republics and that the Canadians could expect to hear more from him about the proposal in the very near future.\(^6\)

\(^4\) From the text of Resolution XV of the Rio Conference as reproduced in NAC, RG25/2973/3321-40, Memorandum for the Prime Minister, March 20\(^{th}\), 1942. The resolution did not provide for the participation of non-American nations: particularly notable was the absence of any mention of UK participation.

\(^5\) Canada had attempted to get itself invited to the Rio conference, but had been rebuffed by the United States. See MG26/N1/72/WWII Post War Reconstruction 1942-47, Untitled and unsigned memorandum, December 20\(^{th}\), 1941.

\(^6\) NAC, RG25/2973/3321-40, Canadian Legation in Washington to SSEA, No.334, February 9\(^{th}\), 1942 and Memorandum for Mr. Robertson, March 20\(^{th}\), 1942. The American record of the conversation made no mention of White's desire for a universal stabilization fund or the possibility of an early approach to Canada. See NARA, RG56/Records of the Assistant Secretary of the Treasury re: Monetary and International Affairs/Chronological File of Harry Dexter White Nov.1934 - Apr.1946/6/Chronological 32 (February 1942), Memorandum of Conference held in Mr. White's Office, February 6\(^{th}\), 1942.
Work on the plan and struggles within the Roosevelt administration over the best way to proceed delayed progress⁷, but US officials did not forget about the Canadians. On July 19th, Berle told Merchant Mahoney that there had been progress on the stabilization fund and that Clark or Towers might soon be invited down to Washington to talk about it. Berle thought that the Anglo-Saxon nations would exercise a great deal of control over the fund in its early days: “that is to say, it is hoped that representation would be forthcoming from Great Britain and Canada, and possibly Australia, in addition to one or two representatives from South American countries”. More information was expected presently⁸; this promise was renewed in September.⁹ In the end, it would be November 1942 before Canadian officials received a copy of White’s plan. They had had more than enough to occupy them in the interim.

As previously mentioned, the UK had its own plan for a new postwar monetary organization, a plan composed in the main by John Maynard Keynes. The Canadians appear to have first learned of the existence of Keynes’s plan in May 1942, when the UK government, anticipating an early start to Article VII discussions with the US, sent the Dominions a series of telegrams outlining its approach. The UK would suggest to the US that they hold informal, non-committal bilateral talks at the expert level, the results of which would be communicated to the US, UK, and Dominion governments and would hopefully serve as a foundation for more detailed conversations. While the UK did “not ask

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7. See Van Dormael, pp. 45, 51-55. For other reasons for delay on the US side in getting Article VII talks underway in this period, see Pressnell, pp. 66-67, 80.

8. NAC, RG19/3981/M-1-7-2, A. F. W. Plumptre to W. C. Clark, July 20th, 1942. The continuing Canadian interest in the proposal is evident in Plumptre’s suggestion that Canadian officials discuss the matter further with Berle on the latter’s forthcoming visit to Ottawa.

9. NAC, RG25/3259/6000-D-40, Hume Wrong to Norman Robertson, September 21st, 1942.
that ... the Dominions should associate themselves at this stage with any of the preliminary suggestions which we have agreed to our experts bringing into the general discussion, we hope that they will share our view that the holding of such talks should prove to be a valuable step towards the clarification of the far reaching issues involved." A number of issues might be discussed, including the need for an international body to facilitate payments on current account. Such a body would not be a panacea, "but it would provide a medium which, in conjunction with other agencies and actions, would give the best chance of a prosperous world". Treasury experts had drafted a plan for

a new organisation which aims at substituting an expansionist for a contractionist pressure on world trade generally and which might be styled for short an International Clearing Union. Its object would be to provide in the international sphere an organisation which would perform for participating States the functions performed for individuals by the ordinary banking system, i.e., the clearing of accounts debit and credit, between different customers and the provision of overdrafts for those who need them. The suggestion would be that the principal countries of the world would adhere to this Clearing Union which would have the function of settling international balances of payments by credits and debits in a new international monetary unit having a specified gold equivalent.

The clearing union could provide funds for postwar relief, international development, and commodity price regulation, as well as participate in anti-depression measures. These objectives could be secured in a number of ways; the merits of a particular plan were less important than obtaining general agreement on the need for a better way of settling international balances. No further information on the plan was offered, nor was the plan forwarded to the Dominions.

As noted in the previous chapter, the Canadian reaction to these telegrams revolved not around the merits of the issues the British proposed to discuss, but the way they proposed to discuss them: the

prospect of Anglo-American discussions from which Canada would be excluded caused a great deal of unease in Ottawa. Canada had so great an interest in the matters at issue that its officials had to do everything they could to get invited to the discussions, lest their absence cause them to miss out on the opportunity to influence US and UK ideas while they were still being formulated.\(^{12}\)

Fortunately from the Canadian point of view, British hopes for early Anglo-American talks were disappointed, primarily because the Americans were not ready for even informal and exploratory discussions.\(^{13}\) By August, the UK had concluded that talks with the US would likely not take place until after the November 1942 Congressional elections, and proposed to use the delay to begin informal discussions with the Dominions. Citing the complexity of the issues to be discussed, the British suggested a meeting of high ranking Commonwealth officials in London. The talks would in no way commit the governments involved: "Our purpose is rather that our respective officials and experts should talk over in a preliminary manner the general economic background against which our own policy and that of the Dominions will have to be considered in due course in relation to that of the United States."\(^{14}\)

Officials in Ottawa were quick to sense the importance of this opportunity, and within a week of

\(^{12}\) NAC, RG19/3571/J-01, W. C. Clark to Norman Robertson, May 27\(^{th}\), 1942. See also NAC, RG19/3989/T-2-9-2/Vol. 1, Memorandum for Dr. W. C. Clark, Unsigned, May 26\(^{th}\), 1942; Bank of Canada Archives [BoC], GFT75-10, GFT to Norman A. Robertson, May 28\(^{th}\), 1942. Towers thought that Ottawa should at least send a representative to London during the talks to obtain information first-hand and consult with the British and the Americans.

\(^{13}\) For a discussion of the reasons for delay in mid-1942, see Pressnell, pp. 80-83.

\(^{14}\) NAC, RG19/3591/L-11a, SSDA to SSEA, D.383, August 26\(^{th}\), 1942.
receiving the telegrams Robertson had secured King's approval of Canadian participation. The decision to send top ranking officials was also quickly reached, despite an attempt by the Canadian High Commissioner in London, Vincent Massey, to persuade Ottawa that the necessary personnel could be supplied from his staff. Mackintosh would represent the Department of Finance in lieu of Clark, who feared for his health; although "Clark would be the best man to go", Wrong admitted, Mackintosh's experience as Canadian chairman of the JEC did mean that he was "very familiar with current ideas in the United States on post war policy". Wrong himself was also appointed to the delegation, representing the Department of External Affairs. Rounding out the team was Louis Rasminsky, who would represent the Bank of Canada.

On September 5th, Canada notified the UK of its readiness to participate in Commonwealth talks, with one important caveat:

It would be most unfortunate if any impression were to be created that an attempt was being made to establish a common Commonwealth front before your talks with the United States begin. There have already been prolonged discussions between officials of Canada and the United States on this general question, conducted mainly through the medium of the Joint Economic Committees. The proposed Commonwealth discussions in London must, from...

15. NAC, RG25/3259/6000-D-40, Norman Robertson to Hume Wrong, September 1st, 1942.

16. NAC, RG19/3591/L-11a, CHCUK to SSEA, No.2176, August 28th, 1942. King appears to have approved despatching officials from Ottawa before Massey's telegram arrived. After it arrived, Robertson and Clark maintained that it would still be wise to send top people from their departments. See NAC, RG25/3259/6000-D-40, Norman Robertson to Hume Wrong, September 1st, 1942 and Hume Wrong to the Prime Minister, September 3rd, 1942.

17. NAC, RG25/3259/6000-D-40, Hume Wrong to the Prime Minister, September 3rd, 1942. Sir Frederick Phillips, an influential UK Treasury official, was very sorry that Clark would not be going to London: "With all respect to Mackintosh, I feel that a discussion with Dominion financial representatives without yourself would be rather like Hamlet with the Prince left out." See NAC, RG19/3981/M-1-7-1, F. Phillips to W. C. Clark, September 4th, 1942.

18. NAC, RG25/3259/6000-D-40, N. A. Robertson to Ian Mackenzie, October 14th, 1942.
our point of view, be complementary to our direct talks with United States officials.\(^{19}\) In its reply, the UK government noted its appreciation of this point.\(^{20}\) But this was not an issue towards which the Canadians could assume a relaxed attitude. A month later, they again indicated to the UK their concern about the impression the proposed talks were creating in Washington, suggesting that “direct Canadian participation in the subsequent conversations with United States” might quell US fears of a Commonwealth front.\(^{21}\) How the addition of another Commonwealth nation to Anglo-American discussions would have eased US apprehensions is unclear; what is clear is the continued desire of the Canadian government to involve itself in talks that it recognized would lay the basis of the postwar international economy.

Ottawa also took more direct action, instructing its Minister in Washington on October 8\(^{th}\) to be on the lookout for signs that US officials were interpreting the upcoming discussions as “an attempt to create a common Commonwealth front before the discussions begin between the United States and United Kingdom”. If anyone appeared to be getting this impression, the Minister was to explain the innocuous nature of the talks, using the two Canadian telegrams to the UK on the subject as a guide.\(^{22}\) That same day, word arrived from London that the UK government “quite agree[d] that it will be very important to avoid any impression in Washington that the talks are designed to confront

\(^{19}\) NAC, RG25/3259/6000-D-40, SSEA to SSDA, No.189, September 5\(^{th}\), 1942. Clark seems to have been the first to suggest the possibility that the talks might cause the Americans to fear the creation of a Commonwealth front. See NAC, RG25/3259/6000-D-40, Hume Wrong to the Prime Minister, September 3\(^{rd}\), 1942.

\(^{20}\) NAC, RG25/3259/6000-D-40, SSDA to SSEA, No.194, September 19\(^{th}\), 1942.

\(^{21}\) NAC, RG19/3989/T-2-9-2/Volume 1, SSEA to SSDA, No.207, October 3\(^{rd}\), 1942.

\(^{22}\) NAC, RG25/3259/6000-D-40, SSEA to the Canadian Minister in the United States [CMUS], No.1181, October 8\(^{th}\), 1942.
the United States representatives with a common Commonwealth front. We are drawing attention of Sir F. Phillips [the senior UK Treasury representative in Washington] to your comments on this point with a view to his removing any possibility of misunderstanding.”

Even this was not enough. So intense was the Canadian concern that the Americans might misunderstand the nature of the Commonwealth discussions that, after the talks began, Rasminsky and Wrong drew the attention of John Winant, the American Ambassador to the United Kingdom, to the fact that the talks were not intended to lay the foundation for a united Commonwealth front against the United States. Finally do the Canadians appear to have been satisfied: Rasminsky wrote after the interview that “I believe the Americans understand this position fully”.

On October 1\textsuperscript{st}, the UK forwarded more information on the talks. It confirmed that its Treasury had prepared a plan for an international clearing union and that it had received the blessing of the Cabinet as a basis for informal discussions with the Americans. The plan had been discussed informally with a few US officials, making early discussion with Dominion officials all the more

23. NAC, RG19/3989/T-2-9-2/Volume 1, SSDA to SSEA, No.203, October 8\textsuperscript{th}, 1942.

24. NAC, RG19/3989/T-2-9-2/Volume 1, L. Rasminsky to G. F. Towers, November 4\textsuperscript{th}, 1942. The Americans seem to have gotten the point. E. F. Penrose, an official at the US Embassy in London, wrote that all of his talks with UK and Dominion officials had suggested that no anti-US front was intended. Leo Pasvolsky later reported to Hull that he did not believe that the talks had been a move towards the creation of an anti-US front, but did see in them, as well as various other episodes, a sign of “a growing tendency on the part of the British to go forward on their own initiative”. See FDR, Sumner Welles Papers/191/8/Postwar: General, “Some Confidential Notes on Questions Relating to Article VII of the Mutual Aid Agreement”, by E. F. Penrose, December 19\textsuperscript{th}, 1942 and Leo Pasvolsky to the Secretary, January 20\textsuperscript{th}, 1943. The Canadians also worried about creating the impression of a Commonwealth front in other fields. See, for example, their opposition to Commonwealth discussions of postwar civil aviation in Lester B. Pearson, Mike: The Memoirs of the Right Honourable Lester B. Pearson, Volume I: 1897-1948 (Toronto: University of Toronto Press, 1972), pp. 231-232.
desirable. Although there were a few other matters that might be discussed at the upcoming talks, such as the stabilization of primary product prices, the clearing union proposals would likely be the focus as they "are all of a far reaching character and are being discussed at an early stage of consideration of post war policy because if adopted they will provide a pivot around which much else could turn". In reply, the Canadians asked if they might have a copy of the plan; interestingly, the UK government refused, claiming that "a full understanding of its contents would hardly be possible without oral explanation and presentation of the general background". No matter: Clark had been given a copy by Sir Frederick Phillips at the beginning of September and Canadian officials set about dissecting it with great zest.

Keynes’s plan worked on the overdraft principle. "The idea underlying [the plan] is simple," he wrote, "namely to generalise the essential principle of banking as it is exhibited within any closed system. This principle is the necessary equality of credits and debits." He proposed the creation of an international currency union in which all nations would have an account. Each union member would be assigned an account balance, or quota, of a new international currency called bancor. The value of bancor would be set in terms of gold and, in turn, the value of member currencies would be set in terms of bancor. Changes in these values would be possible under certain circumstances. All union members would agree to accept transfers of bancor from each other as a means of

25. NAC, RG19/3591/L-11a, SSDA to SSEA, No.198, October 1st, 1942.
27. NAC, RG19/3989/T-2-9-2/Volume 1, SSDA to SSEA, No.203, October 8th, 1942.
28. NAC, RG19/3981/M-1-7-1, F. Phillips to W. C. Clark, September 4th, 1942. In transmitting the plan, Phillips observed that the only other people in North America who had copies were Berle and White, and he asked that Clark keep it to himself and Mackintosh.
international settlement; bancor would be, essentially, as good as gold. There would be no bancor notes or coins: the currency would exist only on paper, in the intra-organization tally of member credits and debits. The result would be that "[c]ountries having a favourable balance of payments with the rest of the world as a whole would find themselves in possession of a credit account with the Clearing Union, and those having an unfavourable balance would have a debit account". Complicated provisions were included to ensure that members did not accumulate excessive debit or credit balances within the union.30

One of the first to give his thoughts on the plan in Ottawa was R. B. Bryce. An official with the Department of Finance, Bob Bryce was a Cambridge-trained economist and among the first Keynesians in North America.30 He had some concerns with Keynes’s newest creation - some technical31, others more substantive32 - but proclaimed the proposed international clearing union "a

29. This summary is based on the version of the Keynes plan that Phillips sent to White on August 28th (see previous footnote) as reproduced in Donald Moggridge, Editor, The Collected Writings of John Maynard Keynes, Volume XXV: Activities 1940-1944, Shaping the Post-War World: The Clearing Union (London: Macmillan, 1980) [hereinafter JMK, Volume XXV], pp. 168-196. Quotations are from p. 171.


31. For example, he had questions about the role of exchange control in the new organization, the publication of data on union balances and its relation to exchange stability, relations between members and non-members, the calculation of the amount of international liquidity to be created by the new organization, and the possibility for speculation afforded by the plan.

32. For example, he worried that Keynes had assigned the clearing union too many duties, that the plan was not sufficiently expansionist and provided too few incentives to creditor nations to liquidate their bancor surpluses in ways conducive to increased international commerce, and that
useful and practical mechanism which might well serve as the foundation for building up specific proposals". Bill Mackintosh also had some concerns, some of which echoed Bryce's, as well as suggestions for improvement. These he set down in a memorandum that he discussed with Robertson, Towers, Rasminsky, Wilgress, and Clark before he and the rest of the Canadian delegation left for London. None of Mackintosh's criticisms or suggestions imply any fundamental dissatisfaction with Keynes's proposal, only a desire to make it better. Thus, by the time the Canadian delegation left for London to attend the first substantive multilateral discussions of postwar economic policy, Canadian officials had had an opportunity to examine and discuss Keynes's proposal for an international clearing union. They seem to have been largely in agreement in their attitudes towards it: it could use some work, but it represented a promising start. As Towers noted, "... Canada's position will be so unsatisfactory, if the sterling area and the U. S. dollar area are separated by a stone wall, we are almost bound to give support to the Clearing Union idea."

Keynes was "not a little optimistic to consider that an institution of this kind can be "non-political"."


34. For example, like Bryce, Mackintosh insisted that the clearing union not be treated as a panacea, but that it "ought to be one of a number of collaborating international institutions and not the Economic Authority". He also opposed a large role for the union in postwar relief and rehabilitation, though it could perhaps play a marginal one. Unlike Bryce, he thought that the union might be given responsibilities in the areas of primary product price stabilization, enforcement of the proposed international security organization's sanctions, and international investment.

35. NAC, RG19/3981/M-1-7-1, "International Clearing Union", Unsigned and undated (a note on the final page reads, "Memo by WAM discussed by committee (NAR, GFT, LJR, LDW + WCC) before delegates left for England").

36. BoC, GFT75-10, GFT to Norman A. Robertson, May 28th, 1942 and Memorandum, Unsigned, May 28th, 1942 (quotation is from latter document).
The first meeting of the London postwar economic talks took place on October 23rd, 1942. Stormy weather delayed the arrival of the Canadians; in their absence Sir Richard Hopkins, the Permanent Secretary of the UK Treasury, outlined the topics to be discussed: Keynes's clearing union paper, the regulation of primary product prices, postwar relief, and the computation of national income and expenditure statistics. Dominion and Indian representatives were invited to raise any other issues they believed to be of relevance. UK officials did not claim to have all of the answers to the problems they proposed to discuss and encouraged their Commonwealth colleagues to give freely of their views now, while UK ideas were still in their formative stage.

Not surprisingly, given that British planning on the issue was the most advanced, the meetings were dominated by discussion of Keynes's clearing union plan. Keynes stressed its importance both in facilitating a high volume of international trade, which he observed was of great importance to all assembled, and in regulating the international economic cycle. He suggested that the clearing union could also participate in the financing of postwar relief and the regulation of primary commodity prices. Wrong, stressing that his views should not be taken as representing those of the Canadian government, gave the preliminary Canadian reaction to Keynes's presentation. Many in Ottawa, he said, were increasingly embracing the multilateralist philosophy that underlay Keynes's proposals. He noted that the JEC experience had contributed to this trend; his remarks in this regard


38. NAC, RG25/3259/6000-D-40, CHCUK to SSEA, No.2606, October 24th, 1942. See also PRO, DO35/1014/7, Minutes of the First Meeting of the Post-War Economic Talks, October 23rd, 1942.

39. PRO, DO35/1014/7, Minutes of the First Meeting of the Post-War Economic Talks, October 23rd, 1942.
also highlighted the importance of the United States to Canada:

Canada’s position was such that it was of the utmost importance to her to keep in step with the United States and post-war economic problems had come up for discussion at the Joint Economic Committees of Canada and the United States. At these meetings the conclusions had soon been reached that most post-war problems called for action in the international sphere, and that failure to tackle them by means of agreed action between the Governments concerned would lead to disastrous results.

Mackintosh expressed agreement with Wrong’s comments, observing that he and his JEC colleagues had concluded “that solutions to these [postwar] problems must be sought through multilateral arrangements”.40 The Canadians having had their say, the other Commonwealth representatives made general statements. The Canadian post-talks report noted that “[t]he most interesting aspect of this preliminary general discussion was not so much what was said as what was not said. No one attacked the principle of the Clearing Union and there seemed to be general agreement that the idea was sound and should be given a trial.”41

General agreement on principles does not mean agreement on details. Canadian criticisms of the Keynes plan may be grouped into three broad categories: technical questions and concerns; desire not to overload the new organization with too many responsibilities; and desire to make the plan more palatable to the United States.

Canadian representatives suggested a number of technical changes to make the clearing union work better and close various loopholes that could allow members to evade their responsibilities.

40. PRO, DO35/1014/7, Minutes of the Second Meeting of the Post-War Economic Talks, October 26th, 1942.

Sometimes these were readily embraced, as when Mackintosh and Rasminsky observed that the plan would allow a member to engage in repeated annual depreciations of its currency to the tune of 5% as long as it maintained a bancor deficit of more than one quarter of its quota. As a result of their comments, the rules regarding member country currency depreciation were tightened up considerably.\(^{42}\)

Other times they were less well received. Rasminsky pointed out that the plan’s allowance for the continued existence of currency areas such as the sterling bloc\(^{43}\) created a loophole through which members could evade the consequences of a too high or too low bancor balance by manipulating their foreign reserves and their bancor balances.\(^{44}\) Although Keynes admitted that such abuses were possible, he argued that it would be unwise to lay down too many rules that would restrict the liberty of the union from the very start. He made the same argument when Rasminsky expressed doubts

\(^{42}\) PRO, DO35/1014/7, Minutes of the Third Meeting of the Post-War Economic Talks, October 27\(^{th}\), 1942.

\(^{43}\) Paragraph 21 of the August 1942 version of the clearing union plan said that there was no need to dismantle such currency areas either then in existence (such as the sterling area) or that might come into existence (perhaps in North or South America, or in Eastern Europe or the Balkans). The central banks of nations involved in such areas could “be allowed a double position, both as members of the Clearing Union in their own right with their proper quota, and also as making use of another financial centre along traditional lines, as, for example, Australia and India with London, or certain American countries with New York. In this case, their accounts with the Clearing Union would be in exactly the same position as the independent gold reserves which they now maintain, and they would have no occasion to modify in any way their present practices in the conduct of daily business.” See JMK, XXV, p. 182.

\(^{44}\) Rasminsky later wrote of his presentation of this issue: “I put the question in this way as a means of drawing the British on the Sterling area, and the answer I got was that while my point was theoretically accurate, the whole proposal was pretty revolutionary and it was better not to disturb existing practices any more than was necessary.” See NAC, RG19/3989/T-2-9-2/Volume 1, L. Rasminsksy to G. F. Towers, November 4\(^{th}\), 1942.
about the wisdom of allowing the borrowing of bancor. Ironically, the Canadians had one of their own arguments thrown back at them at this point, as Sir Wilfrid Eady, the Joint Second Secretary of the Treasury, recalled that Mackintosh had earlier argued “that it would be wiser to place reliance upon the influence and advice of an able permanent staff of the Clearing Union rather than to lay down specific sanctions against all conceivable courses of conduct. In many cases the threat of publicity, or of the institution of an enquiry might, by itself, accomplish the desired results.”

Nevertheless, some changes were made to address these concerns. The union Governing Board was empowered to require information on a member’s external financial position, and it was suggested that members consult the Board before they did anything that might fundamentally alter their union balances or their relationships with other members. In addition, if a member wanted to hold foreign currency reserves in excess of normal working balances in the central bank of another country, it could only do so if it got the permission of the recipient country.

The Canadians argued strongly against delegating too many responsibilities to the clearing union. Mackintosh opposed providing funds for postwar relief through it; Wrong seconded his objections, observing that the Americans would likely oppose having the origin of their relief contributions obscured through being channelled through the clearing union. The Canadians also suggested that it would be unwise to pretend that relief bills would ever be repaid by recipient countries, as would

45. PRO, DO35/1014/7, Minutes of the Fourth Meeting of the Post-War Economic Talks, October 28th, 1942.


47. PRO, DO35/1014/7, Minutes of the Fourth Meeting of the Post-War Economic Talks, October 28th, 1942.
be the implication if the clearing union provided some of the funds. Relief expenditures should be recognized for what they would be: gifts. Rasminsky contended that relief financing channelled through the clearing union would create "a dilemma. If the cost of relief was moderate it would not be necessary to have resource to the Clearing Union; if it was too large no other sources might be adequate, but in that case the Clearing Union would be over-strained." Keynes was initially reluctant to dispense with the idea of using the clearing union to finance postwar relief, both on its merits and because of the desirability of seeing what the Americans thought of the idea before it was dropped. By the end of the talks, the Canadians thought that they had convinced him and Phillips of their case, noting that "[t]he relevant sections of the Clearing

48. NAC, RG19/3989/T-2-9-2/Volume 1, "Draft Report of the Canadian Representatives at the "Post-War Economic Talks" Held in London Between October 23rd and November 9th, 1942." In the same file, see also L. Rasminsky to G. F. Towers, November 4th, 1942. Rasminsky wrote that he was even more sure now than he had been when he was in Ottawa that the clearing union should not be loaded down with too many responsibilities, and so too many bancor deficits, less its chances for success be lessened.

49. PRO, DO35/1014/7, Minutes of the Ninth Meeting of the Post-War Economic Talks, November 4th, 1942.

50. PRO, DO35/1014/7, Minutes of the Fourth Meeting of the Post-War Economic Talks, October 28th, 1942 and Minutes of the Ninth Meeting of the Post-War Economic Talks, November 4th, 1942. At the ninth meeting Keynes suggested three methods of postwar relief financing and did not seem committed to the idea of the clearing union being the only source of relief financing.

51. In their final report, the Canadians observed that not everyone was moved by the strength of their arguments. In particular, Sir Frederick Leith-Ross of the Board of Trade seemed determined to give the clearing union as many responsibilities as possible because of "the value of anonymity in the sources of funds for such purposes as buffer stock pools and international relief". The Canadians "felt it incumbent on us to point out that "the anonymous source of funds" might be a polite paraphrase of "the credit balance of the U.S.A."." See NAC, RG19/3989/T-2-9-2/Volume 1, "Draft Report of the Canadian Representatives at the "Post-War Economic Talks" Held in London Between October 23rd and November 9th, 1942." Rasminsky later commented that "there was some tendency to feel that the Clearing Union could do everything; and of course on the assumption that the creditor does not care how much money he puts up in this way the Clearing
Union document [which had suggested various duties that the union might undertake] had not been
drafted very positively and did not have to be changed” and that the wording in the section on the
relationship between the clearing union and postwar relief had been diluted.52

The Canadian sensitivity as to how the plan would be received by the Americans was apparent
throughout the talks. This sensitivity often manifested itself as a concern for the position of creditor
nations in the clearing union. Indeed, in their post-talks report, the Canadians noted that “[o]n
several occasions we found ourselves in the somewhat curious position of expressing views which
might have come from representatives of a creditor country”.53 In endeavouring to see the proposals
through the eyes of a creditor nation the Canadian experts were not trying to secure the interests of
their own nation, as they did not think of Canada as a major postwar creditor. The final point
Mackintosh raised in his pre-talks memorandum on the Keynes plan was that “[i]n effect, there will
be only one surplus country as a mature debtor such as Canada can transfer her surplus by external

Union could have done everything”. See A. L. K. Acheson, J. F. Chant, and M. F. J. Prachowny,
Editors, Bretton Woods Revisited: Evaluations of the International Monetary Fund and the
International Bank for Reconstruction and Development (Toronto: University of Toronto Press,
1972), p. 35. Ironically, Bob Bryce had approved of the fact that the Clearing Union would obviate
the need for countries to go “hat in hand, to the United States to borrow, nor to any other specific
country”. See NAC, RG19/3447/International Clearing Union, “Notes on Memorandum Proposing
an International Credit Union”, by R.B.B., October 10th, 1942.

the “Post-War Economic Talks” Held in London Between October 23rd and November 9th, 1942.”

at the “Post-War Economic Talks” Held in London Between October 23rd and November 9th, 1942.”
debt reduction”. That “one surplus country” could only be the United States, and so when the Canadians tried to make the plan more palatable to creditor nations, they were, at least in part, trying to make the plan more palatable to the United States.

The Canadian concern with the potential acceptability of Keynes’s plan to creditor nations can be seen in Rasminsky’s comments about the penalty charges to be levied on excessive credit balances. Rasminsky questioned the efficacy of the provision to levy a 1% penalty on bancor credit balances that exceeded a member’s quota by one quarter or more. Such a provision might be hard to get by the US Congress; moreover, the penalty “would be large enough to be irritating without perhaps being big enough to act as an effective deterrent to the accumulation of credit balances”. He suggested that if the penalty were meant to be a source of revenue, a better way to secure funds for union expenses would be to tax transfers of bancor. Keynes opted to retain the penalty for the

54. NAC, RG19/3981/M-1-7-1, “International Clearing Union”, Undated and unsigned.

55. See also Rasminsky’s subsequent comment that the Canadian team was “worried even before we went to London about the acceptability of the plan to the American Congress because the US was the only substantial creditor in sight”. See Acheson et al., p. 35. Towers also recognized the need to make any international monetary organization acceptable to the US, given that it would likely be the primary postwar creditor nation. See NAC, RG19/3593/L-10d, Memorandum of conversations with Prof. Hansen and Mr. Gardner, Federal Reserve Board, September 21st, 1942, dated October 2nd, 1942. Not every Canadian official was sensitive to the needs of the US as the largest creditor nation. Bob Bryce saw that one problem with Keynes’s scheme was that countries with large credit balances would bear the cost of running it. However, he concluded that “[h]ardly any countries are likely to regard this as a substantial price to pay for belonging to the Union, particularly when they take into account the indirect benefits of the existence of the Union itself. A favourable balance of payments under any monetary system must result in some accumulation of foreign assets, and countries have always in the past welcomed this favourable balance rather than regarded it as a real loss.” See NAC, RG19/3447/International Clearing Union, “Notes on Memorandum Proposing an International Credit Union”, by R.B.B., October 10th, 1942.

56. PRO, DO35/1014/7, Minutes of the Third Meeting of the Post-War Economic Talks, October 27th, 1942.
moment, again not least because the Americans had not yet given their opinion on it. He conceded that if the Americans had a fundamental objection to it, it would have to be dropped, but he observed that the Americans were increasingly accepting the undesirability of creditors amassing large balances. Moreover, Keynes argued, the penalty would serve as a reminder that policy adjustments to deal with international economic dislocations had to be undertaken by debtor and creditor nations alike: besides, if a member really wanted to avoid the excessive credit balance penalty, all it had to do was buy more from or lend more to other nations. Ultimately, the Canadians failed to get the penalty provision removed from Keynes’s plan, though Rasminsky’s suggestion of a tax on bancor transfers for revenue purposes was adopted.

The other Dominions were far less concerned with making Keynes’s plan more palatable to the United States and far more disposed to brand as a sinner any union member that built up excessive bancor credits. In their post-talks report, the Canadian representatives observed that although the more extreme suggestions on how to deal with nations that amassed excessive credit balances had not been adopted, a new section was added to the plan entitled “What Liabilities Ought the Plan

57. PRO, DO35/1014/7, Minutes of the Third Meeting of the Post-War Economic Talks, October 27th, 1942.


59. The draft report describes the zenith of debtor self-righteousness best: “The attitude of blame reached its highest development in the proposal of Dr. Wilson (Australia) that if any country acquired a bancor balance in excess of its quota, it should be expelled from the Union! To which Sir Frederick Leith-Ross added that if debit balances exceeded the quota, they should be automatically cancelled.” See NAC, RG19/3989/T-2-9-2/Volume 1, “Draft Report of the Canadian Representatives at the “Post-War Economic Talks” Held in London Between October 23rd and November 9th, 1942.” Rasminsky later recalled that these suggestions had increased the Canadians’ “concern about the virtually unlimited extent of the commitment on creditors”. See Acheson et al., p. 35. (Note that in this later account, Rasminsky said that a senior Treasury official had made the
to Place on Creditor Countries?” Before the Commonwealth talks began, the Americans had made it clear that if they were to join the clearing union, they would not accept an unlimited amount of bancor. The new section advised against creditor nations restricting the amount of bancor they would be willing to accumulate “as this would impair the general acceptability of bancor without conferring any real benefit on the creditor country. For if it refused to accept additional bancor once the limit had been reached it would have to restrict its exports or fall back on bilateral currency arrangements which would give it a less desirable asset than bancor.” It also suggested that creditor nations could avoid becoming the perpetual bankers of the world through accumulating an unlimited amount of bancor balances simply by using them.  

The Canadians shared their Commonwealth colleagues’ dislike of the idea of creditor nations imposing limits on the amount of bancor they would be willing to hold and proposed various concessions to persuade creditor nations not to do this. For example, Rasminsky suggested that creditor nations be given increased voting power in order to forestall debtor nations voting en masse to increase either individual quotas or the overall volume of quotas to the creditors’ detriment. This suggestion was incorporated into the revised version of the clearing union proposal. So was a

expulsion proposal, while an Australian had made the cancellation proposal.


61. In part because they felt that a pre-set limit might come to seem like an international loan to a creditor member’s general public.


63. PRO, DO35/1014/7, Minutes of the Fifth Meeting of the Post-War Economic Talks, October 29th, 1942. Apparently there had been a discussion of just such a provision among
Canadian-inspired provision for quota changes to meet changed international or national conditions. And when Keynes proposed that a member need not accept more bancor than it agreed to accept above its quota, thus limiting the amount that a member would be obliged to lend, Rasminsky suggested a further innovation: "if the credit balance of a country exceeded its quota, the Clearing Union might be empowered at the request of that creditor to pay off the excess balance in gold or in the currencies of debtors, in proportion to the debtors’ debit balances". Keynes agreed to consider this suggestion.

The Canadians also argued for changes in the plan to meet specific US political needs. Wrong proposed that in lieu of Keynes’s suggestion that the Governing Board alternate its meetings between London and Washington, it might be better for the Board always to meet in the United States. "This would almost certainly make the United States Congress look more favourably upon the plan," Wrong asserted, "and the advantages to be secured from making such a concession and thereby securing the goodwill of Congress might greatly outweigh the disadvantages from the point of view of European members". Keynes replied that if the Americans wanted it, this might possibly be done.

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Canadian officials before the Canadian delegation left for London. See NAC, RG19/3989/T-2-9-2/Volume 1, L. Rasminsky to G. F. Towers, November 4th, 1942.


65. PRO, DO35/1014/7, Minutes of the Fifth Meeting of the Post-War Economic Talks, October 29th, 1942.

66. PRO, DO35/1014/7, Minutes of the Third Meeting of the Post-War Economic Talks, October 27th, 1942.
This concern for position and appearance did not extend to Canada's position in the union. Interestingly, given the perennial Canadian concern with issues of representation, the Canadian delegation did not lead the way in making the clearing union more small nation friendly. Wrong did suggest the convening of an annual assembly to make members not represented on the Governing Board feel more in touch with the organization.67 His suggestion was adopted.68 He also suggested that decisions as to which nations should be represented on the Governing Board be linked to "decisions reached on the question of admission to other post-war boards".69 But on the larger issues of the privileged position of the "founding nations" and the notion that the US and UK would alone substantively participate in the creation of the union, the Canadians did not take the initiative, save in one instance. On the issue of the contribution of other nations besides the US and UK to the creation of the new organization, Keynes noted that "[e]ven if an international conference was not convened so as to give all the Governments who so wished an opportunity to suggest amendments, the Empire Governments nevertheless had an admirable opportunity to do so in the course of the present conversations".70 Wrong observed "that many Governments other than that of the United Kingdom had subsequently signed agreements similar to the United Kingdom-United

67. PRO, DO35/1014/7, Minutes of the Fifth Meeting of the Post-War Economic Talks, October 29th, 1942.


69. PRO, DO35/1014/7, Minutes of the Third Meeting of the Post-War Economic Talks, October 27th, 1942.

70. PRO, DO35/1014/7, Minutes of the Third Meeting of the Post-War Economic Talks, October 27th, 1942.
States Mutual Aid Agreement”. Among these were Australia and New Zealand, as Wrong had ascertained earlier that year; it is possible that he might also have been referring to Canada and its proposed exchange of notes on postwar economic policy with the United States.

The Canadians were otherwise largely silent on this issue. Their post-talks report noted that the South Africans and Indians were particularly vocal on the need for better treatment of smaller nations, and the plan was amended to address their concerns. The idea of according special privileges to the “founding nations” was scrapped and “[i]t is now provided ... that a draft plan of the Clearing Union should be prepared by the U.S.A. and the U.K. “after such discussions with other parties as may be thought expedient” and submitted for approval or amendment to the other United Nations who shall be invited to join as Founder States.” A new procedure for determining membership on the Governing Board was devised so that membership would be based on the size of a member’s quota, with seats set aside for group representation of the smaller nations.

71. PRO, DO35/1014/7, Minutes of the Third Meeting of the Post-War Economic Talks, October 27th, 1942. Contrast this with the pre-conference position taken by Bryce and Mackintosh, neither of whom had any trouble with the idea that the Americans and the British would play a special role in the founding of the union, though neither thought that they should hold a privileged position in the union thereafter. See NAC, RG19/3447/International Clearing Union, “Notes on Memorandum Proposing an International Credit Union”, by R.B.B., October 10th, 1942; NAC, RG19/3981/M-1-7-1, “International Clearing Union”, Undated and unsigned (although a note on the final page of this copy of the memorandum reads, “Memo by WAM discussed by committee (NAR, GFT, LJR, LDW + WCC) before delegates left for England”.

72. PRO, DO35/1014/7, Minutes of the Third Meeting of the Post-War Economic Talks, October 27th, 1942.

73. NAC, RG19/3989/T-2-9-2/Volume 1, “Draft Report of the Canadian Representatives at the “Post-War Economic Talks” Held in London Between October 23rd and November 9th, 1942.” Before the conference, Mackintosh wrote: “The question of Canadian representation does not seem to be a pressing one. The important thing is that some rational formula for representation be accepted.” See NAC, RG19/3981/M-1-7-1, “International Clearing Union”, Undated and unsigned. On the lack of Canadian activity on this issue, see also NAC, RG19/3989/T-2-9-2/Volume1, L.
The Canadians were satisfied with the talks on the clearing union plan:

The Canadian representatives participated actively in this discussion and our views - which we made clear on several occasions were entirely personal - were listened to with attention by the British representatives and clearly influenced them at several points in their revision of the document. Indeed, they were so anxious to meet our views that we were at pains to make it clear to them that we had no way of knowing that by doing so they would be coming any closer to the views which the Canadian Government would ultimately take (and that we ourselves might change our minds on certain points after more mature reflection) - and that the revised draft, like the original, must remain a U.K. document. Keynes, Phillips and Sir Wilfred [sic] Eady, as well as other British representatives, all told us privately that our contributions had been particularly helpful.

They thought that the talks had strengthened the British determination to secure the agreement of the US and other nations to the type of international organization envisioned in the clearing union plan: while there had been criticism of some of its details, there was general approval of its basic intention and agreement on the superiority of its approach to either bilateral currency agreements or the old international monetary system.74

Commonwealth officials did not confine themselves to discussing Keynes’s clearing union plan at the 1942 London talks. He also distributed another proposal for them to consider, this one to address difficulties in the area of primary commodities. The prices of primary products had fluctuated wildly throughout the interwar period, resulting in much insecurity and misery for commodity producers. Keynes had devised a plan to secure more stable primary product prices, and so a more stable livelihood, for primary product producers.75

Rasminsky to G. F. Towers, November 4th, 1942. The Canadians would not always take so relaxed a view of this issue.


75. PRO, DO35/1014/7, Minutes of the Fifth Meeting of the Post-War Economic Talks, October 29th, 1942.
Mackintosh, on behalf of the Canadians, proclaimed Keynes’s basic idea a good one. He cautioned that there were tricky issues that had to be addressed, such as the means of determining the appropriate price for a given commodity and the relation of Keynes’s scheme to the various national and international commodity control schemes already in existence. The Canadians were also concerned about the link between this scheme and the clearing union plan: Mackintosh speculated that the regulation of some commodity prices might prove more difficult than the regulation of others, “and that there might be some advantage in adopting a piecemeal approach and in not associating this scheme too closely with the Clearing Union plan”.76

Canadian officials had not received a copy of Keynes’s primary product plan before their arrival in London. Their post-talks report observed that as the plan was highly tentative, discussion tended to involve questions of interpretation rather than arguments over details or principles.77 Some details were discussed. For example, Mackintosh and Rasminsky worried that the failure of the plan to provide for comprehensive regulation of all products in all spheres of production might lead to dislocations; Rasminsky wondered whether price regulation might provide fertile ground for speculative activity.78 The Canadians also involved themselves in discussions on the staff needed

76. PRO, DO35/1014/7, Minutes of the Fifth Meeting of the Post-War Economic Talks, October 29th, 1942.


78. PRO, DO35/1014/7, Minutes of the Sixth Meeting of the Post-War Economic Talks, October 30th, 1942. In the end, the Canadians’ first point was met (the general body that would oversee and coordinate the whole price regulatory process was given greater powers to ensure that such dislocations did not arise), but their second point was dismissed (Keynes said that the narrow space between the price margins under the new scheme would actually work against speculation, but Rasminsky was not happy with this response). See NAC, RG19/3989/T-2-9-2/Volume 1, L. Rasminsky to G. F. Towers, November 4th, 1942.
for the new organization, the place of bulk purchases in the scheme, the desirability of a flexible approach to deal with the peculiar characteristics of each commodity, and the relation between the provisions for the regulation of prices and the provisions for the regulation of output. They tried to anticipate American objections in at least one instance, effecting a modification of the plan to accommodate US domestic agricultural support policies. Despite his delegation’s many questions, Wrong associated himself with an Australian exhortation to British officials that they not be discouraged by all of the comments and criticisms, as the plan was on the whole a good idea.

The issue on which the Canadians were most vocal was the proposed link between the clearing union and primary product price regulation. While the Canadians had opposed from the start using the clearing union to finance postwar relief, they did not initially oppose Keynes’s suggestion that it be involved in the stabilization of primary product prices. As the talks progressed, they came to oppose this idea as well. This happened for two reasons. First, they discovered that the commodity scheme was far from complete. What detail there was pointed towards a plan so complicated that the Canadians doubted its potential for success or even acceptability. Second, they came to believe “that there was in fact some disposition to load many functions on to the Clearing Union as a method - as we thought - of disguising the extent of the American contribution”. As a result, the Canadians argued strongly against treating the clearing union as though it could cure all the

79. PRO, DO35/1014/7, Minutes of the Sixth Meeting of the Post-War Economic Talks, October 30th, 1942.
80. PRO, DO35/1014/7, Minutes of the Seventh Meeting of the Post-War Economic Talks, November 2nd, 1942.
81. PRO, DO35/1014/7, Minutes of the Eighth Meeting of the Post-War Economic Talks, November 3rd, 1942.
economic ills of the world, urging that it not been given more responsibilities than it could handle. It was essential “that the post-war international economic institutions should be so devised that one part could break down without imperilling the whole structure; the international financial machinery was a pivotal and sensitive piece, and too close a tie-up with the more experimental pieces, e.g. the buffer stock controls, would be dangerous”. As Rasminsky noted, the clearing union was potentially too important a body for its success to be tied to the potentially less successful primary products regulation scheme.

As when the Canadians had expressed doubts about involving the clearing union in the financing of postwar relief, UK officials were initially reluctant to dispense with the idea of using the clearing union to finance buffer stocks. Keynes, Phillips, Lionel Robbins, Director of the Economic Section of the War Cabinet Offices, and Sir Frederick Leith-Ross of the Board of Trade all stood firm, Keynes contending that the clearing union was the most viable and sensible source of funding of which he could conceive. Only James Meade, also of the Economic Section, was willing to concede that to meet the concerns expressed by Commonwealth delegates, it might be wise to limit the amount of financing a given commodity regulatory body could receive from the clearing union. Despite his belief that the clearing union was the best source of financing, Keynes agreed to redraft the section of the proposals that dealt with the issue. By the end of the talks, Rasminsky believed


83. PRO, DO35/1014/7, Minutes of the Sixth Meeting of the Post-War Economic Talks, October 30th, 1942.

84. PRO, DO35/1014/7, Minutes of the Sixth Meeting of the Post-War Economic Talks, October 30th, 1942.
“that the British have come round to this way of thinking, though we have been careful not to press the point too hard”. 85

Overall, the Canadian representatives were pleased with the work done at the 1942 London postwar economic talks. The atmosphere had been “friendly and constructive”. There had been no troubles with the main spokesman for the UK position, John Maynard Keynes, who had “showed himself to be glad to consider criticism and to meet objections”. 86 Rasminsky was more blunt: “Keynes is at his best and has been rude only once”. 87 Rasminsky thought the talks interesting and useful, taking from them two important impressions: that the British Treasury was increasingly prone to see the world through the eyes of a debtor nation and that there was general agreement on the need for a bold approach to postwar problems. 88

The Canadian representatives returned from London to action on the postwar planning front on the American side. Within weeks of their return, Canadian officials finally received a copy of the US proposal for a stabilization fund. On November 20th, White gave a copy of his plan to Plumptre on a personal basis, telling him that he had discussed it with UK officials on a recent trip to the United


86. NAC, RG19/3989/T-2-9-2/Volume 1, “Draft Report of the Canadian Representatives at the “Post-War Economic Talks” Held in London Between October 23rd and November 9th, 1942.” See also Acheson et al., p. 34.

87. Keynes’s rudeness was legendary: Lionel Robbins later recalled that, “When roused [Keynes] could be more devastatingly rude than any man I have known.” See Robbins, p. 193.

88. NAC, RG19/3989/T-2-9-2/Volume 1, L. Rasminsky to G. F. Towers, November 4th, 1942. Decades later, Rasminsky would remember these talks as “the high spot intellectually in the discussions that preceded Bretton Woods”. See Acheson et al., p. 34.
Kingdom and had found them agreeable to the idea in general as well as some of its particulars. While White did not know how Canadian participation would be brought about, Plumptre "got the definite impression that the way would be open for you [Clark] or some other Canadian official to discuss with him the matter of Canada's possible participation."

Where Keynes's plan worked on the banking principle, White's plan worked on the subscription principle. White proposed the creation of an international stabilization fund. Nations would be required to contribute a set amount of gold, national currencies, and national securities as the price of admission. The amount of a nation's contribution would determine the extent to which it could draw upon the resources of the fund. The value of member currencies would be fixed in relation to one another, and changes in these exchange rates would only be possible under certain well defined circumstances. The fund would use member contributions to maintain this system of fixed exchange rates, providing short-term liquidity to members in temporary balance of payments difficulties. This short-term liquidity would enable members to eschew the currency devaluations that had so troubled the world in the 1930s. Provisions were made to ensure that no member made excessive use of the fund's resources. There were also provisions to ensure that the fund did not run out of any member currencies; if a currency was so much in demand that it became "scarce", measures could be taken to ensure that the fund's remaining holdings of the currency were fairly distributed among members through a system of rationing. Like the Keynes plan, a new international unit of account was to be created, which White dubbed the unitas. The value of unitas

89. NAC, RG19/3981/M-1-7-2, A. F. W. Plumptre to W. C. Clark, November 20th, 1942.
would be set in terms of gold and it would serve as the intra-fund means of account.90

Plumptre was the first Canadian to get a good look at White’s plan.91 His initial impressions were on the whole favourable, proclaiming it “economically and financial ingenious”, though not without problems.92 While economically sound, Plumptre worried that the plan might not be politically sound, expressing doubts about its political palatability to the American people.93 In January, Mackintosh examined a slightly newer version of the proposal, and was surprised to find that it did not fundamentally conflict with Keynes’s plan. The only important differences were that under the White plan, members would make subscriptions to the fund and scarce currencies would be rationed: the first difference could be settled through compromise, while the second was an attempt to improve upon a flaw in Keynes’s plan.94 By late February 1943, Rasminsky had reached a similar

90. This summary of the White plan is based on NAC, RG19/3447/International Clearing Union, “Preliminary Draft of Proposal for a United and Associated Nations Stabilization Fund”, U. S. Treasury Department, December 24, 1942.

91. NAC, RG19/3981/M-1-7-2, A. F. W. Plumptre to W. C. Clark, November 20th, 1942. I assume that this was the first time any Canadian got his hands on a copy of White’s proposal because Clark, in his reply to Plumptre, wrote, “I knew that his [White’s] memorandum had been in existence for some months and I have heard an oral summary of its major proposals. I have been expecting for some time that he would let us have a copy of it ...”. See NAC, RG19/3981/M-1-7-2, W. C. Clark to A. F. W. Plumptre, November 27th, 1942. Given Clark’s position, it seems reasonable to conclude that if he did not have a copy of the plan, nobody in Canada did.

92. NAC, RG19/3981/M-1-7-2, A. F. W. Plumptre to W. C. Clark, December 8th, 1942. One problem was the provision of two times the number of votes to the Latin American nations as to the Commonwealth nations on the fund’s Board of Directors: he assumed that White would protest that these numbers were only preliminary, but Plumptre could not “help feeling that there is a bit of absurdity here”.

93. NAC, RG19/3981/M-1-7-2, A. F. W. Plumptre to W. C. Clark, December 8th, 1942.

94. NAC, RG19/3447/International Clearing Union, W.A.M. to Dr. W. C. Clark, January 25th, 1943.
conclusion about the similarity of the two plans. He thought the most important difference between the plans was the size of the fund: Keynes's was too large, White's too small. Assuming that the United States would want to limit its obligations to any international financial organization, "the real differences between the two plans relate to form and method of operation rather than to substance". The overdraft principle was simpler, but the subscription principle was more familiar and thus, potentially, "a political advantage".  

On balance, Canadian officials preferred the approach of the Keynes plan. Early analyses of the White plan contained criticisms of its provisions combined with musings on the need to find a middle way between the two approaches. These analyses contained themes that had characterized, or soon would characterize, Canadian thinking about postwar monetary reconstruction: the need for two financial organizations, one for short-term credits and one for longer-term lending; the need for an organization with plenty of financial resources at its disposal, large creditor quotas, effective sanctions similar to those in the Keynes plan, and a governing board with the ability to apply sanctions according to the circumstances of a given case; the tension between the need to accede

95. BoC, GFT75-20, Untitled memorandum, by L. Rasminsky, February 20th, 1943.

96. NAC, RG25/3259/6000-D-40 Part 1, H. H. Wrong to L. B. Pearson, December 11th, 1942; BoC, LR76-212-1, LR to Lord Keynes, June 3rd, 1943; Acheson et al., pp. 34-35; Plumptre, p. 39.


to the US desire to limit its contribution to any scheme and the need for a larger fund than that suggested by White.100

By the first week of March, Canadian officials had prepared a few questions for White about his plan. These questions concerned the determination of member quotas (particularly creditor member quotas and the US quota), the proposed size of the fund (which, at $5 billion, seemed too small: specifically, the Canadians wondered whether this figure reflected an amount thought politically acceptable in the United States), and the character of a special reserve that would be established when the fund held too much of one member’s currency. Mackintosh forwarded the questions to Plumptre on March 6th, requesting that he informally sound out White.101

Plumptre talked with E. M. Bernstein, who, as the Assistant Director of Monetary Research at the US Treasury, worked closely with White, and cabled the responses back to Ottawa six days later. Technical answers about the special reserve were offered; of immediate interest are the answers to the other two queries. When calculating the quotas, Bernstein told Plumptre, US officials had taken two factors into account, a member’s potential need for help from the fund and a member’s ability to contribute to the fund. The latter was necessary to meet an anticipated “hard-headed attitude in Congressional and business circles which might demand that what each country could get out of the fund (indicated by its quota) should in some sense be proportioned [sic] to what it put in, and what it put in should be proportion [sic] to what it was capable of putting in”. Plumptre sensed that US

100. NAC, RG25/3259/6000-D-40 Part 1, JJD to the Under-Secretary, March 3rd, 1943.

101. NAC, RG19/3446/Postwar Planning-Current, SSEA to CMUS, EX-799, March 6th, 1943.
officials might prove willing to weigh the former consideration more heavily than the latter, but they felt that they had at least to give a nod to the “more business-like” principle of ability to contribute.\footnote{102}

On the proposal for a $5 billion fund, to which the United States would contribute approximately $2 billion, Plumptre reported that the Americans did not think this figure too small given that the fund was intended only to provide funds for members in balance of payments difficulties, not funds for postwar relief and rehabilitation. Given the American faith in the $5 billion figure on theoretical grounds, Plumptre concluded, the amount could not be seen as the product of political considerations (though he did note the happy coincidence that the anticipated US contribution of $2 billion was equal to the size of the present US exchange stabilization fund). Bernstein assured Plumptre that US officials would be willing to petition Congress for a larger contribution if it appeared necessary.\footnote{103}

Later that month, Louis Rasminsky circulated two memoranda on the White plan that would provide the foundation for the Canadian approach to the proposal over the next several months. The memoranda are also significant because they reveal an interesting interplay between the desire to fulfill specific Canadian interests and the need to meet the more general interest of achieving a workable plan.

\footnote{102. NAC, RG19/3446/Post-War Planning-Current, CMUS to SSEA, WA-1159, March 12\textsuperscript{th}, 1943.}

\footnote{103. NAC, RG19/3446/Post-War Planning-Current, CMUS to SSEA, WA-1159, March 12\textsuperscript{th}, 1943.}
The first memorandum was a list of twenty questions about White's plan. The questions covered a broad range of issues: the size of the fund, the determination of quotas, member contributions to the fund, the place of gold in the fund, the fund's ability to create liquidity, the fixing of exchange rates, the place of exchange control, the character of the special reserve, the fund's powers and staff, the rationing of scarce currencies, the use of the fund's resources to liquidate blocked balances arising from the war, and the implicit veto granted to the United States. Many of the questions were technical, requesting clarification on various points or pointing towards ways in which the plan might be made to work more smoothly. Others raised more fundamental concerns. The fund was too small, both to provide sufficient breathing room during the postwar transitional period and to deal with the problem of the blocked balances accumulated during the war. The fund might be given more flexibility in the decisions it could make and the actions it could take. Steps should be taken to ensure the multilateral transferability of currencies. The plan's political implications should be carefully considered, particularly the provisions concerning the determination of exchange rates and subsequent changes to them, as well as the implicit US veto.\textsuperscript{104}

Rasminsky's questions reveal the dual nature of Canadian interests: Canada had an interest in a fund that would work in the general interest, but it also had an interest in a fund that would serve more specific Canadian interests. At times these interests might dovetail nicely; at other times they could be in conflict. The former was the case in this instance. Concern with the size of the fund showed a concern for the fund's overall chances of success, but as it related to the blocked balances issue, it revealed a desire that Canada not be penalized for its decision not to accumulate sterling balances

\textsuperscript{104} NAC, RG19/3447/International Clearing Union, "U.S. Treasury Plan for International Stabilisation Fund, Questions to be raised in preliminary discussions with U.S. officials", Unsigned and undated.
during the war. A similarly happy coincidence of interests can be discerned in the concern with multilateral transferability: a good thing in itself, it also suited Canada's particular balance of payments needs. Rasminsky's concern for the general working of the plan resulted in suggestions that more discretion be given to the fund and its staff to deal with international disruptions, and questions about the plan's political acceptability. But concern for the general working of the plan was not motivated by altruism: a working international monetary system that was as nearly as possible universal in its membership was the ultimate Canadian interest.

A similar desire to fulfill both the general interest and specific Canadian interests is evident in Rasminsky's second memorandum, which suggested changes Canadian officials might propose to the White plan. Once again, the size of the fund, and particularly the proposed $2 billion US contribution, was criticized as too small to fill the postwar transitional gap not covered by relief or loans; moreover, it was too difficult for the fund to acquire additional US dollars. Rasminsky suggested that the fund be essentially doubled in size: each member would pay up its full quota to the tune of $5 billion as called for by White, but each member would also pledge to provide the full amount of its quota again in national currency if called upon to do so by the fund. Rasminsky also thought that the fund should be given more discretionary power to deal with disruptions in the international economy, the ability to assess each problem as it arose and to deal with it according to its own peculiarities and not on the basis of rigid rules. These suggestions again showed the Canadian concern that the fund be a success, that it not be thwarted in its task because of too few resources. It also hinted at a Canadian desire to have the concerns of British officials, who shared

the belief in the need for a larger fund, met. A similar mixture of interests was apparent in Rasminsky's comments about the proposed role for the fund in the liquidation of blocked balances. His assertion that the proposed resources of the fund were insufficient to deal with this problem indicated a concern with the fund's success. But his dissatisfaction also stemmed from the fact that Canada would reap nothing from the proposal, simply because it had eschewed piling up large sterling balances. Notwithstanding the delicacy of the issue from the Canadian point of view, Rasminsky asserted the superiority of settling the apportioning of the costs of the war outside the fund.106

Specific Canadian interests were more in evidence when it came to the inter-convertibility of currencies. Rasminsky understood the White plan to allow for free convertibility of currencies only for current account purposes. This was not satisfactory from the Canadian point of view as Canada would not be able to convert sterling that it earned in its trade with the UK into US dollars for use in repatriating its debts in the US. Rasminsky argued in favour of the fund providing currency for the liquidation of maturing obligations, as well as the participation of the fund in the creation of capital repatriation programs for members with a current account surplus. Rasminsky's comments concerning the place of gold in the fund were also motivated by specific Canadian interests. He suggested that the fund be obligated to buy gold in exchange for unitas and that members be obligated to provide national currency in exchange for transfers of unitas. This would ensure the place of gold in the scheme and give Canadian gold miners a guaranteed market for their output.

decreasing their dependence on the policies of the US Treasury.\textsuperscript{107}

Rasminsky presented his memoranda to a March 26\textsuperscript{th} meeting of a sub-committee on international monetary arrangements struck under the aegis of the Sub-Committee of the Economic Advisory Committee on Postwar Reconstruction.\textsuperscript{108} Present at the meeting were Rasminsky, Mackintosh, Sidney Turk of the Foreign Exchange Control Board, J. J. Deutsch, an economist with the Department of External Affairs, Professor Frank Knox of Finance, Jean Chapdelaine of the Privy Council Office, and Bryce. Rasminsky’s twenty questions about the White plan received the most attention, as the meeting discussed technical issues such as how White’s fund would fit in with existing exchange markets and potential problems associated with the provisions for rationing scarce currencies. Rasminsky agreed to revise the list of questions, which would then form the basis of any talks the Canadian might have with the Americans. Rasminsky’s memorandum suggesting changes to the White plan was also briefly considered.\textsuperscript{109} The Canadians were now ready to talk to the Americans about the White plan. All they needed was an invitation.

Until the beginning of March 1943, US officials had been engaged in what was apparently one of their favourite pastimes: inter-departmental squabbling about the best way to proceed with

\textsuperscript{107} NAC, RG19/3447/International Clearing Union, “U.S. Treasury Plan for International Stabilisation Fund, Changes which we might propose”, Unsigned and undated.

\textsuperscript{108} NAC, RG19/3447/International Clearing Union, L. J. Rasminsky to W. A. Mackintosh, March 24\textsuperscript{th}, 1943 and “Note for record re meeting on Friday evening, March 26, 1943 re Exchange Stabilization Fund”, by RBB, March 27\textsuperscript{th}, 1943. Rasminsky had prepared his memorandum specifically for this meeting.

\textsuperscript{109} NAC, RG19/3447/International Clearing Union, “Note for record re meeting on Friday evening, March 26, 1943 re Exchange Stabilization Fund”, by RBB, March 27\textsuperscript{th}, 1943.
international consideration of the White plan. Finally, on March 6th, White told Plumptre that the Treasury Department had sent a letter of invitation and a copy of the White plan to Canada the previous day.110 Around the same time Berle, on behalf of the State Department, handed a copy of the plan to Pearson with a request for comments.111

Invitation in hand, the Canadians travelled to Washington for talks with the Americans in April 1943. Their team was strong, consisting of Mackintosh, Rasminsky, Plumptre, and Deutsch. Mackintosh and Rasminsky had been involved in the consideration of this issue from the start. Plumptre had good relations with White and was the first Canadian to have had the opportunity to examine his plan. Deutsch had come to the issue a little later, but was a member of the core group of officials considering the issue in Ottawa and had authored analyses of both the Keynes and White plans for his department. In addition to their personal abilities, the Canadians had one other possible advantage: their promptness in responding to Morgenthau’s call for United and Associated Nations experts to come to Washington to discuss the plan. Lester Pearson, who had taken over from Wrong as the leading officer at the Washington legation in mid-1942, thought that they should “exploit the importance of the fact that the United States is having its first official talks on this


111. NAC, RG19/3981/M-1-7-2, CMUS to SSEA, No.519, March 10th, 1943. The Canadians were eager to begin discussions with the Americans and appear to have suggested that they be included in a discussion of postwar monetary issues to take place in New York in the middle of March at which White would be present. White rejected the idea of Canadian participation, but assured Plumptre “that of course he expected to discuss the Stabilization Plan with us at a high level directly, rather than obliquely at a meeting called by some third party”, noting that he would only be discussing postwar monetary plans in general, and not his plan in particular, at the meeting. See NAC, RG19/3981/M-1-7-2, A. F. W. Plumptre to W. C. Clark, March 6th, 1943.
subject with Canada."

The talks began on April 21st. The Canadians were warmly received by Morgenthau and appear to have received written replies to the questions that Mackintosh had asked Plumptre to ask White in the first week of March. Given that the questions had been largely factual in nature and apparently geared towards clarification, the answers were largely factual and explanatory. However, one response must have been worrisome to the Canadians. The answer to the query concerning the sufficiency of a $5 billion fund to meet the demands that would be made of it was a firm yes. The Americans based their answer primarily on economic, rather than political, grounds. The fund was not meant to finance postwar relief and reconstruction, development, or current account deficits arising from long-run structural changes; moreover, analysis revealed that a $5 billion fund would have met the need for liquidity in the period 1936-1938. Only after three pages of economic argument did the Americans mention that “[a] secondary consideration in the suggestion of

112. NAC, RG19/3981/M-1-7-2, CMUS to SSEA, WA-1822, April 16th, 1943. See also NAC, MG26/N8/2/4, Diary for April 21st, 1943 in which Pearson suggested that Morgenthau had suggested the press conference because he was “anxious to give the impress about his currency discussions that everything is open and above-board, in contrast to Mr. Roosevelt and the Food Conference”.

113. NARA, RG56/General Records of the Department of the Treasury/Records of the Assistant Secretary of the Treasury re: Monetary and International Affairs/Chronological File of Harry Dexter White Nov.1943-Apr.1946/Chronological 43-49/9/Chronological #46, Memorandum of a Conversation in Morgenthau’s Office, April 21st, 1943.

114. The record of the meeting with Treasury officials makes no mention of the Americans giving written replies to the Canadian questions, but a copy of the replies in the Treasury files at NARA is marked “4/21/43 - Used at meeting with Canadian delegation (2:30) Mr. Bernstein conducted in HDW’s absence”. See FDR, Adolf Berle Diary/69/Stabilization Fund (April-July 1943), Memorandum of a Meeting with Canadian Technical Experts, April 21st, 1943; NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/41/Canada: Bretton Woods, “Replies to the Canadian Questions on the International Stabilization Fund”, Unsigned and undated.
aggregate quotas of $5 billion was the view that such quotas would involve a feasible contribution from all prospective members of the Fund, including the United States". 115

Substantive discussions began on April 22nd and lasted until the 26th. There was no set agenda: generally it was left to the Canadians to pose the questions and the Americans to answer. As in London, the Canadian comments covered a wide field: they asked for clarification of points here, suggested technical or drafting improvements there, they tackled big issues and small. Also as in London, several overriding concerns can be discerned in the comments of the Canadian officials. These were the size of the fund, the United States veto, problems arising from the scarce currency provisions, and the use of the fund to address the blocked balances problem.

The issue that received the most attention was the US proposal for a $5 billion fund. Sometimes Canadian scepticism about the size of the fund manifested itself in concern about its overall size, sometimes in concern about the size of the proposed US contribution of $2 billion, sometimes in concern about the ability of members to gain access to the fund’s resources. For example, Mackintosh argued that if the purpose of the fund were to stop the spread of deflationary forces

115. There were a few indications that the Americans might be willing to reconsider this figure: they noted that if this size of fund were clearly inadequate it should be increased; they conceded that the postwar demands on the fund were likely to exceed their estimates of prewar demands on the fund, concluding that “a Fund of at least $5 billion will probably be required to meet the needs arising in the post-war period”; and they outlined the provisions made to increase the size and resources of the fund. Nevertheless, the overall tone of their response is confidence in the $5 billion figure. See NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/41/Canada: Bretton Woods, “Replies to the Canadian Questions on the International Stabilization Fund”, Unsigned and undated.
from one nation to another, $5 billion would be insufficient to fulfill such a task. When Bernstein suggested that there was no cause for concern about a member’s ability to acquire the resources it needed because it was permitted to borrow in excess of its quota, Rasminsky replied that this provision would be useless if there were too many debtors at the same time (too many nations borrowing more than they had contributed to the fund could easily lead to the exhaustion of the fund’s resources). An attempt by Bernstein to soothe Canadian concerns by observing that the fund could acquire more resources either by issuing its own securities or by borrowing abroad was dismissed by Rasminsky, who remarked that it would be most unfortunate if the fund were forced to borrow early on in its existence, making it seem as though it had very quickly gone bankrupt. This would be both embarrassing and potentially discrediting. Why not start off with a larger fund in the first place? Rasminsky inquired whether it would be possible to provide for automatic loans to the fund under certain conditions. At first White agreed to consider practical suggestions for such a provision, but later said that the United States would be unable to agree to this.


117. NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, pp.4-5. Rasminsky later repeated his concern about the ability of members to borrow in excess of their quotas: “Turning to III(3b) under which a country may obtain exchange from the fund up to 200% of its quota, is it not possible that this right cannot be exercised if the fund is short of creditor country currencies?” White replied that while such a development was possible, reliance should be placed on the fund management’s ability to avoid it. See NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, p. 27.

118. NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, pp. 8-9.

119. NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, pp. 9, 16.
Similarly, Canadian comments about the quota call up provisions suggest a concern for ensuring access to the fund’s resources. The White plan provided that members would contribute only 50% of their quotas to the fund at the time of their admission; the other half of the contribution would not have to be paid in until such time as the fund requested it. Canadian officials argued against calling up all currencies on a pro rata basis in time of need, suggesting that the fund should only call up those currencies actually needed; also undesirable was the provision for a US veto over the calling up of its own remaining quota. In addition, the Canadians worried that restrictions on the sale of contributed securities to acquire currencies, the absence of obligation for members to buy gold, and the US veto over quota call ups would all “leave far too little in the way of completely reliable assets”.

The Canadians were ready to put their money where their mouths were where the size of the fund was concerned. Rasminsky said that Canada would actually prefer a larger quota so that other nations would have assured access to more Canadian dollars (and so be able to buy more Canadian products). Mackintosh, in response to a query from White as to how much Canada would be willing to contribute, asserted, “The question as to whether the Canadian contribution should be $200 mm, $300 mm or $500 mm is not likely to be a deciding issue if Canada thought that the plan was sound and was of such a character as to appear likely to achieve the desirable objectives which have been

120. NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, p. 10; FDR, Adolf Berle Diary/69/Stabilization Fund (April-July 1943), Memorandum of a Meeting on the International Stabilization Fund in Mr. White’s Office, April 22nd, 1943, 3:25 P.M..

121. FDR, Adolf Berle Diary/69/Stabilization Fund (April-July 1943), Memorandum of a Meeting on the International Stabilization Fund in Mr. White’s Office, April 22nd, 1943, 3:25 P.M.
Occasionally the Americans argued against a larger fund on the basis of economics. Bernstein revived the argument that a $5 billion fund would have been sufficient in 1936-1938. White suggested that too much in the way of easily available resources might prevent some countries with current account deficits from making the structural changes they needed to adapt to changed circumstances. Far more often, American arguments were based on politics, revolving around the attitudes of the US public and Congress. White contended that since the US contribution, unlike the contributions of most other nations, would be seen in the US as being "equivalent to gold", it would be difficult to increase it beyond $2 billion. He also said that the American people would need to be assured "that the fund is not a grab bag" and thus, "[i]n order to ensure Congressional approval it is better not to try to put the United States contribution too high at the beginning", though he did hold out hope that once the fund had proved itself a larger US contribution might be possible. Political considerations were also implicit in the importance the Americans placed on the fund's ability to borrow as a way of increasing its resources. To White, the fund's power to

122. NAC, RG19/3981/M-1-7-2, "Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943", pp. 5-6.

123. NAC, RG19/3981/M-1-7-2, "Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943", p. 3.

124. NAC, RG19/3981/M-1-7-2, "Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943", p. 7.

125. NAC, RG19/3981/M-1-7-2, "Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943", p. 7.

126. NAC, RG19/3981/M-1-7-2, "Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943", pp. 16-17.
borrow was "[v]ery important. This power gives the plan an important element of flexibility. One could visualize the United States lending 2, 3, or even $10 billion dollars to the fund. The significant point about this method of flexibility is that it gives the lending country some control over the use of the funds" because "[b]efore making the loan the lending country might want to be assured that certain conditions are met."127 Despite the political difficulties involved, White did promise on at least one occasion to consider a larger fund.128

Another issue of great concern to the Canadians was that the White plan implicitly accorded the United States a veto over many fund actions. Rasminsky argued that a veto for any member would make it appear as though the fund were controlled by a single nation and "would therefore lose the advantage of an international institution". Furthermore, a nation with a veto would lose "the important advantage of being subject to recommendations and certain pressures from an international institution with regard to a course of action which is in its own best interests but in respect of which, for one reason or another, it could not act on its own initiative".129 Even though the veto would confer upon the US only negative power to ensure that things were not done, as

127. NAC, RG19/3981/M-1-7-2, "Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943", p. 8.

128. NAC, RG19/3981/M-1-7-2, "Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943", p. 6. The Americans also appeared to promise to consider a larger fund on April 23rd, when "it was agreed to consider the suggestion that the resources of the Fund be increased without increasing proportionately the capacity of member countries to purchase foreign exchange under provision III-3-b". See FDR, Adolf Berle Diary/69/Stabilization Fund (April-July 1943), Memorandum of a Meeting on the International Stabilization Fund in Room 218, Treasury, April 23, 1943, 3:30 P.M.. No mention was made of this agreement in the verbatim minutes of the meetings prepared by the Canadians.

opposed to positive power to ensure that things were done, the popular consensus would be that the United States was running the show. A US veto would be particularly problematic for Canada because “no alteration in the Canadian exchange rate would be possible without the approval of the United States”.¹³⁰

Echoing Rasminsky, Mackintosh observed that the very considerations that made the veto politically attractive to the United States would make it unattractive to other nations.¹³¹ He also suggested a consideration similar to one noted by Rasminsky: “if the United States alone has the veto power under all circumstances, the United States representative on the fund would be in a very difficult position. He may have to vote against a recommendation or course of action which he may think wise and would like to see applied. Yet, [sic] his vote would kill any opportunity there may be for acceptance of the wise policy.” What was needed was not a single country veto, but a way to protect the interests of creditor nations. Why not provide for a collective creditor country veto through weighing the votes of creditors more heavily than those of debtors in certain circumstances? Surely “[t]his would be more rational and very much more palatable”.¹³²

As with the size of the fund, the Canadians were willing to live by their principles. In response to an inquiry about the cases in which Canada would accept majority voting, Rasminsky replied:

¹³⁰ NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, p. 40.


“Speaking personally, we would have sufficient confidence in the management to be content with a simple majority vote in all cases, including the depreciation of the exchange rate.”\textsuperscript{133}

The American response was encouraging. White said that a US veto was necessary to keep both Congress and the American public happy, and revealed that the rule of thumb during the drafting of the plan had been when in doubt, throw in a veto. Nevertheless, he added, “The matters in respect of which this veto power would have to be retained are open to discussion.”\textsuperscript{134} There were some things over which the United States would need a veto, such as the value of the American dollar in terms of gold.\textsuperscript{135} But the Americans showed themselves quite willing to reconsider the use of the veto in a number of instances, including the call up provision and changes to exchange rates. They also promised to give serious consideration to Mackintosh’s suggestions for a more generalized creditor veto.\textsuperscript{136}

\textsuperscript{133} NAC, RG 19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, p. 40.

\textsuperscript{134} NAC, RG 19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, p. 11. See also page 21 in the same document. And see FDR, Adolf Berle Diary/69/Stabilization Fund (April-July 1943), Memorandum of a Meeting on the International Stabilization Fund in Room 218, Treasury, April 26, 1943, 9:30 AM., in which White repeated that the United States was willing to reconsider the use of the veto “in each specific instance”.


\textsuperscript{136} NAC, RG 19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, pp. 11, 21, 40-41; FDR, Adolf Berle Diary/69/Stabilization Fund (April-July 1943), Memorandum of a Meeting on the International Stabilization Fund in Room 218, Treasury, April 26, 1943, 9:30 A.M..
The scarce currency provisions occasioned a good deal of discussion. The Canadians were concerned about how the rationing of scarce currencies would work in practice. The Americans told them not to worry. Rationing was simply the fund’s policy of last resort to deal with excessive demand for a given currency; there were many things the fund could do to increase its holdings of a scarce currency before it would be forced to institute rationing. The Canadians were not convinced. If a country’s currency was so much in demand that the fund could no longer do anything to protect it from pressures to appreciate, what would happen? The Americans replied that it would not be up to the nation with the scarce currency to keep its currency from appreciating, but up to all of the other nations to keep their currencies from depreciating. The scarce currency country would be under no obligation to supply more of its currency. If its currency did appreciate on the free market, other nations would not have the right to devalue their currencies from their official fund-set values but would have to keep them steady. Only the fund could allow changes to exchange rates and only the fund could decide what should happen next.137

The Canadians had more success in getting the Americans to change their thinking on two issues that sprang from the link between member contributions and the scarce currency provisions. As noted, each member’s contribution to the fund would include a mixture of resources: part of it would be in national currency, part would be in gold, part would be in securities. The Canadians were concerned about the possibility that a member could be penalized because its currency was scarce, despite the fact that the scarcity had come about through no fault of their own. For example, country A might be penalized for having a scarce currency because the fund had run out of resources

137. NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, pp. 30-35.
to buy country A's currency as a result of having previously used up country A's gold contribution to purchase additional supplies of country B's currency. Country A's currency would thus have become scarce through no fault of its own. The Americans readily agreed to provide a solution to this problem.138

The other case followed from the inclusion of securities in member contributions. The Canadian representatives were very sceptical about including securities in member contributions and argued that they should be dropped out of the mix altogether.139 One of the problems the Canadians identified was this. Country A would contribute securities as a part of its initial contribution. The fund could sell these securities in the market of country B, acquiring in return B's currency. The fund might then sell B's currency to country C, which would in turn use the proceeds to settle up its bills with country B. The use of country A's securities contribution would have gone to help, in effect, country B, leaving the fund with less resources to acquire the currency of country A in time of need. The reason the Canadians regarded this as a particularly pertinent problem was that not all securities are created equal. Some securities are generally regarded as reliable enough to be saleable in third country markets, others are not. Canadian securities fell into the former category, meaning that the Canadian contribution would be more "useful" than the contributions of other nations. As White had noted of the US contribution, the Canadian contribution would be the equivalent of gold. The Canadians seemed to fear that this would not be the case for other nations, meaning that the Canadian contribution might be used to help third members, with Canada left

138. NAC, RG19/3981/M-1-7-2, "Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943", pp. 11-12.

139. NAC, RG19/3981/M-1-7-2, "Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943", pp. 13, 19.
The Americans were not initially sympathetic and refused to remove securities from the contribution mix. They tried to reassure the Canadians that a member would not be penalized for having a scarce currency through no fault of its own, and expressed their readiness to consider suggestions as to how the fund’s books might be kept so as to make it clear how and why a currency had become scarce. They also used the sort of argument of which the Canadians were usually so fond: they noted that even if a member’s securities were sold to benefit another member, this would be a good thing as it went to the general interest. One must make sacrifices for the common good. Nevertheless, the Americans ultimately agreed to consider suggestions to meet the Canadian concerns.

140. NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, pp. 12-14, 18, 29.

141. NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, pp. 18-19; FDR, Adolf Berle Diary/69/Stabilization Fund (April-July 1943), Memorandum of a Meeting on the International Stabilization Fund in Room 216, Treasury, April 23, 1943, 10:00 A.M..

142. Amusingly, White made this comment just after Rasminsky had finished a little good old Canadian moralizing. Rasminsky had this to say about the US contribution to the fund: “In considering the appropriate size of the quotas, member country contributions to the fund should not be regarded as something they are giving away but as a means for establishing a functioning world economy which is in the interests of every country.” Then Bernstein spoke and White said: “...it should be pointed out that the use of these securities as a general pool of resources would be in the eventual interest of every country. It is conceded that all the gold in the fund should be available for use generally. Why not securities? All the resources of the fund should be available to maintain world trade and every country should be willing to make sacrifices in the common interest.” NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, p. 18.

143. See especially NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, p. 29.
A similarly self-interested attitude is evident in the Canadian position on using the fund to deal with blocked balances. White assured the Canadians that while it was theoretically possible that the resources of the fund would not be sufficient to handle the blocked balances in the way laid out in his plan, the fact that proceeds from unblocked balances could only be used to make current account purchases, combined with likely shortages of goods in the immediate postwar period, would probably mean that everything would be all right. Nevertheless, the Canadians argued strongly for settling issues of wartime indebtedness outside the fund. To guarantee that the fund would purchase all of the blocked balances would make the holders of these balances far less likely to adopt an accommodating attitude: better to settle the issue outside the fund where the uncertainty would make the holders more pliant. White doubted that this would make holders such as India any more accommodating, and said that the only chance of an American contribution to the solution of the problem would be through the fund. The Canadians protested that the procedure left Canada at a distinct disadvantage. Canada, concerned about the potential trouble such balances might pose after the war, had opted to turn its accumulated balances into a $700 million loan to the UK. Canada would be penalized for its generosity were the White scheme adopted and its “decision would look, to say the least, like a bad choice”. Would the $700 million loan to the United Kingdom be regarded as a blocked balance? White said that would depend on the judgment of the fund. The Canadians tried again: maybe the fund could repurchase the blocked balances a little at a time? White again broadsided the Canadians with their own best interests:

There is an advantage in the fund taking over the whole amount and making it available at a certain rate in that it would enable the countries in which the balances are blocked to relax exchange control earlier than they otherwise could. It should also be pointed out that the suggested treatment of blocked balances would provide more means of payment for trade
and possibly enable a higher level of world trade.\textsuperscript{144}

The Canadians had many reasons to be satisfied with the discussions. They had made no headway on the exclusion of securities from member contributions or the blocked balances issue. They had seen evidence of a disheartening American attitude that in times of international disequilibrium it was ultimately up to debtor nations to make the adjustments necessary to restore equilibrium, and they had not convinced the Americans of the need for a larger fund or a larger US contribution. Ominously, the need to appease Congress and public opinion was noted on many occasions. But the Americans had also shown themselves ready to consider Canadian arguments and suggestions on most issues, including the US veto. They had also made a number of changes to meet Canadian concerns.

A US Treasury memorandum indicated that the Canadian officials had given their American colleagues much to think about. The Americans now thought it best to abandon the US veto over changes in exchange rates during the postwar transitional period and over fund sales of foreign exchange for payments on capital account to members of whose currency the fund did not hold an excessive amount (i.e. an amount equal to their quota). They agreed to afford more discretion to the fund in the reports it could make when a currency became scarce. They would also “give serious consideration” to various other Canadian points, including abandoning the US veto in favour of weighted creditor voting; providing “[t]hat reports to creditors be called for in circumstances parallel to those applying to debtors”; providing for mandatory member loans of fixed amounts to

\textsuperscript{144} NAC, RG19/3981/M-1-7-2, “Canada-United States Discussion of Stabilization Fund Proposals, United States Treasury, April 21-26, 1943”, pp. 36-38.
the fund'; increasing the size of the fund "without proportionate increase in the drawing power of members"; allowing the initial member exchange rates to be set by mutual agreement rather than fund fiat; and setting a limit to some of the "sweeping powers" given the fund. They even seemed ready to countenance excluding securities from member contributions. The memorandum also made it clear that the Canadian-American dialogue on postwar monetary issues was not over: the Americans promised to forward three follow-up memoranda, a statement by Morgenthau on the significance of the United and Associated Nation talks on the White plan, and any revisions of the plan to Ottawa. Each side agreed to keep the other apprised of press reaction to the White plan in their respective nations.  

The Canadians also had reason to be encouraged by the American follow-up to the talks. Within a fortnight, the Americans had prepared written responses to two supplementary Canadian questions. The answers must have pleased the Canadians, pointing as they did to a fund that allowed for multilateral transferability of currencies and was endowed with enough flexibility in its decision making abilities, as in the particular case posited by the Canadians, "so that the resources of the

145. The chances for American acceptance of this idea could not have been great. As noted above, White told the Canadians that the US would not be able to accept a provision for mandatory loans; similarly, a Canadian report on the talks given to UK representatives in Washington noted that the Americans did not seem enthusiastic about their proposal for a slightly higher American initial contribution combined with mandatory loans for up to 50% of a member’s quota. See BoE, ADM14/7, 802/3, Viscount Halifax to FO, No.11 Remac, May 17th, 1943.

Fund can be used for meeting a capital export where it is deemed to be generally desirable.”

By the end of April 1943, Canadians had participated in talks on the Keynes plan and the White plan, and had secured changes in both proposals in keeping with their specific and their general interests. Their colleagues on either side of the Atlantic were apparently eager to consider Canadian suggestions and willing to adopt them. But there was a problem. While the Canadians were talking to both the British and the Americans, the British and the Americans were not talking to each other, and there could be no real progress until these two nations came to terms.

147. NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/ Geographic Files/Country Files 1934-1952/41/Canada: Bretton Woods, “Supplementary Canadian Questions”, by EMB, May 5th, 1943. It is possible that the Canadians did not receive these answers at this time. In a teletype to Mackintosh on May 29th, Plumptre wrote that White had just told him “that he is sending you today replies to the questions which were left open during our recent discussions with the Treasury and on which they promised to supply further material”. I am uncertain whether these are the replies in question or whether White was referring to the three other matters on which the Americans had promised to forward information. See NAC, RG19/3981/M-1-7-2, CMUS to SEA, WA-2587, May 29th, 1943.
Chapter 3: The Canadian Clearing Fund (or is it Stabilization Union?)

Success in the field of postwar international monetary stabilization depended critically upon agreement between the United States and the United Kingdom. But during the first half of 1943, the prospects for Anglo-American accord did not appear promising to the Canadians. At first they did what they could behind the scenes to bring the two sides together. Then, in June, Canadian officials undertook a bold initiative. They presented for international consideration their own plan for monetary stabilization, one penned in the main by Louis Rasminsky. It was meant to be a distinctly Canadian approach that could stand alongside the Keynes and White proposals and perhaps bridge the differences between them. The Canadians hoped that it would break the Anglo-American impasse and serve as a catalyst to progress on postwar international monetary policy.

Wynne Plumptre appears to have been the first to suggest that the Canadians come up with their own plan for monetary stabilization. Interestingly, in light of the use to which the Canadian plan would eventually be put, his suggestion was motivated by considerations of tactics, not by the notion that the Canadians could necessarily draft a better plan. In mid-January 1943 Plumptre sent Clark an in-depth analysis of two memoranda by White on the stabilization fund. These memoranda, in particular the one that gave details of the proposed stabilization fund, had left Plumptre “very troubled”: 

I feel strongly, as I believe you feel, that we are a very long way from the time when we

1. Taken from a letter from Plumptre to Clark: “Having handed over all my surplus copies of the Canadian Clearing Fund (or is it Stabilization Union?) proposal, I am not in a position to meet any further demands for copies which may arise.” See NAC, RG19/3982/M-1-7-4, A. F. W. Plumptre to W. C. Clark, June 24th, 1943.

ought to be discussing such details as this memorandum covers. It seems essential to reach a broad agreement amongst the more important countries concerned regarding the general approach to postwar currency stabilization. In this early stage international discussions ought to relate to whether it is preferable to establish a highly developed international organization endowed with considerable powers, such as Dr. White's memorandum outlines; or whether it is preferable to approach the whole matter through some sort of international clearing agreement with much less centralized machinery.

They should find a way to avoid meeting with the Americans solely to discuss White's plan. Perhaps Canadian officials could begin work on their own plan, which, when finished, could be discussed with US officials, along with White's plan, and possibly also with UK officials, along with Keynes's plan. Plumptre continued:

I think this would be more tactful than for us to come out at this time with a flat statement that we preferred the British rather than the American plan. As you know, the Treasury, and particularly one inmate of it, likes to think that we, in Canada, are highly independent of the British. I would expect, of course, that our plan would resemble the British rather than the American, but for the reason mentioned above I would like to see it differing from the British on as many points as seemed reasonably possible.

Three plans would encourage discussion of broad principles rather than troublesome details. The Canadian plan would have to be detailed enough so as not to be seen for the diversionary tactic that it was, but "[w]hether these details were fully thought out and completely defensible would not matter a very great deal". What was essential was speed. If Clark thought this a good idea, it should be set in motion as quickly as possible, as US Treasury officials were eager to hear Canadian views on their proposals. If Clark did not think this a good idea, Plumptre "would feel rather inclined to tell Harry White, quite frankly, why I am troubled by the U.S. plan, but I would not want to do so unless you approve".3

Clark did not approve. He shared Plumptre's concern about the amount of detail in White's plan.

having been led to believe that it would be of a very general nature. He also thought that “there is something in your suggestion for a Canadian plan, but it may be difficult to keep far away from at least one of the others”. He asked Plumptre not to approach White with his concerns just yet, promising that they would give some thought to the drafting of a Canadian plan in Ottawa.  

White’s plan did not leave everyone uneasy. Mackintosh was not bothered by the amount of detail it contained, as a certain amount of detail was necessary to show how a theoretical concept would work out in practice. Although he may not have shared Plumptre’s concerns, Mackintosh did like his suggestion: “I think it would be desirable if we had our own proposals, though I would not be optimistic about dissociating them clearly from those of the United Kingdom and the United States.” Towers also wondered how different an alternative plan could be, musing that there could be “a combination of the two plans and/or certain modifications, but that is about all”. An alternative plan would have to adopt either the overdraft principle or the subscription principle, or a combination of the two; perhaps there might be room for modifications in the provisions on excessive creditors or debtors, changes in exchange rates, or even the organization of the fund, “if one is striving for variety”.  

The Canadians were not the only ones who thought that they should perhaps come up with their own plan for international monetary stabilization. They also received encouragement from British

4. NAC, RG19/3981/M-1-7-2, W. C. Clark to A. F. W. Plumptre, January 23rd, 1943.
5. NAC, RG19/3447/International Clearing Union, W.A.M. to Dr. W. C. Clark, January 25th, 1943.
officials. On February 9th, Wrong, Mackintosh, and H. F. Angus, of the Department of External Affairs, met with Redvers Opie, an influential staff member at the UK Embassy in Washington, and Gordon Munro of the UK High Commission in Ottawa. Opie reported that a revised version of White’s plan had been given, along with a request for comments, to the UK, Chinese, and Soviet governments. The UK was not happy that the US was shopping its plan around while the two nations were still discussing the Keynes proposals: while the plans might be similar in intent, they were very different in execution. British officials in Washington wanted to try their hand at concocting a synthesis of the Keynes and White approaches, “which would show how closely they resemble each other in purpose and what were the substantial differences of method”. Opie wondered whether the Canadians might “prepare a complete plan of [their] own which would take account of the British and American proposals. Mackintosh said that this was already being considered by an informal group consisting of Rasminsky, Bryce, Turk and himself. He was not yet sure what the result would be.”

The Canadians learned more about the deteriorating situation later that month. Washington was finally ready to begin discussing international monetary policies, but the way in which it proposed to proceed did not sit well with London. The American program implied that US officials would engage in bilateral talks about the White plan with experts from allied nations in Washington, while the UK would separately engage in similar talks about the Keynes plan. This plan was not at all well received by the UK. First, as noted above, it was annoyed that the US was passing around the

7. Clark had also received a copy, with a request for comments.
9. NAC, RG19/3981/M-1-7-2, R. Gordon Munro to W. C. Clark, February 19th, 1943.
White plan before they had finished discussing the Keynes plan; indeed, the Americans had not even adequately explained their objections to Keynes's approach. Moreover, the UK preferred not to involve other nations in their talks with the US before Anglo-American agreement on principles had been reached, as this would lead to confusion. Recognizing that protests to the US against the proposed procedure would only delay its implementation, the UK suggested this compromise to the Dominions on February 24th:

Question arises whether United States draft could not be conveniently collated with clearing union draft into a single agreed document, but preliminary examination suggests that this possibility could only be considered after several obscure points have been cleared up and several issues of substantial importance have been settled. Our view is that it is not desirable to attempt this collation at present stage before differences of substance have been thoroughly debated and that best course would be for experts from United Nations concerned to be invited to Washington as soon as possible to discuss main points of difference between the two drafts. We have asked Phillips to put this suggestion to United States authorities in discussing with them their ideas as to future procedure and will telegraph further as soon as their reactions are known.

Some Canadian officials were not keen on this proposal. Wrong was "rather dubious about a meeting of "experts from the United Nations concerned" unless it is understood that the countries invited to send experts are limited to those with the greatest interest in the subject." Clark was also unconvinced. "[S]orry to see the situation developing as it appears to be developing", Clark had

10. NAC, RG19/3981/M-1-7-2, A. F. W. Plumptre to W. C. Clark, February 12th, 1943 and R. Gordon Munro to W. C. Clark, February 19th, 1943. Bruce Muirhead notes that Anglo-American relations had become generally strained by February 1943, even apart from the monetary policy issue. See Bruce Muirhead, Against the Odds: The Public Life and Times of Louis Rasmisky (Toronto: University of Toronto Press Incorporated, 1999), p. 90.

11. NAC, RG19/3981/M-1-7-2, R. Gordon Munro to W. C. Clark, February 19th, 1943.


that I did not like to see the U.S. and the U.K. each submitting a draft of its own to each of the other United Nations, that this put the two drafts into competition with each other and would embarrass a good many Governments which might prefer the British draft but would be very reluctant to state their views frankly lest they offend the United States Government whose co-operation was essential if we were going to have any kind of international monetary co-operation, that I myself would prefer not to submit a summary of my views of the essential differences between the two plans [as Phillips had asked him to do], and that I thought it would be far wiser under the circumstances for the British to allow the United States to circulate its own document and to refrain for the present from circulating the British document. In underlying fundamentals the two proposals were, generally speaking, very similar. When the proposed conference was held, it would be possible for the British to argue for the amendments which they considered essential to their own interest or for the successful working of the scheme.

Towers had told Munro essentially the same thing and had concluded that UK officials would likely accept their advice. The February 24th telegram suggested otherwise. Clark continued:

I am somewhat fearful of the results that will flow from the competition between the two drafts, although I have much sympathy for the British in their irritation at the United States officials circulating their draft without giving the British their criticism of the clearing union proposals.

In the circumstances I think that the next step is to arrange for a discussion of the two plans at a meeting of experts from the United Nations in Washington. I would, however, suggest that the best approach would be not to have the experts debate the differences between the two plans, but rather to have them use the United States draft as the basis of discussion which should afford opportunity for debate on any amendment which any nation may wish to propose. As you see, I am anxious that the approach should be such as not to bring differences between the U.K. and U.S. out into bold relief.14

The suggestion to use the White plan as the sole basis for discussions was adopted by the government and put to the UK in a telegram on March 9th. Canada worried that separate discussions of the Keynes and White plans would create confusion and the illusion of competition between the two plans, and supported multilateral discussion of both plans in Washington from which a single proposal would hopefully emerge. Ottawa was ready "to take either plan as a basis for discussion.

14. NAC, RG19/3981/M-1-7-2, W. C. Clark to N. A. Robertson, March 6th, 1943.
But, in order to avoid the appearance of competition and of differences in principles we feel that the best method of approach would be not to debate the differences between the two plans but to take the United States plan as the basis for discussion.”15

Predictably, the Canadian suggestion was received coolly by London. The United Kingdom shared Canada’s hope that a single proposal could be worked out with the United States, but it still had important questions about White’s plan that had not yet been answered, and “[u]ntil that is done we would regard it as premature to decide that Stabilization Fund should be only basis for discussions”. It would not be necessary to base expert discussions on only one of the two plans: “On the point where the two plans differ there could be a discussion as to which was preferable in substance; on the points where they agree it could be discovered whether others concerned are also in agreement. In the light of the views which are expressed as to what we are aiming at in substance, we could then decide at a later stage in what institutional form they can be best embodied.” 16

Meanwhile, work on a distinctly Canadian approach to the problems of postwar monetary reconstruction had been progressing. By early March Rasminsky had started work on his plan, which Deutsch described as “a Canadian synthesis” of the Keynes and White plans. Of the use to

15. NAC, RG19/3981/M-1-7-2, SSEA to SSDA, No.43, March 9th, 1943. Rasminsky raised many of the same points made by Clark and made in the telegram to the UK towards the end of February. See BoC, GFT75-20, Untitled memorandum, by L. Rasminsky, February 20th, 1943.

16. NAC, RG19/3981/M-1-7-2, SSDA to SSEA, No.58, March 15th, 1943. The UK was not alone in opposing the Canadian suggestion to use the White plan as the basis for expert discussion in Washington: Australia also expressed its opposition, noting that the White plan was “seriously inadequate from the Australian point of view”, and agreed that the plans should be discussed at the same time. See NAC, RG25/3259/6000-D-40, The Prime Minister of Australia to the Prime Minister of Canada, No.9, March 18th, 1943.
which the plan might be put, Deutsch wrote: "It might not, in the first instance at least, be desirable to put it forward as still another plan. However, it would be useful in helping to crystallize the Canadian views and might also be useful to have in reserve." Rasminsky made the same point when, on March 11th, he informed his colleagues on the Sub-Committee of the Economic Advisory Committee on Postwar Reconstruction that he had put together "a plan which would not necessarily be presented as such to the United Kingdom and the United States, but which could serve as a basis of discussion in Canada and from which suggestions may be evolved for the amendment of the United Kingdom or United States plans if one of these was accepted as the basis of discussions between our three countries." 

If it was to be of any use at all, the plan had to be practical. This meant that it would have to be acceptable in the United Kingdom and the United States. Rasminsky tried to incorporate elements into his proposal that would satisfy both nations, though he appears to have given more weight to meeting American concerns than British. As previously shown, Canadian officials had been alive from the start to the need to make any plan politically as well as economically viable: of particular importance was ensuring its political acceptability in the United States. This had been a major concern during the 1942 London talks; it was one of the first things Plumptre pointed out after his

17. NAC, RG25/3259/6000-D-40 Part 1, JJD to the Under-Secretary, March 3rd, 1943.

18. NAC, RG19/3446/Postwar Planning-Current, Minutes of Sub-Committee of Economic Advisory Committee on Postwar Reconstruction Meeting held March 11th, 1943.

19. Keynes would later opine that Rasminsky had been more inspired by White than himself, dubbing Rasminsky's plan, "off White". See Moggridge, p. 722. According to Muirhead, it was the other way around: Canadian "planning centred on combining some of the features of the two plans, basically changing certain aspects of the Keynes document to meet the views of the Americans." See Muirhead, p. 91.
initial perusal of White’s plan; Clark explicitly stated it in a letter to Robertson in March 1943.20 And if there were ever any doubt in Canadian minds about the need for a proposal that would find acceptance both in Congress and among the general American public, the frequent American reminders of this fact would have erased it.21

In his plan, Rasminsky deliberately set out “to combine some of the essential features of the Keynes plan and the White plan”. He adopted Keynes’s overdraft principle, but sought to make it more acceptable to the Americans by limiting the amount of international currency a member had to accept22 and providing for an initial contribution of gold by each member. “The gold contributions,” asserted Rasminsky, would “lessen the stake of the creditor countries in the plan as they will be at the disposal of those countries in the event of liquidation”, as opposed, presumably, to creditor nations getting stuck holding large balances of an international currency of dubious value if the fund experiment failed. Combining Keynes’s overdrafts with White’s contributions was no easy task, and Rasminsky knew that his plan was not without its own problems: for one, “[w]ith the limitation on the creditor countries’ liability to accept international currency fixed at the amount of their quota,

20. NAC, RG19/3981/M-1-7-2, W. C. Clark to N. A. Robertson, March 6th, 1943.

21. For example, in December 1942 Berle told Wrong that the US would soon propose to the UK some changes to the Keynes plan, “partly on theoretical grounds, but perhaps mainly to make the plan more acceptable to Congress and public opinion in the United States”. See NAC, RG19/3391/4747-P-13, Memorandum by HW, December 21st, 1942. In a discussion the previous day, Berle had also revealed his concerns about Congressional opinion to Towers, but Towers did not sense any defeatism in Berle. See NAC, RG25/3259/6000-D-40 Part 1, “Memorandum of conversation with Adolf Berle, Jr., Assistant Secretary of State for the United States, on December 20th”, by G.F.T, December 23rd, 1942.

22. The American insistence on the need to limit the obligations of creditor nations had been made clear to the Canadians in London in the autumn of 1942 and was again brought home to them by US officials on subsequent occasions. See, for example, NAC, RG19/3391/4747-P-13, Memorandum by HW, December 21st, 1942.
a situation might arise where they were loaned up to the hilt without the debtor countries’ overdrafts reaching their quota”, while “[t]he introduction of the gold deposit limits the stake of the creditors by reducing the lending potential of the Fund”.23

The very title of Rasinsky’s proposed organization, the “United Nations Currency Stabilisation and Clearing Fund”, attested to its dual heritage. So did its features, which borrowed from both plans. Quota calculations would be based on a combination of the factors proposed by Keynes and White. As in both plans, a new international currency unit would be created, but it would be called the “unitas”24, as in White’s plan. Each member would make an initial contribution to the fund as in the White plan (though it would equal only 20% of a country’s quota, not 50% as proposed by White); however, as in the Keynes plan, a member would be able to borrow more than it had contributed to the fund, up to the amount of its quota. As in both plans, members that made excessive use of the fund’s resources would be penalized by means of interest charges on their excess balances. Also as in both plans, action could be taken to address the problem of members that were excessive creditors or excessive debtors.25

On the crucial question of the size of the fund, Rasinsky sought a compromise, proposing a fund larger than White’s, but smaller than Keynes’s. Rasinsky’s fund would be composed of aggregate


24. Its name would later be changed to “Monad”, which Rasinsky told Keynes “was no worse than the Bancor or the Unitas”. See BoC, LR76-212-1, LR to Lord Keynes, June 3rd, 1943.

quotas in the amount of $10 billion, twice the minimum proposed by White. Rasminsky had criticized the White plan for assigning too small a contribution to the United States; in his own plan, he increased the US quota to $5 billion or 50% of the fund. This was 2½ times the American contribution envisioned by White.26

The Rasminsky plan was not only an attempt to meld the approaches of Keynes and White; it also included many of the changes that Canadian officials had suggested be made in the other two plans. For example, the fund was afforded a good degree of flexibility in its ability to deal with the problems of excessive debtor and creditor nations: Rasminsky gave the fund many rights but few duties in this regard. When members accrued excessively high credit balances, the fund was empowered to take corrective action earlier than under White’s scheme. Rasminsky adopted the idea he had proposed at the 1942 London talks of permitting the fund to impose a small charge on transfers of unitas; similarly, the fund would be allowed to sell gold in excess of the initial amounts put up by members to creditor nations in exchange for unitas, a provision that resembled another suggestion he had made in London in 1942. The interests of Canadian gold miners were also looked after by an explicit obligation for the fund to purchase gold from members.27

Rasminsky began circulating his plan in late March, presenting it to the same sub-committee


meeting to which he presented his two memoranda on the White plan, but it was not discussed.\textsuperscript{28} Nor had any definite decision on what to do with it been reached. Meanwhile, the prospects for Anglo-American agreement appeared to be deteriorating further. At the end of March, Massey reported from London:

Unsatisfactory situation appears to be developing. United Kingdom proposes to consider Clearing Union Plan with Allied Finance Ministers in London without any reference to United States Plan. At the same time United States Treasury officials will be holding bi-lateral discussions in Washington with representatives of United Nations on Stabilisation Fund Plan without any reference to Clearing Union. After the bi-lateral discussions in Washington are completed, it is expected that the United States will, if it thinks there is a prospect of success, call a conference to consider its Plan revised in the light of these discussions.\textsuperscript{29}

The next day, the UK government cabled to the Dominions its dissatisfaction with the US proposal for parallel bilateral discussions, noting that it was particularly important “to avoid long delay during which both Clearing Union and Stabilisation Fund Plans would be before various Governments concerned and during which opinion might harden in favour of one or the other”. Not ready to suggest an alternative procedure\textsuperscript{30}, the UK government had concluded that the “only course open is to proceed as rapidly as possible with preliminary stages of examination of both documents”.\textsuperscript{31}

The Canadians were worried about the implications of the procedure proposed by the Americans, and shared their concern with Anthony Eden, the British Foreign Secretary, who happened to be in

\textsuperscript{28} NAC, RG19/3447/International Clearing Union, “Note for record re meeting on Friday evening, March 26, 1943 re Exchange Stabilization Fund”, by RBB, March 27\textsuperscript{th}, 1943.

\textsuperscript{29} NAC, RG2/44/W-22-3/1941-1943, CHCUK to SSEA, No.679, March 30\textsuperscript{th}, 1943.

\textsuperscript{30} This unreadiness was attributed to the absence from London of the Foreign Secretary, Anthony Eden, who was then in North America.

\textsuperscript{31} NAC, RG2/44/W-22-3/1941-1943, SSDA to SSEA, D.183, March 31\textsuperscript{st}, 1943.
North America at that time. Phillips reported this to London in early April; he also noted that Clark was expected in Washington shortly, where he would likely raise the issue with White. This possibility caused Phillips some concern: “You will appreciate that the result may be very embarrassing particularly if he [Clark] talks freely with the Americans.” Phillips requested a copy of the UK reply to Canada’s suggestion in early March that the White plan be adopted as the basis for the proposed multilateral discussions in Washington. This suggests that Phillips was concerned that Clark might revive this proposal in his talk with White, to the detriment of a thorough consideration of Keynes’s proposals. Phillips promised to tell Clark that we should have been most willing and indeed have preferred to carry further discussions with the Americans with a view to bringing the two plans closer before others were brought on. However the Americans took the decision to summon experts to Washington from the United Nations and later on America and expressed a clear preference for parallel discussions with individual countries. This in turn led to the necessity for publishing the British plan after a leakage had occurred.

In London the possibility that Clark might discuss future procedure with White was received more calmly. Sir Wilfrid Eady, Treasury Joint Second Secretary, told Phillips that the “Canadians are anxious to be helpful and as they took close interest in both schemes their help might be useful in restoring more satisfactory procedure for discussions with Americans”. Noting that Treasury officials had not decided whether a synthesis of the Keynes and White plans was possible, Eady contended that such a project should not be undertaken until reactions to the publication of the two plans had been ascertained. “But,” Eady continued,

when opportunity offers we should be very glad to consult with Canadians about possibility

32. Bank of England Archives [BoE], ADM14/7, 802/3, Viscount Halifax to Foreign Office [FO], No.1593, April 3rd, 1943.

33. BoE, ADM14/7, 802/3, Viscount Halifax to FO, No.1593, April 3rd, 1943. Both the White and Keynes plans were published in April 1943.
of quiet conversations with Americans to see whether agreement on objectives and methods could be drawn up which might quickly lead to preparation of composite scheme. If Clark can make any suggestions to you about possible procedure for this no doubt they would be welcomed. But for the present we should deprecate premature expression of view that two schemes as they exist could really be welded into one. Like the Canadians we do not want to indulge in competitive advocacy which might lead to formation of blocs but publication will certainly produce questions about comparisons which must be handled carefully.  

Phillips need not have worried about the approach Clark would take in his talk with White. Clark simply discussed with him the invitation that had been extended to the Canadians to come to Washington to discuss White’s plan. Clark seems to have no more than hinted at Canadian concern with the way in which the Americans proposed to proceed: “Also in answer to my question, he [White] expressed belief that the present plan of bilateral discussions would work out satisfactorily and not take an undue length of time.” Clark had considered suggesting that US, UK, and Canadian officials get together for an informal chat, but thought it more prudent to hold off for the time being. White recounted to Clark how the Americans had been compelled to publish their plan and discussed the US desire to consult experts from countries beyond the UK, telling him “that they had been reluctant to accept the British suggestion for U.K. and U.S. to get together and agree upon a plan, believing that all the brains were not concentrated in two great powers and that many of the smaller countries might have an important contribution to a discussion of this type”. Moreover, White “would welcome a Canadian plan, or indeed four or five plans, and professed that there was

34. BoE, ADM14/7, 802/3, FO to Lord Halifax, No.2261, April 6th, 1943.

35. NAC, RG19/3981/M-1-7-2, Memorandum re: Stabilization Fund Plan, by WCC, April 9th, 1943. Clark waited all of two days before offering this suggestion to the Americans. See below, NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/41/Canada: Bretton Woods, J. L. Ilsley to H. Morgenthau, April 8th, 1943.
nothing or at least very little in their own plan to which they were absolutely wedded[36] Clark must have been pleased by the reference to a possible role for Canada; at the same time he might well have been concerned at the apparent inability of the Americans to see that progress could only be had through Anglo-American cooperation.

Shortly thereafter Clark met with Phillips and Henry Clay, an advisor to the Board of Trade. They discussed the parts of the Keynes plan regarded as essential by the United Kingdom and also the parts of the White plan it could not accept, such as the US veto, the smallness of the fund, and the handling of scarce currencies. In response to a comment by Phillips about Anglo-American talks on the two plans, Clark opined that such talks “were not likely to get anywhere”. The possibility of Canadian intervention to bring the two sides together was discussed, Phillips relaying Eady’s request that Clark suggest a way to proceed. As it turned out, Clark did have a suggestion. His minister, J. L. Ilsley, would write to Henry Morgenthau, the US Treasury Secretary, and suggest an informal meeting of experts, preferably in Ottawa. Phillips approved, noting that the proposal had two advantages:

(1) the letter to Mr. Morgenthau would get the issue above the heads of the experts concerned and probably would get to the President himself; and (2) a conference in Ottawa in the week of April 19th would give time to study the public reactions to the plans which were being published in the Press. It would also mean that the conference could have the undivided time and attention of Messrs. White and Berle, which would not be possible if the conference were held in Washington. He discussed the unwise of his Government sending Keynes or anyone else out from England because this would undoubtedly attract public attention.37

36. NAC, RG19/3981/M-1-7-2, Memorandum re: Stabilization Fund Plan, by WCC, April 9th, 1943.

37. NAC, RG19/3981/M-1-7-2, Memorandum re: Stabilization Fund Plan, by WCC, April 9th, 1943.
Clark carried out his plan almost immediately upon his return to Ottawa. Ilsley wrote Morgenthau on April 8th, 1943 confirming that Canadian officials were ready to begin discussions the following week. But he also expressed his concern that the recently published Keynes and White plans might be seen by the public as competing with one another, damaging the chances for agreement.38 Stressing Canada’s interest in postwar international monetary cooperation and the basic similarity of the goals of the two plans, Ilsley suggested the alternative agreed by Clark and Phillips: instead of informal bilateral Canadian-American talks on the White plan, why not hold informal trilateral Canadian-American-British talks on both the White and Keynes plans? Canadian officials believed that it would be possible to draft a new plan that contained the best of both plans, but such a plan would not be the end of the proposed meeting, which would instead be geared towards “an exploration of the contributions which certain features of each plan might make to the solution of the essential problems and of the lines of discussion which might be followed most usefully with other countries if the desired result of final agreement is to be achieved”.39 In another letter the same day, Ilsley suggested that the proposed meeting be kept as informal and as secret as possible. Phillips or other UK representatives in North America should be asked to participate so that no comment would be aroused by the despatch of officials from London. Similarly, the meeting might be held in Ottawa or some other low profile city.40 If Morgenthau did not approve of this suggestion, Canadian officials would of course be ready to participate in bilateral talks in

38. On the post-publication “rivalry” of the Keynes and White plans, see Gardner, pp. 95-97.


Morgenthau did not take up the Canadian suggestion. Indeed, he did not even directly refer to it in his reply to Ilsley on April 15th, though he did note that “[a]t this early stage, we feel that progress can be made more rapidly in developing common views through a series of informal discussions with the representatives of each of the interested governments. After these wholly preliminary discussions have been held further discussions with larger groups will be more fruitful.”

Nothing more could be done, and so the Canadians had gone to Washington. After the bilateral talks with the Americans the idea of an independent Canadian plan returned to the fore in Ottawa’s thoughts. An April 30th memorandum, composed by Towers and Rasminsky,

41. NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/41/Canada: Bretton Woods, J. L. Ilsley to H. Morgenthau, April 8th, 1943. Robertson told King that the proposal was “a sensible one, but there is no telling how Mr. Morgenthau will respond to it.” See NAC, RG25/3259/6000-D-40 Part 1, NAR to the Prime Minister, April 10th, 1943. On April 12th, Towers, in Washington to snoop out information on the monetary plans, told Pearson that he doubted that Morgenthau would take up the proposal; by the following day, it was clear that he was correct. See NAC, MG26/N8/2/4, Diary for April 12th and April 13th, 1943.


43. The copies of the memorandum I found in the Bank of Canada Archives were unsigned. In the Towers files finding aid, the memorandum is listed as having been composed by Towers, and a copy in the Rasminsky files featured a number of handwritten comments by Towers. Furthermore, in a May 24th memorandum on the Canadian plan, Towers referred to having written a memorandum on April 30th. However, Douglas Fullerton, Towers’s biographer, asserts that Rasminsky wrote most of the April 30th memorandum. See BoC, GFT75-2, Index to Memoranda; BoC, GFT75-3-451, “International Financial Arrangements Post-War”, Unsigned, April 30th, 1943; BoC, LR76-211-4, “International Financial Arrangements Post-War”, Unsigned, April 30th, 1943; BoC, LR76-211-5, “Comments on Our Proposals for an International Currency Stabilization and Clearing Union”, by GFT, May 24th, 1943; Douglas Fullerton, Graham Towers and His Times, (Toronto:
argued that Canadian officials should draft their own proposal, either for presentation "as a Canadian project, or (Dr. Clark's suggestion) treated as a revised plan which we had worked up with the United States", and they should do it soon. The proposal should include an interpretative section that demonstrated "the weaknesses in the U. S. approach without specifically criticizing White's proposals" (even though this did "not fit in very well with the suggestion that the plan should, practically speaking, be contributed to the U. S. Treasury") and was suitable for public use. 

By the third week of May, Canadian officials had decided to present the Rasminsky plan as a distinctly Canadian contribution to the consideration of postwar monetary stabilization. The plan underwent extensive revisions during the final week of May and the first week and a half of June. Rasminsky was the principal draughtsman, but at least Towers and Mackintosh also contributed to the process. Although changes were made, the plan retained its fundamental character as "a plan


45. On May 20th Rasminsky sent Clark his plan and a memorandum entitled "Plans for Post-War Monetary Organisation", which he described as "a general statement of policy which might serve as a preamble if the Government should decide to put forward a Canadian plan publicly". See NAC, RG19/3982/M-1-7-4, Louis Rasminsky to W. C. Clark, May 20th, 1943. Rasminsky sent the same material on the same day to Robertson. See NAC, RG25/3259/6000-D-40 Part 2.

46. See, for example, BoC, LR76-211-5, "Comments on Our Proposals for an International Currency Stabilization and Clearing Union", by GFT, May 24th, 1943; BoC, LR76-211-7, "Draft Canadian proposals for an International Currency Stabilization and Clearing Fund", by LR, May 31st, 1943; BoC, LR76-211-9-6, "Draft Canadian Proposals for a Foreign Exchange Stabilization Union", by LR, June 1st, 1943, BoC, LR76-211-9(a)-6, "Draft Canadian Proposals for a Foreign Exchange Stabilization Union", by LR, June 1st, 1943; BoC, LR76-211-10, "Changes to be made in our proposals for an International Currency Stabilisation and Clearing Union", Unsigned and undated and W. A. M. to L. Rasminsky, June 8th, 1943; BoC, LR76-211-11, "Draft Canadian Proposals for a Foreign Exchange Stabilization Union", by LR, June 1st, 1943; BoC, LR76-211-12, "Draft Canadian Proposals for an International Exchange Union", Unsigned, June 9th, 1943; BoC,
which in general follows the frame-work of the U.S. Treasury plan but into which has been incorporated such changes and additions as have seemed to me essential to make the plan acceptable to us". In meetings held among officials from Finance, External Affairs, and the Bank of Canada during the week of May 24th, the final decision was made: they would seek permission from the government to present the plan as a way to move beyond the Anglo-American impasse.

The officials went right to the top. In a memorandum to King on May 29th, Robertson argued for a Canadian plan in terms that were both a true representation of the feelings of Canadian officials and guaranteed to appeal to the Prime Minister: "The diplomatic and technical difficulties in the way of reaching general agreement on either the British or American scheme are great. The only country which might conceivably put forward a third scheme with some hope of the others accepting it is Canada." Noting that the high level of expertise of Canadian officials had led to their suggestions being taken seriously in London and in Washington, Robertson counselled, "I think there is a good deal to be said for them now trying to work out a new and synthetic scheme which

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47. NAC, RG19/3982/M-1-7-4, Louis Rasminsky to W. C. Clark, May 20th, 1943.

48. Rasminsky, Mackintosh, Bryce, Knox, and Deutsch were scheduled to meet to go over Rasminsky’s plan on Tuesday, May 25th and Rasminsky hoped to meet with Clark, Towers, Robertson, Mackintosh, and Deutsch the following Thursday or Friday. See NAC, RG19/3982/M-1-7-4, Louis Rasminsky to W. C. Clark, May 20th, 1943. I have not found any other record of these meetings, but in a memorandum to King on May 29th, Robertson noted that “[w]e have been working with the Finance Department and the Bank of Canada on plans for an international stabilization and clearing fund which would combine and reconcile the best features of the United Kingdom and United States plans” and argued in favour of putting forward a Canadian plan. See NAC, RG25/3259/6000-D-40 Part 2, NAR to the Prime Minister, May 29th, 1943.
might, if the Government approved of it, be put forward for confidential consideration by other Governments as a distinctly Canadian contribution to the solution of this difficult and very important question."

On June 2nd, Mackintosh set to work on his minister, writing a memorandum to Ilsley summarizing the progress in the monetary talks to date. He noted the possibility of multilateral talks in Washington in the middle of June and discussed the basic similarities and differences between the Keynes and White plans. It would be, Mackintosh suggested, "tactically wise, and more effective in presenting our own point of view" were Canadian officials to offer their own plan for consideration. First, it was "essential at an early stage to bring the two plans together, since separate discussions put us in the position of taking sides in an Anglo-American argument if we advance suggestions for the modification of each plan singly". A synthesis of the two proposals would focus Anglo-American attention on large principles rather than on competing details; were such a plan a Canadian plan it would have the added benefit of making it "clear that we are neither pro-London nor pro-Washington. It would contain approval and criticism of some features of both plans and might resolve the present dilemma." Second, a Canadian plan would allow smaller nations to give their opinions on the general issue of postwar monetary stabilization without having to criticize either the Keynes or White plan directly. Third, a Canadian plan might help the US government in its fight to win over Congress and the American public. According to Mackintosh, Canada enjoyed "an almost embarrassingly high position in banking and financial circles in the United States and is not without reputation in Congress where we at least have no taint of the New Deal about us. ... A Canadian plan would probably attract more support in the United States than a Treasury plan.

49. NAC, RG25/3259/6000-D-40 Part 2, NAR to the Prime Minister, May 29th, 1943.
It would give rise to no instinctive opposition such as a British plan.” Mackintosh concluded with a broad outline of a Canadian plan, suggesting that it be offered on the same basis as the Keynes and White plans had been offered: without government approval and merely as a catalyst for discussion.50

That day the Cabinet War Committee considered whether Canadian officials should present their plan at the talks that the Americans had suggested take place in Washington later that month. Ilsley argued that it might help break the Anglo-American impasse. King characteristically said that it was fine with him, so long as the government was not committed in any way. Ilsley assured him that this was not the intention and the proposal was approved.51

Meanwhile, the Americans had continued their discussions with officials from other United and Associated Nations. By the end of May they were ready to convvoke a larger meeting of experts. White asked Plumptre if Canadian experts could return to Washington about the middle of June to continue their talks, this time in a multilateral setting with representatives possibly from Mexico, Brazil, Australia, and the United Kingdom.52 Plumptre said “that a Canadian group would probably be glad to participate” and asked if these talks would be a good time for Canadian officials to offer further suggestions they had been contemplating. White agreed that it would, adding that “[h]e
thought that it might be helpful if any Canadian proposals could be submitted in writing in advance of the proposed discussions so that they might be considered and analysed beforehand”.

On instructions from Ottawa, Plumptre told White that Canadian experts would attend the talks and that, for the sake of clarity, their suggestions would be submitted to him a few days before the talks in the form of a complete plan. White responded “that the form in which we put our suggestions forward was entirely up to us”. He seemed to take a similarly relaxed attitude towards the talks themselves. When Plumptre inquired what plans he had for them, White “implied that he had not formulated any specific plans, but anticipated general discussion “with the British present””. Plumptre also reported that the Canadians were not alone in their desire for movement on the postwar monetary planning front: Crena De Jongh of the Netherlands and Baron Boel of Belgium, both well regarded monetary experts, also hoped for significant progress towards the drafting of a single proposal at the coming talks. The time must have seemed ripe for determined Canadian intervention directed towards encouraging Anglo-American cooperation.

When the Canadians decided to put forward the Rasminsky plan as a catalyst to closer Anglo-American cooperation, their decision was very much in keeping with long standing Canadian perceptions and policies. Canada’s history, geographic location, and size had long impelled its policy makers to identify Anglo-American cooperation as a fundamental Canadian interest. Tied by history and geography to both the United Kingdom and the United States, Canada was affected

53. NAC, RG19/3981/M-1-7-2, CMUS to SSEA, WA-2587, May 29th, 1943.

by every twist and turn in the Anglo-American relationship, while its relatively small size afforded it scant power to affect that relationship to its own advantage. What power it had it usually directed towards efforts at bringing the two nations closer together, often through attempts at explaining and mediating their differing interests. Many Canadians fancied that they had a unique ability, by virtue of the very factors that made the Anglo-American relationship so important to them, to interpret the Americans to the British and the British to the Americans. This approach to Anglo-American relations was known as the "linchpin" approach: Canada could and should be the linchpin in the Anglo-American relationship, the keystone in the arch of Anglo-American cooperation.

The idea that Canadians should take it upon themselves to play this role was established well before the start of the Second World War. A number of Canadian leaders had tried their hand at it. Sir Robert Borden attempted to fulfill this role during the First World War; Arthur Meighen tried at the 1921 Imperial Conference. Mackenzie King sought closer Anglo-American relations in the years leading up to the war and did not abandon his efforts once the war began. Of particular note were King’s very reluctant attempts to facilitate communication between Roosevelt and Churchill in the dark days surrounding the evacuation from Dunkirk.

King was not alone in his efforts to play the interpreter during the war: Canadian officials also strove to bring about closer Anglo-American cooperation and better Anglo-American cooperation.


understanding. In August 1942, for example, Towers succeeded in persuading L. P. Thompson-McCausland, an influential official at the Bank of England, that there was a very good chance of real Anglo-American cooperation in the postwar world. Rasminsky also tried to convince Montagu Norman, the Governor of the Bank of England, to have more faith in the Americans, though with less success. In December 1942 Wrong took it upon himself to reassure Berle that many influential United Kingdom officials truly believed in the necessity of a multilateralist approach to postwar problems.

Nor were the Canadians alone in believing that they could play a useful intermediary role between the US and UK, particularly on the issue of postwar monetary stabilization. At the Commonwealth talks in London in the autumn of 1942, Phillips appeared to agree with a suggestion from the Canadian representatives that they, particularly Clark and Towers, might be able to contribute to "a meeting of minds between the British and the Americans" on postwar monetary stabilization. That the British might welcome the Canadians playing such a role was also implied in Opie's suggestion

57. See BoE, OV58/20, 2054/4, L. P. Thompson-McCausland to C. F. Cobbold, August 11th, 1942; BoE, ADM14/3, 801/5, "Report of Some Conclusions Formed on Post-War Policy as a Result of My Visit to Canada and Washington", by L. P. Thompson-McCausland, September 15th, 1942. See also John Fforde, The Bank of England and Public Policy, 1941-1958 (Cambridge: Cambridge University Press, 1992), pp. 51-52. The message Towers tried to get across to Thompson-McCausland was of great importance, given the reluctance of the Bank to embrace the bold multilateralist approach to postwar economic issues advocated by UK policy makers such as Keynes. See Fforde, pp. 33-35, 39-51. See also Pressnell, pp. 96-99.


59. NAC, RG19/3391/4747-P-13, Memorandum by HW, December 21st, 1942.

60. NAC, RG19/3989/T-2-9-2/Volume 1, "Draft Report of the Canadian Representatives at the "Post-War Economic Talks" Held in London Between October 23rd and November 9th, 1942".
in February 1943 that the Canadians prepare their own proposals for postwar monetary stabilization.

The decision to use the Rasminsky plan to bridge the Anglo-American divide, therefore, fit in with an existing theme in Canadian external policy. Permission having been secured from the government, the way was now clear for Canadian officials to try to use their plan to save the day.

Canadian officials had previously intimated to their UK colleagues that they might put forward their own plan. Throughout the spring of 1943, they had been in close contact with UK officials about developments in this field, keeping them well informed about their talks with the Americans61 and evincing a willingness to consult with them on how best to proceed. In the course of one such conversation in the middle of May, Clark hinted to UK representatives in Washington that Canadian officials might have their own plan to present:

He [Clark] realised there are objections to proceeding simply on basis of their suggesting detailed amendments to S.F. and is considering if it would not be better to produce a Canadian draft embodying their views and not necessarily following S.F. or C.U. closely. We had no doubt there will be full opportunity for getting all drafts considered in due course. I am inclined to encourage him on this but would be glad to know at once if you disagree.62

London’s tepid response revealed British perceptions of the role that Canada could play in the search for consensus on postwar monetary stabilization:

We agree that it may be useful at a later stage for Canada to produce a Canadian draft embodying their views and not necessarily following S.F. or C.U. closely. We hope we

61. See BoE, ADM14/7, 802/3, Viscount Halifax to FO, No.2009, April 30th, 1943 and Viscount Halifax to FO, No.11 Remac, May 17th, 1943.

62. BoE, ADM14/7, 802/3, Viscount Halifax to FO, No.11 Remac, May 17th, 1943.
shall have full opportunity of seeing it beforehand and considering it carefully. Keynes has it in mind to prepare a version of S.F. which seems to him to be reasonably satisfactory. In so far as his ideas commend themselves to the Canadians it may well be better that new draft should be put forward by them rather than by us. Clearly it would be most embarrassing if the Canadians were to put forward a draft in which we did not agree, or if we were to put forward a fresh draft in which they do not agree. We should like therefore to collaborate closely with them and at this stage we feel that a certain delay may be useful rather than the reverse.63

Keynes sent a similar message to Wrong, though he put it rather more gently. A synthesis of the two plans was possible, and “very possibly you in Canada might use your good offices to put forward something on these lines at the right time”. The questions was, when was the right time? Keynes was considering coming up with his own version of the White plan, but he was “sure it would be a mistake to produce anything of the sort until the compulsion of public opinion from all parts of the world has convinced Washington that some considerable measure of compromise ought to be attempted”.64 Wrong later wrote Clark that he had suspected from Keynes’s letter that Keynes did not know about the talks Canadian officials had had with Phillips about a possible Canadian synthesis.65 Whether this was the case (and it is not very likely that it was66) is not terribly important. What is important was Keynes’s gentle message: there might be a role for Canada, at the right time.

63. BoE, ADM14/7, 802/3, FO to Viscount Halifax, No.28 Carner, May 21st, 1943.
64. NAC, RG19/3981/M-1-7-1, J. M. Keynes to H. H. Wrong, May 19th, 1943.
65. NAC, RG19/3981/M-1-7-1, H. H. Wrong to W. C. Clark, May 31st, 1943.
66. The May 17th telegram from Viscount Halifax to the Foreign Office in which there is the first hint that the Canadians might put forward their own plan was received in London on May 18th, the day before Keynes wrote his letter to Wrong: thus it is possible that Keynes did not know of this. Nonetheless, it seems sensible to conclude that he would have been informed of such a development, given its potential implications and the high esteem in which Canadian officials were held in London.
This phrase, "at the right time", showed up again in a letter from Phillips to Clark dated June 5th. Like Keynes, Phillips thought there was merit in the idea of a distinct Canadian plan and reminded Clark that when last they met he, Phillips, had expressed a preference for Canadian officials producing their own plan over their continuing to offer piecemeal criticisms of White’s plan. Phillips proposed:

I think that the Canadian version would serve a very useful purpose if it is produced at the right time. I think it would be more useful if we did not make any attempt at present to agreement of details. Nevertheless I feel that we must and ought to know the main and essential features of any scheme you propose to put forward. Do you think this would be possible? If so I will work towards pushing Keynes to producing his own ideas of how S.F. faute de mieux could be made serviceable. If the two sets of ideas showed, and I think they would, a substantial measure of agreement, it might be practicable for us to put forward a scheme to the Americans which would stand as a basis for final settlement, assuming we are going to get one at all. This will take a little time but I think it will be time well spent. What do you say?67

The Canadian answer was an implicit no.

British officials in Washington appear to have been the first to learn of the Canadian decision to reveal their plan at the Washington talks. Dennis Robertson, a professor of economics on wartime service with the Treasury, reported to London on June 8th that Clark had told him the previous evening of Canadian intentions. Robertson tried to persuade him to hold off until Canadian and UK officials had had a chance for further discussions and possible agreement. Clark replied that it was "his considered opinion that our common objectives, viz. ultimate acceptance by the Americans of a plan satisfactory in substance, is much more likely to be furthered if the Canadian plan is manifestly not (repeat not) the result of consultation with us".68 Clark was prepared for UK

67. NAC, RG19/3981/M-1-7-2, F. Phillips to W. C. Clark, June 5th, 1943.

68. Clark also suggested that a Canadian plan could have salutary effects within US banking circles: "Clark expressed the hope that fairly early publication of Canadian plan would help to break
coolness or even opposition to the plan during the talks the coming week. Robertson noted that Canadian officials had not decided whether they would present their plan the day the talks began or circulate copies in advance to the experts of various nations, including the US and UK: even in the latter case, Robertson observed, there would not be sufficient time for officials in London to examine it thoroughly before the talks began.

British officials in London were also alarmed by the Canadian initiative, preferring the Canadians not to present their plan until after the talks, when it had become clear how much support there was for UK criticisms of the White plan, as well as the likelihood of American compromise. Their cursory examination of the plan, which Rasminsky had sent to Keynes on June 3rd, had revealed various problems, but their real cause for concern was that "[t]he Americans will inevitably take the Canadian plan as a maximum demand and see how far they can bring it back to original S.F. ideas. They will surely be likely to assume that in the last resort we should accept Canadian plan, however

down present anti-everything attitude of New York bankers, whom he described with all modesty as being favourably impressed by Canadian financial strength and competence and consequently likely to pay heed to Canadian view." See BoE, ADM14/7, 802/3, Viscount Halifax to FO, No.61 Remac, June 8th, 1943.

69. The Canadians may have been prepared for an unfavourable UK reaction, but they did not have to like it. Lionel Robbins reported that Rasminsky "was somewhat sore and bewildered at the reception which his scheme had encountered in London." Robbins, who thought very highly of Rasminsky, tried to convince him "that fundamental good feeling persisted" because "[i]t would be a pity if he were to come to doubt our friendliness and goodwill." See Susan Howson and Donald Moggridge, Editors, The Wartime Diaries of Lionel Robbins & James Meade, 1943-45, (New York: St. Martin's Press, 1991), p. 72.

70. BoE, ADM14/7, 802/3, Viscount Halifax to FO, No.61 Remac, June 8th, 1943. Lionel Robbins summed up the effect of Clark's announcement on the UK Embassy well: "Gloomy and despondent moments considering impact of this information in London." See Howson and Moggridge, The Wartime Diaries of Lionel Robbins & James Meade, p. 58.
much we criticise it in course of discussion.\textsuperscript{71}

So strong were its feelings against the proposed Canadian initiative that the UK launched a concerted effort to kill it. In Ottawa, Malcolm MacDonald and Gordon Munro talked to Clark and Robertson. Clark agreed to tell Plumptre, whom he had instructed to hand the plan to White, Phillips, and experts from various other nations, to hold off for the present. He and Robertson also agreed to proceed no further until they had spoken to the British again the following morning. But the Canadians appeared convinced that their proposed course was the right one. They had decided on this course "after careful consideration, and in the light of their experience of American actions and reactions concerning the whole question". A point-by-point comparison of the Keynes and White plans would degenerate into pointless argument and would result in a stronger US attachment to the White plan that would lead the South Americans and the representatives of other small nations to stick more firmly to the Americans. Given these circumstances,

Canadians feel that only chance of both avoiding much barren argument, and securing some substantial concessions from Americans, is to put forward now a series of compromise proposals which are coherent and can be considered as a whole. They are convinced that any such compromise plan will have to be based on the American scheme in form, embodying as many of the United Kingdom proposals as we can hope, by this means, to get the Americans to agree to. That is what they have sought to achieve in their proposals which, they say, will be presented as tentative and informal suggestions.

MacDonald doubted that the Canadians could be swayed from their course.\textsuperscript{72}

Robertson’s report of this meeting to King certainly gives that impression. He told King of the UK

\textsuperscript{71} BoE, ADM14/7, 802/3, Dominions Office [DO] to Washington and Ottawa, No.93 Camer (Washington), No.1419 (Ottawa), June 11\textsuperscript{th}, 1943.

\textsuperscript{72} BoE, ADM14/7, 802/3, UKHCC to DO, Washington No.1390 (DO) and No.182 (Washington), June 11\textsuperscript{th}, 1943.
desire to deter the Canadians from their proposed course, noting that "Lord Keynes had seen a preliminary draft of our scheme and felt that if it were submitted for consideration the United States would refuse to examine the British scheme. The United Kingdom objected in particular to a number of points in our proposals and felt that if they were communicated to the Americans the latter might accept them and reject the United Kingdom alternatives." Robertson was undeterred:

We feel that if we hold up our plan, the discussions in Washington will be centred exclusively on the American proposals and probably degenerate into a not very profitable debate between the United States and the United Kingdom experts. The latter appear to be hopeful that they can persuade the United States to abandon certain essential features of the American plan. Our feeling is that this is most unlikely and that, while there is some chance of the United States accepting our proposals there is none of their accepting the United Kingdom proposals. We also feel that the chances of their accepting our proposals would be greater if our scheme were put forward for consideration at an early stage rather than held over as the United Kingdom experts wish.  

The UK was not finished. MacDonald sent Clark a memorandum that clearly laid out the UK position (and once again mentioned the importance of timing):

The United Kingdom Government have been hoping that at the right moment Canada might be able to play a decisive part in taking the initiative to bring about a synthesis between the two sets of proposals. On the basis, however, of the summary which Dr. Clark gave to Mr. Robertson in Washington the United Kingdom Government feel bound to state that there would be no possibility of their accepting the Canadian draft or regarding it as a satisfactory compromise between C.U. and S.F.

It would be preferable were the Canadians not to present their plan at the talks but confine themselves to offering oral criticisms of the White plan in line with their plan. This would forestall the Americans concluding that acceptance of the Canadian suggestions would be enough to satisfy the Canadian or any other delegation. The memorandum concluded that "[i]t is the appearance of finality of the redraft as it stands which seems to the United Kingdom Government premature and injurious to the prospects of proper detailed discussion of the two schemes together which has still

73. NAC, RG25/3259/6000-D-40 Part 2, NAR to the Prime Minister, June 11th, 1943.
to take place".74

MacDonald and Munro kept up the pressure on Canadian officials through more interviews and more memoranda that made the UK concern clear.75 On June 12th, MacDonald reported that the Canadians appeared readier to consider changing their course. As MacDonald understood it, the Canadians would now give their plan to White and Phillips alone. They would ask White to have an informal chat with them about it before the talks began, and then decide how to proceed based on that discussion. They might still circulate their plan to the other national experts at the start of the talks or they might just make their suggestions orally, leaving open the option to circulate some form of their plan thereafter.76

74. NAC, RG19/3982/M-1-7-4, Note to W. C. Clark with the Compliments of the UK High Commissioner, June 11th, 1943.

75. See, for example, BoE, ADM14/7, 802/3, UKHCC to DO and Washington, No.1399 (DO) and No.185 (Washington), June 12th, 1943. See also the telegram and the extract of a telegram, both from the Dominions Office, sent “With the compliments of the High Commissioner for U.K. (reference telephone conversation this afternoon, at 1p.m.)” by Gordon Munro to W. C. Clark on June 12th in NAC, RG19/3982/M-1-7-4. The telegram extract resembles a telegram in the Bank of England Archives that contained four criticisms of the Canadian plan: it did not include a true international currency; it did not ensure free member exchange convertibility; the US would see it as “the maximum demand”; the UK government would not approve the Canadian plan as is and had not even made a decision on the larger issue of whether and to what extent the UK could give up control over its exchange rate. See BoE, ADM14/7, 802/3, DO to Washington and Ottawa, No.93 Camer (Washington) and No.1419 (Ottawa), June 11th, 1943. Keynes later identified another change desired by UK officials, one that concerned “[t]he restriction on the change of a currency’s relation to gold. He thought this would have to be modified in the light of parliamentary discussion here and he thought he could devise a formula which would be satisfactory.” See NAC, RG19/3447/Postwar - “International Exchange Union”/Stabilization of Currency &C., “Memorandum on Meeting at Treasury, June 23rd, 1943”, Unsigned.

76. BoE, ADM14/7, 802/3, UKHCC to DO and Washington, No.1399 (DO) and No.185 (Washington), June 12th, 1943.
Two days later Mackintosh, in London for Commonwealth talks on commercial policy, cabled back to Ottawa that he had met with Sir David Waley of the Treasury and A. W. Snelling of the Dominions Office. On the basis of that discussion he had concluded that the Canadian experts in Washington should do nothing more than informally pass their plan to White and Phillips. Decisions concerning a wider or more formal circulation should be put off until it was seen how the talks evolved, though the Canadians would retain the right to circulate their plan at any point if they felt it wise to do so.  

United Kingdom officials must have concluded that they had succeeded in convincing the Canadians not to offer the Rasminsky plan for consideration at the Washington talks. But when the talks began on June 15th, there it was on the agenda. What had happened?

According to John Deutsch, there had been a mix-up. Canadian officials in Washington had decided to heed Mackintosh's counsel to keep the plan under wraps for the moment. Copies were given to Phillips and to White but to no one else. The former continued to counsel against wider and more formal distribution, but the latter "was evidently pleased that we had gone to the trouble of putting our ideas into the form of a plan". So pleased, in fact, that he put the Canadian plan on the agenda for the talks, a fact the Canadians discovered when White telephoned them the evening before the talks began to request sixty more copies for distribution. Deutsch contended that

77. NAC, RG19/3447/Postwar - "International Exchange Union"/Stabilization of Currency &C., CHCUK to SSEA, No.1324, June 14th, 1943. For a UK report of the meeting, see BoE, ADM14/7, 802/3, DO to Ottawa and Washington, No.1446 (Ottawa) and No.104 (Washington) and No.106 Camer (Washington), June 14th, 1943. The UK report noted one very interesting advantage of the Canadians not circulating their plan at this time: "This would make it possible at stage of circulating draft to take into account points which we regard as essential as well as points in Canadian draft."
"[u]nder the circumstances it would have been awkward to delay and inadvisable to refuse his request".  

So the Canadian plan was on the table at the beginning of the talks on June 15th. A high-powered Canadian team was in attendance: Clark, Towers, Rasinsky, Plumptre, and Deutsch. In addition to experts from the United Kingdom and United States, there were representatives from fifteen other nations: Australia, Belgium, Brazil, China, Czechoslovakia, Ecuador, Egypt, France, Luxembourg, the Netherlands, Norway, Paraguay, Philippines, Poland, and Venezuela. The talks lasted three days. Deutsch, in a post-talks report to Mackintosh, said that the Canadian plan had been discussed alongside the other two plans: what he did not say was that it was discussed far less than the other two plans. It was referred to on occasion, mostly by the Canadians, sometimes by the Americans or the British, and once by a Norwegian. The lack of impression made by the Canadian plan might also be gauged from a comment made during a meeting of European officials after the talks, when a Polish delegate, Leon Baranski, inquired whether “there was now any basis for a compromise between the two plans”. Later, after “[f]urther discussion on the possibility of combining the two Plans by fusing a subscription element with an overdraft element”, Baranski made a suggestion for

78. NAC, RG25/3259/6000-D-40 Part 1, J. J. Deutsch to W. A. Mackintosh, June 23rd, 1943. Clark made the same point on the first day of the talks: “We did not intend to distribute our proposals at this stage but we have done so in order to fit into the agenda which had been drawn up.” See NAC, RG19/3447/Postwar - “International Exchange Union”/Stabilization of Currency &C., “International Stabilization of Currencies, Informal Expert Discussions, US Treasury, June 15-17, 1943”, p. 6.


a possible synthesis. Similarly, Keynes subsequently encouraged the Norwegian expert, Wilhelm Keilhau, to prepare a compromise proposal. Apparently the Canadian plan had not fit the bill.

Several other reasons might be identified why the Rasminsky plan was not taken up as a basis for compromise during the Washington talks. First, the majority of delegates had only seen the plan for the first time on the first day of the talks and had not had time to digest it: even US and UK experts had had only a few days in which to analyse it. Second, some of the national experts had not yet had a chance for extensive talks with the Americans about the White plan: conspicuous among these were the experts from the United Kingdom. UK officials had engaged in sporadic discussions with their US colleagues, but there had been nothing as extensive as the Canadian-American talks in April, hence their entirely reasonable reluctance to abandon their own plan in favour of the Canadian plan. Deutsch put it well in his post-talks report to Mackintosh:

Soon after our arrival in Washington we were confirmed in our belief that the British have not yet had their bilateral discussions with the Treasury. This, we believe was an important element in their attitude toward the meeting and in their opposition toward the circulation of our plan. Naturally the British wished to forestall any crystallization of the matter until they have had their day in court and have had an adequate chance to explain their point of view.

The manner in which the Washington talks had come about also contributed to British uneasiness and affected their attitude towards the Rasminsky plan. Before the talks, Robbins had been “really


81. PRO, T230/40, Keilhau to L. C. Robbins, September 4th, 1943.

82. NAC, RG25/3259/6000-D-40 Part 1, J. J. Deutsch to W. A. Mackintosh, June 23rd, 1943. Robbins also noted that the Canadians “[a]pparently ... had imagined a much fuller exchange of opinion between the US and the UK, than had in fact taken place.” See Howson and Moggridge, The Wartime Diaries of Lionel Robbins & James Meade, p. 73. Given that the UK had kept Canada very well informed about its relations with the US in this matter, how the Canadians could have missed this fact is a mystery.
somewhat concerned at the development of the monetary impasse. The US Treasury is really quite incredible. Suddenly, out of the blue, without any prior consultation with us, they call this meeting which, although at first to be confined to representatives of three or four countries, now appears likely to embrace at least a dozen.”83 A little over a week later, Canadian officials told Robbins that “[t]hey had just learnt … of the rather casual way in which we had been treated by the US Treasury; and I think this enabled them to understand better than before why London had been rather upset at their desire to produce their own plan at this stage”.84

The Canadians made their mistake in deciding to go ahead with presenting their plan despite warnings that the UK would not support them. In doing this they were blind to an axiom that they usually understood so well: to achieve anything in the international realm, Anglo-American agreement was essential. This was what the Canadians were trying to bring about with their plan. Ironically, it was also what they ignored in not making an effort to concert their actions with the British, because in so doing they guaranteed British opposition to and the failure of their initiative. Even if, ultimately, the distribution of the Rasminsky plan was the result of a mix-up, the nature of the mix-up is telling. First, Canadian officials dismissed UK advice and instructed Plumptre to give the plan to White. Then, when they learned that White had put the plan on the agenda, the Canadians decided to present it so as not to inconvenience or annoy the Americans: surely if they


84. Howson and Moggridge, *The Wartime Diaries of Lionel Robbins & James Meade*, p. 73. British uneasiness about the talks might also be gleaned in Robbins's comments after he learned from Jacob Viner “that the monetary talks this week were not to be regarded as having a high status in the eyes of the administration. After what he said, I have no doubt at all that, as the Canadians urged, it was ‘just Harry White’s idea’ and that it must not be inferred that it was even known to higher authorities. The evidence was quite conclusive - and, I think, very reassuring.” See Howson and Moggridge, *The Wartime Diaries of Lionel Robbins & James Meade*, p. 75.
were determined to meet UK protests they could have persuaded White to take the plan off the agenda. That they did not implies something about whose wrath they feared more.

It should not be inferred from the failure of the Rasminsky plan to fulfill the purpose hoped for it that the talks were a disaster for the Canadians. As Deutsch put it, the meeting had no other end than the exchange of views among national experts. No concrete decisions were taken on either procedure or any of the plans; the gathering was simply “a convenient occasion for letting the representatives of the various countries get off their chests what they have to say”. The meeting also saw the distribution of a revised White plan, modified in the light of the bilateral discussions in which the Americans had engaged with various nations during the spring.

The Canadians restated their views on a number of issues: the need to establish initial member exchange rates through member agreement with the fund rather than fund fiat; the need for a larger fund; the need for further consideration of the form of contributions called for in the revised White plan; the possibility that some members might be penalized by an iniquitous use of fund resources; the use of fund resources for capital account purposes; and the blocked balances proposal. On some issues they received the support of British officials, who preferred the less strict approach to member exchange rate changes of the Rasminsky plan to that of the White plan and supported


Canadian arguments in favour of as much simple majority voting as possible. There was even evidence that some experts beyond the British and the Americans had read the Rasminsky plan: the Norwegian expert liked its preamble and suggested that such a section be included in White’s plan.

Moreover, the revised White plan contained some important improvements. Members were no longer obligated to include securities in their contribution: 50% of their quota could be provided in either national currency or securities. There would now be a 100% call-up of quotas at the fund’s inauguration, removing the possibility that the US could veto the calling up of additional resources in time of need. As for the US veto in general, its use was substantially curtailed. The Canadians proclaimed themselves satisfied with the new voting procedures, despite the fact that they favoured


89. NAC, RG25/3259/6000-D-40 Part 1, J. J. Deutsch to W. A. Mackintosh, June 23rd, 1943.

90. NAC, RG19/3447/Postwar - “International Exchange Union”/Stabilization of Currency &C., “International Stabilization of Currencies, Informal Expert Discussions, US Treasury, June 15-17, 1943”, p. 12. This must have made the Canadians happy as it would mean one less obstacle in the way of accessibility to the fund’s resources. The American change of heart seems to have come as a result of their talks with the Canadians. A memorandum on discussions between Australian and American officials about the White plan in May noted: “Suggestions have been made by Canada that the whole of the quota should be called up at once. With this the United States is inclined to agree as they believe that calls might be interpreted as weakness and have an adverse effect at the time the call was made.” See NAC, RG19/3447/Postwar - “International Exchange Union”/Stabilization of Currency &C., “Report on Discussions with US Treasury about Stabilization Fund Proposals”, May 15th, 1943.
the wide use of a simple majority vote.\textsuperscript{91} Also encouraging was that while the revised White plan still provided for an aggregate fund of $5 billion, White told the Canadians in private that he now believed a larger fund to be necessary, perhaps in the range of $10 billion.\textsuperscript{92}

There were some disappointments. The new White plan called for each nation to contribute 50% of its quota in gold.\textsuperscript{93} White remained unconvinced of the wisdom of mandatory lending to the fund as in the Canadian proposal.\textsuperscript{94} He also spoke in very strong terms about the need to satisfy public and Congressional opinion. Comparing the Keynes and White plans and stressing the importance of American contributions to any plan for monetary stabilization, White came as close to saying that


\textsuperscript{92} NAC, RG25/3259/6000-D-40 Part 1, J. J. Deutsch to W. A. Mackintosh, June 23\textsuperscript{rd}, 1943. UK officials learned this too: see NAC, RG19/3447/Postwar - "International Exchange Union"/Stabilization of Currency &C., "Memorandum on Meeting at Treasury, June 23\textsuperscript{rd}, 1943", Unsigned.

\textsuperscript{93} In the minutes of the talks, Rasminsky appears not to like this provision, though he does not say why. See NAC, RG19/3447/Postwar - "International Exchange Union"/Stabilization of Currency &C., "International Stabilization of Currencies, Informal Expert Discussions, US Treasury, June 15-17, 1943", p. 24. The Canadians were not alone in their dislike of this new feature. See NAC, RG25/3259/6000-D-40 Part 1, J. J. Deutsch to W. A. Mackintosh, June 23\textsuperscript{rd}, 1943.

\textsuperscript{94} White's opposition seems to have been based on the best of intentions. He stressed the importance which the Americans attached to the fund's ability to borrow, which they believed to be "a flexible and effective method of providing needed resources." White continued: "The Canadian plan provides for mandatory loans. I think that this mandatory provision would be regarded as an outside limit to the commitments that would be undertaken vis a vis the fund. Under the S.F. there is no limit on the borrowing power of the fund or on what member countries may lend to the fund except reasonable need." See NAC, RG19/3447/Postwar - "International Exchange Union"/Stabilization of Currency &C., "International Stabilization of Currencies, Informal Expert Discussions, US Treasury, June 15-17, 1943", p. 54.
it was the American way or the highway as he could without actually saying it.95

The Canadians seemed to have learned an important lesson. After the talks were over, Deutsch told Mackintosh that given that US and UK officials had not yet sat down together on a bilateral basis to thrash out the relative merits of their two proposals, “in considering future procedure we felt strongly that the U.S.-U.K. bilateral discussions should be held at the earliest opportunity. Before any further progress can be made it is absolutely essential for the British and Americans to come to some understanding on the main features of the proposals and that the British should learn for themselves the limits imposed by practical and political considerations in the United States.” There was no more thought of third party involvement, at least for now. The Canadians opposed a Dutch and Belgian proposal to strike an international drafting committee to start work on a single compromise draft, instead exhorting their UK and US colleagues to start their talks and urging that US talks with USSR experts begin posthaste. The Canadian experts must have been delighted to learn that the UK-US talks would begin on June 22nd. They must have also been delighted to hear that there might still be a role for them in the future: White privately suggested that after the talks with the UK and the USSR had concluded, a small drafting committee might be struck on which Canada would have a place along with the US, the UK, and one or two other nations. Their response was not surprising: “We agreed that this would be the best course.”96


96. NAC, RG25/3259/6000-D-40 Part 1, J. J. Deutsch to W. A. Mackintosh, June 23rd, 1943.
Despite the pre-talks tension, the UK appeared to continue to envisage an important role for Canada.

Over lunch on June 22nd at the House of Lords, Keynes discussed the UK position with Mackintosh:

He explained their view here as being that a Canadian plan should ultimately be the plan accepted but that they thought the time was not yet ripe for it. There should be a conference in September with perhaps a prior agreement on main points between United States, United Kingdom and Canada. He could not understand our view that our plan could be more useful if the United Kingdom found some of its points novel and unexpected and both United States and United Kingdom proposed some modifications. He thought it essential that we should ascertain in advance whether our proposal covered the essential points as far as the United Kingdom was concerned.

Once banking circles in the US had stopped their vociferous opposition to the Keynes and White plans, “we could then bring out the real plan thus by-passing the initial opposition which would have expended itself against two paper plans”.97 At a larger gathering the following day, Keynes went even further. He said that UK officials “favoured in addition to bilateral talks a secret meeting of United States, United Kingdom and Canada to agree on major and essential points followed by a wider conference of officials to consider a single scheme subject to modification in detail but not essentials”.98

The Canadian attempt to use the Rasminsky plan to bring the United States and the United Kingdom


98. NAC, RG19/3447/Postwar - “International Exchange Union”/Stabilization of Currency &C., “Memorandum on Meeting at Treasury, June 23rd, 1943”, Unsigned. Mackintosh did not pass up the chance to tout Canada as the ideal linchpin, while Eady reminded him of something which the Canadians had apparently recently forgotten: “Mr. Mackintosh felt that there should not be too much delay or financial opinion would harden against both C.U. and S.F. Reconciliation between U.S. and U.K. points of view should be pressed forward but a third party should help in the negotiation. The American banks were critical of the U.S. Treasury, but had a high regard for Canadian finances. Sir Wilfrid Eady said that it was certainly necessary to find something acceptable to Congress opinion, but it must also be acceptable to public opinion here and in other countries.” See BoE, ADM14/7, “S.F. and C.U.”, by S. D. Waley, June 24th, 1943.
together during the June 1943 talks had failed. But Canadian officials did not give up hope that their plan might gain wider acceptance. The plan was made public in July and copies were requested by and/or sent to a number of nations; copies were also sent to Canadian offices abroad for distribution. 99 A publicity campaign was organized 100 and the reaction of the foreign press monitored. 101 Canadian officials argued the merits of the plan in correspondence with E. J. Phelan, the Acting Director of the International Labour Office, Alexander Loveday, the noted economist and Director of the Economic, Financial and Transit Department of the League of Nations 102, and John Williams, the leading proponent of the “key currency” idea, the most important rival approach to the issue of postwar monetary stabilization. 103 There was even some consideration of how the

99. Copies of the plan were sent to the Cuban Consul General, the Norwegian Minister to Canada, and the government of Switzerland. A South African official asked Mackintosh for one; officials from the Netherlands made the same request of Plumptre. Copies were despatched to Canadian offices in the UK, the US, the USSR, China, Australia, Ireland, New Zealand, South Africa, Argentina, Brazil, and Chile. See NAC, RG25/3259/6000-D-40 Parts 2 and 3; see also NAC, RG19/3447/Postwar - “International Exchange Union”/Stabilization of Currency &C., “Memorandum on Meeting at Treasury, June 23rd, 1943”, Unsigned; NAC RG19/3982/M-1-7-4, CMUS to SSEA, WA-3140, June 28th, 1943.

100. NAC, RG19/3982/M-1-7-4, Brooke Claxton to W. C. Clark, July 7th, 1943 and W. C. Clark to Brooke Claxton, July 7th, 1943; see also NAC, RG19/3448/E2 (g)/Canadian - Currency Proposals, “Unofficial Notes Comparing British, American and Canadian Proposals” (“notes...prepared for the Wartime Information Board by a monetary expert for the assistance of correspondents”).

101. See, for example, NAC, RG25/3259/6000-D-40 Part 2, CHCUK to SSEA, No.1612, July 14th, 1943; BoC, LR76-212-9, Sidney Freifeld to David Dunton and Arthur McKenna, NY 973, July 13th, 1943; BoC, LR76-212-10, J. H. Campbell to A. D. Dunton, INF 1627, July 13th, 1943.

102. NAC, RG25/3259/6000-D-40 Part 2, AVR to the Acting Under Secretary, August 12th, 1943; NAC, RG19/3982/M-1-7-4, H. H. Wrong to W. C. Clark, August 16th, 1943 and W. C. Clark to H. H. Wrong, August 18th, 1943; NAC, RG19/3447/Postwar - “International Exchange Union”/Stabilization of Currency &C., A. Loveday to N. A. Robertson, September 13th, 1943.

103. NAC, RG19/3982/M-1-7-P (volume 2), J. H. Williams to L. Rasmisky, August 12th, 1943; J. Williams to W. C. Clark, August 13th, 1943; L. Rasmisky to W. C. Clark, August 17th, 1943 (enclosing letter from L. Rasmisky to J. H. Williams, July 15th, 1943); W. C. Clark to J.
proposals might be improved. Ultimately nothing came of the plan, at least not in the way that the Canadians had hoped. None of the Canadian attempts to bring the US and the UK together in the first half of 1943 had worked: Anglo-American cooperation would have to be secured by some other means.

Williams, August 21st, 1943.


105. Bruce Muirhead, the biographer of Louis Rasminsky, also concludes that the Rasminsky plan was a dead letter after the June 1943 multilateral talks, “a victim of superpower politics”. See Muirhead, p. 98.
Chapter 4: A Good Beginning

Their plan was down, but the Canadians were not out. From the summer of 1943 to the summer of 1944, they continued their efforts to encourage a monetary compromise that would satisfy a majority of nations, particularly the United States and the United Kingdom, and would meet specific Canadian interests. The publication of the Keynes and White plans in the spring of 1943, and the Rasminsky plan a few months later, impelled Canadian officials into the public arena. They made speeches, wrote articles, and exchanged letters with influential thinkers, all to do their bit in fostering a receptive public audience for postwar monetary cooperation, particularly in the United States. In the summer of 1944, at Bretton Woods, New Hampshire, a compromise was finally reached. It was not perfect, but it was a good beginning.

The Canadians were happy when US and UK officials finally sat down to their first substantive bilateral discussions after the June 1943 multilateral meeting. Despite the failure of their recent initiative, they were not through with urging their potential to be of use in finding a compromise. Mackintosh, still in London for commercial policy discussions, urged Keynes and Eady that “[r]econciliation between U.S. and U.K. points of view should be pressed forward”, noting that “a third party should help in the negotiation”. Canada would be the ideal third party, Mackintosh asserted, stressing the usual notion that US bankers were more impressed with the abilities of Canadian government officials than with those of their own government. Eady observed that any plan had to satisfy not only US public opinion, but also UK public opinion, as well as public opinion

1. From a speech made by Louis Rasminsky at the Bretton Woods conference. See NAC, RG19/3391/04747P-13, “United Nations Monetary and Financial Conference, CI/RP1, Report of Commission I (International Monetary Fund) to the Executive Plenary Session, July 20, 1944, Louis Rasminsky (Canada), Reporting Delegate”.

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in other nations.²

Back in North America, the Canadians were pleased with the progress US and UK officials seemed to have made during their discussions. Clark learned from Phillips that the latter had "now got a good idea of what their [the Americans'] essential views are on the subject of what the scheme must contain and must not contain if it is to get through Congress. When I have a similar statement of essential requirements from London we can compare them, and if they are compatible we shall have a firm basis for preparing a draft for a Conference."³ White confirmed to Plumptre that US officials had identified for their UK colleagues the features they considered essential in any plan for monetary cooperation and made it clear that they "would have to see some chance of success before [they] decided to press for the proposal".⁴

² BoE, ADM14/7, "S.F. and C.U.", by S. D. Waley, June 24th, 1943.

³ NAC, RG19/3981/M-1-7-2, Letter from F. Phillips (signed by D. H. Robertson) to W. C. Clark, June 29th, 1943. Note the reference to the potential to achieve “a firm basis for preparing a draft for a Conference”. This is one example of a number of references that imply that the Canadian plan had not served this purpose.

⁴ NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/41/Canada: Bretton Woods, Memorandum of Meeting held in Mr. White's Office, July 6th, 1943. See also NAC, RG19/3981/M-1-7-2, CMUS to SSEA, WA-3322, July 7th, 1943, which contains a characteristically more detailed account of the interview. White told Plumptre the four points on which the Americans would insist: that the fund be composed of contributions, that it be limited (with an initial US stake of no more than $2 billion or $3 billion), that votes be linked to quotas, and that “[a]greement should be reached on initial exchange rates between the important countries” (this last point must have made the Canadians happy, given that they had been arguing for it since April). He also said that US officials had told the UK officials flat out that they could accept neither an overdraft system or an unlimited commitment, because Congress would never agree to them. Clark later wrote Plumptre that White had told Canadians officials the same thing shortly after the conclusion of the multilateral talks. See NAC, RG19/3981/M-1-7-2, W. C. Clark to A. F. W. Plumptre, July 8th, 1943.
Replying to Phillips’s letter, Clark could not resist a little dig about the recent UK-Canadian tussle:

It is, I think, helpful that you can take to London very definite information as to the Treasury’s view of what the scheme must contain and must not contain if it is to get through Congress. As you know, we had come to rather specific views on this subject after our own discussions in Washington and it was this that had determined our course during the last conference, a course with which apparently you were not fully in agreement.

He “hope[d] that there will be a sufficient area of agreement to make possible a conference of experts in September or October, and that everything will be done to expedite early agreement in this basic field in which international agreement should be easier to reach than in many other fields of international relations”.

The prospects for Anglo-American agreement on postwar monetary cooperation were brighter now, with both sides musing about the possibility of a compromise plan and a multilateral conference after further bilateral consultation. Meanwhile, Ottawa continued its own analysis of the issue. When White sent Clark a new version of his plan, revised in light of the June multilateral talks, as well as the later talks with the Canadians and the British, with a request for comments, Canadian officials busied themselves with preparing a reply. In their reply, sent under Clark’s name on July 29th, they agreed that “most of the changes you have made represent definite improvements”, but also suggested a few more.

5. NAC, RG19/3981/M-1-7-2, W. C. Clark to F. Phillips, July 5th, 1943.

6. Both US and UK officials mentioned this possibility to the Canadians. See NAC, RG19/3981/M-1-7-2, Letter from F. Phillips (signed by D. H. Robertson) to W. C. Clark, June 29th, 1943 and CMUS to SSEA, WA-3322, July 7th, 1943.


8. NAC, RG19/3981/M-1-7-2, W. C. Clark to H. D. White, July 29th, 1943.
The Canadians offered suggestions on three major issues. Their desire for a plan acceptable to as many nations as possible, even if such a plan conflicted with specific Canadian interests, was revealed in their first suggestion, which concerned the position of gold in the fund. Canadian officials believed that the new White plan called for too burdensome a gold contribution from its members. While the idea that gold should be given a prominent place in the fund was attractive to Canada, as a gold producing nation and a nation interested in the creation of the strongest possible fund, other factors needed to be considered. Many nations might not be willing to hand over large portions of their gold and foreign exchange reserves to a new, untested organization. There was also the possibility that a nation's gold contribution might not be employed to its own benefit, leaving it with "neither gold nor goods". Finally, too large a place for gold might lead some to think that the White plan was merely a spruced up and revived gold standard, "an impression which, in many countries, would not add to the popularity of the Plan or its chances of adoption". Canadian officials advised a smaller gold contribution, and suggested an alternative contributory formula to this end.9

The Canadians approved of the changed procedures for establishing initial exchange rates and making subsequent changes to those rates, though they felt that here too a few modifications might

9. NAC, RG19/3981/M-1-7-2, W. C. Clark to H. D. White, July 29th, 1943. In arguing for a smaller gold contribution, the Canadians might also have been arguing for a plan more in keeping with UK desires. Mackintosh, in a memorandum on an earlier draft of this letter, said about the section on the gold contribution, in part, "I think this could be made ever stronger. The proposal for 30 to 50% contribution in gold [contained in the revised White plan] detracts from the expansionist feature of the Fund to which the United Kingdom attaches such importance. This is particularly true when taken in conjunction with V a a. which is new to me and which requires any country with gold and free foreign exchange in excess of 50% of its quota to put up gold for half its purchases." See NAC, RG19/3981/M-1-7-2, "Notes on Draft Reply to Harry White", by WAM, Undated.
be advisable. They suggested that the new provision for unilateral exchange rate changes of less than 10% with fund consultation (as opposed to fund permission) be extended beyond the three year transitional period. If this right were rescinded after the first three years of the fund's existence, it might lead to a rash of devaluations just before the three years were up as members rushed to devalue while they still could do so easily. At the same time as they argued for the relaxation of the rules in this area, the Canadians argued for a tightening of the rules elsewhere: "Perhaps under any circumstances, and certainly if the authority extended beyond the three-year period, we think that there should be some objective evidence of disequilibrium before this unilateral right can be exercised." Referring the Americans to the disequilibrium tests in their own plan, they noted that while not wedded to a particular formula, they were "rather keen on the principle involved".10

There was also the question of voting and the American veto. Canadian officials were "glad to see that you have adopted our suggestion for varying the voting strength of members in accordance with their creditor-debtor status in the Fund on proposals to authorise the sale of foreign exchange". They were also "greatly impressed with the extent to which you have gone in giving up the veto powers proposed in your earlier drafts. Your attitude in this matter encourages us to raise the question whether you cannot go the whole way and agree to majority voting in most, at any rate, of the cases where you still provide for a 75-85 per cent majority", the sole exception being the gold value of unitas. In the three other cases where the veto remained, the Canadians argued that the

10. NAC, RG19/3981/M-1-7-2, W. C. Clark to H. D. White, July 29th, 1943. Mackintosh was all for making it difficult for members to change their exchange rates, commenting on an earlier draft of the letter: "I think the objection to a unilateral change in exchange rates by 10% should be stronger. A modified clearing union provision would be better. What is the purpose of having a rate agreed between the member and the Fund if the member by merely informing the fund can immediately change it by 10 per cent?" See NAC, RG19/3981/M-1-7-2, "Notes on Draft Reply to Harry White", by WAM, Undated.
Americans were being too cautious or that considerations of politics and the need for flexibility made such a provision unwise.  

White’s reply in the beginning of September was not encouraging. He noted that the US had just published a further revised version of his plan that differed only in wording from the version the Canadians already had. The Canadian suggestions had not been adopted, a fact made apparent in the responses to each of the main Canadian suggestions, all of which had been rejected. Solace could perhaps be found in White’s comment that the US Treasury did “not at this time contemplate further revisions of the draft. This seems to us a task for a special drafting committee of experts from various countries.” Moreover, by the time White’s letter arrived in Ottawa, Department of Finance officials had long been wrestling with an issue that disturbed them more than the rejection of their suggestions could have. On that same day back in July that the Canadians had sent their comments to White, they had also learned that the discussion of monetary issues might move on to a whole other plane, one from which they feared they would be excluded.

On July 29th, 1943, the UK government sent a circular telegram to the Dominions. The recent Commonwealth discussions on commercial policy had caused it to consider how best to approach the United States on this issue. It had decided to broach the issue of commercial policy with the US

11. NAC, RG19/3981/M-1-7-2, W. C. Clark to H. D. White, July 29th, 1943.
12. One minor Canadian suggestion concerning the clarification of the wording in one section was adopted.
13. NAC, RG19/3981/M-1-7-2, H. D. White to W. C. Clark, September 1st, 1943.
14. To be discussed in chapter 5.
in the context of a larger approach, one that encompassed the whole field of postwar economic policy as outlined in Article VII of the Mutual Aid Agreement. The telegram continued:

Recent indications from Washington suggest that the time is now ripe for such a move. This would have many advantages from our standpoint and we have reason to believe that the United States Government would welcome an initiative on our part which would assist them to clarify their ideas on the whole field of international economic relations and to draw up an orderly programme of discussion covering all the topics arising under Article 7, instead of leaving them to be dealt with piecemeal as hitherto. Further, by making such approach now, we should be able to take advantage of the favourable atmosphere created by the successful outcome of the Food Conference.15

The telegram included the text of the message the UK intended to send the US, inviting the latter to engage in bilateral discussions on all topics covered by Article VII. Seeing “great advantages in handling the essentially interrelated matters covered by Article 7 as a coherent whole”, the UK government proposed to send to Washington in early September a delegation to discuss “all these subjects, including monetary policy, international investment, the regulation of primary products and commercial policy”. The goal of these discussions “should be to obtain broad United States-United Kingdom agreement on an orderly agenda for the discussion of Article 7. We continue, as in the past, to regard with the greatest importance the attainment of prior agreement on such matters between our two Governments before they are discussed in a wide international field.”16

This telegram caused much consternation in Ottawa. Clark fired off a note to Mackintosh asking if Canada was “now supposed to be in the bag” and whether it was “the purpose of Commonwealth discussions, or their inevitable result, that bilateral discussions between the two great powers can

15. NAC, RG19/3989/T-2-9-2/Volume 1, SSDA to SSEA, D. 467, July 29th, 1943.
then take place?". Mackintosh replied that Canada was "in the bag only to the extent that we have encouraged the U.K. to make an approach to the U.S. along these lines", though there had been no hint during the recent Commonwealth talks that the British approach would encompass all of the topics covered by Article VII. He did not object to this, but suggested that they might request clarification on the inclusion of monetary policy, as this "would seem to cut across other discussions which have been forecast". Mackintosh continued:

I do not think we can validly object to U.K.-U.S. explorations of the other subjects with the object of preparing an agenda as it were for broader international discussions. I think we should object to their reaching an agreement to which they would then ask other countries to adhere. We should insist on having a share in the formulation of any international agreement on these matters. But I do not think we can object to any two or more countries getting together to prepare a practical agenda for a conference. The alternative of initiating every conference as the Food Conference was started is much too big a gamble.

I think it is worth considering whether we should make our views known, first, as to monetary discussions, and second, as to the product of the discussions on other subjects.

Canadian officials had good reason to be taken aback. After their June discussions, both British and American officials had discussed with the Canadians the possibility of further multilateral action on monetary policy in the autumn of 1943 (though they both also indicated the need for further US-UK consultation before any such action could occur). The most recent news seemed to jibe with this impression. On July 24th, White had written Clark that the US would soon send a revised version of his plan to United Nations Finance Ministers and thereafter, if international agreement seemed a real possibility, a committee of experts drawn from six or seven nations might be struck.

17. NAC, RG19/3989/T-2-9-2/Volume 1, WCC to Mackintosh, Undated.
18. The Hot Springs conference had been called together at very short notice, almost seemingly at the whim of President Roosevelt.
19. NAC, RG19/3989/T-2-9-2/Volume 1, "For Dr Clark", Unsigned and undated.
to prepare a draft for presentation to a ministerial conference.  

The British proposal to engage in bilateral discussions with the Americans on all of the issues covered by Article VII, including international monetary policy, seemed to threaten the procedure laid out by White. White’s procedure allowed for Canadian participation in the policy making process; the new UK proposal did not. Clark wrote Robertson on August 2nd that he had read the

20. NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/41/Canada: Bretton Woods, H. D. White to W. C. Clark, July 24th, 1943. Clark agreed with the wisdom of striking “a drafting committee of limited membership” with the goal of achieving “agreement on a draft which would then represent a composite product rather than a product of any one nation”. He was less enthusiastic about holding a ministerial conference, rather than another conference of experts, but suggested that the way forward might be clearer once the drafting committee had accomplished its task. See NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/41/Canada: Bretton Woods, W. C. Clark to H. D. White, July 29th, 1943. Contrast the Canadian willingness to see the setting up of a drafting committee at this time with the Canadian rejection of a similar proposal just a few weeks earlier, immediately after the June multilateral discussions. The difference in attitude is perhaps explained by the fact that in the latter circumstance the US and UK had not yet engaged in intensive bilateral discussions about the two plans, while in the former they had.

21. Neither White nor Clark mentioned the inclusion of Canadian experts on the drafting committee in the correspondence cited earlier in this chapter. However, Clark referred to this idea as though it were settled fact in a letter he wrote Robertson on August 2nd, 1943: “it was Dr. White’s idea that after submission of his finally revised plan to the Finance Ministers of the various United and Associated Nations, a drafting committee representing six or seven nations (including Canada) would be set up to prepare a final draft and agenda for a conference this fall of Finance Ministers or of experts.” See NAC, RG193989T-2-9-2/Volume 1, W. C. Clark to N. A. Robertson, August 2nd, 1943. The idea that Canadian experts should be included also found favour in London. Minutes of a meeting of UK officials on future procedure on the monetary issue referred to White’s proposal for a drafting committee that would include the US, UK, USSR, China, and Mexico and noted that “It would be desirable to add Canada in view of the contribution the Canadians had already made ...”. See BoE, OV38/5, “Discussion at the Treasury on the 28th July, 1943 on two notes by Lord Keynes, dated 19th and 26th July, 1943.” UK officials carried through on this thought, urging Canadian inclusion on White, who agreed that this was a good idea. See BoE, OV38/5, FO to the United Kingdom Embassy in Washington, No.263 Camer, August 6th, 1943; BoE, ADM14/7, 802/3, United Kingdom Embassy in Washington to FO, No.196 Remac, August 12th, 1943.
UK proposal "with interest and much concern":

All through his monetary discussions the United States Treasurer [sic] was most anxious to avoid the appearance that the plan had been worked out by two or three of the great powers and most careful to give every small country an opportunity to participate in parliamentary discussions. Furthermore, while perhaps we cannot validly object to United Kingdom-United States explorations of the other subjects listed with the object of preparing an agenda, as it were, for broader international discussions, I think we should object to their undertaking bilateral discussions with a view to reaching an agreement, to which they would then ask other countries to adhere. We should insist on having a share, at least in the formulation of any international agreement on these economic matters which are of such high importance to Canada.

The Canadians should ascertain what the UK government had in mind when it spoke of the need to achieve "prior agreement" with the US on the issues at hand before they were broached in a wider international context. They should also decide whether to "make our views known in regard to the monetary discussions and as to the object or product of the discussions on other subjects".\(^\text{22}\)

Clark's letter does not seem to have prompted any immediate action or an official protest to the UK government. Unofficially, Canadian officials signalled their displeasure to UK officials after the Anglo-American talks were over.\(^\text{23}\) Why Clark's appeal did not prompt a stronger protest is, in a sense, a moot question. No matter how sensitive the British were to Canadian needs (and there is good evidence to suggest that they were quite sensitive\(^\text{24}\)), it is extremely unlikely that they would

\(^{22}\)NAC, RG19/3989/T-2-9-2/Volume 1, W. C. Clark to N. A. Robertson, August 2nd, 1943.

\(^{23}\)McKenzie, p. 192. McKenzie notes that Robertson and Wrong argued for Canadian participation in future US-UK commercial policy discussions, but Liesching yielded no ground.

\(^{24}\)UK support for Canadian inclusion on the drafting committee, noted above, is one example; another comes in a memorandum to C. F. Cobbold, of the Bank of England, on August 4th, 1943. The memorandum outlined various points on which the UK and US would have to come to terms in order to lay a firm foundation for international economic cooperation; included among them was "the position of Canada and the methods by which Canada can become a partner in an Anglo-American agreement without submerging her identity" (the irony of two nations agreeing on
have significantly modified a major approach to the Americans in response to Canadian concerns. Nevertheless, the concern occasioned by the UK initiative is of interest because it points to certain difficulties and tensions in the Canadian position vis-à-vis the postwar planning process. The Canadians wanted the British and the Americans to meet, but too many bilateral meetings would deprive Canadians of the chance to make their voices heard. The Canadians wanted the British and the Americans to agree, but too much agreement of the wrong kind could jeopardize Canadian interests. Anglo-American agreement was essential, but it could not come in the form of proposals that the smaller nations would be forced either to take or to leave.25

The third week of August brought the news that the Americans had accepted the British proposal.26 The talks began in the middle of September and lasted a month. The UK was represented by a strong delegation that included Keynes, Robbins, Meade, and Liesching. A junior minister, Richard Law, the Parliamentary Under-Secretary of State for Foreign Affairs, headed the delegation; hence, the trip is sometimes referred to as the ‘Law Mission’. The talks covered a wide ground: monetary policy, commercial policy, commodity policy, international investment, international cartels, and postwar employment.

The Canadians were kept well informed of the progress of the discussions, receiving information means to avoid the submersion of a third nation’s identity was not noted). See BoE, OV38/5, “Memorandum to Cobbold”, August 4th, 1943 (possibly written by Bolton).

25. Francine McKenzie reaches similar conclusions: see McKenzie, p. 143.

through a variety of channels. Members of the UK team held periodic briefings for Dominion representatives in Washington, who were invited to discuss any particular questions they had with the UK officials concerned with that issue. These meetings were not for the purposes of consultation, but merely to keep the Dominions informed. The Canadians received further information when several UK delegates stopped over in Ottawa on their way back to London “to whisper results in the Canadians’ ear” after the conclusion of the talks in mid-October. Canadian officials also obtained information from the American side, working out an arrangement whereby they were briefed by the US legation in Ottawa. The Canadian legation in Washington pitched in,

27. One channel that had been of great value to the Canadians in the past was lost in August 1943 with the passing of Sir Frederick Phillips, the UK Treasury representative in Washington. Phillips was widely respected and very well informed, having, as Keynes noted in his obituary of him, “gained the confidence of Mr Morgenthau and of the officials of the American Treasury” through “his blunt honesty and knowledge of his job”. See The Collected Writings of John Maynard Keynes, Volume X: Essays in Biography (London: The Macmillan Press Ltd, 1972), pp. 330-331.

28. BoE, ADM14/15, 802/11, Minutes of Meeting with Representatives of the Dominions and India held in Ambassador’s Room, Embassy, on September 22nd, 1943, A.D.(B.C.)(43) 1st Meeting; BoE, ADM14/13, 802/9, Minutes of Meeting held in Council Room, Willard Hotel, Washington, on September 21st, 1943 re: Discussions on Agenda Under Article VII, A.D.(43) 8th Meeting.


30. A September 27th, 1943 note to Robertson argued “that there is a good deal to be said for our indicating to the Americans that we would like to receive through them information of the progress of the discussions. Unless we take some such initiative it is probably that we shall only get information from the United Kingdom side. While the information we receive from the United Kingdom is likely to be fuller than any we could get from the Americans, I think that tactically a request from us through Atherton would be a good move.” Robertson had the Canadian legation in Washington act as a liaison with the UK delegation and asked Atherton to relay information to the Department of External Affairs in Ottawa. See NAC, RG25/3258/6000-40, HM to N. A. Robertson, September 27th, 1943. The thinking behind this request was explained by Robertson thus: “Bearing in mind the rather curious U.S. request that they should be represented by an observer at the Commonwealth commercial talks in London earlier this year, we thought it advisable
sending home a few tidbits on the talks. The efforts of Lester Pearson were particularly noteworthy: he may have had no instinct for economics, but he knew an important meeting when he saw one, and he managed to secure information from both the Americans and the British.

Canadian officials gained in-depth information about the progress of the monetary talks in particular through Louis Rasminsky. At a meeting of the UK delegation on September 17th, shortly after the arrival of all its members in Washington, S. L. Holmes inquired "whether anything could be done to ensure that the Canadian authorities were kept particularly well informed of the progress of the financial discussions, in view of their special interest in this matter". Keynes promised to invite Rasminsky down for a full briefing and consultation. Rasminsky accepted and was in Washington to intimate that we would welcome information from the United States Legation ...

31. See, for example, NAC, RG19/3989/T-2-9-2/Volume 1, CMUS to SSEA, WA-4645, September 20th, 1943; NAC, RG25/3258/6000-40, CMUS to SSEA, WA-4667, September 21st, 1943 and L. B. Pearson to N. A. Robertson, October 20th, 1943.

32. Pearson's oft noted aversion to economics came through clearly in a despatch on the April 1943 US-Canada talks, writing that White seemed to favour limiting these meetings to experts in the realm of currency issues, "which fortunately excludes me". See NAC, RG19/3981/M-1-7-2, CMUS to SSEA, WA-1822, April 16th, 1943. Similarly, Pearson's diary for March 8th, 1943 noted that when Berle handed him a copy of the White plan, Pearson had troubles "maintain[ing] a discussion on the highest levels of international banking and currency", and "tried to switch [Berle] over to talk about a United Nations conference ..." See NAC, MG26/N8/2/4, Diary for March 8th, 1943. On Pearson's distaste for economics, see, for example, John English, Shadow of Heaven, The Life of Lester Pearson, Volume One: 1897-1948 (Toronto: Lester & Orpen Dennys Limited, 1989), p. 60.

33. BoE, ADM14/13, 802/9, Minutes of Meeting held in British Embassy, Washington, on September 17th, 1943 re: Discussions on Agenda Under Article VII, A.D.(43) 6th Meeting. Keynes
for talks on September 28th and 29th. He did not, not surprisingly, attend any of the US-UK discussions, but did receive "a full account" of the monetary talks to date. Keynes reported to a meeting of the UK delegation that "Mr. Rasminsky was in general sympathy with the United Kingdom point of view on the substance of the proposals, though he appeared to have some doubts on the tactics adopted". Rasminsky also consulted with Meade and Thompson-McCausland. The latter had dined with Rasminsky and they had "talked very freely". Thompson-McCausland concluded from this conversation that Rasminsky, "like all Canadians, is anxious above all for Washington and London to agree. Keynes, who had asked him down to keep him in touch, had him to lunch the next day and got the same impression."

The news the Canadians received was good. Both UK and US officials reported themselves pleased with the results of the discussions, feeling that real progress had been made. On monetary policy,

invited him the next day: see BoC, LR76-212-2, Keynes to L. Rasminsky, September 18th, 1943.

34. BoE, ADM14/13, 802/9, Minutes of Meeting held in Council Room, Willard Hotel, Washington, on September 29th, 1943 re: Discussions on Agenda Under Article VII, A.D.(43) 13th Meeting. Rasminsky also had doubts about at least one of the points upon which the UK delegation was insisting. UK officials, Keynes in particular, argued for the creation of a true international currency through the monetization of White's unitas. Some UK officials were increasingly sceptical about whether such a currency was really necessary; Rasminsky apparently shared their doubts. James Meade wrote after a meeting with Rasminsky that "[h]e is in exactly the same sense of perplexity as myself. Why must the British fight so on a point which is of so little substance as the monetisation of Unitas?". See Howson and Moggridge, The Wartime Diaries of Lionel Robbins & James Meade, p. 119.

35. BoE, OV38/5, L. P. Thompson-McCausland to C. F. Cobbold, October 3rd, 1943.

36. See, for example, NAC, RG25/3258/6000-40, CMUS to SSEA, WA-5156, October 16th, 1943 and L. B. Pearson to N. A. Robertson, October 20th, 1943; NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/Reference Subject Files/11/British Commonwealth - Art. 7 talks - Canada (Lend-Lease), Memorandum of Conversation at the American Legation in Ottawa, October 21st, 1943.
they had ironed out most of their differences. Some points of disagreement remained, but Canadian officials "did not think that any of these should really prove serious obstacles to agreement".\textsuperscript{37} The result of the talks in the monetary field was an agreement to work on a "Statement of Principles". Once the US and UK had agreed on a mutually acceptable statement, it would then be released for the consideration of other nations.\textsuperscript{38}

Despite the optimism that surrounded the conclusion of their talks, it took US and UK officials four months to resolve their differences in the field of monetary policy. During this period, the UK government kept the Dominions informed of the progress of its discussions with the US government, but Dominion views were not sought and the Canadians did not offer them. This did not, of course, mean that the Canadians did not have any views on the developing situation. In response to a series of UK telegrams in early January 1944\textsuperscript{39}, Rasminsky and other officials examined the current state of US-UK negotiations and offered suggestions as to the approach

\begin{quote}
Pearson noted in his letter to Robertson that US officials were "very much impressed by the calibre of the United Kingdom representatives. The only reservation they made to this was in the case of Lord Keynes, whom they think more brilliant than sound. Jack [Hickerson] said he has never heard anyone expound a case so cleverly or so alluringly - no matter how weak the case may be. I think they are a little afraid of Keynes."
\end{quote}

\textsuperscript{37} Howson and Moggridge, \textit{The Wartime Diaries of Lionel Robbins & James Meade}, p. 145.

\textsuperscript{38} BoE, ADM14/15, Minutes of Meeting with Representatives of the Dominions and India, held in Washington on October 13\textsuperscript{th}, 1943. See also Pressnell, pp. 120-122, 138.

\textsuperscript{39} NAC, RG19/3447/Postwar - "International Exchange Union"/Stabilization of Currency &C., Telegrams from SSDA to SSEA, D.7, D.8, D.9, D.10, D.11, January 3\textsuperscript{rd}, 1944.
Canada might adopt to the outstanding points of disagreement.\textsuperscript{40} The exercise was of little immediate importance as there does not seem to have been any correspondence between the Canadians and US or UK officials on the monetary proposals during this period.

In late February 1944 Canadian officials did have an opportunity to have their say on developments in the field of postwar monetary policy. The opportunity came as something of a surprise to them. In December 1943 the Canadian government had accepted an invitation to another round of Commonwealth talks in London, this one to follow up on the results of the Anglo-American Washington conversations, to be held in February 1944.\textsuperscript{41} When the talks began on February 23\textsuperscript{rd}, the Canadian representatives learned that the US and UK had resolved enough of their differences to agree on a "Joint Statement of Principles" on monetary policy.\textsuperscript{42} They were surprised by the inclusion of monetary issues on the talks agenda\textsuperscript{43}, but while they might not have been as well

\textsuperscript{40} NAC, RG25/3259/6000-D-40 Part 3, Louis Rasminsky to N. A. Robertson, January 15\textsuperscript{th}, 1944; NAC, RG19/3447/Postwar - "International Exchange Union"/Stabilization of Currency &C., Louis Rasminsky to R. B. Bryce, January 15\textsuperscript{th}, 1944. A meeting was scheduled for January 21\textsuperscript{st}, 1944 to discuss the situation. See NAC, RG2/13/W-22-3/1944-July 1945, Louis Rasminsky to Arnold Heeney, January 17\textsuperscript{th}, 1944. I have been unable to find any record of the meeting.

\textsuperscript{41} PRO, CAB 65/36, Cabinet 173(43)1, December 21\textsuperscript{st}, 1943; NAC, RG19/3989/T-2-9-2, SSDA to SSEA, No.190, December 31\textsuperscript{st}, 1943.

\textsuperscript{42} NAC, RG19/3591/L-11a, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(44) 1\textsuperscript{st} Meeting. Minutes of a Meeting held on February 23\textsuperscript{rd}, 1944.

\textsuperscript{43} NAC, RG19/3591/L-11a, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(44) 1\textsuperscript{st} Meeting. Minutes of a Meeting held on February 23\textsuperscript{rd}, 1944; NAC, RG19/3989/T-2-9-2/Volume 1, CHCUK to SSEA, No.466, February 24\textsuperscript{th}, 1944. Perhaps they should not have been really all that surprised: a UK telegram in early January 1944 forwarded the latest information on the status of the monetary discussions along with the comment that "we are anxious that all Dominion Governments should be in possession of up to date information on monetary plans when considering arrangements for London discussions suggested in my telegram Circular D. 1168". See NAC, RG19/3447/Postwar - "International Exchange Union"/Stabilization
prepared to discuss these issues as perhaps they would have liked, they were not at a loss in the discussions that followed. The Canadian delegation included Mackintosh and Deutsch, both veterans of the issue, and it kept in touch with officials back in Ottawa, who offered advice on points as they arose. Moreover, Canadian officials were generally pleased with the joint statement, meaning that when the time came for them to offer their views, they did not have to say very much.

The joint statement represented a true Anglo-American compromise. The monetary organization to be set up, now called the International Monetary Fund, the title itself an Anglo-American compromise\(^{44}\), was to be operated on the contributory principle of the White plan, rather than the overdraft principle of the Keynes plan. The size of the fund would be larger than that suggested in White’s proposal, though not as large as provided for in Keynes’s: between $8 billion and $8.5 billion for the United and Associated Nations, $10 billion for the whole world (i.e. including the ex-enemy and neutral states).\(^{45}\) Contributions would be made in gold and national currency, but the amount of gold each member was obliged to provide had been scaled down considerably.\(^{46}\) There would be no new international currency, and while the UK asserted that the fact that the statement

\(^{44}\) NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 1\(^{st}\) Meeting. Minutes of a Meeting held on February 24\(^{th}\), 1944.

\(^{45}\) The joint statement foresaw a fund of “about eight billion dollars”, while Keynes suggested the $8.5 billion figure. See NAC, RG2/13/W-22-3/1944-July 1945, SSDA to SSEA, D.289, February 25\(^{th}\), 1944 (reproduces text of joint statement); NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 1\(^{st}\) Meeting. Minutes of a Meeting held on February 24\(^{th}\), 1944.

\(^{46}\) NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 1\(^{st}\) Meeting. Minutes of a Meeting held on February 24\(^{th}\), 1944.
did not provide for an international currency did not mean that the UK agreed that this was the best way to proceed, it had almost entirely given up the fight. The implicit US veto had been eliminated in favour of majority voting, save in two cases: “a change in basis of determining quotas”, which would require a majority of four-fifths and the consent of members whose quotas would be changed, and “an agreed uniform change in gold value of currencies”, which “shall require approval of all member countries with majority of aggregate quotas”. Initial exchange rates would be agreed between the member and the fund, while a middle approach was adopted for subsequent changes, one that sought to satisfy both the US desire for stability and the UK desire for flexibility.

One feature particularly agreeable to the UK was a revised scarce currency provision that put more pressure on creditor nations. A new feature, added at the request of the UK, was permission for countries to adopt practices contrary to fund rules during an initial postwar transitional period. This would allow those countries in need of massive postwar relief and reconstruction to get their economies back on track while remaining members of the fund.

50. NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 1st Meeting. Minutes of a Meeting held on February 24th, 1944.
51. NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 7th Meeting. Minutes of a Meeting held on March 13th, 1944.
52. NAC, RG19/3391/04747-P-13 Part 3, “The Proposal for an International Monetary Fund”, Unsigned and undated (extract of a letter from J. M. Keynes to H. D. White, December 19th, 1943, distributed to Dominion and Indian representatives as a “Note by the Joint Secretary”, A.S.D.(MONEY)(44)1).
officials now agreed that the fund should not be used to finance relief and reconstruction or to liquidate blocked balances.\textsuperscript{53}

The joint statement was largely welcomed by the Canadians as it "accorded very closely with their own conclusions".\textsuperscript{54} They preferred the simplicity of Keynes's overdraft approach, but had long ago accepted that the US wanted contributions of some sort: the Rasminsky plan, after all, provided for contributions. They would have liked the fund to be larger, but recognized "the apparent impossibility of increasing the size of the fund".\textsuperscript{55} Members would no longer provide securities as a part of their contribution to the fund, a revision for which the Canadians had battled long and hard, and the gold portion of the contribution had been scaled down, something else favoured by Canadian officials who, despite being representatives of a gold mining nation, believed that too large a place for gold in the new institution might prove harmful to the institution's chances of success. They preferred the creation of a new international currency, but understood the difficulties in such a proposal. Besides, the differences between a plan with a new international currency and one without one were "not fundamental; and unless the Fund is grossly mismanaged they need not even be important".\textsuperscript{56} The reduction in the use of the US veto could not have been anything but


\textsuperscript{54} NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D. (MONEY) (44) 1\textsuperscript{st} Meeting. Minutes of a Meeting held on February 24\textsuperscript{th}, 1944.

\textsuperscript{55} NAC, RG19/3391/04747P-13, SSEA to CHCUK, No.400, March 2\textsuperscript{nd}, 1944.

\textsuperscript{56} NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D. (MONEY) (44) 1\textsuperscript{st} Meeting. Minutes of a Meeting held on February 24\textsuperscript{th}, 1944; NAC, RG25/3259/6000-D-40 Part 3, Louis Rasminsky to N. A. Rasminsky, January 15\textsuperscript{th}, 1944 (quotation is from the latter document).
pleasing to Canadian minds, as was the scarce currency provision that put more pressure on creditor nations. Mackintosh agreed with Keynes's assessment in this regard: "In his [Keynes's] considered view, this American olive branch in the interests of international co-operation was worth everything else in the scheme put together." The Canadians accepted the need for a transitional phase of fund operations, seeing it as "the inevitable result of the restricted size of the fund", though they did have some questions as to how it might work. According to Mackintosh, "[i]t was necessary to steer a middle course which would present countries with immediate advantages in joining the Fund without, at the same time, spoiling the capacity of the Fund to render long term services" and "[i]t was also important, from the point of view of American public opinion, that the presentation of the scheme should not give rise to any misunderstandings, and that the Americans should realise that there were separate war problems to be tackled for which this Fund was unsuitable".

Canadian satisfaction often manifested itself in silence during the discussion of monetary issues. Canadian representatives did of course speak up, expressing satisfaction with a section here, offering a possible interpretation or asking for clarification of a point there. Both their comments and their silences implied a general sense of contentment with the joint statement of principles.

57. NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 7th Meeting. Minutes of a Meeting held on March 13th, 1944.

58. NAC, RG19/3391/04747P-13, SSEA to CHCUK, No.400, March 2nd, 1944. See also NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 8th Meeting. Minutes of a Meeting held on March 15th, 1944.

59. NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 8th Meeting. Minutes of a Meeting held on March 15th, 1944.
This contentment was not always shared by the other Dominions. The Canadians found themselves butting heads with their Commonwealth brethren, primarily the Australians, on various points. For example, Mackintosh questioned a formula for increasing the quotas of small countries, an issue dear to the Australian heart, for Australia was very dissatisfied with its quota. He was concerned that the inflation of the quotas in the manner suggested might have unfortunate side-effects when certain member currencies were in short supply, leading perhaps to a greater demand for them. Keynes attempted to soothe his concerns, but Mackintosh remained uncomfortable with the formula, though not with the need to increase the quotas of the smaller nations or the need to do it by means of a set formula. In the same meeting, in response to an Australian argument in favour of members being permitted to draw upon more of their quotas in a given year than provided for in the statement of principles, Mackintosh asserted that he preferred the provision as it stood. Similarly, a few meetings later, Mackintosh argued against an Australian proposal that would have allowed for greater freedom to undertake unilateral exchange rate changes on the ground that the proposal would have no practical effect.

60. This issue was not of direct interest to Canada, as the proposed formula would not have increased the Canadian quota. Mackintosh expressed satisfaction with the Canadian quota (which, at $300 million, was the traditional 1/10 the size of the US quota of $3 billion), considering it “about reasonable, given the general framework”. See NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 2nd Meeting. Minutes of a Meeting held on February 28th, 1944 (quotation is from this document); NAC, RG19/3391/04747P-13, CHCUK to SSEA, No.498, February 29th, 1944.

61. NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 3rd Meeting. Minutes of a Meeting held on February 28th, 1944; NAC, RG19/3391/04747P-13, CHCUK to SSEA, No.498, February 29th, 1944. Officials in Ottawa agreed with the line taken by Mackintosh on the formula to increase the quotas of the smaller countries. See NAC, RG19/3391/04747P-13, SSEA to CHCUK, No.400, March 2nd, 1944.

62. NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 6th Meeting. Minutes of a Meeting held on March 9th, 1944.
The most serious disagreement with the Australians came at the end of the examination of the statement of principles. A telegram sent by the Canadian delegation back to Ottawa after the meeting well summarizes the nature of this disagreement:

Australia in commenting upon whole plan expressed fear that its adoption would weaken Sterling Area and stated preference for continuing of sterling currency bloc. Instead of international plan they suggested key currency approach based upon United States - United Kingdom credit arrangement. Keynes and Edie [sic] made a powerful statement in favour of multilateral approach which we strongly supported.\(^{63}\)

As the minutes of the meeting attest, Canadian support was strong indeed:

MR. MACKINTOSH said that Canada, though not a member of the sterling area, had great and obvious interests in the strength and convertibility of sterling, and he was convinced that in the long run the scheme represented the only approach which would improve that strength and convertibility. He wanted to emphasise his firm belief that to bring the United States wholeheartedly into a full acceptance of its responsibilities it was essential to proceed on an international pattern. The conclusion of special deals, bilateral arrangements, etc., seemed to bring out the most critical reactions of American public opinion, whereas a wider scheme elicited the best. The stabilisation of the £ [sic] and the dollar, while attractive in the short run, would have advantages which were much less dependable than the wider scheme. Canada also thought it undesirable to have exclusive arrangements between the large powers from which the smaller powers were shut out. He accordingly supported the Statement of Principles and would commend it for adoption.\(^{64}\)

The 1944 Commonwealth economic policy discussions were important because they provided the forum in which Canadian officials first signalled their acceptance of the joint statement of principles, a document for which they had worked and waited a long time. The talks were also important because they presented the first opportunity for Canadians officials to discuss with their Commonwealth colleagues another brainchild of Harry White’s: a proposal for the establishment

\(^{63}\) NAC, RG25/57057-J(s) Part 1/6000-A-40C, CHCUK to SSEA, No.627, March 16\(^{th}\), 1944.

\(^{64}\) NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(MONEY) (44) 8\(^{th}\) Meeting. Minutes of a Meeting held on March 15\(^{th}\), 1944.
of an international bank.

American, British, and Canadian officials all recognized early on in the postwar planning process the need for an organization devoted to facilitating international investment. Both the White and Keynes plans had initially emphasized the importance of this issue\textsuperscript{65}, as had the December 1941 Joint Economic Committees resolution that called for the establishment of an International Stabilization and Development Board.\textsuperscript{66} However, UK and Canadian officials had subsequently agreed that it should be left to the US, as the most important source of postwar credit, to formulate and put forth proposals in this area. In the March 1943 letter that accompanied the circulation of the White plan to the United and Associated Nations, note had been taken of "the need for an international bank to provide international credit for reconstruction and development"\textsuperscript{67}, but a US proposal was not ready until late summer 1943, when a copy had been shown unofficially to UK officials. It was discussed briefly during the Washington conversations in September-October 1943, but no agreement had been reached. Indeed, the conversations revealed important differences in

\textsuperscript{65} Pressnell, p. 123.

\textsuperscript{66} Pressnell asserts that in Alvin Hansen's and L. H. Gulick's "proposals for an international (or initially an Anglo-American) investment board to operate anti-cyclically", as adapted by an early version of Keynes's plan, there "was the germ, developed by Mr R F Harrod, of the eventual International Bank for Reconstruction and Development". Alvin Hansen, as discussed in the first chapter, was a member of the Joint Economic Committees, and it was after his eloquent appeal for action on the postwar planning front that the resolution for an international investment board was adopted.

\textsuperscript{67} NARA, RG56/General Records of the Department of the Treasury/Records of the Assistant Secretary of the Treasury re: Monetary and International Affairs/Chronological File of Harry Dexter White Nov.1934 - Apr.1946/Chronological 49 (July 1943)/9, Mr. White to Secretary Morgenthau, July 6\textsuperscript{th}, 1943.
American and British thoughts on the principles of long-term lending.68

In September 1943, Canadian officials had received a copy of the proposal unofficially from White, who indicated that while there was no point in their offering comments on the details of the plan so early in its evolution, "if we approve of his general thesis that an international organization is preferable to a purely American one, and if we have any helpful suggestions to offer along these lines, he will be very glad to receive them".69 The plan’s release to the press had brought a later version to Ottawa in early October70; a revision had followed, with a letter from Morgenthau inviting comments and alternative proposals, in November, as did supplementary material courtesy of the Canadian Embassy.71

Thus, Canadian officials were kept up-to-date on the proposal as it evolved throughout the autumn of 1943. They do not appear to have done much with this information. Clark proposed a meeting

68. Pressnell, p. 124; PRO, F18003/033, S. D. Waley to E. W. Playfair, October 12th, 1943 and Washington to FO, No.4618, October 14th, 1943.

69. NAC, RG25/3259/6000-F-40 Part 1, W. C. Clark to N. A. Robertson, September 25th, 1943.

70. NAC, RG19/3611/M-6, CMUS to SSEA, No.2306, October 9th, 1943.

on the September version. T. W. Avison, a Department of Finance official who had written a memorandum on the general topic of postwar international investment earlier that year, criticized White’s proposal, while Bob Bryce criticized Avison’s critique as “somewhat too narrow and critical ... even slightly academic.” A general round table on “International Investment and Canada’s Part in It” was held in early December. Louis Rasminsky compared two versions of the plan. No clear picture emerges from these efforts of what the Canadian attitude toward the plan might be, apart perhaps from a general sense of benevolence towards the principle involved. In this light, the comments of the Canadian delegation at the 1944 London discussions become even more important.

The single meeting on the international bank proposal was enough to lay bare a sense of general


73. NAC, RG19/3611/M-6, Ted Avison to W. A. Mackintosh, May 25th, 1943 and Untitled, unsigned, and undated memorandum on international investment in the postwar period.


75. NAC, RG19/3447/International Lending Bank, “Round Table Agenda, Monday, December 6, 1943, at 10.00 a.m., INTERNATIONAL INVESTMENT AND CANADA’S PART IN IT”; Unsigned and undated handwritten draft of speech (likely by R. B. Bryce); Unsigned and undated handwritten minutes of meeting on international investment.

dissatisfaction with it. Keynes kicked off in a customarily forthright way, proclaiming “that the American proposals constituted one of the oddest documents he had ever set eyes on. In his opinion it begun [sic] at the extreme of wrong thinking and then laboured back in search of some degree of sanity.” Despite his initial scepticism, “on further thought and in face of the immense needs for capital in the post-war world”, he had decided to suggest an alternative to White. White proposed the creation of an institution that could both lend and guarantee loans; Keynes suggested instead “that the guarantee functions of the bank should form the basis of its activities”. Keynes reasoned that “while debtor countries were clearly unable to put up capital to any substantial extent, they could reasonably be asked to share the risks of the provision of capital by creditor countries, and to take part in the international organisation of the flow of such capital”.77 Direct lending would require an institution with large resources derived primarily from member subscriptions. Guarantees would require fewer resources, to be utilized only in the event of borrower default.

Keynes identified another problem with White’s proposal. In theory, loans secured through the new institution could be spent in any nation without restriction: that is, the loans were not to be “tied”. But in fact, Keynes asserted, the provisions of the proposal would lead to tied loans, which he deplored: “While there might well be tied loans after the war he was certain that any international institution must be free of that taint. Tied loans were indeed contrary to the whole conception of an international institution helping to counteract tendencies to fundamental disequilibrium”.78

77. NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(Bank) (44) 1st Meeting. Minutes of a Meeting held on March 14th, 1944.

78. NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(Bank) (44) 1st Meeting. Minutes of a Meeting held on March 14th, 1944.
Mackintosh spoke next. He had not been at all impressed by the proposal and seconded all that Keynes had said. Thus, he "would welcome any changes to modify the proposals so that they conformed to the multilateral conceptions of other international schemes". A "sound" international investment organization would be attractive to Canada, which would likely be able to engage in a small amount of international investment in the postwar period but did not have extensive experience in this field outside the United States.⁷⁹

The other Commonwealth representatives expressed similar concerns about White’s plan, as well as the conviction that some sort of international lending organization was needed. Keynes stressed that UK officials had to tell White what they thought of his plan soon: the last time they had spoken to him about it had been during the Washington conversations, "when the views expressed were decidedly critical". Redvers Opie, a senior economic adviser usually posted to the Embassy in Washington, noted that the Americans had circulated the proposal to various United and Associated Nation Finance Ministers and engaged in discussions with some national experts. He thought that "it should be suggested to the Americans that in the light of experience of monetary problems the only effective way to make progress was to enunciate a Statement of Principles. We should be glad to get down to the drafting of such a statement in purely general terms but we wanted to avoid setting up alternative detailed versions, and the more detached from the American proposals the statement could be the faster the progress that would be made." All agreed that this was the best way to proceed. UK officials also produced a note to White that outlined their criticisms and suggestions. It was agreed that the note should be sent in the name of the UK only, though it might

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⁷⁹ NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(Bank) (44) 1st Meeting. Minutes of a Meeting held on March 14th, 1944.
mention that the views contained therein “were expressed after consultation with the experts from the Dominions”.  

Further progress on both the bank and fund proposals came several weeks after the conclusion of the Commonwealth talks. In April came word that the Americans were eager to hold a conference to finalize the monetary proposals later in the spring. To this end, they had decided that the time had come to publish the Joint Statement of Principles on the creation of an international monetary fund. They proposed that it be published simultaneously in a number of United Nations capitals. At the invitation of the United States, Canada participated in the joint publication. Mackenzie King tabled the Joint Statement in the House of Commons on April 21st, 1944. Having stressed that no government was committed to the plan outlined in the statement, and that its publication was intended to demonstrate the progress that had been made on the issue and to allow for its public

80. NAC, RG19/3593/L-11, Article VII. Discussions with Representatives of the Dominions and India. A.S.D.(Bank) (44) 1st Meeting. Minutes of a Meeting held on March 14th, 1944.

81. NAC, MG26/J1/C7056/371, SSDA to SSEA, D.579, April 19th, 1944. Joint publication would also supply Morgenthau with tangible evidence of progress on the issue of postwar monetary cooperation that he could use in an imminent appearance before Congress.

82. The circumstances surrounding the issuance of the invitation are of some interest. White worried that if Washington extended an invitation to Ottawa, it might cause trouble in the Canada-UK relationship or offend the UK. He discussed his concerns with Canadian and UK officials, evidently concluding that there was no need for worry on either score (in fact, Plumptre told him that Canada would like a formal invitation, preferably from the United States). See NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/41/Canada: Bretton Woods, Meeting in Mr. White’s Office held April 17th, 1944; NAC, RG19/3448/Post-war Agreed Monetary Fund, The Canadian Ambassador to the United States (CAUS) to SSEA, WA-2334, April 17th, 1944; NAC, RG19/3391/04747P-13, SSEA to CMUS [sic], EX-1631, April 18th, 1944 and CAUS to SSEA, WA-2387, April 19th, 1944. The episode is of interest for what it implies about the ambiguity as to Canada’s status as a fully sovereign nation.
discussion before governments took further action, King proclaimed:

This statement of principles on international monetary relationships is conceived as part of a general plan of international economic cooperation, which as a whole will have for its objects the progressive expansion of international trade, high levels of employment, improved standards of living, reasonable stability of prices and machinery for orderly exchange arrangements. The Canadian Government is thoroughly aware of the importance of establishing international monetary arrangements favourable to the expansion of trade and employment, and is keenly sympathetic with the particular objects to which this statement of principles is directed. It is equally anxious that common views should be reached on other parts also of a general plan of international economic cooperation, particularly on a reduction in the barriers to trade expansion, a reduction vital to Canada’s welfare and necessary if conditions favourable to stable monetary arrangements are to be achieved. The view which will ultimately be taken by the Canadian Government of any proposed monetary arrangements will be greatly, perhaps decisively, influenced by the progress which it is possible to make in achieving agreement on other aspects of international economic policy with which monetary arrangements are inseparsably linked.83

The United States had also prepared a joint statement on an international bank, which White characterized as a non-controversial document to which “very few governments, if any” could object. On August 17th, White told Plumptre that he hoped that this statement could also be published soon and that he was eager for Canadian participation.84 But the Canadians and the British continued to harbour reservations about the proposal and decided against participating in its publication.85

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83. FDR, Henry Morgenthau Diary/727/210, J. E. Horner to the Secretary of State, April 22, 1944 (quotation is taken from the “Extract from the House of Commons Debates, April 21, 1944”).

84. NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/41/Canada: Bretton Woods, Meeting in Mr. White’s Office held April 17th, 1944; NAC, RG19/3448/Post-war Agreed Monetary Fund, CAUS to SSEA, WA-2334, April 17th, 1944 (quotation is from first document).

85. NAC, RG19/3391/04747P-13, SSEA to CMUS [sic], EX-1631, April 18th, 1944; NAC, RG25/3259/6000-D-40 Part 4, CAUS to SSEA, WA-2506, April 25th, 1944. The Canadians may have decided to follow the UK lead on the issue of publication. Plumptre informed White “that we are unlikely to publish and associate ourselves with the document which he handed us in view of the relatively little thought which we have given to the matter and the shortness of the time available.
The way was now clear to prepare for the international monetary conference, at the Mount Washington Hotel in Bretton Woods, New Hampshire. Before discussing the conference, a slight detour is in order. Thus far, the technical and diplomatic efforts of Canadians to encourage international monetary cooperation have taken centre stage. Canadian officials also participated in more public activities in support of such cooperation. During the period covered by this chapter, they mounted a vigorous public relations campaign geared towards winning public opinion over to their cause. Through speeches, articles, and letters they sought to convince important sectors of Canadian and American opinion, particularly the financial sector, that international cooperation along the lines of the Keynes, White, and Rasminsky plans represented the best hope for postwar prosperity and stability. In August 1943, Towers and Rasminsky spoke at a symposium in Chicago on monetary stabilization: other speakers included Harry White, Dennis Robertson, Redvers Opie, and Jacob Viner.86 In October, Bryce addressed the Canadian Institute of Mining and Metallurgy in Montreal.87 In November, Rasminsky gave a speech to the Life Insurance Institute of Canada that was subsequently published in The Canadian Banker.88 In December Clark addressed the New York University Institute on Post-War Reconstruction: a shorter version of his speech appeared in

for consideration. However, I said that the matter was not yet settled. (Opie has promised to keep me informed of developments on the British side.) See NAC, RG19/3391/04747P-13, CAUS to SSEA, WA-2387, April 19th, 1944.

86. BoC, LR76-204-1-3, “International Monetary Stabilization, A Symposium”.


Public Affairs. During the summer of 1943, Rasminsky and Clark corresponded with John H. Williams, the leading proponent of the 'key currency' approach, and tried to convince him of the merits of the approach taken by the Keynes, White, and Rasminsky plans as compared to his own scheme. Rasminsky wrote a much-noted article for the July 1944 edition of Foreign Affairs. Some of these efforts caught the eye of US officials: Clark’s December speech was circulated within the US Treasury and State Departments, while one US official, Oscar Cox, was so impressed with Rasminsky’s Foreign Affairs article that copies of it were distributed to the US Bretton Woods delegation, officials in the Foreign Economic Administration, “Lippmann, Swing, the Post people, Lindley, etc.,”, and Eugene Meyer, editor and publisher of The Washington Post. The effect of these efforts is hard to measure. But they do offer a good way at getting into the thoughts of Canadian officials on the eve of the Bretton Woods conference.


90. NAC, RG19/3982/M-1-7-P (Volume 2), L. J. Rasminsky to J. H. Williams, July 15th, 1943; J. H. Williams to L. J. Rasminsky, August 12th, 1943; J. Williams to W. C. Clark, August 12th, 1943; W. C. Clark to L. J. Rasminsky, August 19th, 1943; W. C. Clark to J. H. Williams, August 21st, 1943. For a short discussion of the 'key currency' approach, see Gardner, pp. 132-133.


92. NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/Geographic Files/Country Files 1934-1952/41/Canada: Bretton Woods, H. D. White to John Hickerson, March 1st, 1944; John Hickerson to H. D. White, February 24th, 1944; Mr. Bittermann to Mr. White, February 28th, 1944; Lewis Clark to the Secretary of State, February 15th, 1944.

93. FDR, Oscar Cox Papers/130/Bretton Woods Conference, Oscar Cox to Harry White, July 5th, 1944; Oscar S. Cox to Alfred E. Davidson, July 7th, 1944; Unsigned letter to Eugene Meyer, August 15th, 1944. See also the discussion of the effect of Rasminsky’s article in Muirhead, p. 106.
The issues addressed and arguments advanced through these various media were consistent with what Canadian officials had been saying for years. We must not repeat the mistakes of the past. A return to the gold standard was neither economically nor politically possible; the key currency approach was neither economically nor politically viable. Canadian experts had produced their own plan, but they were not wedded to it: the general approach was more important than the specific details. It was the responsibility of creditor and debtor nations alike to take corrective measures when the international economy was out of whack. Creditor nations should participate in the proposed international monetary organization not out of altruism, but out of self-interest: to continue to sell their wares abroad they would have to extend credits, and this was better done on a multilateral than a bilateral basis. (The Canadians often remarked to their American audiences that they felt comfortable speaking of the responsibilities and interests of creditor nations to them because they too came from a creditor nation.) Quick action was needed: the fund had to be established before the end of the war or the chance would be lost. The fund would not be a panacea. It should be one part of a larger scheme of postwar international economic cooperation, a scheme that included action on commercial policy, international investment, primary products, and employment policy. The fund was not without its risks, but they were risks worth taking. It might not be perfect, but it was a good beginning.

It was perhaps a miracle that the Bretton Woods conference occurred, let alone established the foundations for postwar international monetary cooperation. First there was confusion over the timing. The Americans had pushed for publication of the Joint Statement in the third week of April with an eye towards holding the conference in late May. They proposed to convene an agenda
committee, comprised of experts from a select few nations, two to three weeks before the full conference. The timing was tight. It was even tighter when, in early May, the United States still had not issued any invitations; nevertheless, US officials continued to believe that it would be possible both to stick to their plan and hold a conference at the end of the month. Eventually they were forced to postpone the conference to early July. This meant that the work of the agenda committee, which would be done in Atlantic City, had to begin by the middle of June 1944.

History primarily remembers June 1944 not as the month when allied economists discussed postwar plans by the beaches of Atlantic City, but as the month when allied soldiers landed on the beaches of Normandy. When planning for the conference, American officials had presumably not taken into account the possibility that the opening of the second front would make the transportation of United

94. NARA, RG56/General Records of the Department of the Treasury/Records of the Assistant Secretary of the Treasury re: Monetary and International Affairs/Chronological File of Harry Dexter White Nov.1934 - Apr.1946/Chronological 56-62 (February 1944 - August 1944)/11/Chronological #59 (May 1944), “Meeting in the Secretary’s Office, Thursday, May 4, 1944”. The agenda committee seems to have succeeded the hand-picked drafting committee discussed above. US and UK officials had long accepted the idea of Canadian membership on the latter committee.

95. See, for example, American comments during a meeting of Morgenthau, White, Opie, and Lord Halifax on May 4th, 1944. The Americans had suggested that the full conference begin on May 26th, but White still spoke of convening the agenda committee “two or three weeks prior to the opening of the conference”. NARA, RG56/General Records of the Department of the Treasury/Records of the Assistant Secretary of the Treasury re: Monetary and International Affairs/Chronological File of Harry Dexter White Nov.1934 - Apr.1946/Chronological 56-62 (February 1944 - August 1944)/11/Chronological #59 (May 1944), “Meeting in the Secretary’s Office, Thursday, May 4, 1944”.

Kingdom and European economists to the United States a very tricky business. The British government lodged a vigorous protest against the American timetable, arguing that its officials would be unable to reach the US in time for the agenda committee to begin work in mid-June; nor could it accept the American proposal that the committee begin its work with UK experts in Washington in attendance, while the UK and European experts coming from London did their own preparatory work onboard ship, the two groups to combine their work once the latter had reached the US. The UK government asked the Canadian and Australian governments to join in its request that the agenda committee begin its work after the arrival of the UK and European experts and that the start date of the full conference be pushed back a week. The Canadian and Australian governments agreed to lend their support, but their offer became moot when the US and UK agreed that the agenda committee would convene on June 19th, before the arrival of the delegates from London, for initial discussions of an "educative" character and that the full conference would

97. Given the secrecy of the invasion plans, ignorance was likely the problem. For example, in early May Lord Halifax argued that a conference in late May would be impossible because "the military restrictions on the departure and arrival of persons from England was [sic] extremely strict" and "the chief difficulty would probably be the granting of permission to members of the exiled governments to leave the United Kingdom for the conference". White replied that "[t]he British Government could adequately screen departures of the few members of the exiled governments who would be asked to come", noting that some who would likely represent the European governments were already in North America. See NARA, RG56/General Records of the Department of the Treasury/Records of the Assistant Secretary of the Treasury re: Monetary and International Affairs/Chronological File of Harry Dexter White Nov.1934 - Apr.1946/Chronological 56-62 (February 1944 - August 1944)/11/Chronological #59 (May 1944), "Meeting in the Secretary's Office, Thursday, May 4, 1944".

98. NAC, MG26/J1/C7057/372, SSDA to SSEA, No.84, June 4th, 1944.

99. NAC, MG26/J1/C7057/372, SSDA to SSEA, No.84, June 4th, 1944.

100. NAC, RG25/3259/6000-F-40 Part 1, SSEA to CMUS [sic], EX-2355, June 5th, 1944; NAC, MG26/J1/C7057/372, SSEA to SSDA, No.100, June 6th, 1944; BoE, OV38/8, FO to Washington, No.488 Camer, June 8th, 1944.
still begin on July 1st. 101

In Atlantic City, Canada was represented by Rasminsky, Deutsch, and Plumptre from the start102; Mackintosh arriving about the same time British and European officials did.103 Nothing concerning the fund or the bank was absolutely settled by the committee.104 Nevertheless, the talks were useful

101. BoE, OV38/8 Washington to FO, No.3048, June 6th, 1944; NAC, RG19/3391/04747P-13, CAUS to SSEA, WA-3494, June 7th, 1944; NAC, MG26/J1/C7057/372, SSDA to SSEA, No.88, June 9th, 1944.

102. White did not think it imperative that the Canadians attend the Atlantic City tutorials: presumably they did not need to be "educated". See BoE, OV38/8, Washington to FO, No.3048, June 6th, 1944. Pearson was initially uncertain whether Canada would send anyone, though he suggested that Canada might send an observer if the UK sent one. See BoE, OV38/8, Washington to FO, No.435 Remac, June 7th, 1944. Canadian experts did participate, perhaps because the talks offered them "an opportunity of doing some educating as well as being educated". See NAC, RG25/3259/6000-F-40 Part 1, CAUS to SSEA, WA-3628, June 14th, 1944. Their presence might have proved of use from the UK perspective: at a meeting of UK, Australian, and Canadian officials after the arrival of the London experts, Rasminsky "generally described the previous week's discussions at Atlantic City as exploratory, he having stonewalled when any matters of principle had arisen". See BoE, OV38/8, "Report from Ship on way to North America to go to Atlantic City and Bretton Woods covering period of June 21st - 22nd, 1944 [sic]", by G. L. F. Bolton (document is unsigned, but Bolton accompanied the UK delegation to Bretton Woods: see Fforde, p. 61). See also Muirhead, p. 103.

103. NAC, RG19/3391/04747P-13, N. A. Robertson to Lewis Clark, June 13th, 1944. Plumptre discussed Canadian representation on the committee with E. M. Bernstein on June 3rd. "Mr. Bernstein expressed the hope that Canada might send six, or perhaps ten, experts to this Committee. (I explained that there were only about six experts in Ottawa to run the war effort, and that it would be very unlikely that ten would attend the Agenda Committee.)" See NAC, RG25/3259/6000-F-40 Part 1, "World Monetary Conference at Bretton Woods, July 1944", by A. F. W. Plumptre, June 3rd, 1944.

104. Before the Atlantic City conference, the UK and US had agreed "that it is undesirable to stress the drafting functions of the Agenda Committee lest the susceptibilities of countries not invited should be hurt. For this reason, it is not intended to present at the outset of the Bretton Woods Conference a complete re-draft of the fund as handed down by the Agenda Committee. Instead the work of the Agenda Committee will be introduced piecemeal into the deliberations at Bretton Woods." As for the bank, the absence of US-UK agreement meant that it was "extremely doubtful" that the issue would "be thrown into general discussion". See NAC, RG25/3259/6000-F-
as a means of exchanging ideas and discerning points of disagreement and as an opportunity for US and UK officials to discuss their differences and come to terms on some of them. On June 30th, the representatives packed up their bags and trooped on to the overnight train that would take them to Bretton Woods.

They arrived to pandemonium. The hotel had been closed down for two years and the process of getting it into shape for the delegates of 44 nations was still underway. Over 700 representatives, many with the barest command of the English language, had to be accommodated, and not only were many of the rooms still being cleaned and painted, but there were not enough of them. It had proved necessary to call in the military to help finish the job, and the stress of it all had led the hotel manager to lock himself in his room with a crate of whiskey. Eventually rooms were found for all (through much doubling up and the despatch of delegates to neighbouring hotels) and meetings arranged, but the pressure remained: the delegates had only two and a half weeks to get the job done, since the hotel was booked for other purposes from July 19th.

40 Part 1, CAUS to SSEA, WA-3628, June 14th, 1944. See also Howson and Moggridge, *The Wartime Diaries of Lionel Robbins & James Meade*, p. 166; Van Dormael, pp. 159, 162.


107. NAC, MG26/J1/C7057/372, SSDA to SSEA, No.88, June 9th, 1944; Pressnell, p. 158. Muirhead notes, "Ironically, speed was necessary because the Mount Washington Hotel ... was booked in late July by the sworn enemy of the Fund initiative - the American Bankers' Association,
The work of the conference proceeded in three streams. One commission was set up to consider the establishment of an international monetary fund: it would be chaired by White. Another commission would consider the establishment of an international bank: Keynes would be its chairman. A third commission would consider "other means of international financial co-operation", dealing with issues not considered by the other two commissions. Work on the fund would proceed on the basis of the Joint Statement published in April, as well as proposals and amendments submitted by delegates. As discussed above, there was no jointly agreed statement of principles on the bank. Since April, however, Keynes had been drafting a proposal for a bank along the lines suggested by UK officials at the March Commonwealth discussions in London, a bank that would only guarantee loans, not make them. After their arrival in the United States in June, UK experts had presented their US colleagues with a revised proposal for an international bank (called 'the Boat Draft') that "grafted the principal British concerns on to the American proposals". The document was briefly considered at Atlantic City, "the British and American delegates being in broad agreement", and later "became the basis for discussions, and of the articles of agreement, at Bretton Woods".

Canada sent a strong delegation consisting of both ministers and high-level officials. Minister of Finance Ilsley was the head of the delegation; when he had to leave, Mackintosh was left in charge. Louis St. Laurent, the Minister of Justice and the Prime Minister's Quebec lieutenant and

108. The discussion of the evolution of the bank issue is from Pressnell, pp. 151-152.

109. NAC, RG25/3259/6000-F-40 Part 1, "Record of Instructions given to Canadian Delegation, Bretton Woods, July 1, 1944".
right-hand man, was there for part of the conference, as were Douglas Abbott, Parliamentary Assistant to the Minister of Finance, and Lionel Chevrier, Parliamentary Assistant to the Minister of Munitions and Supply. Clark and Towers were there part of the time, while Mackintosh, Rasinsky, Plumptre, and Deutsch were present throughout. Although no country would be committed by any of the decisions of the conference, as all agreements were subject to governmental ratification, the significance of the presence of important Cabinet members on the Canadian delegation was noted by at least one observer:

The Canadian Delegation were happy in the knowledge that their Government were likely, barring political accidents, to accept the Fund with enthusiasm, a probability which the attendance at one stage of Mr. Ilsley tended to confirm. They were therefore free from the pre-occupations with domestic political considerations which compelled most other Delegations to propose amendments which they fully realized did not improve the technical structure of the Fund, but which none-the-less had to be put forward in order to make the scheme more attractive to some powerful group of interest at home.  

At a delegation meeting on July 1st, Canadian representatives received detailed instructions on three issues: fund quotas, exchange rates, and fund management. The delegates also discussed, but were given no instructions on, five other issues: the location of the fund, the UK desire to lengthen the transitional period, the relation between the proposed scarce currency and non-discrimination

110. NAC, RG19/3597/DO3c, “The United Nations Monetary and Financial Conference”, Unsigned, September 18th, 1944. A. W. Snelling of the Dominions Office had this to say of the work of Mackintosh, Rasinsky, Plumptre, and Deutsch: “From time to time, they were visited by Canadian Ministers, Members of Parliament and senior officials but these took almost no part in the work.” See PRO, DO35/1216, WR254/1/40, “Notes of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, U.S.A., 1st - 22nd July, 1944”, by A. W. Snelling, July 31st, 1944.

clauses, an increase in the size of the fund, and the whole issue of an international bank.\textsuperscript{112}

One of the most contentious issues at Bretton Woods was that of fund quotas. A country's quota, it will be remembered, determined not only the amount of money it would contribute, but also the amount of credit it could receive. The vast majority of nations were unhappy with their quotas and wanted to have them, and thus their access to the resources of the fund, increased.\textsuperscript{113} The idea, present in both the Keynes and White plans, that national quotas should be determined on the basis of an agreed formula was abandoned as the United States engaged in a complex series of negotiations to determine quotas that would satisfy both the economic and political needs of the majority of nations.\textsuperscript{114}

Canada was one of the few countries that did not want a change in its quota: $300 million in an $8

\textsuperscript{112} NAC, RG25/3259/6000-F-40 Part 1, "Record of Instructions given to Canadian Delegation, Bretton Woods, July 1, 1944".

\textsuperscript{113} Snelling reported that about 40 of the 44 nations wanted larger quotas. See PRO, DO35/1216, WR254/1/40, "Notes of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, U.S.A., 1\textsuperscript{st} - 22\textsuperscript{nd} July, 1944", by A. W. Snelling, July 31\textsuperscript{st}, 1944.

\textsuperscript{114} A memorandum for the guidance of US delegates discussed the need for quotas based on a formula, and then outlined "[t]he principal interests of the United States in quotas": these included that the US quota be between $2.5 billion and $2.75 billion; that the UK and Crown Colonies quota be a maximum of $1.3 billion and the aggregate of all British Empire quotas be less than that of the US; that the Soviet quota be the third largest, and the Chinese the fourth. See NARA, RG56/General Records of the Department of the Treasury/Central Files of the Office of the Secretary of the Treasury 1917-1956/Central Files of the Office of the Secretary of the Treasury 1933-1956/68/IMF, Charles S. Bell to Secretary Morgenthau, "Questions at issue on the Fund", June 23\textsuperscript{rd}, 1944.
billion to $8.5 billion fund was about right.\textsuperscript{115} Canadian delegates were instructed “to oppose any flagrant manipulation of quotas for political reasons, such as the increase which the United States is proposing in the Chinese quota”; they were “not to support any upward adjustment of quotas on the basis of special pleading, such as that of Australia, who is insisting on a substantial upward revision of their quota”; and they were “to use [their] influence to prevent an undignified scramble for quotas from occurring at formal meetings of the Conference”.\textsuperscript{116} One tussle should play itself out without Canadian interference, that being the Indian demand that its quota be equivalent to that of China. Canadian delegates should leave this issue to be decided by the Indians, Chinese, British, and American representatives; if they reached a mutually satisfactory solution “which involves a scaling down of the Chinese quota and a scaling up of the Indian quota, the Canadian group is not to oppose, even though this results in India having a quota larger than that of Canada”.\textsuperscript{117}

This was all easier said than done. The Canadians could oppose the political manipulation of quotas all they wanted, but with both the Americans and the British aware that changes would have to be

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\textsuperscript{115} Snelling noted that a larger quota would not have been in Canada’s interest, given that it would likely be a postwar creditor nation. See PRO, DO35/1216, WR254/1/40, “Notes of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, U.S.A., 1\textsuperscript{st} - 22\textsuperscript{nd} July, 1944", by A. W. Snelling, July 31\textsuperscript{st}, 1944.

\textsuperscript{116} NAC, RG25/3259/6000-F-40 Part 1, “Record of Instructions given to Canadian Delegation, Bretton Woods, July 1, 1944”. See also NAC, RG19/3448/Post-war Agreed Monetary Fund, “International Monetary Fund”, by W. C. Clark, July 7\textsuperscript{th}, 1944: “We also felt the Canadian delegates should fight against any “cooking” of the quotas.”

\textsuperscript{117} NAC, RG25/3259/6000-F-40 Part 1, “Record of Instructions given to Canadian Delegation, Bretton Woods, July 1, 1944”; PRO, DO35/1216, WR254/1/40, “Notes of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, U.S.A., 1\textsuperscript{st} - 22\textsuperscript{nd} July, 1944”, by A. W. Snelling, July 31\textsuperscript{st}, 1944.
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made, many quotas were increased on purely political grounds. Moreover, the Canadian delegates ignored their instructions on the issue of the Indian quota. A. W. Snelling, an official with the Dominions Office, reported that a struggle took place between the Canadians and the Indians, "the Canadians maintaining that it would be highly inequitable for India to have a quota big enough to give her an automatic seat on the Directorate and for Canada not to obtain such a seat".

The Canadians believed that they deserved a seat on the directorate, or Executive Committee, of the fund. Their instructions were to oppose an Executive Committee of more than three permanent members that did not include a permanent seat for Canada; if there were to be any more than three permanent members, Canada deserved one of the seats because of its likely postwar creditor position. When the conference began, the Canadians found that there was an almost universal preference for a five permanent member Executive Committee, on which Canada would not have a permanent seat. As a result, Rasminsky proposed, and officials in Ottawa subsequently approved, a formula that would give Canada a de facto permanent seat in the foreseeable future:

after the Fund had got started, the permanent members of the Executive Committee should at all times include delegates from the two countries which are in the largest creditor position vis a vis the Fund. In other words, you would start with five permanent members,

118. See the description of the quota determination process in Van Dormael, pp. 179-183.

119. PRO, DO35/1216, WR254/1/40, "Notes of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, U.S.A., 1st - 22nd July, 1944", by A. W. Snelling, July 31st, 1944. Bolton wrote this of Canada's position on quotas: "Australia and India are both pressing for a larger quota. India, in particular, demanding a permanent seat on the Fund Directorate, while Canada is torn between a desire to be regarded as leader of the Dominions in the international field and her knowledge that she will never use the Fund." See BoE, OV38/9, Letter from G.L.F.B., July 2nd, 1944.

120. NAC, RG25/3259/6000-F-40 Part 1, "Record of Instructions given to Canadian Delegation, Bretton Woods, July 1, 1944".
being representatives of the five countries with the largest quotas. However, at the second election and later, if it were found that the above five did not include the two largest creditor countries, then any such creditor country not so included would automatically be elected until the next election.121

The Canadians tried to limit the committee to three permanent members: they failed. They tried to have the five permanent seats (for the US, UK, USSR, China, and France) increased to six to make room for Canada: again they failed. They pressed for the adoption of Rasminskey's suggestion "on grounds of principle rather than as a means of "fobbing off" Canada".122 In this they succeeded. The Americans were particularly enthusiastic about this idea123, and it was adopted.124 The point had been won, but not without cost. Snelling observed:

On only one question did the Canadian Delegation adopt an attitude which some people regarded as doing them less than full credit. That was on the question...of seats on the two Executive Directorates. Their insistence that they had as much right as India to automatic seats was probably justified although India has a larger quota, but the Americans, even if prepared to tolerate two seats being occupied automatically by British Commonwealth countries, could not acquiesce in three, and so the Canadian attitude probably contributed to the defeat of India on the point. This may adversely affect the chances of securing acceptance of the scheme in India.125

121. NAC, RG19/3448/Post-war Agreed Monetary Fund, "International Monetary Fund", by W. C. Clark, July 7th, 1944.

122. NAC, RG19/3448/Post-war Agreed Monetary Fund, "Bretton Woods Conference Re: Telephone Conversation with Dr. Mackintosh", by W. C. Clark, July 10th, 1944.

123. NAC, RG19/3448/Post-war Agreed Monetary Fund, "International Monetary Fund", by W. C. Clark, July 7th, 1944 and "Bretton Woods Conference Re: Telephone Conversation with Dr. Mackintosh", by W. C. Clark, July 10th, 1944.

124. See Article XII, Section 3(c) of the Articles of Agreement of the International Monetary Fund (July 22, 1944) as reprinted in J. Keith Horsefield, The International Monetary Fund, 1945-1965: Twenty Years of International Monetary Cooperation, Volume III: Documents (Washington, D.C.; International Monetary Fund, 1969).

The Canadians also succeeded in changing the rules to suit their own interest when it came to using the fund’s resources for capital account purposes, securing a provision whereby “if the Fund’s holdings of a currency of a member had remained below 75 per cent of its quota for not less than six months, the member might draw from the Fund for any purpose, including capital transfers”, subject to a few provisions.  

On other occasions, the Canadians put their own short-term interests aside in order to encourage general agreement, such as in the dispute over subscriptions to the bank. The Americans had decided that a country’s contribution to the bank should be the same as its quota in the fund. This did not sit well with the Soviet representatives. The USSR fund quota was $1.2 billion, but the Soviet delegates were authorized to offer a bank subscription of $900 million and no more. This posed a grave problem, as a reduction in the Soviet subscription by $300 million would mean a reduction in the overall resources of the bank by $300 million, and American officials wanted a bank with aggregate resources of $8.8 billion. Nevertheless, the Soviets would not budge.

31st, 1944.


127. PRO, DO35/1216, WR254/1/40, “Notes of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, U.S.A., 1st-22nd July, 1944”, by A. W. Snelling, July 31st, 1944. The Canadians had also proposed this idea, but they had done so in jest: “We are going to have some fun with other delegates by pointing out that we do not know why subscriptions to the Bank should be any different from the quotas given to various countries in the Monetary Fund.” See NAC, RG19/3448/Post-war Agreed Monetary Fund, “Bretton Woods Conference Re: Telephone Conversation with Dr. Mackintosh”, by W. C. Clark, July 10th, 1944.
A heads of delegations meeting was held on July 21st, the penultimate day of the conference. Keynes pleaded with the Soviet delegate to reconsider, but without permission from Moscow, he could not. The United States would increase its subscription, but it could not make up the entirety of the shortfall, and it was left to Fred Vinson, the Director of the US Office of Economic Stabilization, to solicit the assistance of the representatives of the other nations. The discussions that took place that day are reminiscent of a PBS pledge drive, each meagre national offering greeted with effusive thanks. Mackintosh, filling in for Illsley, did his part, securing permission for an increase in the Canadian subscription from $300 million to $325 million. Poland, China, and the Latin American nations also offered increases, but more than one observer identified the Canadian increase as the most helpful, given Canada's superior credit rating. The deadlock had been broken, thanks in part to Canada; the issue became moot the following day when the Soviets announced that they would subscribe the full $1.2 billion after all.

128. On July 16th it had been decided to extend the conference to July 22nd, notwithstanding the earlier problems with hotel availability after the 19th. See Howson and Moggridge, *The Wartime Diaries of Lionel Robbins & James Meade*, p. 188.


131. Lionel Robbins described the scene when the announcement of the Soviet decision was made: “the relief at the feeling that behind all the barriers of language and discipline, [the Soviets] were after all, just a little susceptible to the international atmosphere, was so great that the Conference jumped to its feet and cheered to the echo. Dennis [Robertson] leaned over and reminded me that there is joy in the Kingdom of Heaven over one sinner that repenteth more than over ninety and nine just person who need no repentance!” See Howson and Moggridge, *The Wartime Diaries of Lionel Robbins & James Meade*, p. 193.
The Canadians found themselves at odds with a much more familiar crew over the issue of changes in exchange rates. UK officials had arrived at Atlantic City with instructions to secure more flexibility in the provisions for exchange rate changes under the fund. Specifically, they sought to have inserted into the fund plan a new clause, ‘the Catto clause’, that affirmed the right of each country to change the external value of its currency at its own discretion. If a member country did not succeed in obtaining the fund’s approval of such a change, it could be suspended from the fund, not expelled as presently provided.132

Keynes had discussed the Catto clause with Commonwealth experts shortly after the arrival of the UK experts in Atlantic City. He had already discussed it with White: the latter had not liked it one bit, arguing that the first sentence in the clause, “which stressed the sovereignty of Governments in monetary matters”, would cause the Roosevelt administration great political difficulties. Rasminsky shared White’s concerns133 and thought that the clause would prove “difficult or impossible for the Americans in its present form”.134

Specific instructions were given to Canadian representatives on how to handle this question. First, Towers would try to gauge from White the American reaction to the proposal: “[i]f it appears

132. Pressnell, pp. 148-150. The clause was named for one of its proponents, the new Governor of the Bank of England, Lord Catto.

133. NAC, RG19/3597/DO3c, International Monetary Conference, I.M.C. (44) COM. 2nd Meeting. Minutes of second informal meeting with Dominion and Indian representatives, held in Atlantic City, June 25th, 1944.

134. BoE, OV38/8, J. M. Keynes to Richard Hopkins, June 25th, 1944. See also Howson and Moggridge, The Wartime Diaries of Lionel Robbins & James Meade, p. 158.
favourable, he is to express to White our preference for a form of words closer to the original and which contains a definite undertaking on the part of member countries not to vary their exchange rates without the approval of the Fund except under defined conditions”. If, despite Towers’s remarks, the American position remained unchanged, the Canadians would propose to revise the clause such that “suspension from the privileges of the Fund [would be] automatic if a country changes its exchange rate in spite of the opposition of the Fund”. Such a change would “remove from the Fund the onus of positive action with respect to suspension of privileges which it might find embarrassing, and [would] put countries which act against the Fund’s wishes in a position where undesirable consequences flow automatically from such action”. Finally, the Canadian delegates should try to bring the US and UK delegates together on “the incorporation of a clause in the document under which countries commit themselves not to change their exchange rates beyond specified amounts without the prior approval of the Fund, but if there is open disagreement between these two Delegations, the Canadian Delegation is to support the incorporation of such a clause”.135

During the first week of the conference, Rasminsky got the impression that Keynes personally agreed with the Canadian position and had tried to convert his government, but had been overruled: the Chancellor of the Exchequer had cabled that he wanted “to have a definite statement in the Agreement reached at Bretton Woods that a member country could change its exchange rate without the consent of the Fund”. The latest British version of the clause left it to the fund to suspend or expel a member that changed its exchange rate without fund approval: “[i]n other words, no

135. NAC, RG25/3259/6000-F-40 Part 1, “Record of Instructions given to Canadian Delegation, Bretton Woods, July 1, 1944".
automatic suspension was provided for". Rasminsky, learning that the US might accept this version, telephoned Ottawa for instructions. Clark discussed the matter with Towers, Robertson, Bryce, and Ilsley. They agreed to tell Mr. Rasminsky that if only one or two countries disagreed, Canada should probably not engage in a "knockout, drag-out fight" on the point but should limit itself to "viewing with alarm." Mr. Ilsley nevertheless felt that it might mean that Canada would have to remain out of the Fund and we all agreed that there would be very little, if any, chance of the United States accepting the Fund if the British view in regard to exchange rates prevailed. The Conference might merely prove to be an academic exercise. We also thought it advisable to have our delegates try to get the British delegates to impress their Government with the virtue of taking a reasonable gamble because of the facts already mentioned.136

Three days later, word came from New Hampshire that a compromise had been reached. The UK proposal would be adopted, but "if a country depreciates against the wishes of the Fund it is suspended from the use of the Fund's facilities unless the Fund actively intervenes, and will be thrown out by the end of the year unless the country reaches a satisfactory agreement with the

136. NAC, RG19/3448/Post-war Agreed Monetary Fund, "International Monetary Fund", by W. C. Clark, July 7th, 1944. One UK official noticed the same sense of disillusionment among the Canadians at the conference: "a number of Delegations are becoming more and more sceptical about the value of the Fund. India, Australia, Belgium, Holland and even Canada are considering whether they should join the Fund. Canada's reasons are different from the others, whose feelings generally are that they can get nothing out of the Fund except a mass of rather unpleasant obligations. Canada, on the other hand, feels that the whole object of the Fund has been destroyed, due to the success of the U.K. in turning the Fund away from the original objectives of stability of exchanges combined with convertibility." See BoE, OV38/9, Unsigned letter from Bretton Woods (most likely from Bolton), July 14th, 1944. Similarly, Robbins noted that one US official had argued to him, "I thought very rightly, that we were gradually transforming the Fund into an instrument which would have no power whatever to control the anti-social practices of its more irresponsible members". Though Robbins replied "in the spirit of our instructions", he "felt that there was much substance in what [the US official] said. Dennis Robertson tells me that he had a similar conversation with Rasminsky, whose friendliness and understanding are, of course, beyond question." See Howson and Moggridge, The Wartime Diaries of Lionel Robbins & James Meade, p. 176.
Fund”. The Canadians could accept this. Keynes reported to London that the Canadians acquiesced gracefully:

In this connection the Minutes of one of the Committees of the Conference which discussed this clause may be helpful and should be put on record before we forget it. You will see that the Canadian Delegate is recorded as stating in forthright terms “that these sections as approved allow a member country to change its rate without the approval of the Fund and yet remain a member in good standing.” He added that he thought the provisions in this respect “had provided a happy compromise between rigidity and exchange flexibility.” This was very handsome of him, because the Canadian point of view has been closely lined up with the American on this particular matter. Indeed, that has been one of our obstacles in reaching a satisfactory draft.

Canada and Britain also clashed over the fund’s provisions for currency convertibility. Prior to the conference, the UK Treasury and Bank of England had concluded that certain clauses of the Joint Statement, when read together, could imply a United Kingdom obligation to provide gold or foreign exchange for accumulated sterling balances. As a result, UK delegates were “to secure the necessary harmonisation of the clauses ’so that the obligation of convertibility is defined as applying to sterling required for current international transactions’.”

The Canadians did not like the way in which the British proposed to deal with this problem, fearing that it “would limit what we believed was the over-riding obligation of a member country to

137. NAC, RG19/3448/Post-war Agreed Monetary Fund, “Bretton Woods Conference Re: Telephone Conversation with Dr. Mackintosh”, by W. C. Clark, July 10th, 1944.

138. BoE, OV38/9, J. M. Keynes to Waley, Hopkins, and Padmore, July 14th, 1944. The Canadians were not all smiles: Robbins reported that Rasinsky “made a speech in which he reproached us with departing from the excellent compromise reached at Washington last October.” Robbins’s reply was received well enough “and the Canadians did not press their point. But I confess that privately I do not feel particularly happy about it.” See Howson and Moggridge, The Wartime Diaries of Lionel Robbins & James Meade, pp. 175-176.

139. Pressnell, p. 149.
maintain convertibility of its currency”. The UK proposal would mean “that the obligation to maintain convertibility would only apply as long as a country could buy foreign exchange from the Fund”: irresponsible countries would be able to exhaust their quotas and then renege on their promise to maintain convertibility. Keynes proved unwilling to listen to Rasminsky’s representations on the issue. He said that if the proposal were not accepted, the UK could not accept the fund because it would be a gold standard in all but name.\textsuperscript{140}

Rasminsky proposed a compromise to give the British what they wanted but prevent members from abusing the fund: a member’s obligation to maintain convertibility would not be extinguished by the exhaustion of its quota if it still had gold and monetary reserves outside the fund greater than its quota.\textsuperscript{141} The British seemed content with this suggestion. Meanwhile, the Canadians had decided to follow the American lead: if the US accepted the UK position, so would Canada; but if the US insisted on a stronger commitment to convertibility, so would Canada.\textsuperscript{142} The dispute grew sharp, threatening at one point to wreck the negotiations.\textsuperscript{143} Ultimately a compromise was reached that seemed to satisfy all three nations, but was in fact highly ambiguous.\textsuperscript{144} Shortly after the end of the conference, a debate arose among the British delegates as to the nature of the convertibility

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\item 140. NAC, RG19/3448/Post-war Agreed Monetary Fund, “International Monetary Fund”, by W. C. Clark, July 7\textsuperscript{th}, 1944.
\item 141. NAC, RG19/3448/Post-war Agreed Monetary Fund, “International Monetary Fund”, by W. C. Clark, July 7\textsuperscript{th}, 1944.
\item 142. NAC, RG19/3448/Post-war Agreed Monetary Fund, “Bretton Woods Conference Re: Telephone Conversation with Dr. Mackintosh”, by W. C. Clark, July 10\textsuperscript{th}, 1944.
\item 143. Moggridge, p. 751; Pressnell, pp. 172-173.
\item 144. Pressnell, p. 173.
\end{enumerate}
obligations they had accepted. It would take months to sort the issue out with the Americans.\textsuperscript{145}

But that lay in the future. Back in New Hampshire the spirit of compromise ultimately triumphed. The conference held its final session on July 22\textsuperscript{nd} having agreed upon proposals for both a fund and a bank. The work of the Canadian delegates had not gone unnoticed: numerous people commented favourably upon their skills, particularly in the technical realm.\textsuperscript{146} But, in a sense, Bretton Woods had been an anti-climax for Canadian officials: though they had secured changes in the final agreements in keeping with Canadian interests, they had not wielded the influence they had enjoyed in previous discussions of international monetary issues. This was not surprising, given the number of countries represented at Bretton Woods, the spectrum of national interests to be accommodated, and the politics of the negotiations. Nor was it troubling. Wielding influence had never been the point: gaining Anglo-American agreement on the right approach was.

At Bretton Woods, the US and UK had finally come to terms. The compromise they reached, though not perfect, looked towards the multilateral convertibility of currencies so essential to Canada. There had been disappointments, but a September 1944 report nevertheless concluded that "[t]he Bretton Woods Conference may be rated as a highly successful conference. It produced concrete and workmanlike results. There was little that was vague or equivocal in the documents

\textsuperscript{145} See, for example, Pressnell, pp. 169-182 and Moggridge, pp. 748-753.

\textsuperscript{146} PRO, DO35/1216, WR254/1/40, "Notes of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, U.S.A., 1\textsuperscript{st} - 22\textsuperscript{nd} July, 1944", by A. W. Snelling, July 31\textsuperscript{st}, 1944; NAC, RG19/3391/04747P-13, W. C. Clark to L. J. Rasminsny, August 15\textsuperscript{th}, 1944 and A. J. Pick (Canadian High Commission in Australia) to N. A. Robertson, August 28\textsuperscript{th}, 1944; Howson and Moggridge, \textit{The Wartime Diaries of Lionel Robbins & James Meade}, p. 181.
resulting from it. It achieved working compromises on many difficult points.\textsuperscript{147} Canadian satisfaction with the final agreements might also be gleaned from the relative ease with which they were ratified by the government: their passage through the Canadian Parliament was far gentler than through the US Congress and UK Parliament.

But Canada could not be complacent. There were other problems still to be addressed.\textsuperscript{148} Rasminsky put it best when, in his capacity as the Reporting Delegate, he reported to the full Bretton Woods conference on the work of Commission I:

I should like to say one final word. No one in Commission I thinks that if the International Monetary Fund is established, the world's economic problems will have been solved. We have made only a beginning towards accomplishing the objectives set out in the Atlantic Charter and in Article VII of the Mutual Aid Agreements between the United States and many of the countries here represented. But we feel that we have made a good beginning and that what we have done here should clear the way for similar progress in other related fields. Let us hope that the action in these other fields will be as realistic and constructive as the action we have taken at this Conference.\textsuperscript{149}

It remained to be seen whether this hope would be fulfilled.

\textsuperscript{147} NAC, RG19/3597/D03c, "The United Nations Monetary and Financial Conference", Unsigned, September 18\textsuperscript{th}, 1944.

\textsuperscript{148} NAC, RG19/3597/D03c, "The United Nations Monetary and Financial Conference", Unsigned, September 18\textsuperscript{th}, 1944.

\textsuperscript{149} NAC, RG19/3391/04747P-13, "United Nations Monetary and Financial Conference, CI/RP1, Report of Commission I (International Monetary Fund) to the Executive Plenary Session, July 20, 1944, Louis Rasminsky (Canada), Reporting Delegate". See also St. Laurent's speech in support of a Commission III ("other means of international financial co-operation") resolution that called for progress in the fields of commercial policy, primary product price stabilization, the problems of reconversion, and the international coordination of national full employment policies in NAC, RG25/3259/6000-F-40 Part I, "United Nations Monetary and Financial Conference Bretton Woods, "Statement by the Honourable L. S. St. Laurent on behalf of the Canadian Delegation at Meeting of Commission III", July 20\textsuperscript{th}, 1944.
Chapter 5: The Trickiness of Trade

If the path to postwar monetary cooperation was strewn with obstacles, these were pebbles in comparison to the boulders blocking the way to a liberalized postwar trading environment. Monetary stabilization was a highly technical topic, one with which only a handful of people felt at ease: work on the subject, as has been seen, was predominantly done by specialized government experts. While they kept political considerations such as the national interest and the need for popular acceptance of their plans in mind, the fact that they alone had the technical expertise meant that they were usually afforded a large amount of leeway in their work. Moreover, the two leading United Nations, the United Kingdom and the United States, were in broad agreement on the main issues: currencies should be convertible for current account purposes, exchange rates should be stabilized and provision made for their orderly adjustment.

Postwar commercial policy was different. It was less technical and more familiar to a wider audience. Canadian importers and exporters closely measured its effects, which might, after all, be a matter of financial life and death. The tariff had been the bread and butter of electoral politics in nations such as Canada, the United Kingdom, and the United States for generations. This meant that more people would be involved in the policy making process, officials and ministers alike. There was broad international agreement that trade after the war should be freer than it had been

1. John Hilliker, in his history of the Department of External Affairs, says of the interaction between the Department of Finance and its US and UK counterparts on the issue of monetary stabilization: "Robertson, who briefed the prime minister from time to time on developments and who participated or was represented in interdepartmental discussions in Ottawa, did not question this relationship. Rather, he recognized the expertise of Finance and the Bank of Canada and commended the results to King. Thus the lead remained with the economic branches of government...". John Hilliker, Canada's Department of External Affairs, Volume 1: The Early Years, 1909-1946, (Montreal & Kingston: McGill-Queen's University Press, 1990), p. 297.
before the war, but this was more easily desired than done. Freer trade involved dismantling tariffs, non-tariff barriers (quotas, customs procedures, domestic standards, etc.), and subsidies, and dealing with instability in primary product prices, the deleterious influence of international cartels, the effects of low income levels in one nation on the commerce of others, difficulties arising from state trading, and so on. Many of these issues presented tricky technical problems. There were also fundamental disagreements over how best to proceed and even over what "freer trade" meant: the most obvious was between the United States and the United Kingdom over the Ottawa system of imperial preferences. Success in this field would not come easily.

The issue of postwar commercial policy arose early in the war, at least as early as 1941. First it came up during the negotiations for the ‘consideration’ to be given by the United Kingdom to the United States in exchange for lend-lease: this episode was discussed in the first chapter. It came up again during negotiations for a US-UK trade deal under the auspices of the Reciprocal Trade Agreements Act.

The Reciprocal Trade Agreements Act (hereinafter referred to as the RTAA) had been passed by the US Congress in 1934. Previously, Congress had had to approve every tariff modification in every trade treaty concluded by the United States. The act dispensed with the need for clause-by-clause Congressional approval of trade deals, authorizing the president to cut tariffs by up to 50% of their original value in exchange for tariff concessions from other nations. The Roosevelt administration had used this act to conclude wide-ranging trade agreements with Canada in 1935 and with Canada and the United Kingdom in 1938. In the earliest years of the war, it sought another such deal with the United Kingdom, as well as with Australia, New Zealand, and South Africa.
In June 1941, the UK High Commissioner in Canada, Malcolm MacDonald, wrote King that his country's need for US dollars had prompted it to seek greater access to the US market through a new trade agreement with the United States. In exchange for cuts in some of its tariffs, the United States wanted reductions in various UK preferential tariffs that favoured Commonwealth nations. The United Kingdom had told the United States that it could not negotiate away such preferences unilaterally: this would not be fair to the Dominions whose UK market position would be damaged thereby. The US was prepared to discuss compensation for the affected Commonwealth countries, proposing to open negotiations with Australia, New Zealand, and South Africa. MacDonald stressed the importance of concluding a deal with the Americans, "both from the immediate dollar aspect and also as a contribution to the development of economic co-operation between the United States of America and the British Commonwealth, as the alternative to self-sufficiency on both sides and post-war economic rivalry". His government hoped for Dominion support.²

The initial Canadian reaction was favourable. In January 1941, Robertson had lent his support to the possibility of a US-UK trade deal³ and he was equally sympathetic now.⁴ The Canadian attitude was far less favourable a few months later. In November, A. M. Wiseman, the UK Senior Trade

2. NAC, RG19/3989/T-2-2, Malcolm MacDonald to W. L. Mackenzie King, 915A/118, June 3rd, 1941.

3. NAC, RG25/T1793/777/368, J. A. Stirling to A. M. Wiseman, January 8th, 1941; JAS to Sir Frederick Phillips, January 8th, 1941; Draft telegram from Stirling to Shackles, Undated.

4. Robertson also wondered whether the RTAA would permit of another Canada-US deal, though he thought this "might better be approached in the light of whatever recommendations the Joint Economic Enquiry ... may submit rather than as an adjunct to new negotiations being undertaken by the United States and other parts of the Commonwealth". NAC, RG19/3989/T-2-2, N. A. Robertson to W. C. Clark, June 6th, 1941.
Commissioner, told Robertson that the US was seeking free entry of apples and pears into the UK. Robertson admitted to Pierrepont Moffat, the US Minister to Canada, that the Canadians “were surprised and rather embarrassed by the United States request for free entry of apples”, as they had thought that the US would not ask for changes in preferences important to Canada. Robertson “hoped that the United States would not press us too hard to consent to the abolition of our apple preference as part of a series of Agreements with other parts of the Commonwealth, which Canada welcomed in principle but from which we could not hope to receive direct tariff advantages comparable to those secured in the 1938 negotiations”.

The several reasons for Canada’s displeasure with the US request present a nice illustration of the peculiar considerations involved in trade policy. First was the issue of economic benefit. The apple preference had long been a source of tension: Robertson reminded Moffat “how difficult and contentious the reduction of our apple preference had been in the 1938 negotiations, although at that time Canada was expecting to benefit directly from numerous and important compensatory concessions from the United States”. Now the US was requesting this concession again, at a time

5. NAC, RG19/3989/T-2-2, A. M. Wiseman to N. A. Robertson, November 14th, 1941 and N. A. Robertson to W. C. Clark, November 17th, 1941 (quotations are from the former letter).

6. NAC, RG19/3989/T-2-2, N. A. Robertson to L. D. Wilgress, November 27th, 1941. Board of Trade officials had shared this belief. Wiseman assured Robertson that they would not ask Canada to consider any such requests, “at least until they have had an opportunity of trying to persuade the Americans to withdraw them”; of course, “there could be no question of their entertaining these requests without prior consultation with the Canadian Government”. NAC, RG19/3989/T-2-2, A. M. Wiseman to N. A. Robertson, November 14th, 1941 and N. A. Robertson to W. C. Clark, November 17th, 1941 (quotations are from the former letter).

7. NAC, RG19/3989/T-2-2, N. A. Robertson to L. D. Wilgress, November 27th, 1941.

8. NAC, RG19/3989/T-2-2, N. A. Robertson to L. D. Wilgress, November 27th, 1941.
when, as Mackintosh later observed, UK apple demand was already much reduced and Canada would receive little compensation for its acquiescence. Second was the matter of tactics. Mackintosh counselled refusing the request, "[u]nless it can be shown that there are very great advantages in achieving a U.K.-U.S. agreement now and that the apple preference is an unavoidable stumbling block": preferences would be very valuable bargaining chips in postwar trade negotiations. Finally, there was domestic politics to consider. The UK market was very important to Canadian apple producers, taking the vast majority of their exports. In turn, apples were very important to Nova Scotia, which produced a substantial portion of the Canadian apple crop. And Nova Scotia was very important to the Liberal government: in the 1940 election, the province had given ten of its twelve seats to the Liberals, including that of the Minister of Finance, J. L. Ilsley.

Happily, the Americans backed off of the apple issue for the time being, though negotiations with the British continued, as they did with the Australians, New Zealanders, and South Africans. In the months that followed, Canadian officials did not devote the sort of time to postwar commercial policy that they did to postwar monetary policy, if for no other reason than that no commercial policy equivalent to the Keynes or White plans was presented for their consideration. The next clear indication of their approach to the issue came a year after the apple episode, at the November 1942 Commonwealth economic policy talks in London.

9. NAC, RG19/3989/T-2-2, W. A. Mackintosh to W. C. Clark, December 3rd, 1941.

10. NAC, RG19/3989/T-2-2, W. A. Mackintosh to W. C. Clark, December 3rd, 1941.

11. In the year 1938-1939, the UK took 86% of total Canadian green or ripe apple exports and 99.8% of its canned apples, measured by dollar value. It also took 98% of Canadian canned pears. See NAC, RG19/3591/L-11c, "Statistical Statement Indicating the Value of Empire Tariff Preferences to Canada", Unsigned, July 6th, 1943.
One meeting was devoted to airing Commonwealth views on postwar commercial policy. The discussion, though general, laid bare many of the tensions that would plague commercial policy deliberations throughout the postwar planning process. Two issues are particularly worthy of note: imperial preferences, particularly the way in which they were affected by the commitments accepted under Article VII of the Mutual Aid Agreement, and the best approach to postwar commercial policy.

The critical section of Article VII for preferences was the pledge to action geared "to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers". Sir Arnold Overton, the Permanent Secretary of the Board of Trade, identified a major sticking point when he noted "discrimination, in American eyes, meant above all Imperial preference, and that excessive trade barriers, in British eyes meant chiefly the United States tariff". But understanding the American aversion to preferences did not mean accepting it. A remark by R. M. Campbell of New Zealand that Article VII "seemed to imply that the whole of Imperial preference would be bargained against a partial reduction of United States tariffs" touched off a storm of protest:

There was some discussion on Mr. Campbell's first point whether all preferences should necessarily be regarded as discriminatory [and so covered by Article VII]. MR. LIESCHING explained that the United Kingdom Government had never accepted the view that all preferences were discriminatory and THE CHAIRMAN [Sir Arnold Overton] mentioned that, although some Imperial preferences had been in force, for many years, controversy about them had only become acute after the Ottawa agreements had been concluded in reply to the Hawley-Smoot tariff. LORD KEYNES said that there was one legalistic answer to the United States to the effect that preferences were only discriminatory if they were contrary to the most-favoured-nation clause; Imperial preferences were not. MR. WRONG mentioned that the United States made a specific reservation in her trade agreements in respect of Cuba, and it was possible that she would want to do the same after the war in respect of the Philippines.

Leith-Ross summed up the potential for Anglo-American conflict all too accurately: "Most
Americans regarded Article VII as containing a pledge that Imperial preference would be eliminated, but not as containing a pledge that the United States tariff would be drastically reduced: there was, therefore, danger of a grave difference of opinion arising."

The Canadian position was consistent with its stand in 1941. On the matter of tactics, Mackintosh asserted that "[t]he language of Article VII made it possible to insist on the reduction of high tariffs by single-tariff countries as a quid pro quo for the reduction or elimination of preferences. These must not be treated separately." Moreover, if the Americans wanted reductions in the preferences the British accorded their Commonwealth brethren, these could only be secured with the consent of these Commonwealth nations. Any negotiations had to be multilateral negotiations: appearances to the contrary, negotiations on preferences were never really bilateral negotiations. Finally, cuts in preferential margins (that is, the difference between the preferential tariff rate and the non-preferential tariff rate) should liberalize trade, not restrict it further. Canada supported the reduction of the discriminatory effect of preferences vis-à-vis non-Commonwealth nations through lowering non-preferential tariffs, not raising preferential ones.14

On the best approach to trade liberalization, Canadian and UK officials were in broad agreement.

12. PRO, DO35/1014/7, Minutes of the Twelfth Meeting of the Post-War Economic Talks, November 6th, 1942.

13. On the link between reductions in preferences and reductions in tariffs, see also Robertson’s remarks to Moffat in October 1941 during the US-UK Article VII negotiations: “Discriminations were one side of a picture, of which the other side was the absolute height of tariffs. He [Robertson] did not feel that we could solve the problem unless we faced both phases simultaneously.” Robertson, as quoted by Granatstein in A Man of Influence, p. 117.

14. PRO, DO35/1014/7, Minutes of the Twelfth Meeting of the Post-War Economic Talks, November 6th, 1942.
Overton emphasized that the United Kingdom would be in a very difficult position after the war: stripped of much of its income from invisible exports, it would have to undertake a massive drive to expand its visible exports to afford the imports upon which it would continue to depend. The British needed a world in which tariff protection for manufacturing industries was kept to a minimum. Moreover, they hoped that the Americans, who had favoured a bilateral approach to tariff reduction, might be persuaded to adopt a bolder, multilateral approach.15

Keynes supported the bold approach. Asserting that Britons needed liberalized trade more than any other people, he suggested that they might be well advised to propose a sweeping and ambitious approach to commercial policy reform, “as for instance that there should be no preferences, no export subsidies, and no import duties higher than twenty-five per cent ad valorem”. But Keynes, no dreamy idealist, recognized that “[t]he question whether a proposal on these lines should be put forward was a political rather than an economic one”. Leith-Ross wondered how the Dominions might feel about a proposal along the lines of that recently suggested by the American media magnate, Henry Luce, that all tariffs between the United States and the United Kingdom, and also perhaps between them and the Commonwealth, be eliminated.16

The fact that the British were thinking big must have pleased the Canadians, but their customary sensitivity to the politics of the issue made them cautious. Mackintosh agreed with the desirability of a bold approach, but emphasized that it would be silly for the UK to suggest a policy to which

15. PRO, DO35/1014/7, Minutes of the Twelfth Meeting of the Post-War Economic Talks, November 6th, 1942.

16. PRO, DO35/1014/7, Minutes of the Twelfth Meeting of the Post-War Economic Talks, November 6th, 1942.
it was not absolutely committed. Specifically, he wondered whether the Dominions would be willing to eliminate all of their tariffs vis-à-vis the United States and the United Kingdom; however, if the UK were really ready to do this, it should do it. He favoured an approach more like the one suggested by Keynes, drawing attention to a proposal by Professor Jacob Viner, the respected University of Chicago economist, that combined a tariff ceiling with across-the-board tariff cuts. Rasminsky supported both this approach and action on multilateral lines: "[h]e referred to Professor Viner's proposal and suggested that, as a matter of procedure, it would be wise to work towards an International Tariff Convention of the United Nations, whose share of world trade was so great that no other countries would be able to stand out." The Canadian post-talks report noted that "[i]n general, we supported the suggestion of a bold positive approach to commercial policy while emphasizing that there must be no element of bluff in the proposals made"; it also noted the disturbing fact "that some U. K. representatives were inclined to be defeatist concerning any real action from the United States".

Over the next few months, UK officials fleshed out their ideas on postwar commercial policy. In April 1943, a proposal for an international commercial policy organization was submitted for

17. The Canadians did not indicate the source of Viner's proposal. Viner had given a talk to a Canadian Institute on Public Affairs conference in August 1942: the published proceedings of the conference do not reproduce his address verbatim and the summary of his remarks do not refer to the proposal mentioned above. The summary does note that Viner called for the creation of an international tariff authority and "a marked reduction of tariffs". See Jacob Viner, "International Economic Reconstruction", in A. R. M. Lower and J. F. Parkinson, Editors, War & Reconstruction: Some Canadian Issues (Toronto: The Ryerson Press, 1942), pp. 39-43 (quotation is from p. 42).

18. PRO, DO35/1014/7, Minutes of the Twelfth Meeting of the Post-War Economic Talks, November 6th, 1942.

ministerial approval.20 On April 22nd, the War Cabinet decided in favour of full consultations with the Dominions on the proposal before discussing it with the US.21 That day, telegrams were sent to the Dominions giving details of the approach to be made to the Americans and asking them to send experts to London for discussions as soon as possible.22

The approach was in the form of an aide-memoire that the UK Ambassador to the US, Lord Halifax, would give to the US Secretary of State, Cordell Hull. The aide-memoire suggested action on a number of fronts: a tariff ceiling; reductions in preferences; the adoption of the principle of mutual non-discrimination; restrictions on the use of quotas; prohibition of export subsidies; rules for the conduct of state trading; and the creation of a “general commercial code to which all countries would be invited to subscribe”. It stressed the desirability of the multilateral over the bilateral approach, the need to include as many countries as possible in the new international commercial order, and the need for complementary measures to provide for international clearing and “an


21. If, however, the US pressed the UK for its views on postwar commercial policy before talks with the Dominions were complete, the UK would not refuse to discuss the issue. See PRO, CAB65/34, Cabinet 58(43)1, April 22nd, 1943. An earlier meeting had revealed two schools of thought about the wisdom of prior consultations with the Dominions. Some ministers worried about the lengthy delay that might result if the UK tried to secure Commonwealth consensus before opening discussions with the US. The Secretary of State for Dominion Affairs, C. R. Attlee, argued that Commonwealth talks would put the UK “in a stronger position in our approach to the United States if we could speak on behalf of the British Commonwealth as a whole”. See PRO, CAB65/34, Cabinet 50(43)1, April 8th, 1943.


23. The aide-memoire suggested that not all preferences would be covered by the principle of non-discrimination, since there were “[p]references which we do not regard as discriminatory in a strict sense of the word”. See NAC, RG2/44/W-22-3/1941-1943, SSDA to SSEA, D.235, April 22nd, 1943.
expansive world economy”. There were a few caveats: the UK would reserve the right to maintain controls in the immediate postwar period; the UK thought that “[q]uite apart from our own position a general plan should leave room for special arrangements within political and geographic groups”; and it suggested that quotas be permitted to redress balance of payments difficulties, to give effect to international commodity schemes, “and on security grounds”.24

In Ottawa, a systematic evaluation of Canada’s postwar commercial policy interests had been slowly getting under way. A skeletal memorandum by Mackintosh on postwar domestic and international economic problems had been circulating among officials since the beginning of 194325 and a sub-committee of the Economic Advisory Committee (hereinafter referred to as the EAC) had recently been struck under his chairmanship to consider postwar reconstruction.26 The focus was on the process by which policies would be developed, with most of the discussion devoted to the studies to be done and the people to do them. Two memoranda, both likely by J. Scott Macdonald27, a


25. See, for example, QU, John Deutsch Papers/106/1228, W.A.M. to Deutsch, February 11th, 1943; “Post-War Economic Problems (Rev. 1)”, Unsigned and undated; “Post-War Economic Problems (Rev. 2)”, Unsigned and undated; NAC, RG19/3446/Post-War Planning-Current, “Memorandum for Dr. Mackintosh Re Your list of Post-War Economic Problems”, by RBB, January 27th, 1943.

26. The Economic Advisory Committee was created early in the war. At first it focused on the immediate needs of the war effort: only in 1942-1943 did it turn its attention to the postwar period. See Doug Owram, The Government Generation: Canadian Intellectuals and the State, 1900-1945, (Toronto: University of Toronto Press, 1986), pp. 282-287.

27. The later memorandum, dated March 25th, 1943, is signed “JSM”. The earlier one, of March 12th, 1943, is unsigned, but is in the same format, is dated in the same handwriting, and appears to have been composed on the same typewriter as the later one. See NAC, RG25/2869/1843-A-40c Part 1, Memorandum for Dr. Mackintosh, Unsigned, March 12th, 1943 and JSM to Dr. Mackintosh, March 25th, 1943.
specialist in economic issues who had been with the Department of External Affairs since the 1920s, are noteworthy for the insight they provide into the Canadian position in the postwar planning process and the sense Canadians had of this position. They also reveal the determination of the Department of External Affairs to be involved in the commercial policy process.\(^{28}\)

The first memorandum, dated March 12\(^{th}\), stressed the need for approaching postwar reconstruction from an international, rather than a domestic, perspective, from the point of view of both politics and economics, and with the full inclusion of the Department of External Affairs. It argued:

> The necessity of thinking about problems of reconstruction does not arise from any revolutionary upsurge with Canada calling for a re-casting of our economic system, with some incidental repercussions on the outside world. It arises rather from the necessity of fitting Canada into a radically changed international order. We have to plan not only to fit Canada into this new international order, the main outlines of which are determined by factors completely beyond our control, but, at the same time, to make use of such influence as Canada can exert on the international level to create that general framework or set of conditions that is most advantageous to Canada.\(^{29}\)

This argument must have made an impression on Mackintosh, for he discussed the matter further with Macdonald on March 24\(^{th}\). The following day Macdonald outlined various preparatory studies to help determine the Canadian approach to discussions on the postwar international economy, wisely noting, “While we cannot set ourselves up in opposition to the “Great Powers”, we can try to influence their programmes, while they are still in the formative stage, in a sense favourable to

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28. Hilliker notes that until early 1943, the Department of External Affairs had been ill-equipped to handle economic questions: Robertson and T. A. Stone were the only officials able to do the job. In February of that year a new economic division was established, whose responsibilities including commercial relations and postwar planning. It was led by Scott Macdonald. See Hilliker, pp. 272-273. In this context, the strength of Macdonald’s memoranda demanding a larger role for his department in the postwar planning process is understandable.

29. NAC, RG25/2869/1843-A-40c Part 1, Memorandum for Dr. Mackintosh, Unsigned, March 12\(^{th}\), 1943.
ourselves. This condition makes careful preparation not less but more necessary.  The arrival, less than a month later, of the invitation to London expedited this “careful preparation”. The job of preparing the Canadian position would be undertaken by the new Mackintosh-led EAC sub-committee.

Reaction to the UK proposal was favourable. Robertson argued to the Prime Minister that the initiative “appears to be one which it is strongly in Canada’s interest to encourage and support”. The proposal stressed the desirability of a broad multilateral approach to the problem of international commercial relations, which was “the only really sound and comprehensive method of securing satisfactory conditions of trade and perhaps, in the long run, of political security”. It was consistent with the Atlantic Charter and the November 1942 exchange of notes with the United States, and was of particular interest to Canada, which had gained almost all it could by way of US tariff reductions through negotiations under the RTAA. As Robertson observed, “We would have very little, therefore, to gain by further negotiations on a bilateral basis and must look to a


31. One official noted that the invitation would provide the perfect kick-start for the EAC’s work. See NAC, RG2/44/W-22-3/1941-1943, J. R. Baldwin to A. D. P. Heeney, April 27th, 1943. Hector Mackenzie observes that although the Cabinet War Committee referred the matter to the Interdepartmental Committee on Postwar Trade, it was actually the Mackintosh committee that took up the job. See Hector Murdoch Mackenzie, Mutual Assistance: The finance of British requirements in Canada during the Second World War, (Unpublished D.Phil. thesis, University of Oxford, 1981), p. 436. See also NAC, RG2/7C/C4875/5678, Minutes of Cabinet War Committee Meeting held April 28th, 1943 (Exhibit 201).

32. NAC, RG2/44/W-22-3/1941-1943, External Affairs memorandum for the Prime Minister, April 26th, 1943. This copy of the memorandum is unsigned, but Jack Granatstein identifies the memorandum as being by Robertson in A Man of Influence, pp. 123-124.

multilateral convention, on the broad lines of the British proposal, if we are to secure ready access to the United States and to world markets. We should, therefore, I think, throw our whole weight behind the British proposal." The Deputy Minister of Finance also lent his support, writing Wrong that it was “fortunate that the aide-memoire ... is as constructive and enlightened as it appears to be”. Robertson even commended the aide-memoire to the UK High Commissioner and assured him of Canada's support.

The proposal was not without its problems. Clarification was needed on a number of points. J. R. Baldwin, an official with the Privy Council Office and member of the EAC sub-committee, thought the proposal “so abbreviated that it would be open to misunderstanding”. Robertson observed that the aide-memoire spoke in generalities about a problem that was highly complex, making Commonwealth consultation essential. Another problem, raised by both Clark and Oliver Master, the Acting Deputy Minister of Trade and Commerce, was the old concern that

34. NAC, RG2/44/W-22-3/1941-1943, External Affairs memorandum for the Prime Minister, April 26th, 1943. Robertson used similar arguments in his presentation to the Cabinet War Committee on the UK initiative. See NAC, RG2/7C/C4875/5678, Minutes of Cabinet War Committee Meeting held April 28th, 1943 (Exhibit 201).

35. NAC, RG19/3989/T-2-9-2/Volume 1, W. C. Clark to H. Wrong, May 8th, 1943. Clark qualified his approval: “(although I note that room is asked for “special arrangements within political and geographical groups” and there is no intimation as to how much elbow-room is wanted in this connection).”

36. PRO, BT11/2193, UKHCC to DO, No.997, April 30th, 1943.

37. See, for example, NAC, RG2/44/W-22-3/1941-1943, “Draft”, Unsigned, April 26th, 1943; NAC, RG19/3592/L-11E, Untitled, unsigned, and undated, memorandum.

38. NAC, RG2/44/W-22-3/1941-1943, J. R. Baldwin to A. D. P. Heeney, April 27th, 1943.

Commonwealth talks might cause the Americans to fear the creation of a united Commonwealth front. As Clark observed, however, this was a risk that had to be taken.\(^\text{40}\)

On April 28\(^{\text{th}}\), the Cabinet War Committee indicated its implicit approval of the overall approach\(^\text{41}\); on May 3\(^{\text{rd}}\), an interdepartmental meeting was held to consider the initiative further. Robertson observed that its timing and form might be a little awkward, following as it did hot on the heels of the renewal of the RTAA (with its implied preference for a bilateral approach to postwar trade liberalization) and coming from the British while there was still much tension over the Keynes and White plans. Nevertheless, the meeting agreed with Robertson that “trade is one question which the U.S. may never raise if it is left to them to do so, and there is advantage in approaching them before they make too many commitments in too many trade pacts”. Robertson also wondered whether some might gain the impression that the United Kingdom was empowered to speak for the entire Commonwealth; Mackintosh assured him that Canadian officials had stressed at the 1942 London talks that this could not be so. Mackintosh thought that commercial policy raised more issues requiring Commonwealth consideration than did monetary policy and suggested that the UK had learned from its mistakes: prior Commonwealth consultations and the high-level nature of the approach to be made to the US indicated that it “want[ed] to avoid the difficulties which arose over

\(^{40}\) NAC, RG25/3258/6000-40, O. Master to N. A. Robertson, April 27\(^{\text{th}}\), 1943; NAC, RG19/3989/T-2-9-2/Volume 1, W. C. Clark to H. Wrong, May 8\(^{\text{th}}\), 1943.

\(^{41}\) NAC, RG2/7C/C4875/5678, Minutes of Cabinet War Committee Meeting held April 28\(^{\text{th}}\), 1943 (Exhibit 201). See also Mackintosh’s comment that the proposed instructions to the Canadian delegation (discussed below) had “the object of assisting those going to London in exploring the background and content of the United Kingdom proposal. Less attention has been given to emphasizing the over-all merits of the proposal to which I understand the War Committee has already given approval.” See NAC, RG19/3989/T-2-9-2/Volume 1, W. A. Mackintosh to A. D. P. Heeney, May 14\(^{\text{th}}\), 1943.
the currency plan being widely known unofficially and rejected in the same way before it had a chance at the official level". 42

Much the rest of the meeting was devoted to a detailed consideration of the aide-memoire. 43 That same day Canada accepted the British invitation 44 and work on the Canadian position continued during the next week and a half. On May 14th, the "Report of the Advisory Committee on Economic Policy on Trade Policy (Dominions Office Telegram of April 22, 1943)" was ready.

It began by asserting that a multilateral approach to postwar commercial relations was in the general interest and in Canada’s interest. Delegates should try to determine UK thinking on various points and secure changes in the proposal in keeping with Canada’s interests, “subject to the specific reservation that, regardless of what Canadian officials contribute to the final draft, it shall remain a purely United Kingdom document to which the Canadian government will not be in any [way] committed”. Similarly, the Canadian government would not object to Anglo-American discussions on preferences, but it would not be committed by them. Nevertheless, commitments to reduce preferences should be linked to commitments to reduce tariffs. Preferences were important to Canada and “substantial reductions could not be regarded lightly”, but the Canadian government would support the United Kingdom initiative “in the hope that the whole body of proposals

42. NAC, RG19/3592/L-11E, “Notes on Meeting of May 3rd to discuss invitation from London for talks on Trade Policy”.

43. NAC, RG19/3592/L-11E, “Notes on Meeting of May 3rd to discuss invitation from London for talks on Trade Policy”.

44. NAC, RG2/44/W-22-3/1941-1943, SSEA to SSDA, No.75, May 3rd, 1943.
ultimately developed will prove beneficial to Canadian trade and that of other countries."

The report then dealt with the details of the proposal. Clarification was needed on certain features. What sort of measures did the UK intend to use during the postwar transitional period? What was the nature of the tariff ceiling proposal? Would subsidies to domestic production be subject to regulation? What sort of security considerations would permit the use of quotas? Delegates were also to bring up the composition and functions of the proposed international commercial convention, restriction of discriminatory practices not mentioned in the proposal, standardization and simplification of commercial practices (including customs and anti-dumping procedures), and whether "general bilateral agreements" would still be possible within the proposed multilateral framework. On two issues Canadian representatives should take a strong stand: the use of quotas under certain circumstances and the relationship between tariff and preference reductions.46

Under the UK proposal, a country could employ quotas "on security grounds". The vagueness of

45. NAC, RG19/3989/T-2-9-2/Volume 1, "Report of the Advisory Committee on Economic Policy on Trade Policy (Dominions Office telegram of April 22, 1943), May 14th, 1943". Preferences were very important to Canada. One assessment concluded: "Spread throughout practically the entire range of Canadian industry, primary and secondary, there are a large number of products exports on a substantial scale, chiefly, and in some cases almost exclusively, to Empire markets in which they receive preferential tariff treatment. If, through the abolition of Empire preferences, these markets were to be lost wholly, or to a considerable extent, it is not readily apparent in most cases, where alternate export markets could be found. Moreover, in quite a number of cases these Empire markets absorb such a large part, not only of total exports, but of total Canadian production, the loss of them would be a most serious blow to the industries concerned." See NAC, RG19/3591/L-11c, "Statistical Statement Indicating the Value of Empire Tariff Preferences to Canada", Unsigned, July 6th, 1943.

46. NAC, RG19/3989/T-2-9-2/Volume 1, "Report of the Advisory Committee on Economic Policy on Trade Policy (Dominions Office telegram of April 22, 1943), May 14th, 1943".
this phrase troubled Canadian officials, as its interpretation could “be as narrow as the control of imports of munitions of war or broad enough to cover the protection of United Kingdom agriculture and a new Safeguarding of Industries Act”. Canadian representatives should ask the British to explain their understanding of this provision. If the phrase were narrowly defined or was “conceived as operating only under international authority”, fine. If not, they were strongly to protest its inclusion on the grounds that it “would cast doubt on the effectiveness and dependibility [sic] of the convention and could be so abused by some signatories as to defeat the purposes of the convention”.  

The instructions on the relationship between tariffs and preferences were even more forceful. Canada would accept modification of its privileged position in Commonwealth markets only if other nations “substantially reduced” their high tariffs and reduced any tariff preferences they afforded.

47. The use of quotas had been a hotly debated topic in the British government: see Pressnell, pp. 100-108.


49. NAC, RG19/3989/T-2-9-2/Volume 1, “Report of the Advisory Committee on Economic Policy on Trade Policy (Dominions Office telegram of April 22, 1943), May 14th, 1943”. Happily, this was one of those instances in which the Canadians could argue a case on the grounds that it would not serve the general interest, when in reality it also did not serve their specific interests: “It should be borne in mind that Canada would probably have less possibility of using such a basis for exception than any other country.”

50. Before laying out the general instructions on this issue, the report drew attention to the way in which the UK proposal dealt with the issue of preferences: “It is to be noted that the “elimination” of preferences implied by Article VII of the Mutual Aid Agreement has been converted to a reduction.” This modification was of no immediate consequence, but it was an ominous portent of future US-UK conflict on the issue. See NAC, RG19/3989/T-2-9-2/Volume 1, “Report of the Advisory Committee on Economic Policy on Trade Policy (Dominions Office telegram of April 22, 1943), May 14th, 1943”.
Moreover, in the UK proposal, whose intent was to liberalize, not further restrict, international trade, preferential margins were to be reduced through reductions in non-preferential tariffs, not increases in preferential tariffs towards the level of non-preferential ones. Some nations might be unable to accept this principle (ironically, including Canada in few instances): Canadian officials should recommend "that it would be better in such cases not to insist on more than moderate narrowing of preferences if by doing more the only result achieved would be a substantial increase in the rates effective against countries enjoying preferential treatment". They should also keep an eye out for Canada’s interests when it came to the incidence of the pain arising from reductions in preferences, a pain that should be shared by Commonwealth nations, as "[t]here may be a tendency for other Commonwealth countries to agree in conceding to the United States the preferences which they grant to Canada while preserving those granted to others". The report ended on a positive note, stressing that, notwithstanding its suggestions, the UK proposal was "a most desirable approach which should be encouraged and supported".

On May 19th, the Cabinet War Committee approved the report. On June 2nd, Robertson wrote King that he was "in a bit of a quandary" about who should go to London. The talks were important to


54. NAC, RG2/7C/C4875/5679, Minutes of Cabinet War Committee Meeting held May 19th, 1943 (Exhibit 237).
Canada and the UK proposal was "sensible and well conceived". Strong representation was needed. Various people had suggested that Robertson lead the delegation, but there was too much to be done in Ottawa. The officials Trade and Commerce proposed to send were not "particularly strong and certainly not of Wilgress’ calibre". Hector McKinnon, the Chairman of the Tariff Board, could be spared, and External Affairs could send Macdonald: both were good, but given the importance to Canada of the issues to be discussed, the delegation had to be strengthened. Canada had sent very strong delegations to London and Washington for the monetary talks; “[o]ur interest in and responsibility for efforts to res[tor]e a freer international trade after the war are at least as great in the field of stable exchanges”. Perhaps Ilsley could make Mackintosh available?

He could and he did. Ilsley agreed that the delegation wanted strengthening, and pulled Mackintosh from the delegation going down to Washington for the multilateral monetary talks. The delegation to London would thus be McKinnon (who would lead it), Mackintosh, Macdonald, and Yves Lamontagne, from the Department of Trade and Commerce.

55. Clark believed “it absolutely necessary that Norman Robertson should head the delegation to London. Of the old triumvirate of tariff negotiators [from the 1930s], he is the only one still in harness in Ottawa and we need the continuity of his experience as well as the prestige and power of his position.” (Apparently Clark had forgotten that another member of “the old triumvirate” was still in Ottawa, the Chairman of the Tariff Board, Hector McKinnon.) See NAC, RG19/3989/T-2-9-2/Volume 1, W. C. Clark to H. Wrong, May 8th, 1943. Malcolm MacDonald also pushed for Robertson to come to London, not least so that he could help sort out the contentious issue of Canadian membership on the Combined Food Board. See PRO, BT11/2193, UKHCC to DO, No.997, April 30th, 1943; DO to the UKHCC, No.1156, May 12th, 1943; UKHCC to DO, No.1110, May 13th, 1943.

56. Dana Wilgress had been the Deputy Minister of Trade and Commerce until he was made Canadian Minister to the Soviet Union in November 1942. See Hilliker, p. 265.

57. NAC, RG25/5705/7-J(s) Part 1/6000-A-40C, NAR to the Prime Minister, 2.6.43.

58. NAC, RG25/5705/7-J(s) Part 1/6000-A-40C, NAR to the Prime Minister, 10.6.43.
The discussions began on June 15th. Sir Arnold Overton chaired the meetings, and he, together with Percivale Liesching, Second Secretary of the Board of Trade, laid out the UK position that first day. The talks were to be informal, non-committal, and confidential, a general discussion of issues of postwar commercial policy that would include the best way for the UK to approach the US on the topic. The program outlined in Article VII of the Mutual Aid Agreement had to be regarded as a whole, but opinion in the United States was divided over how the commercial policy aspects of this program should be worked out. The Americans might prove co-operative when it came to the liberalization of trade, but they might not. This situation led Liesching to conclude:

There were thus two possibilities. It was probably too soon to know which way United States opinion would go, but there was no doubt which way the United Kingdom would like it to go. Any proposals which might be made for post-war commercial policy might have a significant effect in influencing which way the United States would decide. Leadership of the right kind would be very helpful. The absence of any initiative, or an initiative of the wrong kind, might have the most unhappy results. One of the main reasons for wishing to consult other Empire Governments on this subject was to consider the sort of proposals for commercial policy which were best calculated to give a lead to the world in a way which would be consonant with self-interest and which would be likely to prove most acceptable in the United States.

Liesching then discussed some of the thinking behind the aide-memoire. In particular, UK experts had reached three important conclusions. First, the United States apparently did not understand what would be required of it in the postwar world as a major creditor nation: this was evident in its claim that the renewal of the RTAA was “a “major contribution” on the part of the United States to the economic well-being of the post-war world”, when in fact the limitations of the act meant that it was not. Second, a bilateral approach to trade liberalization would not do, leading to neither

59. By 1940, the Roosevelt administration had begun touting the potential postwar utility of the RTAA., persuading Congress during the renewal hearings that year that the act was “an essential tool for achieving world peace”. See Susan Ariel Aarson, Trade and the American Dream: A Social History of Postwar Trade Policy, (Lexington: The University Press of Kentucky, 1996), p. 27. See also the discussion of how and why the Roosevelt administration linked the renewal of the RTAA to postwar peace and prosperity in 1940 and 1943 in Zeiler, pp. 15-19.
quick nor equitable results. Third, the Americans would likely insist on some modification of imperial preferences, but this could only be accepted within the context of a larger multilateral commercial convention.60

The Canadians said little in response, apart from McKinnon agreeing that a British Commonwealth approach to the United States was essential in light of the recent renewal of the RTAA and the “danger that the United States, in passing the Act, might feel that they had already taken sufficient lead”.61 But though they said little, Canadian officials were pleased with the remarks of their British colleagues, which were so much in line with Canadian thinking. Their comments the following day brought this out: Article VII had to be regarded as a whole, the commitments to “the expansion of production, employment and the exchange and consumption of goods” and “the reduction of tariffs and other trade barriers” were “not alternative but complementary”; only a multilateral approach could produce the desired results; reductions in tariffs and preferential margins had to be negotiated together.62

This coincidence of views between Canadian and British officials was evident throughout the discussions, which lasted until June 30th. As a report sent to Ottawa near the end of the talks put it: “We have kept very closely to our brief, which goes rather further in support of United Kingdom

60. PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 1st Meeting, Minutes of Meeting held June 15th, 1943.

61. PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 1st Meeting, Minutes of Meeting held June 15th, 1943.

62. PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 2nd Meeting, Minutes of Meeting held June 16th, 1943.
proposal than the other delegations do, though none had ventured to question soundness of general
British approach or desirability of using present circumstances to get reduction in tariffs by a
multilateral convention."\(^{63}\) Mackintosh clearly and eloquently laid out the Canadian essential
conditions for imperial preference modifications.\(^{64}\) McKinnon raised the issue of the use of quotas
on security grounds, and his fears were partly put to rest by indications that their use would be
governed by an international organization.\(^{65}\) And they lent strong overall support to the UK
initiative: "In particular the Canadian delegation expressed its wholehearted support, both of the
principle of a multilateral convention on the lines of the Aide Memoire for the reduction of trade
barriers, and also of the suggestion that the United Kingdom should now take the initiative with the
United States on these lines."\(^{66}\)

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63. NAC, RG2/44/W-22-3/1941-1943, CHCUK to SSEA, No.1423, June 25\(^{th}\), 1943.

64. PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 4\(^{th}\) Meeting,
Minutes of Meeting held June 18\(^{th}\), 1943 and P.C.P.(43) 5\(^{th}\) Meeting, Minutes of Meeting held June
21\(^{st}\), 1943. The summary of the discussions reported that there was general agreement that the
Canadian position on the inseparability of the tariff and preference issues was the correct one; no
such consensus existed on the Canadian contention that preferential margins should be reduced by
reductions in non-preferential tariffs, not increases in preferential tariffs. See PRO, T230/129, Post-
War Commercial Policy Discussions, P.C.P.(43) 5, Summary of Discussions between Officials of
the United Kingdom, the Dominions and India held in London in June 1943. See also McKenzie,
p. 125.

65. PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 5\(^{th}\) Meeting,
Minutes of Meeting held June 21\(^{st}\), 1943. The post-talks report noted that the Canadians
"questioned the exception, in respect of both of the tariff ceiling and the quantitative import
restrictions, in favour of industries necessary to national security, though we were willing to accept
it if it were strictly safeguarded". See NAC, RG19/3447/Post-War Proposals Miscellaneous,
"Report of the Canadian Representatives at the "Post-War Commercial Policy Discussions" held
in London between June 15\(^{th}\) and June 30\(^{th}\), 1943".

66. PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 5, Summary of
Discussions between Officials of the United Kingdom, the Dominions and India held in London in
June 1943.
The Canadians did not offer blind support for the UK proposal. Recognizing that many of its ideas would present tricky technical problems, they argued that this was no reason not to pursue them. For example, Mackintosh strongly favoured the tariff ceiling proposal, despite the technical hurdles that would have to be cleared in order to implement it. After all, he observed, "war administration had surmounted difficulties which would have appeared unsurmountable [sic] in pre-war years". Similarly, he argued against inaction on export subsidies on the basis of the difficulty of defining and regulating them.

They also offered suggestions for its improvement. When the Australians urged the UK not to lose sight of the importance of full employment policies during its discussions with the US, McKinnon proposed modifying the aide-memoire so that it reflected the fact "that commercial policy was being looked at in relation to the other problems of post-war reconstruction". The Canadians also successfully suggested that adherents to the commercial convention be obliged to extend most favoured nation status to one another. And they offered tips on tactics. Conviction that the

67. PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 4th Meeting, Minutes of Meeting held June 18th, 1943 and P.C.P.(43) 5, Summary of Discussions between Officials of the United Kingdom, the Dominions and India held in London in June 1943.

68. PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 6th Meeting, Minutes of Meeting held June 22nd, 1943.

69. PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 3rd Meeting, Minutes of Meeting held June 17th, 1943. Coombs was given the job of coming up with a revision of the section in question.

70. PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 5, Summary of Discussions between Officials of the United Kingdom, the Dominions and India held in London in June 1943. The omission of such a provision appears to have been an oversight: Meade noted that it should have been specified "that it was essential for members of the club to give m.f.n. treatment to each other". PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 8th Meeting, Minutes of Meeting held June 24th, 1943.
multilateral approach was the best approach mingled with the knowledge of the essentiality of Anglo-American accord in McKinnon’s suggestion that the UK cite the recent Hot Springs food conference as a precedent justifying its approach to the US. “It could”, McKinnon argued, be contended with complete justification that a discussion of the best means of working out the application of the principles you have accepted in Article 7 of the Mutual Aid Agreement, follow naturally upon the deliberations of the Food Conference, and that its importance is so great that, while ultimately the matter would have to be considered by a Conference between all the nations affected, some prior discussions might well be undertaken now, or in the very near future, along the lines you have envisaged.

No international conference would succeed where there was no Anglo-American agreement, making prior consultation essential. There was much detailed preparatory work to be done, and if the war continued to go as well as it seemed to be going, this work needed to be started as soon as possible: “[t]he important thing, after all, is to get discussions started on the broader basis and thus to head off, without seeming to do so, a United States initiative on the narrow and, indeed, quite inadequate basis of the Trade Agreements Act.”71

There was less accord between the other Commonwealth delegations and the British. Tensions arose between the British and South African representatives over the purpose of the present discussions. South Africa had sent a high-powered delegation72, whose members were frustrated by the absence of details and drafting work during the talks. There was a sharp disagreement between the British and the Australians over Australia’s desire to continue its bilateral trade negotiations

71. PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 2nd Meeting, Minutes of Meeting held June 16th, 1943. For tactical advice from Mackintosh, see PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 6th Meeting, Minutes of Meeting held June 22nd, 1943; P.C.P.(43) 7th Meeting, Minutes of Meeting held June 23rd, 1943; P.C.P.(43) 5, Summary of Discussions between Officials of the United Kingdom, the Dominions and India held in London in June 1943.

under the RTAA and the United Kingdom's desire that all bilateral negotiations be suspended so that American attention could be redirected to the multilateral approach. The British received support from the Canadians in these disagreements, as the latter joined the former in arguing for keeping the talks general and against attempting to draft any kind of document\textsuperscript{73}, as well as against the continuation of the bilateral negotiating process.\textsuperscript{74} The Canadians also agreed that much preparatory work was needed before an international conference could be called, such as the one on employment suggested by Dr. H. C. Coombs of Australia.\textsuperscript{75} The only issue on which UK and Canadian representatives disagreed was on the question of relations between countries that adhered to the commercial convention and those that did not: the Canadians preferred that those outside the convention not receive its benefits through most favoured nation agreements with countries that did adhere to it, while the British feared that withdrawal of most favoured nation status from non-adherents could lead to commercial warfare.\textsuperscript{76}

\textsuperscript{73} PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 7\textsuperscript{th} Meeting, Minutes of Meeting held June 23\textsuperscript{rd}, 1943. See also the third meeting at which R. M. Campbell of New Zealand requested from the United Kingdom officials specifics about the level of the tariff ceiling they had in mind (the UK experts had only referred to it as "X\%”). Mackintosh contended “that it should be emphasised that the purpose of the present meetings was not to concert a demand upon the United States. Many considerations would have to be taken into account in determining an appropriate level for X.” See PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 3\textsuperscript{rd} Meeting, Minutes of Meeting held June 17\textsuperscript{th}, 1943; see also PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 4\textsuperscript{th} Meeting, Minutes of Meeting held June 18\textsuperscript{th}, 1943.

\textsuperscript{74} PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 10\textsuperscript{th} Meeting, Minutes of Meeting held June 28\textsuperscript{th}, 1943 and P.C.P.(43) 5, Summary of Discussions between Officials of the United Kingdom, the Dominions and India held in London in June 1943. For a discussion of the Australian side of the issue, see McKenzie, pp. 125-126.

\textsuperscript{75} PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 3\textsuperscript{rd} Meeting, Minutes of Meeting held June 17\textsuperscript{th}, 1943.

\textsuperscript{76} PRO, T230/129, Post-War Commercial Policy Discussions, P.C.P.(43) 3\textsuperscript{rd} Meeting, Minutes of Meeting held June 17\textsuperscript{th}, 1943; P.C.P.(43) 8\textsuperscript{th} Meeting, Minutes of Meeting held June 24\textsuperscript{th},
One other source of tension arose outside the conference room. As previously noted, various Canadian officials were concerned about the impression the talks might impart to the Americans. 77 Unlike in 1942, however, the Canadians said nothing of their concerns to the British: this time it was the Australians who raised the issue. 78 On May 27th, the United Kingdom notified the Dominions that it would inform the United States of the informal and exploratory character of the talks, and on June 11th it did so. 80 But the Canadians were taking no chances. In Washington, Pearson tried to convince Acheson that the Americans need not be concerned about the talks. 81 Although he was satisfied that Acheson had gotten the message, 82 Acheson’s countrymen were unconvinced of its veracity. On June 21st, on instructions from the State Department, US Ambassador J. G. Winant inquired at the Foreign Office about the talks, asking to be kept apprised of their progress and indicating that he was authorized to appoint an observer to them. Winant was

1943; P.C.P.(43) 5, Summary of Discussions between Officials of the United Kingdom, the Dominions and India held in London in June 1943.

77. See also NAC, RG2/30/U-10-11/1943-April 1945, “Intra Commonwealth Consultations and Related Questions”, by HW/AH, August 7th, 1943.

78. On Australia’s concerns, see McKenzie, pp. 121-122.


80. PRO, BT11/2193, FO to UKAUS, States, No.3645, June 1st, 1943 and UKAUS to FO, No.2698, June 11th, 1943.

81. Pearson told Acheson that Canada had sent representatives “because they considered that a revision of prior commitments -- by which ... he [Pearson] meant the Empire preference arrangements -- was indicated; and because of their commitments to Britain primarily, discussion with Britain seemed necessary in advance of any general discussion which he gather there would eventually be.” See FDR, Adolf Berle Papers/215/Diary/April-June 1943, Department of State Memorandum of Conversation, June 17th, 1943.

82. NAC, RG19/3989/T-2-9-2/Volume 1, L. B. Pearson to N. A. Robertson, June 17th, 1943.
referred to the Board of Trade, under whose sponsorship the meetings were being held.\textsuperscript{83}

Canadian officials in Ottawa had learned of the possibility of such an approach from Lewis Clark, the chargé d’affaires at the US legation. The Canadians had tried to reassure him by stressing that the meetings were informal, simply a first step before broader discussions. On June 19\textsuperscript{th} they cabled Vincent Massey, the Canadian High Commissioner in London, asking whether Winant had carried out his instructions. As for the proposal that the Americans send an observer to the talks:

\begin{quote}
we cannot see any serious objection to the presence of a United States observer. In fact the presence of a United States representative at the present talks in London might, from the Canadian viewpoint, have advantages over the procedure contemplated in earlier Dominions Office telegrams on the subject from which it appeared that the United Kingdom had in mind initiating bilateral discussions with the United States after the conclusion of Commonwealth talks.\textsuperscript{84}
\end{quote}

Massey replied that Winant had discussed the matter with the Foreign Office but had not yet followed up with the Board of Trade. When he did, the Board of Trade was ready with its response.

Apparently, the United States "had misunderstood the character of these talks":

\begin{quote}
There are many questions of commercial policy, some arising out of Article 7, which affect the relations between the different parts of the British Commonwealth and require discussions between them as a preliminary to discussion on any wider basis. The informal and exploratory talks now proceeding are thus of a quasi domestic character.\textsuperscript{85}
\end{quote}

Ottawa was "somewhat concerned" by the proposed response. No word on the progress of the talks had yet been received, but it was understood that they were to have been general in nature and, "[i]n

\textsuperscript{83} PRO, BT11/2193, Unsigned and undated memorandum for Massey, handed to him on 23/6.

\textsuperscript{84} NAC, RG2/44/W-22-3/1941-1943, SSEA to CHCUK, No.1059, June 19\textsuperscript{th}, 1943. The Australians also supported asking an American observer to the talks. See McKenzie, pp. 121-122.

\textsuperscript{85} NAC, RG2/44/W-22-3/1941-1943, CHCUK to SSEA, No.1411, June 24\textsuperscript{th}, 1943.
any case we do not like the description of the talks as "of quasi domestic character"." Moreover, the Americans "should not feel that they are being kept in the dark". Canadian experts at the talks were therefore authorized to discuss the proceedings with US Embassy officials. This suggestion was not acted upon, but it does underscore the Canadian determination not to alienate the US.

The day before the talks ended, E. F. Penrose, Winant's Special Assistant, discussed them with Overton. The latter assured him that the meetings had been informal and exploratory and simply a manifestation of the special nature of intra-Commonwealth relations. The reference to their being "quasi-domestic" appears to have been eliminated: whether this was due to a Canadian protest is not known. More important, perhaps, was the fact that American concerns seem to have been mollified by the explanation, Penrose simply requesting any information the British might see fit to give him.

This episode notwithstanding, the Canadians must have been satisfied with the talks. They had had the opportunity to state their views on a number of important issues, on which they usually found themselves in agreement with the British, and to secure information about and clarification of UK

86. NAC, RG2/44/W-22-3/1941-1943, SSEA to CHCUK, No.1101, June 25th, 1943.


88. NAC, RG25/3258/6000-A-40, CHCUK to SSEA, No.1342, June 26th, 1943. McKinnon argued that the confidentiality of the talks meant that the Canadians would have to let the other participants know what they were going to do; besides, given that the talks were taking place in London and the US inquiry had been made of the UK, it was the UK's job to do the informing, not Canada's.

89. PRO, BT11/3302, FO to Viscount Halifax, No.743, July 3rd, 1943 and Record of talk between Penrose and Overton, Unsigned, June 29th, 1943.
thinking. The aide-memoire had been changed only slightly as a result of the discussions: the Canadians learned that the British had been disinclined to change it at all as it had already been approved by the War Cabinet. There had been some discouraging indications, particularly from the Australians, that the Commonwealth was not united in thinking the UK approach the best approach. There were also some within the UK government itself who opposed the initiative, but the Treasury and Board of Trade were behind it, and “there was a definite Government commitment to push it vigorously”. Moreover,

Overton and Liesching indicated that they attached great importance to taking the initiative and that, if the United States were willing, they were prepared to go ahead with their proposal, even though some parts of the Empire such as Australia and South Africa should decide to stay out. They professed to consider Canada’s attitude of decisive importance and Liesching expressed the hope that, if the United States would agree to some exploration at the expert level, the first discussions should include United Kingdom, United States and Canada.

The Canadians had made no secret of their support for an approach along UK lines. On June 30th, Jack Hickerson wrote Ray Atherton that

Norman Robertson has told me in private conversation that the Canadian Government is prepared to move out on a broad front in association with the United Kingdom and the United States in making post-war commercial arrangements under Article 7. He has

90. There were a few changes worthy of note: the idea that the issues arising out of Article VII should be regarded as a whole was further developed; explicit provision was made for the conclusion of bilateral agreements under the multilateral framework; the need to consider special protection for infant industries was suggested (the Canadians, among others, had argued in favour of this); and reference to the UK not seeing preferences “as discriminatory in a strict sense of the word” was eliminated. See NAC, RG19/3447/Post-War Proposals Miscellaneous, “Report of the Canadian Representatives at the “Post-War Commercial Policy Discussions” held in London between June 15th and June 30th, 1943”. The version presented to the US also excluded explicit reference to permitting the use of quotas for commodity agreements and on security grounds. See NAC, RG19/3989/T-2-9-2/Volume 1, SSDA to SSEA, D.468, July 29th, 1943.

91. NAC, RG19/3447/Post-War Proposals Miscellaneous, “Report of the Canadian Representatives at the “Post-War Commercial Policy Discussions” held in London between June 15th and June 30th, 1943”.
indicated to me that Canada is prepared to go the whole distance as far as abolition of preferences is concerned, provided the United States and the United Kingdom are willing to make compensatory tariff reductions. Robertson feels that this would involve in many cases reductions on our part greater in extent than those authorized on the trade agreement side. In this view I believe he is correct.92

A month later in another memorandum to Atherton, Hickerson made two additional pertinent points. First, the Canadians were very worried about what would happen to them "should Britain be forced to adopt narrow trading policies". Second, Robertson was "thinking in terms of broad multilateral agreements setting forth general principles followed by bilateral agreements making specific arrangements consonant with the broad principles".93

The British had discharged their duty to the Commonwealth. At a Cabinet meeting on July 27th, a ministerial committee headed by the Chancellor of the Exchequer reported its conclusion that the UK would "now be justified in opening discussions" with the US. The Cabinet approved the aide-memoire, as well as an outline used during the Commonwealth meetings to illustrate how the aide-memoire principles might be worked out in practice, as the basis for an approach to the United States on the issues raised by Article VII.94

92. NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/8/Miscellaneous Files of John Hickerson/Memos to Mr. Atherton on Canada, JDHickerson to Atherton, June 30th, 1943.

93. NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/8/Miscellaneous Files of John Hickerson/Memos to Mr. Atherton on Canada, JGParsons to Atherton, July 28th, 1943. See also NAC, RG25/3258/6000-A-40, NAR for the Prime Minister, 24.8.43 in which Robertson wrote that he told Hull that Canada "welcomed" the UK initiative and reaffirmed his support for the multilateral over the bilateral approach.

94. PRO, CAB65/35, Cabinet 106(43)4, July 27th, 1943.
Two days later, as recounted in the previous chapter, the UK notified the Dominions of its intentions. It had “reviewed, in the light of [the recent Commonwealth] discussions, the whole question of the best immediate procedure for opening the matter with the United States” and had decided to expand the approach beyond commercial policy to cover all issues arising out of Article VII. UK representatives would share with US officials their ideas on commercial policy only after they had arrived in Washington, as “our proposals could then be seen and studied in their proper perspective as an essential feature in the general solution of the problems covered by Article 7, and full weight would be given to essential inter-dependence of these problems”.95

The results of the Anglo-American discussions in the autumn of 1943 for monetary policy had been encouraging: so were the results in commercial policy. The talks revealed a substantial degree of Anglo-American accord. Quotas, subsidies, state trading, export restrictions, and the need for an international organization to oversee commercial policy were all issues on which the Americans and the British could come to terms.96 Tariffs and preferences were more contentious, though even here there were encouraging signs. Some in the UK had feared that the US would not abandon the bilateral approach to trade liberalization: it was assumed that Hull in particular would resist a

95. NAC, RG19/3989/T-2-9-2/Volume 1, SSDA to SSEA, D.467, July 29th, 1943.

96. NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/11/Reference Subject Files/British Commonwealth - Article VII talks - Canada (Lend-Lease), Memorandum of Conversation at the American Legation in Ottawa, October 21st, 1943; NAC, RG25/3258/6000-40, Untitled memorandum, by JSM, October 22nd, 1943; NAC, RG2/44/W-22-3/1941-1943, M. Mahoney to N. A. Robertson, October 23rd, 1943 and “Informal discussions in Washington, September - October, 1943”, Unsigned and undated.
change in tactics. However, though not entirely convinced that it could work, US officials agreed that a multilateral approach should be attempted. The original UK proposal for a tariff ceiling (which US officials had characterized as “all screwy”) was modified to fixed percentage across-the-board tariff cuts combined with universally generalized bilateral trade deals. On preferences, the

97. BoE, ADM14/13, 802/9, Minutes of Meeting held on September 9th, 1943 at sea re: Discussions on Agenda Under Article VII, A.D.(43) 4th Meeting; NAC, RG19/3989/T-2-9-2/Volume 1, “Second Meeting of United Kingdom Group with Representatives of the Commonwealth and India, Held in Mr. Law’s Room on 30th September, 1943, at 5.15 p.m.”.

98. British fears were well founded, as before these discussions American officials had all but decided that a multilateral approach could not work: apparently British arguments convinced them that it could. See NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/11/Reference Subject Files/British Commonwealth - Article VII talks - Canada (Lend-Lease), Memorandum of Conversation at the American Legation in Ottawa, October 21st, 1943. See also NAC, RG19/3989/T-2-9-2/Volume 1, “Second Meeting of United Kingdom Group with Representatives of the Commonwealth and India, Held in Mr. Law’s Room on 30th September, 1943, at 5.15 p.m.”: “Although progress had been encouraging, it should not be forgotten that there were differences of opinion among the U.S. officials participating whether the technical and political difficulties which would have to be surmounted in putting into effect a multilateral convention on the lines suggested could in fact be overcome. In particular, different views were taken as to the probable reactions of Congress. It should not, therefore, be assumed that all was likely to be plain sailing.”

99. The formula, in Lewis Clark’s words, was “that duties above, say, 25% would be reduced by X% and duties under 25% by, say, X%-5% or some other graduated figure which would be negotiable, and the possibility of still further reductions by means of bilateral agreements along the lines of our trade program, the benefit of which would be generalized under the most-favored-nation clause.” According to Clark, Robertson said that this proposal accorded with recent Canadian thinking, and that he, Robertson, had believed the original tariff ceiling idea too technically tricky to implement anyway. See NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/11/Reference Subject Files/British Commonwealth - Article VII talks - Canada (Lend-Lease), Memorandum of Conversation at the American Legation in Ottawa, October 21st, 1943. On the other hand, James Meade felt that “[t]he Canadians clearly want us to continue to press for the principle of a tariff ceiling”; he also got “the impression - particularly from Rasminsky and Mackintosh - that they would be willing to see the virtual abolition of preferences in return for a really good convention which also covered tariffs”. See Howson and Moggridge, p. 144.
British had stressed the inter-relation of tariff and preference reductions and the Americans had finally conceded that "[a]bolition of preferences might have to be related in some way to tariff reductions".101

In Canada, concerns within the Department of Finance that the talks would result in an agreement to which other nations would be forced to adhere were for naught, as the only result was a detailed agenda of items for further study.102 American and British officials had found themselves in

100. NAC, RG25/3258/6000-40, Untitled memorandum, by JSM, October 22nd, 1943. It is worth noting that Robertson emphasized the point in an interview with Lewis Clark shortly after the Law Mission: "He also argued that if preferences were to be abolished, their abolition would have to be related in some way to tariff reductions." See NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/11/Reference Subject Files/British Commonwealth - Article VII talks - Canada (Lend-Lease), Memorandum of Conversation at the American Legation in Ottawa, October 21st, 1943.

101. NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/11/Reference Subject Files/British Commonwealth - Article VII talks - Canada (Lend-Lease), Memorandum of Conversation at the American Legation in Ottawa, October 21st, 1943. UK officials also believed that they had gotten their message across: "It was found that, on the whole, American officials were less inclined than they previously had been to insist on abolition of preferences as harmful and indefensible in themselves and more inclined to view their elimination as an integral part of the general approach to tariff reductions and the progressive lowering of tariff barriers." See NAC, RG25/3258/6000-40, Untitled memorandum, by JSM, October 22nd, 1943. Pearson made much the same point from a less optimistic standpoint: "I also gathered [from Jack Hickerson] that the Americans are not yet convinced that Imperial preference and all that it stands for should not be abandoned before new post-war commercial arrangements are made." See NAC, RG25/3258/6000-40, L. B. Pearson to N. A. Robertson, October 20th, 1943.

agreement on principles, but had neither decided nor committed to anything: this was both necessary and desirable from the Canadian point of view. Moreover, the Americans appeared ready to focus on a multilateral approach to trade liberalization in lieu of the bilateral negotiations they had begun with various Commonwealth nations in 1941, and even appeared to be coming around on the link between tariffs and preferences. The Americans and British anticipated further bilateral talks in early 1944; both were also considering how Canada might fit into this picture.

Work on postwar commercial policy was finally underway. Most important, from the Canadian standpoint, it seemed to be proceeding on the basis of the superiority of the multilateral approach. Some of the reasons behind Canada’s support for the multilateral approach have already become clear: in particular, the link between reductions in tariffs and reductions in preferences, and the consequent utility of preferences as bargaining chips, has been examined. A multilateral approach was also necessary because of the peculiarities of Canada’s economic position, as Mackintosh argued in December 1943:

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103. UK officials reported to Canadian officials that “[w]hile there was a broad interchange of information and of ideas ... no attempt was made to lay down mutual obligations or even to reach definite conclusions. The discussions on commercial policy had not, therefore, yet reached the stage the discussions on currency problems had reached.” See NAC, RG25/3258/6000-40, Untitled memorandum, by JSM, October 22nd, 1943.

104. NAC, RG25/3258/6000-40, Untitled memorandum, by JSM, October 22nd, 1943.

105. Liesching asked Canadian officials whether another Commonwealth meeting should be held before the resumption of talks with the Americans (the Canadians thought that cables would be sufficient); a memorandum used by Lewis Clark in his interview with Robertson and Wrong said that “[d]iscussions with Canada, we hope, will take place at a proper stage”. See NAC, RG25/3258/6000-40, Untitled memorandum, by JSM, October 22nd, 1943; NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/11/Reference Subject Files/British Commonwealth - Article VII talks - Canada (Lend-Lease), Memorandum of Conversation at the American Legation in Ottawa, October 21st, 1943.
I would deprecate any move which would sidetrack the present U.K. initiative on multilateral trade and preferential policy. We have a great deal to gain from U.K.-U.S. agreement and our support may become the decisive factor. We have a great deal to gain also in supporting those in the United Kingdom who are pressing for multilateral solutions and in avoiding a relapse into bilaterist proposals. We need both the U.K. and the U.S. as customers but we need them under a multilateral arrangement where neither can apply undue pressure to us. There would be no net gain in any move which would merely substitute one market for the other. A multilateral convention is also our best chance of re-entry into the European market from which we would probably be excluded under regional arrangements.\(^{106}\)

Two other reasons might also be suggested. First were the structural changes in the Canadian economy. The need to supply allied war requirements had not only stimulated growth in the agricultural sector, it had led to spectacular growth in the industrial sector and the creation of many new industries.\(^{107}\) In Ottawa, officials and ministers alike wondered what the implications of these changes would be for Canada’s postwar trading position. An American report on Canadian attitudes in mid-1943 noted that “[i]n certain Government circles, especially in Mr. C. B. [sic] Howe’s Department of Munitions and Supply, there is ... anxiety as to the future of Canada’s trading position. Canada has built huge industries, some of them at the expense of production in the primary industries for which Canada is best suited. Mr. Howe is tremendously proud of this achievement and seems to be thinking more and more in terms of industrial outlets after the war.”\(^{108}\)

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106. NAC, RG19/3989/T-2-2, Memorandum re Special Trade Agreement Possibilities, by WAM, December 14\(^{th}\), 1943.


108. NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-1947/M1244/8/Miscellaneous Files of John Hickerson/Memos to Mr. Atherton on Canada, JGParsons to Atherton, July 28\(^{th}\), 1943.
Louis Rasminsky noted the difficulties in determining the course of Canada's trade after the war, given changes both in the nature of its exports and in markets abroad. All anyone could say for sure was that Canada had changed and the rest of the world had changed: all the more important, therefore, to secure as free a trading environment as possible, one that would fit whatever Canada's needs turned out to be.

Second, the changed nature of the Canadian economy led to tension between the export policies of the departments of Trade and Commerce and of Munitions and Supply, the former looking to secure traditional markets, the latter thinking in terms of seeking out new markets for all those new industries. Again, what better policy could there be than to encourage the development of an international economy in which both were possible?

Canadian support for multilateralism has so far been examined primarily in the context of policies and discussions about the postwar world. Canadian support can also be discerned in policies more firmly focussed on the immediate needs of the war. In particular, Canada gave tangible effect to its commitment to the goals of Article VII in its own Mutual Aid program.

Lend-lease had been initiated in 1941 to alleviate the United Kingdom's shortage of American dollars. But the UK also had great need of Canadian dollars for wartime expenditures. Until 1943, this need had been met in a variety of ways: accumulation of sterling, repatriation of securities, a

109. NAC, RG19/3447/Post-War Proposals Miscellaneous, Minutes of Sub-Committee of Economic Advisory Committee on Post-War Reconstruction Meeting held December 30th, 1943.

110. NAC, RG19/576/152-P, HFA to Mr. Robertson, September 21st, 1943.
$700 million loan, a $2 billion gift. By the beginning of 1943, the Canadian government had decided that it should give aid to all its wartime allies, and no longer exclusively to the United Kingdom. The Mutual Aid program created to dispense this assistance functioned in much the same fashion as its American cousin. Created, like lend-lease, to meet the needs of war, it was also shaped with an eye towards the peace.\textsuperscript{111} As in the lend-lease agreements, the relationship between wartime and postwar economic policies was to be made explicit in the Mutual Aid agreement that Canada would sign with each recipient nation.

As early as January 1943, Canadian officials were considering including a commitment to liberal postwar policies as a condition of receipt of Canadian aid.\textsuperscript{112} When Ilsley announced the aid program in the House of Commons on February 8\textsuperscript{th}, he made explicit the connection between wartime assistance and postwar policy: an American report of the speech commented that "[a]s in previous speeches on financial arrangements with the United Kingdom, Ilsley emphasized the danger of large post-war debts and the Canadian Government's determination to avoid them".\textsuperscript{113} Inter-allied debts incurred during the First World War had caused nothing but trouble throughout

\textsuperscript{111} The two best sources on Canada's financing of British wartime needs are R. S. Sayers, \textit{Financial Policy, 1939-1945} (London: Her Majesty's Stationery Office, 1956) and Hector Mackenzie's \textit{Mutual Assistance: The finance of British requirements in Canada during the Second World War}. Mackenzie does a particularly good job at showing how Canada's concerns for its postwar commercial position affected its decisions on wartime assistance to the UK.

\textsuperscript{112} FDR, Henry Morgenthau Jr. Diaries/602/176, Memorandum of Meeting in Mr. White's Office, January 8\textsuperscript{th}, 1943.

the interwar period, and all were determined to avoid them during this war. This determination had been the key to the US lend-lease program and to the US insistence on a commitment to liberal economic policies in Article VII.

The 'consideration' in Article VII had been left rather fuzzy. The commitment to pursue liberal economic policies after the war was to be among the considerations given to the United States in return for its help: in theory the US could ask for other things from its allies in exchange for the aid it had provided them. This prospect troubled at least one Canadian official. In a memorandum dated March 13th, 1943, Wrong characterized the Canadian approach to wartime aid thus:

We have hitherto used our creditor position only for the limited and very legitimate purposes of paying off Canadian Government debts in the United Kingdom and of taking title to property in Canada owned by the United Kingdom. Apart from the non-interest bearing loan of 700 million dollars to the United Kingdom we have refrained from anything which would result in the creation of war debts in the old sense. While under the Mutual Aid Plan we can secure benefits for supplies furnished to our allies, these benefits will be settled at the time of allocation and the intention is in many cases to require only the effective use of the supplies in the prosecution of the war.

The UK had also eschewed postwar debts, asking nothing for its help beyond commitment to the war. But in the US, recent Congressional debate had laid bare

the dangers of leaving unsettled into the post-war period the question of the consideration which may be demanded in return for lease-lend [sic] aid. Unless a final solution can be found during the war, it is almost certain that the alleged indebtedness to the United States of all the recipients of lend-lease aid will tend to bedevil every international issue and especially the relations between the United States and the United Kingdom. Isolationist elements in Congress and in the press have shown their readiness to use this indebtedness as an opportunity to demand bases, transfer of territories, acceptance of economic policies advantageous to the United States and other forms of material consideration.

114. On this issue see Gardner, pp. 55, 170-173.

The time to address this problem was now, when the forces in favour of such policies were still weak. Wrong argued that Canada should take the lead “in trying to secure general agreement during the war for a washout of post-war claims based on the provision of material or financial aid from one ally to another”. As an aid recipient, the UK could not do it. Given its domestic divisions, the US could not do it. Canada received no aid and had asked for nothing in return for its wartime assistance. Perhaps it should use “the opportunity provided by the passage of the Mutual Aid Bill for a public Canadian approach to all members of the United Nations”. A formal international treaty could be concluded, one that required ratification: this would keep the US Congress from bringing the issue up again after the war. It could include a clause in keeping with Article VII and should include a promise to foreswear postwar demands for repayment of wartime debts.\textsuperscript{116} Wrong’s proposal for an international agreement went nowhere, but it is indicative of Canadian sensitivity to the postwar economic effects of wartime policies.

The drafting of the Canadian Mutual Aid agreement began in the summer of 1943. From the start, the preamble contained reference to the dual origins of the Mutual Aid program: the desire to win the war and the desire “not ... to burden post-war commerce, or lead to the imposition of trade restrictions or otherwise prejudice a just and enduring peace”.\textsuperscript{117} The first three drafts contained no specific commitment to liberal postwar economic policies. Wrong wrote Commander D. K. MacTavish, the Secretary of the Mutual Aid Board, on August 9\textsuperscript{th} that he had “not sought to devise


\textsuperscript{117} NAC, RG2/46/D-13-5-9/1943-9/5/43, Third Draft of the Canadian Mutual Aid Agreement, C.M.A.B. Document No.16, August 26\textsuperscript{th}, 1943. The previous two drafts contained much the same wording.
a new article corresponding to Article VII of the U.S. Lend-Lease Agreements. When I tried to draft a suitable article it sounded like a feeble imitation of the U.S. example and I am inclined to think that the general statement in the preamble is all that should go in.”

By the beginning of October, the Canadians had concluded that, the perils of imitation notwithstanding, they should include an ‘Article VII’ in their own agreements; in the Canadian version, it would be Article X. Several drafts were produced, and after discussion both in Ottawa and with London, in late November a satisfactory version was ready to present to the ministers:

The Governments of Canada and 
re-affirm their desire to promote mutually advantageous economic relations between their countries and throughout the world. They declare that their guiding purposes include the adoption of measures designed to promote employment, the production and consumption of goods and the expansion of international commerce, by the reduction of tariffs and other trade barriers, with the object of contribution to the attainment of [all the] economic objectives set forth in the Declaration of August 14th, 1941, known as the Atlantic Charter.

The Canadians were well aware of the similarity of their article to Article VII: the only real difference was that the Canadian version contained no pledge to eradicate “discriminatory treatment”. It should not be inferred from this that the Canadians wanted to retain imperial preferences. In response to a UK query about the implications of an earlier version of Article X for the Ottawa agreements, Bob Bryce observed

120. PRO, T160/1253, OF 17969/010, W. C. Clark to R. G. Munro, December 4th, 1943 and Revised Draft of the Canadian Mutual Aid Agreement, November 26th, 1943.
121. NAC, RG2/44/D-13-5-A/1943-1945 August, SSEA to the Canadian High Commissioner to Australia [CHCA], No.233, December 11th, 1943.
that both the U.K. and Canada had agreed to Article VII of the lend-lease agreements, which included the points put into this article, and that Canada had generally taken the view that it involved a commitment respecting preferences only insofar as the United States was willing to reduce its tariffs significantly, that while no specific condition was imposed linking the avoidance of discrimination with the reduction of tariffs, we had always taken it that the one was tied up with the other.\textsuperscript{122}

The British took no particular exception to Article X, even suggesting changes to make it more palatable to the Americans.\textsuperscript{123} Other projected Mutual Aid recipients were not so agreeable. Chief among these were the Australians, who did not like Article X. So strongly did they dislike it that, after several futile protests, they took their case to the top. On December 5\textsuperscript{th}, 1943 the Australian High Commissioner, Sir William Glasgow, met with Mackenzie King.\textsuperscript{124} The Prime Minister's record of the interview indicates that he was not particularly impressed by the Australian case:

Sir William Glasgow called at half past two, and brought a message from Evatt [H. V. Evatt, Australian Minister for External Affairs] which indicated Australia was going in for protection. Wanted us not to advocate freer trade in post-war agreement. I told Sir William I thought no one Dominion should dictate to the other about matters of domestic policy; also we felt it most important, if at all possible, to avoid return to nationalism, if we were not to have further wars.\textsuperscript{125}

The reply to the Australians was emphatic. Canadian ministers believed it "essential" to include "a general declaration of liberal economic purposes" in the Mutual Aid agreement. It would be a

\textsuperscript{122} NAC, RG19/420/Mutual Aid Agreement - U.K. 1943-1944, RBB to Dr. Clark, October 16\textsuperscript{th}, 1943.

\textsuperscript{123} NAC, RG2/48/D-13-5-2/1943-1945, R. Gordon Munro to W. C. Clark, 915/218, November 19\textsuperscript{th}, 1943 and two attached memoranda.

\textsuperscript{124} NAC, RG2/44/D-13-5-A/1943-1945 August, SSEA to CHCA, No.233, December 11\textsuperscript{th}, 1943. This telegram says that the meeting between Glasgow and King took place on December 4\textsuperscript{th}, but King's diary reports the date as the 5\textsuperscript{th}.

\textsuperscript{125} WLMK, December 5\textsuperscript{th}, 1943.
powerful weapon in support of the bill in Parliament. Timing also made it crucial: "The change in the course of the war since the acceptance of Article VII [i.e. in favour of the United Nations] only makes it more important from the Canadian point of view that the proposed Article X should be included in the Agreement since interest and concern over post-war economic policies are now much more acute." Article X was simply a reaffirmation of Article VII, and a watered down one at that. As all Mutual Aid agreements had to be identical, there could be no alteration of the article for Australia alone. Finally, Article X was "a declaration of purpose and not a specific commitment", committing Australia "no more and no less" than it committed Canada. The Canadian position was reinforced a few days later when the Cabinet War Committee "noted with approval" a report by Robertson against changing Canada's stand.

Privately, the Canadians felt that the Australians had blown the issue out of proportion. What was the problem? The Australians said that their position had changed such that they could not accept the commitments laid out in the article: this notion would be more fully developed later. Evatt,

126. The article was also seen as an important weapon to secure more Mutual Aid funds from Parliament. See PRO, T160/1253, OF17969/010, UKHCC to DO, No.1, January 1st, 1944.


128. NAC, RG2/7C/C4875/5680, Minutes of Cabinet War Committee Meeting held December 16th, 1943 (Exhibit 274).


130. NAC, RG2/7C/C4875/5680, Minutes of Cabinet War Committee Meeting held December 16th, 1943 (Exhibit 274).
defender of all things Australian\textsuperscript{131}, bristled at the treatment being meted out to his country by the Canadians. Canadian insistence on Article X was an attempt "to drive a hard bargain with another British Dominion"; moreover, "Canada had done little enough to help Australia which was bearing the brunt of the Pacific war and ... it was difficult to appreciate that when we did come to their aid we should attach this condition to giving thereof".\textsuperscript{132} According to the Canadian High Commissioner in Australia, T. C. Davis, Evatt seemed to believe that Canada was attempting to use Article X to secure commercial concessions from Australia. Davis assured Evatt that this was not so.\textsuperscript{133}

Further information arrived from Canberra in January. The Treasury did not like Article X, and while Australians had assumed the same obligations in their lend-lease agreement with the Americans, "when Article 7 agreed to it was a question of survival ... and they were concerned with securing help and gave little thought to conditions in Lease-Lend Agreement". The government was now under pressure from both labour and management not to do away with protectionism after the war and was reluctant to say anything on the matter.\textsuperscript{134} Later that month, an Australian External

\textsuperscript{131} For an excellent thumbnail sketch of H. V. Evatt, see McKenzie, pp. 77-78.

\textsuperscript{132} NAC, RG2/44/D-13-5/A/1943-1945 August, CHCA to SSEA, No.316, December 18\textsuperscript{th}, 1943.

\textsuperscript{133} NAC, RG2/44/D-13-5/A/1943-1945 August, CHCA to SSEA, No.317, December 20\textsuperscript{th}, 1943.

\textsuperscript{134} NAC, RG2/44/D-13-5/A/1943-1945 August, CHCA to SSEA, No.10, January 10\textsuperscript{th}, 1944. See also in this same file CHCA to SSEA, No.16, January 14\textsuperscript{th}, 1944, in which Davis reported that Treasury Secretary McFarlane contended, among other things, "that if, in this operative Clause, [the Australian government] reaffirmed the general principles of Article VII, the Government felt that it would run into very serious political difficulties". Davis concluded that the Australian position was "based purely and simply upon local political considerations". See also
Affairs official confided that the recent US suspension of trade negotiations with Australia had led the latter to conclude “that the United States had repudiated Article VII and that they can see no reason here to reaffirm it”.

At first it had seemed that Evatt was the source of the trouble. In January it became clear that the entire Australian Cabinet opposed Article X. Davis explained the situation in Canberra in terms that would become all too familiar in the years to come:

At the outset I felt that difficulty centered in Evatt, but I am now convinced that so-called advisers of the Government are proceeding on the theory that first essential in post-war period is full domestic employment, which can only be secured behind high tariff walls. Government has readily accepted this advice, as it is fundamentally a high tariff group.

Canadian officials should have anticipated the probability, if not the vehemence, of Australia’s opposition to Article X. Australian uneasiness about postwar economic policy had been clear during the commercial policy talks in London in 1943; even Davis, starved for information on the

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135. NAC, RG2/44/D-13-5-A/1943-1945 August, CHCA to SSEA, No.17, January 14th, 1944. Hull suspended the talks on the basis “that domestic situation in the United States precludes the granting of any concessions”. Whatever the reason for their suspension, it is ironic that Canada had argued in 1943 that such negotiations should be suspended for fear that their continuation would hinder progress on the multilateral front.

136. NAC, RG2/44/D-13-5-A/1943-1945 August, CHCA to SSEA, No.316, December 18th, 1943 and CHCA to SSEA, No.4, January 5th, 1944.


progress of discussions on postwar economic policy, was able to see that Australia's "[p]resent attitude on Mutual Aid in complete accord with trend ... evidenced" at those discussions. But this was now a moot point. The Australians would have to be dealt with, one way or the other.

At first the Australians proposed substituting for Article X a reference in the preamble to the fact that both Canada and Australia had already affirmed the principles of the Atlantic Charter and Article VII. On December 23rd Wrong counselled King against this proposal: “[a]s the acceptance of these objectives is already a matter of formal public record, the addition of such a statement to the preamble would not contribute at all to the purpose we had in mind in proposing Article X". Canada had been put in a tricky spot by “[t]he unreasonable Australian attitude”. Withholding Mutual Aid from Australia would run against the principle of doling out supplies based on strategic need. Accepting payment for the supplies in Australian pounds would create an intra-Commonwealth debt. Acquiescing in the Australian desire for the elimination of Article X would mean eliminating Article X from all Mutual Aid agreements, “and we would thus surrender the political advantages of using the Mutual Aid procedure to secure a series of bi-lateral declarations favouring the sort of international economic policy that we desire”.

The Canadians held their ground. On January 5th Davis was sent a letter from King for transmission to Curtin, the Australia Prime Minister. Davis’s instructions outlined the principle the Canadians believed to be at stake:

139. NAC, RG25/3258/6000-A-40, CHCA to SSEA, No. 11, January 11th, 1944.

We have framed our financial policy on the premise that the accumulation of war debts was undesirable and we have, therefore, furnished a great quantity of war supplies to other United Nations at the expense of the Canadian Treasury. We are not seeking to drive any bargain with Australia; we are only supporting polices under which fair trading is possible and bargaining between governments reduced to a minimum. We consider that pursuit of a reasonably liberal international commercial policy after the war is a logical consequence of the wartime methods of furnishing supplies adopted by the United States, Canada and the United Kingdom, which have been deliberately designed to encourage liberal trade policies after the war.\footnote{141. NAC, RG2/44/D-13-5-A/1943-1945 August, SSEA to CHCA, No.3, January 5\textsuperscript{th}, 1944.}

King’s letter took a hard line, flatly refusing both the elimination of Article X and an amended preamble. If Australia could not reaffirm the principles to which it had already committed itself, Canada could only conclude that Australia did not share the beliefs that lay behind the Mutual Aid program and it would have to get its supplies from Canada another way, presumably on credit. The Canadian government would, of course, have to explain publicly why Australia was not a participant in the Mutual Aid program.\footnote{142. NAC, RG2/44/D-13-5-A/1943-1945 August, SSEA to CHCA, No.4, January 5\textsuperscript{th}, 1944.} In Canberra, Davis applauded the decision to “put [the Australians]...
Several weeks later the Australian response came. Curtin and Evatt had been disturbed by the tone of King's letter, Evatt taking particular offence at the notion that rejection of Article X implied that Australia did not share the beliefs of the Mutual Aid program. But they were willing to forget the past and move forward. They had misunderstood the intention behind Article X, as well as those behind Article VII and the Atlantic Charter. Canada, the US, and the UK all seemed to be concentrating on the reduction of trade barriers, and not on international cooperation geared towards the expansion of "employment, production and consumption of goods and international agreements by which countries bind themselves to pursue domestic policies aimed at full employment and higher standards of living". Canada seemed to think that these commitments could be fulfilled by the liberalization of trade; Australia thought that full employment should be secured before trade could be liberalized. The solution, Evatt suggested, was to retain Article X and for Canada and Australia to agree on an interpretation of the article, or at least include reference in the preamble to the Australian interpretation of the article.¹⁴⁴

Although Davis advised Ottawa to accept the latter course¹⁴⁵, the government rejected both

¹⁴³ NAC, RG2/44/D-13-5-A/1943-1945 August, CHCA to SSEA No.10, January 10th, 1944. Davis had advised a similar course on January 5th. See in this same file CHCA to SSEA, No.4, January 5th, 1944.


alternatives. However, the Cabinet did agree to amend Article X to read:

The Governments of Canada and 
re-affirm their desire to promote mutually advantageous economic relations between their countries and throughout the world. They declare that their guiding purposes include the adoption of measures designed to promote employment, the production and consumption of goods, and the expansion of commerce through appropriate international agreements on commercial policy with the object of contributing to the attainment of all the economic objectives set forth in the Declaration of August 14th, 1941, known as the Atlantic Charter.146

This should meet the Australian concerns; it would also meet the “more substantial objections” of India, which was concerned about the implications of Article X (and Article VII, for that matter) for its system of revenue tariffs.147

The amendment was transmitted to Davis on February 11th.148 At first the Australians seemed satisfied.149 But they were not, contending that the section of the preamble dealing with the conditions under which Canada was dispensing aid was inconsistent with the amended Article X. The preamble should be either eliminated or amended, or perhaps Article X amended again.150

146. NAC, RG2/48/D-13-4-2/1943-45, A. D. P. Heeney to H. Wrong, February 8th, 1944.
147. NAC, RG2/41/D-13-5-6/Volume 2, Draft Minutes of Meeting of Canadian Mutual Aid Board held February 4th, 1944; R. B. Bryce to Commander MacTavish, February 14th, 1944; Second Draft Minutes of Meeting of Canadian Mutual Aid Board held February 4th, 1944, dated February 15th, 1944. The Canadians seem to have been more impressed by the Indian case than by the Australian.
149. NAC, RG2/44/D-13-5-A/1943-1945 August, CHCA to SSEA, No.60, February 15th, 1944; CHCA to SSEA, No.61, February 17th, 1944; SSEA to CHCA, No.38, February 19th, 1944.
150. NAC, RG2/44/D-13-5-A/1943-1945 August, CHCA to SSEA, No.74, February 24th, 1944.
Canadian response was a firm no. Negotiations with the UK and the USSR had been completed and no further amendments were possible. Davis was instructed to tell Evatt that "he had received our final proposals and that we wish to be informed at once whether Australia accepts the Agreement as it stands". The Australian acceptance arrived a few days later.

In the grand scheme of things, this episode had been a tempest in a teapot. But it is revealing of the challenges faced by Canada in its pursuit of the multilateral liberalization of postwar trade and the limits of its ability to promote that pursuit. Australia was not a large country, nor was it of overwhelming importance to Canada in strict economic terms. But it was a stubborn country with views that differed sharply from Canada's, and it had taken three months of effort and an eventual compromise to bring the Australians reluctantly (and apparently) around. The episode is also of interest for what it reveals about Canadian interests and the fervour with which they were pursued: it illustrates, in stark relief, the fact that the multilateral liberalized international economy envisioned in Article VII (and now in Article X) was regarded as a vital Canadian interest.

The prospects for the kind of postwar trading environment Canada wanted were mixed at the beginning of 1944. Canada had seen how tough it would be to convince some nations to embrace the sort of world it desired. At the same time, it had found itself in broad agreement with the UK


152. NAC, RG2/44/D-13-5-A/1943-1945 August, CHCA to SSEA, No.77, February 28th, 1944. Evatt said that he would make a statement about the agreement when he tabled it in Parliament; he also said that in the Australian "view our Agreement only related to Article 5 of Atlantic Charter". He did promise to say nothing to embarrass Canada and to give Davis an advance copy of his statement.
in its approach and, even more important, the US and UK had reached a fair degree of accord; moreover, further substantive talks on postwar commercial policy were in prospect.
Chapter 6: A Need for Progress

In the final weeks of December 1943 the Canadian government received not one, but two, invitations to discuss postwar commercial policy. One came from the UK government, desirous of conferring with the Dominions about its recent discussions with the US. The other came from the US government, desirous of pushing forward in the postwar planning process. Concrete international work on postwar commercial policy appeared finally to be underway.

The US invitation arrived first, on December 21st. An excited Robertson emphasized its significance to King in "a pretty incoherent note" that merits quoting at some length:

This is a most important invitation, and particularly for Canada. I feel, very strongly, that what we do, or leave undone, in these next few months may determine the whole course of international economic relations. In this particular field Canada is in a key position because of the volume of our trading interest and of our special relationship with the United States and with the United Kingdom. The latter countries are working towards a programme of multilateral action to free world trade. It is a very ambitious and wide-ranging programme, which may be too ambitious for achievement during these next critical months when the essential decisions have to be taken. If the progress of the war in Europe permits of any slackening or diversion of our industrial war effort, business energies will be directed into the old channels. Tariffs and preferences, which have been for practical purposes inoperative for three or four years, will become important again, and new vested interests will develop which are quite likely to prevent the really radical changes in trade relationships which the world needs, and Canada as much as any other country.

I think there may be a chance, right now, of securing a comprehensive and thoroughgoing trade agreement with the United States, which could be the first major instalment of the multilateral programme which nearly everybody recognizes as the desirable goal. The American invitation for general talks on economic policy is an opportunity to find out whether they would be ready to go along with us right now in something pretty big.²

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2. NAC, RG25/5798/265(s), NAR to the Prime Minister, 21.12.43.
So important were the talks that Robertson would lead the delegation. Also included were Mackintosh, McKinnon, Deutsch, Lamontagne, Merchant Mahoney, a counsellor at the Embassy in Washington, Fred McGregor, Alec Skelton, Charles Wilson, and Harry Scott.4

On December 24th the invitation from the UK arrived. Canada accepted it three days later, at the same time telling the British about the talks with the Americans. Canada would offer firm support for a multilateral commercial convention at those talks, as well as gauge US thinking about early negotiations towards this end. As for the Commonwealth talks, so strong was its belief in the need to expedite the planning process that Canada would be willing to send officials to London earlier than the projected start date of February 21st if this were possible.5 It was not possible6, but the suggestion underscores the Canadian desire for early action. This desire also virtually guaranteed the warm welcome Robertson gave to an American suggestion that a group of US officials be sent to London for talks with Commonwealth officials after the Commonwealth economic policy discussions.7 This proposal also went nowhere, but once again the Canadian belief in the need for

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3. At least two DEA officials questioned the inclusion of members of deputy minister rank, as this might indicate that the Canadians were trying to make more of the talks than the American had intended. This argument did not prove persuasive, at least where Robertson was concerned. See NAC, RG25/3258/6000-40, HFA to Robertson, December 24th, 1943.

4. As noted below, the talks were spread over two sessions, first in Washington, then in New York. This was the delegation sent to Washington. A pared down contingent went to New York, consisting of Mackintosh, McKinnon, Deutsch, Lamontagne, and Mahoney, Robertson attending only the second, and final, day of the talks.

5. NAC, RG25/3258/6000-40, SSEA to SSDA, No.206, December 27th, 1943.

6. NAC, RG19/3989/T-2-9-2/Volume 1, SSDA to SSEA, No.190, December 31st, 1943.

7. NAC, RG25/3258/6000-C-40, M. M. Mahoney to J. Deutsch, January 22nd, 1944; NAC, RG25/3258/6000-A-40, CAUS to SSEA, WA-553, January 28th, 1944; NARA, RG59/Lot Files Pertaining to Europe/Records of the Office of European Affairs/Matthews-Hickerson Files 1935-
progress is clear.

The talks with the Americans took place in two phases, first in Washington from January 3rd to January 7th, and then in New York on February 12th and 13th. All the usual conditions applied: the talks would be informal, exploratory, and non-committal. At the inaugural meeting, Leo Pasvolsky explained that their goal was to discuss the problems at hand and the feasibility of potential solutions, with an eye towards creating an agenda for future discussions. Commercial, commodity, and cartel policies would be discussed, and their “task [would be] to find solutions in which all nations can participate”. US officials “hope[d] that these discussions may help to develop policies of truly international application and thus contribute to the solution of those even broader problems which must be solved if the world is to be spared a recurrence of the scourge of war and of economic collapse”.

Robertson spoke for the Canadians, striking many of the same notes that he had a few weeks earlier in his memorandum to the Prime Minister. The Canadians “had been very encouraged by the

8. The second session of the talks was originally to have been held in Montreal, but the press’s discovery that Robertson had visited Washington, and the resulting speculation as to what he had been doing there, led to the substitution of New York for Montreal. See NAC, RG25/2870/1843-J-40C, SSEA to CAUS, EX-452, February 2nd, 1944; NAC, RG25/5798/265(s), NAR to the Prime Minister, 11.2.44.

meeting of minds” during the US-UK discussions the previous autumn and “hope[d] that an equally large area of agreement could be found” during these discussions. They “were anxious to cooperate in every way possible in order to expedite the formulation of plans for meeting economic problems of the post-war period”. There was a need for speed:

Mr. Robertson stressed the urgency of the questions which have to be considered. He pointed out that we are working against a military timetable that we all want to see accelerated as much as possible; but the more this military timetable is accelerated, the shorter the time that is available for completing the task of planning for the post-war period. The next few months may be a decisive period from this point of view. The opportunity for making spectacular progress in the field of economic policy is available to us at the present time, but if we fail to seize the present opportunity it may not be available to us for many months more.\(^*\)

Only commercial policy was discussed at both sessions of the talks: discussions of cartel and commodity policy were confined to the Washington meetings. The cartel policy talks went smoothly, perhaps because the Canadians did not have much to say. They had arrived in Washington unprepared to discuss the regulation of international cartels, on which little substantive work had been done in Ottawa.\(^\text{11}\) Canadian officials did not get down to serious work on this issue until May 1944, when they concluded that “[o]ur plea of ignorance with regard to this matter has about run out” and that the government might soon be questioned about it.\(^\text{12}\) The Americans, on the

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11. NAC, RG19/3591/L-11b, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Cartels) (44) 1st Meeting, Minutes of a Meeting held March 8th, 1944.

12. NAC, RG25/3258/6000-C-40, JJD to the Under-Secretary, May 23rd, 1944. In this same file, see also Humphrey Mitchell to F. A. McGregor, May 22nd, 1944. Preliminary work seems to have gotten underway shortly after the Washington discussions: in this same file, see JJD to Mr. Robertson, January 29th, 1944.
other hand, had investigated the issue and they wanted action, suggesting various measures to throw more light on and to curb the activities of cartels. While offering reservations on a few points, Canadian officials "expressed sympathy with the objects of [the US] proposals" and agreed on the need for further examination of the issue.

Mackintosh later reported that the commodity policy talks "had been less satisfactory than those on commercial policy". The Canadians had had little opportunity to discuss commodity policy on an international level since the 1942 London discussions when UK officials had presented a draft plan for the stabilization of primary product prices. The British had given their United Nations colleagues an inkling of their current thinking at the Hot Springs food conference in 1943, to which Canada had sent a noticeably able delegation, but no firm commitments had emerged.

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13. Various American officials had shown great zeal for action on cartels during the US-UK talks in autumn 1943; this enthusiasm had not diminished by May 1944 when a DEA official concluded that "[a] Government policy must obviously be shaped if only for the reason that the United States Government attaches great importance to the cartel problem and will wish to have it dealt with in any agreements relating to postwar commerce". See NAC, RG25/3258/6000-C-40, "Cartel Policy: Covering Report", Unsigned, November 8th, 1943 and Letter from H. L. Keenleyside for the Under Secretary of State for External Affairs to H. D. Scully, May 8th, 1944 (quotation is from latter document).

14. NAC, RG19/3591/L-11b, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Cartels) (44) 1st Meeting, Minutes of a Meeting held March 8th, 1944.


16. NAC, RG19/3592/L-11d, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Commodities) (44) 1st Meeting, Minutes of a Meeting held March 1st, 1944.

discussions of the issue in Washington had been more fruitful. Both sides had unofficially offered proposals for discussion (the UK proposal was "in the form in which it had emerged from the discussions with Dominion and Indian representatives in London"), and the progress had been promising.

Canadian and American officials shared several basic beliefs when it came to commodity policy. After the war there would be international agreements regulating various primary products, and these should follow agreed principles and be internationally supervised. Such agreements "should be used for the facilitation of orderly change during the transition periods in which adjustments of production to effective demand are being made, particularly in those cases in which national governments have taken, or might take, independent action to support their producers". Inefficient production should not be encouraged. Guiding principles were needed, but so was flexibility, given the wide range of commodities to be regulated and their varying stock levels. An international commodity organization should be created, one in which producers and consumers were equally represented. It should have a simple structure and "be integrated as closely as possible with other parts of [sic] international economic organization." 

18. BoE, ADM14/15, Discussions on Agenda Under Article VII, A.D. (B.C.) (43) 3rd Meeting, Minutes of Meeting held with Representatives of the Dominions and India on October 13th, 1943.

19. Pressnell, pp. 119-120; BoE, ADM14/15, Discussions on Agenda Under Article VII, A.D. (B.C.) (43) 3rd Meeting, Minutes of Meeting held with Representatives of the Dominions and India on October 13th, 1943.

The primary goal of international commodity policy was the relative stability of and, when necessary, orderly changes in, commodity prices. Two methods of achieving this were discussed, buffer stocks and quantitative regulation. Canadian and American officials spent much of their time discussing the domestic political difficulties associated with buffer stocks. According to the final summary of the talks, to some officials these difficulties loomed so large that they wondered if the international buffer stock proposal could ever work; discussion then turned to "the possibility of securing some measure of international co-ordination of national buffer stocks or price-support policies". This proposal made some officials uneasy, but it was agreed that if an international scheme proved impossible, coordination of national schemes should be considered. Mackintosh later observed that apart from their concerns with the domestic political viability of buffer stock schemes, American officials argued that they would have no time to experiment with buffer stocks, at least during the immediate postwar period, as they would be so busy handling "the emergency situations which they thought certain to arise in the case of cotton, sugar, vegetable oils and possibly

States-Canadian Discussions on International Commodity Policy, January 28th, 1944.

21. The commodity policy talks summary does not identify who took what position on a given issue. The commercial policy talks summary does often identify who took what position, and it has this to say about commodity regulation: "Both groups thought that certain surplus situations affecting internationally traded commodities might well arise which would call for special international commodity agreements. In such cases the use of two-price systems might be permitted in accordance with the terms of such agreements. In this connection the Canadian group thought that it would be very desirable to explore further the possibilities of the use of buffer stocks as a device which might prove adequate for many cases which might otherwise be thought to require special inter-governmental arrangements involving two-price systems." See NARA, RG43/Records of International Conferences, Commissions, and Expositions/International Conference on Trade and Employment (International Trade Organization)/International Trade Organization Subject File 1933-1950/20/Article VII - Discussions with Canadians - General, "Informal Exploratory Conversations Between Officials of the United States and Canada Regarding the Formulation of an Agenda for Discussions Looking Toward the Implementation of the Principles Enunciated in the Exchange of Notes Between the United States and Canada on November 30, 1942", February 14th, 1944.
wheat soon after the war". 22

There was "a very high degree of agreement" when it came to quantitative regulation agreements, "though there was a division of opinion on the extent to which it would be possible to apply the correct principles in practice". 23 There was general agreement that such agreements should be temporary, reserved for exceptional conditions "where conditions of economic distress were in prospect", used "to prevent chaotic conditions of cut-throat competition in international markets". The international commodity organization should ensure, however, that such agreements contained provisions "for restoring equilibrium in the industry by eliminating high-cost production or by securing broader market opportunities to the most effective world producers". 24

Subsidies had been a sore point during the US-UK talks. 25 The Canadians and Americans had no better luck in agreeing on their role in commodity policy. Some officials (most likely the Americans) argued that "[i]nternational commodity agreements should be based on a recognition that there was no essential difference between export subsidies and income subsidies as far as their

22. NAC, RG19/3592/L-11d, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Commodities) (44) 1st Meeting, Minutes of a Meeting held March 1st, 1944.

23. NAC, RG19/3592/L-11d, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Commodities) (44) 1st Meeting, Minutes of a Meeting held March 1st, 1944.


25. Pressnell, pp. 118-120.
effects on the production of world surpluses was concerned". Others (almost certainly the Canadians) argued that the effects of income subsidies were less damaging than export subsidies as they did not lead to differences between internal and external prices that had to be secured through tariffs or quotas, nor did they have detrimental effects on prices faced by consumers. Besides, it was desirable to set international commercial policy in the post-war period on a bold course of expansion, rather than ... concentrate our efforts on perfecting national and international control measures which contained within themselves the seeds of restriction. If we could succeed in bringing about such expansion, there would be less need for international commodity agreements to buttress two-price systems and allocate shares in the world market between subsidized and unsubsidized producers.26

Discussion of commercial policy followed the path laid down by the US and UK the previous autumn, taking as its reference point the agreed joint statement of principles, which covered a wide range of commercial policy issues. Robertson had hoped that the US-Canada talks would result in "agreement ... quickly reached in a substantial area of the field to be studied"27, and he was not disappointed. Canadian-American agreement was achieved on a broad range of issues. There

26. Both quotations are from NARA, RG43/Records of International Conferences, Commissions, and Expositions/International Conference on Trade and Employment (International Trade Organization)/International Trade Organization Subject File 1933-1950/20/Article VII - Discussions with Canadians - Commodities, United States-Canada Informal Economic Discussions, Committee on International Commodity Arrangements, Commodity Paper No.5, Summary of Joint United States-Canadian Discussions on International Commodity Policy, January 28th, 1944. As noted above, this summary does not identify who held what position. My suggestions about the Canadian and American positions are based on information from NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 7th Meeting, Minutes of a Meeting held March 8th, 1944.

should be a multilateral convention that covered both quotas and tariffs and it should be negotiated soon, before the end of the war brought the return of competition and the development of intractable interests: the Canadians proposed that it last a minimum of ten years, so as to "place it on a firm political foundation". The convention should be crafted so as to accommodate developed and developing countries, state trading and non-state trading countries. Ideally, a multilateral approach should be taken to the reduction of tariffs. Encouragingly, American belief in the feasibility of this approach was stronger now than it had been before. Protective duties would be slashed, but revenue duties could be retained; embargoes, quotas and other quantitative restrictions on imports, export taxes and other export restrictions should all be eliminated, subject to certain qualifications (including permission to use quotas in commodity agreements and during the postwar transitional period). Export subsidies would be forbidden, though income or production subsidies might be permitted in some instances. In particular, subsidies could be used to support essential security or

28. This quotation is from an earlier version of the commercial policy talks summary, one that summarized the Washington talks only; the final version retained the Canadian suggestion as to the length of the convention, but omitted the part about the "firm political foundation". See NARA, RG43/Records of International Conferences, Commissions, and Expositions/International Conference on Trade and Employment (International Trade Organization)/International Trade Organization Subject File 1933-1950/20/Article VII - Discussions with Canadians - General, "Informal Exploratory Discussions Between Officials of the United States and Canada Regarding the Formulation of an Agenda for Discussions Looking Toward the Implementation of the Principles Enunciated in the Exchange of Notes Between the United States and Canada on November 30, 1943", Revised Draft, January 29th, 1944.

infant industries: security industries could be protected in no other way, while protection for infant industries might be secured in a few other ways. Finally, a commercial policy organization, along the lines set out in the US-UK joint statement, should be established, the Canadians suggesting that it work in close cooperation with other international organizations.

A concrete result of the talks was a new proposal for multilateral tariff reduction. The US-UK joint statement offered five different methods for cutting tariffs: the formula devised by the Americans and Canadians was a fleshed out version of the third of these methods, proposal "C". "C" proposed "[t]he reduction of all duties by a given percentage, except that no duty need be reduced below a specified ad valorem rate"\(^{32}\): in plain English, a standard percentage cut coupled with a tariff floor. Proposal "C" was not the first choice of the Canadians. They preferred proposal "A", which called for "[t]he reduction of all duties by \(x\) per cent. of their height at a given time, or to \(y\) per cent. ad valorem (or its equivalent in the case of specific duties), whichever may result in the lower duty, but no duty need be reduced below \(z\) per cent. ad valorem (or its equivalent in the case of specific duties)."

\(^{30}\) This point would have particularly pleased the Canadians, given their earlier nervousness about the UK proposal to allow the use of quotas on the grounds of national security. See the discussion of the Canadian position at the 1943 London talks in chapter 5.

\(^{31}\) Unless otherwise noted, this entire paragraph is based on the summary of the commercial policy talks entitled "Informal Exploratory Conversations Between Officials of the United States and Canada Regarding the Formulation of an Agenda for Discussions Looking Toward the Implementation of the Principles Enunciated in the Exchange of Notes Between the United States and Canada on November 30, 1942" and dated February 14\(^{th}\), 1944 in NARA, RG43/Records of International Conferences, Commissions, and Expositions/International Conference on Trade and Employment (International Trade Organization)/International Trade Organization Subject File 1933-1950/20/Article VII - Discussions with Canadians - General.

duties) or, a standard percentage cut with both a tariff ceiling and a floor. However, according to the final summary of the discussions, the technical difficulties presented by "A" induced the Canadians to throw their weight behind "C" instead. An earlier version of that same summary offers another reason for the Canadian decision. The US-UK joint statement noted that one of the great advantages of "A" was "that it would bear more heavily on the higher duties and less heavily on the lower duties. Countries with low tariffs would not be required to make the same total percentage reduction as countries with high tariffs." The Canadians recognized that this advantage was also the proposal's great disadvantage, and doubted its acceptability to high tariff nations. Whatever the reasoning behind the Canadian decision, "C" it was.

The new version of "C" called for the reduction of tariffs by a specified percentage and a tariff floor


36. NARA, RG43/Records of International Conferences, Commissions, and Expositions/International Conference on Trade and Employment (International Trade Organization)/International Trade Organization Subject File 1933-1950/20/Article VII - Discussions with Canadians - General, "Informal Exploratory Discussions Between Officials of the United States and Canada Regarding the Formulation of an Agenda for Discussions Looking Toward the Implementation of the Principles Enunciated in the Exchange of Notes Between the United States and Canada on November 30, 1942", Revised Draft, January 29th, 1944. It should be noted that Canada was one such high tariff nation.
of 10%. Once a tariff had been reduced by this method it could not be increased and its form could not be changed (except for non-ad valorem rates, which could be converted into ad valorem rates), nor could tariffs not reduced through this formula be raised or their form changed (again, except in the case of conversion into ad valorem rates). Finally, tariffs could not be assigned to goods which had hitherto been duty free.\footnote{37}

The Americans and Canadians also agreed on a way to give effect to their recommendations. First, the United States, the United Kingdom, the Soviet Union, the Commonwealth\footnote{38}, and "as many other countries as practicable", would agree on a convention, which would then be offered to other nations for their acceptance. When enough countries, "which could form an adequate nucleus", had signed, the convention would come into force.\footnote{39} All parties to the convention would benefit from

\footnote{37. NARA, RG43/Records of International Conferences, Commissions, and Expositions/International Conference on Trade and Employment (International Trade Organization)/International Trade Organization Subject File 1933-1950/20/Article VII - Discussions with Canadians - General, "Informal Exploratory Conversations Between Officials of the United States and Canada Regarding the Formulation of an Agenda for Discussions Looking Toward the Implementation of the Principles Enunciated in the Exchange of Notes Between the United States and Canada on November 30, 1942", February 14th, 1944.}

\footnote{38. One version of the summary suggested that "[a]greement should be reached first among the United States, the United Kingdom, Canada, as many as possible of the remaining British Commonwealth countries, the U.S.S.R., and preferably several others". There is no definite indication of the authorship of this summary, but the reference to including "as many as possible of the remaining British Commonwealth countries" is interesting, given that at this time Canada was embroiled in the Article X dispute with Australia described in chapter 5. See NARA, RG43/Records of International Conferences, Commissions, and Expositions/International Conference on Trade and Employment (International Trade Organization)/International Trade Organization Subject File 1933-1950/20/Article VII - Discussions with Canadians - General, Summary beginning on page 3 with the title "Section on Commercial Policy", Unsigned and undated.}

\footnote{39. Various Canadian officials had been musing about proceeding along these lines for some time. In May 1943, Clark wrote: "Speaking personally, my mind still runs in the direction that our interests will best be served by suggesting a ten-year agreement with the United States with}
all tariff cuts negotiated under its aegis; its benefits would also be extended to non-adherents for a specified amount of time, after which the benefits would be rescinded unless the commercial policy organization decided otherwise.40

American and Canadian officials did not see eye to eye on everything. One important disagreement was over the link between tariffs and quotas. Both sides agreed that, ideally, reductions in the one would be accompanied by reductions in the other. But the Americans argued that should an acceptable formula for multilateral tariff reduction prove elusive, the commercial convention should still provide for the elimination of quotas, coupled with a commitment to future bilateral tariff reduction negotiations. This was unacceptable to the Canadians, who agreed with the British position as laid out in the joint statement. For the Canadians, as for the British, action on quotas

progressive reduction in the tariff on all commodities to a nominal level all round by the close of the period and the formation of a "economic club" on this basis open to participation by all countries who are willing to abide by the same rules. I think that one of the less important advantages of such a program is that if offers the only possible chance of getting the United States to break away from its slavish adherence to the unconditional M.F.N. policy." Another Canadian official (identified only as "R") suggested that when it came to commercial policy, "a different method should be followed from that used in connection with relief and monet. stabiliz. Agreements should be reached by the principal trading countries. U.S., U.K. + Canada would suffice. Other Domin, China, Russia + perhaps some others could be admitted. A club would thus be formed open to admission by other countries and the price of admission should be made stiff. Countries unwilling to pay the price would be deprived of benefits. Can. is prepared to denounce all her commercial treaties on this basis." See NAC, RG19/3989/T-2-9-2/Volume1, W. C. Clark to H. Wrong, May 8th, 1943; Library of Congress, Leo Pasvolsky Papers/5/International Organizations, Unidentified Papers, Untitled, unsigned, and undated memorandum.

had to be linked to action on tariffs: you could not have the one without the other. Moreover, Canadian officials argued that pledges to eliminate quotas should be linked to pledges to effect substantial multilateral tariff reductions, proposing a 50% cut in tariffs as a suitable quid pro quo.41

The dispute over the link between action on tariffs and action on quotas was significant, but it would become moot if a satisfactory multilateral tariff reduction formula were found. There was no such straightforward solution in sight for the thorniest problem of them all, imperial preferences. Although the Canadians did not oppose the reduction of preferential margins, they were unwilling to go as far in this direction as the Americans wanted. The Canadian position that significant reductions in preferences had to be conditional upon significant reductions in tariffs has already been noted several times. During these talks, Canadian officials suggested a way of dealing with preferences that ensured that they would not be considered in isolation from tariffs:

if agreement could be reached on a multilateral reduction - of say 50 percent - in most-favored-nation rates, that in itself would eliminate a great many preferential margins and would reduce every one of the remaining margins by at least one half. In the opinion of the Canadian group this would go a long way toward the “substantial abolition of preferences” and is all that could reasonably be attempted in the multilateral convention. The reduction of residual margins might be accomplished ... by simultaneous bilateral agreements for the further reduction of duties and the reciprocal exchange of free rates - this would be possible since all rates would be freely negotiable as a result of the abrogation in the convention of commitments regarding the binding of rates and margins ...42


42. They also suggested “distinguishing ... between preferences freely exchanged between the countries of the British Commonwealth members and those granted in the non-self-governing colonies, particularly in what were open door areas prior to 1932” as another way of reducing
The Americans could not reasonably expect reductions in preferential margins greater than those brought about by this formula. To abolish all preferences would force Canada either to remove tariffs on items that entered Canada tariff free from the UK or to impose tariffs on those same items. The former "would clearly not be practical for Canada"; the latter "would run counter to traditional use of British Preferential rates as a means of reducing tariffs and would be in conflict with the main purpose of the proposed convention".

A clever proposal in every respect - except for the fact that the Americans did not like it. Cutting tariffs by 50% constituted, in American eyes, a "drastic and comprehensive" cut, the sort of cut linked in the US-UK joint statement to "the simultaneous substantial abolition of preferences". The Canadian formula would leave too many preferences, and "[i]t would be extremely difficult to defend a convention providing for drastic tariff reductions while leaving in existence an important segment of the preferential system to be negotiated away in supplementary bilateral agreements residual preferences.


44. For a US comparison of the effects of the Canadian formula for preference reduction and an earlier US formula for preference reduction, as well as an analysis of the efficacy of the Canadian formula in reducing Canadian, United Kingdom, and Australian preferences, see NARA, RG43/Records of International Conferences, Commissions, and Expositions/International Conference on Trade and Employment (International Trade Organization)/International Trade Organization Subject File 1933-1950/20/Article VII - Discussions with Canadians, NY, February 1944, Unsigned memorandum to Mr. Fowler, February 11th, 1944 and "Effects of a Reduction of M-F-N Duties by X Percent on the Duty Status of Imports into Canada, United Kingdom, and Australia", Unsigned and undated.
involving still further tariff reduction". The US administration could be accused of having frittered away much of its leverage without having secured the elimination of discriminatory trade practices. Furthermore, Congress would be unlikely to permit the administration to negotiate the sort of bilateral deals the Canadians proposed.45

The Americans suggested an alternative. Action on tariffs and preferences would proceed in step: alongside an "adequate reduction of tariffs (say 50 percent) under a multilateral formula", preferences would be reduced through a complicated procedure "which might meet, in part, the requirements for the simultaneous substantial abolition of preferences" and which would also further reduce residual preferential margins. Both sides promised to consider the various preference proposals put forth during the talks: when it came to preferences, this was the only thing on which they could agree.46

On the final day of the talks, Robertson made a proposal that defies easy categorization. On January 24th Henry Angus, an official with External Affairs, had written Robertson of his concern that the


proposal for a multilateral tariff cut might be regarded by some with a jaundiced eye, coming as it did from the United States and Canada. It might appear to be “a scheme on the part of countries which apparently, as a result of wartime changes, have tariffs higher than they need for protective purposes” and perhaps also “a scheme advanced by creditor countries which must lower their tariffs in any case”. Furthermore, if Congress refused to reduce US trade barriers and would agree only to a convention that permitted substantial protection of the US market, many countries, including Canada, would be left in the lurch. Angus therefore suggested a two-pronged proposal be put to the Americans. First, Canadian officials should suggest a supplemental US-Canada bilateral trade agreement, “inseparably linked to the main plan, to round out, so far as Canada is concerned, the situation produced by the percentage cut”, the benefits of which would be extended to the other signatories of the commercial convention. Other nations might also choose to make similar deals. Second, a clause should be inserted into the multilateral convention “allowing any two or more countries to remove all protective tariffs as [sic] against countries willing to make similar concessions”. Although no nation might ever use this clause, it “would ... point in the right direction, ... towards free trade among mature trading countries”. It would motivate the US to agree both to a large reduction in tariffs and to a bilateral agreement, and it would call what might be a US bluff: “refusal to admit the possibility of forming free trade groups within the plan would place the United States clearly in a dog-in-the-manager position, as its refusal would in effect freeze certain trade barriers, while in words emphasis was being laid on the need for reducing them. The hypocrisy latent in such a position would become evident.”

47. NAC, RG25/3258/6000-A-40, HFA to Mr. Robertson, January 24th, 1944. Angus concluded: “In essence this discussion is as old as Aesop. The United States offer is like the dinner offered by the stork to the fox — out of a narrow necked jar. The [proposal for a free trade clause] is like the fox’s return of the dinner — out of a saucer. The process was part of the stork’s education.”
In New York, Robertson did propose a supplemental free trade deal between Canada and the United States that would cover various goods and would be made universal through the most favoured nation principle. He asserted that “some such arrangement would be necessary in order to enable Canada to adhere to [the multilateral] convention”, citing the automobile industry as an example:

He thought that free entry on automobile parts on both sides of the border would enable Canadian manufacturers to specialize in the production of certain parts not only for Canadian consumption and export overseas, but also for shipment to portions of the United States market. Without this he felt that it would be difficult to justify Canada’s adherence to [the] multilateral convention, which would have the effect of opening up the Canadian market to American automobiles.\(^{48}\)

The proposal went nowhere. The minutes do not record the American response to it, nor is it mentioned in the final summary of the talks. Nevertheless, it indicates that Canadian officials were willing to consider even more trade liberalization than then under consideration. It would not be the last time they would muse about the possibility of such an arrangement.

The New York talks ended on February 13\(^{th}\), leaving Mackintosh, McKinnon, and Deutsch barely enough time to unpack and re-pack before they were off to London for the Commonwealth discussions. Joining them there was Frederic Hudd, an officer at the Canadian High Commission, who represented the Department of Trade and Commerce.\(^{49}\) The talks began on February 23\(^{rd}\) and covered the whole gamut of Article VII issues: monetary and financial policy, commercial policy, commodity policy, cartel policy, employment policy. UK and Canadian officials reported on their respective discussions with the Americans, Mackintosh noting that they had emphasized the urgent

\(^{48}\) NARA, RG43/Records of International Conferences, Commissions, and Expositions/International Conference on Trade and Employment (International Trade Organization)/International Trade Organization Subject File 1933-1950/20/Article VII - Discussions with Canadians - General, Minutes of Meeting held Sunday Morning, February 13\(^{th}\).

\(^{49}\) NAC, RG19/3591/L-11a, SSEA to CHCUK, No.47, February 16\(^{th}\), 1944.
need for progress. He restated the Canadian belief in the interconnectedness of all Article VII issues, stressing that "so far as possible they were anxious to ensure that progress should be made on all the various topics simultaneously". 50

The talks on commodity policy were relatively harmonious, particularly from the Canadian point of view. Some time was devoted to analysing the American reluctance to embrace British ideas on this issue. Mackintosh wondered whether the Americans had actually understood the ideas presented to them by UK officials in Washington; perhaps they had just changed their minds. He also suggested that concern that the conditions of the early 1930s might recur in the postwar transitional period had led some American officials to focus more on how commodity policy might be used to address that situation than on how it should be run in the long run. 51

Commonwealth officials agreed that there should be an international code establishing principles that commodity agreements should follow and an international organization to assess and oversee these agreements.52 An extended debate arose over the workings of the general organization that would supervise the work of the specific commodity control bodies, but the Canadians were not as

50. NAC, RG19/3591/L-11a, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) 1st Meeting, Minutes of a Meeting held February 23rd, 1944.

51. NAC, RG19/3591/L-11a, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) 1st Meeting, Minutes of a Meeting held February 23rd, 1944; NAC, RG19/3592/L-11d, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Commodities) (44) 1st Meeting, Minutes of a Meeting held March 1st, 1944 and A.S.D. (Commodities) (44) 4th Meeting, Minutes of a Meeting held March 13th, 1944.

52. NAC, RG19/3592/L-11d, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Commodities) (44) 2nd Meeting, Minutes of a Meeting held March 7th, 1944 and A.S.D. (Commodities) (44) 5th Meeting, Minutes of a Meeting held March 16th, 1944.
involved in it as were some of the other Dominions. Their major contribution was a suggestion by Mackintosh that some of the functions of the general body might be conducted through the commercial organization. On the issue of regulation, the Canadians were favourably disposed towards the use of buffer stocks, despite various technical difficulties involved in their use; they also wondered how they might be financed, now that the international monetary organization could not do it. Mackintosh favoured using them in the immediate postwar period to dispose of commodities accumulated during the war. This "would set the post-war pattern in many commodities" and could serve to ease the Americans into talking about buffer stocks. They could also be useful in encouraging efficient postwar production.

Cartel policy was not extensively discussed, but what discussion there was is of interest. Despite some reservations, Canadian officials were inclined to support the Americans in their drive to regulate international cartels, and they hoped that others would too. The Americans made a good case for action in this field, and they clearly felt very strongly about it. There was also the question

53. NAC, RG19/3592/L-11d, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Commodities) (44) 2nd Meeting, Minutes of a Meeting held March 7th, 1944 and A.S.D. (Commodities) (44) 5th Meeting, Minutes of a Meeting held March 16th, 1944.

54. NAC, RG19/3592/L-11d, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Commodities) (44) 1st Meeting, Minutes of a Meeting held March 1st, 1944; A.S.D. (Commodities) (44) 4th Meeting, Minutes of a Meeting held March 13th, 1944; A.S.D. (Commodities) (44) 6th Meeting, Minutes of a Meeting held March 17th, 1944.

55. Quotation is from NAC, RG19/3592/L-11d, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Commodities) (44) 1st Meeting, Minutes of a Meeting held March 1st, 1944. In that same file see also A.S.D. (Commodities) (44) 4th Meeting, Minutes of a Meeting held March 13th, 1944.

56. NAC, RG19/3592/L-11d, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Commodities) (44) 4th Meeting, Minutes of a Meeting held March 13th, 1944.
of tactics: Mackintosh suggested "that it would greatly improve the chances of securing the adoption of the whole range of agreements under contemplation if a determined attempt could be made to tackle the cartel problem".57 He later expanded on this theme:

He felt strongly that we should not take too negative an approach on this subject. Of all the subjects discussed, the U.S. had taken the most decided initiative on cartels, and the response made on cartel policy would have a considerable effect on the attitude of the U.S. Administration towards the other subjects discussed with them and on the attitude of the U.S. public towards the general economic policy.58

It was likely that the Americans would be happy with even a little progress in this field. The prohibition of a few practices, promises for further study and the exchange of information, and the setting up of an international organization might be all that was needed. The Canadians urged the British to go this far to meet the Americans, but though the British were willing to countenance action in this field, they were very reluctant to agree.59 The final report of the talks did note the merits of the US case and the possibility that the US attitude towards the other Article VII plans might be affected by the UK position on cartels. However, it also reflected the split that arose between UK officials, who contended that the registration of cartels represented a good start on the problem, and "[o]fficials of some of the other delegations", who favoured going further.60

57. NAC, RG19/3591/L-11b, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Cartels) (44) 1st Meeting, Minutes of a Meeting held March 8th, 1944.

58. NAC, RG19/3591/L-11b, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Cartels) (44) 2nd Meeting, Minutes of a Meeting held March 14th, 1944.

59. NAC, RG19/3591/L-11b, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Cartels) (44) 2nd Meeting, Minutes of a Meeting held March 14th, 1944.

60. NAC, RG19/3591/L-11b, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Cartels) (44) 1, Draft Summary of Discussions concerning Cartel Policy, March 18th, 1944.
On commercial policy, there was some progress. Canadian and UK officials still agreed that a multilateral approach was essential, and the latter were particularly pleased by the Canadian observation that the Americans seemed to have dispensed with the bilateral approach and were apparently more optimistic about the feasibility of the multilateral approach. The Canadians moved closer to the British position on subsidies, accepting the suggestion that they be permitted as a "safety valve". Similarly, on the issue of the treatment of non-adherents to the convention, Mackintosh approved of a UK proposal that "members should not be rigidly excluded from giving benefits to non-members; but if a country did make an agreement giving some or all of the benefits, the draft agreement must be brought before the international organisation [for examination] before it came into force". A modified version, which deprived non-members of the benefits of the convention but permitted agreements between members and non-members, was generally accepted. The Canadians won approval for the idea that the benefits of the convention should be extended to all for a limited period as a sort of trial membership, with the benefits withdrawn from those countries that did not sign on within the specified period.

61. NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 1st Meeting, Minutes of a Meeting held February 25th, 1944 and A.S.D. (Trade) (44) 3rd Meeting, Minutes of Meeting held February 29th, 1944.

62. NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 7th Meeting, Minutes of a Meeting held March 8th, 1944.

63. Deutsch continued to argue against non-members receiving the benefits of membership without assuming its obligations. See NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 7th Meeting, Minutes of a Meeting held March 8th, 1944.

64. NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 7th Meeting, Minutes of a Meeting held March 8th, 1944.
There were also substantial differences. At the closing meeting, Mackintosh put a positive spin on the disagreements that had arisen during the discussions, asserting that they were "the inevitable consequences of the attempt to come to close grips with the problems involved in the implementation of Article VII". Be that as it may, some of the disagreements were not on matters of detail, but of principle, and would prove resistant to easy resolution.

The Australians were the most frequent and vocal critics of the trade liberalization proposals. This was no surprise, given the recent tussle over Article X of the Canadian Mutual Aid Agreement: the same reluctance to commit to trade liberalization there informed the Australian approach at London. Australian officials were skittish about committing themselves throughout the talks, expressing reservations about the speedy reduction of trade barriers, the proposed multilateral tariff reduction formulas, large reductions in preferences, the superiority of subsidies over two-price systems, and the proposals concerning the transitional period. At one point Australian reluctance led to rather sharp words from Mackintosh. When L. G. Melville, Economic Adviser to the Australian central bank, outlined the "considerable difficulties" in the various tariff reduction proposals and suggested instead a tariff truce coupled with a pledge for future tariff reductions, Mackintosh rebutted: "If the Australian representatives were against [the approach outlined in the US-UK joint statement] he

65. NAC, RG19/3591/L-11a, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) 5th Meeting, Minutes of the Final Meeting held March 21st, 1944.

66. NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 1st Meeting, Minutes of a Meeting held February 25th, 1944; A.S.D. (Trade) (44) 4th Meeting, Minutes of a Meeting held March 2nd, 1944; A.S.D. (Trade) (44) 5th Meeting, Minutes of a Meeting held March 3rd, 1944; A.S.D. (Trade) (44) 7th Meeting, Minutes of a Meeting held March 8th, 1944; A.S.D. (Trade) (44) 8th Meeting, Minutes of a Meeting held March 9th, 1944.
thought he should say frankly that the Canadians were in favour of it.\textsuperscript{67}

Australian officials strongly urged the conclusion of an international agreement on domestic full employment before an international agreement on trade liberalization, as well as the very gradual reduction of trade barriers.\textsuperscript{68} The proposal for gradualism did not find favour with the Canadians: as will soon be seen, Canadian officials stressed the need for immediate tariff reductions. Australian concerns about domestic full employment received a gentler Canadian reception, though here too there was fundamental disagreement. The Australians argued that their ability to reduce their trade barriers would likely be conditioned upon their being satisfied that the larger nations intended to pursue full employment policies.\textsuperscript{69} The Canadians countered that the implementation of the Article VII program should not be delayed until after the nations of the world had achieved full employment, as this program would "constitute the desirable framework within which to achieve full employment. Full employment and expansion of trade should be achieved simultaneously and not successively."\textsuperscript{70}

Nevertheless, Canadian officials acknowledged the desirability of countries coordinating their

\textsuperscript{67} NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 4\textsuperscript{th} Meeting, Minutes of a Meeting held March 2\textsuperscript{nd}, 1944.

\textsuperscript{68} NAC, RG19/3591/L-11a, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) 1\textsuperscript{st} Meeting, Minutes of a Meeting held February 23\textsuperscript{rd}, 1944.

\textsuperscript{69} NAC, RG19/3591/L-11a, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) 1\textsuperscript{st} Meeting, Minutes of a Meeting held February 23\textsuperscript{rd}, 1944.

\textsuperscript{70} NAC, RG19/3989/T-2-9-2/Volume 1, CHCUK to SSEA, No.466, February 24\textsuperscript{th}, 1944.
domestic policies and were willing to consider an international agreement on employment. When the Australians submitted a draft agreement, the Canadian inclination was to “consider the Australian proposals sympathetically”, though with reservations:

We feel, however, that in any International Declaration or Agreement regarding the maintenance of employment, care should be taken to prevent the possibility of international bodies becoming involved in matters of domestic policy which are the subject of domestic political controversy. We will oppose the suggestion that failure on the part of any country to meet a general undertaking in a Declaration on employment should constitute grounds for other countries to withdraw from their obligations under other international arrangements.

United Kingdom officials also believed that the Article VII plans would help make the pursuit of full employment policies possible and were concerned about international interference in domestic issues. They proposed toning down the Australian draft. Rather than creating an entirely new international body for employment policy, why not provide for “undertakings to provide statistics and to consult through the instrumentality of an economic council, which will probably be set up to co-ordinate the policies of the various functional international economic organisations”. The Australians agreed, as did the other Commonwealth representatives, including the Canadians.

There was also agreement that if UK ministers approved, the revised draft agreement should be

71. NAC, RG19/3611/M-4, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) (Employment) 1st Meeting, Minutes of a Meeting held February 29th, 1944.

72. NAC, RG19/3611/M-4, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) 10, Employment Policy, Note by the Joint Secretary, March 1st, 1944.

73. NAC, RG19/3990/U-1-4, CHCUK to SSEA, No.540, March 4th, 1944. See also NAC, RG19/3611/M-4, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) (Employment) 2nd Meeting, Minutes of a Meeting held March 6th, 1944.

74. NAC, RG19/3611/M-4, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) (Employment) 2nd Meeting, Minutes of a Meeting held March 6th, 1944. Eady said that UK officials could not accept the suggestion that countries not meeting their full employment obligations be examined by an international tribunal.

75. NAC, RG19/3990/U-1-4, CHCUK to SSEA, No.553, March 7th, 1944.
submitted by UK officials for the consideration of US officials.  

Australia was not the only nation with which Canada disagreed. There were also disagreements between Canada and the United Kingdom, some substantial, some not. UK officials were troubled by the new Canadian-American tariff reduction formula based on proposal “C” of the joint Anglo-American statement. They had a strong preference for proposal “A”, believing it to yield a more equitable result. The Canadian delegation explained the UK concern at the abandonment of “A” to Ottawa:

Their immediate reaction was that the United Kingdom approach had been turned around. They state that their objective was to achieve a drastic scaling down of the very high rates by means of a ceiling, say 25%; only a relatively small reduction, much less than 50%, in the moderate rates and no reduction of the low rates of the low rates, i.e. rates below a floor of say 10%. They seem to feel that the emphasis has been reversed by the discussion of a general 50% cut which would not bring down the very high rates sufficiently while effecting a very substantial cut in the moderate rate.  

76. NAC, RG19/3611/M-4, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) (Employment) 3rd Meeting, Minutes of a Meeting held March 14th, 1944. It was also agreed “that it would not be wise to represent to United States officials that the proposals came from the present meeting, but that it could be explained that they had been discussed between United Kingdom, Dominion and Indian officials”.

77. NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 3rd Meeting, Minutes of a Meeting held February 29th, 1944; NAC, RG19/3989/T-2-9-2/Volume 1, CHCUK to SSEA, No.560, March 8th, 1944.

78. NAC, RG25/5705/7-J(s) Part 1/6000-A-40C, CHCUK to SSEA, No.483, February 25th, 1944. See also NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 1st Meeting, Minutes of a Meeting held February 25th, 1944: “[Sir Arnold Overton] now gained the impression that the United States authorities were wanting to launch a more serious attack upon moderate than upon high tariffs. At the same time they were keeping up their pressure against preferences”. Robertson was not convinced of the merits of the UK arguments, writing from Ottawa, “There is a good deal of validity in United States contention that a fifty percent cut in a forty percent tariff rate is likely to be of more serious economic consequence than a fifty percent cut in a twenty percent rate. For this reason I am not greatly worried by optical inequality of sacrifice which would result from application of a single formula of reduction to high and low tariff countries.” He favoured a simple formula, one with a
The Canadians pointed out on several occasions that they had tried to get the Americans to proceed on the basis of "A", but the latter simply would not, citing its technical complexity. UK officials eventually supported the adoption of a South African proposal for graduated reductions in tariffs. This would result in larger reductions in high tariffs than in moderate or low ones, but might prove more palatable to high tariff countries because of the absence of a low tariff ceiling. Canadian officials agreed that further study might be done of the South African formula, though they had reservations about its technical difficulties and its ability to effect a sufficient cut in tariffs.

More tension arose over the application of the tariff reduction formula. The problem lay in devising a formula that would lead to equitable reductions in specific and ad valorem tariff rates. Specific tariffs are assessed on the basis of a fixed value for each unit of a good that enters a country: for example, a country might impose a tariff of $1 for every imported guitar. Ad valorem tariffs are single proportionate reduction coupled with a ceiling and floor if possible. See NAC, RG25/5705/7-J(s) Part 1/6000-A-40C, SSEA to CHCUK, No.483, February 25th, 1944.

79. NAC, RG19/3591/L-11a, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) 1st Meeting, Minutes of a Meeting held February 23rd, 1944; NAC, RG25/5705/7-J(s) Part 1/6000-A-40C, CHCUK to SSEA, No.483, February 25th, 1944; NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 1st Meeting, Minutes of a Meeting held February 25th, 1944 and A.S.D. (Trade) (44) 3rd Meeting, Minutes of a Meeting held February 29th, 1944. At the February 29th meeting, Mackintosh said that Canadian officials "were reluctant to abandon the idea of a ceiling and had pressed the proposal during the United States discussions, with, they thought, some success".

80. NAC, RG19/3989/T-2-9-2/Volume 1, CHCUK to SSEA, No.560, March 8th, 1944.

81. NAC, RG19/3989/T-2-9-2/Volume 1, CHCUK to SSEA, No.560, March 8th, 1944; NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 10th Meeting, Minutes of a Meeting held March 16th, 1944. At the March 16th meeting, Mackintosh noted "that while they agreed with the general principles that higher duties should be cut more than lower duties, they had throughout talked of a general 50 per cent cut. The result of the South African formula would be that lower duties would be cut less than higher rather than that high duties would be cut more than lower."
assessed on the basis of a percentage of the value of the good that enters the country: thus, a country might impose a tariff of 35% of the value of every imported guitar. Some countries had tariff schedules dominated by specific tariffs, others by ad valorem tariffs, still others had both. The problem was finding a way of reducing tariffs that would allow for equality of sacrifice between countries that relied on specific tariffs and those that relied on ad valorem tariffs. In a world of fixed prices, converting specific tariffs into their ad valorem equivalents (to ensure equivalency of cuts, ceilings, and floors) was a relatively straightforward matter: the trouble was, prices were not fixed. Not only were they not fixed, but compiling data on them was a difficult task, given wide national variances in data gathering and the fact that many of countries from which data were needed were still occupied by Nazi Germany. Add to this various other technical problems of computation and valuation, and the result was a very tricky problem. How should it be addressed?

The British answer was that tariff cuts could be instituted gradually. For example, if proposal “A” were adopted, the percentage tariff cut might be introduced first, followed later by the imposition of the ceiling. The intervening period would be used for data collection and the computation of ad valorem equivalents for specific tariffs. UK officials also proposed that “the reduction of specific duties should be adjusted to compensate for changes in exchange rates and price levels”. The Canadians’ desire for the quickest and greatest possible liberalization of trade is clear in their

82. For a detailed discussion of the technical difficulties associated with dealing with ad valorem and specific tariffs equitably, see NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 3rd Meeting, Minutes of a Meeting held February 29th, 1944.

83. NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 3rd Meeting, Minutes of a Meeting held February 29th, 1944.

84. NAC, RG19/3989/T-2-9-2/Volume 1, CHCUK to SSEA, No.524, March 3rd, 1944.
We urged that ceiling be expressed as an ad valorem rate on specific basis of valuation more than which no importer would be required to pay. While recognising in theory the validity of contention regarding reduced incidence of specifics under today's values, we urged that the complications and anomalies resulting from crude adjustments for price level and exchange rate changes should not be introduced except for countries in special circumstances which would be dealt with separately.\(^{85}\)

McKinnon suggested that countries could dispose of the problem by changing to an ad valorem tariff structure, but this was rejected. In fact, none of the Canadian suggestions were taken up, and the final report of the talks advocated giving specific tariff nations leeway to make the necessary adjustments.\(^{86}\)

A similar disagreement arose during the discussion of the safeguards to be permitted in the postwar transitional period. In this case the Canadians found themselves in larger company and won their point. UK officials argued that the commercial convention should come into effect in two stages. During the first two years, countries could use whatever trade controls they believed necessary, though these should be "used to make the transition to the ultimate objectives of the Commercial Convention as early as possible" and they should consult countries whose interests were injured by them. A partial tariff cut might also be effected during this stage. During the following three years, the terms of the convention would be gradually instituted so that by the end of the period the convention would be fully in force.\(^{87}\)

\(^{85}\) NAC, RG19/3989/T-2-9-2/Volume 1, CHCUK to SSEA, No.524, March 3rd, 1944.

\(^{86}\) NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 4th Meeting, Minutes of a Meeting held March 2nd, 1944.

\(^{87}\) Quotation is from NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 8th Meeting, Minutes of a Meeting held March 9th, 1944. See also NAC, RG25/5705/7-J(s) Part 1/6000-A-40C, CHCUK to SSEA,
The Canadians did not like the implications of this schedule for tariff reductions. A delay in the elimination of quotas was wise, but tariff cuts should be instituted as soon as possible, not least so as to avoid giving the Americans a justification for delaying their own tariff cuts. Mackintosh noted that during the recent US-Canada talks the Americans had at first insisted that quotas be eliminated at the same time that tariffs were reduced. They had seemed to come around to countenancing a commitment, to be made as explicit as possible, for the future elimination of quotas instead. Now that they "were prepared to think sympathetically of the present proposals on the timing of the Convention, ... he was reluctant for them to be given any chance to slip back, unless for some very good reason". 88

With South Africa and New Zealand also strongly in favour of immediate tariff cuts, the Canadians felt that they had "made some headway in convincing United Kingdom". 89 Subsequently, however, UK officials produced a schedule that suggested to Mackintosh "that no important clauses of the Convention would come into force at a date earlier than three years after the Armistice with Japan", including, of course, tariff reductions. After prolonged discussion, Canada, South Africa, and New Zealand got the UK to accept "that the convention should come into force at the earliest date which

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88. NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 8th Meeting, Minutes of a Meeting held March 9th, 1944.

89. NAC, RG25/5705/7-J(s) Part 1/6000-A-40C, CHCUK to SSEA, No.585, March 10th, 1944.
could be agreed upon at the time of the signature by an agreed proportion of countries.”

Another issue on which the Canadian and British approaches differed pointed towards troubles to come. The Canadians proposed, as they had in Washington and New York, that preferential margins be reduced through reductions in non-preferential tariffs; if the cut were substantial, perhaps the Americans could be induced to accept the residual preferences. They also advocated the unbinding of all bound preferences. This would expedite the trade liberalization process (as bilateral negotiations involving bound preferences would no longer become de facto multilateral negotiations) and would serve as “a symbol to the United States of the abandonment of a system to which they took objection”. Additionally, “there should be no future increase in preferential margins”.

Neither South African nor UK officials would pledge never to increase preferential tariffs. Moreover, while UK officials agreed that reductions in preferential margins should be effected through reductions in non-preferential tariffs (through the South African formula, not the Canadian proposal of a 50% cut), they were not keen on unbinding bound preferences, worrying “that this might lead to countries of Commonwealth making bargains at expense of one another and give rise

90. NAC, RG19/3591/L-11b, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (44) 3rd Meeting, Minutes of a Joint Meeting of the Committee on Commercial and Monetary Policy, Meeting held March 20th, 1944.

91. NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 5th Meeting, Minutes of a Meeting held March 3rd, 1944.

92. NAC, RG25/5705/7-J(s) Part 1/6000-A-40C, CHCUK to SSEA, No.483, February 25th, 1944; NAC, RG19/3591/L-11c, Article VII Discussions with Representatives of the Dominions and India, A.S.D. (Trade) (44) 6th Meeting, Minutes of a Meeting held March 7th, 1944.
to intra Commonwealth discrimination". Canadian officials offered another interpretation: "We are informed unofficially that there is now a group in the United Kingdom Cabinet, namely Beaverbrook, Amery and Hudson, who are not prepared to accept a relaxation of the B.P. system. The opposition to our suggestion concerning unbinding is probably not unconnected with this situation."93

Back in Ottawa, Robertson was concerned about the British approach to tariffs and preferences. The measure of agreement attained by US and UK officials during the Washington talks was dissipating and "[i]n general, objectives seem to be shrinking and receding". "[A]s the multilateral programme becomes more modest and more remote", Robertson wrote Clark,

we shall have to look more seriously and more quickly at the specific problems of Canadian-American trade relations. I had envisaged a bilateral agreement with the United States, supplementing a general multilateral tariff reduction, but if effective multilateral action is to be indefinitely deferred and, when achieved, prove modest, then I think we may have to look at the question again from the continental viewpoint.94

Clark agreed. He too was increasingly apprehensive: "In fact, for some time I have been growing increasingly sceptical of the possibilities of real achievement under the multilateral program and therefore increasingly concerned with the advisability, from our point of view, of a radical continental approach coupled with a radical Canadian-British program."95

93. NAC, RG19/3989/T-2-9-2/Volume 1, CHCUK to SSEA, No.560, March 8th, 1944. Both Lord Beaverbrook, the Lord Privy Seal, and L. S. Amery, Secretary of State for India and Burma, were firm imperialists utterly opposed to the dismantling of the Ottawa agreements; R. S. Hudson, the Minister of Agriculture, insisted on the need to protect British agriculture. On the division in the UK Cabinet over commercial policy in this period, see Pressnell, pp. 131-133.

94. NAC, RG19/3989/T-2-9-2/Volume 1, N. A. Robertson to W. C. Clark, March 10th, 1944.

95. NAC, RG19/3989/T-2-9-2/Volume 1, W. C. Clark to N. A. Robertson, March 11th, 1944.
The prospects were no better a few months later as King prepared to go to London for a Prime Ministers’ Conference. Australia had long displayed a marked lack of enthusiasm for trade liberalization; word had come that South Africa was increasingly leaning towards protectionism too.96 No date had been scheduled for the resumption of US-UK talks, and in late April Churchill made a cautious statement on imperial preferences that aroused criticism and concern in the United States.97

Mackenzie King’s chronicle of the May 1944 Commonwealth Prime Ministers’ Conference reveals an overriding concern with intra-Commonwealth political relations. Since the autumn of 1943 there had been much discussion of the future of the Commonwealth. Australian Prime Minister Curtin, General Jan Smuts, the elder statesman Prime Minister of South Africa, and Lord Halifax had all made statements on the possibility of a more centralized Commonwealth in the postwar world. Such an idea was unthinkable to King, and he said so, many times, in London.98

96. NAC, MG26/J1/C7052/363, The Canadian High Commissioner to South Africa to SSEA, No.35, March 22nd, 1944.

97. NAC, RG19/3989/T-2-9-2/Volume 1, CAUS to SSEA, WA-2489, April 24th, 1944. Harry Hawkins told Merchant Mahoney “that his group are in a bad spot and said that anything Canada could do to have the statement “played down” would be rendering them a great service. I gathered that he definitely had in mind your forthcoming visit and the possibility of your assistance from that end.”

98. On the statements by Curtin, Smuts, and Lord Halifax, see, for example, NAC, RG2/19/W-22-9 (Vol. 1)/1943-1945, CHCA to SSEA, No.213, September 7th, 1943; Letter to Dr. Henry Laureys, December 17th, 1943; Letter from Dr. Henry Laureys, No.66, January 25th, 1944; Canadian High Commissioner to South Africa to SSEA, No.139, December 17th, 1943; CHCUK to SSEA, No.103, January 11th, 1944; CHCUK to SSEA, No.270, January 28th, 1944; CHCUK to SSEA, No.273, January 29th, 1944. More generally, see, for example, McKenzie, p. 158-160; Granatstein, Canada’s War, pp. 317-320; C. Cecil Lingard and Reginald Trotter, Canada in World Affairs, 1941-1944 (Toronto: Oxford University Press, 1950), pp. 283-304; Bothwell and English, p. 149.
But there was also important work to be done on commercial policy. The divide in the UK Cabinet noted by Canadian officials in March had not been mended, and even Churchill, who usually inclined towards free trade, was speaking favourably of preferences. According to King, he discussed their "sentimental aspect, as he said, more important in a way than the economic and which hung like a loose girdle around the person of the Empire, so to speak". Now the UK government wanted to know what Commonwealth Prime Ministers thought. Robertson, who had accompanied King to London, summed up the situation for Wrong back in Ottawa:

The United Kingdom has circulated a very cautious and non-committal paper summarising without endorsement the conclusions reached by the meeting of experts in March. Internal political divisions within the United Kingdom Government, which are not likely to be resolved during the next few months, make it unlikely that resumed conversations with United States officials could lead to concrete and useful results. This fact, plus coincidental approach of United States elections, makes me doubtful whether any advantage can be expected from a showdown on main questions of principle at this juncture. I am inclined to recommend a six months' hoist of negotiations and to oppose possible alternative suggested by the United Kingdom that procedure followed in case of International Monetary Fund might be pursued with respect to proposed Commercial Convention. I feel progress in the field of commercial policy must involve Government responsibilities at each stage of negotiations and that interim publication of "Agreed Statement of Principles" - assuming such a document could be drafted - would probably be mischievous in its results.

Wrong, Deutsch, Clark, Mackintosh, McKinnon, and the new Acting Deputy Minister of Trade of Commerce, Oliver Master, all agreed. They also suggested that King take this opportunity "to put forward vigorously and clearly to the United Kingdom authorities the Canadian view regarding a

100. WLMK, May 7th, 1944.
101. NAC, RG19/3989/T-2-9-2/Volume 1, Meeting of Prime Ministers, P.M.M. (44) 1, Commercial Policy, Memorandum Prepared On Behalf Of The United Kingdom War Cabinet For Discussions With The Dominion Prime Ministers, May 3rd, 1944; Pressnell, pp. 131-135.
102. NAC, RG19/3989/T-2-9-2/Volume 1, CHCUK to SSEA, No.1070, May 7th, 1944.
comprehensive international approach”.103

And this is what King did. Canadian prosperity could not be had through imperial preferences or bilateral trade agreements: only a multilateral commercial convention, as universal and as liberalizing as possible, could provide the framework in which prosperity could be achieved. The United States would be an essential part of that convention, and it wanted substantial reductions in preferences. There was no avoiding the fact that substantial reductions in tariffs would necessitate substantial reductions in preferences. “These problems are difficult and very complicated. Bold solutions involve risk-taking which we would all wish to avoid if we could. I feel however,” King concluded,

that postponement of new departures in the field of commercial policy until the end of a “transitional period” which I hear might be as long as five years is to accept defeat in advance. If we are to make a fresh start - our great opportunity will follow close on the end of hostilities. We should be prepared to seek it. If we wait special interests in each of our countries - in Europe and in the United States, which have been subordinated to the pressing needs of a war economy, will assert their special claims. Each of us must inevitably face grave problems of industrial reconversion when hostilities end. I feel these very difficulties will give us an immediate opportunity to build up our most efficient industries on firmer foundations than before. In so doing we can remove many causes of international friction and rivalry and make sure that the economic bases of a world security organisation are securely laid.104

Canada was the only nation that remained unequivocally committed to multilateral trade liberalization. The United Kingdom was divided, and Australia, India, New Zealand, and South

103. NAC, RG19/3989/T-2-9-2/Volume 1, SSEA to CHCUK, No.860, May 8th, 1944.

104. NAC, RG19/3989/T-2-9-2/Volume 1, “Statement by the Prime Minister of Canada on Commonwealth Commercial Policy”. Francine McKenzie observes that King “identified the obstinacy and emotions of both the advocates and critics of preferences as the real barrier to understanding”. See McKenzie, p. 161.
Africa all came down in favour of retaining the imperial preference system.  

Meanwhile, the United States was growing itchy for action. State Department officials were eager to learn what had transpired at the Prime Ministers’ Conference and to obtain detailed information about the Commonwealth talks in February and March: so eager were they that they were even willing to come to Ottawa. They also proposed the resumption of talks with the British, but, despite suggestions that they might be reconvened that summer, the effort failed.

As the summer drew to a close, there had still been no progress on commercial policy. So bleak were the prospects that Deutsch decided to take a fresh look at Canada’s approach to trade liberalization. The sort of wide-ranging multilateral convention for which Canada had hoped did not appear to be in the cards in the foreseeable future: perhaps it was time to try a new tack. Deutsch suggested a dual approach. First, the bilateral trade negotiations between the United States and the United Kingdom, as well as between the US and Australia, New Zealand, and South Africa, should be resumed and brought to fruition as quickly as possible. This would liberalize a significant portion of the world’s trade and bolster the sterling bloc’s finances. Second, Canada and the United States should conclude their own bilateral trade agreement, the benefits of which would be generalized through the most favoured nation principle. Trade barriers should be reduced “not only


106. NAC, RG25/3258/6000-A-40, CAUS to SSEA, WA-3313, May 30th, 1944; CAUS to SSEA, WA-3340, May 31st, 1944; M. Mahoney to N. A. Robertson, June 1st, 1944; NAC, RG25/3259/6000-F-40 Part 1, SSEA to CAUS, EX-2620, June 23rd, 1944 and CAUS to SSEA, WA-3837, June 24th, 1944.

on items which are of leading importance in the trade between Canada and the United States but also on as many as possible of a wide variety of items important in world trade generally”. Such an agreement would be good not only for Canada and the United States, but for the rest of the world. It would open up two prosperous markets to nations that desperately needed them, and do it at no cost to them. It would thus represent “a realistic and substantial contribution by the two leading creditor nations to the reconstruction of world trade and of healthy international economic relations as a whole”. To ensure that no nation exploited this advantage, and to protect Canada’s bargaining position, Deutsch suggested that the benefits be extended for a limited period of time, with provision for withdrawal from any nation that acted in an anti-liberalizing manner after the postwar transitional period.

Deutsch recognized that his proposal was not ideal, but urged that it was the best for which Canada could hope at present. It would not lead to universally liberalized trade, but it would be liberalized trade nonetheless. It could be effected quickly and would lay a sound foundation for future progress.108 Deutsch’s proposal was not taken up, but it serves once again to highlight the strain of pragmatism that ran through Canada’s approach to postwar planning. It also reveals a grave concern for the future as the autumn approached in 1944.

Canadian concerns were not abated in the months to come: in some respects they grew deeper still. Prospects remained promising where the US was concerned. In early October Hickerson told Mahoney that US officials had “just about completed a multilateral draft and that he would ask me

108. NAC, RG25/5769/154(s) Part 1, “Post-war Commercial Policy”, by JJD, August 22nd, 1944.
within the next few days to go over it with him, and added that he thought we would like it". Hickerson also thought that talks with the British might shortly be resumed.\textsuperscript{109} Around the same time, Acheson chatted with Robertson about commercial policy in Ottawa and invited him down to Washington for informal discussions with State Department officials; Robertson accepted and he and McKinnon went down for a day towards the middle of the month.\textsuperscript{110}

Where the UK was concerned, the prospects were far less cheering. One obstacle Deutsch identified in the way of rapid trade liberalization was the postwar financial position of the UK:

The United Kingdom authorities have made it plain how far their external economic policies during the first few years following the end of hostilities will be dominated by the necessities of their balance of payments position. They estimate that over the first three post-war years they will need to increase their exports by the large sum of £750 mm annually. The settlements they will be able to make regarding the huge sterling debt will, under the best circumstances, impose a considerable burden. They estimate that in addition the United Kingdom will have to obtain credits from abroad to the neighbourhood of £1,000 mm [sic] during the immediate post-war years. In view of this situation the United Kingdom authorities do not feel that they can enter into commitments to abandon, or to limit their freedom in the use of, quantitative restrictions on trade for at least three, and more probably five, years after the end of hostilities. Furthermore, until they see their way more clearly regarding the extent to which their export and credit requirements will be met they do not wish to accept undertakings regarding the non-discriminatory use of such restrictions.\textsuperscript{111}

The damage inflicted by its massive war effort on the United Kingdom's financial and commercial position was not news in autumn 1944: it will be recalled that Alvin Hansen had warned his JEC colleagues of this danger in late 1941. But as the war neared its end the problem became more pressing; and if any doubts remained as to the seriousness of the problem, events in the second half

\textsuperscript{109} NAC, RG25/3258/6000-A-40, CAUS to SSEA, WA-5701, October 4\textsuperscript{th}, 1944.

\textsuperscript{110} NAC, RG25/3258/6000-A-40, SSEA to CAUS, EX-4097, October 7\textsuperscript{th}, 1944.

\textsuperscript{111} NAC, RG25/5769/154(s) Part 1, "Post-war Commercial Policy", by JJD, August 22\textsuperscript{nd}, 1944.
of 1944 dispelled them.

Canada had long known that the UK would likely find itself in very poor financial shape at the end of the war. Just how poor that shape would be became clearer in mid-1944. Keynes, Eady, Brand, and Snelling revealed the full seriousness of the UK predicament to Ilsley, Clark, and Towers at Bretton Woods. The former were "confident that the Canadians went away with a far clearer understanding of our position than before"; Ilsley, in particular, apparently "had not hitherto appreciated in the least the actual nature of position in which we shall find ourselves". The message was subsequently reinforced in Ottawa that August (not least by means of a 20 page memorandum entitled "Statistics Bearing on the United Kingdom's Problem of External Finance in the Transition")\(^{113}\), and again in September when Churchill told the Cabinet War Committee that "[t]he financial position of the United Kingdom, after the war, would be one of the greatest difficulty. She would emerge the world's greatest debtor, the world's only debtor."\(^{114}\) As 1944 drew to a close, Keynes, in Ottawa to discuss Mutual Aid requirements for 1945, drove the message home to ministers, making them see that the UK would need financial assistance from Canada for

\(^{112}\) BoE, OV58/22, British Delegation to Bretton Woods to FO, No.15 Remac, July 3\(^{rd}\), 1944.

\(^{113}\) NAC, RG25/5769/154(s) Part 1, "Notes on Meeting in Office of Minister of Finance to Discuss United Kingdom Financing - August 1/44" and "Statistics Bearing on the Dimensions of the United Kingdom's Problem of External Finance in the Transition", August 6\(^{th}\), 1944. One UK official noted of the memorandum: "It is a most able punctuation of a case of such sledgehammer proportions as to make its use to crack the relatively small Canadian nut seem almost inappropriate." See BoE, OV58/22, "Exchange Requirements Committee Treasury Memorandum", by S. D. Waley, August 25\(^{th}\), 1944 (quotation is from a note at the top of the memorandum). Keynes felt that he had succeeded in getting his message across to officials and ministers: see Moggridge, p. 767.

\(^{114}\) NAC, RG2/7C/C4876/5682, Minutes of Cabinet War Committee Meeting held September 14\(^{th}\), 1944 (Exhibit 312).
a long time to come.  

Canadian officials also began to see some of the effects of the deteriorating UK financial position for themselves. In June 1944, members of the recently formed External Trade Advisory Committee (ETAC) had been advised to keep their eyes open “for instances where the lack of exchange had affected Canadian trade”. By September, there was evidence that the United Kingdom had prevented Ireland from buying some Canadian farm implements because “the United Kingdom desired “to conserve Canadian dollars in accordance with repeated requests from the Canadian Finance Department that they should eliminate all unnecessary expenditures in Canada”.” A similar problem had arisen with respect to Australian cyanide purchases. Both Canada and the UK had sold cyanide to Australia before the war, but Canada had sold more. Once the war began, shipping and supply problems had arisen, and Canada had taken over the UK’s market share. Recently, however, Australia had refused to purchase any more cyanide from Canada, having discovered that it could obtain all it needed from the United Kingdom instead.

The ETAC concluded that the UK’s denial of currency to Ireland for the farm implements was


116. NAC, RG2/29/T-50-1/1945-Aug.7, Minutes of External Trade Advisory Committee Meeting held June 20th, 1944.

117. NAC, RG2/29/T-50-1/1945-Aug.7, Minutes of External Trade Advisory Committee Meeting held September 26th, 1944; NAC, RG19/576/152-P-1, W. C. Clark to N. A. Robertson, September 20th, 1944.

118. NAC, RG19/576/152-P-1, The Department of Trade and Commerce to the External Trade Advisory Committee, Re Canadian Exports of Cyanide to Australia, September 18th, 1944.
justified, but there was a larger principle at stake:

It was the consensus [sic] of opinion however that while Canada could take no exception to the exercise of the control in this particular case, the reason advanced - "solely to conserve Canadian dollars in accordance with repeated requests from the Canadian Finance Department" - could not be accepted. Acceptance would mean that we would condone the diversion of trade from established prewar markets and were prepared to recognize the principle that if non-war goods were available anywhere in the sterling area, countries in that area should not buy in Canada.\(^{119}\)

Reports of similar cases flowed in over the next couple of months.\(^{120}\) At the September ETAC meeting, S. D. Pierce, of the Department of External Affairs, had distinguished between sales that were lost because of self-denial and those lost because of trade diversion. Canada could not object to the former, but should object to the latter.\(^{121}\) When it came to Canada taking action, this was a fair distinction to make. In terms of the effects of such instances, this distinction was irrelevant: Canada was losing sales, and possibly markets, because Britain was out of cash.

At the beginning of 1944, Robertson had urged the need for rapid progress in commercial policy planning. By the end of 1944, progress had been slight and there had been backsliding in some areas. The chances of the United Kingdom, in particular, committing itself to substantive postwar trade liberalization seemed to be growing ever more remote. Something would have to be done.

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119. NAC, RG2/29/T-50-1/1945-Aug.7, Minutes of External Trade Advisory Committee Meeting held September 26\(^{th}\), 1944.

120. NAC, RG2/29/T-50-1/1945-Aug.7, Minutes of External Trade Advisory Committee Meeting held October 10\(^{th}\), 1944; Minutes of External Trade Advisory Committee Meeting held November 14\(^{th}\), 1944; Minutes of External Trade Advisory Committee Meeting held November 28\(^{th}\), 1944.

121. NAC, RG2/29/T-50-1/1945-Aug.7, Minutes of External Trade Advisory Committee Meeting held September 26\(^{th}\), 1944. The same distinction was made in N. A. Robertson (for SSEA) to CHCUK, No.1388, November 1\(^{st}\), 1944 in NAC, RG19/577/152-P-1-2/Volumes 1.
Chapter 7: A Time for Action

As 1944 gave way to 1945, Canadian officials sought ways to address the implications of the shaky financial position of the United Kingdom. The confluence of a number of factors provoked this activity: the imminent end of the war in Europe, the increase in UK protectionist and bilateralist sentiment, evidence of sterling area discrimination against Canadian imports, hard data revealing the poverty of UK financial resources, and a massive UK Mutual Aid request for 1945. Some proposals were designed to secure the Canadian position in these uncertain times, others to ease the British position. All were inspired by the notion that Canada could not stand idly by while the decline in British fortunes forced that government to adopt policies inimical to Canadian interests in the short and the long run.

Ottawa was abuzz with ideas in November and December of 1944. At the Department of Finance, Clark was convinced of the need "to find some quid pro quo to ask of the British which would enable us to gain support for a Mutual Aid program this year". The imminent arrival of a UK delegation to discuss Mutual Aid requirements impelled Bryce and Mackintosh to consider "possible strings that we might attach to Mutual Aid of a trade policy nature", including guaranteed purchases and most favoured nation treatment of given quantities of selected Canadian goods, as well as a UK undertaking to pay for some Stage III imports with gold or American dollars. Several

1. Ilsley suggested that Canada would have to provide between $1.15 billion to $1.2 billion in Mutual Aid to the UK and sterling area in fiscal 1945. See NAC, RG2/17/C4876/5683, Minutes of Cabinet War Committee Meeting held February 14th, 1945 (Exhibit 332).

2. NAC, RG19/3437/Trade Policy & Financial Relations, RBB to Dr. Clark, November 6th, 1944.

3. The likelihood that the war in Europe would be won before the war in the Pacific necessitated the invention of terminology to differentiate the various phases of the war. Stage I
weeks later, Bryce, prompted by discussion at an ETAC meeting, proposed “a more positive import policy”, one that would meet the needs of Canadian consumers and increase the ability of foreigners to purchase goods from Canada: in particular, it should be made easier for the nations of the sterling area, especially the UK, to sell their goods to Canada.\(^5\)

Similar thoughts had occurred to officials at External Affairs. Wrong and Sidney Pierce believed that the talks with the British should encompass more than a discussion of UK financial needs. Pierce contended that “[i]f Canada is to be asked to make a substantial contribution [to assist the UK during Stage II], it is fitting that thought should be given at the same time to our problems”. In particular, he was troubled by this statement of UK policy in the document, “British Requirements for the First Year of Stage II”:

Under existing arrangements countries in the sterling area are free to spend their sterling balances anywhere in the sterling area without restriction and to obtain external currencies on condition that they are required for essential goods which cannot be obtained from the sterling area....It is not anticipated that a similar latitude to spend sterling balances outside

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referred to the stage in which there was still fighting in both Europe and Asia; Stage II would begin once the war in Europe was over, lasting until the end of the war in the Pacific; Stage III denoted the postwar era.

4. NAC, RG19/3437/Trade Policy & Financial Relations, RBB to Dr. Clark, November 6\(^{th}\), 1944. See also NAC, RG19/474/UK-Canadian discussions, RBB to Dr. Clark, November 16\(^{th}\), 1944.

5. NAC, RG19/577/152-P-1-2/Volume 1, “Memorandum re Questions of Import Policy”, by RBB, December 11\(^{th}\), 1944. See also NAC, RG25/5769/154(s) Part 1, “Imports”, Unsigned and undated. This memorandum outlined a series of exploratory studies to be undertaken on the liberalization of Canadian import policy, including an examination of “[u]nilateral measures adopted by Canada designed to improve the balance of payments position of specific nations, say the U.K. (?) [sic]”. In December 1944, Keynes reported that “the United States Treasury (as was also the case in Canada) was much more inclined to complain that we were taking advantage of lend lease (or mutual aid) to send less exports than we could to United States (or Canada).” See Donald Moggridge, Editor, The Collected Writings of John Maynard Keynes, Volume XXIV: Activities 1944-1946, The Transition to Peace (London: The Macmillan Press Ltd, 1979), pp. 215-216.
the sterling area can be continued much longer.\textsuperscript{6} Canada should be exempted from this policy; at the very least, it should be allowed to maintain its prewar share of exports to the UK and Empire.\textsuperscript{7}

Over in Trade and Commerce, Arthur Neal, seconded to the Commercial Relations Division from the Bureau of Statistics, suggested encouraging exports to the sterling area according to a hierarchy of priority, which considered, among other factors, the importance of the UK market to a given commodity and its “ultimate commercial possibilities”.\textsuperscript{8} At the Bank of Canada, George Watts, a member of the Research Department, recommended “an integrated and carefully balanced export programme with some assurance as to volume and stability” during Stage III, amounting to $1.75 billion in exports per year. Of this, some $435 million might have to be financed by Canada, through loans or guarantees, the vast majority of which would cover purchases by the UK. It was vital for Canada to maintain its established markets in the UK; indeed, “[t]he problems connected with exporting to the U.K. during [Stage III] have implications which place this sector of our export trade at the crux of our export policy.”\textsuperscript{9}

\textsuperscript{6} Towers was also troubled by this paragraph, but he opted for a different approach to its implications, as will be seen below. See NAC, RG19/4369/U-3-11, “A Proposal for Maintaining Canada’s Exports to the Sterling Area during the Post-War Transitional Period”, by G.F.T., November 25\textsuperscript{th}, 1944.

\textsuperscript{7} NAC, RG25/5769/154(s) Part 1, SDP to Mr. Robertson, November 23\textsuperscript{rd}, 1944.

\textsuperscript{8} NAC, RG19/576/152-P, Oliver Master to W. C. Clark, November 24\textsuperscript{th}, 1944 and “Sterling Payments and Commercial Exports from Canada”, Unsigned and undated.

\textsuperscript{9} NAC, RG19/3437/Trade Policy & Financial Relations, George Watts to R. E. Bryce, November 22\textsuperscript{nd}, 1944 and “An Export Plan for the Transition Period”, Unsigned, November 15\textsuperscript{th}, 1944. I have assumed that Watts wrote this memorandum because it was he who forwarded it to Bryce, and because Douglas Fullerton, in his biography of Graham Towers, refers to “a balance-of-payments projection prepared by George Watts” that “predicted that, in the early post-war years,
The most important proposal to come out of the Bank of Canada came from the Governor. Graham Towers was preoccupied by the issue of postwar employment, and from November 1944 to January 1945 composed three memoranda in which he developed his approach to the problem.\(^9\) The second of these, “A Proposal for Maintaining Canada’s Exports to the Sterling Area during the Post-War Transitional Period”, he sent to Clark on December 1st, hoping to discuss it with him “at the first opportunity”.\(^11\)

Stressing that “our main hope of keeping the civilian sector prosperous is to export on a large scale” during Stage III, Towers divided Canadian export markets into two classes: “those countries whose purchases in Canada are determined mainly by factors beyond our control, and ... countries over whose purchases we may be in a position to exercise considerable influence”. The US was of the former class, the UK of the latter. Towers noted, in words reminiscent of those used by Watts, that “it is the volume of our exports to the United Kingdom which constitutes the crux of our post-war problem”.

Towers suggested that Canada should aim at $600 million worth of Stage III exports to the United Kingdom per year. But once the war was over, the UK might decrease its imports of Canadian goods: indeed, it was already discouraging their purchase. Canada had to act:

> It is the proposal of this paper that we should grasp the nettle of our transition problem firmly and attempt to ensure that the U.K. and the rest of the sterling area do not

Britain and the sterling area countries would be running a deficit in trade with Canada of some $400 million annually”. (The actual projection was $420 million.) See Fullerton, p. 206.


11. NAC, RG19/4369/U-3-11, Graham Towers to W. C. Clark, December 1st, 1944.
discriminate against Canadian exports on currency grounds during a 3-year transition period by offering the U.K. a credit large enough to keep our exports at a reasonably high level, and on terms which take account both of the real difficulties of their international position and of the reasons they have given for reluctance to go into debt to countries outside the sterling area by more than such minimum amounts as cannot be avoided.

Financing would be required for $1.25 billion in exports to the sterling area over the three years: Towers proposed that Canada finance $1 billion, the remaining $250 million to come from the UK’s gold and US dollar resources. The interest rate would be very low, and deferral of payment permitted in times of extreme financial stringency: this would address the UK’s reluctance to undertake obligations on which it might default through no fault of its own. In return, the UK should pledge not to favour sterling area goods over Canadian goods on the grounds of a lack of hard currency and to permit sterling area countries to obtain Canadian dollars for sterling earned after the war in order to make purchases in Canada.

Towers recognized that a credit, which would address only the financial motivations behind the present drift of British policy, would not necessarily solve the problem. He saw that “[a] combination of considerations - the real facts of the British international position, old-fashioned imperialist sentiment, vested interests in inefficient highly cartellized industries, political prestige - is pushing the U.K. in the direction of tightening up the sterling area and expanding its scope by bringing in the countries of Western Europe”. An offer of a loan would uncover the UK’s true

12. On this issue, Towers commented: “The legitimate U.K. preoccupation which we must be prepared to meet - and which it is important for us in our own interests to have established as a general principle - is that the creditor cannot throw the debtor into default if the debtor’s balance with the creditor is adverse and its relationships with other countries do not leave it with resources sufficient to repay the creditor in gold or acceptable currencies.” Later on in the paper, he added: “We must be prepared to accept the implications of our surplus position and be a willing importer from other countries; the alternative is the deliberate liquidation of a major part of our export industry.” See NAC, RG19/4369/U-3-11, “A Proposal for Maintaining Canada’s Exports to the Sterling Area during the Post-War Transitional Period”, by G.F.T., November 25th, 1944.
motivations:

Unless we come forward, however, with a proposal which meets the undeniable difficulties of their payments position, and meets these difficulties on terms that take account of their legitimate concern about the possibilities of repayment, we shall never be in a position to say with assurance that their reasons for discriminating against us are other than those officially put forward. If we do make such a proposal and it is turned down, then we shall know that we are confronted with difficulties of the spurious type and shall be entitled to take a very strong line. We have so much at stake that we must make the attempt, and at all events we shall be better off if we learn sooner rather than later where we stand.

If the UK accepted the offer, Canada’s way through Stage III would be eased: even if the UK never repaid it, Canada would still have secured at least temporary employment and time to adapt to postwar realities. Towers ended with an exhortation to “use the time purchased in this way to develop policies [such as supporting “vigorously ... the adoption of expansionist foreign trade policies by the other countries and in particular by the United States”] which make it unnecessary, when the three years are up, to repeat the performance in order to keep the economy going”.13

Bryce, Mackintosh, Watts, and Pierce, among others, had also foreseen the need to provide postwar credits to the British.14 But Towers was the one official who suggested in detail how the credit should be structured; he would also be the primary spokesman for generous credit terms in an

13. Unless otherwise noted, this entire summary of Towers’s memorandum is based upon NAC, RG19/4369/U-3-11, “A Proposal for Maintaining Canada’s Exports to the Sterling Area during the Post-War Transitional Period”, by G.F.T., November 25th, 1944.

14. NAC, RG19/3437/Trade Policy & Financial Relations, RBB to Dr. Clark, November 6th, 1944 and “An Export Plan for the Transition Period”, Unsigned, November 15th, 1944.; NAC, RG25/5769/154(s) Part 1, SDP to Mr. Robertson, November 23rd, 1944. Nor were Canadian officials the only ones thinking about a postwar loan: Keynes had been considering this possibility since at least January 1944 and had mentioned the need for a loan on his last two visits to Ottawa. See JMK, XXIV, pp. 12-13, 225; NAC, RG25/5769/154(s) Part 1, N. A. Robertson, for SSEA, to CHCUK, No.42, January 9th, 1945; Moggridge, pp. 767, 782.
important meeting with ministers in January 1945, as will be seen below.  

Through the proposals of this period runs a palpable sense of anxiety about the developing situation. Bryce was "a little alarmed at the unknown difficulties which may lie ahead in attempting to work out conditions applying to what is essentially a non-multilateral trading world which we have not yet explored at all". Pierce worried that Canada might "be deprived of the opportunity of even competing in the markets of the Empire, to whose survival we contributed by depleting our resources and sacrificing our men. The effect on the ties between Canada and the United Kingdom will be anything from harmful to catastrophic." To Towers, a sterling bloc that discriminated against Canadian products meant an "outlook for Canada [that] is very bleak indeed". The anxiety did not abate in the new year. On January 9th, Gordon Munro reiterated to London "the point which he has made in most conversations, namely, that the Canadians are really worried at the prospect that discrimination against them as being a non-sterling country will drive them into the arms of the

15. Douglas LePan gives Towers the lion's share of the credit for getting the UK loan proposal rolling in Ottawa. He also credits him with being the first official in the US, UK, or Canada to propose a loan on such easy terms (combined with a proposal to distribute the sterling balance burden more equitably). See Douglas LePan, *Bright Glass of Memory: A Set of Four Memoirs* (Toronto: McGraw-Hill Ryerson Limited, 1979), pp. 65, 67-68.

16. NAC, RG19/3437/Trade Policy & Financial Relations, RBB to Dr. Clark, November 6th, 1944.

17. NAC, RG25/5769/154(s) Part 1, SDP to Mr. Robertson, November 23rd, 1944.

18. NAC, RG19/4369/U-3-11, "A Proposal for Maintaining Canada's Exports to the Sterling Area during the Post-War Transitional Period", by G.F.T., November 25th, 1944. Not everyone was as nervous about the developing situation as were Towers and others. One memorandum, likely by Bryce (it appears to be in his handwriting), suggested that while the present situation was not great, and could get worse, there was perhaps not yet as much reason for alarm as Towers suggested. See NAC, RG19/3437/Trade ... UK ... Policy & Relations, "Crits of T memo + case", Unsigned and undated.
United States and may even lead to an outcry for secession if the economic pressure becomes extreme. It was time to go to the ministers.

On January 18th, top ministers and officials convened in Ilsley's office. Present were Ilsley, Howe, MacKinnon, St. Laurent, General Andrew McNaughton (the recently appointed Minister of Defence), Clark, Robertson, Mackintosh, Towers, Master, Coyne, and Bryce. Clark outlined the reason for this meeting:

There was another aspect, however, to the Mutual Aid and related programs for next year which he felt it was desirable to bring to the attention of the Ministers concerned, and that was the prospect for Canadian trade in the period immediately following the end of hostilities, and the general financial relations between Canada and the United Kingdom during that period. He said that the developing prospects in this field appeared to be so serious, particularly the trend of Ministerial opinion in the U.K., that they justified the Canadian Government doing what it could at the present time to improve matters. Moreover, he felt it was difficult to recommend to the Government at this time a substantial measure of Mutual Aid without drawing to their attention the trade difficulties which Canada might face vis-a-vis the U.K. at the conclusion of hostilities.

Clark turned things over to Towers, who pulled no punches in his depiction of the trouble ahead:

Unless others make a different course of action possible, he felt the U.K. was going to establish a "cordon sanitaire" around the sterling area from an economic point of view, and would endeavour to develop and expand trade within that area and restrict it between that area and the rest of the world. These restrictions would be effected not only by the old-fashioned device of tariffs, but also by exchange control, import quotas and bulk purchasing policies. He said he thought it was the hope of the U.K. to bring others into this sterling bloc, particularly countries of Western Europe. Indeed ultimately the ambition might be to bring in most of the world outside of Canada and the U.S. ... As far as trade with North America is concerned, they appear to contemplate agreed sales and purchases which would be linked in such a way as to ensure a market for British goods and the avoidance of competition. It would mean, of course, that the U.K. would have to discriminate against imports from Canada and the U.S. except insofar as special arrangements were made in individual cases as a result of bargaining.

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Such a development would run counter to the whole project of a multilateral liberalized postwar international economy. It would damage Canadian and American commercial interests and possibly force Canada to discriminate against the US, and it would undermine North American economic and political relations with the UK and the rest of the sterling area. But it was also increasingly accepted as inevitable in important circles in the United Kingdom: R. S. Hudson, the Minister of Agriculture and Fisheries, spoke as though Article VII were "just a scrap of paper". Keynes had recently opined to Towers that this trend of thought would likely triumph "unless some good alternative were put forward". Canada would have to provide such an alternative.

That alternative should involve a loan on generous terms, as described above, which Towers now thought should be between $1 billion and $1.25 billion. This loan, along with a similar one from the US, would help enable the UK both to buy what it needed and to participate in a multilateral liberalized global economy. Towers reported that he had broached the idea of such a credit with Keynes, who had said that the UK would be unable to accept it if in order to do so it would have to pledge not to discriminate against Canadian exports. With its massive sterling obligations to India, Egypt, and its colonies, the UK would be unable to honour this pledge, as it would be unable to meet the calls for Canadian dollars from holders of blocked sterling balances resulting from a policy of non-discrimination. Keynes had mused about finding a way out of this predicament: Towers now proposed one. The US could assume responsibility for a quarter of the blocked sterling

20. Keynes had recently written along similar lines to Clark: arguments in favour of protectionism and a sterling bloc would be "very difficult to upset until we have something better to offer in concrete terms, which with the help of you in Canada and our friends in Washington, we hope to be able to produce in due course". See NAC, RG19/3992/U-3-8, Keynes to Clark, January 16th, 1945.
balances\textsuperscript{21} and India, Egypt, and the colonies could write off another quarter. This would reduce the UK’s burden by half and facilitate a policy of non-discrimination. Towers concluded that now was the time for action.

Towers’s presentation was effective. It was decided to proceed along the general lines he proposed, although one minister evinced a degree of hesitation that would grow with time. Louis St. Laurent, while recognizing the importance of the British market for many Canadian products, mused “that the alternatives to disposing of our goods abroad appeared to be to give, to lend, or to exchange for other goods. Of the three, he said the only really sensible course was to accept goods in exchange and use them.” Similarly, when Mackintosh suggested that it should be made “clear publicly that Mutual Aid ends with the end of hostilities, and that credits would be the post-war solution to the type of problem to which Mutual Aid affords a wartime solution”, St. Laurent queried “whether that was realistic, when in fact the U.K. can get along without Canada and the U.S. except for bilateral and balanced trade”. Nonetheless, Canadian officials were given the go-ahead to proceed. Officials in the State Department should be sounded on the implications of the UK position and potential solutions\textsuperscript{22}; meanwhile, Clark, Towers, and Mackintosh would draft a message to the UK.\textsuperscript{23}

\textsuperscript{21} Earlier that month, Munro reported to Thompson-McCausland “a suggestion (which I [Thompson-McCausland] gather was not confined to the Canadians) that America and Canada should between them take over, say, 25% of our sterling balances, buying them for dollars and then cancelling them on condition that the holders of the balances cancelled a further 25% for their part.” See BoE, OV58/4, “Note of a conversation with Mr. Gordon Munro on 9\textsuperscript{th} January 1945”, by LPMcC, January 9\textsuperscript{th}, 1945. Similarly, see Fullerton, pp. 208-209.

\textsuperscript{22} Canadian officials had in fact already broached this topic with the Americans. Pearson, in “an informal chat with Acheson”, learned that Acheson, “Clayton and others had had a talk with Law on economic questions and had indicated that while the Article VII discussions might have to be allowed to drag, it was important that immediate consideration should be given to ways and means of assisting the United Kingdom to pay for her imports in the immediate post war period. Unless this were done long range commercial policy discussions might not be of such great
Work on such a message had been underway since at least the first week of January. The drafting process took a month: Bryce, Mackintosh, Coyne, Pierce, and Rasinsky were all involved.

Three draft telegrams, two from the Canadian government to the UK government and one from King to Churchill, were approved by the Cabinet War Committee on February 14th, pending a few changes and St. Laurent's approval. These conditions met, the telegrams were sent on February

importance.” See NAC, RG19/4369/U-3-11, CAUS to SSEA, WA-175, January 10th, 1945. See also in that same file, L. B. Pearson to N. A. Robertson, January 10th, 1945. And see Mackenzie, p. 509: “In late January, Robertson indicated to an American official in Ottawa that Canada would prefer negotiations on Article VII, lately confined to commercial policy, to be ‘broadened to include questions relating to the extension of credit.’”

23. Unless otherwise noted, this entire summary of the January 18th, 1945 meeting is based upon NAC, RG19/4369/U-3-11, “Notes on Meeting of Ministers and Officials in Office of Minister of Finance January 18, 1945, to Discuss Immediate Post-War Commercial Policy Outlook”.


25. Mackintosh’s draft is notable for this suggestion: “in order that the reciprocal advantages of Mutual Aid should be made more apparent, particularly in the period in which Mutual Aid will assist both in war and reconstruction, the United Kingdom and Canada should agree on a desired trade program for the year 1945-46, and, in due course, for succeeding years. In such a program, which should embrace all trade, and not only those items to be covered by Mutual Aid, the requirements of both countries in groups of commodities should be set out as practicable in either minimum or target figures, firm in intent but not inflexible. Each country would thus state its purchasing intentions and undertake to use its best endeavours to supply the agreed requirements of the other.” See NAC, RG25/5769/154(s) Part 1, WAM to W. C. Clark, G. F. Towers, O. Master, N. A. Robertson, R. B. Bryce, and J. E. Coyne, January 25th, 1945.

26. Howe appears also to have had some direct involvement in the drafting process, while St. Laurent’s views seem to have influenced the substance of the message (see next footnote).

27. NAC, RG2/17/C4876/5683, Minutes of Cabinet War Committee Meeting held February 14th, 1945 (Exhibit 332). King had discussed the telegrams with Robertson the preceding day. Though recognizing that a restrictionist UK policy would have severe economic implications for Canada, King seems to have been more concerned with its potential political effects: “... the possibility of Britain to save her own position lending herself to a series of restraints in trade which might raise the most serious problems within the Empire that have come up thus far. Something that might drive Canada into a position of annexation with the States through the inability to get any markets in Britain.” After the Cabinet War Committee approved the telegrams, King wrote: “What we agreed to was to continue giving Britain mutual aid and help her from getting into a state of
23rd, 1945

The telegrams represented a classic carrot and stick approach, blending several of the ideas that had been floating around Ottawa that winter. Wartime non-discrimination would be demanded as a quid pro quo for the 1945 Mutual Aid appropriation, but the UK was assured that such a policy would not be permitted to endanger its position. There could be greater efforts at encouraging imports from the UK, but not if the UK maintained its present policies. The sterling balance proposal was dropped, but a postwar loan on generous terms was offered. There were dire bankruptcy, but asking her to recognize what was owing to the future of the British Commonwealth if it was to be maintained; try to protect her against herself in the preservation of the Empire as such. Really the British attitude is a terribly selfish one. Again, if the Empire is to continue, it will be because Canada has through her policies helped to save the day.” WLMK, February 13th and 14th, 1945. See also WLMK, February 15th, 1945.

28. St. Laurent seems to have been responsible for a slight toughening of one of the telegrams. As will be seen below, Canada argued that the UK and the rest of the sterling area should pursue a policy of non-discrimination vis-à-vis Canadian goods while Canada provided the UK and sterling area with Mutual Aid. Earlier drafts of the message had provided for consultations if such a policy proved too financially burdensome. A draft dated February 17th entitled “(Suggested redraft of Paragraphs 5 and 6 to attempt to meet St. L.’s point)” contained a new phrase: “If in fact the change in policy led to a modest increase in total requirements beyond the amount which could be met from Mutual Aid together with current receipts from Canada, it does not seem unreasonable to expect the United Kingdom and the rest of the sterling area to finance such a relatively small excess from their own resources, in view of the magnitude of Mutual Aid being provided by Canada.” See NAC, RG19/3437/Trade Policy & Financial Relations, “(Suggested redraft of Paragraphs 5 and 6 to attempt to meet St. L.’s point)”, by RBB, 17/2/45. The problem seems to have been more with Quebec and less with St. Laurent himself. On February 16th, St. Laurent told King “that the feeling in Quebec was against the United Kingdom ...”. Discussing the telegrams, St. Laurent said that “[h]e had made suggestions for amendments. Here again he thought that in anything in which the U.S. took a strong stand we would be able to get support from Quebec and this both as regards world trade and collective security.” When King described the potentially disastrous economic and political effects of a restrictionist UK policy, St. Laurent “agreed entirely with this. Hoped the U.S. might be able to favour the world trade idea.” See WLMK, February 16th, 1945.

29. Bothwell and English put it more pithily: “A financial carrot accompanied this political stick ...”. Bothwell and English, p. 150.
predictions and there were threats, but there were also reassurances and possible solutions.

The first telegram reported the decision to recommend that Parliament fulfil the UK Mutual Aid request, and firmly linked the provision of Mutual Aid to wartime and postwar goals. Mutual Aid had been adopted in order to avoid postwar debts, so "as not "to burden post-war commerce or lead to the imposition of trade restrictions or otherwise prejudice a just and enduring peace." Moreovere,

Following the end of hostilities in Europe, the United Kingdom's shortage of Canadian dollars and need for Mutual Aid are expected to increase in size rather than diminish, and to a degree it will assume a somewhat different complexion. During this period Mutual Aid will contribute to the prosecution of the Japanese war on a scale which should make possible some improvement in the low wartime standard of living in the United Kingdom and a more rapid rehabilitation of United Kingdom export industries than would otherwise be possible. This draws renewed attention to the post-war implications of Mutual Aid, and links the policy of Mutual Aid directly to the development of commercial policy.

Given this, Canada had to make known its concerns about the sterling area policy of discrimination. The maintenance of such a policy "will undoubtedly set the pattern for the commercial policy of the post-war world. It is the evident direction of this policy, rather than the results of it up to date, which is disquieting." The effects of the continuation of this policy on Canadian public opinion, on the Commonwealth, and on the dream of a liberalized multilateral world economy could only be disastrous. Furthermore, while Canada was footing a good share of the bills of the UK and the rest of the sterling area through Mutual Aid, discrimination against its goods was "unnecessary and inappropriate". It was a policy "inconsistent with the spirit of Mutual Aid"; if the UK and the rest of the sterling area continued to embrace it, it would "make it increasingly difficult for the Canadian Government to maintain the provision of Mutual Aid". It should be stopped.

The telegram concluded with kind words for British efforts to continue exporting to Canada
throughout the war and noted the steps Canada had taken to encourage British imports. Canada was considering ways to stimulate such imports further, but "[a]ction along these lines, and even the retention of the lower tariffs already temporarily in effect, will be made more difficult if Canadian exports are being excluded from the United Kingdom market".\

The second telegram began with a reiteration of the belief that a multilateral liberalized global economy was in the best interests of Canada and the world as a whole. The plans that had been laid thus far recognized that the immediate postwar years would present peculiar problems, and countries had been permitted to opt out of the arrangements for a given period of time. But such provisions could not do the job alone:

The Canadian Government feel that this negative attitude to the international problems of the transition period is insufficient, and that positive constructive measures must be taken in order that the countries most directly concerned may surmount the special difficulties of this period as quickly as possible. We believe it is of the utmost importance that such difficulties should not be permitted to result in a narrow, restrictive commercial policy which would, both in the immediate post-war years and for an indefinite period thereafter, frustrate the attempt to re-establish international trade under freer conditions and in larger volume than before the war. We realise that the basic reason for any such undesirable development would be financial necessity, and in the course of this communication we shall develop certain proposals designed to overcome the financial difficulty, at least as regards trade between Canada and the sterling area.

The UK needed to import and Canada needed to export. Canada wanted to export to the UK and the rest of the sterling area, but the latter lacked the Canadian dollars to buy the goods. The UK did not want to borrow beyond what it could easily repay, and it should not be forced to default on a loan through no fault of its own. The conclusion was inescapable:

much larger loans, adequate to facilitate a more rapid and successful revival and expansion

30. This entire summary of this telegram is based upon NAC, MG26/J1/C9881/391, SSEA to SSDA, No.45, February 23rd, 1945.
of peacetime trade and employment would be well within the ultimate capacity of the United Kingdom to repay, if the terms of repayment were sufficiently realistic and flexible, and recognized the dependence of such international debt payments upon conditions of expanding world trade and ample markets for United Kingdom exports. Loans of this character, indeed, would themselves aid in creating the very conditions upon which their ultimate liquidation depends, and by encouraging an expansive attitude to international trade both in the transition period and subsequently, would strengthen borrower and lender alike and assist in the attainment of high employment and in the development of liberal commercial policy throughout the world.

Canada was ready to discuss such a loan with the UK; it was also willing to work jointly with the US and UK towards a similar solution.\textsuperscript{31}

The final telegram from King to Churchill noted the “very great importance” King attributed to the preceding two telegrams. Scant progress had been made in the talks on postwar commercial policy; if something were not done, countries might adopt short-sighted economic policies and form competing economic blocs. Canadian ministers were troubled by evidence that the UK was leaning towards “bilateral deals and a form of sterling area isolationism”, but would have no right to complain were they not ready to assist the UK in its time of financial distress. “If, however,” King continued, “these problems were dealt with through concerted action along bold and imaginative lines, the path would be cleared for real progress in the general field of commercial policy. On the other hand, I am certain that restrictive measures adopted immediately after the war would set the pattern for the foreseeable future.” King was not troubled solely by the economic implications of the present trend of UK policy:

I am, however, equally concerned at the political consequences, particularly on relations between the United Kingdom on the one hand and Canada and the United States on the other ... I feel certain that if the United Kingdom and the rest of the sterling area went in for a policy of discrimination against imports from North America immediately after the war

\textsuperscript{31} This entire summary of this telegram is based upon NAC, MG26/1/1/C9881/391, SSEA to SSDA, No.46, February 23\textsuperscript{rd}, 1945.
without this course being absolutely inescapable, the general reaction in North America
would be one of bitter recrimination and disillusionment. The atmosphere would
undoubtedly strengthen the hands of those who are opposed to whole-hearted participation
in world affairs.

Such a situation could develop unless there was “positive action at a high level and at an early
date”.

London was not surprised by the telegrams: Munro had been sending reports on the situation home
for weeks. On December 7th, he had noted Clark’s concerns as well as “a feeling that the sterling
block will be sitting pretty, relatively speaking, in the immediate post-war trade position, that
Canada will be “left out on a limb” in regard to the United Kingdom in particular and to the rest of
the Commonwealth and Empire in general”. On January 27th he had written that the issue was
“almost an obsession with” Clark, adding that a statement of Canadian views would likely
accompany the decision on Mutual Aid. In mid-February, Munro had confirmed this; so had
Malcolm MacDonald, remarking, “there is serious anxiety on the subject here. That anxiety is felt
in all quarters and all parties”. Moreover, as noted, Towers had tried out his loan proposal on
Keynes in late 1944; he had also suggested such a course to Munro, who had passed the suggestion

32. This entire summary of this telegram is based upon NAC, MG26/J1/C9881/391, SSEA
to SSDA, No.47, February 23rd, 1945.

33. Hector Mackenzie observes: “As one British official commented, these telegrams were
‘not bolts from the blue.’” Mackenzie, p. 477. See also McKenzie, p. 166.

34. BoE, OV58/23, Minute by R.G.M. re: Stage II Financial Arrangements between the UK
and Canada, December 7th, 1944.


36. BoE, OV58/23, UKHCC to DO, No.310, February 13th, 1945 and UKHCC to DO,
No.315, February 14th, 1945. (Quotation is from the second telegram.) In that same file, see also
UKHCC to DO, No.336, February 16th, 1945.
on to London on January 9th. However, although London was not surprised, it was not ready with its answer.

Initial indications were good. On February 28th, Frederic Hudd wrote from Canada House that the telegrams had been received by UK officials as "realistic, constructive, imaginative and generous". On March 4th, Churchill cabled King that Canada’s proposals were undergoing intense examination and that the UK would do all it could to accommodate Canada. “We are particularly grateful,” Churchill continued, “for your financial proposals which are most generous and a promising starting point for our future discussions”. A few days later, Lord Halifax praised the proposals as “very generous” and “along the right lines”.

In truth, opinion in London was mixed. Meade welcomed the proposals, writing, “The Canadian attitude is so satisfactory because it so clearly relates the Canadian demand for an Article VII Commercial Policy with the recognition that the terms of Canadian lending to us must be made to approximate towards those of war-time sterling area lending.” Robbins was more cautious,


39. NAC, MG26/J1/C9881/392, SSDA to SSEA, No.45, March 4th, 1945. Mackenzie suggests that while King was happy with this response, Canadian officials were less impressed. See Mackenzie, p. 480. For King’s reaction, see WLMK, March 5th and 10th, 1945.

40. WLMK, March 10th, 1945.


42. Pressnell, p. 204.
though he and Meade reported favourably on the issue to the Lord President of the Council and Deputy Prime Minister, Clement Attlee. Keynes was not so impressed, thinking the messages testy and precipitate, neither “very wise or judicious approaches to the subject”, though the loan proposal promised a sensible settlement down the line. Liesching was pleased by the suggestion of a credit, and he and Overton were inclined to deal sympathetically with the proposals. The notion of a postwar loan from Canada was far less pleasing to Thompson-McCausland and Bolton, who were sceptical of the wisdom of large-scale borrowing from North America. The Bank ultimately settled on a cautiously sympathetic approach, suggesting accommodation in the short run, while making “no secret of [its] dislike of the Canadian proposal” for the long run.

43. Howson and Moggridge, The Collected Papers of James Meade, p. 57. See also McKenzie, p. 166, for an elaboration of Robbins’s views.

44. JMK, XXIV, p. 298.

45. JMK, XXIV, p. 297. Keynes also noted: “In fact, the Canadians have got us all wrong about this. It is not the case that we are pining and planning for a discriminatory bilateral world. Quite the contrary, we shall be venting our very best efforts to make future arrangements exactly what they want them to be. But it is a very long way from being easy for us to arrange this and it will have to be more or less on our terms. For that reason ... it may do no harm that they should be worrying quite a bit. But in fact, if Canada and the U.S. will each play their appropriate part, I have not the smallest doubt, if only they will be a little patient, all will turn out well.” See JMK, XXIV, p. 298. Eady also thought a little worry might do the Canadians (or, more to the point, the British) some good. See Mackenzie, p. 480.


48. BoE, OV58/23, “Canada Telegrams Nos. 45 and 46, Conclusions of Meeting in the Deputy Governor’s Room on 2nd March 1945”, by L.P.MC, March 2nd, 1945. Bolton argued for accommodation on political grounds: “London has no alternative but to regard the situation from the point of view of its imperial responsibilities. The mere fact that the war has weakened us financially should not weigh unduly heavily against doing everything possible to make certain that Canada is encouraged to remain in the family.” Others were less inclined to accommodation. The critical view of the Canadian proposals adopted by R. N. Kershaw, an Adviser to the Governors,
On March 6th, a meeting was held at the Treasury. This summary of the discussion serves as an equally apt characterization of the conflicts among UK officials about how to reply to the Canadians:

The meeting was long and discursive. Policy wavered between, on the one hand, recognition of the Canadian problem as real with consequent readiness on our part to be helpful, and on the other hand a refusal to accept the position that the particular form which Canada’s war effort has assumed (viz. Mutual Aid) entitles her to any claim on the U.K. for Mutual Aid rendered.

The ambivalence of UK opinion was also reflected in the fact that “[t]he only decision taken was that Harmer [F. E. Harmer, Temporary Assistant Secretary at the Treasury] should draft a telegram. No instructions were given as to what the draft should include”, though note was made of some “points [that] were touched on in the discussion”. Included among these was the desirability of face-to-face conversations at an early date, as well as this on the credit proposal:

Lord Keynes referred to the Canadian loan suggestions in No.46 as generous, but the general opinion was that they were not to be considered. The suggestion that if the Canadians claim sterling area treatment, they should be prepared to share the risk by holding sterling, was generally approved of. But no one felt that any specific financial proposals could be discussed at this early stage.

No commitments could be made about Stage III until the UK had itself figured out what it was going to do; Keynes advised that they “aim to have such a policy by May at the latest”. 49

is nicely summarized in his opening salvo: “It is unpleasant to have to look this Canadian gift horse in the mouth, but it has some very dubious teeth.” Kershaw did later agree with Bolton’s suggestions for accommodation in the short run. See BoE, OV58/23, “Canada Telegrams Nos. 45 and 46”, by GLFB, March 1st, 1945; “Canada Telegrams Nos. 45 and 46”, by RNK, February 27th, 1945; handwritten note by RMK dated 1/3, attached to the memorandum by Bolton cited above.

By March 9th, Harmer had drafted two telegrams. These were submitted for the consideration of ministers, who were as divided in their views as their advisers. The Chancellor of the Exchequer believed it necessary to meet some of Canada’s concerns, even to the point of permitting it “to accumulate some sterling in the future if this is the only way of showing our desire to be helpful”, despite the difficulties of such a course. Lord Beaverbrook, staunch imperialist and Lord Privy Seal, opposed the loan proposal because “it would “break up the sterling area”’.”

Hudson, the Minister of Agriculture and Fisheries, rejected it on the grounds that it would solve nothing and argued that the UK had to exploit the Canadian need (as well as the need of other dollar countries) for UK markets to the fullest in securing markets for its own exports. Meanwhile, the Chancellor and the Dominions Secretary became engaged in “a ministerial tussle” over the replies; they were largely responsible for the finished product.

An informal ministerial meeting was held on the evening of March 20th to consider the replies and the War Cabinet formally approved them for despatch on the following day. The first telegram

50. BoE, OV58/23, F. E. Harmer to P. A. Clutterbuck, March 9th, 1945 and two attachments, both entitled “Draft Telegram to Government of Canada”.


52. BoE, OV58/23, Handwritten note by HAS dated 21/3 on bottom of Memorandum re: Canada Telegrams 45 & 46, by Thompson-McCausland, March 19th, 1945; Mackenzie, p. 482.

53. PRO, CAB66/63, W.P.(45)167, Commercial Policy - Views of the Canadian Government, Undated memorandum by the Minister of Agriculture and Fisheries.


55. PRO, CAB65/49, Cabinet 34(45)1, March 21st, 1945.

56. PRO, CAB65/49, Cabinet 34(45)1, March 21st, 1945.
dealt with the mechanics of the Mutual Aid appropriation, the second addressed the larger issues raised by the Canadian government. The ambivalence that had characterized UK discussions of the Canadian proposals was reflected in the latter telegram, which was simultaneously sympathetic and guarded. While the UK was pleased to learn of the Canadians' concerns and their proposed solutions, given the complexity of the issues to be addressed caution and gradual progress had to be the order of the day. However, the British desire to work with Canada on remedies to Canadian problems was made explicit and the invitation to discussions eagerly accepted. Could Canadian officials come to London for talks?

The ambivalence of the UK response can be attributed primarily to two factors. First was the division over the merits of the Canadian proposals: as discussed above, a number of ministers and officials opposed them on the grounds of their basic undesirability. Second was their implications for relations with the United States: when viewed within a North American context, the arguments against embracing the proposals were immeasurably strengthened. The second telegram twice cited the importance of considering the issues raised by the Canadians within the context of relations with the United States, and in so doing merely echoed points raised by many in the preceding weeks. For example, Thompson-McCausland noted that until the US position was clarified, the UK could not discuss Stage III arrangements, while Bolton was concerned about the effects of a loan from

60. BoE, OV58/23, “Canada Telegrams 45 and 46”, by L.P.T.McC., February 26th, 1945. In the same file, see also Untitled memorandum, by Thompson-McCausland, March 12th, 1945. Keynes made much the same point to Clark in January. See NAC, RG19/3992/U-3-8, Keynes to
Canada on future negotiations with the US. From Washington Brand cautioned that it would be most difficult to convince the Americans that non-discrimination should be applied to the Canadians and not to them, a conclusion with which Keynes heartily agreed. The importance of this factor is evident in a telegram to MacDonald:

... We feel that we must carry our talks with the Canadians along in step with our talks with the Americans. We should not of course wish the Canadians to feel that they were being kept at arm's length until we had settled the American problem, but on the other hand we cannot risk prejudicing the latter by going ahead too far with the Canadians.

... This is the basic reason why, in our reply, we have urged the Canadians to send a team of officials to discuss with us, rather than attempt to set out our views in writing. We feel that there is much that we can do by way of informal and exploratory discussion, both to reassure them as to the general lines on which we are working, and to explain to them the difficulties to be faced, on the handling of the matter no less than on the facts of our position. We could also consider what could be done administratively to ease matters.

The idea of a meeting was not new. UK officials had been urging that a Canadian delegation come to London for weeks and discussions about the mechanics of a visit were underway before the UK

Clark, January 16th, 1945.


62. BoE, OV58/23, Washington to FO, No.219 Remac, March 6th, 1945. See also, in this same file, F. E. Harmer to P. A. Clutterbuck, March 9th, 1945 (in which Harmer referred to this telegram as a good statement of the complications of the Canadian proposals viewed in a North American context) and DO to UKHCC, No.515, March 21st, 1945, as well as Pressnell, pp. 204-205, for the importance of this message.

63. JMK, XXIV, p. 298.

64. BoE, OV58/23, DO to UKHCC, No.515, March 21st, 1945. Donald Moggridge attributes the careful UK response mostly to “the uncertainty as to how far Britain could go independently of the United States in the direction the Canadians desired”. See Moggridge, p. 784.

65. NAC, RG19/3992/U-3-8, Keynes to Clark, January 16th, 1945; BoE, OV58/23, UKHCC to DO, No.184, January 27th, 1945; UKHCC to DO, No.310, February 13th, 1945; UKHCC to DO, No.315, February 14th, 1945.
replies arrived in Ottawa. On the Canadian side, Pierce had argued in January the superiority of a visit over the proposed despatch of telegrams, asserting that "[t]he matter should be lifted at once out of the usual routine and given prominence and urgency". Other Canadian officials were not so sure: in particular, Clark and Robertson wondered whether a visit would prove of any real use. It took considerable effort on the part of Munro and MacDonald to get them to warm to the idea. Munro eventually forwarded them an excerpt of a letter from London that stressed that "[i]t would be a thousand pities if the Canadians were to miss this golden opportunity of getting in on the ground floor". UK officials expected discussions to range over all the problems of Stage II and Stage III; moreover, the talks proposal had received the blessing of ministers. In such a circumstance, "the Canadians would I feel sure be making a great mistake in tactics if they failed to respond". Clark and Robertson were convinced.

Mackintosh, Towers, and McKinnon made the journey. They were joined in the UK by Douglas

67. NAC, RG25/5769/154(s) Part 1, SDP to Robertson, January 27th, 1945.
68. BoE, OV58/23, UKHCC to DO, No.710, March 30th, 1945.
69. NAC, RG19/3992/U-3-8, R. Gordon Munro to W. C. Clark, April 7th, 1945 and Unsigned and undated note (quotations are from the latter document). The excerpt highlights the importance UK officials attached to talks with the Canadians: "Such a lot hinges on this that I know you will do your utmost to bring this about. Meanwhile we shall wait most anxiously for further news." Keynes and Eady also pressed Wrong, in London for talks on the proposed international security organization, on the subject, while Liesching and Machtig, among others, discussed with him the Canadian proposals and the response to UK telegrams. Wrong did some pressing of his own, counselling early action and warning of the political dangers that could arise in Canada if the issue of Stage III were left long unresolved. NAC, MG26/J1/C9877/387, CHCUK to SSEA, No.1046, April 13th, 1945; NAC, RG19/4369/U-3-11, CHCUK to SSEA, No.972, April 6th, 1945; JMK, XXIV, p. 304.
70. NAC, RG19/3992/U-3-8, W. C. Clark to R. Gordon Munro, April 11th, 1945; W. C. Clark to N. A. Robertson, April 11th, 1945; N. A. Robertson to W. C. Clark, April 7th, 1945.
LePan, the newly anointed Canada House expert on issues economic. The talks took place in the second half of May, commencing at Cambridge, and continuing in London. As predicted, they ranged widely: of immediate interest are the discussions concerning British requirements in Stage III and the present state of Anglo-Canadian trade.

Keynes hosted, and dominated, the Cambridge talks, using the opportunity to "entertain them [the Canadians] and prepare their minds". He provided them with details on the UK's financial woes and examined three possible postwar solutions, which he called "Starvation Corner", "Temptation", and "Justice". Starvation Corner would see the UK practice "a maximum degree of self-sufficiency". Temptation would be the easiest choice, the acceptance of large loans on flexible terms, primarily from the US, to import the goods necessary to a relatively comfortable life. The third option, Justice, would involve, among other things, delayed repayment of half of the sterling

71. Better known as a writer of poetry and fiction, Douglas LePan joined the staff at Canada House in 1945, following duty with the Canadian army in Italy and as an advisor to General Andrew McNaughton. LePan attributes his membership on the delegation to a May 1945 report he wrote on the UK financial position at the request of the High Commissioner. LePan, pp. 58-62. For the report, see NAC, RG2/30/V-10-15/1945-July 10, Vincent Massey to SSEA, A.160, May 4th, 1945.


73. Keynes was careful to note that his ideas were neither finalized nor sanctioned by ministers and that his presentation should be regarded "as highly unofficial - partly a personal, partly a Treasury view of the questions at issue". BoE, OV58/23, "Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King's College, Cambridge, 19th May, 1945, at 10.30 a.m."

74. NAC, RG19/4369/U-3-11, "Minutes of Conversations held in King's College, Cambridge from Saturday, May 19th to Monday, May 21st between the Canadian Financial Delegation and Representatives of the United Kingdom Treasury". This account is unsigned, but was written by LePan: see NAC, RG25/5769/154(s) Part 1, CHCUK to SSEA, A.665, December 31st, 1945.
balances and negotiated cancellation of another quarter, a $3 billion grant from the US to cover monies paid out by the UK prior to the commencement of lend-lease, and UK options on loans on easy terms from the US ($5 billion) and Canada ($500 million). The Treasury was strongly in favour of Justice: it would afford the UK independence and, by obviating the need to make a later appeal to American generosity, reduce the chances for US-UK tension. It would also enable the UK to be a full participant in a multilateral liberalized global economy.

Mackintosh and Towers favoured an approach along the lines of Justice. Towers thought that the proposals with respect to the sterling area were likely to be accepted, but wondered whether the

75. The settlement would also involve Canada assuming costs associated with the British Commonwealth Air Training Plan and tanks Canada had supplied, as well as "[t]he continuation of the present Canadian dollar loan, and its reduction as securities are sold. No reference was made to interest." See NAC, RG19/4369/U-3-11, "Minutes of Conversations held in King’s College, Cambridge from Saturday, May 19th to Monday, May 21st between the Canadian Financial Delegation and Representatives of the United Kingdom Treasury". The loan in question was made by Canada to the UK in 1942 and totalled $700 million.

76. Unless otherwise noted, this summary of Keynes’s presentation is based upon NAC, RG19/4369/U-3-11, "Minutes of Conversations held in King’s College, Cambridge from Saturday, May 19th to Monday, May 21st between the Canadian Financial Delegation and Representatives of the United Kingdom Treasury" and BoE, OV58/23, "Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King’s College, Cambridge, 19th May, 1945, at 10.30 a.m."

77. BoE, OV58/23, "Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King’s College, Cambridge, 20th May, 1945, at 10.30 a.m."

78. Towers was very concerned that Starvation Corner could lead to the economic absorption of Canada by the US. See BoE, OV58/23, "Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King’s College, Cambridge, 20th May, 1945, at 10.30 a.m.". In that same file see also "Canada", by C.F.C., May 23rd, 1945, and see NAC, RG19/4369/U-3-11, "Minutes of Conversations held in King’s College, Cambridge from Saturday, May 19th to Monday, May 21st between the Canadian Financial Delegation and Representatives of the United Kingdom Treasury", as well as LePan, p. 95. LePan suggests that Towers more readily and fervently embraced Keynes’s ideas than did Mackintosh. See LePan, pp. 77-78.
Americans could accept the grant proposal: why not just ask for a loan of $8 billion on terms suggested in the Canadian February telegrams? Canada, of course, stood ready and eager "to contribute to a common solution of the problem". Mackintosh and Towers agreed that the UK should make clear the link between its proposals and US interests, Towers observing that "the Americans were shy of acting as a permanent Christmas tree, and would want to feel that in joining in a settlement on the lines proposed they were not only acting generously but were contributing an essential part to the sort of peace they wanted".

79. BoE, OV58/23, "Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King's College, Cambridge, 19th May, 1945, at 10.30 a.m.". LePan's account noted that both Keynes and Eady rejected this proposal. See NAC, RG19/4369/U-3-11, "Minutes of Conversations held in King's College, Cambridge from Saturday, May 19th to Monday, May 21st between the Canadian Financial Delegation and Representatives of the United Kingdom Treasury". Cobbold's account noted that the Canadians "welcomed the idea of an approach to U.S. on the lines envisaged by Keynes and urged that we ought to be prepared to take some risks (by which I think they mean contract a loan from U.S.A., flexible if possible) in order to keep away from the political dangers". Cobbold later discussed his opposition to proposing a loan to the US with Towers, who responded thus: "He sees the point but he is so imbued with the necessity of our coming to terms with U.S.A. that I think his influence will be on the side of taking a loan if that is the only way we can do it." Towers later told another UK official that the UK "should "beg and borrow" all [it] can and not worry about the consequences". See BoE, OV58/23, "Canada", by C.F.C., May 23rd, 1945. Hector Mackenzie asserts that the Canadians' advice influenced Keynes's eventual decision to ask the US for a grant only, instead of a grant and a loan. See Mackenzie, pp. 508-509.

80. BoE, OV58/23, "Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King's College, Cambridge, 19th May, 1945, at 10.30 a.m.".

81. BoE, OV58/23, "Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King's College, Cambridge, 19th May, 1945, at 10.30 a.m." and NAC, RG19/4369/U-3-11, "Minutes of Conversations held in King's College, Cambridge from Saturday, May 19th to Monday, May 21st between the Canadian Financial Delegation and Representatives of the United Kingdom Treasury" (quotation is from the former document). LePan's account reported that Mackintosh and Towers proposed "linking the $3,000,000,000 contribution with the highest political and economic objectives and even with some minor territorial adjustments ... Dr. Mackintosh added that in the approach to officials the practical necessity of minimising the transition period [of which Keynes had reported the Treasury now to be in favour] seemed to offer the best opening."
No agreement was reached on the role Canada would play in the financing of British postwar needs. Keynes laid out some of the UK concerns with the proposals outlined in the February telegrams, including the potential for Anglo-Canadian tension, the ease of default, and the fact that the Canadian solution would essentially substitute a dollar debt to Canada for sterling debts to sterling countries. “But,” continued Keynes,

the main objection was the analogy with the U.S. While we feel that it might be possible to arrive at a reasonable and workable understanding with Canada about flexibility, it would be far more difficult to do so with the U.S. As Mr. Towers remarked, the Americans would put their lawyers on to it. We could foresee endless political difficulties arising; and there would always be the risk that pressure to secure repayment could be used as a bargaining method in quite unrelated matters. 82

Keynes suggested that Canada might hold sterling in lieu of providing a dollar loan; when Towers stated his continued preference for the loan proposal, Keynes urged that the Canadians keep the sterling option in mind as a possible solution if the UK proved unable to reach a satisfactory settlement with the US. 83

The issue of Anglo-Canadian trade was also explored. Canadian complaints about sterling area discrimination were taken up at the end of the Cambridge talks, as well as in London in the days that followed. The UK was quite willing to help Canada, but was concerned that doing so could allow the US to claim similar treatment. 84 The Canadians rejected British proposals for ad hoc or

82. BoE, OV58/23, “Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King’s College, Cambridge, 19th May, 1945, at 10.30 a.m.”.

83. Mackintosh also expressed his distaste for holding sterling and his preference for a loan. BoE, OV58/23, “Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King’s College, Cambridge, 19th May, 1945, at 10.30 a.m.”. In that same file see also “Canada”, by C.F.C., May 23rd, 1945, and see LePan, p. 94.

84. See, for example, BoE, OV58/23, “Canada”, by C.F.C., May 23rd, 1945 and PRO, DO35/1219, WT665/101, F. E. Harmer to S. Caine, May 29th, 1945. Harmer suggested that meeting
administrative solutions, as well as the suggestion that Canada simply put up with discrimination until the final settlement with the US had been achieved. Instead, a new principle was adopted: for the rest of the war, while Mutual Aid remained in effect, the UK would not discriminate against imports of essential goods from Canada on the basis of hard currency deficiency in cases where Canada had been a normal prewar supplier of the goods in question, though it would retain its right to discriminate where non-essential goods were concerned. It would direct its Crown Colonies to follow this policy and suggest that the rest of the Commonwealth do the same.

To avoid trouble with the Americans, the new policy would not be publicized and the UK would also informally ease discrimination against US imports. The issue of Canadian imports from the United Kingdom Canadian concerns would facilitate both Mutual Aid assistance and postwar financial assistance, as well as alleviate the “obvious political objections to this discrimination”.

85. BoE, OV58/23, “Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King’s College, Cambridge, 20th May, 1945, at 10.30 a.m.”. Cobbold’s account suggested that the ad hoc and administrative approach had not been rejected; Thompson-McCausland subsequently observed that this was not the conclusion recorded in the Treasury summary of the discussion. See BoE, OV58/23, “Canada”, by C.F.C., May 23rd, 1945 and “Canada- Non-Discrimination”, by LPMcC, May 24th, 1945.

86. The UK also reserved the right to re-open the matter should the increase in imports prove too financially burdensome. See NAC, RG19/4369/U-3-11, “Canadian Exports to the Sterling Area” (marked “Final draft as submitted to Chancellor”), Unsigned and undated. The policy took effect in July, as Clark’s physical collapse and the election campaign prevented Canadian officials from reporting on the London mission until mid-June. See BoE, OV58/23, UKHCC to DO, No.1337, June 16th, 1945 and DO to UKHCC, No.1253, July 5th, 1945; NAC, RG19/3579/L-11a, W. A. Mackintosh to Gordon Munro, June 22nd, 1945 (and revised version dated June 25th, 1945 in NAC, RG2/13/W-22-3/1944-July 1945); NAC, RG2/T2364/2636, Cabinet Conclusions of Meeting held June 26th, 1945 (Meeting Number 107) and Cabinet Conclusions of Meeting held June 28th, 1945 (Meeting Number 108); NAC, RG25/5769/154(s) Part 1, W. A. Mackintosh to N. A. Robertson, July 16th, 1945 and R. Gordon Munro to W. A. Mackintosh, July 10th, 1945.

87. See, for example, BoE, OV58/23, “Concessions for Canadian Imports into the Sterling Area - Note on Procedure in the United States”, Unsigned and undated and UKHCC to DO, No.1407, June 28th, 1945.

88. BoE, OV58/23, “Concessions for Canadian Imports into the Sterling Area - Note on Procedure in the United States”, Unsigned and undated; NAC, RG19/3437/Trade Policy and
was also addressed. Here too there was progress, as Canadian officials reiterated their desire to increase purchases from the UK and discussed ways to effect this. 89

In short, the Cambridge talks were a success. The UK expressed a desire "to ensure that the pattern of post-war trade is not dictated by the perpetuation of controls set up for purely war-time purposes". 90 Canadian concerns about sterling area discrimination were partially redressed, in a way that did not jeopardize the UK position vis-à-vis the US. 91 No agreement on Stage III financing was reached, but this had never been the UK’s intention: there could be no agreement with the

Financial Relations with U.K. and Sterling 1945, W. A. Mackintosh to R. B. Bryce, August 1st, 1945. The US had also lobbied for an increase in the amount of its goods permitted into the UK market. See BoE, OV58/23, Undated draft letter to Liesching, labelled “Document F” and “Concessions for Canadian Imports into the Sterling Area - Note on Procedure in the United States”, Unsigned and undated.

89. BoE, OV58/23, “Exports to Canada”, by J.A.S., Undated; “Exports to Canada”, Undated, (memorandum was initialled, but illegible); J. R. C. Helmore to Clutterbuck, June 22nd, 1945. At the final meeting on this subject, Canada was represented by officials of the Wartime Prices and Trade Board. The issue was subsequently revisited in Canada with Donald Gordon, the Chairman of the Wartime Prices and Trade Board, who “appeared ready to agree that [the UK] concession [on discrimination against Canadian goods] now justified the consideration of further means of facilitating increased imports from the United Kingdom”. See BoE, OV58/23, A. M. Wiseman to J. A. Stirling, July 9th, 1945.

90. NAC, RG25/3281/6864-40c, “Draft Circular Telegram to the Colonies”, Unsigned and undated. The telegram stated that the new policy was “an interim measure. The further development of trade between Canada and the Sterling Area must naturally depend on the settlement of wider questions.”

91. Snelling minuted that the new policy “doesn’t in the end mean a very great change”; Mackintosh noted that it reduced UK discrimination (i.e. it did not eliminate it). See PRO, DO35/1219, WT665/101, Minute by AWS, 8/6/45; NAC, RG25/5769/154(s) Part 1, W. A. Mackintosh to S. D. Pierce, June 28th, 1945. Mackenzie writes of the importance of action on sterling area discrimination to the Canadians, “As Keynes later noted, the British willingness to meet the Canadians on this issue made ‘all the difference to the feelings with which our visitors went home and to the question whether or not they had felt their visit to be a success,’ ...”. See Mackenzie, 501.
Canadians until a settlement had been secured with the Americans. The talks allowed each side to try out its ideas on the other, and the Canadians learned both that there was a British plan for the postwar period and some of the details. Moreover, they now had good evidence that the UK government could still be counted among the friends of a multilateral liberalized international economy: Keynes had asserted that “[i]t was not true to believe that the United Kingdom could be brought to support a multi-lateral system only by being bribed and cajoled. They knew that fundamentally it was in their own interests.” From the UK perspective, the talks were a success when judged in the light of Keynes’s comment upon learning that Towers and Mackintosh might soon come to England: “That is a distinct gain and will probably enable us to hold the fort there for

92. On the importance of the settlement with the US to UK plans, see, for example, BoE, OV58/23, “Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King’s College, Cambridge, 19th May, 1945, at 10.30 a.m.”.

93. Cobbold wrote that “the Canadians were clearly pleased at being taken into our confidence”. BoE, OV58/23, “Canada”, by C.F.C., May 23rd, 1945.

94. According to LePan’s account, the Chancellor of the Exchequer, in particular, “wanted to get over to a multi-lateral system as quickly as possible”, while Keynes thought that “[m]ost Ministers, and all Departments ... were in agreement with the policy the Treasury had adopted” and that the anti-multilateralism forces would ultimately have no say in the policy adopted. See NAC, RG19/4369/U-3-11, “Minutes of Conversations held in King’s College, Cambridge from Saturday, May 19th to Monday, May 21st between the Canadian Financial Delegation and Representatives of the United Kingdom Treasury”.

95. NAC, RG19/4369/U-3-11, “Minutes of Conversations held in King’s College, Cambridge from Saturday, May 19th to Monday, May 21st between the Canadian Financial Delegation and Representatives of the United Kingdom Treasury”. Mackintosh “was glad to find that the long term objectives of the two Governments were so similar”, while Towers “welcomed the similarity of views on the general issues”. See BoE, OV58/23, “Informal discussions with Canadian representatives - May, 1945. Meeting held in the Audit Room, King’s College, Cambridge, 19th May, 1945, at 10.30 a.m.”; see also NAC, RG19/4369/U-3-11, “Minutes of Conversations held in King’s College, Cambridge from Saturday, May 19th to Monday, May 21st between the Canadian Financial Delegation and Representatives of the United Kingdom Treasury”.
In this the British succeeded, as the Canadians let the issue lie for the remainder of the war. The only problem was, that was not very long.

The war in the Pacific came to an abrupt end in August 1945. Stage II, which had begun with the German surrender in May and had been expected to last for at least a year, was now Stage III, and no one was ready. The end of the war meant the end of US and Canadian wartime aid, but substantive negotiations for the financing of UK postwar needs had not begun. On August 15th, the Canadian government notified all recipients that Mutual Aid would be terminated that day, a decision UK officials later suggested had been the handiwork of ministers more than officials. The UK government worried how the decision would affect US policy and begged the Canadian government to reconsider. After urgent British representations in Ottawa, the government

96. *JMK*, XXIV, p. 305. Harmer wrote that they had "been able to explain to the Canadians something of our ideas about future financial arrangements, and to get them to understand the difficulty of pushing matters ahead too fast; that is, the overriding problem of timing and handling discussions with the U.S.A." See *PRO*, DO35/1219, WT665/101, F. E. Harmer to S. Caine, May 29th, 1945. Cobbold believed that "a good many misunderstandings will have been removed". See BoE, OV58/23, "Canada", by C.F.C., May 23rd, 1945. In his memoirs, LePan asserts the importance of the Cambridge meetings as a rehearsal of the case Keynes would put to the Americans later that year. Interestingly, this is just what some in the Bank of England feared they would become: Cobbold wrote, "The great danger I see is not in the approach to Canada but in the fact that these conversations and Canadian anxieties are likely to crystallize the idea of an approach to Washington in the form originally proposed by Keynes." See LePan, p. 57 and BoE, OV58/23, "Canada", by C.F.C., May 23rd, 1945.

97. See, for example, NAC, MG26/J1/C9883/393, SSEA to SSDA, No.187, August 15th, 1945.


99. See, for example, *PRO*, T236/629, DO to Acting UKHCC, No.1486, August 17th, 1945. The telegram, which contained the text of a message from newly elected UK PM Clement Attlee to King, argued that "a premature announcement of the cessation of Mutual Aid ... would have ill effects on our present negotiations with the United States" for the continuation of Lend-Lease.
extended the end-date of Mutual Aid to September 1st, the day the Japanese surrender was signed.101

King, Ilsley, and Howe were particularly sympathetic to the UK situation102; a few other ministers
"were reluctant" to grant the UK request.103

There was still the problem of financing the United Kingdom’s needs over the next few years. The
British and the Canadians agreed that no decisions on Canadian long-term financing could be made
until there had been progress with the Americans.104 A UK mission was despatched to Washington
to begin negotiations in early September: now the Canadians could only watch and wait. As during
the Anglo-American Article VII talks two years earlier, the Canadians were kept well informed of

Attlee requested that the Canadian decision be reconsidered and that it not be made public, writing,
"In view of our many heavy pressing anxieties and the difficult decisions to be made, I most
earnestly beg you to relieve us of this additional anxiety, which of all those we feared is the least
expected." In the same file, see also DO to Acting UKHCC, No.1490, August 18th, 1945, which
discussed the link between the end of Mutual Aid and the arrangements with the US vis-à-vis Lend-
Lease and Stage III.

100. See, for example, PRO, T236/629, Acting UKHCC to DO, August 18th, 1945; UKHCC
to DO, No.1715, August 18th, 1945; UKHCC to DO, No.1720, August 20th, 1945; NAC,
RG2/A5a/T2364/2636, Cabinet Conclusions of Meeting held September 5th, 1945 (Meeting Number
129); NAC, RG2/45/D-13-5-U/1945-Aug.31, HW to the Under-Secretary, August 20th, 1945.

101. NAC, RG2/A5a/T2364/2636, Cabinet Conclusions of Meeting held September 5th,
1945 (Meeting Number 129). This was not an insignificant change: it saved the British an estimated
$100,000,000. See PRO, T236/629, UKHCC to DO, No.1842, September 6th, 1945.

102. See, for example, PRO, T236/629, UKHCC to DO, No.1715, August 18th, 1945 and
UKHCC to DO, No.1843, September 6th, 1945.

103. PRO, T236/629, UKHCC to DO, No.1843, September 6th, 1945. The telegram does
not specify who the ministers were. The cabinet conclusions recorded that Ilsley, Howe, St.
Laurent, and MacKinnon all recommended that the termination date be changed. See NAC,
RG2/A5a/T2364/2636, Cabinet Conclusions of Meeting held September 5th, 1945 (Meeting Number
129). Mackenzie asserts that St. Laurent led the forces against this settlement: see Mackenzie, p.
517.

104. See, for example, NAC, RG25/5773/198(s) Part 1, SEA to CAUS, EX-3156, August
30th, 1945.
the progress of the negotiations. They received information via Commonwealth briefings in Washington\textsuperscript{105}, Dominions Office despatches, and private chats with officials in London.\textsuperscript{106} Having accompanied King on a trip to London\textsuperscript{107}, Robertson met with UK ministers and officials.\textsuperscript{108} Pearson, now Ambassador to the United States, again demonstrated his talent for eliciting information from UK and US officials alike.\textsuperscript{109} Towers met with British and American officials in Washington, doing his best to impress upon the latter the necessity of coming to an arrangement.

\textsuperscript{105} Keynes initially opposed providing full briefings on the loan negotiations to Commonwealth Ministers in Washington, but subsequently overcame his aversion. See PRO, DO35/1216, WR254/78, Ben Cockram to P. A. Clutterbuck, September 4\textsuperscript{th}, 1945 and Ben Cockram to A. W. Snelling, September 18\textsuperscript{th}, 1945. For a fuller discussion of UK attitudes towards consultation with the Dominions during these negotiations, see McKenzie, pp. 184-185, 187-189.

\textsuperscript{106} See, for example, NAC, RG25/5773/198(s) Part 1, D. V. LePan to SSEA, A.491, October 19\textsuperscript{th}, 1945 and CHCUK to SSEA, No.3103, October 24\textsuperscript{th}, 1945.

\textsuperscript{107} King had gone to London to discuss recent revelations of Soviet spy rings in Canada, the United Kingdom, and the United States.

\textsuperscript{108} Hugh Dalton, the new Chancellor of the Exchequer, had originally invited King, as well as Evatt, to a discussion of economic issues, but King begged off (citing characteristic excuses: he was not in London to discuss such issues, he had not consulted his Cabinet, fatigue, absence of other Commonwealth ministers) and sent Robertson instead. See NAC, MG26/J1/C9872/380, Hugh Dalton to W. L. M. King; "Confidential Personal Memorandum", by WLMK, October 13\textsuperscript{th}, 1945 (in which King gives another reason for his refusal to participate: "In the second place, the mention that Evatt would be present and that the idea was to have opinion expressed from himself and myself, by no means added to my desire to be on hand at any discussion on that question with him."); W. L. M. King to Hugh Dalton, October 15\textsuperscript{th}, 1945; NAC, RG25/5773/200(s), Acting CHCUK to SSEA, A.483, October 13\textsuperscript{th}, 1945; CHCUK to SSEA, No.2968, October 12\textsuperscript{th}, 1945; PRO, DO35/1216, WR254/78, FO to UK Embassy in Washington, No.10,349, October 15\textsuperscript{th}, 1945; NAC, RG25/5773/198(s) Part 1, "Note of Meeting held at the Treasury on Monday, 15\textsuperscript{th}, October, 1945" and Acting High Commissioner to SSEA, A.508, October 25\textsuperscript{th}, 1945.

\textsuperscript{109} See, for example, PRO, DO35/1216, WR254/78, Ben Cockram to A. W. Snelling, September 15\textsuperscript{th}, 1945; "Note of a Meeting at the British in Washington on September 18\textsuperscript{th}, 1945"; Ben Cockram to P. A. Clutterbuck October 10\textsuperscript{th}, 1945; NAC, MG26/J1/C9879/389, CAUS to SSEA, WA-4920, September 21\textsuperscript{st}, 1945; NAC, RG25/5773/198(s) Part 1, CAUS to SSEA, WA-5169, October 5\textsuperscript{th}, 1945; NAC, RG25/5773/200(s), L. B. Pearson to H. H. Wrong, October 12\textsuperscript{th}, 1945. McKenzie notes that the UK briefing reported on October 6\textsuperscript{th} was not entirely forthcoming; the UK briefing reported on October 12\textsuperscript{th} was far more revelatory. See McKenzie, pp. 187, 190-191.
with the former: in meeting after meeting, he went into what Wrong called his "Cassandra act", prophesying dark days in the absence of agreement.¹¹⁰

Exhortations to reach an agreement represented the limit of Canada's involvement in the US-UK loan negotiations, though not for want of trying. It will be remembered that at the January 18th meeting at which it had been decided to offer postwar financial assistance to the UK, it had also been decided that Canadian officials should discuss the issue with US officials. This they had done in March and again in July 1945. During the latter meeting, Robertson had proposed that Canada and the United States combine forces to help the United Kingdom through Stage III; he had also stressed that Canada alone could not meet Britain's needs. Robertson's suggestion of a "joint credit program"¹¹¹ went nowhere.

Before the end of the war, US officials had given a little thought to the role Canada might play in

¹¹⁰. NAC, RG25/5773/198(s) Part 1, T. A. Stone to H. H. Wrong, October 23rd, 1945 (the "Cassandra act" reference is from this letter); G. F. Towers to Hume Wrong, November 5th, 1945; "Notes on conversations in Washington, October 18-24, 1945", Unsigned, November 5th, 1945. According to Douglas Fullerton, Graham Tower's biographer, Towers went to Washington at Keynes's request, "to give the British further advice". Towers had earlier advised Keynes on strategy for the negotiations with the Americans during the latter's visit to Ottawa in early September 1945. See Fullerton, pp. 214-215 (quotation is from p. 215). See also Mackenzie, pp. 519-520, 531-532.

¹¹¹. NAC, RG25/5773/200(s), "Informal Discussions on Commercial and Financial Policy Between Officials of the United States and Canada", July 9th, 1945. Pearson's diary entry covering March 10th and 11th reads in part: "We told the Americans about our proposal to the British, designed to remove excuses for uni-lateralism and to enable them to buy Canadian goods. Clayton said, "You people are smart." Norman wondered what he meant by "smart"." See NAC, MG26/N8/2/4, Diary for Saturday, March 10th and Sunday, March 11th, 1945. The UK had not been at all pleased that Canada had discussed the issue with the US: see McKenzie, pp. 166-167.
Stage III assistance to the UK; Canada's possible role was also mentioned on occasion during the Anglo-American negotiations. For the most part, American thoughts on Canada's role were rather vague. However, on one occasion US negotiators tried to use the probability of large-scale assistance from Canada to their advantage: during his trip to Washington, Towers had mused to US officials that Canada might lend the UK as much as $1 billion, a piece of information that Fred Vinson, the new Treasury Secretary, subsequently used to suggest to UK officials that they did not need as large a loan from the US as they were requesting. Although British officials deflected this line of reasoning, the proposed figure was not forgotten.

After nearly three months of intense negotiations, a deal was struck in early December. The US would loan the UK $3.75 billion at 2% interest, payments to be made over fifty years starting at the end of 1951. In times of financial duress, interest on the loan could be waived. In return, the UK


113. See, for example, PRO, DO35/1216, WR254/78, "Note of a Discussion in the Course of the Ambassador's fortnightly meeting with British officials at the UK Embassy in Washington on September 15th, 1945"; NARA, RG56/General Records of the Department of the Treasury/Records of the Assistant Secretary of the Treasury re: Monetary and International Affairs/Chronological File of Harry Dexter White Nov. 1934 - Apr. 1946/Chronological 76 (October 1945)/13/Mr. White to Secretary Vinson, October 9th, 1945 and attached memorandum, "Financial Assistance for Britain", by FC, 10/8/45.

114. PRO, T236/629, J.S.M. Washington to Cabinet Offices, NABOB 306, November 7th, 1945. In that same file, see also UK Embassy in Washington to DO and UKHCC, Remac 828 and Pilif'25, November 14th, 1945, in which Keynes wrote, "On amount of Canadian credit we agree that we can aim at one billion new money with fair hope of success." See also Mackenzie, pp. 532, 540-541.
undertook to make sterling convertible for current account purposes one year after the coming into force of the agreement. The Canadians were happy that the US and UK had reached an agreement, but were disappointed by its terms, feeling that the Americans had not taken a sufficiently far-sighted approach.\footnote{PRO, T236/629, UKHCC to DO, No.2503, December 10\textsuperscript{th}, 1945. See also PRO, T236/630, “Financial Arrangements with Canada”, Unsigned, January 31\textsuperscript{st}, 1946, which emphasized Canadian concerns with the agreement. And see Plumptre, pp. 78-79; Mackenzie, p. 540; Bothwell and English, p. 152.} One provision of the deal particularly caught their eye: the UK agreed not to "arrange any long-term loans from Governments within the British Commonwealth ... on terms more favourable to the lender than the terms of this line of credit".\footnote{NAC, MG26/J1/C9879/389, CAUS to SSEA, WA-6122, December 5\textsuperscript{th}, 1945; PRO, T236/629, UKHCC to DO, No.2503, December 10\textsuperscript{th}, 1945 (quotation is from former telegram).} The British had hoped to begin negotiations with the Canadians as soon as they had finished with the Americans\footnote{NAC, RG25/2639/1893-40C, SSEA to CHCUK, No.2956, December 14\textsuperscript{th}, 1945.}, but logistical considerations led to their postponement to the new year.\footnote{See, for example, PRO, T236/629, J.S.M. Washington to Cabinet Offices, NABOB 305, November 7\textsuperscript{th}, 1945; NAC, RG25/5773/198(s) Part 1, CAUS to SSEA, WA-5689, November 7\textsuperscript{th}, 1945.} In the meantime, members of the UK delegation went to Ottawa in the second week of December to meet with Canadian ministers and officials. They discussed the Anglo-American loan agreement, the forthcoming Anglo-Canadian negotiations, and the familiar question of sterling area trade discrimination against Canada.\footnote{PRO, T236/629, UK Embassy in Washington to DO and UKHCC, Remac 826 and Pilif 24, November 14\textsuperscript{th}, 1945; DO to UKHCC, No.2063, November 22\textsuperscript{nd}, 1945.} Canadian exporters were increasingly complaining of being
denied permission to sell to sterling area markets; some manufacturers claimed that the UK government had told them that they would have to set up production facilities in the UK if they wanted to sell there. The press, particularly *The Financial Post,* was making a big deal of the story and the issue had been raised in Parliament.\textsuperscript{120}

Canadian officials had already made clear their concern with this issue and its effects on their thinking on Stage III finance. In separate conversations with British officials in November, Towers and Robertson had suggested a link between the size of the proposed credit and UK import policy\textsuperscript{121}, and Bryce had asserted that “Canada was very much more interested in the opening of the Sterling Area to Canadian goods than in haggling about the figure of the credit to be made available to the United Kingdom; provided that the markets of the Sterling Area were sufficiently widely opened, he thought the necessary financial credits would follow fairly easily.”\textsuperscript{122} In late November, MacDonald had reported that “Canadian authorities are alarmed at hardening of sentiment against us and its latest manifestations are certainly impressive”. Were this trend to persist or intensify, “the [Canadian] Government may find it very difficult to get the assent of Parliament to as liberal terms in the matter of financial assistance as it would like” and the UK might find it difficult to increase

\textsuperscript{120} See, for example, PRO, DO35/1219, A. M. Wiseman to J. R. C. Helmore, November 16\textsuperscript{th}, 1945 and A. M. Wiseman to J. R. C. Helmore, November 22\textsuperscript{nd}, 1945; PRO, T236/35, OF 19/39/9 A, UKHCC to DO, No.2398. November 25\textsuperscript{th}, 1945.

\textsuperscript{121} PRO, T236/629, UKHCC to DO, No.2288, November 11\textsuperscript{th}, 1945 and UK Embassy in Washington to DO and UKHCC, Remac 828 and Pilif 25, November 14\textsuperscript{th}, 1945.

its exports to Canada.\textsuperscript{123}

The seriousness of the issue was confirmed during the December talks, Brand and Munro reporting that "[we] must again emphasise that ... the conclusion of satisfactory trade arrangements between Canada and the United Kingdom will be one of the most important factors in their minds in entering into the loan arrangement".\textsuperscript{124} Liesching invited Canadian officials to London for talks with the Board of Trade before the start of Stage III negotiations.\textsuperscript{125} Max Mackenzie, the new Deputy Minister of Trade and Commerce, would be sent "to discuss only the current difficulties arising out of U. K. import licensing and to seek a solution effective immediately that will keep the channels of trade open and will, we hope, ensure us a fair share of all U. K. imports on the basis of past trade".\textsuperscript{126}

Mackenzie had already discussed the issue with MacDonald, Munro, and other UK officials in late November. Mackenzie had told them that while Canadians could appreciate the UK need to reduce imports on financial grounds, "some of the instances in which import permits had been refused had the appearance of protection under the cloak of austerity". Swift action was needed. Could not the UK government, "in the interest of continuing good relations between the two countries", permit

\textsuperscript{123} PRO, T236/35, OF 19/39/9 A, UKHCC to DO, No.2398, November 25\textsuperscript{th}, 1945.

\textsuperscript{124} PRO, T236/629, UKHCC to DO, No.2503, December 10\textsuperscript{th}, 1945.

\textsuperscript{125} PRO, T236/629, UKHCC to DO, No.2503, December 10\textsuperscript{th}, 1945.

\textsuperscript{126} NAC, RG25/2639/1893-40C, SSEA to CHCUK, No.2956, December 14\textsuperscript{th}, 1945.
a token number of manufactured goods to be imported from Canada?\textsuperscript{127}

Munro believed that Mackenzie's visit could bear great fruit. Based on their talks with the Canadians, he and Brand had concluded "that the terms of the United States loan will very closely dictate the limits to which [the Canadians] feel able to go in their arrangements with us".\textsuperscript{128} In particular, Munro asserted, the stipulation that no Commonwealth country could strike a deal with the UK more favourable to the lender than had the US was a problem: the Canadians "felt that this clause ... "puts them on the spot" politically and tends to make the U.S. terms ... a political pattern for borrowing of this type, from which it will be very difficult to get away". Nevertheless, the UK might be able to secure a better deal were it to accommodate Canadian concerns about sterling area import policy: "in my opinion, it is what the President of the Board of Trade may be able and prepared to do rather than what the Chancellor of the Exchequer is prepared to accept which will be the deciding factor as regards the terms of any financial loan that we shall obtain from Canada". In this context, Mackenzie's visit would be "of the utmost importance and may indeed provide the solution to this riddle, if a practical solution there be".\textsuperscript{129}

\textsuperscript{127} NAC, RG25/3281/6864-40C, "Discussion with British Representatives on Restriction of Imports into the Sterling Area, November 22\textsuperscript{nd}, 1945".

\textsuperscript{128} PRO, T236/629, UKHCC to DO, No.2503, December 10\textsuperscript{th}, 1945. In mid-November, Towers had told Munro that the terms of the US-UK deal would affect the terms of any Canada-UK deal, and Robertson and Wrong had told Keynes the same thing. In the same file see UKHCC to DO, No.2288, November 11\textsuperscript{th}, 1945 and UK Embassy in Washington to DO and UKHCC, Remac 828 and Pilif 25, November 14\textsuperscript{th}, 1945.

\textsuperscript{129} PRO, T236/355, "Note on Forthcoming United Kingdom-Canada Financial Negotiations", by R. Gordon Munro, December 15\textsuperscript{th}, 1945. Towers had previously suggested the link between import policy and terms to Munro. See PRO, T236/629, UKHCC to DO, No.2288, November 11\textsuperscript{th}, 1945.
The meetings in London began on January 9th, 1946. At first they went smoothly, as Mackenzie and officials from the Departments of Trade and Commerce and Reconstruction presented their case well. Canadian manufacturers objected to the UK denying them import permits for goods that the UK was either producing itself or importing from elsewhere, a practice that had the whiff of protectionism about it. Canada wanted the chance to retain its historic UK markets through token imports from Canadian firms that had supplied the UK before the war. Canada was also concerned about the inconsistent application of the Cambridge non-discrimination arrangements in the British West Indies and would appreciate it were the Colonies instructed to adopt a token import policy as well. Solutions were found relatively quickly and easily. British West Indian

130. The minutes of the talks incorrectly refer to one Canadian official as being from the Department of Munitions and Supply: this department had ceased to exist as of January 1st, 1946, and was superceded by the Department of Reconstruction.

131. PRO, T236/35, OF 19/39/9 A, Minutes of Meeting with Representatives of the Canadian Department of Trade and Commerce at the Board of Trade on 9th January, 1946.

132. PRO, T236/35, OF 19/39/9 A, “Notes of Meeting with Representatives of the Canadian Department of Trade and Commerce at the Board of Trade on Thursday, 10th January, 1946”. At the November meeting, Mackenzie had wondered whether these arrangements had lapsed, but UK officials had told him that they believed them still to be in effect. See NAC, RG25/3281/6864-40C, “Discussion with British Representatives on Restriction of Imports into the Sterling Area, November 22nd, 1945”. Wiseman later wondered “why the Department of Trade and Commerce should not have raised the question specifically with the United Kingdom instead of sitting down and saying nothing about it but grumbling privately among themselves.” PRO, DO35/1219, A. M. Wiseman to J. R. C. Helmore, November 22nd, 1945.

133. On one problem Canadian concerns went unaddressed. UK officials dismissed Canadian complaints that India was not abiding by the Cambridge arrangements and observed that the UK could not tell India what to buy and what not to buy. They advised the Canadians to take up their complaints with the Indians. See PRO, T236/35, OF 19/39/9 A, “Note of Meeting with Representatives of the Canadian Department of Trade and Commerce at the Board of Trade on Friday 11th January, 1946”.
governments would be instructed anew on the Cambridge arrangements\textsuperscript{134} and token imports into the UK and Colonies would be permitted, though initially from a select list of commodities and not from all classes of prewar imports as Mackenzie had hoped.\textsuperscript{135} The program would be open to other nations, including the United States, but the first list of goods reflected the Canadian origins of the plan.

In the fifth meeting, a problem arose: what percentage of prewar imports represented a "token" amount? Given the restricted range of commodities and the small sums that would likely be spent, Mackenzie thought that 100\% of the imports of the affected goods in 1938 would be fair. The meeting's chairman, J. R. C. Helmore of the Board of Trade, demurred, and the issue was "referred to higher authority".\textsuperscript{136} The higher authorities were present at the next meeting in the persons of Liesching and Eady. There was also a change on the Canadian side: Mackenzie was now the sole Canadian official present. Claiming that no deal would be better than a deal with a percentage regarded as "derisory" by the Canadian public, Mackenzie argued in favour of 50\%. And then the higher authorities weighed in:

\textit{In reply Sir Percivale Liesching and Sir Wilfred [sic] Eady pointed out the essential facts of our balance of payments position. The area within which we could economise on imports

\begin{small}
134. PRO, T236/35, OF 19/39/9 A, "Notes of Meeting with Representatives of the Canadian Department of Trade and Commerce at the Board of Trade on Thursday, 10\textsuperscript{th} January, 1946".

135. PRO, T236/35, OF 19/39/9 A, "Note of Meeting with Representatives of the Canadian Department of Trade and Commerce at the Board of Trade on Friday 11\textsuperscript{th} January, 1946"; PRO, DO35/1220, WT665/111, Minutes of Meeting with Representatives of the Canadian Department of Trade and Commerce at the Board of Trade on Thursday, 17\textsuperscript{th} January, 1946.

136. PRO, DO35/1220, WT665/111, Minutes of Meeting with Representatives of the Canadian Department of Trade and Commerce at the Board of Trade on Thursday, 17\textsuperscript{th} January, 1946.
\end{small}
was severely limited and we had bigger problems to face than the perhaps temporary difficulty of certain Canadian interests. We had set ourselves the main objective of convertibility and during 1946 we must go carefully and realistically if we were to serve, not only our own interests, but those of world trade as a whole. In particular Sir Wilfrid Eady thought it fair to point out that a major problem for Canada was whether she could earn enough in sterling to discharge her adverse balance in dollars with the United States.

Some further discussion took place on the United Kingdom's difficulty in departing far from a rigid control of imports at this stage and Sir Percivale Liesching said that he felt that the most that officials should recommend to Ministers was 20% by value or (in the case of Canada) about 13.3% by volume.

Mackenzie "admitted that 1/5th by value did not sound so bad", though he wanted to consult with his colleagues in Ottawa as to whether this amount would prove sufficient politically.  

On the issue of timing, it was agreed that it would be preferable to announce the new policy before the loan negotiations began in Ottawa; pending ministerial approval, it was hoped to make the announcement by February 8th, the first list of admissible commodities to follow soon thereafter. 

In particular, one UK official observed, it would not be good for the scheme to become associated

137. PRO, DO35/1220, WT665/111, Minutes of Meeting with Representatives [sic] of the Canadian Department of Trade and Commerce at the Board of Trade on Tuesday, 21st January [sic], 1946. At 20% based on prewar value, Canada would get a better deal than other participants in the scheme: Treasury official J. F. Cahan observed "that a value quota would mean more by volume for Canada than for other countries. 20 per cent by value of pre-war imports would mean roughly 13.1/3rd by volume for Canada and 10 per cent. for other countries". See PRO, T236/35, OF 19/39/9 A, Minutes of the thirteenth meeting of the Import Licensing Committee held at the Board of Trade on Monday 21st January, 1946 (I.L.C.Min 13(46)).

138. PRO, DO35/1220, WT665/111, Minutes of Meeting with Representatives [sic] of the Canadian Department of Trade and Commerce at the Board of Trade on Tuesday, 21st January [sic], 1946.

139. PRO, DO35/1220, WT665/111, Minutes of Meeting with Representatives of the Canadian Department of Trade and Commerce at the Board of Trade on Wednesday, 23rd January, 1946.
too closely in the public mind with the loan, lest it should seem a quid pro quo.  

On January 31\textsuperscript{st}, Mackenzie signalled from Ottawa that the scheme was acceptable and that the "\textit{[u]nanimous view here is that statement should be made not later than February eighth even if publication of first list has to be delayed a few days}". Two days later Liesching wrote of his pleasure that the policy had commended itself to the Canadians. He cautioned Mackenzie that it would take some time before the first list was ready, though UK officials still hoped that the policy announcement could be made on the 8\textsuperscript{th}, assuming they secured the approval of ministers.

But they didn’t. On February 4\textsuperscript{th}, former academic economist and present Chancellor of the Exchequer Hugh Dalton scrawled in red felt pen across the memorandum recommending the policy: "This is Canadian blackmailing - à la Yank! I would agree to this of Canada, - provided we get a good loan from them. But I wouldn’t \textit{announce} it till the loan is in the bag." As for the recommendation that the policy be applied to imports from other nations, including the United States, Dalton wrote: "And I wouldn’t \textit{do} it for anyone else - much less \textit{announce} it for anyone else, - without very hard quid pro quo in each case." A telegram from the Dominions Office to the UK

\textit{Dictated over the telephone, February 2\textsuperscript{nd}, 1946. See also PRO, D\textsuperscript{0}35/1220, WT665/111, N. K. Fisher to R. W. B. Clarke, February 4\textsuperscript{th}, 1946 and “Copy of Telegram Dictated on the Telephone to Canada House on Saturday, 2\textsuperscript{nd} Feb., ’46”.

140. See, for example, PRO, T236/36, OF 19/39/9 B, Woods to E. Rowe-Dutton, February 1\textsuperscript{st}, 1946.

141. NAC, RG19/764/304-7, SSEA to CHCUK, No.271, January 31\textsuperscript{st}, 1946.

142. NAC, RG19/764/304-7, United Kingdom to Canada, Cdmns 254, February 2\textsuperscript{nd}, 1946, Dictated over the telephone, February 2\textsuperscript{nd}, 1946. See also PRO, D\textsuperscript{0}35/1220, WT665/111, N. K. Fisher to R. W. B. Clarke, February 4\textsuperscript{th}, 1946 and “Copy of Telegram Dictated on the Telephone to Canada House on Saturday, 2\textsuperscript{nd} Feb., ’46”.

143. PRO, T236/36, OF 19/39/9 B, Memorandum from RWBC to Mr. Rowe-Dutton and Mr. Trend, “Token Imports from Canada”, February 4\textsuperscript{th}, 1946 (see second minute at bottom of
High Commission in Ottawa elaborated on the UK reasoning:

Ministers felt that in the present uncertainty over the American loan [i.e. when/whether Congress would approve it] it was quite impossible to go ahead with the concession on a non-discriminatory basis but that it could not be announced on a discriminatory basis until there was sufficient reason for discrimination. This sufficient reason would they feel exist if a satisfactory loan agreement were reached with Canada before Congress had approved the United States loan.

Moreover, the government had been criticized of late for its import policies and feared that "[a]ny proposal to admit less essentials in advance of the satisfactory conclusion of a loan agreement would intensify and exacerbate this criticism". The scheme would not be abandoned: its announcement would simply be delayed until the completion of the Anglo-Canadian negotiations and the presentation of the loan to the Canadian Parliament. Meanwhile, administrative preparations would continue. Canadian officials were greatly disappointed, but the government eventually agreed the new timetable.

By then another wrinkle had been added. Canadian officials were worried about the potential

memorandum, in red, dated 4/2, and initialled H.D.). UK officials had always seen the need to extend almost any concession granted Canada to the US and other nations; Mackenzie had argued that the UK could grant some concessions to Canada and not to the US. See, for example, PRO, T236/35, OF 19/39/9 A, Minutes of Meeting with Representatives of the Canadian Department of Trade and Commerce at the Board of Trade on 9th January, 1946; PRO, DO35/1220, WT665/111, Minutes of Meeting with Representatives [sic] of the Canadian Department of Trade and Commerce at the Board of Trade on Tuesday, 21st January [sic], 1946.

144. PRO, DO35/1220, WT665/111, DO to UKHCC, No.199, February 6th, 1946.
145. PRO, DO35/1220, WT665/111, DO to UKHCC, No.198, February 6th, 1946.
146. PRO, DO35/1220, WT665/111, DO to UKHCC, No.199, February 6th, 1946.
147. PRO, DO35/1220, WT665/111, UKHCC to DO, No.239, February 9th, 1946; Minute by A.M.W., 8/2/46; Minute by S.L.H., 8/2/46.
148. PRO, DO35/1220, WT665/111, UKHCC to DO, No.494, March 10th, 1946.
effects of discriminating against the US in this matter. UK officials in Washington shared their concern and had advised that the policy be adopted on a non-discriminatory basis. They had also wondered whether the announcement could be postponed until after the Canadian Parliament and the US Congress had each approved their respective loan agreements. When this latter suggestion was put to Canadian officials, they proved "quite unwilling even to suggest it to their Ministers". This left UK officials the task of convincing ministers to announce the application of the policy on a non-discriminatory basis and to do it before the US loan had passed Congress. It was not easy to convince Dalton, but it was done and the new policy was announced on April 8th, two months

149. See, for example, PRO, DO35/1220, WT665/111, UKHCC to DO, No.316, February 21st, 1946. In its assent to the new timetable, the Canadian government expressed its hope that the policy could be applied on a non-discriminatory basis. In this same file see UKHCC to DO, No.494, March 10th, 1946.

150. PRO, DO35/1220, WT665/111, UK Embassy in Washington to Board of Trade, No.43 ASKEW, February 28th, 1946.

151. PRO, DO35/1220, WT665/111, UKHCC to DO, No.493, March 10th, 1946.


153. See, for example, PRO, DO35/1220, WT665/111, W. Eady to Sir Percivale Liesching, March 15th, 1946; Minute from PAC to Mr. Snelling, 16/3; "Note of a Meeting at the Board of Trade on 26th March, to Discuss Token Imports"; PRO, T236/36, OF 19/39/9 B, WE to Mr. Trend, March 26th, 1946 (Dalton gave his consent "Reluctantly!"); and, though unconvinced that the UK could revoke the concession from the US if the loan did not go through, said he was "prepared to risk it"). and Eady to Liesching, March 27th, 1946; PRO, BT11/3255, CRT8506, Draft memorandum, "Token Import Policy", Unsigned and undated and "Token Import Policy", Unsigned, March 28th, 1946.

154. PRO, DO35/1220, WT665/111, DO to UKHCC, No.629, April 8th, 1946 and UKHCC to DO, No.687, April 9th, 1946. The new instructions to the Colonies on the Cambridge arrangements were not sent until April 14th, 1946. On February 20th Mackenzie had asked Helmore whether the instructions could be sent right away, despite the postponement of the announcement on the token import policy, and Helmore agreed to see what he could do. However, the UK wanted to hold off until the main issue was settled; subsequently, concern in London over the wording of
later than originally proposed.¹⁵⁵

By that time the Anglo-Canadian loan negotiations had long since concluded. Negotiations had begun on February 11th and a settlement reached on March 2nd. From the start, the talks were dominated on the Canadian side by ministers¹⁵⁶, particularly St. Laurent, King, and Ilsley: Canadian officials were very much “in the background”.¹⁵⁷ On the whole they seem to have been much more sympathetic to the UK case than their ministers¹⁵⁸, but their counsel did not carry the sort of weight

the instructions led to further delays. See, for example, PRO, DO35/1220, WT665/111, UKHCC to DO, No.316, February 21st, 1946; R. W. B. Clarke to H. J. Habakkuk, RWBC 453, February 28th, 1946; H. J. Habakkuk to A. W. Snelling, C.R.T. 8038/46, March 1st, 1946; DO to Acting UKHCC, No.377, March 2nd, 1946; Acting UKHCC to DO, No.400, March 3rd, 1946; H. J. Habakkuk to A. W. Snelling, March 5th, 1946; UKHCC to DO, No.470, March 8th, 1946; H. J. Habakkuk to A. W. Snelling, April 2nd, 1946; DO to UKHCC, No.605, April 3rd, 1946; UKHCC to DO, No.658, April 4th, 1946; Acting UKHCC to DO, No.716, April 16th, 1946; Secretary of State for Colonies to All of the Colonies, No.43, April 14th, 1946; DO to Acting UKHCC, No.683, April 18th, 1946.

¹⁵⁵. Hector Mackenzie asserts that the postponement of the announcement of the token import scheme adversely affected the loan negotiations: “As a result, there was no specific indication that the British practically recognised the political difficulty for the Cabinet in defending post-war generosity. As we shall see, for King this was a decisive consideration.” See Mackenzie, p. 540.

¹⁵⁶. UK officials had expected the negotiations to be largely on an official basis. See PRO, T236/630, Note by Sir Wilfrid Eady, January 21st, 1946.

¹⁵⁷. PRO, T236/630, UKHCC to DO, BEECH No.21, February 21st, 1946.

¹⁵⁸. See, for example, WLMK, February 12th and 18th, 1946; PRO, T236/630, UKHCC to DO, BEECH No.21, February 21st, 1946 and Acting UKHCC to DO, BEECH No.30, February 26th, 1946; NAC, RG25/5769/154(s) Part 1, “Anglo-Canadian Loan Negotiations, Monday, February 11th, 1946”, p. 14. On the other hand, see NAC, RG19/763/304-6, “Reasons for not going further in meeting U.K. requests”, by RBB, February 21st, 1946, though this should be contrasted with, in the same file, “Comparison of a 32-year non-interest-bearing loan with the U.S. terms”, by RBB, 24/2/46. Jack Granatstein also concludes that ministers took “a tough line”, while officials “were soft on the British, and in this instance the cabinet got its way”. See Granatstein, A Man of Influence, pp. 136-137.
that it usually did. Instead, as a UK report later observed, the negotiations were “handled almost entirely as [a] political issue”. This meant securing an agreement that would serve the interests of Canadians, which ministers defined slightly differently from their advisors.

Sir Wilfrid Eady of the Treasury led the UK delegation, which included, among others, Cobbold of the Bank of England, Brand, MacDonald, and Munro. They initially requested a $1.25 billion interest free loan, as well as the continuation of outstanding war debts on an interest free basis, basing their appeal on the common interest of Canada and the United Kingdom in the liberalization of trade and the convertibility of sterling. The United Kingdom wanted to participate fully in the sort of world towards which they had been striving for years, but it needed the cooperation of Canada, the United States, and its sterling area creditors to do so.

159. In at least one case, advice from an official might have had the opposite effect to the one intended: an interview with Towers, who argued in favour of an interest free loan to the UK, did little more than cause King to muse about the “Governor of the Bank of Canada [being] under the influence of large financial banking world”. See WLMK, February 18th, 1946. King later extended his criticism to cover “Clark and all his group and all the Finance Dept. and the bank people, the big trade interests and so forth”, who all had “only one point of view and really are a world a finance - feeling a greater common interest in finance than they do any interest in common with the political world”. See WLMK, February 22nd, 1946.

160. PRO, T236/630, Acting UKHCC to DO, BEECH No.30, February 26th, 1946.

161. Keynes had decided against leading the delegation. See PRO, T236/630, EEB to Chancellor of the Exchequer, January 2nd, 1946.

The response of Canadian ministers was not favourable. They were not troubled by the size of the proposed loan, but by its terms. Ilsley was concerned about the relation between the proposed Canadian credit and the American credit, which had not yet been approved by Congress, and sought to protect the Canadian position should the US loan fall through. He secured this protection relatively easily, Eady agreeing that if the US loan were rejected, the terms of the Canadian loan would be reviewed. Ilsley also foresaw two potential criticisms that would make Parliamentary passage of a loan based on the UK proposal difficult: “first, that the loan had been made on terms more generous than those granted by the United States and second, that a substantial non-commercial loan was being made to the United Kingdom while the United Kingdom still held 1½ billion dollars of Canadian securities particularly since it was believed in Canada that the United Kingdom had already been forced to realise all her holdings of United States securities.”

The link between UK-owned Canadian securities and UK financial needs was of particular importance to St. Laurent. Louis St. Laurent, a well respected lawyer in his pre-Parliamentary days, had entered Canadian public life in December 1941 expressly to be King’s new Quebec

163. Ilsley even mused that perhaps Canada and the UK should hold off making a deal until the US loan had been approved by Congress. See PRO, T273/425, “Notes on Meeting Held in the Department of External Affairs on the 11th February, 1946”; NAC, RG25/5769/154(s) Part 1, “Anglo-Canadian Loan Negotiations, Monday, February 11th, 1946”.

164. PRO, T273/425, “Notes on Meeting Held in the Department of External Affairs on the 11th February, 1946” and “Meeting Held at the Department of External Affairs on 12th February, 1946”; PRO, T236/631, Acting UKHCC to DO, BEECH No.48, March 5th, 1946; NAC, RG19/763/304-6, Sir Wilfrid Eady to W. C. Clark, March 5th, 1946 and W. C. Clark to Sir Wilfrid Eady, March 5th, 1946.

165. PRO, T273/425, “Notes on Meeting Held in the Department of External Affairs on the 11th February, 1946”. 
lieutenant. 166 This automatically made him one of the most important members of the Cabinet, as King, obsessed with preserving the fragile English-French balance in Canada, relied on St. Laurent for advice on all matters that affected Quebec. St. Laurent’s counsel had become even more important after the 1945 election, which had left the Liberals with a very narrow majority of 125 out of 245 seats. Moreover, 54 of those 125 seats were occupied by representatives of the Anglo-sceptical province of Quebec. 167

St. Laurent was a nationalist who put the needs of a strong, autonomous Canada first. 168 He was not anti-British, but we have already seen that he did not automatically accept the idea that what was good for Britain was good for Canada: witness his comments during the January 18th, 1945 meeting on Towers’s loan proposal. Just after the defeat of Japan, St. Laurent had again served notice that he was not sympathetic to the idea of special deals for the UK. On August 15th, during a Cabinet discussion on the extension of export credits to France, St. Laurent had threatened to quit “the Cabinet if there were any argument to be used in support of assistance to Britain which should not apply equally to assistance to France”. 169 The departure of St. Laurent from the Cabinet was unthinkable: his views would have to be, and would be, given special attention.


167. See also Mackenzie, pp. 514-515, 559, 570.

168. On St. Laurent’s nationalism, see, for example, Thomson’s recounting of St. Laurent’s 1942 speech on conscription (pp.123-125), his views on how foreign policy could united English and French Canadians (p. 160), and his stance during the debate over Canada’s flag (pp. 177-178).

169. WLMK, August 15th, 1945.
On the second day of the loan negotiations, St. Laurent again made clear his scepticism about the need for special treatment of the United Kingdom. He contended that Canadians believed Britons to be better off than they were on a per capita basis. “In these circumstances,” St. Laurent suggested, “the Canadian electorate were unable to understand why the Canadian taxpayer should be called on to pay the interest of loans to the United Kingdom particularly when the United Kingdom was already receiving a net income of 44 million a year from Canadian investments”. He proposed, on a personal and unofficial basis, an arrangement whereby Canada would extend the UK a loan that equalled the value of, and against which would be pledged, the entirety of UK investments in Canada. With this money the UK would pay off all of its outstanding war debts to Canada, totalling some $1 billion, using the remainder to finance future Canadian purchases. The UK “should pay the interest on the securities to the holders in sterling, and the dollar income from the securities should be retained by the Canadian Government as interest on the whole liability”. Any purchases beyond this amount could be financed first through the accumulation of sterling by Canada and then through other means to be agreed two years hence.170

The UK representatives were aghast.171 The Americans had never suggested such a course: were it to be adopted in the case of Canada, Congress would demand the same treatment or use it as a

170. PRO, T273/425, “Meeting Held at the Department of External Affairs on 12th February, 1946”. For St. Laurent’s affirmation of the personal nature of his proposal, see NAC, RG19/414/101-106-2E, Minutes entitled, “Wednesday, February 13, 1946”. It may have been a personal suggestion, but Hector Mackenzie notes that “King would not disavow St. Laurent’s scheme, since it was obviously useful as a counterpoise to the British suggestion. Moreover, the attitude which it expressed would also be reflected in Parliament, so that it must be answered.” See Mackenzie, p. 549.

171. A report to London noted: “We said (which was the truth) that we were really shocked by this idea.” See PRO, T236/630, UKHCC to DO, BEECH No.9, February 13th, 1946.
reason to reject the US loan. It was also contrary to the UK undertaking not to conclude a deal with a Commonwealth nation more favourable to the lender than the US deal. It would be a dangerous precedent for negotiations with the sterling area and would thwart UK efforts to scale down its sterling debts. Moreover, under St. Laurent’s proposal the UK would pay interest on war debts and forfeit a source of income with which it could purchase Canadian imports. Most important, it would be forced to turn its back on multilateralism in favour of restrictive and bilateral practices. If the UK got the help it needed from Canada and the US, the hopes and plans of the past few years could be fulfilled; if not, the result would be bilateralism, totalitarianism, and the development of competing economic blocs, with Canada firmly tied to North America. Eady urged a settlement along the lines he had proposed, asserting that "the present negotiations offered the best and very possibly the last opportunity of taking the steps necessary to render possible the achievement of those objectives which both countries agreed to be essential".

On February 14th, Clark sat down with Eady to try to work something out. The government would likely not pursue St. Laurent’s proposal, Clark said, but neither could it accept the UK proposal.

172. Cobbold drew this “gloomy and somewhat lurid picture”, which he asserted “was in no way overdrawn”. Clark shared his vision, saying “that he did not think the picture too lurid, but if anything underdrawn”. See PRO, T273/425, “Meeting Held at the Department of External Affairs on the 13th February, 1946”.

173. Unless otherwise noted, this summary is based upon PRO, T273/425, “Meeting Held at the Department of External Affairs on 12th February, 1946”; “Meeting Held at the Department of External Affairs on the 13th February, 1946” (quotation is from this document); “U.K.-Canada Financial Discussions, Memorandum by U.K. Delegation of 13 February, 1946”. UK officials felt that their arguments had had some effect: “Upshot of this is that while St. Laurent’s colleagues were rather apologetic about his suggestions from the beginning and St. Laurent himself was explaining them away towards the end, they are symptomatic of an interest in our investments which may come up later in a more plausible form.” See PRO, T236/630, UKHCC to DO, BEECH No.9, February 13th, 1946.
He offered two proposals: the cancellation of all war debts coupled with the repatriation of UK-held Canadian securities to meet present UK needs or a loan on US terms, no interest on the war debt, and guaranteed repatriation of $100 million in securities each year to pay off the debt. Eady rejected them both. The UK could not accept a link between financial assistance and its securities and strongly urged against the imposition of interest. Clark was unsettled: "I expressed great surprise, pointing out that the two sides were much further apart than even I had realized, that it would, I feared, be impossible on our side to justify no interest on the new credit or a failure to do anything at all with the securities."

On February 16th, UK representatives set down in writing a proposal they had presented to Ilsley the previous day: an interest free $1.25 billion loan coupled with the cancellation of all war debts, except for that portion of the $700 million loan made to the UK in 1942 still outstanding. This loan would continue on its wartime basis, that is, interest free and payable through sales of Canadian securities. That same day they reported to London on the Canadian government's political troubles, particularly its difficulty in giving the UK better treatment than had the US, the link between the securities and financial assistance, and the fear that a generous gesture on its part would not be matched by the sterling creditors, leaving Canada "a lonely Sir Galahad". They thought, however, "that we have made some progress in persuading Canadian Ministers about the long term

174. NAC, RG19/763/304-6, W. C. Clark to the Minister, February 14th, 1946. The UK report on this conversation did not mention the second proposal and said that Towers joined in the presentation. See PRO, T236/630, UKHCC to DO, BEECH No.15, February 16th, 1946.

175. PRO, T236/630, UKHCC to DO, BEECH No.15, February 16th, 1946. See also BoE, OV58/9, "Canadian Negotiations", by CFC, February 25th, 1946 for an expansion on Canada's reluctance to be the only nation to make a generous and far-seeing settlement with the UK.
advantages to world economy and to Canada herself of a solution on lines we propose".176

Whatever progress they may have made with Mackenzie King seems to have been at least temporarily offset by their February 16th memorandum. King had been very impressed by the British case and the depiction of the results of failure to secure agreements with Canada and the United States. In particular, he worried about the implications for European stability and international peace of the continued weakness of sterling and was troubled by the notion that Canada might be forced out of the Commonwealth and into the embrace of the United States: this was an especially frightening thought given that he was already worried that growing fears of the USSR “would create a strong continental feeling which might inevitably make this continent one”.177 Something would have to be done, but it would have to be politically viable: King was convinced of the need for action on the securities issue and worried about the Parliamentary chances of an interest free loan.178

“It makes me a bit indignant”, King wrote in his diary after reading the UK’s February 16th proposal, “that the British should not seek to make the way possible for us but to simply attempt, by use of words, to get what they are after regardless of the position in which Canada may be placed.”179

176. PRO, T236/630, UKHCC to DO, BEECH No.15, February 16th, 1946. King suggested that “St. Laurent and Gardiner ... seemed to feel deeply the force of what had been said to us”. WLMK, February 13th, 1946.

177. WLMK, February 11th and 13th, 1946 (quotation is from latter entry).

178. WLMK, February 11th, 12th, and 13th, 1946. UK officials later said that King had “always regarded interest-free loan as too dangerous politically”. See PRO, T236/630, Acting UKHCC to DO, BEECH No.30, February 26th, 1946.

179. WLMK, February 17th, 1946.
the following day he was furious, seeing "a threat of blackmail in the whole [UK] attitude". There would be a deal, as such was in Canada's interests, but King portrayed himself as far less sympathetic than before:

While I would have been prepared to have gone far and to go comfortably for a loan at one percent with certain other conditions and understandings, I have now come to feel that we should take the position that we cannot get through our Parliament a loan on terms less favourable than those which have been given to the U.S. In other words we owe an obligation to our own people to protect their interests.

The next night, over dinner, he reproached the UK officials for their "'take it or leave it' attitude'. He also "pointed out to them that with the best will in the world, we could not get our H. of C. to pass what they wanted. I might have added we could not get the Cabinet."

On February 21st the government settled on a counter proposal: a $1.25 billion loan on US terms, 181

180. WLMK, February 18th, 1946. King expanded on this theme a few days later: "it would be much better to come over and ask for a straight gift; not to ask for a loan, and then say: if you don't give it to us on our terms, you will be responsible for destroying our recovery; you will be making the loan with the U.S. impossible and with the sterling area also impossible." See WLMK, February 22nd, 1946.

181. WLMK, February 18th, 1946. King later relented, musing that if the UK accepted the February 21st proposals by the Canadian government (described below) "in the right spirit and attitude", he might recommend that the interest rate be lowered from 2% to 1%. This he did on February 25th, but St. Laurent said he could not support it. However, that same day King also attributed the failure of the UK to get what it had originally wanted in part to the UK attitude ("to drive too hard a bargain, and especially the attitude of treating Canada as though she was to do just as they wished"). See WLMK, February 23rd and 25th, 1946.

182. WLMK, February 19th, 1946. Ilsley was also distressed by the latest UK proposal, telling King that "we were all further apart than ever" and that "[h]e did not see what could be done". See WLMK, February 18th, 1946.

183. The previous evening, St. Laurent had made another suggestion to UK officials (a loan with 3% interest, payable in sterling to be invested in UK securities) that had been quickly rejected. UK officials had said that any arrangement had not to impose too heavy a burden on the UK and had to be able to "be presented to Parliament without apologies": with a loan at 2% interest, this meant all war debts would have to be cancelled. See PRO, T236/630, UKHCC to DO, BEECH
continuation of the 1942 loan on present terms of repayment and no interest until interest kicked in on the new loan, with interest thereafter at a rate to be agreed, and the conversion of the other large outstanding war debt, the UK share of the costs of the British Commonwealth Air Training Plan (BCATP), into sterling, with its "eventual settlement ... on a basis not less favourable than that accepted by other Allied sterling creditors of the United Kingdom". This represented a substantial stiffening of the proposal that had been submitted for the Cabinet's consideration: $1.25 billion on US terms, the continuation of the terms of the 1942 loan, the cancellation of UK BCATP debts, and miscellaneous UK debts "to be paid from the proceeds of [the new loan] or possibly by an additional amount added thereto". St. Laurent had led the charge in toughening the terms on the war debts and been supported by all his colleagues save Ilsley.

The next day King, Ilsley, and St. Laurent, along with various officials, discussed the counter proposals with UK representatives, who explained why they could not recommend them to their government. When Eady and MacDonald complained that the proposals were more onerous than

No.21, February 21st, 1946.

184. See NAC, RG2/A5a/T2364/2637, Cabinet Conclusions of Meeting held February 21st, 1946 (Meeting Number 182).

185. UK officials reported that "St. Laurent is politically interested in presenting any arrangement on [the 1942] loan as affording gradual transfer of United Kingdom-owned securities to Canadian ownership and spoke of a perpetual tribute to United Kingdom from Canadian enterprise. He has a bee in his bonnet about injury to Canadian interests and injustice to Canadian taxpayer arising out of this tribute." See PRO, T236/630, UKHCC to DO, BEECH No.21, February 21st, 1946.

186. WLMK, February 21st, 1946. King recorded that Ilsley presented the proposals to UK officials that evening "very reluctantly"; UK officials said that "Ilsley was obviously unhappy in giving them to us". See WLMK, February 21st, 1946; PRO, T236/630, UKHCC to DO, BEECH No.26, February 22nd, 1946.
the US arrangements, St. Laurent challenged MacDonald to explain “how it was true that when we were easing an existing burden we were making something more difficult”. King emphasized his government’s political difficulties, asserting “[t]hat our difficulty would be in getting a loan through at all, let alone other features”. He also wondered how he could respond to a query whether Canada should ever expect to be repaid the new loan, when the UK was not honouring its wartime obligations. Finally, when Eady “said something about not wanting to put his Ministers where they would have to apologize for bringing the measure in and risking a change in public opinion toward Canada”, King exploded. Canada had helped Britain greatly in the past and offered to do so again: there was no call for apologies on any part. The discussion had been heated, but Ilsley agreed to see whether the proposals might be amended in light of it.

187. Earlier that day King had written in his diary: “The political equation is even more important than the agreement itself. I have strongly in mind what happened to the government in the [US-Canada] reciprocity [election] campaign [in 1911], the public not accepting what the government knew in its own mind was advisable.” See WLMK, February 22nd, 1946. What had happened was that the government of Sir Wilfrid Laurier, King’s predecessor as Liberal party leader, had been defeated, partly on the issue of Canada-US reciprocity. Hector Mackenzie notes that in King’s “political lexicon”, the 1911 election “symbolised the difficulty in explaining a financial question to Parliament and public”. See Mackenzie, pp. 560-561 (quotation is from p. 560).

188. WLMK, February 22nd, 1946. See also BoE, OV58/9, “Canadian Negotiations”, by CFC, February 25th, 1946, in which Cobbold emphasized King’s sense of his political difficulties, a sense shared by Ilsley and St. Laurent. The next day, King made many of the same comments again to MacDonald, shortly off to report to London, adding his dislike for the implication in the February 16th proposal “that Canada was to pay tribute for all time to come to Britain, investment situation, etc.”. Nor did he appreciate the suggestion that Canada was complicating Anglo-American relations and contributing to the break-up of the Commonwealth “through not going further and asking Britain to just help us to do what we wanted to do for her by making it clear that she was prepared to keep her word in regard to previous loans.” See WLMK, February 23rd, 1946.

189. PRO, T236/630, UKHCC to DO, BEECH No.26, February 22nd, 1946. In addition to Ilsley’s promise, the UK record of the meeting listed the principal UK objections (continuation of war debts and the BCATP proposal) and noted that the discussion was “vigorous”.
Canadian officials got to work, coming up with at least five proposals for the consideration of ministers. On February 25th Ilsley told the Cabinet that there could be no agreement on the basis of its most recent proposals, and after its customary "considerable discussion", it recommended that the proposals be modified to include the cancellation of all UK BCATP liabilities and a UK cash settlement for various miscellaneous claims.

The proposals were submitted to UK ministers, who were inclined to accept them with a few changes, though they toyed with the idea of countering with a new set of proposals first. When informal soundings of Ilsley and Clark indicated that such a venture could end only in disaster, they accepted the Canadian offer, subject to a few caveats. Their decision cited the past and present

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191. NAC, RG2/A5a/T2364/2637, Cabinet Conclusions of Meeting held February 25th, 1946 (Meeting Number 183).

192. PRO, CAB129/7, C.P.(46)84, Memorandum by the Lord President of the Council, "Financial Negotiations with Canada", February 27th, 1946; PRO, T236/630, DO to Acting UKHCC, MAPLE No.24, February 27th, 1946. The proposed counter proposals were: $1.75 billion at 1%; the 1942 loan to be paid off with proceeds from new loan; cancellation of BCATP; $100 million cash for all other miscellaneous claims (with the possibility of an increase to $150 million (see preceding telegram)). See PRO, T236/630, DO to Acting UKHCC, MAPLE No.25, February 27th, 1946.

193. PRO, T273/425, Acting UKHCC to DO, No.367, February 27th, 1946. It was clear to UK officials "that Ilsley was not only most unwilling to put new proposals to his colleagues but also genuinely apprehensive that they might cause a sharp reaction against us so that we might well be faced with a declaration that the Canadian Government proposals represented in every item the limit to which they could go".
generosity of the Canadians; it also revealed a concern for the relation between the Canadian proposals and the American agreement. Dalton observed to his Cabinet colleagues that "[i]f it could be said in Congress that we had been unable to reach a satisfactory loan settlement with one of our own Dominions, this would prejudice our prospects of obtaining Congress approval for the loan from the United States. On the other hand, the early acceptance of this Canadian offer would probably have a favourable influence on the forthcoming discussions in Congress". 194

On March 2nd, Canadian ministers accepted the minor amendments proposed by their UK colleagues. 195 A few days of drafting later, the Canadian Cabinet approved the final agreements 196, and on March 7th the two Prime Ministers announced the successful conclusion of a deal in identical statements. 197 Ironically, after all of the UK hand-wringing about the reaction of its people and Parliament to the terms of the Canadian loan, the deal met with warm approval and was often contrasted favourably to the deal made with the Americans. The Daily Express lauded the Canadian agreement for including "no conditions "involving us in far reaching limitations of Britain’s

194. PRO, CAB128/5, 19(46)4, Cabinet Conclusions of Meeting held February 28th, 1946.

195. NAC, RG2/A5a/T2364/2637, Cabinet Conclusions of Meeting held March 2nd, 1946 (Meeting Number 185). The primary change was that the miscellaneous outstanding claims be settled for a lump sum UK payment of $150 million (in cash, not through an amount added to the new loan, said St. Laurent). The UK also secured a change in the wording on the disposition of the 1942 loan after five years that did not commit it to any particular settlement in advance. See PRO, T236/631, DO to Acting UKHCC, MAPLE No.30, February 28th, 1946 and Acting UKHCC to DO, BEECH No.37, March 1st, 1946.

196. NAC, RG2/A5a/T2364/2637, Cabinet Conclusions of Meeting held March 6th, 1946 (Meeting Number 186).

197. NAC, RG2/68/D-13-4/1942-1948, "Statement Made in London by the Prime Minister of the United Kingdom and in Ottawa by the Prime Minister of Canada on March 7th, 1946". For a more in-depth discussion of the UK-Canada loan negotiations, see Mackenzie, pp. 540-569.
freedom of action in economic policy” as the American agreement did\(^1\text{98}\) (in truth, the terms of the US loan were such that Canada automatically received many of its benefits, and the Anglo-Canadian agreement contained a most favoured nation clause that secured it the rest\(^1\text{99}\)). \textit{The Sunday Times} reported that “[t]he paper terms are much like those of the proposed American loan, but the spirit is very different. It is the spirit of generous contribution to the common cause in world affairs, both economic and political ...”\(^2\text{00}\)

In Canada, the bill moved fairly easily through Parliament\(^2\text{01}\), receiving royal assent on May 28\textsuperscript{th}, 1946.\(^2\text{02}\) Canada had done what it could to secure the future of one of its two principal trading partners and a pivotal member of the international economy. It had done so in order to provide for its interests in both the short run and the long run. In the short run it had secured an important market for its goods; in the long run it had made the continuation of that market more likely. It had

\(^1\text{98}\) NAC, MG26/J1/C9174/410, CHCUK to SSEA, No.651, March 8\textsuperscript{th}, 1946.

\(^1\text{99}\) NAC, RG19/764/304-7, “Memorandum on the currency and non-discrimination clauses in the Canada-United Kingdom Loan agreement”, by L.R., March 1\textsuperscript{st}, 1946; NAC, RG25/6185/1893-40 Part 2, Despatch to All Offices Abroad from SSEA, March 23\textsuperscript{rd}, 1946. Canadian officials had considered inserting specific UK commercial policy undertakings, but eventually it was decided just to include a most favoured nations clause. See, for example, NAC, RG19/763/304-6, “Proposals for Discussion re Loan and Other Financial Arrangements with the United Kingdom”, by RBB, January 30\textsuperscript{th}, 1946; NAC, RG25/5769/154(s) Part 1, SDP to Mr. Robertson, 7/2/46; NAC, RG19/414/101-106-2E, “Major Questions in Connection with United Kingdom Loan Discussions”, Unsigned, February 8\textsuperscript{th}, 1946 and “Memorandum re Details of U.K. Agreement”, by RBB, February 22\textsuperscript{nd}, 1946.

\(^2\text{00}\) NAC, MG26/J1/C9174/410, CHCUK to SSEA, No.676, March 11\textsuperscript{th}, 1946.

\(^2\text{01}\) See, for example, Plumptre, pp. 77-78; Mackenzie, pp. 569-570. Ironically, Mackenzie notes that King credited the successful Parliamentary passage of the loan “to St. Laurent, who, after the agreement, became a persuasive advocate of reasonable treatment for the United Kingdom, despite attacks by the nationalist press in Quebec”. See Mackenzie, p. 570.

\(^2\text{02}\) PRO, DO3535/1220, WT665/120, Acting UKHCC to DO, No.928, May 29\textsuperscript{th}, 1946.
also done its best to bolster the ability of the United Kingdom to participate fully in a multilateral liberalized global economy.²⁰³ Now it was time to finish building that economy.

²⁰³ Plumptre’s description of the Parliamentary debates on the loan confirms its dual purposes: “In Ottawa speakers in the House of Commons referred to Britain’s shattering wartime experiences and the need for reconstruction. This was conceived partly in terms of the new world system which Canadians as well as Americans were labouring to build, but also ... in terms of Britain’s ability and willingness to buy Canadian goods.” See Plumptre, p. 78.
Chapter 8: The Search for Balance

After the flurry of activity during the first quarter of 1944, progress on commercial policy was slow until the end of the war. Informal discussions were held and avowals of the need for progress made, but internal debates, uncertainty, and considerations of timing and politics all impeded progress. Only in October 1945 did the US and UK seriously resume planning the new international commercial order. The factors that had delayed action during the war were only intensified after it, their effects magnified by the uncertain conditions of the immediate postwar years. International agreement on commercial policy was far from certain: even if it could be achieved, there was always the danger that it could only be had in so diluted a form as to be essentially worthless.

Progress was slow, but it was not non-existent. In December 1944 and January 1945, Harry Hawkins, the new Economic Counsellor at the US Embassy in London, along with other US officials, engaged in talks with UK officials on postwar commercial, commodity, and cartel policy. They shared with them a summary of a US draft international commercial convention, a copy of which was sent to the Canadians shortly thereafter. The talks were informal and no definite decisions were reached. A visit by King to Roosevelt in March was the catalyst for a reaffirmation of the Canadian and American desire for trade liberalization. Prior to their meeting, Roosevelt had been briefed that King's government was "satisfied that the British favor the multilateral approach after the immediate hostilities and transitional periods. They are worried, however, at the more


2. PRO, PREM4/18/4, "Commercial Policy: Article VII. Memorandum by the Chancellor of the Exchequer", W.P. (45) 96, February 24th, 1945. UK officials did use the opportunity to reiterate their distaste for the multilateral tariff reduction formula worked out by the Americans and Canadians at their talks in the winter of 1944 (a uniform tariff cut with a tariff floor, but no ceiling).
narrow British approach to immediate problems and Mr. King may propose to you a multilateral approach to the problems of the immediate post hostilities period. On March 13th, the two leaders proclaimed their nations' commitment to action on postwar economic and commercial policy "along bold and expansive lines with a view to the removal of discriminations and the reduction of barriers to the exchange of goods between all countries". Around the same time, the British circulated to their Commonwealth partners a report on the recent talks with the Americans. Canadian officials received a fuller briefing during their May 1945 visit to England. Much time was spent discussing future procedure for the international consideration of commercial, commodity, and cartel policy issues. More important, the Canadians saw "evidence that the United Kingdom expected that, if suitable financial arrangements could be made, it would not be too difficult to reach agreement with

3. FDR, FDR Papers/President's Secretary's File/File 25/Canada: 1944-1945, Joseph C. Grew to FDR, March 8th, 1945.

4. One version called for "the removal of all discriminations": the "all" was subsequently scratched out in pencil. See FDR, FDR Papers/Official File/File 614a/Box 3/Foreign Trade, 1945, Press Release, March 13th, 1945. Pearson noted in his diary that "[t]he Americans at the last minute tried to slip in a few phrases advocating removal of "all trade discrimination", but King vetoed the use of the word "all". See NAC, MG26/N8/2/4, Diary for March 13th, 1945.

5. FDR, FDR Papers/Official File/File 614a/Box 3/Foreign Trade, 1945, Press Release marked "Immediate Release", March 13th, 1945. The quoted portion of the press release did not appear in the draft originally proposed by Pearson, to whom King had delegated the job of preparing a statement. In this same file, see Department of State to Mr. Daniels, March 12th, 1945; Draft Press Statement, Unsigned and undated; Ruthjane Rumelt to Mr. Daniels, March 13th, 1945.


7. Canadian officials were not pleased with this, believing "that discussion of a timetable before agreement had been reached upon principles of policy was in our opinion very much Hamlet without The Prince". See NAC, RG19/4369/U-3-11, "Commercial Policy": London, May 1945", Unsigned, June 13th, 1945.
the United States on a commercial policy agreement*.9

In June came word that Will Clayton, the American Assistant Secretary of State for Economic Affairs, would shortly be travelling to London to discuss financial and commercial policy issues. He hoped to speak to Canadian officials before he left: could a meeting be arranged?9 Several days later the Canadian Embassy wrote that Clayton and his team “attach very considerable importance to these discussions with the Canadian representatives”, which would likely “cover the whole broad field of commercial and financial policy affecting relations with the United Kingdom”. Ottawa should send experienced officials who could speak with authority on Canadian policy.10 The State Department had wondered whether Robertson specifically could come11; he did, along with McKinnon.12

On July 9th, Robertson, McKinnon, Pearson, Dana Wilgress, now the Ambassador to the USSR, and Thomas Stone, a Counsellor at the Embassy, met with State Department officials in Washington. The significance attached by the Americans to the talks was implied by the composition of their group, which included, in addition to Clayton, Harry Hawkins, Clair Wilcox, the Director of the Office of International Trade Policy, Wilcox’s Deputy Director, Leroy Stinebower, E. G. Collado,

12. NAC, RG19/3989/T-2-9-2/Volume 1, SSEA (San Francisco) to Acting SSEA (Ottawa), H-359, June 26th, 1945 and CAUS to SSEA, WA-3367, June 27th, 1945.
the Director of the Office of Financial and Development Policy, Winthrop Brown of the Commercial Policy Division, and Jack Hickerson, Acting Director of the Office of European Affairs. The message Clayton had for the Canadians was an important one: the United States had decided that an across-the-board tariff cut would not be possible. Congress had recently renewed the RTAA after hearings in which the Truman administration had “emphasize[d] the principle of selectivity and [stressed] the essentiality of the Act to our post-war foreign economic program”. Even if the administration were to embrace the across-the-board approach, Congress would likely not approve it and a sufficient number of nations would probably not agree to it. Tariffs would have to be cut through some variation of bilateral negotiations on specific items.

The Canadians responded with a vigorous defence of the across-the-board approach as the best chance for real progress. It had its problems, but these were not as daunting as the Americans suggested; besides, the problems of the selective approach were more serious still. If the Truman administration “could not at present see its way clear to sponsor [the across-the-board] approach actively ... then perhaps the problem might be met if other countries should sponsor the proposal and thus bring it up for public debate”. It should at least try to get Congress to accept it, as “[m]ere


14. Harry Truman had succeeded to the American presidency on the death of Franklin Roosevelt in April 1945.

15. NAC, RG25/5773/200(s), “Informal Discussions on Commercial and Financial Policy Between Officials of the United States and Canada”, July 9th, 1945. Aaronson and Zeiler show how American officials had overstepped their political mandate in pursuing the multilateral approach from the start. See Aaronson, pp. 31-32, 35-40, 43-45 and Zeiler, pp. 36, 45. For a discussion of the 1945 RTAA renewal effort, see Zeiler, pp. 45-49.
trial of the bold approach would tend to give impetus to the carrying through of a more modest scheme".16

The Canadians returned to the charge when the talks were resumed at the Chateau Laurier hotel in Ottawa on July 14th and 15th, to examine "further the possibilities of selective tariff reduction in a multilateral setting".17 Robertson and McKinnon again represented Canada, along with Mackintosh, Deutsch, and Hubert Kemp of the Wartime Prices and Trade Board. Stinebower led the American team, which consisted of James Leddy, who had also attended the Washington talks, Homer Fox of the Ottawa Embassy, and Herbert Marks, a new arrival at the State Department who reportedly enjoyed the "complete confidence" of Dean Acheson, the Under-Secretary of State.18

Canadian officials "were deeply disappointed and dismayed by the change in the American position"; Robertson in particular thought "that any selective method would be "hopelessly inadequate"". "What appeared to be needed," Robertson said, "was an opportunity to take the matter up with Congress." Perhaps other nations could lead the way: Clayton had appeared to discern some merit in this idea a few days before. "Or perhaps," Robertson continued, "an opportunity would exist if the United States and Canada should endeavour to negotiate a trade agreement and if, because of the great difficulty Canada would have in granting [the US] certain key


18. The comment about Marks is from NAC, RG25/3757/7481-40C, CAUS to SSEA, WA-3676, July 11th, 1945.
concessions involving preferential protection to third countries ... the negotiations should fail."19

The American response was discouraging. If the other tariff reduction approaches failed, perhaps an across-the-board cut could be reconsidered. But Acheson and Clayton did not think that Congress would accept a horizontal cut; there was no use even trying. Were other nations to lead the way, a suspicious Congress would likely be the result; the staged negotiations failure idea was a total non-starter. The United States was going to support selective cuts and its representatives urged that they not "neglect to grasp this opportunity to make substantial progress in the trade-barrier field in a vain effort to obtain an ideal solution”. Robertson was undeterred, asserting that “[i]t would be better to take even a long chance on an adequate plan”, but the Americans were equally adamant.20

This debate took up the entire morning of the first day. The remainder of the talks was spent examining three US proposals for selective tariff reduction. The Canadians criticized them all, but considered the third, with a few modifications, the least objectionable. The proposal was that the US engage in bilateral tariff negotiations with members of a select group of nations before the convening of an international conference to deal with non-tariff barriers and negotiate bilateral tariff reductions of “a “substantial amount””. The Canadians suggested enlarging the pre-conference negotiations to include negotiations between all pairs of nations in the group that enjoyed significant

19. NAC, RG25/5773/200(s), “Informal Discussions on Commercial Policy Between Officials of the Canadian Government and Officers of the Department of State”.

20. NAC, RG25/5773/200(s), “Informal Discussions on Commercial Policy Between Officials of the Canadian Government and Officers of the Department of State”. See also the report of this debate in NARA, RG59/2733/611.4231/7-1845, “Report on Ottawa Trip”, by Herbert Marks, July 18th, 1945.
commercial relations. The group should be a nuclear group, limited to the most important trading nations (including Canada, of course), on grounds of efficiency and general desirability: on the latter point, the Canadians, "judging from past experience", worried that "the presence at a general international conference of the less important, and for the most part protectionist-minded, countries, would inevitably result in a watering-down of the commitments which a smaller number of the major trading nations might find it possible to enter into."\(^{21}\) The nuclear group tariff negotiations would be guided by "working rules" designed to effect quick and equivalent reductions that would be extended to all group members, who would also devise means of reducing non-tariff barriers. After the nuclear nations had reached agreement, an international conference would be called to discuss the position of other nations, both those that chose to adhere to the nuclear group agreement and those that did not.\(^{22}\)

The Americans agreed on the superiority of this approach, though they wondered whether the RTAA would allow their government to negotiate on the basis of "working rules". They also questioned the wisdom of finalizing any arrangements before the general conference; the Canadians, on the other hand, stressed that the nuclear agreements "should not be kept open and thereby made subject to changes at the general conference."\(^{23}\) The Americans promised to set the proposal down

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21. Canadians officials had said much the same thing at the July 9\(^{th}\) meeting. See NAC, RG25/5773/200(s), "Informal Discussions on Commercial and Financial Policy Between Officials of the United States and Canada", July 9\(^{th}\), 1945.

22. NAC, RG25/5773/200(s), "Informal Discussions on Commercial Policy Between Officials of the Canadian Government and Officers of the Department of State".

23. NAC, RG25/5773/200(s), "Informal Discussions on Commercial Policy Between Officials of the Canadian Government and Officers of the Department of State".
in writing and seek permission to put it to UK officials. As the talks ended, Canadian officials made a final plea for the across-the-board method, expressing their "hope that the United States would eventually see its way clear to attempting that approach". But it wouldn't: the multilateral across-the-board tariff cut for which the Canadians had striven would not come to pass.

All was not lost. A few days later, Stinebower wrote Robertson from Washington that their proposal had "met with a favorable reception here - more unreservedly favorable than I had dared hope". Soon thereafter a written version of the proposal was sent to Canadian officials. The "working rules" were gone and the nuclear group agreements would be subject to modification by the general conference, but the Canadians were content, thinking it "far more important to get the program under way than to be unduly concerned with the detailed mechanics of the program". They worried about the new UK Labour government under Clement Attlee: McKinnon suggested that if action were not forthcoming from that quarter, perhaps the US and Canada should contemplate "go[ing] ahead on a program of their own". Meanwhile, the Canadians would watch and wait, as they were to do during the Anglo-American loan negotiations.

Clayton and his team presented the proposed negotiating procedure to British officials in August

24. NARA, RG59/2733/611.4231/7-1845, "Report on Ottawa Trip", by Herbert Marks, July 18th, 1945.

25. NAC, RG25/5773/200(s), "Informal Discussions on Commercial Policy Between Officials of the Canadian Government and Officers of the Department of State".


27. NARA, RG59/2733/611.4231/8-645, Lewis Clark to the Secretary of State, No.2885, August 6th, 1945.
1945. The British were not impressed. They stressed the impossibility of thus combining specific tariff cuts with a general reduction in preferences and of fielding enough officials for bilateral negotiations. The talks made little progress, much to the dismay of the Americans.\(^28\) But the end of the war and the imminent start of the loan negotiations introduced a new dynamic into the US-UK relationship. On September 11\(^{th}\), the UK cabled the Dominions that it was “now likely that United States authorities will seek to link up question of commercial policy with forthcoming financial negotiations in Washington”\(^29\). This the Americans did, leading the UK government to conclude that, given its Article VII commitments and the chance that Stage III negotiations might be imperilled were there “any appearance of shirking the issue”, it had no choice but to resume the commercial policy discussions in Washington.\(^30\)

The talks began on October 1\(^{st}\). Tension quickly arose over the issue of imperial preferences. First Clayton threatened that there would be no loan if the UK did not eliminate all preferences\(^31\), a threat he eventually dropped. The Americans remained committed to eradicating preferences, while the British remained determined not to agree to their elimination without compensatory tariff reductions. In order to satisfy the US hankering for a firm commitment, UK negotiators proposed the following approach: no increases in preferences, no new preferences, tariff reductions automatically to reduce preferential margins, all preferences open to negotiation, residual

\(^{28}\) NAC, MG26/J1/C9875/384, CHCUK to SSEA, No.2450, August 27\(^{th}\), 1945.

\(^{29}\) NAC, RG19/3989/T-2-9-2/Volume 1, SSDA to SSEA, D.1675, September 11\(^{th}\), 1945. A few days later, the UK circulated the actual US proposals (procedural and substantive). See NAC, RG25/5773/200(s), Addison to SSEA, D.148, September 15\(^{th}\), 1945.

\(^{30}\) NAC, RG25/5773/200(s), SSDA to SSEA, D.1752, September 20\(^{th}\), 1945.

\(^{31}\) PRO, DO35/1216/WR254/78, Ben Cockram to P. A. Clutterbuck, October 10\(^{th}\), 1945.
preferences perhaps to be further reduced through additional tariff reductions. The UK government was prepared to support this approach, with a few caveats\(^2\), and asked the Dominions if they would do the same.\(^3\) The Canadians readily supported the proposal\(^4\): it was similar to one that they had proposed to the Americans in July\(^5\), and was essentially the approach they had advocated for years.\(^6\)

32. One of these caveats appears to have had a Canadian origin. The UK government suggested “that there would be advantage if dateline after which margins of preference could not be increased or new preferences introduced ... could be some current date rather than a pre-war date”. See NAC, RG25/5773/200(s), SSDA to SSEA, D.1909, October 12\(^{th}\), 1945. Robertson had proposed this approach in London, noting that “[i]t would make a great deal of difference if some recent year rather than 1938 were taken as the datum-line, since during the war Canada had suspended the duties on United Kingdom goods, thereby, of course, widening the effective margin of preference. To take some recent date, rather than a pre-war year, would seem to be in the United Kingdom’s interest.” Hudd, who reported this episode to Ottawa, noted that Robertson’s suggestion had been subsequently embraced by the UK government. In this same file see CHCUK to SSEA, No.2442, October 18\(^{th}\), 1945.

33. NAC, RG25/5773/200(s), SSDA to SSEA, D.1909, October 12\(^{th}\), 1945.

34. NAC, RG25/5773/200(s), Acting SSEA to Acting CHCUK, No.2442, October 18\(^{th}\), 1945.

35. The Canadian proposal had been: unbinding of preferential margins; tariff reductions to reduce preferential margins automatically; no increases in preferences. See NAC, RG25/5773/200(s), “Informal Discussions on Commercial Policy Between Officials of the Canadian Government and Officers of the Department of State”.

36. A Canadian memorandum noted that the US-UK preferences agreement “follow[ed] very closely the line which Canadian officials have maintained consistently over the past three years”. See NAC, RG19/3989/T-2-9-2/Volume I, “Memorandum on Proposals for Consideration by an International Conference on Employment and Trade”, Unsigned, Nov.14/45. To bring it more firmly into line, the Canadians offered two suggestions. First, it should be made clear that reductions in preferences were conditional upon reductions in tariffs. See NAC, RG25/5773/200(s), Acting SSEA to Acting CHCUK, No.2442, October 18\(^{th}\), 1945, in particular this statement: “We feel it imperative therefore to emphasize the consideration which we regard as all important the preferences cannot be considered apart from tariffs but must be treated as part of trade negotiations looking to reductions in tariffs and as part of satisfactory arrangements on commercial policy
After much haggling, US and UK officials in Washington worked out an agreement on preferences in keeping with the spirit of the UK proposal, one that "established that the reduction or elimination of preferences can only be considered by agreement between all the parties concerned (i.e., including the party enjoying the preference) in conjunction with adequate reductions of tariffs and other trade barriers by the United States and other countries", involved no advance commitments on preference reductions, and allowed each nation to decide for itself the extent to which it felt able to offer concessions on preferences during the tariff negotiations.\textsuperscript{37}

Meanwhile, discussions had been proceeding on other issues of commercial, commodity, and cartel policy; by early November, the US and UK had reached a substantial degree of agreement, including on the question of future procedure. The Americans would publish a statement of principles entitled "Proposals for Consideration by an International Conference on Trade and Employment" (also known as "Proposals for Expansion of World Trade and Employment"). Shortly thereafter they would invite select nations (the "nuclear nations") to begin trade negotiations in March 1946. The negotiations would be followed by a full international conference, hopefully in June. The proposals would not be issued jointly, as had been the monetary proposals, but by the US alone; the UK would, however, publicly support them as a basis for discussion. The UK government, in turn, generally. Any undertaking to maintain even the status quo toward preferences should be conditional upon the satisfactory outcome of the talks as a whole and could not be operative indefinitely in default of such an outcome." Second, Robertson suggested that it be made clear that preferential margins were not to be reduced through increases in preferential rates; Helmore assured him that this point could be addressed in the pre-tariff negotiation Commonwealth agreements. See NAC, RG25/5773/200(s), CHCUK to SSEA, No.2968, October 12\textsuperscript{a}, 1945 and CHCUK to SSEA, A.483, October 13\textsuperscript{th}, 1945.

\textsuperscript{37} NAC, RG25/5773/200(s), SSDA to SSEA, D.2041, November 1\textsuperscript{a}, 1945; SSDA to SSEA, D.2069, November 6\textsuperscript{th}, 1945 (quotation is from this telegram); SSDA to SSEA, D.2088, November 9\textsuperscript{th}, 1945; SSDA to SSEA, D.2089, November 9\textsuperscript{th}, 1945.
hoped that it could rely on the support of the Dominions. Once again it found that it could rely on Canada, which was, on the whole, "highly gratified at the progress your negotiators have made and at the degree of agreement reached".

The United States published the proposals on December 6th. On December 11th Canada received its invitation to the nuclear negotiations, which it quickly accepted, the first nation to do so. In mid-January 1946, the negotiations were postponed to the summer, but preparatory work continued. For example, towards the end of January, Winthrop Brown travelled to Ottawa with two other Commercial Policy Division officers for talks with Canadian officials. The discussions ranged over a number of procedural and substantive issues, but no definite conclusions were reached.

38. NAC, RG25/5773/200(s), SSDA to SSEA, D.2069, November 6th, 1945.
41. NAC, RG25/3808/8378-40/Part 1, USAC to SSEA, No.417, December 11th, 1945.
42. NAC, RG25/3808/8378-40/Part 1, Statement by Ray Atherton, December 17th, 1945.
43. NAC, MG26/J1/C9166/398, USAC to SSEA, No.436, January 18th, 1946.
44. Ironically, on the first day of the talks, the Australian High Commission reported that Evatt had recently lodged a vigorous informal complaint about the US-UK-Canadian talks on commercial policy. Evatt contended that the US-Canada talks "were a breach of the Ottawa Agreements" and took "violent exception to the methods used by way of negotiations which culminated in the American trade proposals". "The main theme of his song", the Commission reported, "was that all countries should have been represented at these discussions - particularly Australia, and apparently he made it quite clear that he felt very keenly the fact that Australia was not in on them." See NAC, RG25/5773/200(s), CHCA to SSEA, No.49, January 21st, 1946. Evatt's frustration at Australian exclusion from the postwar planning process can be traced back to at least 1943: see McKenzie, p. 150.
reached. Similar talks occurred in Washington in early February. Also in January, Canadian officials in London discussed procedural issues with officials at the Board of Trade, as well Harry Hawkins.

Late April brought another troubling development: the negotiations were to be postponed again. They had already been postponed twice, first to June or July, and then to September. Now American unwillingness to publicize their proposed tariff concessions until Congress had approved the UK loan and until after the November Congressional elections combined with the exigencies of the RTAA procedural timetable to make mid-March 1947 the earliest possible start date. The first two postponements seem to have aroused little concern in Ottawa: with respect to the second, Robertson had mused, "I think we [should] all welcome postponement to the end of the summer."

He was far less philosophical the third time around, writing King on April 24th:

45. NAC, RG25/3808/8378-40/Part 1, "Trade and Employment Proposals", Undated. For the suggestion made during the July 1945 talks, see NAC, RG25/5773/200(s), "Informal Discussions on Commercial Policy Between Officials of the Canadian Government and Officers of the Department of State".

46. NAC, RG25/3808/8378-40/Part 2, CAUS to SSEA, No.209, February 26th, 1946.

47. NAC, RG25/3808/8378-40C/Part 1, "Draft Savingram to Canada (Acting H.C.) For Wiseman from Board of Trade", Undated, and L. D. Wilgress to N. A. Robertson, January 23rd, 1945. Wrong, Mackenzie, Wilgress, and Rasinsky participated in this discussion.


49. NAC, RG25/3808/8378-40C/Part 2, SDP to Mr. Robertson, March 1st, 1946; NAC, MG26/J1/C9177/414, SSDA to SSEA, G.18, March 4th, 1946.


51. NAC, RG25/3808/8378-40C/Part 2, SDP to Mr. Robertson, March 1st, 1946.
This is a serious and disappointing decision, which the United States appear to have reached without consulting any of the other countries affected. My feeling has been that we had a real opportunity immediately after the end of the war and during the first phase of reconversion for drastic and relatively painless tariff revision. The longer this operation is postponed, the more difficult it will be to carry out, because new special interests, in abeyance in the war years, are rapidly getting re-established.\textsuperscript{52}

American officials assured the Canadians that this latest delay did not signify a slackening of their government's commitment to the trade liberalization project\textsuperscript{53}; indeed, they were eager to do something in 1946 to keep the momentum going, an attitude welcomed by the Canadians.\textsuperscript{54} The latter were also buoyed by the news that the Americans would soon present them with their desiderata for the upcoming negotiations.\textsuperscript{55} US officials suggested, and Canadian officials agreed, that the nuclear countries, now known as the Preparatory Committee\textsuperscript{56}, should still meet in 1946.\textsuperscript{57}

By the third week of May, a new timetable, modified to meet British concerns, was set.\textsuperscript{58} The

\textsuperscript{52} NAC, RG25/3808/8378-40/Part 2, NAR to the PM, April 24\textsuperscript{th}, 1945. King minuted his agreement on April 29\textsuperscript{th}.

\textsuperscript{53} NAC, RG25/3808/8378-40C/Part 2, CAUS to SSEA, WA-1720, April 23\textsuperscript{rd}, 1946 and "Trade Talks", May 1\textsuperscript{st}, 1946. Zeiler notes that Clayton and Hawkins worried that the postponement "might discourage multilateralists and cast doubt on America's faith in freer trade". See Zeiler, p. 63.

\textsuperscript{54} NAC, RG25/3808/8378-40C/Part 2, "Trade Talks", May 1\textsuperscript{st}, 1946.

\textsuperscript{55} NAC, RG25/3844/9100-A-40, SDP to Mr. Robertson, May 6\textsuperscript{th}, 1946 and SSEA to CAUS, EX-1234, May 7\textsuperscript{th}, 1946.

\textsuperscript{56} It had been decided to hold the trade conference under the auspices of the United Nations Economic and Social Council. The Council had appointed a "Preparatory Committee of the International Conference on Trade and Employment", which was really just the nuclear group by another name.

\textsuperscript{57} NAC, RG25/3808/8378-40C/Part 2, "Trade Talks", May 1\textsuperscript{st}, 1946; NAC, RG25/3844/9100-A-40, CAUS to SSEA, EX-1234, May 7\textsuperscript{th}, 1946.

\textsuperscript{58} NAC, RG25/3808/8378-40C/Part 2, CHCUK to SSEA, No.1103, May 7\textsuperscript{th}, 1946 and CHCUK to SSEA, A.391, May 9\textsuperscript{th}, 1946; NAC, MG26/J1/C9177/414, SSDA to SSEA, D.452, May 9\textsuperscript{th}, 1946; SSDA to SSEA, D.499, May 17\textsuperscript{th}, 1946; SSDA to SSEA, D.500, May 17\textsuperscript{th}, 1946; SSDA
Preparatory Committee would meet in October to examine the commercial policy proposals, reconvening in March 1947 to negotiate reductions in tariff and non-tariff barriers and to prepare a charter for the proposed International Trade Organization (ITO). The October meetings would be informal and non-committal, designed partly as an exercise in public relations, partly as a tutorial for nations not involved in the commercial policy planning process from the beginning.

The postponement episode is of interest for what it reveals of Robertson's concerns about the lack of progress in commercial policy. A few weeks later, a letter from the Czechoslovakian Minister, pleading for extended exemptions from the proposed commercial policy rules for war-ravaged nations, showed that Robertson was not the only one who was concerned. The Czechoslovakian plea prompted Clark to write:

Of course, one could be even more cynical and say that [the Minister's] letter merely represents the thinking of most of the world outside of the United States, Canada and (perhaps) the United Kingdom -- that multilateralism is becoming a dream which no one really believes in any longer and for which very few are prepared to make any immediate sacrifice of their power to manoeuvre.

Unfortunately, there is much to be said for this cynical (or perhaps just realistic) viewpoint and I find myself tending to slip more and more into an acceptance of it. However, whether because of a jaunty idealism or a realization of how much the prosperity of Canada depends upon multilateralism, I try to resist. Officially, therefore, I continue to fight for multilateralism and I am looking for some way in which the program for achieving it can be galvanized.

The United States was likely the only nation that could reinvigorate the program, by taking the lead in opening its markets to imports. But the Truman administration would do nothing before the 1946 elections, and Clark wondered whether it would do what had to be done after them. "Eventually,"

59. NAC, RG25/3808/3878-40C/Part 2, F. Pavlasek to SSEA, No.1389/46, May 14th, 1946.

to SSEA, D.520, May 21st, 1946.
he wrote, “the United States may come to recognize that this is the only way in which the dream of multilateralism may become a reality, but by that time the pattern of trade may have hardened beyond any hope of change.” Clark concluded:

If this be true, perhaps we should cease dreaming and go to work on an attempt to get from the United States an approach to a completely open door so far as Canada alone is concerned. However, the time does not seem to me to be ripe even for this and so I would continue to do as much as can to promote the ITO objectives. Presumably that means the expression of some disappointment at the views which the Czechoslovakian Government had felt obliged to take.60

Towers was also prompted by the Czechoslovakian letter to comment on the multilateral trade liberalization project’s prospects for success. If many nations joined Czechoslovakia’s call for special exemptions, “the area of possible benefit [will be] narrowed for the remainder, who will be the less inclined to assume the obligations of multilateralism and non-discriminatory trade. Indeed, the main proponents of the proposals, and especially the United States, would have to make quite extraordinary concessions in order to persuade others, such as Australia, India, Western Europe, and South America, freely to take on the risks of the desired world trade system.” Like Clark, Towers doubted that the US would adopt the necessary bold approach; instead, exemptions would become the rule of the day, leaving “little more than a face-saving appearance of a world trade agreement”.

Towers concluded:

This rather pessimistic view is compounded of two factors, the real and professed inability of a number of countries to carry out the U.S. prescription for international trade, and the inability, or lack of will, of the United States itself to offer sufficient guarantees of a high level of U.S. imports to persuade a number of other countries that it is worth their while to

60. NAC, RG25/3808/8378-40C/Part 2, W. C. Clark to the Acting Secretary of State for External Affairs, June 3rd, 1946. Francine McKenzie quotes from a May 29th memorandum to Clark: “Multilateralism is becoming a dream which no one really believes in any longer and for which very few are prepared to make an immediate sacrifice of their power to manoeuvre.” See McKenzie, p. 208 (quotation is from a memorandum from Mitchell Sharp to W. C. Clark, May 29th, 1946).
assume the risks involved in abandoning controls over export and import trade. However, much will depend on the progress of events and opinion in the United States and other countries between now and the holding of the international conference in 1947.\textsuperscript{61}

Threats from abroad menaced the multilateral liberalized trade project, but there were also threats at home. In January 1946, Jimmy Gardiner, the outspoken and influential Minister of Agriculture, had opened discussions with the United Kingdom for a long-term bilateral wheat contract under which the UK would agree to buy a certain amount of wheat from Canada each year at a set price. By mid-June, the negotiations were almost complete.\textsuperscript{62} Robertson wrote King that he felt “very strongly that the conclusion of such a contract is not in the long-run interests either of Canada or the United Kingdom, and would be in direct conflict with the general policy of freer international trade”.\textsuperscript{63} His counsel made little impression: two days later, the Cabinet approved the arrangement in principle.\textsuperscript{64}

On instructions from the Cabinet, Pearson told State Department officials about the impending deal. Acheson, Clayton, and Hickerson were all taken aback. Clayton requested a delay pending further Canadian-American consultation, and warned of the adverse effects the deal could have on the

\textsuperscript{61} NAC, RG25/3808/8378-40C/Part 2, G. F. Towers to N. A. Robertson, June 14\textsuperscript{th}, 1946.

\textsuperscript{62} NAC, RG2/A5a/T2364/2638, Cabinet Conclusions for Meeting held June 19\textsuperscript{th}, 1946 (Meeting Number 229).

\textsuperscript{63} NAC, RG2/68/D-10-1/1940-1948, NAR to the Prime Minister, June 17\textsuperscript{th}, 1946. Mitchell Sharp, an official with the Department of Finance, also had “serious misgivings”, and writes of the political dynamic that led to the deal, “Briefly, Gardiner wanted it and got his way, notwithstanding strong opposition from the Wheat Board and trade-policy officials in Ottawa, and even misgivings by Prime Minister Mackenzie King.” See Sharp, pp. 28-29. See also Bothwell and English, p. 152.

\textsuperscript{64} NAC, RG2/A5a/T2364/2638, Cabinet Conclusions of Meeting held June 19\textsuperscript{th}, 1946 (Meeting Number 229).
passage of the US-UK loan agreement, still making its way through Congress. As for the multilateral trade liberalization project, Pearson reported,

the State Department officials thought that our proposed Agreement with the United Kingdom would cut right across the middle of the whole multilateral idea. I pointed out that they had largely themselves to blame for this because of the uncertainties and delays of their own policy. There was general appreciation of this, but it was nevertheless felt that a wheat contract of this kind would knock the props from under anything we all might hope eventually to accomplish.

The Americans asked for time to figure out an alternative way to meet British needs.65

Robertson’s opposition to the wheat agreement was one thing, the State Department’s quite another. The next day the Cabinet decided to suspend negotiations, pending Anglo-American discussions on the matter. If the US could not come up with a satisfactory alternative, Canada might have to proceed with the deal.66 In the end, the Americans could come up with no better plan, much to the disappointment of the Department of External Affairs.67 The deal was concluded, though the signing took place after the UK loan had cleared Congress; King also insisted that the wording of the contract reflect American concerns about its effect on the multilateral trade liberalization

65. NAC, MG26/J1/C9175/412, CAUS to SSEA, WA-2518, June 19th, 1946. Pearson also chastised the Americans “that price and other policies in this country were largely responsible for efforts being made by other countries to protect their own economic positions in the present difficult circumstances and that, if the United States had given a stronger and speedier lead in international economic policies, such contracts as the one under discussion might not have been necessary”. See also Clayton’s criticisms of the wheat deal in NAC, RG2/68/D-10-1/1940-1948, “Memorandum”, by LBP, June 27th, 1947 and the aide-memoire given by the US to the UK on the issue in NAC, MG26/J1/C9175/412, CAUS to SSEA, WA-2692, July 3rd, 1946.

66. NAC, RG2/A5a/T2364/2638, Cabinet Conclusions of Meeting held June 20th, 1946 (Meeting Number 230).

67. PRO, CAB129/10, C.P.(46)249, Canadian Wheat Contract, Memorandum by the Minister of Food, July 2nd, 1946.
By mid-1946, the prospects for success in the commercial policy field were uncertain. Nevertheless, Canadian officials remained committed to multilateral trade liberalization, notwithstanding their appreciation of the limits of what their country could achieve through it. At an April 5th interdepartmental meeting, Robertson, Towers, and McKinnon all referred to the legislated inability of the US to make spectacular tariff cuts; Towers and McKinnon argued for a supplementary Canada-US trade deal to resolve this problem. A supplementary agreement would secure for Canada significant reductions in US tariffs, which would enable it to offer significant concessions during the multilateral tariff negotiations. Robertson suggested that they could propose this option during the multilateral negotiations. In fact, the idea had already been informally raised with the Americans, first during the July 1945 talks, and again during the January 1946 discussions. On both occasions, the Canadians had proposed reciprocal free trade on selected items and the Americans

68. NAC, RG2/A5a/T2364/2638, Cabinet Conclusions of Meeting held July 17th, 1946 (Meeting Number 243).

69. Canadian officials had given consideration to a special trade deal with the US at least as far back as December 1943. At that time Mackintosh had cautioned that Canada should do nothing to hinder the current US-UK multilateral trade talks. He advised that if a Canada-US deal proved desirable, it should involve free trade in select commodities, be a supplement to a broader multilateral agreement, and be extended to the UK. See NAC, RG19/3989/T-2-2, Memorandum re Special Trade Agreement Possibilities, by WAM, December 14th, 1943.


72. During the April interdepartmental meeting, McKinnon noted that, given time to adjust, "practically all [Canadian] industries were willing to have a regime of free trade" and thought that a "reciprocal reduction in tariffs [was] of little value because of limitations on what the United
had promised to consider it; at the latter meeting, it was noted that the proposal might be advanced during the multilateral negotiations. Canadian officials did see some benefit for Canada in the multilateral negotiations: a summary of the April 5th meeting observed that “[b]ecause of the limits within which the United States negotiators [sic] are working, the new deal cannot go that deep, although it is wider than that which could be contemplated under past treaties”. But it might not be enough.

In August 1946 US officials were back in Ottawa for discussions, one stop on an American world tour to explain and discuss the proposals. With their Canadian colleagues they explored States could offer along these lines”. See NAC, RG2/111/U-40-3/Volume 1/1945-1946, “Memorandum for File: International Meeting on Trade and Employment”, April 15th, 1946.


74. NAC, RG25/3808/8378-40C/Part 2, “Commercial Policy”, 10.4.46.

procedural issues and examined a recently completed US draft of an ITO charter. According to the
minutes, "[d]etailed consideration of the charter revealed that there was a very large measure of
agreement on general principles" and only a few disagreements on issues such as the rules for
negotiating preference reductions and commodity agreements.76

On September 12th, the Cabinet approved the composition of the Canadian delegation to the first
Preparatory Committee meeting, which would open in London on October 15th: Hector McKinnon
to lead the group, Deputy Minister of National Revenue David Sim, H. R. Kemp and L. E. Couillard
from the Department of Trade and Commerce, F. A. McGregor, an authority on restrictive business
practices from the Justice Department, Sidney Pierce, and John Deutsch. About ten days before the
start of the Preparatory Committee meeting, the Commonwealth nations would gather to explore
the issues to be discussed.77

The Commonwealth talks began on October 3rd, 1946. They were even more informal and
exploratory than usual, with consensus neither attempted nor achieved.78 Most sessions were
devoted to commercial policy, with single sessions on each of commodity and cartel policies. The

the Proposed World Trade Talks, Carried on Between Canadian and United States Officials in
Ottawa on August 8 - 9, 1946".

77. NAC, RG2/A5a/T2364/2638, Cabinet Conclusions of Meeting held September 12th,
1946 (Meeting Number 278); NAC, RG25/3809/8378-40C/Part 3, NAR to the Prime Minister,
10.9.46. The Cabinet also approved the inclusion of Dana Wilgress, on temporary leave from his
duties as Ambassador to the USSR, on the delegation; it was hoped he could act as chairman.
However, Wilgress had to go to New York for a UN meeting and McKinnon was appointed
degregation head instead. See NAC, RG25/3844/9100-A-40, LBP to the Prime Minister, December
6th, 1946.

Canadians were eager for action in both these latter fields. On commodity policy, Canadian officials thought the draft Charter put forward by the Americans too restrictive and argued for greater latitude as to the form and purposes of international commodity agreements. On cartels, the Canadian position had shifted from ambivalence to mild enthusiasm. A recent government study had demonstrated the restrictive effects cartels could have on commerce and McGregor advocated concerted international action in this field, though not to the extent proposed by the Americans.

The continuing Canadian commitment to multilateral liberalized trade was apparent throughout the commercial policy sessions. For example, Canadian officials worried about the potential for evasion of the rules of the new organization, and offered suggestions on tightening the language and provisions of the draft Charter to forestall abuses. Similarly, they opposed changes in the use of quotas proposed by New Zealand officials on the grounds that they "seemed to provide a complete means of escape from many provisions in the Charter which seemed of great value". They supported the UK position on the desirability of requiring ITO members to join the IMF so as to


81. See, for example, NAC, RG19/3607/ITO-2, Preparatory Committee on Trade and Employment, British Commonwealth Talks, T.N.(P)(B.C.)(46) 8th Meeting, Minutes of Meeting held on October 9th, 1946; T.N.(P)(B.C.)(46) 9th Meeting, Minutes of Meeting held on October 9th, 1946; T.N.(P)(B.C.)(46) 10th Meeting, Minutes of Meeting held on October 10th, 1946.

82. NAC, RG19/3607/ITO-2, Preparatory Committee on Trade and Employment, British Commonwealth Talks, T.N.(P)(B.C.)(46) 8th Meeting, Minutes of Meeting held on October 9th, 1946.
prevent exchange rate practices contrary to the spirit of the Charter; failing this, the relevant clauses of the IMF Articles of Agreement should be written into the ITO Charter.\textsuperscript{83} They also supported the UK position in favour of weighted voting over the one nation, one vote advocated by the US.\textsuperscript{84} Canadian support for weighted voting was not surprising given their stance at Bretton Woods: what was surprising was that they had earlier told the Americans that they would accept the one nation, one vote approach\textsuperscript{85}, and on the eve of the London meetings the Americans confidently recorded their belief that the Canadians would support them on this issue.\textsuperscript{86} Nevertheless, the Canadians now counted themselves among the supporters of weighted voting.

Canadian delegates also brought to the table a new issue that had come to concern them greatly of late. Canadian industrialists had made it clear that one of the most serious obstacles to their ability to export to the United States was that nation's customs procedures. Canadian officials had

\textsuperscript{83} NAC, RG19/3607/ITO-2, Preparatory Committee on Trade and Employment, British Commonwealth Talks, T.N.(P)(B.C.)(46) 10\textsuperscript{th} Meeting, Minutes of Meeting held on October 10\textsuperscript{th}, 1946.

\textsuperscript{84} NAC, RG19/3607/ITO-2, Preparatory Committee on Trade and Employment, British Commonwealth Talks, T.N.(P)(B.C.)(46) 6\textsuperscript{th} Meeting, Minutes of Meeting held on October 8\textsuperscript{th}, 1946.


\textsuperscript{86} NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/UN Conferences/65/UN: Organizations ITO (Trade) Miscellaneous (thru June 30, 1947), “Summary of Foreign Reactions to Suggested Charter for an International Trade Organization”, October 2\textsuperscript{nd}, 1946. The relevant section read: “Support for our position on equal voting in the ITO among states and majority rule will be provided by the Canadians, who also prefer the Charter version which omits reference to permanent membership on the Executive Board for states of chief economic importance, as incorporated in the Proposals.” The Canadians would later change their minds about the latter issue as well.
discussed the issue with the Americans on several occasions and had promised to supply them with a list of grievances, but had not done so. Instead, they would raise the issue during the London multilateral talks. During the Commonwealth talks, Kemp asserted “that offending countries should not be allowed to obtain large tariff reductions from other members without at least being made aware of other countries’ dissatisfaction with the administration of their customs machinery”. Canadian officials identified a number of ways in which customs procedures could hinder trade. For example, rules governing the valuation of imported goods could be manipulated to benefit domestic producers: the ITO Charter should provide for a clearly defined, universal system of valuation. Without such an agreed standard, negotiated tariff reductions would be far less effective: indeed, McKinnon argued that “in many respects customs valuation systems were more important barriers than tariffs”. Offers to reduce tariffs were alone “of uncertain value”, as a “willingness to reduce duties without changing the administrative structure” did not necessarily imply a “genuine willingness to raise the level of imports”. The Charter should obligate members to review their customs laws with a view towards bringing them into line with an agreed standard. In the end, the

87. NARA, RG59/2732/611.4228/10-2246, Lewis Clark to the Secretary of State, No.4460, October 22nd, 1946. Clark speculated on the “possibility that the question of Customs administration may have been seized upon not only in Canada but elsewhere in the British Commonwealth as a means of counter-attack to the United States insistence on the reduction or elimination of tariff preferences”. American officials were annoyed that instead of submitting the promised list of grievances, Canadian officials seemed to have prodded The Financial Post into a campaign against American customs practices: it was left to the US Embassy to tell “the Canadians in effect “If you have complaints about our customs, please tell us frankly and clearly what the specific complaints are”.” See NARA, RG59/2729/611.422/10-2146, J. G. Parsons to Mr. Brown, October 21st, 1946.

88. NAC, RG19/3607/ITO-2, Preparatory Committee on Trade and Employment, British Commonwealth Talks, T.N.(P)(B.C.)(46) 12th Meeting, Minutes of Meeting held on October 11th, 1946. In that same file, see also the Canadian comments on the restrictive effects of customs procedures in Preparatory Committee on Trade and Employment, British Commonwealth Talks, T.N.(P)(B.C.)(46) Sub-Committee on Customs Procedure, 1st Meeting, Minutes of Meeting held on October 10th, 1946.
Canadians believed that they had convinced their Commonwealth colleagues of the importance of action in this area. 89

Canadian delegates were not dogmatic in their approach to trade liberalization: there was room for compromise. Their response to Australia’s continuing emphasis on full employment and its new insistence on the need for programs to develop less industrialized nations was pragmatic, dismissing neither concern out of hand. Norman Robertson, recently appointed High Commissioner to the UK, wrote that “[i]n their attitude on both employment and industrial development, the Australians have been more moderate than we had anticipated, and their suggestions may after modification prove valuable in developing provisions to satisfy countries at a relatively low stage of industrial development” 90

Nevertheless, the Canadians were cautious. Deutsch affirmed Canada’s support for the maintenance of full employment, but favoured the more moderate UK approach over the radical and activist Australian proposals. 91 He was similarly sceptical about an Australian proposal that one member’s failure to maintain full employment would justify another member’s relinquishment of its ITO obligations, suggesting that the balance of payments provisions of the draft ITO Charter and the scarce currency clause in the IMF Articles of Agreement provided sanction enough against nations that did not maintain full employment. By the next meeting, Deutsch was willing to consider the


91. NAC, RG19/3607/ITO-2, Preparatory Committee on Trade and Employment, British Commonwealth Talks, T.N.(P)(B.C.)(46) 3rd Meeting, Minutes of Meeting held on October 4th, 1946.
proposal as long as it was left to the ITO to determine if a member might be relieved of its obligations, though he continued to worry about the implications of "too easy a let-out".\textsuperscript{92} An Australian proposal for ITO assistance to less developed nations, which included the creation of an Industrial Development Commission and allowance of protectionism, came in for hard questioning by the Canadians, though McKinnon noted that "he would not wish to suggest that they were opposed to the Australian proposals as a whole".\textsuperscript{93} While generally favouring the prohibition of quantitative restrictions, Canadian officials proposed "that serious consideration" be given an Australian suggestion that quotas be permitted "for protective purposes in cases where it could be shown that this form of protection would be less restrictive of international trade than other forms, and was approved by e.g. the Industrial Development Commission or another appropriate authority".\textsuperscript{94}

The Commonwealth talks had given the Canadians good reason for cheer. Particularly encouraging were the attitudes of the UK and Australian delegations. Robertson sensed "no trace in the British

\textsuperscript{92} NAC, RG19/3607/ITO-2, Preparatory Committee on Trade and Employment, British Commonwealth Talks, T.N.(P)(B.C.)(46) 12\textsuperscript{th} Meeting, Minutes of Meeting held on October 11\textsuperscript{th}, 1946 and T.N.(P)(B.C.)(46) 13\textsuperscript{th} Meeting, Minutes of Meeting held on October 11\textsuperscript{th}, 1946. See also NAC, RG25/3844/9100-A-40, N. A. Robertson to SSEA, A.873, October 15\textsuperscript{th}, 1946.

\textsuperscript{93} NAC, RG19/3607/ITO-2, Preparatory Committee on Trade and Employment, British Commonwealth Talks, T.N.(P)(B.C.)(46) 4\textsuperscript{th} Meeting, Minutes of Meeting held on October 7\textsuperscript{th}, 1946. Robertson wrote that "[t]he main Australian argument for the suggested new chapter [on industrial development] offered a possible basis for agreement on this matter but the chapter clearly needed clarification ". See NAC, RG25/3844/9100-A-40, N. A. Robertson to SSEA, A.873, October 15\textsuperscript{th}, 1946.

\textsuperscript{94} NAC, RG19/3607/ITO-2, Preparatory Committee on Trade and Employment, British Commonwealth Talks, T.N.(P)(B.C.)(46) 8\textsuperscript{th} Meeting, Minutes of Meeting held on October 9\textsuperscript{th}, 1946. The Australians also proposed that "quantitative restrictions imposed under Imperial Preference schemes" be permitted; the Canadians thought this should be considered.
attitude of a perfunctory lip service reluctantly discharging an unwelcome obligation. They endeavoured to gain Commonwealth support as earnestly for the proposals to which they were committed as for the amendments they are seeking in the draft charter to which they are not committed”. As for the Australians, Robertson again noted their moderation in advocating greater action in the fields of full employment and industrial development. With the British on side and the Australians in a moderate mood, the prospects for progress must have appeared much brighter: but how would they hold up in a larger and less familiar forum?

On October 15th, the Preparatory Committee meetings began. There were delegations from eighteen nations: Australia, Belgium, Brazil, Canada, Chile, China, Cuba, Czechoslovakia, France, India, Luxembourg, the Netherlands, New Zealand, Norway, South Africa, Syria-Lebanon, the United Kingdom, and the United States. Every nation invited to attend was present, with the sole exception of the USSR; also present were observers from a few other nations, UN agencies, and labour organizations. Right from the start, the Canadians found that their belief in the need for as much trade liberalization as possible was not widely shared. While an “atmosphere of co-operation and compromise” pervaded the plenary sessions, they also revealed, according to Robertson, two notable streams of thought:

You will note that the Australian attitude, as already reported, was re-echoed by other “under-developed” countries, especially by India. This group of countries would lay the emphasis on industrial development and, consequently, are reluctant to forego restrictions which might make such development possible. Another group, of which France is the most vocal, is made up of war-devastated countries. This group stresses the need for complete freedom of action through the transitional period, which is left rather indefinite as to

95. NAC, RG25/3844/9100-A-40, N. A. Robertson to SSEA, A.873, October 15th, 1946. The British were also pleased by the Australians’ moderation and welcomed the alignment of the Canadians’ views with their own: see McKenzie, pp. 220-221.
About two weeks later, McKinnon noted that "the twin subjects of full employment and industrialization of under-developed countries were rapidly usurping the place of greatest importance in the conference and ... the Charter was in grave danger of becoming so riddled with exceptions introduced to meet the objections of many countries on these two scores that the final document might well be almost useless". Robertson thought that if this sort of Charter was the only one on which all could agree, "it might be wise to abandon the attempt and start instead from the other end of the scale". The US, UK, and Canada might form their own international trade organization, leaving it to others to decide if they wished to join, as they most probably would.

Robertson espied another other ominous portent in the lack of support for the principle of weighted voting. This was disappointing in itself, and it meant that Canada might have to argue for permanent seats on the ITO Executive Board as a substitute. It was also troubling for what it implied about the commitment of the other delegations to the ITO project. Robertson thought that


97. NAC, RG25/3844/9100-A-40, "Note on a Meeting in the High Commissioner's Office on 2nd November, 1946". This proposal was not without precedent: in May 1943, Clark wrote Wrong, "Speaking personally, my mind still runs in the direction that our interests will best be served by suggesting a ten year agreement with the United States with progressive reduction in the tariff on all commodities to a nominal level all round by the close of the period and the formation of a [sic] "economic club" on this basis open to participation by all countries who are willing to abide by the same rules.” See NAC, RG19/3989/T-2-9-2/Volume 1, W. C. Clark to Hume Wrong, May 8th, 1943. See also the economic club proposal in Library of Congress, Leo Pasvolsky Papers/5/International Organizations Unidentified papers, Untitled, unsigned, and undated memorandum (memorandum almost certainly pre-dates Bretton Woods).

the lack of support for weighted voting indicated a lack of serious commitment to the ITO project: “If you intend,” he said, “to transfer real power to the ITO, you must have functions related to responsibility. And that means weighted voting.”

Trouble also arose in the Commonwealth. In the months leading up to the Preparatory Committee meetings, the British had become increasingly uneasy about the rules laid down for negotiating reductions in preferential margins; in particular, they feared “the prospect of preferences being modified without prior agreement between the parties concerned”. They had convinced US officials to amend the draft Charter so as to prevent this, “mean[ing] in effect the maintenance of the “Ottawa system” of preferences, although subject to modification as a result of the Geneva negotiations”.

A notable feature of the Ottawa system was that the preferences conferred under it were bound preferences: this meant that the difference between the preferential rate and the non-preferential rate (that is, the margin of preference) was fixed, bound against decrease. In other words, each Commonwealth nation promised the other nations to which it accorded preferential treatment that they would continue to enjoy that level of treatment until they agreed that it could be modified. Thus, if a Commonwealth nation wanted to offer a reduction in a non-preferential tariff to a foreign nation that would lead to a reduction in a preferential margin, it had to secure the permission of the recipient(s) of the preferential rate first. This made negotiating with non-Commonwealth nations difficult, but it also was a powerful weapon in the trade negotiations arsenal.


The Canadians were more impressed by the difficulties arising from the binding of preferential margins than by the potential advantages. At a Commonwealth meeting on November 9th, McKinnon said that Canada could not agree to the continued binding of preferential margins, though it would continue to consult any nation affected by proposed reductions in a given preferential margin. Helmore and Coombs strongly protested that the withdrawal of bound margins represented an implicit renunciation of the Ottawa system. The issue was left unresolved, but not forgotten.

These troubling developments did not eclipse the achievements of the conference. As hoped, it provided an opportunity for education and the full airing of national views. It also produced reports detailing points of agreement and disagreement on the draft Charter prepared by the US, which had quickly been adopted as the starting point for discussions. These reports were to be used by a Drafting Committee, which would convene in January 1947, to redraft the Charter in


102. NAC, RG19/565/152-17, "Remarks by Mr. N. A. Robertson, High Commissioner for Canada in the United Kingdom, at the Closing Plenary Session of the Preparatory Committee on Trade and Employment, London, November 26, 1946." On the educational achievements of the talks, see, for example, McKinnon's comments on the French, Czechoslovakian, Lebanese, Chilean, and Peruvian delegates who, during the first two weeks of the conference, "had all raised many objections. But Mr. McKinnon thought that the essential reason for this was that they had not participated, as we had, in all the preparatory work which lay behind the draft Charter. Many of their objections were being withdrawn as the mists of ignorance were dispelled." NAC, RG25/3844/9100-A-40, "Note on a Meeting in the High Commissioner's Office on 2nd November, 1946".
preparation for a second meeting of the Preparatory Committee in Geneva in 1947. 

Specific Canadian interests were well served by the discussions. The provisions of the original draft Charter concerning the base date for tariff and preference negotiations had deprived Canada of much of its bargaining power. At the London talks, Canadian officials secured changes to the Charter that allowed their government to recoup its power. They also made good on their intention to stress the importance of customs procedures. The Americans, for their part, recognized the need for action. Having learned that other delegations would include senior customs officials and that the Canadians would raise "certain questions or information which might be embarrassing to the United States and its customs administration", the State Department quickly despatched W. R. Johnson,

103. NAC, RG25/3844/9100-A-40, N. A. Robertson to SSEA, A.908, October 28th, 1946 and "Note on a Meeting in the High Commissioner’s Office on 2nd November, 1946". McKenzie notes that "[o]f the 89 articles in the US suggested charter, the participants reached agreement on 74". See McKenzie, p. 227.


105. See, for example, the spirited discussion at the sixth and seventh meetings of the Technical Sub-Committee of Committee II. NAC, RG19/3607/ITO-9, Preparatory Committee of the International Conference on Trade and Employment, Committee II, Technical Sub-Committee, E/PC/T/C.II/46, Summary Record of Sixth Meeting held November 7th, 1946 and E/PC/T/C.II/48, Summary Record of Seventh Meeting held November 8th, 1946.
the Commissioner of Customs, to London to take part in the talks.\textsuperscript{106} At the second meeting of the General Commercial Policy committee, Hawkins noted the potential for protectionism inherent in customs procedures: privately, American officials had decided "to try to do something about these problems ... even if it means proposing legislation".\textsuperscript{107} Johnson later reported that the London talks had succeeded in drawing attention to the opportunity offered by the Charter for revisions in discriminatory customs procedures everywhere, and noted that the Canadians had seemed satisfied.\textsuperscript{108} The Canadians did not get everything they had wanted: for example, while standardized valuation systems and national reviews of customs rules were recognized as desirable, nations were not committed to specific actions.\textsuperscript{109} But Canadian officials had emphasized the importance of the subject, and there would be other opportunities for progress.

Notwithstanding his earlier concerns, during the final session of the conference Robertson spoke warmly of all that had been achieved:

\begin{itemize}
\item \textsuperscript{106} NARA/RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/UN Conferences/65/UN: Organizations ITO (Trade) Miscellaneous (thru June 30, 1947), W. R. Johnson to Secretary Snyder, November 13\textsuperscript{th}, 1946.
\item \textsuperscript{107} NAC, RG19/3607/ITO-7, Preparatory Committee of the International Conference on Trade and Employment, Committee II: General Commercial Policy, E/PC/T/C.II/3, Summary Record of Second Meeting held October 23\textsuperscript{rd}, 1946; NARA, RG59/2729/611.422/10-2946, Mr. Brown to Mr. Parsons, 10/29/46 (quotation is from latter document).
\item \textsuperscript{108} NARA/RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/UN Conferences/65/UN: Organizations ITO (Trade) Miscellaneous (thru June 30, 1947), W. R. Johnson to Secretary Snyder, November 13\textsuperscript{th}, 1946. Johnson speculated that one member of the Canadian delegation might not have been satisfied, but he did say who.
\item \textsuperscript{109} The Canadian desire for stronger obligations in these areas was noted in the report. See NAC, RG19/3607/ITO-9, Preparatory Committee of the International Conference on Trade and Employment, Committee II, E/PC/T/C.OO/54/Rev.1, Report of the Technical Sub-Committee, November 28\textsuperscript{th}, 1946. See also NAC, RG25/3845/900-L-40/Part 1, "Memorandum for the Secretary of State for External Affairs", Unsigned, June 3\textsuperscript{rd}, 1947.
\end{itemize}
Not only have the main problems been explored, but a wide area of preliminary agreement has been reached between delegations. Our governments will now have before them agreed drafts of many articles of a trade charter, and we turn over to the Interim Drafting Committee a wealth of concrete proposals. Differences, of course, remain. But after the thorough discussions which have taken place here, it should be much easier to compose them when the Committee meets at Geneva.\textsuperscript{110}

The achievements were even more impressive in light of the differences in wartime damage, levels of development, and economic philosophy that had had to be overcome. The successful bridging of these differences was "confirmation of the fundamental attachment of the Governments represented here to the purposes for which this conference was called. Differences remain over emphasis and methods; but all are agreed that Governments must take concerted action to free the channels of trade and to maintain a high and stable level of employment." There was more work to be done, but the Canadians felt that the London talks were "a good augury for final success".\textsuperscript{111}

The Preparatory Committee agreed to reconvene in Geneva on April 8\textsuperscript{th}, 1947; Commonwealth representatives would meet for discussions in London about a month before. Canada would be represented by essentially the same delegation as during the London talks, with the important addition of Dana Wilgress, a veteran of the trade negotiations of the 1930s, as delegation head.\textsuperscript{112}

\textsuperscript{110} NAC, RG19/565/152-17, "Remarks by Mr. N. A. Robertson, High Commissioner for Canada in the United Kingdom, at the Closing Plenary Session of the Preparatory Committee on Trade and Employment, London, November 26, 1946." Robertson spoke on behalf of McKinnon, who had already departed for home. See NAC, RG25/3809/8378-40C/Part 3, Norman Robertson to SSEA, A.987, November 25\textsuperscript{th}, 1946.

\textsuperscript{111} NAC, RG19/565/152-17, "Remarks by Mr. N. A. Robertson, High Commissioner for Canada in the United Kingdom, at the Closing Plenary Session of the Preparatory Committee on Trade and Employment, London, November 26, 1946."

\textsuperscript{112} NAC, RG2/A5a/T2365/2639, Cabinet Conclusions of Meeting held January 7\textsuperscript{th}, 1947 (Meeting number 311). A. M. Shaw of the Department of Agriculture was also a new addition, and the Cabinet suggested that a Department of Fisheries official be added. In addition, the delegation was to be accompanied by advisers from various departments and administrative staff, for a total
In the interim, the Drafting Committee met in New York in January and February; Canada was represented by Arnold Smith of the Department of External Affairs.\(^{113}\)

The Commonwealth talks began on March 11\(^{th}\), 1947. Given the imminence of the Geneva tariff negotiations, imperial preferences were the primary topic of discussion. On February 19\(^{th}\), the Cabinet had approved the delegation’s instructions on preferences: try to persuade the other Commonwealth nations that preferential margins should not be reduced through increases in preferential rates; try to persuade them to regard preferential margins as unbound ("and, hence, freely and unilaterally negotiable") for the purposes of the Geneva negotiations; negotiate as though this had been agreed, even if it had not (though intra-Commonwealth consultation on the issue should continue); accept "the loss or impairment of preferential margins enjoyed by Canada if such action became essential to the maintenance of free entry (or low duties) in Canada’s favour and to the conclusion of mutual advantageous arrangements"; refuse to bind any preferences that remained after Geneva; and "resist being put in a position involving the denunciation of the “Ottawa Agreements” - such delicate issue to be faced only if and when it arose and then only after communication with the Canadian government".\(^{114}\)

Preferences had been a source of tension at the last Commonwealth meeting: there was more agreement this time around. On the first day, McKinnon reaffirmed Canada’s opposition to

\(^{113}\) NAC, RG25/3844/9100-A-40, SSEA to the Canadian Consul General in New York, No.280, December 28\(^{th}\), 1946.

\(^{114}\) NAC, RG2/A5a/T2365/2639, Cabinet Conclusions of Meeting held February 19\(^{th}\), 1947 (Meeting Number 329).
reducing preferential margins through raising preferential tariff rates, "except in special circumstances". Canada favoured reducing preferential margins through reducing non-preferential tariff rates. UK officials agreed to this approach in principle, but often diverged from it in practice. One of the purposes of these talks was to examine proposed Commonwealth tariff concessions that affected the interests of other Commonwealth nations. Two weeks into the examinations, Canadian officials complained that the British were invoking "the exceptional circumstances proviso rather too freely". In all, the UK contemplated satisfying US requests for reductions in or eliminations of preferential margins by raising the preferential tariff rate it accorded Canada on some twenty items. Only after vigorous Canadian protests did the UK withdraw its proposals. The result, Wilgress later reported, was that "we have proceeded to Geneva with understanding that opening response to United States request for reduction or elimination of preferential margins would not, as a matter of general principle, involve raising of preferential rates". There would be intra-Commonwealth discussions before exceptions were agreed.

Of interest is the stand McKinnon took on the inclusion of the "automatic rule" in the draft Charter. This rule, which implied that all reductions in non-preferential tariff rates would automatically

115. NAC, RG19/565/152-17, Preparatory Committee on Trade and Employment, British Commonwealth Talks, TN(P)(BC)(G.S.C.)(47) 1st Meeting, Minutes of General Subjects Committee Meeting held March 11th, 1947. Note that the minutes read that Canada opposed the reduction of "preference margins by raising m.f.n. rates of duty" (emphasis added): presumably this was a typographical error (on the minutes themselves "m.f.n." has been circled and "B.P.?" written in).


118. NAC, RG19/565/152-17, Canadian Trade Delegation at Geneva [CTDG] to SSEA, No.10, April 15th, 1947. For a more in-depth discussion of this issue, see McKenzie, pp. 231-234.
reduce preferential margins, was opposed by the majority of Commonwealth nations, including Canada. Coombs thought that this opposition might lead to stalemate with the Americans, but McKinnon suggested that Commonwealth delegates simply negotiate as though the rule did not exist. This was generally agreed.\textsuperscript{119}

Canada’s stance seems contrary to its traditional position: after all, in 1944 Canadian officials had suggested to US officials that reductions in non-preferential tariff rates would be the most expeditious means of reducing preferential margins. McKinnon explained Canada’s present position thus: “from the time when the possibility of simultaneous negotiation of m.f.n. and preferential rates had been accepted, the Canadian delegation had no longer felt able to accept the “automatic” rule”.\textsuperscript{120} In 1944, a multilateral across-the-board tariff cut had been in prospect. Under such a scheme, Canada could be certain that it would get something in return for giving up its preferential status in Commonwealth markets, as all tariffs would have been reduced. In 1947, bilateral bargaining on selected goods was the name of the game, and there was no guarantee that Canada would be compensated if its preferred status was whittled away in bilateral negotiations. The automatic rule in a multilateral across-the-board context meant that all tariffs and all

\textsuperscript{119} NAC, RG19/565/152-17, Preparatory Committee on Trade and Employment, British Commonwealth Talks, TN(P)(BC)(G.S.C.)(47) 2\textsuperscript{nd} Meeting, Minutes of General Subjects Committee Meeting held March 12\textsuperscript{th}, 1947; TN(P)(BC)(G.S.C.)(47) 3\textsuperscript{rd} Meeting, Minutes of General Subjects Committee Meeting held March 12\textsuperscript{th}, 1947; TN(P)(BC)(W.P.)(47) 2\textsuperscript{nd} Meeting, Minutes of Working Party Meeting held March 24\textsuperscript{th}, 1947; NAC, RG25/3845,900-L-40/Part 1, CHCUK to SSEA, No.540, March 25\textsuperscript{th}, 1947.

\textsuperscript{120} NAC, RG19/565/152-17, Preparatory Committee on Trade and Employment, British Commonwealth Talks, TN(P)(BC)(G.S.C.)(47) 3\textsuperscript{rd} Meeting, Minutes of General Subjects Committee Meeting held March 12\textsuperscript{th}, 1947. The original minutes read “authorities” for the word “delegation”; this was subsequently corrected in a Corrigendum dated March 19\textsuperscript{th}, 1947 in this same file.
preferences would be going down; the automatic rule in a bilateral selective context meant that some tariffs and some preferences would be going down, but there was no guarantee that the particular mix of reductions would be of any benefit to Canada.

The unresolved issue of the binding of preferential margins was successfully revisited, at least temporarily. McKinnon argued that the unbinding of preferential margins for the purposes of negotiations, along with frequent intra-Commonwealth consultations, was essential for manoeuvrability in negotiations. He stressed that in proposing this he was not renouncing the Ottawa agreements. Helmore was pleased that Canada had no more wish to abrogate the agreements than the UK did and, after further discussion, there was general agreement to follow McKinnon’s approach.

Wilgress was pleased with the Commonwealth discussions, proclaiming success “in gaining


122. See the discussion in NAC, RG19/565/152-17, Preparatory Committee on Trade and Employment, British Commonwealth Talks, TN(P)(BC)(G.S.C.)(47) 4th Meeting, Minutes of General Subjects Committee Meeting held March 13th, 1947 and TN(P)(BC)(G.S.C.)(47) 5th Meeting, Minutes of General Subjects Committee Meeting held March 17th, 1947, particularly Helmore’s comments during the March 17th meeting: “all seemed to be in general agreement on the best method of negotiating tariff reductions. Meetings would sometimes be bi-lateral between the country granting the preference and the foreign country, sometimes a third country which enjoyed the preference would be brought in and sometimes it might be best for only the country enjoying the preference and the foreign country concerned to negotiate. We should not distinguish too sharply between guaranteed and non-guaranteed margins. The procedure of consulting the interests of other Commonwealth countries concerned should be applicable to both cases.” McKinnon replied “that it was gratifying to see such general agreement”. See also NAC, RG25/3845,900-L-40/Part 1, CHCUK to SSEA, No.540, March 25th, 1947, particularly this comment: “Canada made clear that it intended to negotiate its own tariff in the case of preferences granted by us to other Empire countries, subject to [full consultation of concerned parties in London and Geneva].”
acceptance of all principal points raised in discussions constituting our general instructions on Commonwealth questions". The delegations agreed to continue their consultations regarding preferences at Geneva; they would also meet to discuss general issues associated with the draft Charter three weeks hence.¹²³

The second session of the Preparatory Committee began on April 10th. First up were the tariff negotiations, to be followed by discussions on the draft Charter. In his opening speech, Wilgress noted that the tariff negotiations represented a bold departure from the past, "the first occasion upon which a multilateral trade agreement has been attempted on this scale". Delegates would also be responsible for getting the draft Charter into shape for the full international conference, where it would hopefully be approved. The ITO project had to be realized, for the ITO was "the keystone of the arch of international economic co-operation without which the two bases - the International Monetary Fund and the International Bank for Reconstruction and Development - would be left incomplete and unable to fulfill effectively the functions for which they were established".¹²⁴

Canada's tariff negotiations were largely trouble-free. Canadian officials were pleased by the initial offers from France, which promised "a substantial change in our previously very unsatisfactory relations". More important were the initial offers from the US, which were judged an acceptable

¹²³. NAC, RG19/565/152-17, CTDG to SSEA, No.10, April 15th, 1947.

¹²⁴. NAC, RG19/565/152-17, "Address Delivered on April 11, 1947, by the Head of the Canadian Delegation at the Opening Meeting of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment".
place to start. No unresolvable issues arose during any of Canada’s negotiations, and by the end of the conference, it had reached agreements with the Benelux nations, Brazil, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Norway, South Africa, Syria-Lebanon, the United Kingdom, and the United States.\textsuperscript{126}

Not all of the negotiations ran as smoothly. In two sets of talks difficulties arose with ominous implications for Canada and the ITO project as a whole. Early in the conference, as the delegations began to swap offers of concessions, it was discovered that the Americans had not offered Australia a reduction in their wool tariff. The Australians had expected a reduction and regarded it as a sine qua non of a deal with the Americans: without it, they might have to pack up and go home.\textsuperscript{127} The interconnectedness of the imperial preference system meant that what was bad for Australia was bad for Canada: Coombs, though determined to see if in time things could be worked out with the Americans, told his Commonwealth colleagues “that Australian concurrence in any reduction of settled margins bound in his [sic] favour must be held back in negotiations with United States until difficulty over wool is settled. Australia’s right to refuse to give up margins in Canada and United Kingdom will be one of the chief weapons in argument with United States.”\textsuperscript{128}

\textsuperscript{125} NAC, RG19/3610/ITO-26, CTDG to SSEA, No.38, April 28\textsuperscript{th}, 1947. US officials were less impressed with the initial Canadian offers: see Zeiler, p. 93; McKenzie, p. 248.


\textsuperscript{127} McKenzie, pp. 248-249; Zeiler, pp. 92, 98. For the importance of a US concession on wool to Australia, see also McKenzie, pp. 73, 214, 251, 258, 262; Zeiler, pp. 94-95.

\textsuperscript{128} NAC, RG19/3610/ITO-26, CTDG to SSEA, No.38, April 28\textsuperscript{th}, 1947. The Canadians and the British agreed not to negotiate reductions in preferential margins that favoured Australia
The situation went from bad to worse when Congress threatened action that would place further obstacles in the way of wool imports into the United States. Hume Wrong, who had replaced Pearson as Ambassador to the US, opined that the proposed Congressional initiative could “stultify the tariff negotiations at Geneva. It would mean that Australia would refuse to negotiate, and this in turn would be likely to make the United Kingdom do likewise. Furthermore, it would be regarded as convincing proof that the United States could not practice what its delegation preaches.” Eventually, the Americans and Australians worked out a deal. Canada could do little to resolve this dispute, which is of interest in illustrating, once again, the extent to which the fulfilment of Canada’s interests depended upon forces over which it had no control.

A serious dispute that erupted between the United States and the United Kingdom during the final months of the conference provides an even more striking illustration. Towards the end of August, with the Americans for the time being. McKenzie, p. 252.

129. See, for example, McKenzie, p. 250.

130. NAC, RG25/3845/900-L-40/Part 1, CAUS to SSEA, WA-1381, May 2nd, 1947. On the importance of this episode to the success of the Geneva negotiations, see also Zeiler, pp. 94, 97-98; McKenzie, pp. 249-251, 255-257.


132. Wilgress did tell Clayton that the US could expect greater action from Canada by way of preference reductions once the wool problem was settled; he also made it clear that Australia would likely not be able to keep negotiating in the absence of concessions on wool and emphasized that the issue was politically important to the Australians. See NARA, (unknown source; likely a State Department document), Memorandum of Conversation held May 9th, 1947. For the Canadian account of the talk (which does not include as full a record of the discussion of the wool issue), see NAC, RG2/111/U-40-3/Volume 2/1947 (January-June), CTDG to SSEA, No.60, May 10th, 1947. Zeiler contends that Canadian and British support for the idea that if the negotiations failed because of the wool dispute it would be the US’s fault, “the Americans knew they had to remedy the situation”. See Zeiler, p, 100.
Clayton travelled to London to protest the lack of progress in the eradication of preferences to the President of the Board of Trade, Sir Stafford Cripps.\textsuperscript{133} This was not the first indication of American displeasure with the proffered modifications of the preferential system. On May 9\textsuperscript{th}, Clayton, stressing the importance of the issue to the US, had expressed his dissatisfaction to Wilgress and McKinnon\textsuperscript{134}; he made much the same point to UK, New Zealand, and South African officials.\textsuperscript{135} Then, in July, the United Kingdom was beset by a currency crisis. Under the terms of its loan agreement with the US, the UK government had made sterling convertible on July 15\textsuperscript{th}, but a ferocious run on the pound meant that sterling convertibility could not last long. In the circumstances, it would be virtually impossible for the UK to agree to the non-discriminatory provisions of the draft Charter, some of which would enter into provisional effect before the Charter was approved by the full international conference. The Americans were prepared to offer the British a way out, but expected “greater satisfaction than they have [had] to date in reduction [of] preferences”, Wilcox told Wilgress on August 3\textsuperscript{rd}.\textsuperscript{136}

On August 20\textsuperscript{th}, during his meeting with Cripps, Clayton proposed to submit a new list of US

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\textsuperscript{133} NAC, RG19/3610/ITO-26, L. D. Wilgress to SSEA, G/9, August 26\textsuperscript{th}, 1947.
\textsuperscript{134} NAC, RG2/111/U-40-3/Volume 2/1947 (January-June), CTDG to SSEA, No.60, May 10\textsuperscript{th}, 1947.
\textsuperscript{135} NAC, RG2/111/U-40-3/Volume 2/1947 (January-June), CTDG to SSEA, No.60, May 10\textsuperscript{th}, 1947 and CTDG to SSEA, No.65, May 13\textsuperscript{th}, 1947.
\textsuperscript{136} NAC, RG19/3989/T-2-9-21-(ITO), CTDG to SSEA, No.173, August 4\textsuperscript{th}, 1947. According to McKenzie, US officials did not feel that they could pressure UK officials on preferences until the wool dispute had been resolved. In mid-July, with the wool issue out of the way, the Americans returned to the charge, even more determined to get the UK to move on preferences due to their dissatisfaction with the British attitude during the wool dispute: see McKenzie, p. 264, 266.
\end{flushright}
preferences desiderata to the UK, but the latter’s initial reaction was far from encouraging. After consideration in London and within the Commonwealth, the UK made a counter-offer. Shortly thereafter, Wilcox, as Acting Head of the US Delegation, met with Commonwealth representatives and delivered a stinging statement condemning the inadequacy of the UK counter-offer. The US would make the UK another offer, Wilcox said, one that would involve the gradual elimination of certain preferences. However, he continued, “[i]f we cannot approach the elimination of preferences even on this basis, it is seriously to be questioned whether it is intended that we should even approach it.” Failure would mean disaster, as the alternatives to Anglo-American agreement were grim. For example, a narrower US-UK agreement, as had been suggested by Cripps, would only harm the UK, as well as the ITO project as a whole. It would also diminish the chances for RTAA renewal and Congressional approval of the massive aid program for European (including British) reconstruction proposed by Secretary of State George Marshall in June 1946. Suspending Anglo-American negotiations could also adversely affect the ITO proposal and the Marshall Plan. “The one remaining obstacle to the success of the Geneva meeting is the British position on preferences.

137. NAC, RG19/3610/TTO-26, L. D. Wilgress to SSEA, G/9, August 26th, 1947. Wilgress incorrectly reported the meeting as having taken place on August 21st; McKenzie and Zeiler note that it was the 20th. See McKenzie, pp. 272, Zeiler, p. 218 (endnote 8).


139. Wilcox argued that the proposed US tariff cuts were far more significant than the proposed Commonwealth preference cuts: “our proposed action would establish the lowest average level of protection the United States has had in 40 years. We call that action substantial. On the other side, it is only in the geological sense of the word that the action so far proposed can be said to be directed toward the elimination of preference.” See NAC, RG19/3610/TTO-26, “Statement Made by Mr. Clair Wilcox to Representatives of the British Commonwealth on September 15, 1947".
This is true not only for the US but for other countries as well, Wilcox concluded,

The issue upon which all our hopes for eventual return to multilateralism and non-discrimination may stand or fall is the issue of preferences. This is why we have decided to make another appeal to the government of the United Kingdom. This is why we are prepared to do everything in our power to make it easier for you to carry out your part of the program to which we both have pledged ourselves repeatedly during and since the war. But the final decision on the success of failure of this program rests with you.  

As Wilgress later noted, Wilcox’s words were directed almost entirely at the UK; nevertheless, they had serious implications for Canada. Particularly troublesome was Wilcox’s statement that some preferential margins might have to be eliminated through increases in preferential tariff rates; up to that point, Commonwealth delegations had rejected this approach. This was a problem that the Canadians would presumably have preferred to have, because at least it would mean that the US and UK had come to terms; the alternative, a breakdown in Anglo-American negotiations, was infinitely worse. As St. Laurent told the Cabinet two weeks later, when the situation had worsened further:

140. On September 24th, Wilgress reported that “[a]ll other negotiations, except between United Kingdom and United States, are in sight of completion in early October but our own negotiations with United States, France and BENELUX are contingent upon early completion of negotiations between United Kingdom and United States. Consequently, it is the fundamental question of preferences that is holding up termination of tariff negotiations and makes it impossible to indicate now the date of signature of final Act. This is becoming a very acute question here and I, as Chairman, have greatest difficulty in holding the whole tariff negotiations machinery together.” Noting the desirability of signing the final Act by October 22nd, Wilgress said, “[h]owever, everything depends upon course of the negotiations now being conducted at highest level between United Kingdom and United States”. See NAC, RG2/111/U-40-3/Volume 2/1947 (July-September), CTDG to SSEA, No.255, September 24th, 1947.

141. NAC, RG19/3610/TTO-26, “Statement Made by Mr. Clair Wilcox to Representatives of the British Commonwealth on September 15, 1947”.

142. NAC, RG2/111/U-40-3/Volume 2/1947 (July-September), CTDG to SSEA, No.244, September 16th, 1947; see also NAC, RG19/3610/TTO-26, “Statement Made by Mr. Clair Wilcox to Representatives of the British Commonwealth on September 15, 1947”. Wilgress noted another problem: “Moreover, in the case of most items in which we have a protective interest, negotiated most-favoured nation rates are at a level at which the only method of progressive elimination of preferences would be by increasing preferential rates.”
if the United Kingdom and the United States failed to reach agreement, there would be nothing of substance left for Canada in the tariff agreements negotiated at Geneva. The efforts to establish a multilateral system which Canada had supported strongly from the outset would have failed. In this event, urgent consideration would have to be given to the negotiation of more extensive bilateral arrangements with the United States. A careful assessment would have to be made of the comparative advantages to Canada of such new arrangements with the United States as an alternative to the maintenance and development of the Commonwealth preferential system.

To which King added, "From the Canadian point of view the decisions to be taken in the event of the collapse of the Geneva discussions would be of the utmost consequence."  

Canadian officials at Geneva seem to have warned the British before Wilcox's statement that the Americans might consider breaking off talks if they did not receive satisfaction on preferences. After Wilcox's statement, Canadian officials in Ottawa decided that a top level approach was needed. On September 24th, King sent Attlee a message:

143. NAC, RG2/A5a/T2365/2640, Cabinet Conclusions of Meeting held September 30th, 1947 (Meeting Number 411).

144. Wilgress reported that to Helmore "this development is serious because in spite of our advice he had been inclined to believe that the United States would not press the matter to point of threatening to break negotiations". See NAC, RG2/111/U-40-3/Volume 2/1947 (July-September), CTDG to SSEA, No.244, September 16th, 1947. In late August Wilcox had revealed that the US was "considering breaking off negotiations with the United Kingdom if the response to the request they intended to submit for elimination of preferences was unfavourable". See NAC, RG19/3610/ITO-26, L. D. Wilgress to SSEA, G-11, September 23rd, 1947.

145. Officials had met to discuss a response to a message from Attlee on the binding of preferential margins (discussed below) and concluded "that the Prime Minister might accompany this reply with a second message referring to the present crisis at Geneva and urging Mr. Attlee to do every thing possible to meet the United States' proposal". See NAC, RG25/5798/266(s), SSEA to the Canadian Consul General in New York City, No.935, September 23rd, 1947.

146. The message was approved by St. Laurent (and, of course, King). See NAC, MG26/J1/C-11036/422, A.D.P.H. to the Prime Minister, September 24th, 1947. St. Laurent had taken over from King as Secretary of State for External Affairs in September 1946.
In the light of the present critical situation of the International Trade Organization talks in Geneva I feel that it cannot be out of place to assure you that the Canadian Government shares with you a deep concern that the plan for an International Trade Organization, which promises so much for the future well-being of mankind, should not fail for any avoidable reason. In particular, I sincerely hope that the United Kingdom Government may find it possible to reach agreement in the present tariff negotiations with the United States, since failure in this respect would not only imperil the future of the International Trade Organization itself, but in addition might well have the gravest consequences for the entire programme of U.S. assistance in the reconstruction of Europe.

... It is the profound wish and hope of my colleagues and myself that the Geneva talks may be brought to a happy and mutually beneficial conclusion.\footnote{147 NAC, MG26/J1/C-11036/422, “Message from Mr. Mackenzie King to Mr. Attlee dated 24th September, 1947” (one page).}

Two days later Attlee replied that his government also hoped for and appreciated the importance of a happy conclusion, but could not accept the United States’ offer, particularly when the UK had already made sufficient concessions. While he “recognise[d] the force of your apprehensions”, his government had “only taken this step after profound deliberation and because we are satisfied that we have no real alternative”.\footnote{148 NAC, MG26/J1/C-11036/422, “Message for Mr. Mackenzie King from Mr. Attlee dated 26th September, 1947”.} The step to which Attlee referred was, as Wilgess later termed it, the “blunt rejection of latest United States proposal”. Shortly thereafter, however, the British moderated their position and agreed to keep talking. A discussion with the US Ambassador had helped to moderate their position\footnote{149 NAC, RG2/111/U-40-3/1947 (July-September), CTDG to SSEA, No.261, September 27th, 1947; Zeiler, p. 116.}; according to Hugh Dalton, King’s message to Attlee, and a discussion between Deutsch and Sir Alexander Clutterbuck, the UK High Commissioner in Canada, had also helped.\footnote{150 NAC, RG2/111/U-40-3/Volume 2/1947 (July-September), CTDG to SSEA, No.262, September 27th, 1947. These episodes are not covered in Dalton’s published diaries: Ben Pimlott, ...}
In Geneva, Wilgress had used his position as Chairman of the Tariff Negotiations Steering Committee to suggest a way out of the crisis to the US delegation. Now he joined with Brown, Acting Head of the US delegation, and Coombs to consider possible solutions that might be sent to Clayton, who was on his way back to the US for consultations with Marshall. He also proposed that Canada tell the US of its “concern at possible breakdown of all that has been achieved at Geneva”.

Ottawa doubted the wisdom of a high level approach, deciding instead to discuss the matter informally with the Americans. Pearson and Wrong made appointments with Hickerson and


151. NAC, RG2/111/U-40-3/Volume 2/1947 (July-September), CTDG to SSEA, No.260, September 26th, 1947. See, in that same file, Head of the CTDG to SSEA, October 7th, 1947 for another attempt by Wilgress to find a way out of the UK-US impasse.

152. NAC, RG2/111/U-40-3/1947 (July-September), CTDG to SSEA, No.261, September 27th, 1947; Zeiler, pp. 116-117.


154. Herbert Moran, of the Economic Division of External Affairs, and Towers felt that the approach to the UK had been appropriate, since Canada was a Commonwealth nation, but feared that a similar approach to the US “might be interpreted as lobbying on behalf of the United Kingdom and could result in a stiffening of the U.S. attitude”. See NAC, RG2/111/U-40-3/Volume 2/1947 (July-September), Moran to Heeney, September 29th, 1947. Arnold Heeney, the Clerk of the Privy Council, also had his doubts, as did Pearson and St. Laurent. See NAC, RG2/105/T-50-1/Volume 1, A.D.P.H. to Dr. Clark, September 29th, 1947 NAC, RG25/5798/266(s), SSEA to Canadian Delegation to United Nations Assembly, c/o Canadian Consulate General in New York City, No.1000, September 30th, 1947.

155. It was initially decided to instruct Robertson, aboard the same ship to North America as Clayton, to “do what he can to soften Clayton’s mood” in advance of the latter’s interview with Marshall. See NAC, RG2/111/U-40-3/Volume 2/1947 (July-September), “Minute of Meeting with Rt. Hon. Mr. St. Laurent on Crisis in United Kingdom-United States Negotiations at Geneva”,


Clayton. A further approach to the UK was considered, including hinting “that Canada may have to obtain release from the obligations in the 1937 United Kingdom Trade Agreement if the Geneva negotiations fail”. St. Laurent reserved judgment on this idea. However, he did ask the Department of Finance to prepare a study on Canada’s options if the Anglo-American talks broke down, with particular reference to the termination of the 1937 UK-Canadian agreement.

September 30th, 1947. It is not clear whether this plan was carried out: the next day Moran forwarded to Heeney “a copy of my secret telegram to [Pearson] setting out the agreement which had been reached at our meeting in Mr. St. Laurent’s office but which was later amended as a result of Mr. Pearson’s telephone call last night”. See NAC, RG2/1111/U-40-3/Volume 2/1947 (October-December)-1948, H. O. Moran to A. D. P. Heeney, October 1st, 1947. The telegram to which Moran referred is presumably SSEA to Canadian Delegation to United Nations Assembly, c/o Canadian Consulate General in New York City, No. 1000, September 30th, 1947 in NAC, RG25/5798/266(s), which instructed Pearson along the lines approved by St. Laurent. Even if Robertson was instructed to approach Clayton, a warning that such an effort would be futile discouraged him from doing so. See McKenzie, p. 284.

156. NAC, RG25/5798/266(s), CAUS to SSEA, WA-3113, October 2nd, 1947; NAC, RG2/1111/U-40-3/Volume 2/1947 (October-December)-1948, CAUS to SSEA, WA-3133, October 3rd, 1947; NAC, RG19/3438/untitled file, CAUS to SSEA, WA-3155, October 6th, 1947. According to the October 2nd telegram, Hickerson told Wrong that a Canadian approach to the State Department similar to the one made to the UK “would be helpful”.

157. NAC, RG2/1111/U-40-3/Volume 2/1947 (July-September), “Minute of Meeting with Rt. Hon. Mr. St. Laurent on Crisis in United Kingdom-United States Negotiations at Geneva”, September 30th, 1947. A later telegram suggested that Canada might hint that it might “have to obtain release from the obligations of the 1937 United Kingdom Trade Agreement and seek in a bilateral agreement the concessions we would have acquired had the Geneva discussions been finalized”. According to the same telegram, Clark thought it likely that the British assumed “that they could carry Canada with them regardless of their ultimate decision in respect of the latest United States proposal and he suggested therefore that we might inform them at this time of our exact position. Mr. St. Laurent decided we should await clearer evidence of their views in this regard and that we should not now go beyond” informal discussions with the Americans. See NAC, RG25/5798/266(s), SSEA to CAUS, EX-2562, October 2nd, 1947.

158. St. Laurent described the study in the general terms of the first part of the sentence: see NAC, RG2/A5a/T2365/2640, Cabinet Conclusions of Meeting held September 30th, 1947 (Meeting Number 411). However, the minute of his meeting with officials said that he asked for a report on the possible consequences of the termination of the 1937 UK-Canadian trade agreement. See NAC, RG2/1111/U-40-3/Volume 2/1947 (July-September), “Minute of Meeting with Rt. Hon. Mr. St. Laurent on Crisis in United Kingdom-United States Negotiations at Geneva”, September 30th, 1947.
In mid-October, the United States and United Kingdom finally reached an agreement. The importance of Anglo-American agreement to Canada was made manifest when the Canadian government agreed to raise the preferential tariff rates it accorded the UK on tin plate and made-up cotton goods in order to satisfy a US request for the elimination of the preferential margins on these two items. It even agreed to the elimination of the preferential treatment of its apples. General principles and special interests could not be allowed to stand in the way of Anglo-American agreement, one of Canada’s most fundamental interests.

The Canadians were far less willing to compromise when it came to the binding of preferences. On August 26th, Attlee sent a message to King. The Canadian delegation at Geneva had proposed to the UK delegation an exchange of notes that would, among other things, absolve both nations of the obligation to guarantee one another fixed preferential margins. Attlee did not think the time ripe for such an action. “The Commonwealth preferential system is now under attack from a number of foreign countries,” he wrote.

For Wilgress’s assessment of the effects of its termination, see NAC, RG19/3610/ITO-26, CTDG to SSEA, No.269, October 2nd, 1947.


160. NAC, RG2/111/U-40-3/Volume 2/1947 (October-December)-1948, CTDG to SSEA, No.273, October 4th, 1947. Officials in Ottawa did not give up without a fight, proposing an alternative to solution to Wilgress on October 6th; Wilgress replied the next day that the only solution was to raise the preferential rates. See NAC, RG2/111/U-40-3/Volume 2/1947 (October-December)-1948, SSEA to CTDG, No.206, October 6th, 1947 and CTDG to SSEA, No.279, October 7th, 1947. Nevertheless, officials still sought to do what was required “in a manner which involves the least possible abrogation of our general principle against raising of preferential rates”. See NAC, RG25/5798/266(s), SSEA to CTDG, No.209, October 8th, 1947.

161. McKenzie, p. 274; Zeiler, p. 117.
We recognize and appreciate Canada’s desire to continue to accord preferential entry to United Kingdom goods but I fear that an agreement such as that suggested would be interpreted as the first step in a disintegration of the system and would inevitably be exploited abroad as evidence that the attack on preferences had achieved some success and that a precedent had been set. This would mean weakening the bargaining position of Commonwealth countries in any future negotiations and might well in fact lead to a considerable loss to us all.

Instead of unbinding the margins, could they not simply agree to “an understanding between Commonwealth countries to give sympathetic consideration to representations from other Commonwealth countries for a mutually satisfactory adjustment”, and consider the Canadian proposal later? King refused. The exchange of notes would not endanger the Commonwealth, but would be of great benefit to both the United Kingdom and Canada. It would eliminate difficulties arising from their mutual obligations under the 1937 trade agreement and do so without impairing future preferential access to each other’s markets. “Since we are convinced that our common interest would be fully protected,” King concluded, “I hope that your Government will give favourable consideration to the proposal.”

The United Kingdom agreed, and drafting proceeded. Then, on October 19th, The New York Times published a story on the proposed exchange of notes, as well as a proposed exchange between Canada and South Africa, that made it seem as though imperial preferences were in danger of being

162. NAC, RG2/111/U-40-3/Volume 2/1947 (July-September), Mr. Attlee to Mr. King, August 26th, 1947. Attlee’s message appears to have been the first that officials in Ottawa had heard of the proposed exchange of notes. The next day, they cabled Wilgress for a copy of the note and his comments. Wilgress responded that he was simply carrying out the delegation’s instructions on preferences so as to benefit both Canada and the UK. See NAC, RG25/3845/9100-L-2-40/Part 1, SSEA to CTDG, No.162, August 27th, 1947 and CTDG to SSEA, No.218, August 30th, 1947.

163. NAC, MG26/J1/C-11036/422, “Message from Mr. Mackenzie King to Mr. Attlee dated 24th September, 1947” (three pages).

dismantled. The British had worried that the exchange might create this impression and they did not want to be associated with it. They baulked. Helmore suggested that Canada and the UK exchange notes referring to proposed exchange of notes and stating that latter would be signed when Canada had taken steps to secure release from margins of preference bound in favour of Australia and South Africa. Wilgress counselled Ottawa to reject this proposal. When it did so, it should allude to the dire consequences of a breakdown in Canada-UK negotiations, such as the withdrawal of concessions to the UK or the abrogation of the 1937 agreement, and express its hope that the UK would agree to the exchange of notes on the understanding that Canada would seek to reach a similar arrangement with Australia or, in the absence of agreement, renounce its trade agreement with the latter. Robertson and McKinnon spoke to Clutterbuck along these lines, and Clutterbuck relayed the message to the UK government; eventually, the UK agreed to the exchange.

Canadian officials tried to find the right balance between flexibility and firmness during the tariff negotiations and largely succeeded. Their flexibility and willingness to compromise contributed to the achievement of Anglo-American agreement and the continuance of the ITO project; their

165. McKenzie, pp. 292-300; NAC, RG25/5798/266(s), CTDG to SSEA, No.303, October 22nd, 1947.

166. NAC, RG19/3610/ITO-26, CTDG to SSEA, No.309, October 23rd, 1947. Helmore had previously asked Wilgress to “think over how it would be possible for them to explain to their Ministers why we were not taking similar steps with regard to Australia”. See NAC, RG2/111/U-40-3/Volume 2/1947 (October-December)-1948, CTDG to SSEA, No.306, October 22nd, 1947.


firmness secured British agreement to the unbinding of preferential margins. A similar balancing act would be required during the Charter discussions, with the Canadians faced with balancing Canada’s long term goals against short term realities.

On May 16th, the Preparatory Committee began its talks on the Charter.169 There had already been signs of trouble: the prior Commonwealth discussions, Wilgress reported, had turned into “a sounding board for [Walter] Nash [the Minister of Finance, Customs] of New Zealand, who is determined to have the right to continuing all that he is doing now”. Nash had sponsored a proposal that seemed likely to make it easier for countries to circumvent their ITO obligations; Wilgress had not been inclined to support it170, and neither was Ottawa.171 Nor would they support a subsequent British effort to appease New Zealand in this regard, despite British pressure and warnings that if nothing were done, New Zealand might refuse to join the ITO, with dire consequences for relations within the Commonwealth.172

The Canadian opposition to New Zealand’s position reflected its larger concern that the Charter


might be divested of all value were too many special exemptions to its terms permitted, a concern already evident at the London discussions. The Canadians favoured the inclusion of carefully worded escape clauses, but feared the inclusion of too many such clauses: the trick was finding the right balance. Wilgress remarked on the difficulty of achieving this balance at the beginning of the conference. Stressing the need "to maintain the consistent purpose throughout [the] wide and complex field of international collaboration", he asserted that "while we should, as far as possible, seek to accommodate the differing situations and the legitimate aspirations and needs of the various nations of the world, we must not, on the other hand, resort to expedients and indulge in incompatibilities which would destroy our general objective".173

Wilgress's counsel went unheeded; the requests for special exemptions came fast and furious. On June 9th, the Acting Head of the Belgian delegation made a speech, "designed to counteract the tendency of diluting the Charter", that touched off an important debate. According to Wilgress, "It is generally agreed that this statement ... will help to clear the air and to bring the Conference back to a realization of the general objectives which have become vitiated by the emphasis placed on protection of special privileges and interests."174 Wilgress did his part to ensure that the opportunity was not wasted175, making a strong speech in support of the Belgian position. The draft Charter

173. NAC, RG19/565/152-17, "Address Delivered on April 11, 1947, by the Head of the Canadian Delegation at the Opening Meeting of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment".


produced at London had represented a satisfactory balance between general rules and special exceptions; at Geneva, they had moved too far in the latter direction. Little had been done to combat agricultural protectionism; requests for exceptions to the prohibition of quotas abounded; there were too many escape clauses in the rules governing the use of subsidies; too much reliance had been put on protectionism as a means of industrial development. The slowness of some of the tariff negotiations was troubling, as was the increasing tendency to set aside difficult issues for later ITO decision. "Every country represented here has particular problems and difficulties," Wilgress urged, "Our purposes can be achieved only if there is a disposition toward mutual sacrifice and accommodation. We sincerely hope that we can regain and maintain that spirit of compromise which at earlier stages of our work held out the promise of a successful outcome, an outcome which all of us could conscientiously recommend to our governments." 176

Wilgress was satisfied that the debate had a positive effect. On the whole, he thought, it "reinforce[d] the position of those who would adhere to the London and New York texts except in cases of unanimous agreement to depart from them". 177 He may have been too optimistic: a debate a few weeks later over the use of quotas did not lead, as Wilgress had expected, to acceptance of the notion "that any further derogation of obligations in draft Charter should only be subject to prior


approval of Organization". Instead, for fear that a definite decision would result in the resignation of some of the less developed nations from the Preparatory Committee, requests for exceptions from the prohibition on quotas would continue to be handled on an ad hoc basis. Nevertheless, Wilgress, in his remarks on the final draft of the Charter, proclaimed that the danger of excess in the way of escape clauses had been skirted, with a finely balanced compromise the result.

The Canadians were not always on the side of the angels when it came to exemptions and special provisions. Margarine is a case in point. At both London and Geneva, Canadian delegates unsuccessfully attempted to secure Charter permission to prohibit imports of goods not manufactured in the importing country, a provision specifically designed to allow Canada to maintain its import ban on margarine. Another example is trucking in bond, long a sore spot in Canada-US relations. The dispute came down to whether American trucks transporting goods for sale could travel unimpeded across Canadian territory en route to and from points in the United States. The Canadians seem to have made little headway on this issue at the London talks. They had more success in the Drafting Committee, which produced two versions of the relevant Charter


article, one that would force Canada to accept trucking in bond and one that would not. The Canadian delegates to Geneva were instructed to press for an article that would enable the government to maintain its restrictions on trucking in bond. Delegates should accept provision for trucking in bond only if they had no other choice, leaving it to the government to decide if it could accept it within the context of the entire Charter. In the end, the Canadians failed to gain acceptance of their position, and were forced to accept an article that would compel the government to allow trucking in bond.

Much more significant were the Canadian attempts to secure the right to impose discriminatory quotas, at least in the short term. The United Kingdom was not the only country undergoing a currency crisis during the Geneva negotiations: Canada’s US dollar reserves were also rapidly draining away. Suffice it to say that the reasons for the drain arose from the uncertain circumstances of Stage III rather than any fundamental weakness in the Canadian economy. It was a short-term problem that required a short-term solution, most likely restrictions against imports from the US. But discrimination was against the rules of the proposed Charter. Therefore, Canada sought changes to the Charter that would enable it to discriminate during the postwar transitional period.


185. See, for example, BoC, LR76-78-12, L. Rasminsky to L. Dana Wilgress, January 30th, 1947; NAC, RG25/3846/9100-M-3-40, CTDG to SSEA, No.70, May 19th, 1947 and CTDG to SSEA, No.171, August 4th, 1947.
Officials in Ottawa recognized that this represented a break with past policy:

Consideration of our own prospective situation and that of U.K. and European countries has led us to general conclusion that we must favour now some substantial provision for discrimination in a transitional period that will last longer than we had hoped in earlier discussions here. We are conscious that our attitude may appear to have been almost reversed in past year or two on this question. In fact, we continue to believe that use of import restrictions and in particular use of discrimination are contrary to general welfare in normal times and contrary to our Canadian interest but we feel now that, unless extraordinary developments occur, transition period will be so difficult and so long that nearly all must restrict and discriminate in some measure. If by 1952 outlook is still such as to indicate continued open discrimination on wide-scale is necessary, we think re-examination of whole issue and charter will be needed ...

Discrimination is a two-edged sword. The Canadians had to balance their need to discriminate with their desire not to be discriminated against and their conviction that too much discrimination, even in the short-term, might destroy the dream of a multilateral liberalized global economy. Ultimately, they were satisfied that they had achieved this balance, but there was always the risk that they had gone too far in the direction of protectionism.

The difficulty of finding an appropriate balance between long-run goals and short-term realities was also apparent in Canada’s position on the ITO’s powers over the use of restrictive measures. When it came to the use of discriminatory quotas on balance of payments grounds, the Canadians opposed


188. NAC, RG25/3846/9100-M-3-40, CTDG to SSEA, No.171, August 4th, 1947
the idea that the ITO should have to give its approval before they could be used. When it came to
the use of export subsidies, the Canadians supported the need to obtain prior ITO approval.\textsuperscript{189} The
latter was in keeping with Canada's general desire to curb the use of restrictive measures; the former
was born of Canada's specific need to protect its foreign exchange reserves. Luckily, in the end
Canada did not have to make a choice, as it got the best of both worlds: prior ITO approval of the
use of discriminatory quotas would not be required until after March 1952\textsuperscript{190}, but prior ITO approval
of the use of export subsidies would be required from the start.\textsuperscript{191}

The Canadians may have had to contravene their own principles when it came to discrimination in
the short run, but they still strove towards liberalized trade in the long run. They continued their
campaign to effect changes in customs procedures, with some success. Canadian officials had
managed to secure Commonwealth backing for a draft article that would compel the US to change
its valuation procedures, as well as for a provision dealing with the administrative decision appeals
process.\textsuperscript{192} At Geneva they achieved a partial victory on the latter issue\textsuperscript{193} and a full victory on the
former, Wilgress reporting that "we are very gratified at this favourable outcome of what has been

\begin{itemize}
\item \textsuperscript{189} NAC, RG2/111/U-40-3/Volume 2/1947 (July-September), SSEA to CTDG, No. 131, August 6\textsuperscript{th}, 1947 and CTDG to SSEA, No. 155, July 21\textsuperscript{st}, 1947.
\item \textsuperscript{190} NAC, RG25/3846/9100-M-3-40, CTDG to SSEA, No.193, August 14\textsuperscript{th}, 1947; NAC, RG2/111/U-40-3/Volume 2/1947 (July-September), CTDG to SSEA, No.200, August 18\textsuperscript{th}, 1947 and S. P. Wheelock to St. Laurent, August 25\textsuperscript{th}, 1947.
\item \textsuperscript{191} Zeiler, p. 130; Hart p. 40.
\item \textsuperscript{192} NAC, RG19/565/152-17, CTDG to SSEA, No.10, April 15\textsuperscript{th}, 1947.
\item \textsuperscript{193} NAC, RG2/111/U-40-3/Volume 2/1947 (January-June), CTDG to SSEA, No.80, May 23\textsuperscript{rd}, 1947.
\end{itemize}
one of the chief differences between ourselves and United States delegation". The Canadians were also concerned with building a strong ITO. Along with the British, they opposed an American proposal that the IMF be the final judge of whether an ITO member could impose trade restrictions on balance of payments grounds. The Canadian position was based on principle, and also the fear that some nations might not want to join the ITO if they thought that their commercial policies would be subject to control by the US-dominated IMF. This was an issue on which the US would not budge: the UK and Canada relented. Canada had little luck in its efforts to secure weighted ITO voting, which was held over for decision by the full international conference. Similarly, a Canadian-inspired proposal concerning the allocation of permanent seats on the ITO Executive

194. NAC, RG2/111/U-40-3/Volume 2/1947 (January-June), CTDG to SSEA, No.89, May 30th, 1947. The compromise was based on a draft article prepared by the Americans, subsequently modified in consultation with the Canadians.

195. See NAC, RG25/3846/9100-M-3-40, SSEA to CTDG, No.116, July 17th, 1947: "We feel it is improper and undesirable that the ITO should have to accept determinations by another body on matters arising under the Charter." In that same file, see also SSEA to CTDG, No.123, July 25th, 1947.

196. See, for example, RG25/3845/9100-L-40 Part 1, SSEA to CTDG, No. not given, July 25th, 1947. The Americans believed that the Canadians and the British opposed the proposal on the grounds that the US preponderance of IMF would allow it "to warp fund's analysis in US interests". See NARA, RG56/Records of the Office of the Assistant Secretary for International Affairs (OASIA) 1934-1970/UN Conferences/65/UN: Organizations ITO (Trade), Miscellaneous (July 1, 1947 - December 1948), Note entitled, "Taken over 'phone from Mr. Luthringer's secretary at 10.20 am 7-11-47".

197. NAC, RG25/3846/9100-M-3-40, Note for Secretary of State for External Affairs, by Laurent Beaudry, July 25th, 1947; CTDG to SSEA, No.164, July 31st, 1947; SSEA to CTDG, No.128, August 1st, 1947; CTDG to SSEA, No.193, August 14th, 1947 (which notes that Canada was compensated with concessions on other issues in return for its acceptance of a role for the IMF: one of the issues was the wording of the Charter article dealing with discrimination: on this point, see also Hart, p. 40). See also Zeiler, p. 130.

198. NAC, RG2/111/U-40-3/Volume 2/1947 (July-September), CTDG to SSEA, No.200, August 18th, 1947. Three proposals were to go forward to the full conference: one state, one vote; weighted voting; and a Sino-Canadian proposal that combined weighted voting and equal voting.
Board (one of which would go, of course, to Canada), was to be submitted, along with two other proposals, to the full conference for consideration. More encouragingly, there had been agreement on the need to deprive non-members of the benefits of ITO membership, something for which the Canadians had been arguing for years.

The road to Geneva had been a rough one; the terrain the Canadians encountered when they got there was in some ways just as rocky. Nevertheless, a settlement was reached. On October 30th, Wilgress signed the completed agreements on behalf of Canada. Months of hard work had produced impressive results, particularly in light of all of the obstacles to progress. There was an ITO Charter, ready for presentation to a full international conference that would convene in Havana on November 21st, 1947. There were fourteen trade agreements from which Canada directly benefited and many more from which it indirectly benefited, thanks to the most-favoured-nation principle. There was an interim agreement, the General Agreement on Tariffs and Trade, that incorporated the results of the tariff negotiations and set down some rules of commercial conduct: both would come into provisional effect, pending the approval of the Charter by the international community. The foundations of the postwar international economy had been laid.


Conclusion: The Short and The Long of It

On November 17th, 1947, William Lyon Mackenzie King made an important radio address to the people of Canada. In it, he welcomed the conclusion of the Geneva negotiations and announced Canada's accession to the GATT. He also announced that, effective the following day, Canada would be forced to impose restrictions on imports into the country. The new world of liberalized trade appeared to be over before it had even begun. What had happened?

What had happened was that 1947 had been a very bad year. The recovery of the United Kingdom was far from complete. By the middle of that year, it found itself in the midst of a terrible currency crisis. The failure to reach reasonable settlements with its sterling creditors combined with the obligation undertaken in the loan agreement with the US to institute free convertibility of sterling a year after the passage of the agreement to produce a run on the pound and a haemorrhaging of UK gold and hard currency reserves. Within weeks of making sterling freely convertible, the UK was forced to make it inconvertible again. The United Kingdom would not be able to take up its position as one of the two pillars of the international economy any time soon.

Canada had its own reserves problem. It had loaned a total of $1.85 billion to the United Kingdom and other recovering wartime allies. This was a serious chunk of change for so small a nation; what was worse, the British were drawing down their $1.25 billion far more quickly than had been expected. Further strain was put on Canada's reserves after the mid-1946 decision to set the value of the Canadian dollar at par with the American dollar, as Canadians who had been pining for shiny

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1. NAC, RG19/3604/E-05A, “Text of an address made by the Right Honourable W. L. Mackenzie King, Prime Minister of Canada, over the C. B. C. network at 10.15 p.m. E.S.T., on November 17, 1947.”
new consumer goods for years rushed to satisfy their desires with imports from the United States. The potential for trouble had been apparent for some time: in April 1947, King had broached the issue with Truman in Washington. Thereafter, Canadian officials worked with their American colleagues to find a way out of the mess. The import restrictions program, designed to discriminate against US imports without seeming to do so and without annoying the Americans, was one answer. A loan from the Export-Import Bank was another. Eventually the Canadians also cut a deal whereby Canada became an off-shore supplier of goods destined for Europe under the aegis of the Marshall Plan.

The Americans and Canadians also considered another way to address Canada’s need for US dollars: a bilateral free trade deal. This idea eventually evolved into a proposal for a customs union between the two nations. Negotiations took place over the winter of 1947-1948 and by March 1948 there was a substantial degree of agreement. At the end of that month, Mackenzie King squelched the idea, fearing for the future of Canada’s place in the Commonwealth and the Liberal party’s place to the right of the Speaker of the House of Commons. The idea would be dropped.

Canada had even more quickly squelched the idea of a Commonwealth customs union, about which the UK Foreign Secretary, Ernest Bevin, had publicly mused in September 1947. A telegram was sent almost immediately to the British, telling them that the idea was an absolute non-starter.

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4. Cuff and Granatstein, pp. 64-82; Bothwell and Kilbourn, pp. 219-220.
Unlike in the case of the customs union with the US, there was no division between ministers and officials: all agreed that there was no future for Canada in a closed Commonwealth.\(^5\)

The customs union episodes highlight an important theme of this thesis: Canada's commitment to, and need for, multilateralism. Throughout the period covered by the thesis, Canadian officials and ministers remained overwhelmingly committed to the multilateral path, despite personal disappointments, changing times, and external and internal challenges. On a number of occasions they considered straying, and did stray, from the path: free trade deals with the US, special arrangements with the UK, economic clubs with the US and Canada, and usually the UK, at their nucleus. But the Canadians kept coming back to multilateralism as the path to prosperity and peace. While there was still hope that it might be achieved, they would not turn their backs on it.

As 1947 turned to 1948, prospects were grim for the sort of world towards which Canadians had been working since 1941. The United Kingdom and Europe had not recovered. The IMF was not the constructive force the Canadians had hoped it would be, not having provided countries with the breathing room they needed during the postwar transitional period to keep from adopting restrictive policies. The IBRD did not live up the "R" in its acronym, and proved a most stingy institution in its early years. The ITO Charter, loaded down with exceptions first at London and then at Geneva, was further diluted at the World Trade Conference at Havana, to the discouragement of the

\(^5\) NAC, RG2/111/U-40-3/Volume 1/1947, Acting CHCUK to SSEA, No.1423, September 4\(^{th}\), 1947 and SSEA to CHCUK, No.1438, September 11\(^{th}\), 1943; NAC, RG2/A5a/T2365/2640, Cabinet Conclusions of Meeting held September 11\(^{th}\), 1947 (Meeting Number 410); McKenzie, pp, 275-277.
But when judging the success of the efforts of the postwar planners, one must not restrict one’s assessment to the immediate postwar period. After all, the planners had always known that the years immediately after the war would be difficult, a time to rebuild and to adjust to new realities. Special provisions for the transitional period were built into both the monetary and commercial organizations; the American and Canadian loans to the United Kingdom recognized that the UK would need at least five years to get back on to its feet. Thus, to assess the success of the seven years of intense effort covered by this thesis, a longer view is necessary.

Even from a long-term perspective, the fruits of the postwar planning process were not as sweet as many had been hoped they would be. The ITO Charter was never adopted, having become a dead letter by 1950; in the early 1970s, the IMF backed system of fixed exchange rates came tumbling down. But where there was no ITO Charter, there was the GATT, which provided the framework for decades of trade liberalization. The IMF might never have worked as its creators intended, but it has been an important source of liquidity to nations suffering from exchange crises, while the IBRD has done a much better job at living up to its “D” than its “R”. There has also been an important change in attitudes. A quarter of a century after Bretton Woods, Louis Rasminsky commented, “One of the results of the establishment of the Fund that has not received enough emphasis is the great increase in international consultation and collaboration. This seems so obvious that it may seem jejune even to mention it, but to those of us who saw what international

co-operation in these matters was before the war the difference is dramatic.”

When ideals and realities collide, it is rarely a pretty sight. As this thesis has shown, the postwar planners had to grapple with more than just the theoretical consistency of their ideas: there were complex and differing national economic and political interests which they had to accommodate, and international and domestic realities beyond their control. They had to work with and around their times, balancing the desire to keep their visions intact with the need to make them as acceptable to as many nations as possible. It really is a wonder that they achieved anything at all. Winthrop Brown’s advice on assessing the achievements of the Geneva talks, quoted by Thomas Zeiler, applies equally well to the postwar planning process as a whole: “think of the road over which we have traveled [sic], the obstacles we have overcome, the things we have done which not only the world but many of our own advisers said were impossible - and be of good cheer.”

7. Acheson et al., p. 37.
8. Zeiler, p. 121.
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