

Oral History Interview
with
EMILIO COLLADO

Economic Analyst, U.S. Treasury Department, 1934-36; economist, Federal Reserve Bank, New York, 1936-38; with Department of State, 1938-46, assistant chief, Division of American Republics, 1940, special assistant to Under Secretary of State, 1941-44, executive secretary, Board of Economic Operations, 1941-43, associate advisor for International Economic Affairs, 1943-44, chief, Division of Financial and Monetary Affairs, 1944-45, director, Office of Financial and Development Policy, 1945-46; U.S. executive director, International Bank for Reconstruction and Development, 1946-47; trustee, Export-Import Bank, Washington, 1944-45.

New York, New York
July 7, 1971

by Theodore A. Wilson and Richard D. McKinzie

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COLLADO: We have a tendency over the years to slant your own history. I guess you are familiar with this.

WILSON: Well, it's understandable.

COLLADO: You tend to make things more interesting than they actually were. You jazz them up a little bit if you're not careful.

WILSON: Yes. And along with that there's an understandable problem of trying to sort out views that you may have held in 1945 and to separate those from views about the same problem you may have held in 1955. We found that to be a

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difficult problem.

COLLADO: It's a good sign though if people once in a while develop over the 10 or 20 years. That I guess, is encouraging as far as their human development is concerned.

WILSON: We find these interviews particularly useful in sorting out relationships because often the papers, though they're absolutely necessary, they don't tell you exactly how decisions were made and from what point to what point. Perhaps, I can begin by asking you to briefly describe -- insofar as you can, to recall -- your responsibilities as Chief of the Division of Financial and Monetary Affairs.

COLLADO: What period is that...

WILSON: This is '44-'45.

COLLADO: Let me go back a little before that. I

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took graduate work at Harvard after getting an undergraduate degree at MIT. In 1934, I went to the Treasury Department as a financial analyst on the international side. They had a very small staff and I was the principal assistant, at that time to Harry Dexter White, a man you've heard something about, who was the principal international man in what was then a very small staff. It later developed and he became Assistant Secretary of the Treasury.

I left there in 1936 and went to work at the Federal Reserve Bank in New York with John Williams who was both a professor at Harvard and a vice-president of the Bank. Again, I was on the international side and I, in the Fed, had responsibility at one time or another for Latin America and the Far East primarily, but I also got involved in a number of general studies of capital movements, impact on inflation in the United States, inflows of

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capital and that sort of thing -- serious problems in the middle and late thirties.

In 1937, I was lent to the Bank of Mexico for about three months. In 1938, I was lent to the Federal Reserve Board and I operated there a very small international section for three months while the regular people, Goldenweiser, who was the Director of Research, and Walter Gardner, who was the international man, were touring Europe. I ran the show in their absence. It was

during that period that Larry Duggan, who was in the State Department on the Latin American side, invited me to become the economist at the Latin American Division.

I went to the State Department in the fall of '38. This got me involved in the sort of thing we have been discussing earlier, because this Public Law 63 I was referring to had its primary application in Latin America and it was a limited aid program. It was more

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technical assistance. Then, simultaneously, we had a program to construct the Pan American Highway at least as far as Panama. The Export-Import Bank, which had been created in 1934 initially for trade with Russia -- the second Export-Import Bank was created to trade with other places -- began to move, and in 1938, they made their first development loan to Haiti, of all places, and it got to be quite a Latin American program. So, I got involved very early. I was there on the ground floor. Warren Pearson was then the head of the Export-Import Bank and we had some interesting times.

In 1941, I became special assistant to Sumner Welles, who was the Under Secretary of State. I did his Latin American work on the economic side. Then with Pearl Harbor I picked up a lot of economic warfare functions and, eventually, I became, really, in charge of the proclaimed list, with a good deal of the

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shipping problems, a good deal of the trading with the enemy type of problems, as well as what development work we had.

We didn't have so much development work during that period. But I really did a little of everything. We had a small staff initially and we doubled in brass. Even before that, when I was in the Treasury, I had been the Treasury's member, maybe not officially but the actual fellow who went to the meetings of the old trade agreements committee and negotiated the trade agreements. So for a long time I had done a little of everything. In, it must have been 1942, Mr. Welles resigned and left the State Department.

MCKINZIE: '43, I think.

COLLADO: '43. You're right, it was about August, it was in the hot season I remember. Mr. Cordell Hull asked me to stay on and do a

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variety of things. I didn't change my job much, but in the big reorganization that we labeled the Edward Stettinius reorganization, they set up an economic organization under Dean Acheson. Dean had been doing something in the economic field from about '41 on, or '42, but they had this big reorganization and he was the principal economic man at that time. Adolf Berle was still around; he was more into finance. And I got a division called Financial and Development Policy or something like that, which included such work as State had in the monetary field, where we obviously were very much second to the Treasury; and the development of the International Monetary Fund was a piece of this. I also had what was called "development" and that was more

the banks -- the World Bank eventually -- but also the Export-Import Bank. For a long time it was the only U.S. vehicle. Then, in addition to that, I had a great deal to do with

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the settlement of lend-lease. Not so much the positive implementation of the programs but really the financial aspects of it and the settlement. I really had a great deal to do with the settlement of lend-lease.

But then I had something to do with surplus property disposal boards. At one time Tom McCabe was in there and Will Clayton had that for awhile before he came to the State Department, and a variety of other things.

Now, I guess it was in my capacity as Chief of this Financial and Monetary Affairs and Development division -- that I got up to my ears in what eventually became the Bretton Woods Conference. This had a fairly long history of relationships between Lord Keynes and Harry White, in particular, with others in the State Department. Initially, the principal State Department man in this was Leo Pasvolsky, but Leroy Stinebower, who was with

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this company for many years and only retired a year ago, was much involved in it as well as Fred Livesay and some other people.

Backtracking to when I was with Sumner Welles, at one point they had an economic reorganization and they merged me with Herbert Feis, who was the Advisor on Economic Affairs. I became Associate Advisor and so I had that as well as the Latin American thing. It was a very messy picture if you go back and look at it organizationally. But we dabbled in all kinds of things and it was a smaller department in those days. I guess the Secretary or the Under Secretary would call you on the phone and say, "Do that," and you did it.

One thing I skipped is in the period when I was definitely doing Latin America alone, '39 and '40. I went first to a conference of ministers of finance in Guatemala in 1939 and I got very mixed up as the alternate member of

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something called the "Inter-American Economic" something, I don't know [Inter-American Financial and Economic Advisory Committee]. It became eventually the "Inter-American ECOSOC," but it had a different name in those days; it was the precursor of the Inter-American Economic Board. Mr. Welles was the American member and I was his alternate and I attended a great many meetings in his stead. Adolf Berle attended some and Harry White of the Treasury went to some. There was a proposal for an Inter-American Bank which was developed to the point of a signed treaty with, oh, a dozen or more of the American republics signing it. It failed of ratification in the Senate. I had quite a bit to do with that. It almost made it. Carter Glass came out of his sick bed and killed it, and it never got off the ground. In some respects it was a precursor of some of these other things. In fact, I think it was it in part that probably

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gave Harry White the notion of having what eventually became the World Bank.

Well, then subsequently, just to finish up the history of my career such as it is, there was a further reorganization when Will Clayton became Assistant Secretary of State for Economic Affairs, which, as I recall, was in the very end of 1944. Now, the Bretton Woods Conference was in the summer of 1944 and Will Clayton was not yet in the State Department. He was still in Commerce where he'd been with Jesse Jones and then he became some kind of a surplus property administrator when Jesse Jones left the Government. Jesse Jones had also the title of Federal Loan Administrator and the RFC, and the Ex-Im Bank and other things. All of those corporations came under Jesse, the metal reserve and the other procurement companies during the war. Will was his deputy and really ran that set of things for Jesse. He wasn't really in the

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Commerce Department. He was in the RFC hierarchy, the loan agency.

Well, I'd seen a great deal of him because I was, for a period, the State Department member of the old Export-Import Bank Board when they had a board of representatives. Then after the 1945 act, Clayton was the State Department member and I used to be his alternate; but I was kind of an illicit alternate because I was not confirmed for the purpose by the Senate. I used to go to the meetings and then they'd call up Will and get him to vote. Bill Martin was the chairman in that period.

Well, the only thing I wanted to say -- and I won't take up more of your time with this history -- is that when Will came in after the Bretton Woods Conference (they reorganized the economics thing again -- I think I was subject to something like 40 reorganizations while I was in the State Department; it was an incredible

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series of changes), I became his second deputy. Will [Willard] Thorp was his general deputy and I became the deputy for, I forget what they called it, financial affairs or something like that, and I continued this same range of things, banks, monetary funds, lend-lease, and aid -- whatever it was -- and I stayed in that job until I left the State Department.

In 1946, I was named Executive U.S. Director of the World Bank and I was the first one. I had hoped to do that from the State Department; but I didn't and I don't know that I'll go into the exact reasons for that. But I stayed on full-time as Executive Director of the World Bank until February, 1947 when I resigned and left the Government, and I haven't been back to the Government in any permanent, formal capacity since. But that covered a range of things.

WILSON: To get it on the record, you were referring

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before we began to this memorandum that you wrote...

COLLADO: That came after I left, just shortly after, I spent about six months freelancing, the first of them mostly in bed with the chicken pox. I had had a hard, long, strenuous Government

career and I decided I didn't want to make up my mind too quickly what I was going to do next. I had a very enjoyable six months and did quite well, actually, in economic terms, doing a little freelancing at no profit for my good friend who was then Under Secretary of State, Dean Acheson, and once in a while wrote him a memorandum. This one was one of them.

Now I came to this company the day after Labor Day, September, 1947. I said I didn't have any connections with Government after February but that's not entirely true. In August of that year, Mr. Clayton cabled me

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urgently from Geneva and asked if I would sit in on a negotiation with the British Government. These strange things happen, but they were simultaneously having the Havana Conference on economic affairs, something was going on in Geneva, and the British came over to negotiate with the United States the abrogation of their promise of convertibility of sterling. And Will first asked whether I would go to Havana, and then the British thing came up and he said, "Well, we'd rather have you stay in Washington because you were involved in all the British loan negotiations and all that business."

So for two weeks I was the State Department member of the negotiating team and, to my great surprise, they made me the Chairman of the Working Committee and I wasn't on the payroll at all. I think they gave me a per diem or something, but I was quite surprised.

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This I did the last two weeks. I actually left on Labor Day and flew up here to take my new job in this company the day after Labor Day, which I may say completely disrupted my August vacation.

MCKINZIE: Yes, I can see that might have been, after your involvement with the British loan and particularly with Bretton Woods, perhaps a fitting way of leaving the Government?

COLLADO: Well, actually in a sense it was rather interesting, and I was rather flattered that they asked me to come back and do this.

WILSON: One problem that we find in the written material about preparations for the postwar world -- anticipations about what the United States would face after the war -- is the problem of trade involvements -- States involvement, the FEA, and a number of other agencies in international politics.

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You suggested before we began that with regard to international financial questions the Treasury played the senior role. Is it fair to say that the Treasury insisted that it do so?

COLLADO: Well, the Treasury was a strong Treasury. As a matter of fact, the State Department was a strong State Department, and there were some other strong branches of Government. We won't talk for the moment about the military side of things because I did get involved with them in questions of invasion currencies, occupation currencies, and lend-lease and all that. Certainly

there was no lack of strength in what was then the War or Navy departments; the Defense Department came in on the tailend of that. But Treasury and State were both very strong departments. They had strong leadership and they both had the ear of the President, and it's no great secret that President Roosevelt

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loved to have a degree of, should we say, competition in Government. And, in fact, he frequently created competition; some people might say he created more competition than was good.

He certainly believed in the hair-shirt technique, and the hair-shirt was working continuously. He also would make agreements with Cabinet officers, frequently in the same morning, that were quite contrary to one another. I've seen memoranda on the Treasury letterhead, "O.K., FDR" with a time stamp not more than an hour apart, and if you read the contents of the two things, it was a little hard to understand. But we got pretty good at handling this, and not only did we get pretty good at this, but we also got pretty good at not forcing the issue at the level of embarrassing the President. Although, I don't think he would have been very embarrassed anyway.

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But it became sort of a game to work out a compromise without actually taking it back to the White House.

Now, on occasion, as you know, Mr. Hull and Mr. [Henry J.] Morgenthau battled mightily and there were a great number of White House confrontations than perhaps later. Certainly Ed Stettinius was not a battler, and the subsequent people [James] Byrnes, [George] Marshall, Acheson did their business a little differently. Basically, on the substantive issues the Treasury had a great deal of control and certainly when it came to exchange rates, the Monetary Fund, that kind of thing, they were paramount, and under the setup of the Government they should be.

I would say, in those days on anything international the State Department had an almost complete veto power which it generally exercised quite intelligently, not indiscriminately. When it came, on the other hand, to making development

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loans in what initially was mostly Latin America but then spread to other places, there the State Department had quite a lot of initiating power. The State Department, I think, had an absolute veto and at the same time, it had something important as an initiating power. The Treasury frequently dragged its feet on some of these things, was indifferent; but in those days, at least, the State Department was a strong member in this area. The Treasury's strength wasn't as absolute in this area as it was in what I call the monetary and international exchange area.

MCKINZIE: Much has been made of the difficulties within the Department regarding political affairs (or the old geographic desks) and economic affairs that developed during the war. How much should we make of this?

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COLLADO: Well, it existed, Lord knows, but I think it's been exaggerated; it was inevitable that the political officers would have a different approach than the economic officers.

In my own experience, this was very, very much the case in things like the demands of Latin American governments for example, and my early experiences were very heavily in Latin America. A lot of these things had a Latin American initiation and spread to other parts of the world, rather than the other way around. I mean, we started programs more rapidly in Latin America than in most other places, but during the war period when we had very rigid export controls on materials, strategic and other materials, the political officers would always want to get something for their client, and it was my job in those days. (I was also the member from the State Department of the War Production Board Requirements Committee

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which was chaired by a succession of people like Bill Batt, Fred Eberstadt, and Don Nelson.) Since I was the agent and I used to knock down the political officers, every once in a while they would go over my head to Mr. Hull or Mr. Welles and I'd have to defend myself, but on the whole I was able to sort it out without undue trouble.

In the loan field for Ex-Im Bank loans for development, we didn't have too much trouble. They always wanted bigger numbers than I was prepared to fight for, but this was not all that serious. When it came to economic warfare some of the political desks hated it in principle and I had some problems there. I was riding very high because of the fact that I was special assistant to the Under Secretary and Mr. Welles was the boss, and in those days when he spoke all the little men jumped up and down; and if I'd come out of

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his office and say, "The boss wants this," they might go mumble in their beards but they did it. So it wasn't all that difficult.

WILSON: You were not, though, apparently scarred by the Welles-Hull...

COLLADO: No, strangely enough, and I don't know that I ought to put this on the record...

MCKINZIE: Well, I should say that anything that you do say that's personal or frank you can ask to have closed.

COLLADO: Well, I'd like for you to close this one but it might give you a little idea of how it works. On a Sunday noon, Mr. Welles' secretary, who I knew very well, called and said, "The boss wants to see you. Come down at 2 o'clock."

I came down and she said, "You'll have to wait a few minutes."

He was inside. I knew what was coming

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though it wasn't very public, and I sat and cooled my heels. A few minutes later Larry Duggan and Phil Bonsal emerged and I went in. And he said, "I'm resigning. The situation is such that I must. I want you to stay on, I don't want you to resign or do something foolish."

I said, "Well, nothing is going to be very much fun when you're gone."

And then we had a lot of talk about how much we admired him. He couldn't have been nicer. He was very, very nice to me the whole time. In many, many ways he was much more of a human man than his outward appearance. I could tell you a lot of anecdotes about him that were very, very pleasant.

So, in any event I went home. And I got hold of my two principal assistants; a fellow named Jack Hooker who followed me into the World Bank -- he recently retired -- and another one named

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Jack Corbett who stayed for a long time. He's now in private business. Very good people.

I said, "Well, looks as if we're going to have a thin time of it."

I had a very handsome suite of offices in the old State building there across the street from the White House with one of those balconies looking out onto the White House. It was a very handsome suite of offices; you don't get them like that anymore. We sat there on Monday morning with a couple of girls, one of whom married Hooker later -- a very attractive girl -- and we drank coffee. And from 9 o'clock until 12 o'clock nobody came into the office, no papers came in, the phone didn't ring, and I said, "Boy, when the chill is on, it is on!" Not one word for three hours.

Well, Hooker's impatient, so impatient that he didn't wait to be drafted. He enlisted and then later learned that he never would have been

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drafted, and he served two years in the Army because of this impatience. In any event, Hooker was there, saying, "I can't stand this, let's go resign."

I said, "Oh, just relax and see what happens."

At 12 o'clock old Joe Gray, Cecil Gray, a very senior Foreign Service officer and Mr. Hull's personal assistant, called up and said, "Pete, the old man wants to see you."

I said, "Boys, so long, good bye."

I went into Mr. Hull's office. Joe kept me waiting for a minute and he said, "Mr. Hull is in a pretty good mood this morning. It will be all right."

So, I went in and I sat by the Secretary in this crummy old office. He had a big rubber plant, papers all over the place, all a mess, like some of those senatorial offices. He started saying, "Collado, you know we haven't

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had a good chance to talk lately," and he went on for an hour. He talked to me about the time he was the proponent in the House, with Carter Glass in the Senate, of the Federal Reserve Act. I don't know if you knew that, but Mr. Hull was the House sponsor of what set up the Federal Reserve system.

WILSON: Thank you, I had forgotten that.

COLLADO: Well, I knew only because I worked for him. He was also the author of the first income tax law, the constitutional amendment, remember? They had to get an amendment. Well, he started talking to me about conversations with Woodrow Wilson when Woodrow Wilson was president of Princeton. This went on and on and I was sitting at the edge of the desk. I was finally about to say to the old man (he was a pleasant old guy though he could be as tough as hell when he wanted to be), "It's okay; look, it's all right."

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It went on for an hour. At that point, Joe Gray appeared in the door and said, "The British Ambassador is here for lunch with you Mr. Secretary." So I stood up. God he hadn't gotten to the point yet.

So he turned to me and said, "Collado, this has been very interesting. We should do this more often."

And I thanked him and I started to walk out, and he said, "Incidentally, don't pay any attention to the rumors."

The next day there came out about six orders giving me all kinds of functions and assignments. It was really very nice of the old man. I don't exactly know why, but he and I had gone to Havana on a conference together and I had been sort of his personal man at the Havana Conference and we'd gotten along rather well. He used me as an interpreter with some of the South American Presidents and other people. Although he almost

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hated Sumner Welles, and he didn't like Larry Duggan at all, and he didn't like Phil Bonsal so much (and Phil got some of the leavings of this I think), but I really didn't get very much at all. I came out of this with no particular scars, as you say. Well, you can go back on the record if you want.

WILSON: Maybe a way of getting at some of the questions that I think you might be able to answer would be to ask you if you can go back to what position you thought the world would be in, I guess, at the end of the war. Basically I guess I'm asking you about postwar expectations in '44-'45.

COLLADO: Yes, this is difficult. Well, for one thing I think in the war we had learned (though we were groping for it in fact) that it was possible for the United States to play a much bigger role in aid in the broadest sense,

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grants, loans, financings, participations, than before the war everybody had dreamed of. Before the war we were really fiddling around. At one point the Congress limited the Export-Import Bank to a hundred million dollars of outstanding loans, you may remember, and we were really playing a very, very small beginning game. Somehow during the war with massive lend-lease and other things going on, the realization came that we could move into somewhat bigger time. Some of us began to think of ways of using the lend-lease technique and the unraveling of lend-lease (Article 7 agreements) as the vehicle for this. The concept of the monetary fund, avoidance of the anti-competitive currency depreciations which we went through during the depression of the thirties, and all the multiple currencies and crazy stuff of Schacht. This was in people's minds. The general notion of aid was developed with UNRRA, that came into the picture. Acheson

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had a great deal to do with the founding of UNRRA. I can't say that I had that much to do with it. I had later on but not at the inception. In the inception period of, '42 in particular, I was very much on economic warfare -- things like the War Production Board, the War Shipping Administration, and the Treasury's financial control. I was much more on that in that period than I was on postwar issues.

We had a department that Leroy Stinebower headed under Pasvolsky that did a lot of postwar planning on economic deals. And a fellow named Harley Notter, who's since dead, had a practical planning office. Harley's first job in the Department was in the American Republics Division, and he and I shared an office, so I knew him quite well.

MCKINZIE: There are files now in the Department called the Notter files which bring together a lot of this material.

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COLLADO: Well, Harley had a great deal to do with this from the inception. I was not actually in this. I was more in the operating side of the Department at that time. And it wasn't really until the reorganization, when I became the Chief of FMA -- the financial thing, whatever they called it -- that I got more into the planning phase. But I think it was a kind of a complete change in Government philosophy. People began to realize that you could do things then which we never really did.

MCKINZIE: You wrote a very interesting memorandum to Clayton in, I think, early spring of '45 in which you said basically that you thought that the Treasury was putting all its eggs into one basket, the basket of the Bretton Woods Agreements. You thought this was not a very good idea, that the problems facing the world...

COLLADO: I was one of the people; Acheson certainly

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picked it up. This memo I referred to in '47 followed upon a trip that Mr. Clayton took around Europe earlier. You see, we started the Fund and Bank in May '46 with great acclaim and great high hopes.

In '45, when we were on the way to Potsdam, Mr. Truman had cancelled lend-lease from the boat, the famous boat, and we spent a good part of the rest of that summer getting lend-lease slightly rehabilitated which led to the British loan. We did the British loan in the fall of '45. I think what happened was: we'd make projections about the rate of capital absorption of underdeveloped countries. I don't remember, but we used to talk about 3 billion dollars, x billion dollars. That very interesting man, Mordecai Ezekiel, he came in with a figure of a hundred billion dollars when we were talking about a much more modest amount for the World Bank. We started the World Bank with 3 billion

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dollars. He wanted a hundred billion dollars. We were talking about eventually getting up to 20 billion or 25 billion. I suppose this is in the files somewhere.

At the Bretton Woods Conference in '44 we had some political advice as to how far we could go with Congress, which was on the restrictive side. Then when we got into the British negotiations in the summer and fall of '45, Fred Vinson, who was then the Secretary of the Treasury and a very strong, powerful man, had great reluctance to take bigger numbers into the Congress and the eventual number that we agreed for the British was a compromise number between his number and Lord Keynes' lowest number. Mr. Clayton just cut the difference in half. You may remember this from the files.

MCKINZIE: I don't think I've seen that Clayton cut it in half.

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COLLADO: Well, that's what happened. We made one of these great Solomonic decisions. One man wants three and a quarter and another wants four and a quarter until you settle for 375. I think those were the numbers. It was something like that. Anyway, I may have the decimal point or even the numbers wrong, but it was of that order.

Anyway, I think we decided a couple of things. I think the experience with UNRRA may have helped us a little but it was all too early; I mean the war period was so over-laden with lend-lease, which obscured the more conventional kind of economic problems. Secondly, I think most of us thought we were going to get more out of lend-lease than the President's decision allowed us to get. Even though we kept it going some, it phased out. The pipeline we kept going, but we phased out adding to the pipeline and we lost a few billion dollars against

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what some of us had thought in the back of our minds could be possible.

Well, then what really tended to happen was that we began to realize that the problems of reconstruction, let alone the problems of development -- we really thought about reconstruction mostly at that point -- were of such magnitude, along with the problem of the future balance of payments, and of debt repayment, that we had to get a lot of grant money into the act and that Bretton Woods didn't do any good at all with this. I'm overstating, over-simplifying it, but sometime between '44 at Bretton Woods and when I was leaving the Bank in February, '47 we came strongly to the conclusion that something had to be added to the pot. And, in a sense, this is what really got Clayton and Acheson urging a much bigger aid program, and that in turn stimulated the famous Harvard address to Mr. Marshall which

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started the Marshall plan. And when you stop and look at it in terms of escalation from the puny numbers we had to get up to what Marshall and Averell Harriman put across in '48...

WILSON: Twenty-two billion, wasn't it?

COLLADO: It was an enormous differential and I think we were right. The only question is whether we ever did get quite enough. Now what this did to the United States gold supply and the monetary situation is another story.

WILSON: One of the problems that we face is the view, which we tend to label as a Treasury view, that basically the postwar world -- at least the European side of the postwar world -- would be one where there would be short-term reconstruction assistance needed, but that European economies were basically healthy and if you got rid of discriminatory trade arrangements

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(that sort of thing) and also provided the proper kind of US financial arrangements thing would be fine. That wasn't the case, obviously, and it became apparent to many...

COLLADO: This was the Treasury view pretty late, right through 1945, the Keynes negotiations. The British loan, etc., were all tied up with the Monetary Fund because getting the British to ratify the Monetary Fund was part of the negotiations with Keynes. So we didn't get their agreement until almost Christmas 1945 and the agreement ran out December 31, '45. We'd only got under the wire by about a week.

Well, this was what you're talking about, although maybe a more narrow part of it. Keynes always said you needed more money. Keynes always thought that the Monetary Fund ought to be a much more open instrument.

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Harry White really reconstructed the gold standard. For the man who's regarded as a flaming liberal, he was probably the most conservative monetary force in the world during his period in the Treasury Department. How you reconcile this with some of the accusations is very complicated; that is a story that I prefer not to get into, although we can do that privately some day. The fact of the matter is he almost single-handedly reconstructed the gold standard, a modified one. The fact of the matter is he was always very conservative. All through the war

the Treasury screwed the British down on the amount of their gold stocks. The Treasury insisted that collateral be put up for the Reconstruction Finance Corporation loan; a lot of stock of this company was involved. They were the people that screwed the Canadians regularly on their monetary reserves and everything else. And in a sense,

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this was a proper function of the Treasury. They wanted to see that these very vast sums of money we were putting out weren't squandered and that the other countries played their part. The other countries uniformly thought that the Treasury was too hard on them, and in some degree the State Department felt that too. We were always a little bit more liberal than the Treasury. I wouldn't say we were terribly liberal and I think we equally underestimated the extent of the problem. Nevertheless, we probably came to the big amounts earlier. I must say, in defense of one aspect of the Treasury policy, Mr. Morgenthau at an early date would have made a very large loan to the Russians.

This is an interesting thing. Those papers got conveniently lost for awhile. You know, they weren't lost; they were on my desk during the whole period. They weren't lost; I knew

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where they were, and everybody else knew where they were; but it was convenient to have them lost.

WILSON: The Russians in a way could be excluded from all of this.

COLLADO: It was a different exercise.

WILSON: He was very strong.

COLLADO: Well, he had some strange...

WILSON: Harriman took a rather powerful view against this, apparently.

COLLADO: Yes and basically the State Department. I think not necessarily everybody in the State Department, but basically that was the State Department's view.

WILSON: How much influence did increasing political and economic difficulties between the United States and the Soviet Union have on the development

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of these programs?

COLLADO: Well, it certainly helped. There's no question about it. Later on when it came to raising large amounts of money for underdeveloped countries the Communist threat was a great talking point to the Congress.

MCKINZIE: It certainly weakened support for UNRRA.

COLLADO: I think Congress was turned off by the proposed 700 million dollar grant for the Russians, remember? They gave them a quarter of a billion finally as I recall. That was Mike Pearson's compromise, the Canadian. But that, I think, in a sense, was a forerunner of Mr. Meany and the ILO. I mean it was the same kind of a situation.

MCKINZIE: But also we have the impression that the UNRRA experience disillusioned people about multilateral arrangements of that sort.

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COLLADO: There was some truth in that. Also the fact that after we negotiated for months and accommodated the Russians about all their points at Bretton Woods, they didn't join. This was a terrible letdown, especially to Mr. Morgenthau who was determined to get the Russians into the Bretton Woods organization.

If I could add one sentence to what you said before, evidence of what you say about our overconfidence in the speed with which reconstruction could be carried out is that in all of our serious discussions with Lord Keynes, we insisted on a 5-year period of transition after which convertibility was to be requested and quotas and quantitative restrictions prohibited. In the Monetary Fund, you know, the transitional period was to end in 1951. I insisted on the five years being put into the trade arrangements which were the forerunner of the GATT. In our negotiations we were decentralized and I wasn't

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attending the trade committees; I was going to the financial committee. I also had the title of Secretary General of the U.S. delegation to the British negotiations. One Saturday afternoon I was looking over the reports from the fellows who were doing trade, and I discovered that sly old Keynes had agreed to the transition arrangements in the Monetary Fund but had refused to have any in the trade arrangement, and it occurred to me that this was his way out, because if he could put on trade restrictions he didn't have to worry about exchange restrictions. So we had a meeting that afternoon with Lord Keynes and Lord Halifax and Frank Lee and the rest of them (a very fine bunch of people, I must say), and I quietly raised this point. The Treasury people were furious because they hadn't noticed, but Lord Keynes looked at me and said, "Well, I thought I might get away with it but I didn't understand why somebody didn't see it." Well,

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it would have been caught by somebody else if I hadn't happened to. This is one of those things that sooner or later, you know, comes out, but we were so decentralized with the negotiations that it was hard to keep the crew together.

Well, I think this is interesting because is very clear that the United States thought that 5 years was plenty. Well, that ran into '51 and it was quite clear that it wasn't plenty. The Marshall plan didn't really get started until '48 on a large scale, and it went on for quite a few years after '51.

MCKINZIE: Is it fair to say that when you were working in this period that there was some understandable lack of understanding on the part of the American representatives about just how

serious the British position was, and also a lack of understanding on the part of the British about their own position.

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COLLADO: That's right.

MCKINZIE: We have the impression they were, in a way, deluding themselves.

COLLADO: I don't think Keynes was so much, except he was a very confident man, you know. You see, he died in 1946 just after the Savannah meeting. His paper that was in the *Economic Journal* in July, 1946, was published posthumously. You really ought to read it. To my mind, it's one of the great pieces of economic literature. Now, of course, 25 years later we know so much more than they did in those days, it's hard for us to believe that the poor unfortunates of that time would have been so lacking in foresight. But he'd got plenty of foresight in this piece and you should read it if you haven't. I think Keynes always knew that he was cutting it fine. Remember they sent Sir Edward Bridges over to try to get more out of

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the U.S. at the tailend of the '45 negotiations. I think Lionel Robbins, for example, knew that they were skating a fine edge. I think Keynes thought that the British economy and social structure could tighten up and would tighten up much more than it did. There are even people who think if he'd lived, he might have been able at least to work hard for action in that direction. I suspect he would have said the great tragedy, really, was the fact that the Labor Party came in in '45 at the time of the Potsdam Conferences and that policy got loosened. Keynes was a strict disciplinarian. I mean, he would have, to the extent that he had the power, kept them in order. And I think in general there was a looseness in most of the country. There was a terrible letdown after the war. The British had had a long, hard time. The British had a bad time really until '48 or '49. They didn't really get into good shape until very

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nearly '50, and when I say good shape, I mean the individual. Their food was impossible, the rationing and everything else. I got quite mixed up in the derationing of gasoline in '50-'51. It was interesting to see the reaction of the British. This was a rough period for the British.

MCKINZIE: Yes, yes. And certainly if lend-lease had been continued in the form that had been anticipated...

COLLADO: We could have eased this.

WILSON: What about Leo T. Crowley? There's been some suggestion that he got to Truman.

COLLADO: Crowley did, I think. Crowley really was a strange man. I never had any personal trouble with him. I think he got to consider me a symbol. He got to hate Will Clayton and Dean Acheson, and I think Fred Vinson as well, but

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particularly the other two. Frankly, he was a rather small man. He'd been the trustee for the Chicago public utility bankruptcy business and then he became head of the Federal Deposit Insurance Company. My impression is he was a pretty capable administrator but with rather limited vision. He was intensely jurisdictional, very, very worried about his prerogatives and doing nothing but fight. There was that long period of fights. Well, of course, earlier we had the fights between Henry Wallace and Jesse Jones and Milo Perkins and Will Clayton and I got all mixed up in those. Milo Perkins worked for this company for many years thereafter, and I'm very fond of Milo. He's quite ill now, in quite bad shape. I've talked a great deal with Milo -- but this was a strange period.

MCKINZIE: I'll have to come back and talk to you. The Wallace family has asked me to do a biography

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of Henry Wallace.

COLLADO: Henry was a strange man and a very interesting and a very useful man. Also a man who, I think, was led down a number of wrong paths. But I think as a human being he was a very high class man, a fine person. I have nice memories of him even though -- God, we were having battles all the times!

I didn't finish one thing about Crowley: Crowley became intolerable. Crowley was involved in the President's decision to give up lend-lease. We got the President to agree to the negotiations of lend-lease settlement. We did that at Potsdam. I actually wrote the papers at Potsdam; I had lots of trouble. Crowley was not at Potsdam, but Admiral William Leahy was and he was a supporter of a hard line towards the British.

On the other hand, Jack McCloy, Henry L.

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Stimson -- but really Jack McCloy as the active fellow -- were on the other side of it. McCloy was working with Will Clayton and me. We had some very strange discussions at Potsdam. On the one hand, he met with Mr. Byrnes and then finally with Mr. Truman on what we would do. The President sent a memorandum to Winston Churchill, proposing what became the British loan and lend-lease settlement negotiations. By the time we got to London, Churchill had been defeated in the elections, and we met with Attlee's representatives.

Now, Attlee was at Potsdam. Remember, Churchill brought him, and then they went home for the election and Attlee came back; and Will and I left after Potsdam and went to London. We had a month of lend-lease negotiations; we had an UNRRA meeting, and then we set up the major fall conference in Washington. When we got back, Crowley was just mad as hell because

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we'd gotten the President to agree to this broad set of negotiations. We set up a committee structure and he was put in charge of the lend-lease settlement.

Well, Crowley just didn't want to function. He'd been very obstructive. He was threatening everything under the sun.

He had this big amorphous Foreign Economic Administration and it had to be dismantled anyway, because, after all, we'd already finished the war in Europe and during the first of the summer had the capitulation of the Japanese. So it was a mop-up job at best and it was going badly, and we were having nothing but trouble with Leo and then in a fit of petulance he resigned.

I can remember a lot of discussion in the State Department about what to do about Leo "temporary T" Crowley's (we always called him Leo "temporary T" Crowley) resignation and I always

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remember Dean Acheson walking in the room saying, "Well, there's only one sensible thing to do about his resignation, accept it. What else would you do?"

Well, there was a lot of argument about this and finally the President thought it over (he personally was fond of Crowley) and he accepted it. As you may recall, in the cutting up of FEA Will Clayton was assigned large pieces of it. I, as his assistant, took over great gobs of it. Part of my job that fall was to liquidate these things. I had a lot of people mad as hell at me because some thousands of people got moved off the payroll, which we had to do.

But the fact is, Crowley was generally difficult. He was difficult also in earlier problems. We had negotiations in the fall of '44 with Keynes which were called the Phase II or the State II. That was the lend-lease post-Germany. It was really the Japanese phase of lend-lease

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and he was pretty difficult.

In those days he had as a deputy, Lauch [Lauchlin] Currie, who had a kind of a strange and later peculiar career. He taught me the first course I ever took in international finance at Harvard back in '31 or '32. Lauch, who was technically the deputy administrator of the FEA, was also a White House assistant and he would come to the meeting and say one thing and then Crowley the next day would absolutely veto it. This was a hell of a period. I make it sound as if we had nothing but fights. It wasn't all that bad.

MCKINZIE: Well, no. Obviously a great deal was...

COLLADO: Was accomplished. And look at the staff level; most of the time we worked very well together.

MCKINZIE: That's what we've been told. You see

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from the papers all over, fighting, but people would say, "Well, then we had a Thursday luncheon in which the staff..."

COLLADO: It was, of course, the famous period when Harry White almost got me fired from the State Department. That's on the record, too, if you are looking far enough.

WILSON: One thing; obviously the problem with the Soviet Union caused great changes in what happened in the immediate postwar period. Even if that had not occurred -- this is speculative -- would the World Bank have functioned in a very useful way, given the restrictions placed upon its operations by the charter and also given the kind of top level leadership that came in?

COLLADO: Well, that's something that I can speak very feelingly on because I resigned as part of the change in the management of the World

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Bank, as I guess you know. The answer is very clear to me. It's hard to look back and think what we thought would happen with Soviet collaboration. We could see at Potsdam that our relations with the Soviets were falling apart and if you go back to Yalta and Tehran, postwar collaboration was falling apart. The Soviets were absolutely convinced that we were going to have a massive depression at the end of the war. I don't think we in State ever thought so. Some people did. Those people who planned the Committee for Economic Development planned it in order to avoid a massive depression. This was part of their philosophy. These were Will Clayton and Wayne Taylor and, oh, a lot of other people who were important in those days.

WILSON: We've just finished using CED papers.

COLLADO: Well, the early CED papers were exactly

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on this subject. I mean this is what made the CED and then, of course, their fiscal policy, stabilizing budget policy, really was the backbone of the early CED.

Well. I didn't get into the CED till later. I've been very much into it in the last 15 years; I wasn't there at the early part of it. But the fact of the matter is, most of us did not believe the Vargo [noted Soviet economist] line. There were conservative economists in the United States, Lord knows, who did believe it.

WILSON: Well, you were going to comment, or perhaps not comment, on the effect that this top level leadership had in the Bank and on what might have happened.

COLLADO: Well, I think if I may put it this way—they're all my very good friends and they were even then. When I left the Bank several of them offered me fine jobs. This was not a personal

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thing. I think that there was basic opposition in the American financial community, the American Bankers Association, and in particular Wall Street. By that I mean the banks, not so much the stock market, groups in both the IMF and the IBRD.

We spent a lot of time on this. There was quite open opposition at one time. Randy Burgess, whom I had worked for in the Federal Reserve Bank, became the president at that time of the American Bankers Association; that's when he was with the City Bank. He'd left the Fed. And we worked it out with this very attractive man who was very active in the early CED, Senator Ralph Flanders from Vermont, a fine man. We worked out a compromise with the Bankers Association and it was incorporated in the Bretton Woods Agreement Act. One of the results of it was the U.S. Executive Director of the Monetary Fund had to get interpretations about long and short

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operations, and so did the U.S. Executive Director of the IBRD. It was my job to get them and I had quite a lot of trouble with the foreign executive directors, although that's one of the few things I accomplished in my brief regime.

Strangely enough, Gene [Eugene] Meyer opposed this, and I had to point out that it was in the Bretton Woods Agreement Act and he tried to get me ordered not to carry out this particular thing. Well, the Secretary of the Treasury had no alternative. It was in the Act. (Didn't make any difference anyway. It was all words.) But we had an anti-Bank and Fund attitude, which I'd say loosely was in New York; it was in the banking community generally. Strangely enough, they created under the Bretton Woods Agreement Act something called the National Advisory Committee on International Monetary Problems, or something like that, of which at

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one point (well, the Chairman was the Secretary of the Treasury) its advisory committee chairman was Withrop Aldrich and one of the members of it was Mario Giannini, a very nice and very attractive man -- the son of old A.P. Giannini who was the head of the Bank of America till he died. And we had lots of discussions. I was one of the principal agents for getting out and working on the community in these respects. It's probably one of the things that led to my necessity to resign, because I was the active proponent of that part of the Bank and Fund that they didn't like much. I had to work on getting the state laws changed to make the bonds eligible for insurance components, and did we have opposition! In New York State we almost didn't make it. I got it in New Jersey over the opposition of the Prudential and they were mad as hell. Maybe I shouldn't put this in the record. But this went on. I went before state legislatures; I did all sorts

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of strange things that I never in my life thought I would have to do in these capacities. Now the New York bankers' original proposal (maybe this ought to be off the record) was that we would seek a Canadian president for the World Bank which I still think was the right one. I begged Graham Towers to take the job, because he was completely acceptable to New York, but he would have run the Bank the way we thought it ought to be run. We didn't think we could get a New Yorker to do what we wanted for the Bank. I tried to get Lew Douglas -- but he held me up

for something like six or eight weeks. Strangely enough, I was the only active person working on these things. Lots of other people were in the act, such as the Secretary of the Treasury and Will Clayton, but I was the only leg man. Well, it was my job, for they were busy doing some great things down the street. Finally President Truman one day was

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having lunch with Gene Meyer and said, "How would you like to be president of the World Bank?" And Gene said, "Yes." He wasn't told of any of the conditions. He didn't even know there was an international board; he was going to run the Bank and, boy, did I have trouble with that man? Well, in any event...But there was this kind of thing going on.

WILSON: We shouldn't draw from that that Meyer's appointment -- a man who had had a very full and active life but...

COLLADO: But he was pretty old at that point and not terribly with it.

WILSON: Should we or should we not draw from that that this is some indication of lessened administration support for the idea?

COLLADO: I don't really think so. I think it was desperation, rather. Actually, this is something

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the President did on the spur of the moment and without consulting anybody and -- well, I would just say that there was a certain degree of desperation. They were trying to get the right kind of a facade and two or three other candidates turned the job down and they came to this one.

MCKINZIE: It's unfortunate that they placed so much emphasis on the facade and not on the structure.

COLLADO: Well, I think so. And, in retrospect, if I'd been older in those days I might have handled myself a little differently. There's a proposal that is made in the records, if you haven't already seen it. They actually were going to appoint me president of the Bank and I spent one night being very happy, I was going to be the president of the Bank; and then I began to think it all over and I called up

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the next morning and I said to Will Clayton and to Averell Harriman and to Fred Vinson, "You know, I'm very flattered and I'll work like hell at this job, but go think it over, Will, because what this bank needs is an international figure."

I was then 36 years old and I'd been sitting around the State Department all during the war and I wasn't an international figure.

MCKINZIE: Well, I might quarrel with that.

COLLADO: Well, I wasn't then. But you see what I'm getting at? Also, we had to raise money in the bond markets. There was a great question whether we could raise money in the bond markets. All we had was the U.S. guarantee to raise money with, and we had to have a bank that would raise money. I knew this before Bretton Woods and at Bretton Woods, but it certainly was borne in on me in the fall of 1946 when we were actually working on the bond business, you see. This is

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what convinced me that an institution of this nature could never possibly be flexible enough to do the job that had to be done. And that's why I was one of the early people to realize that the US Government had to have a big aid program. It just couldn't live with these institutions alone and it was impossible with the structure of those institutions to make them big enough to do the job.

Now when they finally had an Inter-American Bank after Bogota in '58 -- that's a long history, too, but not in your bailiwick -- they realized that you couldn't raise enough money from the other countries to balance out how much you needed in the US, and they set up a special US fund in the Inter-American Bank so that we could actually put the additional money in and have them administer it. But do you see the problem I'm getting at?

MCKINZIE: Yes, yes.

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COLLADO: The World Bank couldn't be big enough in its terms. They've had all kinds of trouble getting the IMF big enough. They've got a mechanism now with the SDR [Special Drawing Rights] that they're easing into it; but for years the IMF just wasn't big enough. This is partly because of the difficulty of getting some of the other members to pick up their pieces of it. Now maybe you couldn't get started today, maybe you could. After all, the Europeans can handle a pretty big piece of it if they want to.

MCKINZIE: A very different situation certainly. Well, this has been very helpful.

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