

OMD: R00: CORRESPONDENCE: COBBOLD, C.F.

Jul 1951 - May 1956

Box 1

File 4

6936



CLOSED DOCUMENT
IN ACCORDANCE WITH THE POLICY ON ACCESS TO THE
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This document or file has been removed as it belongs to the following category:

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Department/Division/ Office of the Managing Director Records/fonds/1946-2000
Collection:

Series/Subseries: Ivar Rooth Papers/sous-fonds/1951-1956
----- OMD Correspondence/series/1951-1956

Box number: A2531-001

File number: 4

ADLIB ref. number: 6936

File title & dates: Cobbold, Cameron F./file/1951-1956

Doc. title & dates: Personal and Confidential - May 11, 1956
Letter to the Governor of the Bank of England



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Series/Subseries: Ivar Rooth Papers/sous-fonds/1951-1956
----- OMD Correspondence/series/1951-1956

Box number: A2531-001

File number: 4

ADLIB ref. number: 6936

File title & dates: Cobbold, Cameron F./file/1951-1956

Doc. title & dates: Personal - February 23, 1956
Contains home address

(Signature)

Speech by
C.F.COBBOLD, ESQ.,
GOVERNOR OF THE BANK OF ENGLAND,
at a Dinner given by the Lord Mayor to the Bankers and Merchants
of the City of London on the 4th October 1955

There is little to say this year about foreign exchange policy. We have made considerable further progress in removing and simplifying exchange controls. Sterling can now be used freely throughout the world for a great variety of purposes within a very narrow bracket of rates.

The Chancellor made a clear statement of future British policy at Stamboul. In present circumstances we must obviously concentrate our energies on the internal position before considering any changes in our exchange arrangements.

There has been much talk about sterling in recent months; but the most important point of all has often been overlooked. In 1949 sterling was overvalued. The devaluation in that year left sterling undervalued. Since then the margin of undervaluation has lessened. If in the future we were to be so foolish as to allow our costs to continue to rise disproportionately to those of our competitors, the relative value of sterling would again come into question. But to-day sterling is still undervalued rather than overvalued in relation to most of the principal currencies of the world.

I propose this evening to review briefly the operation of monetary policy during the past year and to suggest some conclusions. The post-war use of monetary controls is still experimental. This is not an exact science. Nobody can tell precisely what effect measures have had or precisely what would have happened if other measures had been adopted. Different opinions can reasonably be held and final conclusions will only be possible much later.

Since the late Autumn of last year monetary policy has been directed to steady and progressive tightening. By the turn of the year short-term rates had moved up sharply, the existing level of Bank Rate was effective, and the technical foundations had been laid for further monetary action. To carry the process a stage further and to give a warning signal, Bank Rate was raised in January. This warning was largely disregarded. In February a further rise was judged necessary: the Chancellor also announced measures to restrict hire purchase and to deal with the market in transferable sterling.

On the foreign exchange position the effect of these combined measures was immediate and decisive. The disturbing markets in cheap sterling which had been growing up over the previous four months disappeared almost overnight and have since given very little trouble. Sterling generally took on a more favourable look, which it retained until July, when bad trade figures came out, doubts were expressed about the effectiveness of our anti-inflationary measures, and rumours circulated about changes in our exchange arrangements.

At the same time the tightening of money, coupled with a similar but less pronounced tendency in the U.S.A., began to influence commodity prices, with a consequent improvement to our terms of trade.

Do you think that
the effect
is that clear?

It is less easy to gauge the effect of the February measures and the tight monetary policy of the succeeding months on the internal economy. The immediate results were disappointing: for a month or so the view persisted that tight conditions would not be maintained for long and need not be taken seriously. But, from April onwards, the measures were probably more effective than has been generally supposed. Without them there is little doubt that bank advances would have climbed much more steeply and the upsurge of hire purchase might have got out of hand. Against a general atmosphere of boom and expansion, the steady pressure of monetary policy through those months was gradually building up resistance to an exceptionally heavy demand for credit.

It became clear, however, during the Summer that the banks would not succeed in bringing advances down quickly enough and to the necessary extent without the support of a statement of Government policy. The statement made by the Chancellor of the Exchequer in July greatly reinforced the technical "squeeze" and, although the banks still find themselves up against difficult problems, the tide of advances has turned.

Experience since 1951 suggests certain conclusions about the use and effect of monetary policy in modern conditions: to some of these I have referred on this occasion in earlier years.

The proportion of the economy which is directly affected by credit policy through the banking system, both as to investment and as to consumption spending, is much smaller than it used to be. With the enormous growth of the public sector, monetary action to restrict the borrowing and spending of individuals, firms and companies can be outweighed by the action of Government, local authorities and the nationalised industries. Moreover, with the redistribution of income since before the war, the immediate impact of credit policy on consumption spending is outweighed by the level of earnings and by fiscal policy.

Secondly, with present high taxation levels, business people are less sensitive to an increase in the cost of bank borrowing. International capital movements are less free than before the war and also less sensitive, though by no means wholly insensitive, to interest rate changes.

Thus, in its direct impact, monetary policy works on a smaller field than it used to. But it still exercises a gradual and pervasive influence over a much wider field. Bank Rate movements are an integral part of monetary policy and still have their psychological effect.

The experience of these years shows that it would be most unwise not to make full use of these instruments: it would be equally unwise to blunt them by loading them with more responsibilities than they can effectively discharge.

In the past year the continuing high level of expenditure and borrowing on Government and other public account has hampered the effective working of a tight credit policy. Both psychologically and in technical management, it has made the task of the monetary authorities more difficult. Our friends and critics therefore greatly welcomed the definite statement made by the Chancellor of the Exchequer about public expenditure in his speech at Stamboul, and will be further heartened by his remarks this evening. People at home and abroad are now waiting eagerly for action by H.M. Government.

My Lord Mayor, we have made enormous strides in standard of living and in production since the end of the war. We are active and prosperous but we are trying to do too many things at the same time. Demand for goods and for labour is at a dangerously high level. We must slow consumption down and we

*too much
too quickly*

must spread our investment plans, private and public, over a longer period.

We are not the only country faced with a situation of this sort. Nor need we be too gloomy about it, provided that we tackle it all along the line. Our monetary policy has got into its stride and we must hold to it firmly. If strong action is now taken by H.M. Government over the rest of the field and if we keep industrial costs steady, the task ahead of us should be well within our capacity.

My Lord Mayor, there is no fun for anybody in a prolonged period of severe credit restriction. It is distasteful to the monetary authorities, who have to impede activities and developments which are in themselves sound. It is very disagreeable to the banks, who naturally and properly want to lend money to their credit-worthy customers. It causes hardship and disappointment to individuals and businesses, who see their plans interfered with and their balance-sheets prejudiced.

Let us all be determined (and by all I mean capital, management and labour) to go quietly over the months ahead in our various demands on the country's resources. A good beginning has been made in the attack on inflation: let us work together and finish the job.

July 25, 1955

My dear Kim,

I have just received your cable reading as follows:

“Many thanks for your cable revised plans noted and accommodation Claridges extended to Wednesday morning Stamp will meet you London airport on Thursday when details for your visits to Bank and Knebworth can be fixed.”

I am very grateful for your help in fitting my plans into yours, and for the arrangements made.

Yours very sincerely

Ivar Rooth

C. F. Cobbold, Esq.
Governor
Bank of England
London, E. C. 2

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ZL BE LONDON VIA WUCABLES JUL 25 1230P

IVAR ROOTH INTERFUND

WASHDC

MANY THANKS FOR YOUR CABLE REVISED PLANS NOTED AND
ACCOMMODATION CLARIDGES EXTENDED TO WEDNESDAY MORNING
STAMP WILL MEET YOU LONDON AIRPORT ON THURSDAY WHEN
DETAILS FOR YOUR VISITS TO BANK AND KNEBWORTH CAN BE
FIXED

COBBOLD

804A JUL 25.



OFFICIAL**OUTGOING MESSAGE****OFFICIAL****FOR PREPARING OFFICER**

Night Letter
 Ordinary
 Code

SPECIAL INSTRUCTIONSINTERNATIONAL MONETARY FUND
WASHINGTON 25, D.C.To: GOVERNOR COBBOLDBANK OF ENGLAND LONDONG

CC LORD HARCOURT

Baumgartner asked me come to Paris in July as he away afterwards. He informed me that you can see me Tuesday, August second stop Heard from Harcourt that Treasury group then not in London. Have therefore made following arrangements. Arriving as previously stated in London BOAC on Thursday, July twentyeight 10:30. Flying from London same day at noon to Paris. Back from Paris 20:55. Will see Treasury Friday, July 29 from eleven. Leaving London Wednesday morning August third for Geneva. Will telephone your secretary Friday morning to find out when you want us to Knebworth. If you want I can see you or someone else from Bank Friday morning before Treasury meeting. Please arrange that we may stay Claridges until Wednesday morning.



ROOTH

Drafted By Mr. Rooth
Department Managing Director
Date July 22, 1955

AUTHORIZATION

IVAR ROOTH
Signature

Second Signature When Required

FOR CODE ROOM
Time Received 4:47 PM
Time Dispatched 137
Number of Words 18125
Log Commercial
Route MN
Operator _____

DO NOT TYPE BELOW THIS LINE

June 27, 1955

My dear Kim,

Many thanks for your letter of June 17. I shall be happy to lunch with you at the Bank on Thursday, July 28, and stay afterwards to talk to some of you. I understand from Bill Harcourt the Treasury wants to see me on Friday, July 29.

Ingrid and I thank you most heartily for inviting us "to spend at least a bit of the weekend at Knebworth." We shall be glad to fix the details when I see you in London.

In a letter to Crick, I asked him to arrange for a hotel room for us.

Looking forward to seeing you soon, and with kind regards from family to family, I remain

Yours ever

Ivar Rooth

C. F. Cobbold, Esq.,
Governor
Bank of England
London, E. C. 2.



THE INTERNATIONAL MONETARY FUND ARCHIVES

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Sous-Fonds:	Ivar Rooth Papers, 1951-1956.
Series:	OMD Correspondence, 1951-1956.
Box Number:	A2531-001
File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1951-07-24.

Type: Letter

To: Kim

From: Ivar Rooth.

Subject/Title: Personal & Confidential.

No. of Pages: 2

Authority: n/a

Language: English



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Series:	OMD Correspondence, 1951-1956.
Box Number:	A2531-001
File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1951-07-31.

Type: Letter

To: Ivar Rooth.

From: Kim.

Subject/Title: Personal & Confidential.

No. of Pages: 1

Authority: Bank of England.

Language: English



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Series:	OMD Correspondence, 1951-1956.
Box Number:	A2531-001
File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1952-02-14.

Type: Letter

To: Ivar Rooth

From: Kim.

Subject/Title: Personal & Confidential.

No. of Pages: 1

Authority: Bank of England.

Language: English



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Series:	OMD Correspondence, 1951-1956.
Box Number:	A2531-001
File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1952-02-20

Type: Letter

To: Ivar Rooth

From: Illegible.

Subject/Title: Personal.

No. of Pages: 1

Authority: n/a

Language: English



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Series:	OMD Correspondence, 1951-1956.
Box Number:	A2531-001
File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1952-02-29
Type: Letter
To: Kim
From: Ivar Rooth.
Subject/Title: Personal & Confidential.
No. of Pages: 3
Authority: n/a
Language: English



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Box Number:	A2531-001
File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1952-05-12.

Type: Letter

To: Ivar Rooth

From: Kim.

Subject/Title: Personal & Confidential.

No. of Pages: 1

Authority: Bank of England.

Language: English



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File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1952-07-08.
Type: Letter
To: Kim.
From: Ivar Rooth.
Subject/Title: Personal.
No. of Pages: 2
Authority: n/a
Language: English



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Series:	OMD Correspondence, 1951-1956.
Box Number:	A2531-001
File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1952-10-17.

Type: Letter

To: Kim.

From: Ivar Rooth.

Subject/Title: Private and Personal.

No. of Pages: 1

Authority: n/a

Language: English



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File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1952-12-15.

Type: Letter

To: Kim.

From: Ivar Rooth.

Subject/Title: Confidential.

No. of Pages: 2

Authority: n/a

Language: English



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File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1952-12-18.
Type: Letter
To: Ivar
From: Illegible.
Subject>Title: Personal
No. of Pages: 1
Authority: Bank of England.
Language: English



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DETAILS OF WITHDRAWN MATERIAL

Date: 1953-02-19.

Type: Letter

To: Kim

From: Ivar Rooth.

Subject/Title: Personal & Confidential.

No. of Pages: 1

Authority: n/a

Language: English



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Box Number:	A2531-001
File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1953-04-09.
Type: Letter
To: Kim
From: Ivar Rooth.
Subject>Title: Personal
No. of Pages: 1
Authority: n/a
Language: English



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DETAILS OF WITHDRAWN MATERIAL

Date: 1953-02-11
Type: Letter
To: Ivar Rooth.
From: Illegible.
Subject>Title: Personal.
No. of Pages: 1
Authority: Bank of England.
Language: English



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Series:	OMD Correspondence, 1951-1956.
Box Number:	A2531-001
File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1953-02-27.

Type: Letter

To: Ivar Rooth.

From: Illegible.

Subject/Title: Personal & Confidential.

No. of Pages: 1

Authority: Bank of England.

Language: English



THE INTERNATIONAL MONETARY FUND ARCHIVES

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Archival Ref No.:	6936
File Title & Dates:	Cobbold, Cameron F. 1951-1956.
Fonds:	Office of the Managing Director Records, 1946-2000.
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Series:	OMD Correspondence, 1951-1956.
Box Number:	A2531-001
File Number:	4
Date Reviewed:	2025-02-25.

DETAILS OF WITHDRAWN MATERIAL

Date: 1953-04-20
Type: Letter
To: Ivar Rooth.
From: Illegible.
Subject/Title: Personal.
No. of Pages: 1
Authority: Bank of England.
Language: English

Bank of England

17th June 1955.

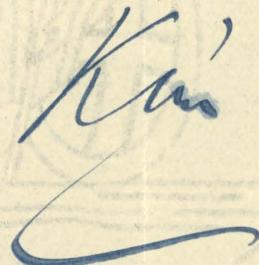
My dear Ivar,

Thank you for your letter of the 15th June.

I am delighted to hear that you are proposing to visit London next month, and that Ingrid will be coming too. Perhaps you would care to lunch at the Bank on Thursday, 28th July, and to stay on a bit afterwards to have some talk with one or two others here. I gather that this would not clash with any arrangements the Treasury are making.

Hermione and I hope it will also be possible for you both to spend at least a bit of the weekend at Knebworth.

Yours ever,



Mr. Ivar Rooth.

June 15, 1955

My dear Kim,

It is my intention to fly from here on Wednesday, July 27, to arrive in London the following day. Ingrid will accompany me. I shall be very happy then to come and see you and some of your colleagues on the Thursday or Friday. I have informed Harcourt of this and he has promised to let Leslie Rowan know that I am coming. We plan to leave for Paris on Monday, August 1.

Looking forward to seeing you, I am

Yours ever

Ivar Rooth

C. F. Cobbold Esq.,
Governor
Bank of England
London, E.C. 2.

OFFICIAL

OUTGOING MESSAGE

OFFICIAL

FOR PREPARING OFFICER

Night Letter
 Ordinary
 Code

SPECIAL INSTRUCTIONS

INTERNATIONAL MONETARY FUND
Washington 6, D. C.

To: COBBOLD
BANK OF ENGLAND LONDON

No. 68

LOOK FORWARD TO RECEIVING YOU IN DECEMBER.
ROOTH LEAVING FOR SWEDEN TOMORROW AND PROBABLY
NOT RETURNING BY TIME YOUR VISIT.

COCHRAN
IMF

Drafted By H. Merle Cochran

Dept

Date Oct. 21, 1954

AUTHORIZATION

/s/ H. Merle Cochran
Signature

Second Signature When Required

FOR CODE ROOM

Time Received 12:15 PM
Time Dispatched 1:15 PM
Number of Words 30
Log 16672
Route WESTERN UNION
Operator ABT



October 19, 1954

My dear Kim,

Many thanks for your cable about the gold problem. I do hope that we will have no difficulties when the matter is brought up again at the beginning of November. It depends, as you know, entirely upon what our Australian friends have to say.

We were very glad to have George with us for a while. I am sure we will have very good cooperation from Bill Harcourt.

I end by mentioning that Ingrid and I will fly to Stockholm on Friday, for my operation. As I promised George, Ingrid will inform you of the results as soon as it is over.

With kindest regards to all the Cobbolds from the three of us, I am

Yours ever

C. F. Cobbold, Esq.
Governor
Bank of England
London, E. C. 2

155
OCT 11 1954

Dear Mr. Governor:

I write with reference to the Fund's letter dated May 7, 1954 regarding the annual consultations of member countries with the Fund as to the further retention of any restrictions maintained under Article XIV, Section 2 of the Fund Agreement.

This letter is to confirm the understanding reached with you that these consultations may take place in London in November.

The Fund staff mission will be headed by Mr. Gabriel Ferras, Deputy Director of the Exchange Restrictions Department and will include Mr. Charles Merwin, Assistant Director of the European Department, Mr. Iain MacKinnon, economist, European Department, and Miss Eileen Slattery, Secretary. The Fund group expects to arrive in London in time to begin discussions with your representatives on November 8. We would appreciate it if you would inform the appropriate authorities of the Treasury.

Yours sincerely,



Ivar Rooth
Managing Director

Mr. Cameron F. Cobbold
Governor
Bank of England
London, E.C. 2,
England

CC: Mg. Dir.,
Dep. Mg. Dir.
Viscount Harcourt
Mr. Portsmore
ERD
Euro. Dept.
LEG
RES
UN Rep.
SEC

July 7, 1954

My dear Kim,

This year, as in 1952 and 1953, I am planning to have a private luncheon for our European colleagues, to be followed by a discussion of problems of mutual interest. I intend to have this luncheon on Sunday, September 26th, at one o'clock, probably in the Bank's diningroom and then have the meeting in our Board room.

George Bolton has been present at these meetings in 1952 and 1953. I do not know if it is your intention to come to the meeting this year or if you are sending George. In case you should come yourself, would you please reserve that luncheon and some hours afterward for this meeting? If you are not coming, will you then ask George to come to the luncheon and meeting? I am writing a letter at the same time to the Chancellor.

With kindest regards,

Yours ever

Ivar Rooth

Cameron F. Cobbold, Esq.,
Governor
Bank of England
London, E. C. 2.

WE ARE IN
SWITZERLAND

June 4, 1954

Dear Kim,

Thank you for your letter of May 14th, 1954 enclosing a confidential memorandum on the U.K. commodity markets. It is very gratifying to see that virtually all the important commodity markets are now functioning again. You may have noticed from my statement before the Randall Commission last November that we in the Fund regard the reopening of these markets as important practical steps towards convertibility. I am, therefore, most grateful for your note on the detailed operation and significance of the various commodity market schemes and, particularly, their relationship to the U.K. exchange control system.

Sincerely yours,

Ivar Rooth
Managing Director

Cameron F. Cobbold Esq.,
Governor
Bank of England
London, E.C. 2.

cc: Mg. Dir.
Dep. Mg. Dir.
Euro. Dept.
SEC

IM:dlr
June 4 1954

INFORMATION COPY

May 17, 1954

Dear Leslie,

I was happy to receive your letter of May 13 and to learn that you and the Governor will be at the airport when I arrive on the 26th.

Thank you for your invitation to dinner. I understand, however, that dinner will be served on the "Monarch", so rather than make you rush through dinner it will probably be better if I have mine on the 'plane. But I hope that you will be able to spare the time to stay with me until I leave.

Looking forward to seeing you, I am

Sincerely yours,

Ivar Rooth

Mr. L.F. Crick
Bank of England
London, E.C.
England.

Bank of England

13th May 1954.

Dear Ivar,

We are delighted to know from your letter of 5th May that we shall have an opportunity of seeing you soon. The Governor and I will see you at the Airport around 5 p.m. on the 26th May and though he has to return to town I shall stay on and see you off. I hope you will have dinner with me.

With kind regards,

Yours sincerely,

Risto Knack

Mr. Ivar Rooth.

May 16, 1954

My dear Kim,

I have to thank you for two letters and several greetings through Max Stamp and others.

As you know, we are working on those things that interest both of us. Owing to pressing work on Latin America and some other problems we have not yet produced as much as we had hoped. However, when I am back in Washington on May 27, some preparations will be made and I hope then to give H.P. something a few days later.

I heard from Portsmore that you had the intention of coming to the airport on Wednesday, May 26, at about five o'clock, when I ought to be there and have gone through the formalities. I am leaving on the BEA Flight No. 251 from Geneva, and I am continuing with the "Monarch" at eight o'clock for New York.

Ingrid and Ellen join me in kindest regards from family to family.

Yours ever

Ivar Rooth

C. F. Cobbeld Esq.,
Governor
Bank of England
London, E.C.

Reply 4/6

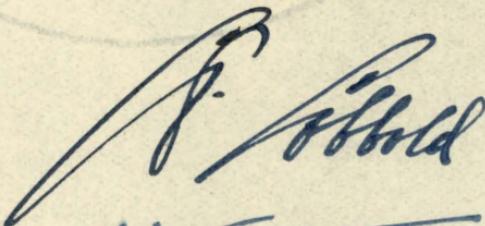
Bank of England

14th May 1954.

Dear Mr. Rooth,

We have recently completed a brief review of the progress made in re-establishing the Commodity Markets in this country which were closed down during the early days of the war, and as I think you may be interested I enclose a copy of a memorandum on the subject.

Yours sincerely,


P. Robbold

Mr. Ivar Rooth.

R
Bank of England

23rd April 1954.

Dear Mr. Rooth,

I write to acknowledge your letter of April 16th and to say that we shall welcome the visit of Mr. Merle Cochran from June 2nd to June 5th. I shall be writing direct to Mr. Cochran about arrangements for his stay in London.

Yours sincerely,

P. J. Gottschald

Mr. Ivar Rooth.

JAN 14 1953

My dear Governor:

I refer to my letter of January 13 concerning the participation of the United Kingdom in the forthcoming annual audit of the Fund.

I am happy to inform you that Sir Edmund Hall-Patch has advised me that the services of Mr. W.S.J. Thorneycroft, Deputy Director of Audit in the Comptroller and Auditor General's Office, will be made available for this work.

On administrative and other arrangements in connection with this assignment it is my intention to deal directly through Sir Edmund. Many thanks for your cooperation.

Yours sincerely,

/S/

Ivar Rooth
Chairman of the Executive Board
and Managing Director

Mr. Cameron F. Cobbold
Governor
Bank of England
London, E.C.2
England.

CC: Ex. Dir.
Trea
Internal Auditor
Sec.
Central Files

GPA/RLH/bml/14/53

INFORMATION COPY

JAN 13 1953

Dear Mr. Cobbold:

Many thanks for your letter of January 6th advising me that Mr. Basil Sanderson will be visiting this country towards the end of February. I am glad you suggested to Mr. Sanderson that he look me up while he is over here. Needless to say I shall be delighted to meet him.

Yours sincerely,

131
Ivar Rooth

Mr. Cameron F. Cobbold
Governor
Bank of England
London, E.C. 2, England

INFORMATION COPY
ACFrost:tas
1/13/53

Dec. 11, 1952

My dear Kim,

Today I formally advised the Executive Board of my intention to appoint Max Stamp as Director of the European and North American Department. Most of the Directors have already been talked to informally, but the formal proposal is necessary according to our Rules and Regulations.

I am proposing that Stamp have a salary of \$15,000. This salary is net of income tax. You will remember that we talked about a salary of \$15,000 but with the idea that I would think over the possibility of \$16,000. I have thought the matter over and I am sorry to say that it will have to be \$15,000. Paying more than this would raise a number of questions about the salaries of other top officers of the Fund - department directors and advisors - and might very well lead to discussion in the Executive Board of the salaries of top staff. From the point of view of the Executive Board this is not a good time to have such a discussion; and since I am so busy it is not a good time for me either.

I am looking forward very much to having Stamp on the staff. I know that he will be of great service. Thank you again for making it possible for us to have him.

With best regards,

Sincerely yours,



C.F. Cobbold, Esq.,
Governor,
Bank of England,
LONDON, England.

Ivar Rooth
Managing Director

INFORMATION COPY

SECRET

INCOMING MESSAGE

SECRET

INTERNATIONAL MONETARY FUND
WASHINGTON, 25, D.C.

TO: ROOTH INTERFUND

014486

FROM: COBBOLD LONDON

FILING TIME: 2:30 PM October 24, 1952

VIA: Commercial

Number: 52

PRIVATE

I AM TRYING TO FIT IN MY USUAL ANNUAL VISIT TO CANADA AND UNITED
STATES IN THE SECOND HALF OF NOVEMBER. SHOULD I BE ABLE TO SEE
YOU IN WASHINGTON 20TH NOVEMBER AND 21ST NOVEMBER

595

COBBOLD

RE 12.
420 121

Test number checks

Approved: HEB

Received in Code Room: 9:45 AM October 24, 1952

DECLASSIFIED

True copy.

July 22, 1952

Secret

My dear Kim,

You told me it goes without saying that a return to a limited convertibility must not be a renewal of the experiment of 1947 but that - given peace - convertibility will be introduced as a definite measure. To be on the safe side, you will when taking such a step discuss the problem of additional reserves with friends in the U.S. and in Canada. Those of us who might be approached will have to be convinced that the steps already taken or contemplated will be effective. Not knowing enough of your situation to express a definite opinion we will mainly have to rely upon your appraisal of the situation. But you will understand that we will ask questions and that you will have to convince us that there are good chances for avoiding an experiment à la 1947.

I guess that after the introduction of convertibility, your problems will come:

- a) from the U.K. economy
- b) from the economy of the sterling area
- c) from the attitude of other countries having or obtaining £ that may be converted.

Ad a) I have a feeling that even with the present restrictions on imports, from both dollar and other countries, the demand for hard currencies is almost too big. But that may be a temporary phenomenon. For an outsider it is of course impossible to know if the present restrictions will close the dollar gap after a while. But can you avoid liberalizing your imports somewhat say next year? And what will the effects be of such a liberalization? Both the U.S. and Canada will probably in the Fund (and the U.S. also in the N.A.C.) not insist but urge some liberalization also of dollar imports.

Ad b) I guess that for political reasons you will have to permit the sterling area countries or many of them to use part of their present holdings not only for sterling payments but also for buying hard currencies. I take it for granted that this permission will only be given to the central banks and corresponding authorities of these countries. But nevertheless, I wonder if there is not a risk of part of them being used for a flight from sterling.

Ad c) If you take on a substantial obligation on convertibility, much of the sterling held in accounts will, I presume, be either converted into

dollars as a precautionary move or offset by forward sales.

Apart from the American holdings of sterling, unusual demands for conversion may come from two other groups of countries. First, there are countries that need to convert a substantial part of their sterling into dollars to meet their dollar payments. Such countries include all the Scandinavian countries and Holland. Probably other countries with a sterling surplus will also convert most of their surplus sterling receipts into dollars to avoid risk. The quasi-speculative demand for dollars may therefore be great.

I feel that the demand will be substantially greater if each individual holder of sterling may convert into dollars than if only the central bank in the country should have this right either in the London or other markets. But it may be that there is a risk of broken cross-rates if any non-U.K. (and non-sterling area) holder of sterling should be prevented from turning them into dollars. There is of course already pressure on sterling through cheap sterling transactions and to this extent there will be no new demand for dollars. Indeed, it is possible that private cheap sterling transactions will fall off if central bank holdings of sterling are made convertible.

As I mentioned, my feeling is that the steps already taken to tighten the money market might be enough. But is not the strain on your real resources still too great? Is this not a reason for cutting down government and municipal investment? And considering the delay before new measures become effective, should that not be done in good time before introducing convertibility? I wonder, too, whether other expenditures of the Government will not have to be reduced very soon because the results of the last budget have been somewhat disappointing. And should not such measures be taken soon, for even here the time lag is probably not inconsiderable. You mentioned the necessity of cutting down or prolonging the defense program. Of course, I cannot have any idea of what can be done along those lines.

Appropriate measures on credit, investment and budget policy are even more urgent in most of the rest of the sterling area than in the United Kingdom. The difficulty of getting them to take such measures ~~is~~ even greater than it is for you. And yet the future of sterling may depend on what the rest of the sterling area is prepared to do to live within its means. *might be*

* * *

Another side is a) the necessity for increased production and productivity combined with reduced costs, and increased exports in certain industries; and b) reduced time for deliveries in many export industries. It goes without saying that coal and heavy electrical machinery belong to this group.

One condition for increased production in all sterling area countries is, of course, the avoidance of strikes and lockouts. And this brings in the wage problem and the effect of possible increases in the cost of living on wages and the cost structure. As one example, the reluctance to increase railway fares is understandable. But can it be avoided?

Is there not a great need for educating the man in the street on the U.K.'s problems? Should it not be made quite clear in very simple words that the present unemployment in textiles is due to increased foreign competition and not to the new monetary measures; and that increased wages will increase the difficulty of selling textiles and other products, too.

I have just seen that the Prime Minister is going to discuss in Parliament the steps that have to be taken. If it were possible to secure the support, or at least the passive acquiescence of Attlee and those who follow him, it would probably be easier to get a more substantial help from this side.

If you contemplate some sort of convertibility, you will need to husband your resources and one way will be to invoke the waiver clause in your U.S. and Canadian loans. Our staff believes that *prima facie*, the 1951 payments justify a waiver. In any case, they are prepared to tell you what they find after a preliminary study and before any formal action is taken. To do this, our statistical work ought to start at the end of September to enable you to know how we feel before your decision has to be taken.

Yours very sincerely

Ivar Rooth

C. F. Cobbold, Esq.,
Governor of the Bank of England
London

July 18, 1952.

My dear Kim,

On my arrival yesterday from a week's vacation in Maine where we had a good time, I received your letter of July 14. I am glad to hear that the Wallenberg's island is at your disposal. I have informed my brother accordingly. You will hear from Ingrid or me about Mrs. Wijkander, as soon as Ingrid has got a reply. I shall send this letter to you c/o the Bank of Sweden so you will get it when you are back in Stockholm from Finland. I understand you are leaving London on the 28th.

When leaving the Wallenbergs, you can go either north or south of Lake Mälaren. I suggest that you drive on the south side. After having driven some 20 English miles, on the other side of Södertälje you will approach a little town called Mariefred. It is not a mile off your main route. Just before entering Mariefred, there is on your right, an old Swedish palace from the XVIth century called "Gripsholm" which is worth your having a glance at. It is not necessary for you to go through the palace if you have no time but you ought to take the short time it will take to see the exterior. The palace is open to the public. The lady in charge called "Oldfru" is Mrs. Söderberg, whom I know well. She does not show the palace but in case you need some help, you can apply to her. She is a close friend of my first wife.

Passing through Örebro, you might stop a second and have a look at the outside of the palace of Örebro which is something of the same type as the Gripsholm but the Gripsholm is a museum while Örebro is used by the Governor of the province and the province's government. Details about Bofors will follow.

When over on the Norwegian side, the road follows the river from Kongsvinger almost straight west. After about an hour, you reach a big river going south. There are two roads to Oslo, one following the river closely, the other going more west of the river. The latter is newer and more interesting.

Another suggestion for Norway is that in case you intend to go to the mountains north of Lillehammer, it might be a good idea to drive north from Kongsvinger and see the Bank of Norway people only a couple of days before the boat leaves. But as I said, such a change depends entirely upon what you intend to see in Norway.

But take my suggestions about your Norwegian trip only if you have not a better proposal from John.

I was quite astonished to find on my desk the enclosed cutting from Business Week of July 12 which you might have seen. It goes without saying that there is no link whatsoever between me and Business Week.

Ingrid joins me in hoping you have a wonderful trip in our part of the world.

Yours very sincerely

Ivar Rooth

C. F. Cobbold, Esq.,
Governor of the Bank of England
London

MÄLAREN
PERSONAL

OLDFRU
Mrs Söderberg

✓ Söderfjärde
- MARIEFRED
- GRIPSHOLM
- ÖREBRO
KONGSVINGER
LILLEHAMMER

Bank of England,
London, E.C.2.

14th July 1952.

My dear Ivar,

Many thanks for your letter of July 8th. I am so glad you were able to come over. It was very nice to see you both on personal and official grounds.

I have just heard from the Wallenbergs who say that their island is free when I shall be there and we have fixed up in principle to go out there. I will in any case give your brother a ring and hope to meet him.

It is kind of you to have got into touch with your sister-in-law. I am sorry that we shall miss Mrs. Wijkander but I will, as you suggest, get into touch with them and see whether some of the family would help us find a place to stay for the night.

It is very good of you to have taken so much trouble. I know we shall enjoy ourselves in Scandinavia and only hope that nothing happens to interrupt our trip.

Yours sincerely,

Kin

Mr. Ivar Rooth.

OFFICIAL

OUTGOING MESSAGE

OFFICIAL

OR PREPARING OFFICER

Night Letter
 Ordinary
 Code

SPECIAL INSTRUCTIONS

INTERNATIONAL MONETARY FUND
Washington 6, D. C.

To: Governor Cobbold
Bank of England

REFERRING MY LETTER HEAR TODAY THAT UN MEETING
WILL BE HELD GENEVA MONDAY MAY TWENTY-FIVE
THEREFORE I CANNOT BE IN LONDON BEFORE TUESDAY
TWENTY ^{SIX}~~SEVEN~~ AFTERNOON. MUST BE IN BASLE
SUNDAY JUNE SEVEN. WILL HAVE DIFFICULTY IN COMING LON-
DON AFTER BASLE MEETING

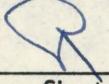
ROOTH

Drafted By Mr. Rooth

sent Managing Director

Date April 14, 1953

AUTHORIZATION


Signature

Ivar Rooth

Second Signature When Required

FOR CODE ROOM

Time Received 5:50 PM

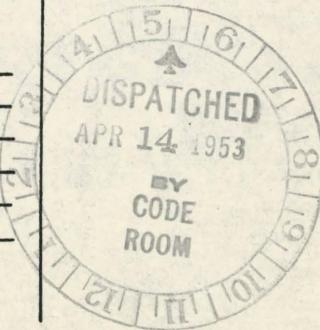
Time Dispatched 5:52 PM

No. of Words 49

13254

Route Commercial

Operator GB



~~Handwritten Signature~~

Speech by

C.F. COBBOLD, ESQ.,

v



GOVERNOR OF THE BANK OF ENGLAND,

at a Dinner given by the Lord Mayor to the Bankers and Merchants
of the City of London on the 7th October 1952

Speaking on this occasion a year ago I expressed the view that the economic barometer was veering towards stormy and that the stability of the currency should be given first priority. It would be idle to suggest that the barometer is now set fair, but the figures which the Chancellor has given show that the storm into which we were running last winter has considerably abated. We are now holding our own, if somewhat precariously, on overseas account.

I should like to dwell for a minute on the internal value of the currency. This is the key to the problem. For some years past, largely because of our vast war expenditure and its aftermath, people have been inclined to feel that money seems to get worth less all the time and is likely to buy less in one, five or ten years' time than now. Has that attitude begun to change? Are people beginning to say "Well it looks as if prices may come down a bit - our pound may be worth more in a year or two - we will save it instead of spending it now"? If we can reach and hold that point, then we shall have inflicted a defeat on inflation and won a victory for the currency.

I believe that material progress towards that point has been achieved. In the process several theories have been put to the test of experience. Nearly a year has passed since new monetary measures were introduced, and some conclusions can now be drawn. In the first place it has been demonstrated that, in very different conditions from those ruling before 1939, movements in Bank Rate and monetary policy generally can still have a very potent effect. Secondly some ghosts have been laid; it has been proved that, when conditions require it, a sharp rise in the Bank Rate is not inevitably followed by widespread unemployment or by a lack of money for essential purposes. Thirdly it has been proved that Bank Rate and monetary policy alone cannot work miracles but must be supported by Government fiscal and expenditure policy.

The comparative effect on the national economy of private borrowing and spending on the one hand and of public borrowing and spending on the other has completely changed since Bank Rate policy was used in earlier days. It follows that action through the credit system on the borrowing and spending of individuals, firms and companies can now be much more easily outweighed than formerly by the action of Government, local authorities and the nationalised industries.

In the domain of private borrowing and expenditure there has been a strong and healthy reaction to the measures taken; but much remains to be done in other directions. Recent statistics and banking figures show very clearly that results in the private sphere are in danger of being neutralised by heavy expenditure on official account and by the resultant necessity of heavy borrowings for Governmental needs.

It is generally held in the City that this is the most important question of the day for our further progress in strengthening the currency. I am sure that the Chancellor of the Exchequer has it in the forefront of his mind. The City will follow with eagerness and sympathy his progress, when framing his estimates and Budget proposals, in bringing public demands on the country's resources of labour, materials and money within the bounds of what we can afford.

There

There has been much discussion in recent months, in the City and elsewhere, about our future foreign exchange arrangements. I do not propose to go into the complicated technical arguments for and against different types of exchange system. I would just say this. The Bankers and Merchants for whom I am responding to-night firmly believe that a freer system of international payments, with currencies more freely exchangeable through the world, offers the best prospect for our trading and industrial future.

But, My Lord Mayor, Bankers and Merchants are realistic people. They appreciate that these exchange problems need to be carefully weighed and cannot be dealt with in isolation. Above all they appreciate that, whatever may be the pattern for the machinery of international payments, the fundamental problem remains the same. Under a full exchange control system or under a free exchange system, the value of the pound and with it our ability to buy our food and raw materials, must depend primarily on our internal policy and on our own efforts in the United Kingdom. Unless we can produce, and sell overseas on a competitive basis, enough goods and services to earn what we need from abroad, there is no exchange system nor any technical arrangement which will maintain our living standards.

The City was glad to learn of the arrangements for a Commonwealth Economic Conference. Here, where there are so many long-standing and day-to-day business links with every part of the Commonwealth, no emphasis is needed on the importance of joint study and co-operation with the other Commonwealth countries. To the other members of the sterling area in particular, the purchasing power of sterling is of vital interest and their policies in their turn have much influence on the strength of sterling. But let us remember that the first responsibility is ours in this country. Sterling is our currency. It is on our success in making ends meet and paying our way that the future of the pound will depend.

I referred earlier, My Lord Mayor, to the changes in monetary policy which have taken place in the past year. These changes, together with the restoration in December of a degree of freedom to the foreign exchange market and the reopening of some commodity markets, have called into use machinery that was a little rusty. They have given the City a chance of furbishing up the dealing techniques for which it has long been famed; they have helped to show that these techniques have not been forgotten, and that London has not lost its preeminence in financial skill and knowledge. Every day there is evidence of new ideas and enterprise, whether it is in forging new links for developing business with the Commonwealth, in tackling the complex problems of raising finance for industrial development, or in other fields at home and abroad. Difficulties are great and disappointments many, but much is being achieved and it is our hope that conditions will so develop as to give scope for ever greater achievement.

OFFICIAL

OUTGOING MESSAGE

OFFICIAL

FOR PREPARING OFFICER

Night Letter
 Ordinary
 Code

SPECIAL INSTRUCTIONS

INTERNATIONAL MONETARY FUND
Washington 6, D. C.

To: COBBOLD
:BANK OF ENGLAND LONDON

DELIGHTED TO SEE YOU NOVEMBER TWENTIETH AND
TWENTY-FIRST

ROOTH

Drafted By Mr. Rooth
D Sent Managing Director
Date Oct. 24, 1952

AUTHORIZATION


IVAR ROOTH

Second Signature When Required

FOR CODE ROOM
Time Received 1100 10/24/52
Time Dispatched 1130 10/24/52
Number of Words 10
Log 12429
Route WU
Operator MCM

