

note

May 31, 1956

To: Mr. Jorge Del Canto
From: The Managing Director
Subject: Argentina

To clear up my mind before we meet the Argentines,
I have been reading some papers and dictated the enclosed.
I do not suggest that you rewrite anything that you have
done but just keep a copy of this for our talks with them.
I enclose a copy for Del Solar and Costanzo.

May 31, 1956

ARGENTINA

1) Prebisch stressed the paramount importance of raising agrarian production.

Are the new prices for the various farm products well balanced and will the farmers be able to produce and export at these prices and at the present rates of exchange?

2) We understand that the oil and electricity industries and the transport system are perhaps the worse bottlenecks. Has Argentina been able a) to import enough spare parts to put the machinery in function and b) to buy electric wires needed for using the new power station? Has anything been done to improve the transport situation? Is the railway deficit eliminated?

How much money is needed for the urgent import of capital goods during say the first two years?

3) Is the agreement with the Standard Oil cancelled? If so, is anything and ~~ix~~ ~~xx~~ what being done to increase the oil production as soon as possible? Is it only a transport problem or not also a production problem? The figure for the needs for oil production is - according to Prebisch - \$200 m. for imported materials and Pesos 3 b. for local expenditures. Has Argentina tried to find out if there is any possibility for obtaining foreign capital for the building of pipe lines for oil and natural gas?

4) Prebisch speaks of the necessity of encouraging new export especially on manufactured goods. What goods does he have in mind?

5) Has the full rise of prices that was expected as a consequence of the changed rates already taken place?

Argentina.

to new cash expenditures for the government, or perhaps to some income?

7) Prebisch stressed the importance of creating favorable conditions for the influx of foreign capital. Is the decision to block the property of foreign firms and persons compatible with this intention?

8) Is there no longer any flight of capital?

Is there still an influx of Argentine money held abroad? Is any foreign money coming in?

9) Are transfers of current profits by foreigners or servicing investments by foreigners in shares, bonds, and loans possible without special permission. If so, is that one of the reasons for the depreciation of the rate? May previously blocked income for previous years now be transferred? If so, to what extent?

10) For the time being, has there been free import of raw materials, fuel and spare parts or have they, for lack of foreign exchange, also been scrutinized.

11) Are stocks of raw material, fuel, etc. too low? Are there unsold stocks of export products?

12) Has there been any sign of higher savings as yet?

13) Prebisch suggested a fund, the proceeds of which would be used to finance part of the economic program. Has anything been done, so far?

14) What is the attitude towards other bilateral agreements other than with the OEEC countries?

15) Prebisch gave the overseas commitments as of \$757 m. Do we have a breakdown of this figure? Are all arrears included in this figure?

16) Has Argentina succeeded in funding or obtained any prolongations of its arrears or its short-term indebtedness?

Has the present Argentine Government got any other new foreign credits than the Ex-Imbank loan and the \$30 m. Russian loan? What are the conditions of the Russian loan?

17) A policy of decontrol of prices was suggested by Prebisch. Have there not been new price controls lately?

18) Prebisch stressed the gravity of the housing shortage. Can the country afford to use substantial amounts for alleviating this shortage with so many other claims on the economic resources that have priority?

How much does the Pension Fund increase each year?

Will the Pension Fund not be forced to finance part of the government expenditures? Will it really be possible to use a substantial part of it for financing the housing projects?

Is there any likelihood that it will be possible to revive the cedulas or sell other bonds to the public before the economy is more balanced?

19) We have understood that low productivity, especially slow work by the labor force was a very disturbing factor a couple of years ago. Is there a marked improvement since then?

20) Present gold and foreign exchange reserves and foreign exchange budget for 1956.



Office Memorandum

19

TO : Mr. Rooth

DATE: October 10, 1955

FROM : F. C. Dirks *FD*

SUBJECT : Your Question Regarding October 7 Press Summary

We have traced the Department of Agriculture statement that "production and consumption of U.S. farm products is now nearly in balance" and find that no explanatory text or figures were provided. By telephone we have learned, however, that "consumption" was intended to cover all forms of disappearance — that is, gifts, commercial exports and rotting, as well as domestic sales.

The working down of new automobile inventories to less than one month's supply is illustrated on the attached table. This shows that inventories have fallen from a peak of 848,000 at the end of May to around 550,000 at the end of September and we gather from informal opinions that September sales were around 600,000.

U.S. Passenger Car Inventories and Sales

	<u>Auto Inventories</u>		Factory shipments (excl. exports)	Indicated retail sales <u>1/</u>	Passenger car registrations
	Level	Change			
	(1)	(2)	(3)	(4)	(5)
<u>1955</u>					
January	463	101	615	514	440
February	563	100	655	555	477
March	643	80	767	687	637
April	763	120	731	611	652
May	848	85	702	617	661
June	814	-34	631	665	681
July	807	-7	644	651	647
August	689	-118	599	717	680
September ^{2/}	550	-140	450	590	n.a.

1/ Column 3 minus column 2. Differs from passenger car registrations because of a time lag in registering new cars and also incorrect designation of some new cars as used.

2/ Rough estimates.

MORNING PRESS

INTERNATIONAL MONETARY FUND

October 7, 1955

INFORMATION OFFICE

BRAZIL. UP wire service this morning reports that Mr. Kubitschek appears to have won the presidential election.

Yesterday, UP reported that the Brazilian Finance Minister sought to resign his post when President Cafe Filho indicated that he desired to put off the announcement of an exchange reform. Other Brazilian officials, including the President of the Bank of Brazil, and the Executive Director of the Superintendency of Money and Credit also threatened to resign over the issue. This morning, NYT story from Rio de Janeiro says that Mr. Whitaker has agreed to continue in office until Monday, pending further consideration of his proposals. The story also gives some details of the Finance Minister's foreign exchange plans.

BUTLER PRESSES CUTS IN UK SPENDING. NYT, p.2 reports the address made by the Chancellor of the Exchequer at the opening session of the Conservative Party's annual conference. He forecast sharp reductions in government spending, ranging from the purchase of cattle food to the maintenance of battle ships. Mr. Butler made clear that although the strain caused by inflation had lessened recently, the Cabinet intended to take further steps to curb spending. The government action, he said, did not reflect a "crisis mentality." He had a new slogan: "Expand success and curb excess."

The Chancellor indicated that reductions would come in agricultural and housing subsidies, the construction of government buildings, highway construction and a readjustment of the defense program to meet "modern needs." But cabinet ministers conceded that there could be no sharp reduction of defense costs. The Chancellor said the private enterprise section of the nation's economy will have to exercise restraint on wages to protect the value of the pound. But Britain "will not return to physical controls of imports, allocation or rationing," he pledged. The conference approved the resolution pledging the party's support to strict governmental economies. They are expected to be outlined in detail by Mr. Butler soon after Parliament reconvenes October 25.

BURNS ON US ECONOMY. NY J of C, p.1 story reports an address by Arthur F. Burns, Chairman of the Council of Economic Advisers, delivered before the Chamber of Commerce of New York. He said government restraints to curb excesses of the current business boom have worked out quite satisfactorily. The economy now seems in balance. Elements of strength include an absence of speculative inventory accumulation, the working-down of new car inventories to less than a month's supply, and a still favorable housing picture. This report saw in his remarks an indication that for the time being there was no intention on the part of Federal authorities to take further steps to curb boom excesses.

FRENCH POLITICS. UP wire service this morning says the Socialist Party has indicated it will not support Premier Faure's Moroccan policies. This appeared to doom the Faure government when his policies come to a vote in the National Assembly, probably tomorrow.

ADD BRAZILIAN ELECTIONS. UP this morning reports that Joao Goulart, Mr. Kubitschek's running mate, also appeared a certain winner in his separate race for the Vice Presidency.

US FARM SURPLUS DWINDLING. Baltimore Sun, p.1 quotes the Department of Agriculture as saying US production and consumption of farm products is now "nearly in balance" and that the huge surplus of farm products will start dwindling in 1956. The Department also indicated the recent severe drop in farm income had leveled off.

AUSTRALIAN BONDS IN CANADA. A Canadian press report, NYT p.43 yesterday said the first direct introduction to the Canadian bond market of foreign government securities not payable in gold or US dollars was expected early next week. A \$15M issue of the Commonwealth of Australia, carrying a nominal rate of 4% and maturing November 1, 1970 is slated for public offering. The Australian issue will be used to obtain hard currency funds for development in Australia through the Commonwealth Government Loan Program.

VOLKSWAGEN MAY ENTER US MARKET FOR FINANCING, US production begins October 1956, NY of C, p.1.

February 7, 1955

To: Mr. John Stevens
Mr. Ernest Sturc

From: The Managing Director

I understand that a lot of German banks have been extending credits that are more or less frozen for a certain period. One bank in Hamburg was lately in difficulties and had to be rescued by its colleagues.

I suggest that when we are having our consultations with the Germans, you try to find out how they look upon this problem.

cc Mr. Cochran