

deavor accomplish following: (1) Impress BG with importance of immed consideration by Cabinet of fon currency budget; (2) enlist if possible his support for adoption of and adherence to realistic budget; (3) ensure that gravity present situation is appreciated at Cabinet level; (4) explain delay in Mikesell interim report which FonMin requested be expedited (see Embtel 102) ¹ has resulted because of difficulties encountered by IG in providing essential data complete fin picture.

Dept is assured that no info re content or recommendation interim report will be divulged to PriMin or anyone else prior arrival in Wash of Mikesell's interim report for official consideration there. Effort will be made to convince PriMin to support view that it is in Israel's best interests that solution to present difficulty shld be one that will avoid recurrence of periodic financial crises.

DAVIS

¹ Not printed.

No. 461

884A.00 TA/7-2552: Telegram

The Ambassador in Israel (Davis) to the Department of State

SECRET NIACT

TEL AVIV, July 25, 1952--7 p. m.

143. For Byroade. Fol agreed position result joint consultations among Amb, Fryer, Mikesell and McDaniel:

It is apparent from data thus far obtained Israel facing serious financial crisis which cld have most severe econ and polit repercussions. Present conditions are result complete disregard elemental financial principles and failure to establish system accounting controls.

We are convinced it wld be no kindness to Israel to accede to pressures to grant Israel request for emergency assistance. It is apparent from findings here that any assistance to Israel must be given only as part of coordinated program. Details of program to prevent recurring financial crises and further deterioration of financial position embodied in Mikesell interim report, including commitments in writing believed necessary from Israel Govt as condition for emergency financial assistance. Without such conditions financial assistance wld merely delay and increase severity inevitable insolvency, and wld defeat within Israel Govt and Amer Jewry working for financial reform. Owing to background of recurrent crises, we believe the financial burden of any solution in