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August 25, 1944
9:00 a.m.

REPARATIONS
GERMAN MARK RATE

Present: Mr. White
Mr. Glasser
Mr. Taylor
Mr. D.W. Bell
Mrs. Klotz

H.M.JR: I am due at the White House in twenty minutes. I don't want to do the German mark now. I want to do the reparations. (Dr. White hands the Secretary Exhibit A, attached)

Some of this stuff is unbelievable.

MR. WHITE: There is a good deal more of it, but we thought it might be shortened, so we selected these.

Now, the Treasury had seen part of the directive - the financial part only.

H.M.JR: That financial thing isn't so hot, either. Where is this from?

MR. WHITE: That is from the big document which we got in England.

H.M.JR: Is that the only one you have?

MR. TAYLOR: Yes, sir.

MR. WHITE: That is based on this document which was passed by the Combined Chiefs of Staff, copies of which we didn't see until yesterday afternoon, except the financial directive. (Refers to A Handbook of Military Government for Germany prepared in G-5)

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This is the directive passed by the Combined Chiefs of Staff. (Hands Directive to the Secretary)

That is out of the larger document, but we say the larger document is in harmony with the directive. They received this directive in London and worked out the details from that.

H.M.JR: Which one did they work out?

MR. WHITE: This big one.

MR. BELL: It is not very hard-boiled.

H.M.JR: Just the opposite.

MR. WHITE: To my knowledge he didn't have a copy until - I don't think it was completed until we received it.

MR. TAYLOR: That is right.

MR. WHITE: One of the characteristics which it displays is the extent of control which the military authorities envisage taking over. They are practically going to attempt to run the country. They might, but they would fail in doing it. Their objectives are clear from the excerpts.

When you take it over, here is another original.

H.M.JR: Well, I have ten minutes more. Where do you stand on the German mark business?

MR. WHITE: Well, I explained to you yesterday what we had in mind, and Glasser drew this up quickly in the event you wanted to present it to the President. (Hands the Secretary Exhibit B, ~~attached~~)

Now, it is surely going to be a fight.

- 3 -

H.M.JR: Let me read this.

The President does what?

MR. WHITE: I say it is surely going to open a fight. Now, at what point you want to bring the President in, I don't know. But the State Department is going to oppose it, don't you think, Dan? And the Army - I don't know. The British are - the British particularly are.

H.M.JR: Does McCloy know about this?

MR. WHITE: No.

H.M.JR: I will see if I can get him.

(The Secretary places a call to Mr. McCloy)

MR. WHITE: Now, if you want to use that to bargain with the British to end up with ten, that will be easy.

H.M.JR: I am not going to bargain with them. That is ridiculous.

MR. WHITE: Then it will unquestionably go to the President. Churchill will raise it with him.

MR. GLASSER: There is one word wrong there. I have a new one being typed now.

H.M.JR: Can you do this with bookkeeping?

MR. BELL: Five cents? Oh, yes. That gives you an accounting rate which the Army uses to charge the dollar amount to the appropriations. That is all they want. If it is fair to the soldiers to get marks at the rate of five cents, why I think that is about all we would be concerned with - fairness to the soldier and the accounting.

(The Secretary holds a telephone conversation with Mr. McCloy, as follows:)

August 25, 1944
9:12 a.m.

HMJr: Hello.

Operator: McCloy.

HMJr: Hello.

John
McCloy: Hello

HMJr: How are you?

M: Fine.

HMJr: Henry talking.

M: Yeah.

HMJr: Now, look, I just feel somebody's got to take
the lead about let's be tough to the Germans.
See?

M: Yes.

HMJr: And I'm going to propose that we have a military
rate for our soldiers of twenty German marks to
the dollar.

M: Yes. Yes.

HMJr: And then

M: Just for the soldiers. Yes.

HMJr: Just for the soldiers.

M:
The English take a -- the British take a
different view.

HMJr: They can do any damn thing that they want. Why
bother? Tell them that's what we're going to do.

M: Uh -- and the Russians have a different rate.

HMJr: They may have a different one. They will anyway.

M: Well, I think that -- the only thing that -- well,
I'm not so sure they will.

HMJr: I think that they'd go along on this.

M: Well, they might go along. I -- what I hesitate to do is -- principally at this early stage, to -- to take -- to fall apart.

HMJr: Well, we won't. Look!

M: Yeah.

HMJr: Jack, from the experience I've had the last month or two, if we tell them this is what we want, and we stick to it, they've got to go along. I'm perfectly willing to tell them this. I mean, if I know the Army is agreeable.

M: Uh

HMJr: They've got no choice in the matter.

M: Well, our views, you know, have been that -- that we ought to -- we ought to do better than twenty. We were down somewhere around fifteen. I thought your people were the same -- were the same way.

HMJr: Yeah, but since I've been to Europe and since I know what's going on, I've changed.

M: You have?

HMJr: Yep.

M: Uh huh.

HMJr: And this is a military rate. We can keep our books on that basis. We start out that way.

M: Uh huh.

HMJr: Then after we're there a month we reexamine it.

M: Yeah.

HMJr: And my -- the way I feel is this is what we tell the British we're going to do.

M: Well, I don't think that -- I think, as you know, our position has always been

HMJr: Yeah.

M: that that mark rate, within certain limitations, that's up to you to settle.

HMJr: Yeah.

M: We don't have

HMJr: Well, talk it -- think it over.

M: Let me talk it over with my financial people here.

HMJr: Will you?

M: And see what they say.

HMJr: Will you do that?

M: Yes, I'll do that. My first reaction -- my reaction against a separate thing is pretty strong. I don't want to start off with

HMJr: I don't either, but I'm perfectly willing to tell Bob Brand that this is what we want.

M: Well, let me talk it over with our fellows.

HMJr: Listen.

M: Yeah. That's just your military rate? That's just your soldier rate?

HMJr: Take it from me, I -- I -- my attitude towards the British is I'm going to move heaven and earth to help them reconstruct. See?

M: Yeah. Yeah.

HMJr: But on little unimportant things like this....

M: Yeah.

HMJr:which are straws in the wind as to how we're going to treat Germany....

M: Yes.

HMJr: I think we're in a position

M: Yes.

HMJr: to tell them we think this is fair.

M: Yes.

HMJr: I'd be perfectly courteous and polite.

M: Yeah. Right.

HMJr: But they're in no position to argue. Take it from me.

M: Uh huh.

HMJr: Once we decide it's fair.

M: Yeah.

HMJr: And then I wouldn't fix any other rates.

M: Well, that's the only rate which was -- that's the only rate you need to fix to go off.

HMJr: Yeah.

M: I suppose sooner or later, I mean probably sooner rather than later, you're going to find you're going to have to fix some sort of general rate.

HMJr: Yeah.

M: There will be -- there will be some necessity for it.

HMJr: Yes.

M: Well, let me talk it over with our financial people and I'll tell you what the Army's thought on it is.

HMJr: Will you?

M: Yeah.

HMJr: And then I'm -- I'm going to show the President a synopsis of this handbook on military government for Germany.

M: Which one -- oh, you mean the one that you got in England?

HMJr: Yep.

M: Well, and you're going to show him the directive.

HMJr: Well, I don't know as I've got

M: Yes, you've got that. You've got the directive.

HMJr: Have I?

M: Yeah.

HMJr: All right.

M: Your directive is -- uh -- there's one -- there's a pre-surrender and a post-surrender.

HMJr: Well, I'll ask White.

M: Those are the -- man, those are the documents that are important.

HMJr: I see.

M: They're the ones that -- none of the rest of them have been approved. These have been approved.

HMJr: I see.

M: That -- that's the guts of the thing.

HMJr: The handbook has not been approved?

M: No, the handbook has not been approved.

HMJr: I see.

M: The two things that have been approved....

HMJr: Yeah.

M: are the pre -- well, the pre-surrender and even the post-surrender hasn't yet been approved but it's in the process. Those are the only -- those are the things that will go into effect.

HMJr: Yes.

M: Short of our getting other instructions.

HMJr: Right.

M: And they have been set up in this form for about six months.

HMJr: Right.

M: With the idea that's all we can put down unless we've got other instructions.

HMJr: I see.

M: And we submit that -- we submit that to the European, and they have been submitted to the European Advisory Commission....

HMJr: Yeah.

M: with the thought that they will be able to modify it if they see fit.

HMJr: Yes.

M: But if tomorrow Germany should collapse, the directives which you've got copies of, pre-surrender and post-surrender will be the philosophy which will be adopted in the military government administration of Germany. And those are the important documents to look to.

HMJr: Okay.

M: Okay.

HMJr: Thank you.

M: All right.

HMJr: Hello.

M: Yes.

HMJr: I'll let you know what his reaction is.

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M: He's going -- the Secretary is seeing the President today for lunch.

HMJr: Oh.

M: And he's going into this thing at great length. He's got a lot of memoranda on it.

HMJr: Good.

M: And he's going to talk to him about it. He had a luncheon -- he had a conference yesterday with Harry.

HMJr: Yes.

M: Harry Hopkins.

HMJr: Yeah.

M: In which they went over this whole business.

HMJr: Yeah.

M: And they're apparently going to have a rather large luncheon affair on it today.

HMJr: They are?

M: Well, I think Harry and the President are going to lunch together.

HMJr: And Stimson?

M: Well, Harry Hopkins and Stimson

HMJr: Yes.

M: and the President.

HMJr: Oh.

M: I'm not so certain that Harry Hopkins is going to join them, but I think he may. At any rate, I know that -- I know this, the Secretary is having lunch with the President.

HMJr: Well, Stimson said he'd give you and me copies of his memorandum.

M: He -- yes, he worked over it last night. He took the first memorandum and didn't -- didn't like it very much and then revamped it last night and I haven't gotten a copy of it yet.

HMJr: Well, I may reconsider it. If Mr. Stimson is going to see him, I may not do this because it might only annoy Mr. Stimson unnecessarily.

M: Well, he's got -- he's taking up a lot of subjects with him on the occupation of Germany at -- at noon. That's all I know.

HMJr: Okay.

M: And I'll send you -- I'll tell you what his results of that are.

HMJr: Yeah.

M: As well as give you any memorandum he sends over there.

HMJr: Thank you.

M: Okay.

HMJr: Good bye.

M: Bye.

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H.M.JR: I know Stimson. If he is going to do that, and I give this to the President, it will just make Stimson furious. He is trying very hard, and I think it is a mistake to do it.

I thought this was approved. (Refers to Handbook)

MR. WHITE: That isn't approved. The directives are approved, but that is in harmony with the directive and unless they get other orders in London, that is what it will be.

In other words, unless they get another directive, that is what they will be.

MR. TAYLOR: Mr. Secretary, it isn't intended to have this approved. It is merely agreeable to all the people in charge.

MR. WHITE: Those are the details. This is what has to be approved. (Refers to Directive)

MR. BELL: I was going to say there are a couple of subjects left before you get away today.

H.M.JR: Oh, yes. And then I will see you people before I see Aldrich.

A

8/25/44

MEMORANDUM FOR THE PRESIDENT

The following are extracts from the "Handbook of Military Government for Germany", to be given for guidance to every U.S. and U.K. military government officer entering Germany. They tend to indicate the type of thinking and planning upon which the program of military government for Germany is being formulated. The "Handbook" is based on and is in harmony with the economic and political directives approved by the Combined Civil Affairs Committee under the authority of the Combined Chiefs of Staff.

"Your main and immediate task, to accomplish your mission, is to get things running, to pick up the pieces, to restore as quickly as possible the official functioning of the German civil government in the area for which you are responsible ... The first concern of military government will be to see that the machine works and works efficiently".

"The principles with which Officers in Military Government Staffs and Detachments will be concerned include: the reorganization of the German Police and the maintenance of Law and Order; the supervision of the German Judiciary and the establishment of Allied Military Courts; the control of the German Finances; the protection of property; the establishment and maintenance of an adequate standard of public health; the promotion of agriculture; the control, supply and distribution of food and essential supplies of every kind; the restoration and maintenance of public utilities; the provision for the gradual rehabilitation of peacetime industry and a regulated economy; the employment of Labour and the prevention of industrial unrest ..."

"Military Government Officers will, in conjunction with other interested and affected agencies and authorities, ensure that steps are taken to:

- (1) Import needed commodities and stores.
- (2) Convert industrial plants from war to consumer goods production.
- (3) Subsidize essential economic activities where necessary.
- (4) Reconstruct German foreign trade with priority for the needs of the United Nations.
- (5) Modify existing German regulations controlling industrial and raw material production".

"The highly centralized German administrative system is to be retained unless otherwise directed by higher authority".

"All existing German regulations and ordinances relating to ... production, supply or distribution will remain in force until specifically amended or abrogated. Except as otherwise indicated by circumstances or directed by higher authority, present German production and primary processing of fuels, ores and other raw materials will be maintained at present levels".

"The food supply will be administered so as to provide, if possible, a diet on the basis of an overall average of 2000 calories per day. Members of the German forces will be rated as normal consumers. The control of retail prices will be continued. The existing rationing system and classification of consumer groups will be maintained subject to modifications required by circumstances ... Should the indigenous products of Germany be insufficient to provide such a basic ration, the balance will be made up by imports".

"All possible steps will be taken to ensure the utilization of German economic, material and industrial facilities to an extent necessary to provide such raw materials, goods, supplies or services as are required for military and essential civilian needs, and to any additional extent - as approved by higher authority - necessary to provide surpluses for international transfer, supplies for reparational requisition, and legitimate industrial stock-piling".

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"The fishing industry has long been important in German economy, but owing to the requisitioning of trawlers for naval operations, the most important North Sea fish catch has been seriously curtailed. Before extensive commercial fishing can be resumed, a considerable amount of fishing gear will be required as well as stores and material for the repair and reconditioning of fishing vessels. There will possibly also be an immediate shortage of fuel and lubricants".

"The Agricultural economy will be freed of Nazi discrimination; it will not otherwise be changed except where direct advantages are to be gained. Agricultural production control, and grain and other agricultural products collection agencies existing prior to occupation will be maintained or re-established. Equitable prices co-ordinated at Reich level will be fixed for farm products. Violations of farm price control, wages or rationing regulations will be severely punished".

"The main objective of Allied Military Government in the financial field is to take such temporary measures as will attempt to minimize the potential financial disorder and chaos that is likely to occur and thus assist the military forces in their operations and ease the burdens that will face the more permanent Allied Control organization that will later deal with the problems of Germany".

"Wherever possible, removals and appointments (of civil servants) will be made by Military Government officers acting through German officials who are vested with this authority under German law; nothing will be done which would unnecessarily disturb the regular German civil service procedure or deprive the official or employee to be removed of any ultimate rights to which he may be justifiably entitled under German law, after cessation of military government".

"International boundaries will be deemed to be as they were on 31 December 1937".

B

August 25, 1946

MEMORANDUM FOR THE PRESIDENT

1. It is agreed by the British and all agencies of the U.S. Government that no general exchange rate will be established for Germany until some time after the Allied armies take over.

2. It is necessary to give our troops their pay and allowances in German marks and therefore we need a military rate of exchange.

It is my opinion that our first concern should be to give our soldiers ample purchasing power for their pay when they are in Germany and therefore I recommend that this military rate be 20 German marks to the dollar.

The British propose 5 marks to the dollar. The State Department proposes 8 marks to the dollar. The British and the State Department feel that a low rate of exchange for the German mark and high purchasing power for our soldiers' dollar will disrupt the price and wage structure in Germany, unbalance the German economy thus retarding its rapid rehabilitation and recovery.

August 25, 1944
10:30 a.m.

DUTCH LOAN

Present: Mr. White
Mr. D.W. Bell

H.M.JR: Now, what is this story?

MR. WHITE: There are two matters, only one of which I gather you want to raise with Mr. Aldrich, and that is that Holland wants to borrow a hundred million dollars and wants to leave gold as collateral. The gold they want to leave as collateral is the gold that is blocked here, and presumably we will release it for that purpose.

Dan says that Allan Sproul felt that that was a loan, because of its involving gold collateral and being from the Government, that the Central Bank ought to make. They could get it a little cheaper.

H.M.JR: As far as I am concerned, the only important thing is, are we willing to let them have the gold or not?

MR. WHITE: Yes, we are, and we feel that the loan should be floated in commercial channels, his bank and not the Central Bank.

MR. BELL: But we think that possibly that is a matter that should be fought out between Allan and the commercial banks. I don't see how Allan can get in the market and compete with his members.

MR. WHITE: We can't dictate; we can merely say we think--

H.M.JR: But how did you people cross the bridge that you are willing to let Holland put up the gold as collateral?

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MR. WHITE: The lawyers say they are ready, State Department is ready, and that would be one of the conditions of the loan. We don't have to tell them that now, because we have to get clearance from State.

H.M.JR: That is really what he came down for, isn't it?

MR. BELL: Well, that is one of the reasons. You remember, he called up in June and said that he was dicker-ing with them on this and wanted to know if there was any objection, from our standpoint, to going ahead. We told him no, that we would be glad for him to go ahead.

At that time the gold collateral wasn't in the picture because Holland said they didn't want the money until they got back in Holland. Now he says they want the credit immediately, and for that reason they don't know how they are going to be received back in Holland. So he says he thinks we ought to have gold collateral. We have no objection.

H.M.JR: We have no claim on that?

MR. BELL: I guess we have no claim against Holland.

MR. WHITE: No, the only question involved is the political question as to whether we want to strengthen to that slight extent the sovereignty of the Government of Holland. We feel that is a matter for the State Department, but I think you ought to leave yourself a little out in case the State Department changes its mind.

H.M.JR: I am not going to sign those things. The President won't let me down.

MR. WHITE: Do you want to raise with him the question as to whether they are likely to be interested in the three hundred million dollar loan?

MR. BELL: I think you ought to tell him - well, he knows it already.

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MR. WHITE: That is the separate question that Jesse Jones wants to lend them three hundred million in addition to this hundred million, using their securities as collateral.

MR. BELL: American-owned securities by Holland.

MR. WHITE: I wonder whether the Secretary oughtn't to sign that letter before he comes in?

MR. BELL: You remember, the President sent you a memorandum to go with Secretary Hull and asked you to prepare for him a letter in answer to Jesse Jones' letter of August 10. Now, this is the memorandum to the President for you and Mr. Hull, and a draft of a letter which the President would send to Secretary Jones in reply to his letter of August 10. And we are taking the position here that definitely, first they should try the commercial channels before they come to the Government, and then maybe you could work it out on both commercial and Government.

MR. WHITE: I think you might be in a little stronger position, possibly, in defense of this, if you were to mention it to Aldrich and Aldrich were to say, "Sure, we would be interested in it."

MR. BELL: Aldrich is also going to bring up the question of the Czechoslovakian loan. He said the Minister came to him and said he had talked to you in Bretton Woods. He talked to Harry, too. And you told him to go ahead and try the commercial channels.

H.M.JR: I have no recollection of it.

MR. BELL: He said the Minister talked to you and you said it was all right.

H.M.JR: I could have. I don't remember it. Was it Czechoslovakian or Teheran?

MR. BELL: Czechoslovakian, he said.

August 25, 1944
10:35 a.m.

DUTCH LOAN - CHASE NATIONAL BANK

Present: Mr. D.W. Bell
Mr. White
Mr. Aldrich

H.M.JR: Sorry I am late, but I couldn't help myself.

You want to talk about a loan to the Netherlands?

MR. ALDRICH: Yes. The terms of this loan have been discussed with Mr. Beyen, who is an adviser to the Dutch Treasury, and what he has discussed with us is that the Chase National Bank should form a group of banks, and we have discussed this particular loan on the basis of a fairly small group - a loan not exceeding a hundred million dollars, to be secured by gold here, and to be made available by opening commercial credits in this country.

The terms of the loan are a stand-by commission of a quarter of one percent per annum from the date of the making of the loan on the part that isn't used.

H.M.JR: That expression stand-by is a new one.

MR. ALDRICH: It is a charge for the money being made available.

MR. BELL: In other words, they give them a line of credit for a hundred million dollars and charge them one quarter percent for that line of credit whether they use it or not.

MR. ALDRICH: To the extent that they don't use it during the period, it is a commitment commission of a quarter of one percent.

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H.M.JR: It is a call on you?

MR. ALDRICH: Yes.

H.M.JR: I understand.

MR. ALDRICH: As to the advances actually made, the rate will be one and a half per annum, payable quarterly commencing from the date when the advance is made and running until the maturity of the loan, or the repayment out of the gold, or by selling the gold.

H.M.JR: What is that last thing you said?

MR. ALDRICH: To run until the maturity of the loan, or until the repayment of the loan.

Now, what they have in mind is this--

H.M.JR: A quarter of one percent for stand-by, and how much for the rest?

MR. ALDRICH: One and a half.

What they have in mind is this, that they wish to be able to pay off this loan without penalty at any time, and thirty days' prior notice. And the point of that is that as soon as they are re-established in Holland and recognize the de jure government in the country, they think their credit will be such that they can make an unsecured bank loan, and I think that is a fact. I think that is true. The credit of the Dutch Government, once they are re-established in Holland - and even before they are re-established in the Dutch East Indies - I think would be sufficient to justify this loan.

I suppose you are familiar with the history of the negotiations?

H.M.JR: Yes, I am entirely familiar, and I will make this thing easy for you. Both Mr. Bell and Mr. White have kept me posted.

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Now, the position that I take in the Government here is that a commercial channel should have the first opportunity, and I am not telling you any secrets. I think you know Mr. Jones has been wanting to make this loan, and I have felt that that was a mistake. He has been almost acting as though he were in business for himself.

MR. ALDRICH: Exactly.

H.M.JR: Now, the only question is, I have some doubts, and I have to talk this over here with my associates - the only question was on this gold. I raised that more recently. We are willing to go along with you on that, see? So I might say that as far as we are concerned we will be glad to see you make this loan.

MR. ALDRICH: That is fine.

H.M.JR: And we will make it as easy for both the Netherlands Government and your group, and your syndicate, as possible, because I have said so publicly, and this is the first chance I have had to prove it, that this is the way I think business should be done. Also, to be very frank, Allan Sproul thinks he should do this business, and I don't. I can't order him not to compete for this thing, but I certainly will not keep my feelings under a bushel. After all, you people are on the Board, there - I don't know whether you are, but enough of you are on his Board - I should think that you could throw your weight. But I don't see why a Central Bank of the Federal Reserve Bank of New York should compete with commercial banks.

MR. ALDRICH: That is what I told Mr. Sproul. I asked him.

MR. BELL: Allan talked to Mr. Aldrich about this.

MR. ALDRICH: He spoke to me about it. He took the position that in reality it would have been better if I had spoken to him before I came to Washington about this thing. And I told him that I hadn't done it because of the fact that I couldn't get anywhere until I knew what was going to happen here.

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H.M.JR: I think you did the right thing, because I don't think the Federal Reserve Bank of New York is in a position, any more - when Mr. Benjamin Strong was the head of it - the liaison between London, New York, and Washington--

MR. ALDRICH: I quite agree with you.

H.M.JR: Those days are past.

MR. ALDRICH: I think that is dead right.

H.M.JR: At least I hope they are.

MR. ALDRICH: I think they probably are.

H.M.JR: But, anyway, I am always frank. It is the way I feel. I think you people should make the loan. I don't think that Jones should make it, and I don't think Allan Sproul should make it, because I think your charges are reasonable. As long as they keep them reasonable, we will back you.

MR. ALDRICH: I tell you this, Mr. Morgenthau, I told Mr. Beyen, who is a representative for the Dutch--

H.M.JR: We know him. We met him at Bretton Woods.

MR. ALDRICH: A very fine fellow, I think, too. I told him he could write his own ticket on the interest rate in order to have what he thought was fair. He said he thought this was a very fair rate. He agreed to it just like that. So there wasn't any question about that at all.

What he is very anxious to do is to re-establish his private banking relationships. He has precisely the same point of view about this as you have. He wants to do this through the private banks, and he went so far as to say that he was willing to pay a slightly higher rate in order to do that.

H.M.JR: If and when this thing goes through and you want to let it be known the attitude of the Treasury here, versus some of the others, it would not be displeasing to me, because everybody thinks just the opposite.

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MR. ALDRICH: I would be very glad to take it up with Mr. Bell on the publicity.

H.M.JR: Yes, because if you said that Morgenthau is fighting for private enterprise, and the Federal Reserve Bank of New York and the Reconstruction are fighting against him, unless it came from your mouth nobody would believe it - they would think it was a joke.

MR. ALDRICH: I think that is true.

H.M.JR: But if you say so, they will believe it.

MR. ALDRICH: I will be very glad to say so.

H.M.JR: I think it would be nice.

MR. ALDRICH: I think this is going to be an extremely important thing, and I think the question of the announcement of it, and the manner of it, is one of the most important things that can happen. The impact of this on the liberated nations is going to be tremendous, in my opinion. And it is coming just at the right moment.

H.M.JR: Now, is there anything else on this?

MR. ALDRICH: No, except this, that I think this is going to have a tremendous effect all along the line, and there is just one feature of it that I would like to speak to you about, because of the fact that it may involve Government policy and I don't know just where it will, and that is the question of just what these fellows would use this credit for.

Now, that may involve the question of priorities that I think perhaps I had better keep in touch with the Treasury about.

H.M.JR: I wish you would.

MR. ALDRICH: Without in any way committing you, I would like to be able to feel that what we were permitting

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them to draw on this credit for - or arranging that they should draw - that it is in line with the general policy of the Government in connection with - I am not asking you to take the responsibility, you understand, but I think you ought to know what I am doing.

H.M.JR: Let's say they wanted to buy locomotives today.

MR. ALDRICH: They will.

H.M.JR: And let's say the Army needs all the locomotives for moving this stuff to the German border. Well, they had better wait.

MR. ALDRICH: Right.

MR. BELL: They have to go to the WPB, you know. They have a Section set up over there. Holland would have to go to the WPB.

MR. ALDRICH: Well, if you could let me know, if it is not too much trouble, where I should go to get this thing lined up along that line - that is all I have.

H.M.JR: I have a request to make of you, you see. You have been reported to be opposed to what we have been doing up at Bretton Woods, and I would like you to give our people sufficient time to sit down and have a very frank talk and give you a first-hand expose of what we have done up there.

MR. ALDRICH: I would be very glad to do that, and I would like to say this, apropos of that; I have felt, and I feel very strongly, that the approach at Bretton Woods is from the wrong angle. I would hope to be able to convince your people that there may be something in that view. I have no intention of attacking this in any manner which is going to be the kind of attack that Ben Anderson made yesterday. The most that I am planning to say about it is that I think that the method of stabilizing of currencies

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should be postponed until we know a little bit more clearly where we are going on some of these other matters.

H.M.JR: Well, now, look; the first thing you know, you and I will be into a discussion. What I would like you to do is this - say with White - make a little date with him to spend half a day.

MR. ALDRICH: I will be delighted to do that.

H.M.JR: And any time and place, mutually. But make a date with him now, sometime not too far off, to sit down with him for a half a day.

MR. ALDRICH: I will be delighted to, and I will do it, definitely.

H.M.JR: And if you could decide whether you wanted Ned Brown present or not--

MR. ALDRICH: I have already asked Ned Brown to sit down with me on this whole subject, and I understand that Ned has some very definite ideas about it. I told him that I didn't want to say anything publicly about it until I had had a chance to talk to him about it.

H.M.JR: No, I hope to get your support!

MR. ALDRICH: It doesn't look to me as though you can actually get my support, but I think this, that we might all come to a conclusion as to what is the proper approach to this thing. I have in my mind the idea that - I really believe that the idea that I have in mind may result in bringing everybody together on this subject, and that is this; that the nub of the problem here is the British position, and I, myself, would like to see if I can't sell to the opposition the idea of going to that nub of the problem and facing it squarely with the idea of doing the things that the British say are impossible to do.

MR. WHITE: You wouldn't have any trouble here, and the Secretary would be a hundred percent with you, but it is a separate problem.

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H.M.JR: Well, look, date yourself and White up for the not too distant future. It will most likely take you half a day.

MR. ALDRICH: All right. It might take more than that, but just while I have an opportunity of talking to you, let me say this, that I have had - and of course this is confidential - a long talk with Lord Halifax before he went back to England and I told him the idea that I have in the back of my mind, which is that I don't believe that the Republican Party is unalterably opposed to doing whatever is necessary to help the British in this situation. I honestly don't believe so.

Now, I don't think anybody in this country could bring about that result except myself, and that is what I am aiming at.

H.M.JR: You mean with the Republican Party?

MR. ALDRICH: Yes, because let me tell you why that is true. I believe that the British cannot ask the Americans to do the things that are necessary fundamentally to straighten out this situation; what they really should get is a grant in aid of about three billion dollars from this country to straighten out their exchange position. That is what is back of this whole thing. I am inclined to think that it would be possible to bring about that approach to it by the opposition.

H.M.JR: You mean by the opposition - the Republicans? You don't mean just Bretton Woods, but the over-all foreign policy?

MR. ALDRICH: Yes, I think on the basis of the over-all policy of this country being that we must strengthen Great Britain, we must leave Great Britain a strong entity.

H.M.JR: I am a hundred percent for that.

MR. ALDRICH: Of course, so am I. But I believe that it may be that I, as an individual, could bring about that

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result, and that is what I am aiming at. And of course I have got to do that from a purely intellectual approach, but I have talked to some of the Republican Senators about this situation, and I am not at all convinced that it isn't possible to bring about that result.

After all is said and done, we know perfectly well that we must have a strong Britain, and we also know perfectly well that at this moment Great Britain is bankrupt from an international point of view.

H.M. JR: They know it, too.

MR. ALDRICH: They know it; they say so perfectly frankly.

MR. WHITE: You won't have any difficulty on that score, as I say, in the Treasury. You may find there is a great deal more ground in common than you suspect.

MR. ALDRICH: And I would like to urge upon you with all the strength of conviction that I have got that there may be a great opportunity in this situation if you approach this whole problem from the point of view of fundamentals.

MR. WHITE: That is where we begin to part company; it is a separate problem, Mr. Aldrich. The British problem is a very important problem - extremely important - but it is quite a separate problem from the point of view of handling. I don't mean it isn't inter-related, but from the point of view of solving that particular problem, it has to be solved as a separate problem.

MR. BELL: What Mr. Aldrich is saying is not inconsistent with the Bank and Fund, and everything else.

MR. ALDRICH: These other problems then become much more simple. The truth of the matter is, Mr. White, that the only country that really needs dollars vitally is Great Britain.

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MR. WHITE: Well, that we need time to talk over.

H.M. JR: Well, I am very much interested and I am awfully glad I brought this up after we finished the other thing. I do hope that you and White can get together, and as to this thing of Great Britain, certainly when I was over there just now - I mean, this is one of the principal things I had conversations about. I agree this has to be approached from the standpoint that Great Britain made this fight for democracy. Now we have got to help her. She is a good credit risk, a good moral risk, and we have to put her back on her feet.

MR. ALDRICH: That is right. And what she really needs is something in the nature of a grant.

H.M. JR: As I told them over there, somebody smart enough has to think up a new name, other than Lend-Lease, because that will have been worn out. But we have got to do the thing to put her back.

MR. ALDRICH: That is what I think.

H.M. JR: Well, I do.

MR. ALDRICH: I want to advocate that as saying that is the fundamental problem we are faced with.

MR. WHITE: It is the fundamental problem England is faced with. It is not the fundamental problem the world is faced with.

MR. ALDRICH: We have to re-establish Great Britain for our own good.

H.M. JR: For a permanent world peace, and I look at this peace thing - a lasting peace, to me, is becoming a religion.

MR. ALDRICH: I quite agree with that. But I am perfectly convinced myself, and I say this with all deference to your point of view, and nothing would please me more

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than to talk about it at any length, but I am perfectly convinced, myself, at the moment, that this thing is being approached from the wrong end.

H.M.JR: Well, you get together.

You take that, and any time you want to come back, I am always available. (The Secretary hands Mr. Aldrich memorandum approving the Dutch loan)

MR. WHITE: Did you want to mention the three hundred million?

H.M.JR: I signed this thing: I just signed now a memorandum to the President - this thing that the RFC wants to loan three hundred million on top of the hundred, and I am simply saying--

MR. BELL: That is a long-term loan.

MR. ALDRICH: They don't need that.

MR. WHITE: Well, they want it for political reasons.

H.M.JR: I am simply taking the same position that we should exhaust the commercial channels first.

MR. ALDRICH: Well, I don't know whether I could arrange a three hundred million loan - that would be four hundred million in total?

H.M.JR: Yes.

MR. WHITE: But they wouldn't need gold as collateral.

MR. ALDRICH: They haven't that much gold.

MR. WHITE: They want securities as collateral and there is some question there.

MR. ALDRICH: I think the Dutch are making the greatest mistake in the world if they seize their own private property

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in this country. It is all right for them to expropriate the gold in the Central Bank, but not take every single cent that every Dutchman has in this country.

MR. WHITE: That is a separate question.

MR. ALDRICH: We can take it up when the time comes, but I don't honestly think they will want to do it if they get this.

H.M. JR: I just want to let you know where we stand.

MR. ALDRICH: I appreciate it very much.

Aug. 25, 1944

MEMORANDUM FOR THE PRESIDENT

1. This is in response to your memorandum of August 14, 1944, with reference to the letter of August 10, 1944 from the Secretary of Commerce in which he urged that the Reconstruction Finance Corporation be authorized to proceed with the extension of a secured credit up to \$300,000,000 to the Netherlands Government.

2. It is our opinion that the Netherlands Government should be asked to explore the possibility of obtaining a loan on reasonable terms through normal banking channels before the Reconstruction Finance Corporation considers the extension of its facilities to the Netherlands Government. If a satisfactory private offer on reasonable terms cannot be arranged we should then consider a joint proposal involving both private lenders and the Reconstruction Finance Corporation.

It would be unfortunate if the government were subjected to the criticism that it was competing with the private banks and taking away business from them for which they have adequate facilities.

3. You have previously approved a letter of May 26, 1944, of the Secretary of State regarding this proposed credit, which suggested the desirability of exploring the possibility of private participation in the credit.

4. There is attached a draft letter to the Secretary of Commerce setting forth the major principles which we suggest should govern the negotiations with the Netherlands Government.

Secretary of State

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

My dear Mr. Secretary:

I have consulted the Secretaries of State and the Treasury regarding your letter of August 10, 1944 concerning the request of the Netherlands Minister of Finance for a Reconstruction Finance Corporation secured credit of up to \$300,000,000 for post-war expenditures in this country.

It is their view, in which I concur, that international financing on reasonable terms through normal banking channels should be encouraged, and that governmental agencies participate only when broad policy considerations make desirable inter-governmental collaboration in cases in which commercial financing is not available on such terms, or when some governmental participation is necessary in order to assist private institutions in handling the transaction.

The Netherlands Government has a credit position which should be attractive to private lenders and the type of credit requested in this case is particularly suited to their facilities. I feel that every effort should be made to ascertain definitely the possibility of a private credit to the Netherlands Government before an agency of this Government undertakes to handle the loan. In this connection, I am informed that a consortium of private banks is now prepared to extend a short-term credit on reasonable terms to the Netherlands Government.

Irrespective of whether this loan should be made by private investors or the Reconstruction Finance Corporation, this Government will not take any action to make legally effective in this country the Netherlands royal decrees of May 24, 1940 and May 7, 1942, in so far as these decrees purport to vest in the Netherlands Government title to the dollar securities in this country privately owned by residents of the Netherlands.

I suggest that you consult with the State and Treasury Departments about the manner in which to proceed with the request of the Netherlands Government.

Sincerely yours,

The Honorable
The Secretary of Commerce
Washington, D. C.

DWB:NLE
August 24, 1944

Photostat to Mr. Bell -
8/16/44 - 34

THE WHITE HOUSE
WASHINGTON

August 14, 1944.

MEMORANDUM FOR

✓ THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY

FOR JOINT PREPARATION OF REPLY
FOR MY SIGNATURE.

F.D.R.

A similar memorandum, together with a letter from the Secretary of Commerce, dated 8/10/44, addressed to the President, and a draft of a letter which he had planned to send to Hon. J. Van den Broek, Netherlands Minister of Finance, in re application from the Netherlands Government for a loan up to \$200,000,000, and in connection with which the Secretary of Commerce feels that favorable consideration should be given, sent to the Secretary of State. Please get in touch with the Secretary of State.

August 25, 1944
11:00 a.m.

GERMAN MARK RATE
LOAN TO RUSSIA

Present: Mr. D. W. Bell
Mr. White
Mrs. Klotz

H.M.JR: The interesting thing is that he told Lord Halifax months ago that the Republican Party would treat them at least as well if they got in as Roosevelt did, and they were offering him three billion dollars if they got in. That is what it amounted to. (Refers to Mr. Aldrich.)

So he is saying to Lord Halifax, "You go back and tell Churchill you have nothing to worry about."

MR. BELL: When he says he is the only one who can sell the Republican Party--

H.M.JR: He has done other things with me, unbelievably stupid. After all, when you are John D. Rockefeller's brother-in-law, you can afford to be stupid.

MRS. KLOTZ: You can be anything.

H.M.JR: Now, come on boys! May I do my stuff first?

I gave the President the memorandum on twenty marks to the dollar, and he doesn't like it. I need a copy; I had none. He goes right back again and says, "I don't want any rate. I want to give the American soldiers dollars and let them make their own rate as they go along." He has said that twice, and you can't budge him on it.

MR. WHITE: Then what we might do if you have to give them dollars is, you might give them dollars with some kind of a distinguishing mark like a green seal or something so we can get most of them back.

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MR. BELL: Give them yellow seals.

MR. WHITE: Except you might like to treat Germany a little different from the others.

H.M.JR: Give them a yellow seal with the star of David on it!

MR. BELL: I don't know.

MR. WHITE: I got these for you. (Hands the Secretary two samples of paper currency.)

H.M.JR: This is pretty bad, about me and the Jews (refers to back side of bill).

MR. BELL: The President doesn't like it?

H.M.JR: The President doesn't like it. He will have no part of it. He says, "Give them dollars and let them make their own rate." He has this idea, and there is no use fighting.

MR. WHITE: It may cost as much as fifty million dollars a month unless we can get the money back.

H.M.JR: Now listen, you fellows made the same statement on France, and I figured from eighteen to twenty million dollars. You came back and told McCloy we would spend fifty million dollars. Remember?

MR. WHITE: They have been in the part of France where they can't spend anything, Mr. Secretary.

H.M.JR: What do you mean it costs us fifty million dollars?

MR. WHITE: I mean, the amount of money that the soldiers will spend will be approximately somewhere in that neighborhood, or more. And if they spend that there, the dollars will remain in Germany, either in the German banks or with German people. The other way, we get the marks for nothing. It will come back if you take it away from them or let them spend it there.

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H.M.JR: There are some other things pending with the President which are important, and he has certain ideas when he gets these things, and nobody is going to be hurt by them. I don't want to fight him on this, because I have bigger fish to fry with him.

MR. WHITE: Then this is a directive. It is up to us to figure some way to get it back. That simplifies the problem very greatly.

H.M.JR: Now, I showed the President this memorandum and this thing from England, do you see, that G-5 is doing? And I said, "I would rather not leave this with you, because I think it will only irritate Mr. Stimson, although I have told him I was going to show it to you."

The President said, "Oh, no, I want to study that." So he kept the book, and he kept the memorandum.

MR. WHITE: The big book?

H.M.JR: Yes. And I said to him, "Now, this big book thing has not been put into effect because they are waiting for a directive; but pending a directive, this is the way they would treat Germany, and if they don't get a directive this goes into effect." I protected myself on what McCloy says.

MR. WHITE: They have one directive which has been passed by the Combined Chiefs of Staff.

H.M.JR: But McCloy didn't tell me that over the phone. This protects me. You heard what McCloy said, Dan.

MR. BELL: He said the big one had not been approved. I think Glasser's point was that he didn't think it had to be approved. The first directive contained only general principles.

H.M.JR: It is better for me to say only what McCloy said to the President. I made the point that this is the sort of thing that the Army is doing. I also told him--I

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said, "Why does Mr. Stimson have to wait until I come back to prepare a memorandum?"

MR. WHITE: Then the thing to do is to prepare this, how we can get the dollars back, and, of course, the British are going to hit the roof, but he doesn't care because if we use dollars they have to use sterling.

H.M.JR: I am not going to fight on it.

MR. BELL: I don't think that is a good decision. I think you are giving Germany dollars just the same as you are--

H.M.JR: Dan, I have fish to fry which are more important than this. This is just going to raise hell with the German economy, and I said good; this is what the President wants.

MR. WHITE: It will raise hell with them. It is not bad; we can figure some way of getting most of it back by giving them the kind of dollars which we say are no good after a certain period. We don't have to tell them that now.

MR. BELL: You don't do that with U. S. currency.

MR. WHITE: Yes, you can.

H.M.JR: This is what the President wants. I say it will raise hell with Germany.

MR. WHITE: Oh, yes, it will increase depreciation tremendously because the premium on dollars will rise progressively.

MR. BELL: You are giving her gold.

MR. WHITE: With one important exception: Gold loses its identity. These dollars won't, and you can get most of them back. We can figure out something. We can try, anyhow.

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H.M.JR: What is the next thing?

MR. WHITE: Well briefly, the Russian thing is getting into a little greater difficulty, merely because the Russians want to buy things that lower the market prices if they do buy it, and they now have, I think, come practically to an agreement on the interest rate, and so forth. But the question is being suggested--we chatted a little about; Dan, Glasser, and I think that maybe the best thing to do is to treat this as Lend-Lease and not charge any interest, but move up the amortization payment. As it is now, ~~they~~ are not going to begin to pay anything on the principal before eight years, but they pay interest.

This way, if you charge them no interest, you don't treat it as a commercial transaction, but Lend-Lease. The difference between this Lend-Lease and other Lend-Lease is that they agree to pay this back in money, and they begin paying immediately within one year after cessation of war. The Russians will like that, and it takes it out of the field of commercial transactions, and, therefore, does not constitute a precedent.

H.M.JR: Is that all right with you?

MR. BELL: Well, I raise the question as to how difficult it is going to be for Dean Acheson to go back to them. You see, they have been carrying on these negotiations for weeks.

MR. WHITE: He will love it.

MR. BELL: I am not so sure, because the Russians have been trying, and I think getting concessions on the price of goods. You see, what this Lend Lease credit is, there is a provision in the Act that authorizes them to extend long-term credits for Lend-Lease material in the channel, in other words, in the mill, when the war ends.

H.M.JR: May I interrupt you, Danny? Look, all you have to do is say to me this very thing that White said; you brought this thing up the other day. As to principle, it is all right; let Dean Acheson worry about whether he goes back or doesn't. You have cleared it as a policy. You boys have to do my sweating on this.

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MR. BELL: Well, if he doesn't want to go back in view of all the water that has gone over the dam, we still go along with the two and three-eighths, I think.

H.M.JR: All right.

MR. WHITE: I think this raises the question which would have made it easier to revive, which is, if you treated this as Lend-Lease, what we really ought to plump for now is a commercial loan.

H.M.JR: Well, sufficient unto the day--

MR. BELL: You mean another loan?

MR. WHITE: Another regular credit, yes.

H.M.JR: I am not going to do that today.

MR. WHITE: I think it is particularly tied up now with the question of the Japanese war.

H.M.JR: Well, that will all fall into its proper place if the President decides to go ahead with Mr. Churchill on the over-all committee. I brought it up, and he is waiting to hear from Hull now.

Do you have anything else?

MR. WHITE: You asked me to see you about this British petroleum product. I don't know whether you want to mention it.

H.M.JR: Not today.

MR. WHITE: Here is something you asked Bernie for, the personnel and his comments.

H.M.JR: Oh, yes.

Are you all right now for a while?

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MR. WHITE: Yes.

H.M.JR: What happened after I left the big cigar?

MR. WHITE: We had two hours, and I think they will support us very enthusiastically.

H.M.JR: Two hours!

MR. WHITE: I think so. We came there at half past one, and I left at twenty minutes of four.

H.M.JR: Did that crowd stay there?

MR. WHITE: Not all of them. McCloy left about an hour after you did.

H.M.JR: I am glad I left, because it gave you a chance to do your stuff.

MR. WHITE: Yes, and he did his stuff. He went all through the war finance, but there is no doubt about their going to support this.

H.M.JR: This is Eugene Meyer.

MR. BELL: Oh, yes.

H.M.JR: O.K.

Treasury Department
Division of Monetary Research

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Date August 25 19 44

To: Secretary Morgenthau

These are the views of Colonel
Bernstein on these men in the Civil
Affairs Section that you asked for
when in England.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

SECRET

August 23, 1944

MEMORANDUM FOR THE FILES

Personnel with the Financial Section,
G-5, SHAEF

1. Lt. Col. Moseby Forest

Forest is a former partner of Field Glore. He is bitterly anti-Roosevelt and anti-New Deal. He has been active during the entire planning period for military government as head of the Economic Branch of the German Country Unit. His assistant is Lt. Col. Rundell, an engineer by profession, who is without knowledge of general economic trade or industrial problems. Forest may have to drop out of military government or may be relegated to another position because other people are being considered for his present position.

2. Colonel Edgar Lewis.

Lewis is head of the German Country Unit under whom both Forest and Rundell are working. Lewis is an attorney from California of very limited ability and a poor organizer.

3. Colonel Graeme Howard

Col. Graeme Howard is currently being considered by General McSherry for the post of head of the Economics Branch of the German Country Unit now held by Lt. Col. Moseby Forest. At the present time, Howard is working as Deputy Head of the Norwegian Country Unit. Howard is a former high officer of the General Motors Corporation. During his association with GMC, he was closely linked with GMC vice-president, James David Mooney, who was openly attacked in the United States a few years ago for his pro-Nazi sympathies. In August of 1938, Mooney was awarded by the German Government the Order of Merit of the German Eagle. Charges have been made that Howard was associated with the pro-Nazi work of Mooney, although the War Department after checking into Howard's background, stated that the charge was not well founded. It is not necessary to elaborate on GMC's interest in Germany.

4. Colonel David Sarnoff

Sarnoff at present is working on communication problems at SHAEF, but has stated his desire to get into Allied Military Government work and particularly to become associated with post hostilities planning for Germany. In a conversation with Brig. Gen. Bedell Smith, SHAEF of

the Financial Section of G-5, he emphasized as of value in German financial work his experience with the Young Plan negotiations in which he was charged with the task of handling some of the negotiations with the Germans. Sarnoff claims to have worked very closely with Haljmar Schacht for whom he has expressed the highest regard as a fine, able banker with whom we should work closely. Sarnoff has stated that Schacht should be given a key position when we go into Germany and that he, Sarnoff, would know just how to deal with Schacht. Sarnoff was borne in Minsk, Russia in 1891. In 1940 he was awarded by the Polish Government-in-Exile the official Order of Polonia Restituta.

5. Lt. Col. Charles Reid

Reid was former Democratic Committeeman from Georgia and Chief Justice of the Georgia Supreme Court. At present, he is acting as head of the Property Control Section of the German Country Unit under the Financial Section of G-5. Reid has stated that he has every expectation of continuing to hold that job in the Allied Military Government in Germany and in its probable successor, the Allied Control Commission for Germany. Reid is of mediocre ability and definitely lazy. He is somewhat non-cooperative in his attitudes. It is extremely important that for the Property Control job in Germany, there should be appointed an energetic, hard-working, right-thinking man, if we are effectively to deprive the Nazis of their loot.

6. Brig. General McSherry

General McSherry holds a key position in the whole Military Government Program for Germany. He is bitterly anti-New Deal in spirit and has an undue appreciation for "big names" in business and finance. Whenever people are being considered for a new post in military government, McSherry invariably brings forward the names of former business associates or acquaintances who have the same point of view that he possesses. General McSherry keeps talking about the need for an outstanding commercial banker to head up the financial work within Germany. General McSherry has apparently made recommendations of various names to General Hilldring for key posts in military government.

7. Lt. Colonel Haden Smith

Smith is a chief U.S. legal officer with G-5, SHAEF. Smith is a former partner of Col. Stimson. He is bitterly anti-New Deal on domestic issues, but internationalist on foreign policy matters and has done much useful work at SHAEF.

August 25, 1944
11:10 a.m.

CASHING OF SAVINGS BONDS BY COMMERCIAL BANKS

Present: Mr. D. W. Bell

MR. BELL: I have some letters to sign, or I mean circulars on recommendations of savings bonds in commercial banks. Here is the letter that goes to commercial banks carrying all the circulars.

(The Secretary signs letter.)

H.M.JR: I will take your word for it. You write very good letters, Mr. Bell. This is the circular.

(The Secretary signs circular No. 750 governing payments by incorporated banks and trust companies in connection with redemption of U. S. Savings Bonds, dated September 5.)

MR. BELL: This is the one that covers the losses. You see, we cover any losses under this procedure in the Government Losses of Shipment Act.

(The Secretary signs circular No. 751.)

H.M.JR: What am I doing here, anyway?

MR. BELL: This is the designation for commercial banks to cash savings bonds. What we hope to do is get it out tomorrow to the Federal Reserve Banks so they will have it in the hands of the banks the morning of the 5th, and we will release it to the press at that time.

(The Secretary signs circular No. 530, amendment)

MR. BELL: The ABA is sending out a letter at the same time.

H.M.JR: Yes, sir.

- 2 -

Don't have me come down and see the President of the United States and have him say to me, "And what are you doing here, Henry?"

MR. BELL: Gosh, you ought to be thankful we waited until right at the end of your vacation.

H.M.JR: No you didn't; it is right in the middle.

"And, for God's sake, what are you doing here?" having gotten up at four o'clock in the morning to get here.

47 ✓
August 25, 1944
12:42 p.m.

HMJr: Hello, Jack.

John
McCloy: What's this that White tells us? That -- he said that you'd seen the President and that there was to be no rate and we were going to introduce dollars there.

HMJr: He's absolutely adamant on it.

M: Well, gee, whiz! Where does that leave us? We've already communicated with the Russians and the British with all your people represented.

HMJr: Yeah.

M: We've got billions of marks already printed. The British won't permit it without a fight, nor will the Russians and all the work of six months....

HMJr: Yeah.

M: goes out the window if

HMJr: Well, this wasn't my idea, old man.

M: Yeah.

HMJr: You know he suggested it once before. I think you were there, weren't you?

M: Well, he said once -- he said at one time that his idea -- he raised the question once when I was there. He said, "How about having no rate at all?" Well, he didn't go any -- he didn't make any decision.

HMJr: Well, he's absolutely adamant on this. And I'm not going to fight him.

M: Well, he -- you mean, he's not going to have any rate at all?

HMJr: No, he wants to give the soldiers American dollars and let them go in and let each soldier make his own rate.

M: For God's sake. Well, how are you -- we've got to -- we've got to part company with the Russians.

- 2 -

HMJr: Oh, I think the Russians will love it.

M: I'm not so sure they will. They're -- they were talking about the -- the new marks.

HMJr: Yeah, I know.

M: And they want a slice of the new marks.

HMJr: Well, he just got some from Russia -- they sent me -- they came in this morning.

M: Yeah. And this all to date has all been cleared with the British and the Russians.

HMJr: Well

M: Uh -- uh

HMJr: Don't argue with me, but you'll have to argue with him.

M: Yeah.

HMJr: I'm not going to help you on this one.

M: Well, I know -- what's the attitude of the Treasury?

HMJr: Oh, what's the attitude of the Treasury?

M: Yes.

HMJr: Well, we've

M: Heretofore, the Treasury has gone -- in fact, urged this thing.

HMJr: I know, but the attitude of the Secretary of the Treasury is this: I think I've got bigger fish to fry with him on Germany. And I'm not going to fight him on this one. That's what I told our own boys.

M: Huh. Well, we've got to communicate this immediately to the British and the Russians.

HMJr: Yeah.

- 3 -

M: Uh

HMJr: He's seeing Stimson

M: The fat will be in the fire. What?

HMJr: Isn't he having Stimson for lunch? Isn't that what you told me?

M: Yes, he's having Stimson for lunch but they're not going to talk about rates.

HMJr: No.

M: The

HMJr: Well, look

M: The

HMJr: Well, I know -- look

M: Good God!

HMJr: I know when -- when he's -- he's got this in his mind and I'm -- I don't think it's worth trying to get it out.

M: Well, it may not be worth trying to get it out. I'm just trying to think what we have to do....

HMJr: Yeah.

M: to conform to it. You've got to -- you've got to cancel all the financial directives that have thus far gone out....

HMJr: Yeah.

M: from the Combined Chiefs of Staff to which the British and everybody have agreed and to which all this -- all the Governments have agreed.

HMJr: Yeah.

M: And start all over again.

HMJr: Well, as far as Mr. Roosevelt is, I'm afraid you're going to have to. And get me, this isn't my idea.

M: Yeah.

HMJr: So don't be suspicious of me now.

M: Yeah.

HMJr: I say, don't be suspicious.

M: Oh, well. You

HMJr: I play it straight across the table.

M: You advocated -- you do -- you advocated the twenty

HMJr: I advocated the twenty marks to the dollar.

M: Yeah.

HMJr: And I gave him a little memorandum on it.

M: Yeah.

HMJr: He read it and he brushed it back and he said, "I'll have absolutely nothing of it."

M: Yeah.

HMJr: "I won't touch it."

M: Yeah.

HMJr: That's what I went over for.

M: Yeah.

HMJr: One of the things.

M: Yeah.

HMJr: And he said, "I won't touch it." He said, "I want every soldier to have dollars." So my record's clean, even though you are a little suspicious.

M: Well, I just got it from Hilldring. I thought that -- well, well, this leaves me a little staggered. I've got to think what we've got to do to

HMJr: Well, go out and have a fruit salad.

- 5 -

M: Okay. (Laughs) All right.

HMJr: (Laughs).

M: Jesus!

HMJr: Well, make it

M: Well, suppose the British -- why do we want to put dollars -- let me ask you, what do we want to put dollars in there for? Doesn't that put them in a better position than

HMJr: Well

M: than the other countries? We've been doing our damndest to keep the dollars out.

HMJr: I know. The other money doesn't cost us anything and this does.

M: Yeah.

HMJr: So, it's not good, but frankly, you -- you said you were licked on the De Gaulle thing.

M: (Laughs)

HMJr: I'm licked on this.

M: Yeah.

HMJr: And I'm not going to fight on this.

M: Yeah.

HMJr: But that leaves you free.

M: Yeah. Okay. Well, we'll have to give it some thought. Thanks very much.

HMJr: Right.

August 25, 1944
12:49 p.m.

HMJr: Hello.

Ernest
Olrich: Hello. Good morning, Mr. Secretary.

HMJr: Yes.

O: I want to report that I had a meeting with
Mr. Brownley

HMJr: Yes.

O: at a quarter of eleven yesterday.

HMJr: Yeah.

O: It was a fairly satisfactory meeting.

HMJr: Yeah.

O: I showed him my figures.

HMJr: Yeah.

O: Went all over the matter with him.

HMJr: Yeah.

O: "Of course," he said, "I can't speak for the law,
but," he said, "if Jim Brownley was the judge
and the case was before me, you'd win your case."

HMJr: Yeah.

O: He said, "I can't speak for the O.P.A. and"

HMJr: Yeah.

O: He said, "Because I have to see the other side
of it."

HMJr: Yeah.

O: I left my office -- left his office and came back
and then I -- I offered to leave my papers with
him. He said, "No, I won't need them."

HMJr: Yeah.

O: Evidently he had called his attorneys in because he said that I hadn't answered their letter.

HMJr: Yeah.

O: I told him, "No." The reason I hadn't answered they'd compelled me to go to Minneapolis and file my answer in court and I could see no reason giving their attorneys any letter that they compelled me to file in court.

HMJr: Yes.

O: He then asked if I would let him have the papers that I had submitted to him. He said, "Yes" -- I told him, "Yes". He said, "The attorneys haven't seen that." And I could have told him that I had those papers at the attorneys' office but they had made their mind up so they didn't look at them.

HMJr: Yeah.

O: I sent them over. I've just got the papers back from him.

HMJr: Yeah.

O: There has been nothing further developed on it. But it's the first time that anybody has sat down and let me explain it as a business proposition.

HMJr: Well, Clayton is speaking to me at one o'clock today.

O: Yes, sir.

HMJr: And I sent you a message please to stand by until I hear from him.

O: Yes, sir, I will be there, but I thought you would like my side of the meeting with Brownley.

HMJr: Now, when -- what's the next move -- what's going to happen next?

- 3 -

O: I have to hear from Brownley then, or Brownley has to tell Clayton.

HMJr: When?

O: He said he would 'tend to it immediately.

HMJr: Now, I'm going to go away tonight for a week, but please let Mrs. Klotz know so she could let me know.

O: Yes, sir, I will let you know immediately, sir.

HMJr: So because -- I mean, I want to follow this thing through to a successful conclusion.

O: Yes, sir. All right, sir.

HMJr: Thank you.

O: Thank you.

HMJr: Now, you stand by. When Clayton's through talking, I'll call you back.

O: Yes, sir.

HMJr: Thank you.

O: Thank you. Good bye.

August 25, 1944
12:53 p.m.

55

Will
Clayton: Henry.

HMJr: Yes, Will.

C: How are you?

HMJr: I'm fine.

C: Good.

HMJr: How are you?

C: Pretty good. Just came off the stand at the
Truman Committee.

HMJr: Yeah. Well

C: Still able to navigate.

HMJr: Good for you.

C: (Laughs)

HMJr: Now, have you heard anything from Olrich or
Brownley?

C: All I've heard is what Olrich told me. He
said he saw Brownley on yesterday and he had
what he thought was a very satisfactory talk
with him.

HMJr: Yeah.

C: And that Brownley took his papers and is going
into the matter now.

HMJr: Well, here's the thing, I'm leaving this
afternoon after Cabinet to be gone for a week
and I've got to get this thing settled. You
couldn't put a little heat on Brownley, could
you?

C: Yes, I'll -- I'll call him up and -- and see
what he's got to say.

HMJr: I'll be in my office here until a quarter of
two.

C: A quarter of two?

HMJr: I'm eating here.

C: Well, he may be out at lunch now and I might not be able -- well, listen, will you be back at your office after Cabinet Meeting?

HMJr: No, I'm -- I'm leaving right from there.

C: Well, I wonder -- I wonder if you could give me a ring from there.

HMJr: I'll tell you -- would you mind doing this, because she's going to ride down to the airport with me -- she's meeting me at the White House -- could you -- would you mind telling Mrs. Klotz what the result is?

C: Your secretary?

HMJr: Yeah, Mrs. Klotz.

C: Mrs. Klotz?

HMJr: K-l-o-t-z.

C: Oh, Mrs. Klotz, yes. All right, I'll -- I'll -- I'll call her, Henry.

HMJr: Will you do that?

C: I certainly will.

HMJr: Thank you.

C: Good bye. Have a -- I hope you have a good rest.

HMJr: Thank you.

C: Good bye.

8/25/44 57

Original to White
Photostat to Peble-

Harry White }
John Peble }
Please work
together on
the German
question. Mr.
Kotz will
explain what
happened at
Cabinet. Mr. P.

58

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MRS HENRIETTA KLOTZ

TREASURY BLDG

PLEASE INFORM HARRY WHITE AND JOHN PEHLE TO CONFINE THEIR STUDIES WITHIN THE TREASURY ON THE ASSIGNMENT I GAVE YOU TO GIVE THEM THIS AFTERNOON. ASK THEM NOT TO CONTACT ANY OUTSIDE DEPARTMENTS UNTIL I SPEAK TO THEM MONDAY ON TELEPHONE BETWEEN 10 AND 12 AT WHICH TIME I WILL TALK TO YOU AND COMMITTEE. PERFECT TRIP. BEST REGARDS

H MORGENTHAU JR.

809 AM AUG 26 1944.

25

AUG 25 1944

My dear Jim

I am writing to ask if you would be good enough to supply me with any studies you may have on expected cutbacks in munitions production and ship construction both before and after the defeat of Germany. Such material is most important to the Treasury in planning financing operations. We are particularly interested in geographical variations in the impact of cutbacks on employment because goals for the war loan program are divided into State and county quotas. I should appreciate it if you would arrange to send such reports to me through Mr. George G. Hann, Director of Research and Statistics in the Treasury. Any material which you supply will be treated on a strictly confidential basis.

Sincerely,

(Signed) Henry

Secretary of the Treasury

Honorable James V. Forrestal
Secretary of the Navy
Washington, D. C.

25

AUG 25 1944

My dear Harry:

I am writing to ask if you would be good enough to supply me with any studies you may have on expected cutbacks in munitions production both before and after the defeat of Germany. Such material is most important to the Treasury in planning financing operations. We are particularly interested in geographical variations in the impact of cutbacks on employment because goals for the war loan program are divided into State and county quotas. I should appreciate it if you would arrange to send such reports to me through Mr. George C. Haas, Director of Research and Statistics in the Treasury. Any material which you supply will be treated on a strictly confidential basis.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Henry L. Stimson
Secretary of War
Washington, D. C.

AUG 25 1944

My dear Paul:

It is extremely important in setting quotas for the sixth war loan that adequate allowances be made for geographical variations in the impact of embarks upon employment. I should appreciate it therefore if the War Manpower Commission would supply me with the following information:

1. Monthly figures on employment, by States, since the first of the year, divided between munitions and other nonagricultural employment.
2. A projection of these figures, by States, for the month of December assuming Germany is still in the war.
3. A similar projection for December assuming Germany collapses in October, or at some other date before December.

If possible, I should like to have this material early in September and I should appreciate it if revised data could be made available in October and again in November.

I am aware of the difficulties of making December forecasts in view of the problems involved in anticipating embarks, especially by States. It is most important, however, that we obtain the best possible estimates under the assumptions stated. It will also be appreciated if you will supply me with any studies you may have on embarks which will throw further light on this problem.

Please send this material to me through Mr. George G. Hans, Director of Research and Statistics in the Treasury. Any material which you supply will be treated on a strictly confidential basis.

Sincerely,

(Signed) M. Morgenthau, Jr.

Secretary of the Treasury

Honorable Paul V. McNutt
Chairman, War Manpower Commission
Social Security Building
Washington, D. C.

OH:VL:rdg 8-24-44

AUG 25 1944

My dear Admiral Land:

I am writing to ask if you would be good enough to supply me with any studies you may have on expected cutbacks in ship construction both before and after the defeat of Germany. Such material is most important to the Treasury in planning financing operations. We are particularly interested in geographical variations in the impact of cutbacks on employment because goals for the war loan program are divided into State and county quotas. I should appreciate it if you would arrange to send such reports to me through Mr. George G. Haas, Director of Research and Statistics in the Treasury. Any material which you supply will be treated on a strictly confidential basis.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Rear Admiral Emory S. Land
Chairman, United States
Maritime Commission
Washington, D. C.

August 25, 1944

Dear Mr. McClintock:

I want to express my appreciation for the splendid public service the Mutual Broadcasting System performed last Tuesday night in conducting a round-table discussion on the "Meaning of Bretton Woods" on the American Forum of the Air.

I believe that a useful purpose was served in bringing to the American people a better understanding of the monetary and financial agreements formulated at Bretton Woods. Developing a better understanding of these agreements on the part of the American public is, of course, a prerequisite to the intelligent discussion of the issues involved.

Mr. Granik did an excellent job in organizing the program and serving as its moderator. It was a difficult assignment and he handled it admirably.

Sincerely,

Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Miller McClintock, President,
Mutual Broadcasting System,
1440 Broadway,
New York, 18, New York

AUG 25 1944

Dear Ted,

I want to thank you for the excellent job you did Tuesday night on the American Forum of the Air. I deeply appreciate, too, the generous manner in which you contributed your time and effort to make the broadcast a success.

I realize the problems a broadcast of this character presented and the success of the program is, therefore, all the more to your credit.

Sincerely,

(Signed) H. Meagher, Jr.

Secretary of the Treasury

Mr. Theodore Granik,
1627 K Street, N.W.,
Washington, D. C.

AFL:ec 8/24/44

AUG 25 1944

Dear Ned,

I want to thank you for the excellent job you did Tuesday night on the American Forum of the Air. I deeply appreciate, too, the generous manner in which you contributed your time and effort to make the broadcast a success.

I thought you might like to have a recording of the broadcast so I have arranged for one to be sent to you under separate cover.

Sincerely,

(Signed) H. Mergenthau, Jr.

Secretary of the Treasury.

Mr. E. E. Brown,
President, First National Bank,
Chicago, Illinois.

AFL:ec 8/24/44

AUG 20 1944

Dear Dean,

I want to thank you for the excellent job you did Tuesday night on the American Forum of the Air. I deeply appreciate, too, the generous manner in which you contributed your time and effort to make the broadcast a success.

I thought you might like to have a recording of the broadcast so I have arranged for one to be sent to you under separate cover.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Dean Acheson,
Assistant Secretary of State,
Washington, D. C.

AFL:ec 8/24/44

AUG 25 1944

Dear Harry,

I want to thank you for the excellent job you did Tuesday night on the American Forum of the Air. I deeply appreciate, too, the generous manner in which you contributed your time and effort to make the broadcast a success.

I thought you might like to have a recording of the broadcast so I have arranged for one to be sent to you under separate cover.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. Harry D. White,
Special Assistant to the Secretary,
Treasury Department,
Washington, D. C.

AFL:ec 8/24/44

AUG 25 1944

Dear Senator Tobey,

I want to thank you for the excellent job you did Tuesday night on the American Forum of the Air. I deeply appreciate, too, the generous manner in which you contributed your time and effort to make the broadcast a success.

I thought you might like to have a recording of the broadcast so I have arranged for one to be sent to you under separate cover.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Charles W. Tobey
United States Senate

AFL:ec 8/24/44

AUG 25 1944

Dear Dr. Kung:

I appreciate your thoughtfulness in writing to me about the United Nations Monetary and Financial Conference. In my opinion, the success of the Conference was largely due to the spirit of cooperation manifested by all delegations, and in exceptional degree by the Chinese delegation. Under your direction, China took its place among the powers that will provide the world with leadership in dealing with postwar monetary and financial problems.

The American delegation is conscious of the fact that the work of the Conference will not be complete until the International Monetary Fund and the International Bank for Reconstruction and Development have been finally established. We believe that by the time the Fund and the Bank come up for consideration in our Congress a substantial majority of our business leaders and Congressmen will recognize the urgent necessity for international cooperation on monetary and financial matters. The monetary and financial disorders of the 1930's were the cause of economic aggression that spread depression from country to country and culminated in war. I have great faith in the good sense and the good will of the people of the United States and all of the United Nations. I am confident that the financial disorders of the past will not be repeated.

I share with you the feeling that the Conference at Bretton Woods represents a major step in our preparation for peace. We must all recognize that a lasting peace can be built only on a foundation of progress and prosperity in all countries. The United Nations have shown at Bretton Woods that they are determined to work together for peace and prosperity as they have fought together for liberty and democracy.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable H. H. Kung,
Minister of Finance,
The Chinese Embassy,
Washington, D.C.

EMB:rl 8/25/44

August 10, 1944.

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Morgenthau:

Ever since we bid farewell to each other at Bretton Woods, the stimulating experience of the United Nations Monetary and Financial Conference continues to linger in my mind. From the very beginning, the Chinese Government had realized the great significance of the Conference and our delegation did its best to contribute to its success. I wish to express to you the deep appreciation of the Chinese Delegation for the excellent leadership given by the United States Delegation under your able chairmanship.

Since I came to New York, I have heard a number of people, with whom I talked, making critical remarks about the results of the Conference and showing skepticism about the success of the plans. Some of these criticisms result from ignorance or misunderstanding, others are undoubtedly made on grounds of self-interest. I did my best to explain to them the difficulties we encountered and the fundamental importance of the principle of international co-operation underlying both the Fund and the Bank. This experience led me to believe that much work remains to be done in order to convince the American public with regard to these two proposals. Unless these projects are adopted by Congress, the success of the Conference would be rendered entirely illusory.

I think irrespective of one's personal opinion on specific features of the two agreements, we must all recognize that the Bretton Woods Conference truly represents a major step

in our preparation for peace. If blueprints so complicated and so comprehensive in nature can be drawn up by the delegates representing forty-four nations and can be adopted and implemented, it augurs well for the establishment of a lasting peace after this war.

With best personal regards,

Sincerely yours,

A handwritten signature in cursive script, appearing to read "H. V. King". The signature is written in dark ink and is positioned below the typed phrase "Sincerely yours,".

August 25, 1944.

Dear Oscar:

This is in reply to your letter of August 17, 1944, enclosing the statement of Senator Scrugham on the Bretton Woods Conference and suggesting that action should be taken to inform the public on the Bretton Woods Conference.

I am in agreement with you that we ought not to wait until the opposition is organized before making our case clear to the public. The Treasury people are already preparing material for public distribution and planning to inform the public on the importance of international cooperation through the proposed Fund and Bank.

We shall be glad to have your suggestions along these lines.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Oscar S. Cox,
Foreign Economic Administration,
Room 1057 Tempo "T",
Washington, D. C.

FOREIGN ECONOMIC ADMINISTRATION
WASHINGTON

7 11, 1944

August 17, 1944

Dear Secretary Morgenthau:

In case you haven't seen it you might be interested in the attached clip sheet from the Congressional Record of August 11 about the Bretton Woods Monetary Agreement.

With the amount of publicly stated opposition that is being circulated, I have a strong hunch that a great deal of affirmative action ought to be taken now to prevent such opposition from growing stronger and more articulate.

Sincerely yours,

Oscar Cox

The Honorable Henry Morgenthau, Jr.

The Secretary of the Treasury.

history. While there are many good theories, it may be said that an executive agreement is an instrument pertaining to international affairs which the Senate and the House are willing by a majority vote to treat as an executive agreement, binding upon this Nation, while a treaty is such an instrument which the Congress will not recognize unless it is ratified by two-thirds of the Senators voting upon its ratification. Congress, therefore, has the power of substituting a majority rule of the Senate and House for the two-thirds rule of the Senate.

The present machinery does not prevent the Congress and the executive from so working together that we can have an effective foreign policy, and can make decisions on international affairs with promptness and responsibility. The danger is in whether Congress will allow a minority of the Senate to abuse the power to defeat an effective foreign policy.

One readily sees, then, how important it is that the views of Members of Congress be known upon this vital question. It is a doubtful if any attitude of a Member of Congress is as important to the winning of the peace and the prevention of World War No. 3 as whether he, or she, is willing to break the stranglehold of the minority of the Senate upon our power to participate in foreign affairs.

Bretton Woods Monetary Agreement

EXTENSION OF REMARKS

OF

HON. JAMES G. SCRUGHAM

OF NEVADA

IN THE SENATE OF THE UNITED STATES

Friday, August 11 (legislative day of
Tuesday, August 8, 1944)

Mr. SCRUGHAM. Mr. President, I ask unanimous consent to have printed in the Record a letter signed by 26 Senators, addressed to the President of the United States, dealing with the international monetary fund plan, and a statement prepared by me dealing with the Bretton Woods Monetary Agreement.

There being no objection, the letter and statement were ordered to be printed in the Record, as follows:

BRETTON WOODS MONETARY AGREEMENT

(By Senator J. G. SCRUGHAM)

In my opinion the Bretton Woods Agreement for monetary stabilization, in its present form, will fail to receive the approval of Congress for the following reasons:

1. The absence of a statement saying that it is the objective of the signatory nations to restore the gold and silver standards. Instead, it is clear that the international monetary fund is designed to facilitate the adoption of managed currency plans by individual nations and groups of nations, and eventually by the world at large.

2. No conditions whatever are attached to the utilization of the credit facilities of the fund by nations whose balance of payments will be adverse due to conditions within their control. As a minimum, such countries should promise to take steps that would improve their balance of payments position,

so that they would not have to resort to the fund chronically for assistance.

3. No price for gold is set in the fund, each nation being free to select any initial parity for its currency that it wishes, with provision for changes in such parity subsequently, thereby deliberately providing a means of circumventing stabilization.

4. No price for silver is set in the fund. In fact, unlike gold, no provision is made for any price for silver. Article V, section 4, which contains the only reference to silver in the agreement fails to specify the basis on which silver may be accepted as collateral for a loan for a country that has exhausted its quota in the fund, and gives no assurance whatever that silver will be accepted by the fund if tendered.

5. No provision is made for special credits to nations that desire to acquire gold and silver for coinage, so as to substitute actual coins or representative paper money for fiat currency.

Fundamentally, the international monetary fund plan seeks to substitute managed currency for the triad and tested gold and silver standards. I do not believe our Congress will approve the plan unless it is modified to correct this defect.

President Roosevelt received a letter signed by 26 Senators, at the time that the Bretton Woods Conference was started, expressing their concern over the lack of provision for a metallic base for currency, and particularly over the failure to include silver along with gold in the original draft of the experts' plan. The agreement as published is open to this same objection. Failure to respond favorably to the Senators' letter, and to meet the objections raised, will necessarily affect the attitude of many Members of Congress when the Bretton Woods Agreement is presented for ratification.

For the information of those who have not seen the letter referred to I desire to insert it into the Record at this point:

UNITED STATES SENATE,
SPECIAL COMMITTEE ON THE
INVESTIGATION OF SILVER.

June 21, 1944.

THE PRESIDENT,

The White House.

DEAR MR. PRESIDENT: We have studied carefully the international monetary fund plan that has been made public by the United States Treasury. Since whatever plan is ultimately adopted will have to be approved by the Congress, we feel it is our duty to pass on to you without delay certain conclusions we have reached pertaining to the plan.

The experts' plan suffers from a basic, organic defect in that no place in it is assigned to silver. As a result, there will be an insufficiency of media for the settlement of international balances, and the use of silver as money will be undermined.

We strongly urge, therefore, that the plan be revised forthwith so that parities for the currencies of member countries will be fixed in silver, as well as gold. By specifying fixed parities in terms of silver also, the following results would be attained:

1. The physical supply of standard money would be expanded for the enlarged needs of the post-war world.

2. The preference of a large part of the population of the world for silver money would be recognized.

3. The nations of Europe and the Far East now in the throes of wild paper-money inflation could return to silver coinage on a sound basis.

4. The remonetization of gold and silver would thus be effected simultaneously and internationally.

Sincerely yours,

ELMER THOMAS, Chairman, Special Silver Committee; EDWIN C. JOHNSON; PAT MCCARRAN; SHERRIDAN DOWNEY; JAMES E. MURRAY; ABE MURDOCK; ERNEST W. McFARLAND; HARLAN J. BUSHFIELD; E. V. ROBERTSON; CARL HAYDEN; MON C. WALLGREN; GUY CORDON; GERALD P. NYE; J. G. SCRUGHAM; B. K. WHEELER; HUGH BUTLER; HENRIK SHIPSTEAD; DENNIS CHAVEZ; JOHN THOMAS; KENNETH S. WHERRY; ELBERT D. THOMAS; CHAN GURNEY; CARL A. HATCH; RUFUS C. HOLMAN; D. WORTH CLARK; E. H. MOORE.

LAWS, RELATIVE TO THE PRINTING OF DOCUMENTS

Either House may order the printing of a document not already provided for by law, but only when the same shall be accompanied by an estimate from the Public Printer as to the probable cost thereof. Any executive department, bureau, board, or independent office of the Government submitting reports or documents in response to inquiries from Congress shall submit therewith an estimate of the probable cost of printing the usual number. Nothing in this section relating to estimates shall apply to reports or documents not exceeding 50 pages (U. S. Code, title 44, sec. 140, p. 1938).

Printing and binding for Congress, when recommended to be done by the Committee on Printing of either House, shall be so recommended in a report containing an approximate estimate of the cost thereof, together with a statement from the Public Printer of estimated approximate cost of work previously ordered by Congress within the fiscal year (U. S. Code, title 44, sec. 145, p. 1938).

Resolutions or printing extra copies, when presented to either House, shall be referred immediately to the Committee on Printing, who, in making their report, shall give the probable cost of the proposed printing upon the estimate of the Public Printer, and no extra copies shall be printed before such committee has reported (U. S. Code, title 44, sec. 133, p. 1937).

DISTRIBUTION OF THE CONGRESSIONAL RECORD

To the Vice President and each Senator, 100 copies; to the Secretary and Sergeant at Arms of the Senate, each, 25 copies, to the Secretary, for official use, not to exceed 35 copies; to the Sergeant at Arms, for use on the floor of the Senate, not to exceed 50 copies; to each Representative, Delegate, and Resident Commissioner in Congress, 68 copies; to the Clerk, Sergeant at Arms, and Doorkeeper of the House of Representatives, each, 25 copies; to the Clerk, for official use, not to exceed 50 copies; and to the Doorkeeper, for use on the floor of the House of Representatives, not to exceed 75 copies; to the Vice President and each Senator, Representative, Delegate, and Resident Commissioner in Congress there shall also be furnished (and shall not be transferable) 3 copies of the daily Record, of which 1 shall be delivered at his residence, 1 at his office, and 1 at the Capitol.

August 25, 1944

MEMORANDUM FOR THE FILES

I spoke to Miss Mabel Newcomer this morning regarding her impression of the work and plans of the Women's Conference on International Affairs. She was in Washington a week or ten days ago and at that time I had introduced her to Miss Webb of that organization in order that Miss Newcomer might get an opportunity to evaluate their work and ability.

She stated that she was definitely impressed by their work and approach to these international problems. She felt that a program on Bretton Woods sponsored by this group would be of real value to us, provided, of course, that they got the right kind of speakers to address them. I told her that if we were to cooperate in such a program that I thought it would be a very good idea if she could be one of the speakers. She stated that she would be very happy to cooperate. I said that I still had to clear the matter of our participation with Mr. White but that I did not anticipate any difficulty.

Miss Newcomer stated that she was working on an article about Bretton Woods for some organization at the present time and also on an article for the Vassar Alumni Journal. She was most cooperative.

RAR

August 24, 1944

MEMORANDUM FOR THE FILES

I spoke to Roy Stinebower of the State Department today, regarding his impression of the Women's Conference on International Affairs. He had cooperated with this group in the presentation of their program on the Food and Agriculture Conference and had appeared as one of their speakers.

He had only words of praise for the organization. He said that it had no official standing and was serving merely the function of an educating and steering committee, directing the interest on the part of women's organizations in the problems of international cooperation. In his opinion, our assistance and cooperation with them on a program on Bretton Woods would be all to the good. At no point had he observed any jealousy on the part of other women's organizations because of the activities of this group. He thought that their programs on the Food and Agriculture Conference had been very successful.

I then spoke to John Dickey of the State Department who had worked with this group on their Education Conference program. He said he had spent years working with the various women's organizations in connection with getting their cooperation and support on the Trade Agreements Acts. The Women's Conference on International Affairs was, of course, a new group and he had found them able and energetic and they had served as an excellent medium for getting over the results of the Education Conference to the various women's organizations. He said that in his discussions with one or two representatives of women's organizations after the meeting he had sensed that they felt that they could have taken care of the matter of programing the conference for their group without the aid of the Women's Conference, but that this view was not generally shared. He said that they had had a very good turnout for the Education Program and, in his opinion, our cooperating with them on a Bretton Woods program could do no harm whatever and might do a lot of good.

- 2 -

He did think that it was highly important that we take the attitude that we were perfectly willing to cooperate with any women's organizations directly, and that we were not intending to merely deal with them through this Conference group. Our attitude should be that we were perfectly willing to cooperate with any group and in that sense we were cooperating with the Women's Conference on International Affairs.

Copy to: Secretary's files
Mrs. Morgenthau
Mr. White
Mr. E.M. Bernstein

Mr. White

August 24, 1944.

Mr. Luxford

Mr. Bernstein and I discussed the proposed program on Bretton Woods with Helen Montfort Moody and Elizabeth Webb of the Women's Conference on International Affairs.

As a result of our discussions the program shapes up as follows:

1. They would like to hold the meeting on either September 14 or 15, since they anticipate doing a similar job after the UNRRA meeting in Canada and they expect that this program would be scheduled for the first week in October. They do not want the programs too close together since it is difficult to call together representatives of the different women's organizations at too frequent intervals.
2. The actual program would run along these lines:
 - (a) The chairman would make an opening statement. They suggested that it might be very helpful if the chairman were to emphasize the two years of preliminary work that went into making Bretton Woods a success, the work that was done at an interdepartmental level here in this Government, bilateral and multilateral discussions we had with the various foreign governments, and our discussions from time to time with the Congressional committees. They feel that it is important to dramatize the enormous task involved, the tremendous amount of work, the negotiations that went into shaping these agreements, and the difficulties involved in trying to make changes in them after this investment of time and energy.

- 2 -

- (b) An elementary explanation of the Fund.
- (c) An elementary discussion of the Bank.
- (d) What the Fund and Bank mean in terms of world peace.
- (e) What steps are necessary to bring the Fund and Bank into effect.

On this latter point they would like to have a non-government man or woman discuss the fact that these proposals must be either accepted or rejected by Congress and the importance of each woman's organization putting its shoulder to the wheel in getting the public interested in these proposals and Congress to accept them. This discussion, of course, would be sponsored by the Women's Conference and not by any Government official or agency.

3. It is contemplated that the talk of each person be limited to about fifteen minutes. It is further contemplated that there would be a question-and-answer period after each participant discusses the feature of the program assigned to him. In order to inject an international flavor into the program they thought it would be an excellent idea for us to have about three speakers on the subject of "what it means to World Peace," permitting each to speak about eight minutes. They would like to see two of these speakers on world peace represent foreign countries, as for example, delegates from China and Cuba. They thought that perhaps Miss Newcomer should be the American representative on the discussion of world peace. They agreed that Bidwell would probably be a good man to discuss "how do we bring the Fund and Bank into effect." He could speak for about ten or fifteen minutes and then make a real attempt to get the audience to participate in the discussion by having various representatives of women's organizations in the audience express their views as to how to get women's groups interested in the subject.

- 3 -

4. It is contemplated that the whole program could be timed for about three hours and be scheduled from 10 a.m. to 1 p.m.
5. The groups sponsoring this program have no dues and no funds at their disposal. They would like to have our discreet assistance on the following points:
 - (a) Having a mimeographed program and mimeographed reading material on the Fund and Bank available for distribution at the meeting.
 - (b) The preparation of about sixty letters for the chairman's signature, inviting representatives of the various women's organizations to attend the meeting.
 - (c) A stenographic transcript of the proceedings which would be mimeographed and distributed to each of the persons attending. This material is of great use to the various program chairmen of the women's organizations since they, in turn, use it as the basis for getting each local group of their organization interested in the subject.
6. Mrs. Moody would like for us to name the persons who should participate in the program, as well as the chairman, and to sound them out on their availability to speak. It is understood, of course, that the formal invitation to participate would be extended by the Conference and not by the Treasury.

If you approve, Bernstein and I will go to work on this at once. I am anxious to take a vacation the first two weeks in September, but I see no reason why this should interfere with this program.

(Continued) A.F.L.

8/25/44

Fred Smith

Secretary Morgenthau

In reply to your memorandum of August 25th, I still think my decision that an advertisement of this kind should not be signed "Paul Jones Whiskey" is correct. It is most offensive to me. Signing it "Frankfort Distillers" wouldn't help it in my way of thinking one bit.

As to the second paragraph of your memorandum, this will have to wait.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

TO Secretary Morgenthau
FROM Fred Smith *FB*

August 25, 1944

Frankfort Distillers want to make twenty-four sheet posters and car cards of this design for the Sixth War Loan. The Alcohol Tax Unit apparently has a directive from you saying that whisky advertisements cannot show people in uniform. They would like to sign this poster "A reminder from the makers of Paul Jones whisky" as per the attached photostat. A.T.U. says they can sign it "Frankfort Distillers," but not "Paul Jones whisky." This they do not wish to do because they have never publicized the firm name, and accordingly it wouldn't do them any good.

Since this is a problem that will probably come up time and again, I wonder if you would like to consider making a specific decision about using trade names as signatures for War Bond posters and advertisements.

If you should decide to permit trade name signatures, I think you should specify limiting it to a modest credit line, not to include pictures of the product or any explanation or promotion of the product other than the mention of the name.

**"Who says
what war is over?"**



**BUY
EXTRA WAR
BONDS**

~~CONTRIBUTED~~ BY THE MAKERS OF PAUL JONES WHISKEY

~~AD BY~~
A REMINDER FROM

AUG 25 1944

My dear Miss Thompson:

Thank you for sending us the letter which Mrs. Roosevelt received from Mrs. George Cushing, about her "Bondstormer" plan. I received a similar letter from Mrs. Cushing and will advise her that it will be quite impossible to fit the opening of her Bondstormer Exchange into my schedule. We will also write to the Women's Chairman of the Connecticut War Finance Committee in regard to this matter and suggest that she discourage the plan, as we are not at all in favor of it.

According to Mrs. Cushing's statement, the operation of the Exchange will include a profit angle, inasmuch as part of the price received from the sale of any article will be used to defray overhead and personnel costs. Whenever the Treasury has given any approval to an Exchange of this type, the project has been conducted on a purely volunteer basis. That is, the War Stamps, into which cash to pay for an article have been converted, have been received by the seller and the buyer of the article and no part has been deflected toward operating charges of the Exchange itself.

I think Mrs. Roosevelt will agree with our attitude toward this and will feel that the Bondstormer plan should not be suggested to other cities nor encouraged in Hartford.

Mrs. Cushing's letter to Mrs. Roosevelt is returned as you suggested.

Sincerely,

(Signed) H. Morgenthau, Jr.

Miss Malvina C. Thompson
The White House
Washington, D. C.

NE:rp
8/25/44

Humble

THE WHITE HOUSE
WASHINGTON

August 18, 1944.

Dear Mr. Secretary:

I am enclosing a letter from
Mrs. George Philip Cushing, 54 Warwick
Street, West Hartford, Connecticut.

Mrs. Roosevelt will appreciate
it if you will let her know what the
Treasury Department thinks of this plan.

The return of the enclosed
letter will be appreciated.

Very sincerely yours,

Malvina C. Thompson
Secretary to
Mrs. Roosevelt.

Hon. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

August 9, 1944.

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ABG 12 1944

Marion Waite Cushing

54 Warwick Street West Hartford, Connecticut

Mrs. Eleanor Roosevelt,
White House,
Washington, D.C.

Dear Mrs. Roosevelt,

I believe it was just two years ago that you entertained me and my little Hindu princess friend at the White House.

But of far more interest to you, I believe, will be our Bondstormers Exchange which we will open soon in Hartford. I conceive it not as a thrilling war project, but as indeed a Public Service, and for you a pattern that you can carry all over this wonderful land of ours with the suggestion that each town and hamlet, "Go, like Hartford, and do likewise".

I am inviting Mr. Morgenthau to attend our gala opening when Mayor Mortenson presents the key to open our Bondstormers Exchange. We also beseech your attendance.

We are selling War Stamps by means of the barnstorming idea, - making the best with what you have. Thus our clever(?) name, "Bondstormers".

All Hartford is back of us from newspapers, merchants and each individual citizen. "What treasure do you have", we ask, "that you will sell for Uncle Sam?" Set your price on it, - say \$5. We double it, - \$10. We sell it for \$10. cash. You get your asking price, - \$5. in War Stamps. The buyer gets not only the article but \$2.50 of his cash payment back immediately in War Stamps. The Bondstormers, Volunteer women war workers who make this splendid service possible to Hartford, operate their shop and take their payment in the remaining \$2.50 in War stamps.

87
Marion Waite Cushing

54 Warwick Street West Hartford, Connecticut

We are planning to open our Bondstormers Exchange about the first week in September.

We will suit our opening day to your calendar.

Will you come?

Regardless of what your decision may be, I hope our plan interests you enough to let us explain details so that you can publicize "Bondstorming".

It is my hope that New York, Boston, Chicago and all intermediate points west will have some Bondstormers to make the bugle blow of Peace sound sooner.

Sincerely,

Marion Waite Cushing
(Mrs. George Philip Cushing)

P.S. I haven't seen Mrs. Alsop this summer but I hear thru friends that she is as vital as ever.

P.S. This is no rummage or auction idea. The Bondstormers' slogan is:- "Only the best for Uncle Sam".

25

August 25, 1944

Dear General Carter:

For your information I am enclosing a copy of letter dated August 21, 1944, from Mr. William C. Potter, Chairman of the Executive Committee of the Guaranty Trust Company of New York, and a copy of my reply of today.

I still hope that there is something that we can do to get the American banks functioning in these places just as soon as possible.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Major General A. H. Carter
Fiscal Director
Army Service Forces
Pentagon Building
Washington 25, D. C.

DWB:NLE

25

August 25, 1944

Dear Mr. Potter:

I have your letter of August 21, 1944, regarding the reopening of your branch in Paris and possibly your former office in Havre.

The Treasury is anxious that the American banks be permitted to reopen their branches abroad, and Mr. Bell has discussed this matter with Major General A. H. Carter on several occasions. I believe that General Carter is also in favor of this, but I believe that his superior officers have some doubt as to the wisdom of permitting the American banks to follow too closely behind the American army.

I suggest that you communicate with General Carter about the matter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. William C. Potter
Chairman of the Executive Committee
Guaranty Trust Company
140 Broadway
New York 15, N. Y.

DWB:NLE

6-1-10-10
K-1-10-10

Guaranty Trust Company of New York

New York Offices
140 Broadway
Fifth Avenue at 44th St.
Madison Avenue at 60th St.

140 Broadway
New York 15, N. Y.

Foreign Offices
London

August 21, 1944.

William C. Potter

Chairman of the Executive Committee

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Morgenthau:

Recent developments in France give me encouragement to consider the reopening of our rather important branch in Paris and, possibly, the reopening of our former office in Havre, which used to be a very useful agency for American exporters of cotton, other farm products and raw materials.

I am just wondering whether such a move on the part of American banks would meet with the approval and aid of the Treasury. When I speak of aid, I only refer to such things as assistance with passports, transportation, and facilities of that general nature.

I would very much appreciate your thoughts in this direction.

Faithfully yours,



Chairman, Executive Committee.

MEMORANDUM FOR THE SECRETARY.

August 25, 1944.

Mail Report

This past week's mail kept the same quiet course that it has followed since the close of the Fifth Drive. There were still a few favorable reports or comments in connection with that Drive, and also a few slogans or other promotional ideas for the Sixth. Loss of bonds or inscription problems, however, prompted most of the letters. With the receipt here of 88 bonds for redemption, the rise of about 10% that has been going forward during the last few weeks continued the same. The 10 responses to redemption slips offered illness and inadequate income as the most common reasons for cashing bonds. There were the usual scattered complaints about delays in processing bonds, or in remitting interest. Two banks wrote very critically of the low reimbursement being allowed for cashing Series E Bonds over-the-counter.

In the field of taxes there were 11 urgent pleas for tax refunds due the writers. Two old subjects -- the assessment of the Lincoln Electric Company, and the deduction allowed Montgomery Ward for advertising expenses, continued to draw occasional comment.

Again there was a definite rise in the number of out-of-date checks submitted for re-writing. The Bretton Woods Conference was the subject of a dozen miscellaneous communications -- one of which spoke favorably of the recent radio program about the work of the Conference. Six donations were received, including one for \$5 from a Canadian resident, and one for \$40 from a Private First Class.

Quotable letters were exceedingly scarce, as the attached pages will indicate.

Gr Forbush

Comments on Recent RadioAppearance

Murray M. Magloff, New York City. I listened to your discussion of "The Meaning of Bretton Woods" over the American Forum of the Air with keen interest. Please accept my compliments for the able and well manner you explained a complex problem in terms readily understandable by all Americans. I have already written for a reprint of the discussion. Would it be possible to obtain a copy of the actual agreements or fundamentals arrived at by the delegates at Bretton Woods?

- 2 -

General Comments

Sidney M. Feldman, Newark, Delaware. I wish to congratulate you on your position taken at the Bretton Woods Conference and am confident that the problems now being discussed and solved will prove of inestimable value in strengthening the economical position of the entire world. There is one point which I think should be given very serious consideration by the U. S. Treasury Department in its discussion with the Russian Government. The former Russian Government had distributed and sold in the United States two issues of Russian Imperial Bonds, 1919 - 6½%, and 1921 - 5½%. It is my understanding that this indebtedness has not been recognized by the present Russian Government. * * * I have recently read that the Russian Government is trying to obtain a ten billion dollar post-war credit. It is my understanding also that there is a Federal Statute that does not permit extension of additional credit unless a country's present obligations are being met. I think steps should be taken by the present Russian Government to clear up the indebtedness of the previous regime to citizens of the United States by either exchange of a new bond or payment in cash. The total amount of money involved (seventy-five million dollars) is ridiculously small when one talks of world finance. The good-will that would be created by the present Russian Government satisfying this obligation would more than compensate its expense in the eyes of the United States financial world. * * *

- 3 -

Unfavorable Comments on Bonds

Milton Samuels, New York City. An item in the newspapers last week relating to the cashing in of War Bonds concerned me greatly. I believe that the time has come to take vigorous action against those contributing factors which have brought this condition about. As advertising manager for one of America's largest corporations, my travels take me to many localities and I have had an opportunity to observe some of the reasons which have been the cause of this condition. * * * Throughout New England, the anti-New Dealers and Roosevelt haters have started a whispering campaign which, in my opinion, borders on treason. Everywhere you go you hear: The moment the war ends the people who invested in War Bonds will be asked to donate them to the Government as their contribution to victory; that, if there is sufficient money in the Treasury, they may get the principal, but no interest; that big banks and corporations are given a different series for their protection, while the public is sold a non-negotiable series, which was primarily designed to cheat them out of their investment. * * * I am thoroughly convinced that immediate action must be taken to restore the confidence of those who have given credence to these stories. Recently, while in Springfield, Massachusetts, I overheard a director of a financial institution telling a waiter that the only way he can be assured..... that his War Bonds will be honored would be by the election of Dewey who has received the pledge of the big corporations to aid in their redemption. Don't laugh it off...you who know that this is idiotic fail to realize sometimes that the average man in the street looks upon these executives as having inside information, and is stampeded by them into doing things which, under ordinary circumstances, they would not do. * * *

- 4 -

Ralph P. Messano, Counsellor at Law, Jersey City, New Jersey. We represent the Estate of Henry Jacob Rice, deceased, and among the assets we found a \$1,000 Defense Savings Bond, Series E, issued as of August 1942. * * * His only heirs at law and next of kin are a daughter, Florence Louise Stecher, and a son, Chester H. Rice. Mrs. Stecher qualified as Administratrix of her father's estate. On March 16, last, we wrote to the Federal Reserve Bank of New York to find out just what steps should be taken in order that this bond might be cancelled and two new \$500 Bonds reissued, one to the son and the other to the daughter. Sometime thereafter, the Federal Reserve Bank advised us that the following would be necessary: (List of requirements.) Subsequently, we forwarded the following: (1) The bond, with the request on the back thereof properly signed; (2) Surrogate's certificate; (3) Affidavits as to identity; (4) Affidavit as to all debts against the Estate having been paid; (5) Two Forms PD 1455 signed by the Administratrix that the \$1,000 Bond be cancelled and reissued in two \$500 Bonds, one to herself and the other to her brother. On May 29, last, we received a letter from the Federal Reserve Bank acknowledging receipt of the certified copy of letters of administration and other papers, and forwarding us blank forms PD 1455, requesting that they be completed and signed. In addition to this, we were informed that inasmuch as the administratrix had requested reissue of \$500 of this bond in her name, that the bank be furnished with a court order authorizing the transfer of this bond naming the administratrix individually. Immediately upon receipt of this letter we wrote the bank that we had already forwarded it form PD 1455 duly completed and signed, and that we did not intend to undergo any more red tape by obtaining a court order but would prefer to wait until September 1, which we believe is the seven months' statutory period. Subsequently, we received another letter from the bank stating that it could not find the forms PD 1455, and that it was necessary for us to have new forms completed

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and signed. * * * On August 7, 1944, we received another letter from the bank stating that inasmuch as Mrs. Stecher, who is the administratrix and the only daughter, was unwilling to furnish a court order and wished to reissue these bonds after the seven months of administratrix had expired, it was returning the bond to us, with the request that it be re-submitted to either the Federal Reserve Bank of New York or the Treasury Department in Chicago after September 1. In this letter, the Federal Reserve Bank stated that the affidavits of debts submitted by Mrs. Stecher, as administratrix, should be resubmitted and dated on and after September 1, and that in addition thereto, we should furnish a release from the residuary legatees of this estate. You can appreciate the voluminous correspondence had between the Federal Reserve Bank and ourselves, as well as the great amount of work done in order to have a \$1,000 Defense Savings Bond cancelled (not cashed) and two \$500 Bonds issued in its place. On August 7, last, we wrote to the Treasury Department, setting forth the above, and requested that it advise us just what steps should be taken so that this bond may be cancelled and the two \$500 Bonds issued to the only son and daughter. Having received no reply to our said letter, we again wrote the Treasury Department at Chicago on the 15th. Inasmuch as we have received no reply to date from the Treasury Department, we are directing this letter to you personally. Will you kindly advise us as to just what steps must be taken in order to effect the above transaction?

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Unfavorable Comments on Taxation

Jos. J. Connolly, Rosedale, Long Island, New York. Just a few lines to let you know how a former New Dealer feels about the way this Administration is now running the country. My particular complaint is about a refund on my 1943 taxes. I have sixty-odd dollars due me, which to date, five months after filing my return, I have yet to see. I wrote the Custom House, New York, explaining that I needed this money for my city taxes, with no results. I then had to get a private loan to pay said taxes. When one draws a comparison between the billions of dollars sent to Europe, that everyone knows will never come back, and the fact that a natural born American had to get a loan because the United States Treasury did not refund what was rightfully his, I can assure you it does this Administration no good. It seems to me that this Administration has only two aims in life -- i.e., to get all they can out of our citizens and to send all they can overseas.

25

AUG 25 1944

See also 10/2/44

Dear Mr. Hinckley:

I have your letter of August 21, 1944, advising that you are setting up a committee of the Contract Settlement Board to act in an advisory capacity on matters of statistics, records, procedures, and reports related to the statistics of terminations, settlements, interim financing of terminations, and plant inventory clearance, and requesting that the Treasury designate a member and an alternate member to serve on this committee.

I am glad to comply with your request and hereby designate Mr. George C. Haas, Director of Research and Statistics, as member, and Mr. W. J. Sims, Chief, Control and Reports Branch, Office of Surplus Property, Procurement Division, as alternate member.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Robert H. Hinckley
Director
Office of Contract Settlement
Washington, D. C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 23, 1944.

TO Mr. D. W. Bell
FROM R. E. McConnell

W. J. Sime
W. J. Sime

Re the attached: You may wish to nominate Mr. Haas or Mr. Mack as a member of this Committee, and Mr. Tom Davis as alternate - or to nominate Mr. Davis direct. At any rate, it seems to me that someone from the Procurement Division should attend the meetings of this Committee.

R. E. M.

TO:

W. J. Sims,
Chief, Control and
Reports Branch
Office of Surplus
Property

Room 6028 Pro-
curement

X-2183, 2187

OFFICE OF CONTRACT SETTLEMENT

WASHINGTON, D. C.

Robert H. Hinckley

August 21, 1944.

DIRECTOR

Dear Mr. Secretary:

In order to provide a means for consultation and the securing of expert advice on the progress reporting problems of the Office of Contract Settlement, I am requesting that a Committee of the Contract Settlement Board be established on Progress Reporting Statistics, on which I would appreciate your designating a member and alternate member. I am also requesting that the Bureau of the Budget and the Surplus Property Administrator designate a representative and alternate to sit with the Committee on Progress Reporting Statistics. Mr. Raymond T. Bowman, who will direct the statistical progress reporting work in the Office of Contract Settlement, will act as Chairman of this Committee.

The Committee will act in an advisory capacity on matters of statistics and the records, procedures, and reports related to the statistics of terminations, settlements, interim financing of terminations, and plant inventory clearance. It will also be consulted on the inclusion of statistical data in the Quarterly Report to Congress and on the technical problems of interpreting such data.

Mr. Bowman is anxious to call a meeting of the Committee just as soon as members have been designated, since it is essential that reporting plans be made promptly and an outline prepared of the items to be included in the report of the Office of Contract Settlement to Congress. The first report to Congress is due in October.

Sincerely,



Robert H. Hinckley

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

28

August 28, 1944.

Dear Mr. Batt:

For the Secretary, I am acknowledging your letter of August 21, which transmitted the confidential copy of Mr. Donald M. Nelson's final monthly report to the President on production performance against materials and equipment commitments of the Third Russian Protocol. Thank you for your courtesy in bringing this material to Mr. Morgenthau's attention.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.Mr. W. L. Batt,
War Production Board,
Washington, D. C.



WAR PRODUCTION BOARD

WASHINGTON, D. C.

August 21, 1944

IN REPLY REFER TO:

The Honorable
The Secretary of the Treasury

My dear Mr. Secretary:

There is attached for your information a copy of Mr. Donald M. Nelson's final monthly report to the President on production performance against materials and equipment commitments of the Third Russian Protocol.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "W. L. Batt".

W. L. Batt

Attachment



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SECRET
Disclosure Punishable Under Espionage Act

WAR PRODUCTION BOARD

WASHINGTON, D. C.

August 17, 1944

IN REPLY REFER TO:

My dear Mr. President:

Attached hereto is the final monthly tabulation showing progress made toward fulfilment of materials and equipment production programs for the Union of Soviet Socialist Republics under the Third Protocol. Attached also is a brief summary of major problems and developments which have marked production aspects of the program during the past year.

I regret that because of unavoidable delays in the receipt of information needed for the report, it has been necessary to delay its submission to you.

Respectfully yours,

/s/

Donald M. Nelson

The President
The White House
Washington, D. C.

Attachments

SECRET

Disclosure Punishable Under Espionage Act

REVIEW OF PRODUCTION OF MATERIALS AND INDUSTRIAL
EQUIPMENT ON USSR ACCOUNT UNDER THE
THIRD RUSSIAN PROTOCOL

I. Raw Materials and Semi-Fabricated Products

For the most part, production of raw materials and semi-fabricated products during the Third Protocol year was determined not on the basis of overall U.S. supply-requirements considerations, but on the basis of availability of shipping to the USSR.

When the Third Protocol was worked out (April 1943), the USSR held in this country approximately 750,000 S.T. of various raw materials, and monthly mill deliveries were exceeding overseas shipments by an appreciable margin. In consequence, it was felt that new offers should be so formulated as to insure that production performance would be coordinated with shipping performance.

In the case of steel, chemicals, ferro-alloys, and cable--the items which accounted for the greater part of accumulated stocks--no firm production commitments were made. Tentative production goals were set up in the Protocol document, but placement of these under full schedule was made conditional upon stockpiles being reduced, a development which was not expected for many months.

Even in the case of non-ferrous metals, which were being lifted more rapidly than other materials, production offers were fixed at minimum levels because of the possibility of stocks becoming excessive.

In effect, then, no definitive materials program was included in the Third Protocol. Instead, there was set up the outlines of a program which were to be filled in only as the actual movement of goods to the USSR justified.

During the course of the Protocol year, however, overseas shipment of raw and semi-fabricated products proceeded at a pace which made possible fulfillment--from the overall tonnage standpoint--within a few percent of the materials program originally requested by the USSR. Deliveries of steel, cable, and ferro-alloys had to be held under goals set by the Soviets, but this was largely offset by over shipments in the case of chemicals, non-ferrous metals and "other materials". Actual performance during the Protocol period, as compared with original Soviet requests, and the tentative, conditional program set up in April 1943, was as follows: