

DIARY

Book 779

October 4-5, 1944

- A -

Atlantic City, New Jersey
See Speeches by HMJr

Book Page

- B -

Barth, Alan
See Speeches by HMJr

Brown, E. E.
See Post-War Planning: Bretton Woods Conference

Burgess, W. Randolph
See also Financing, Government: War Savings Bonds
(6th War Loan Drive)

HMJr congratulates him as president of American Bankers'
Association - 10/4/44..... 779 112
a) Burgess acknowledgment - 10/9/44: See Book 780,
page 263

- C -

Chicago, Illinois
See Speeches by HMJr

Conant, James B.
See Post-War Planning: Germany

Contract Settlement, Office of
See Office of Contract Settlement

- F -

Falvey, T. E.
See Office of Contract Settlement

Financing, Government
War Savings Bonds

6th War Loan Drive

Open Market Committee meeting - 10/4/44..... 28

a) Discussion by HMJr, Bell, Gamble, Haas, Murphy,
and Tickton prior to meeting..... 22

b) Distribution of Treasury bills..... 49

Conference; present: HMJr, D.W. Bell, Haas, Murphy,
Gamble, Tickton, Rouse, and Devine - 10/4/44..... 79

Bank loans "for the purpose of acquiring these
securities later for their own account" discussed
by HMJr and Bell - 10/5/44..... 260

Smith (Fred)-HMJr discussion of publicity - 10/4/44.. 73

Itinerary for HMJr discussed with Gamble - 10/4/44... 98

a) New Orleans stay discussed..... 104

HMJr's speech: See Speeches by HMJr

Letters to Navy, War, Burgess concerning start of
drive - 10/4/44..... 108,110,111

Magna Carta, etc. - exhibition of in connection with
tour: MacLeish-HMJr correspondence - 10/5/44..... 353

France

Report on situation by Simon L. Miller (Foreign Economic
Administration) - 10/4/44..... 148

- F - (Continued)

Book Page

Frey, A. W.
See Office of Contract Settlement

- G -

Germany
See Post-War Planning

- K -

Korff, Baruch
See War Refugee Board
Krug, J. A.
See Post-War Planning: Germany (Treasury Plan)

- L -

Lend-Lease
Weekly report
10/4/44..... 779 156
10/10/44: See Book 781, page 70
10/18/44: Book 783, page 97
10/25/44: Book 785, page 182
10/31/44: Book 789, page 80
United Kingdom
Gold and dollar holdings as of August 31, 1944 -
10/4/44..... 158
Aircraft flight delivery as at September 30, 1944 -
British Air Commission report - 10/5/44..... 361
Federal Reserve Bank of New York statement showing
dollar disbursements, week ending September 27, 1944 -
10/5/44..... 363
Los Angeles, California
See Speeches by HMJr: War Savings Bonds - 6th War Loan Drive

- M -

Magna Carta
See Financing, Government: War Savings Bonds (6th War Loan Drive)
Motion Picture Production
See Post-War Planning: Germany

- N -

Navy Department
See Financing, Government: War Savings Bonds (6th War Loan Drive)
New Orleans, Louisiana
See Speeches by HMJr

	Book	Page
Office of Contract Settlement		
Frey (A.W.) and Falvey (T.E.) from Surplus Property appointed as representatives to the Committee on Public Information - (10/6/44).....	779	358
Oswego, New York, Emergency Refugee Shelter		
See War Refugee Board		

Post-War Planning		
Bretton Woods Conference: E.E. Brown thanked for work done among bankers attending American Bankers' Association convention - 10/4/44.....		141
Germany		
Treasury Plan		
Krug endorses - HMJr's memorandum to White - 10/4/44..		131
Handbook: Trial of Germans - inclusion in Interim Directive discussed in White memorandum - 10/4/44... (For directive see page 134)		133
U.S.S.R.'s favorable attitude discussed by Gromyko and White - 10/5/44.....		280
Draft by DuBois of public statement to answer criticisms discussed by HMJr, White, Gaston, Pehle, Luxford, and DuBois - 10/5/44..... (For draft see page 206)		291
Keynes sent copy - 10/5/44.....		310
"Reparation, Restitution, and Property Rights": State Department's latest revision - 10/5/44..... (See also Book 759, page 245; Book 774, page 123; Book 777, page 69)		319
Motion Picture Production: Zanuck proposal discussed by HMJr and White - 10/5/44.....		288
a) Proposal returned to Hopkins with Treasury comments thereon - 10/25/44: See Book 786, page 189		
.....Conant, James B., talk before Foreign Policy Association - 10/5/44.....		333
Production (War)		
See War Production		

Smith, Fred		
See Financing, Government: War Savings Bonds (6th War Loan Drive)		
Speeches by HMJr		
War Savings Bonds - 6th War Loan Drive		
See also Financing, Government: War Savings Bonds		
Atlantic City, Chicago, New Orleans, etc., speeches discussed by HMJr, Barth, Coyne, Haas, and Murphy - 10/5/44.....		185
a) Barth draft.....		213
b) Press releases.....		228, 234, 240, 244
1) D.W. Bell's references to criticism of World War I financing.....		352

Speeches by HMJr (Continued)

- War Savings Bonds - 6th War Loan Drive (Continued)
- Atlantic City and Chicago speeches discussed by HMJr, Gaston, Murphy, and Barth - 10/6/44: See Book 780, page 14
 - a) Atlantic City: Draft from which reading copy was made: Book 780, page 43
 - 1) Reading copy: Book 780, page 223
 - b) Chicago speech: Book 780, page 43
 - 1) Draft - reading copy made from this: Book 781, page 2
 - c) Los Angeles speech - draft 1 (Vanderpoel): Book 781, page 115
 - 1) Discussion by HMJr, Gaston, Murphy, and Vanderpoel - 10/11/44: Book 781, page 105
 - 2) Reading copy - 10/14/44: Book 782, page 44
 - 3) Bell (D.W.) has copy 7½ hours in advance of delivery - Shaeffer memorandum - 10/16/44: Book 782, page 125
 - d) New Orleans speech - 10/12/44: Book 781, page 228
- General Watson transmits memorandum of slip-ups in HMJr's itinerary - 10/25/44: Book 786, page 172

U. S. S. R.

- See Post-War Planning: Germany (Treasury Plan)
- United Kingdom
- See Lend-Lease

War Department

- See Financing, Government: War Savings Bonds (6th War Loan Drive)

War Production

Decline on assumption of victory outlined - 10/4/44..... 779 145

War Refugee Board

Oswego, New York, Emergency Refugee Shelter: Copy of memorandum for FDR - 10/4/44..... 159

Korff, Baruch: HMJr's requested interview with discussed by HMJr and Nicholas Cefala - 10/5/44..... 254

Zanuck, Darryl F.

- See Post-War Planning: Germany (Motion Picture Production)

October 4, 1944
9:20 a.m.

PRESS RELEASE ON DEWEY'S SPEECH OF OCTOBER 3

Present: Mr. Gaston
Mr. Sullivan
Mr. Blough
Mr. Nunan
Mr. Atkeson
Mrs. Klotz

H.M.JR: When did you get finished?

MR. SULLIVAN: We have something that is neither good nor complete, but everybody seemed to be so tired that we thought it best to get a little sleep and then be of some use to you.

H.M.JR: Let's see what you have.

(Mr. Sullivan distributes copies of attached draft.)

H.M.JR: I like the first paragraph very much.

MR. NUNAN: I liked it, too, when I read it last night. I think John Sullivan did justice to that.

MR. BLOUGH: The first half is John's, and the second half is Joe's.

MR. NUNAN: Part of it is Blough's, too.

H.M.JR: I like the opening very much.

MR. BLOUGH: They got back to the speech idea instead of the press release.

H.M.JR: A lot of these powder-puff statements--

- 2 -

MR. SULLIVAN: That is Gaston's idea.

H.M.JR: Wait a minute! I raised the point of calling him a "powder-puff" fellow.

MR. SULLIVAN: You called me to remind me of that.

H.M.JR: I won't give way to Herbert on that!

MR. GASTON: I think we ought to strike it out.
(Laughter)

H.M.JR: I like that, "Surely a new low level of demagoguery has been reached when, in time of war, a Presidential candidate in his quest for votes tries to undermine this indispensable cornerstone of fiscal policy in this great free democracy."

Has Herbert been in on this?

MR. NUNAN: He made a few suggestions before he left. I also like that last line of that page, "The Governor's sudden acceptance of this principle makes it unanimous."

H.M.JR: That is very good.

Well, another thing I would like to refer to is, he said we also had to pay off the debt. Have you touched on that?

MR. BLOUGH: We have been pretty careful about that.

MR. SULLIVAN: I don't recall that he said that pointedly enough. I have it right here.

MR. BLOUGH: "Ultimate reduction of our national debt"--that is paying it off.

MR. GASTON: Government solvency.

MR. BLOUGH: "One that will assure us of a solvent nation and the ultimate reduction of our national debt"--he didn't say, "Pay it."

- 3 -

H.M.JR: I would say, "And how do you propose to do that?"

MR. GASTON: I think I would stick to his idea and say, "We shall need large new revenues to assure a solvent nation," quoted, "and ultimate reduction of our national debt," and then go on to three.

H.M.JR: That will be good.

MR. BLOUGH: Certainly ultimate reduction of our national debt--

MR. GASTON: It shows he ^{is} for it, too.

(Mrs. Klotz enters the conference.)

H.M.JR: Oh, that is marvelous, "In those three years, 1930, '31, and '32, the total tax yields of the Government were three billion, two and one half billion, and one and one-half billion."

MR. SULLIVAN: That is right.

H.M.JR: "Of course, the reasons for this were obvious. After three successive Republican administrations, industry, commerce and agriculture were so prostrate in this country that the ordinary man or woman didn't have any income on which to pay a tax, and the big fellow who still had an income was afforded so many alternative loopholes for evading his tax that he didn't pay any either." I don't like the word "alternative;" let's use the word "assorted."

MR. NUNAN: Say "loopholes," without anything else.

MR. GASTON: That takes in a little too much territory.

MR. SULLIVAN: That should be two sentences.

MR. GASTON: You shouldn't include all the people who had an income.

- 4 -

H.M.JR: Instead of saying "alternative," say "so many loopholes." You can say, "Many of the big fellows."

MR. SULLIVAN: That is right.

H.M.JR: (Reading) "This loophole enables wealthy people to invest millions of dollars in these securities and while more than 44 million people in this country are paying their fair share of the cost of this war, the wealthy holders of State and municipal securities are not paying a five-cent piece."

MR. SULLIVAN: He may have made some statement on that at one of these Governors' conferences. I think we ought to check his record on that.

H.M.JR: There is no question about it. I would even bear down a little bit and say that the State of New York--

MR. BLOUGH: We are in the embarrassing position--

MR. SULLIVAN: We all agree that the next paragraph should be in.

(Mrs. McHugh enters the conference temporarily)

H.M.JR: (Reading) "For years the present Administration has tried to repeal the preferential tax treatment known as percentage depletion enjoyed by owners and operators of oil wells and mining properties."

MR. NUNAN: Roy and John raised a question later on as to whether it was well to leave that in in view of Oklahoma and California.

MR. BLOUGH: Another reason is, they could say, "Well, for heaven's sake, after twelve years in office you haven't been able to get it out with all the control you have had!"

How about Washington?

MR. NUNAN: And Oklahoma?

- 5 -

H.M.JR: I think Oklahoma is close.

MR. NUNAN: Don't you think you have enough with the races, and the incorporating of business in the Bahamas?

H.M.JR: Let's leave it in. Mr. Roosevelt will issue the policy, and if he doesn't take it out during the day, you might.

I told Walter George we would read this thing over the phone, and I would like you (Blough) to do that. Read it to a fellow like Paul Porter.

I know where I can get these things, and I said in my letter to the President that this is a rough draft. I would read it to Paul Porter and to Walter George. I would very much like to have Robertson see it.

MR. BLOUGH: He will be at home. He is going to a Dies hearing this morning, but we could take it up to him. However, he will be back at twelve o'clock.

H.M.JR: That is too late.

MR. SULLIVAN: Why don't you give him a ring now and ask him to stop on his way down to the hearing?

MR. BLOUGH: He is leaving the house at quarter of ten.

H.M.JR: A quarter of ten?

MR. BLOUGH: This could be read to him over the phone.

H.M.JR: Go to it. Do you mind?

MR. BLOUGH: Not at all.

H.M.JR: The principal thing is, I want to get this over and see if it is what the President wants.

(Mr. Blough leaves the conference.)

- 6 -

H.M.JR: "The most ridiculous charge of all is the one that this Administration keeps Americans from getting ahead and would limit the wages of the small man. The same small man who has seen his income rise throughout the years--who has had the benefit of the Federal Housing Act--who will enjoy the benefits of the Old Age Pension--who has his small banking account insured--"

MR. SULLIVAN: The small man knows who his friend is.

H.M.JR: I saw a statement by the Comptrollers Office. Somebody get that for us. I think those are the most constructive, although maybe not the most impressive.

MR. ATKESON: Certainly.

H.M.JR: After all, the banks' growth is an indirect result of the growth of the country. Let's take a look at the banks who have the people's deposits. This is as good a cross section of this as any. Let's take a look at the banks. Start in with '33 and go on down through to today. They are earning ten percent on their capital. Get Cy to give it to you. Do you know Cy?

MR. ATKESON: Yes.

MR. SULLIVAN: Preston just got out a speech that has good material in it.

H.M.JR: "The biggest favor that this Administration has done for the veteran tax-wise is to have had the high taxes of which Mr. Dewey complains on excessive incomes and profits realized from activities, while the veteran was engaged in the important job of physically pursuing the war."

MR. GASTON: That sentence needs to be straightened out. What it undertakes to say is that the biggest favor this Administration has done for the veteran is to impose very high taxes on excessive incomes realized while the veteran was away fighting.

H.M.JR: You don't touch on the Lincoln Electric Company.

MR. SULLIVAN: No.

H.M.JR: Why not?

MR. SULLIVAN: Roy has a little statement on it. It was our opinion that the other parts of the speech were far more important than the Lincoln Electric Company.

(Mrs. McHugh enters the conference.)

H.M.JR: Look, I am just going to stop. Where do you stand on this issue?

MR. SULLIVAN: Did you read the last paragraph?

H.M.JR: Wait a minute.

MR. GASTON: It is page five.

H.M.JR: Yes, that thing about Mrs. Dewey is all right.

MR. NUNAN: It was Mr. Dewey's powder puff, not Mrs. Dewey's.

H.M.JR: If you don't mind, I am just going to have it cut off here. I am saying to the President that it is rough and it has to be improved.

MR. SULLIVAN: Oh, yes, it is terrible.

(The Secretary leaves the conference temporarily.)

H.M.JR: Could you, Herbert, give me some little time and attention this morning? The thing will be going over there, and I have explained that we are only sending it in rough.

(Mr. Blough enters the conference.)

- 8 -

H.M.JR: What luck did you have?

MR. BLOUGH: I have half a page of notes.

H.M.JR: A half a page of notes? What is his suggestion?

MR. BLOUGH: He felt that a somewhat more specific statement would be better even if it took a little longer to put it together. He didn't like very much the emphasis and the introduction about dividing the country. He doesn't think the Dewey speech is clear-cut enough along that line to justify quite so strong an attack on it.

He likes very much this "how gullible are the American people" section and thinks it should be pulled up to the beginning. He also likes the loophole material.

He sees some danger in the tax exemption and percentage depletion section in putting it in terms of, "We have tried to do it," or, "The Administration has tried to do it since it has been in control of Congress." He thinks it might be changed to what the major issues after the war will be, and what you think about them, but he didn't feel very strongly about that.

He feels that we ought to meet this rapid tax change business and the idea that it affects business adversely. He thought a good idea to meet that would be to point out that the worst collapse that we have ever had was when the Republicans were running the Government, and to add the few changes that they were talking about, that while since 1940 many of these changes have taken place, the country is enjoying the best business it has ever had in its history.

H.M.JR: If it was just the tax program--the Republicans were in fifteen years, in from 1920 to 1933--and we had the worst depression that the country has ever been through. Why not have the tax program that gave us prosperity?

MR. BLOUGH: He felt something more ought to be done on the little fellow charge. He felt it might not have been met fully. His general reaction was, he would like to see some of these things met a little more specifically.

- 9 -

H.M.JR: I agree.

MR. BLOUGH: I think that is all we have.

H.M.JR: Will you read it to Randolph Paul?

MR. BLOUGH: He is in New York.

H.M.JR: Read it to him, and tell him I tried to get him last night. I would very much like to have him put his mind on it.

MR. SULLIVAN: Do you want me to read this to Paul Porter?

H.M.JR: I would wait a little bit, and the same with George.

There is no chance of getting what's-his-name down here?

MR. BLOUGH: Who?

H.M.JR: Nat Robertson.

MR. BLOUGH: He is going to the Dies Committee hearing this morning. He said, "I want to be helpful in any way I can," and I think if you really want him to miss that hearing he would probably do it.

H.M.JR: I do.

MR. BLOUGH: Well, I will call him.

H.M.JR: You tell him I would definitely appreciate it.

MR. BLOUGH: He was just leaving home. His number is Oliver 4141.

- 10 -

H.M.JR: At that dinner they mentioned the fellow from the Lehman Foundation who now works for the Chicago Sun. Supposing you get a list of the people who have been awarded the Lehman Foundation. We might look them over and get them to come with us.

MR. GASTON: It wouldn't be too difficult.

H.M.JR: I mean, those who have had that fellowship-- they would be the pick of the crop.

MR. SULLIVAN: Was he a little fellow?

H.M.JR: He had an Irish name.

MR. SULLIVAN: That is the one I was talking about at lunch yesterday.

H.M.JR: It is O'Grady, or something like that.

MR. SULLIVAN: I can get his name very quickly. I can call Chicago and get it.

(The Secretary holds a telephone conversation with Mr. Nathan Robertson.)

H.M.JR: He is coming. So with his help, and Herbert's help, and the rest of you, I think we ought to be able to get out a good statement. This fellow is good, and you can simply ask him who the fellow is from Chicago, and who the other Lehman Foundation people are.

MR. GASTON: John Crider is one of the Lehman fellows.

H.M.JR: When you are ready, let me know.

In his radio address on taxes delivered on October 3, the Republican candidate for President demonstrated his utter disregard of national unity in a time of emergency. He proved beyond doubt that he does not know the American people nor is not above trying to deceive them. Never in the history of the world have a people been so completely in partnership with their Government in financing a war as the American people are today. The American people know how much we have at stake and they realize that no price is too great to pay to defend American liberty and American freedom. They have gladly accepted great tax burdens. They have enthusiastically and voluntarily purchased almost \$50 billion of War Savings Bonds. Without the slightest doubt they have demonstrated a support of the fiscal program of this Administration which is so united and so whole-hearted that even such a misinformed or intentionally misleading attack as Governor Dewey made in his radio address will not shake their morale.

I wonder if Governor Dewey realizes just how much the American people have been paying in taxes and how willingly they have been making these payments--at least until this powder puff statesman rose in protest against the tax on cosmetics? In the five years from July 1, 1939 through June 30, 1944, the American people paid in taxes more than \$84 billion. That's more than the American people had paid in taxes in the previous 150 years. In the year just closed, the American people paid in taxes over \$40 billion. Prior to 1939, the largest payments in any one year were less than \$5½ billion. Is this patriotic response of the American people what Governor Dewey called a failure?

The largest number of returns filed in any one year prior to 1939 was 8,097,254 filed in the year 1923. This year there were filed 44,609,649

individual and corporate income and profits tax returns.

These figures present a clear picture of the way in which the tax base has broadened and the tax burden has increased. These figures demonstrate the heroic response the American people have made to their country's need for funds in time of war.

The Internal Revenue Bureau which is charged with the collection of these taxes has done its job fairly and efficiently. While the number of returns and the amount of collections increased eight-fold, the total personnel of the Bureau was only doubled. The cost of collections per \$100 has dropped from \$2.11 in 1932 to .32 in 1944. The Bureau has been able to do this tremendous job only because of the whole-hearted support and cooperation of 99½% of the American people and 99½% of American business. Surely a new low level of demagoguery has been reached when, in time of war, a Presidential candidate in his quest for votes tries to undermine this indispensable cornerstone of fiscal policy in this great free Democracy.

Just how gullible does Governor Dewey think the American people are? Most of his speech is devoted to ~~describing~~ the horrible situation that would prevail in this country if the present wartime taxes designed to meet a very special and a very acute emergency were to carry over and to be applied in times of peace and reconversion. Thus did the Governor build the largest straw man in history. There probably is no person over 21 years of age in this country who hasn't known all along that the taxes devised for a war emergency would be repealed and readjusted to a peacetime economy. The Governor's ^{sudden} acceptance of this principle makes it unanimous.

- 3 -

In one 15-minute speech the Governor says "(1) We shall need large federal revenues," "(2) Reduce personal income tax rates," "(3) Lower the income tax on business companies," and "(4) Eliminate as soon as possible all excise taxes except those on alcoholic beverages, tobacco, and gasoline." All this and heaven too!

In a speech which purports to be a fair appraisal of the administration of tax law under the Roosevelt Administration, Governor Dewey carefully avoids comparing conditions with those which prevailed in the 12 years of Republican administration under Harding, Coolidge and Hoover. He neglected to tell you that our national income in 1930 was _____, in 1931 was _____, and in 1932 was _____. In those three years the total tax yields of the Government were 3 Billion, 2 1/2 Billion, and 1 1/2 Billion. Of course, the reasons for this were obvious. After three successive Republican administrations, industry, commerce and agriculture were so prostrate in this country that the ordinary man or woman didn't have any income on which to pay a tax, and the big fellow who still had an income was afforded so many alternative loopholes for evading his tax that he didn't pay any either. Remember those days when a man could incorporate his yacht, or his racing stable, or could move his fortune to the Bahama Islands and form a corporation there for the purpose of avoiding income taxes. How does Governor Dewey feel about these practices? Does he think they should be reinstated, or that these loopholes should be reopened for the benefit of the wealthy few?

Year after year the present Administration has sought to close the loophole which exempts the interest of State and municipal securities. This loophole enables wealthy people to invest millions of dollars in these

securities and while more than 44 million people in this country are paying their fair share of the cost of this war, the wealthy holders of State and municipal securities are not paying a five-cent piece. How about this, Governor Dewey? Where do you stand on this issue?

For years the present Administration has tried to repeal the preferential tax treatment known as percentage depletion enjoyed by owners and operators of oil wells and mining properties. Where do you stand on this issue, Governor Dewey?

The most ridiculous charge of all is the one that this Administration keeps Americans from getting ahead and would limit the wages of the small man. The same small man who has seen his income rise throughout the years--who has had the benefit of the Federal Housing Act--who will enjoy the benefits of the Old Age Pension--who has his small banking account insured--he will himself answer the charges on November 7th.

This part points out that Mr. Dewey appeals to all classes of taxpayers by using the story of the veteran who returns and starts in business with perhaps his wife as secretary-bookkeeper. Two paragraphs later, Mr. Dewey has this veteran and his wife in the corporate income tax bracket where their Government is taking 80 dollars out of every 100 dollars made. Ostensibly, it is no longer a small business, but a million dollar corporation. Mr. Dewey must full well realize that the high corporate tax returns mentioned by him were advocated by this Administration in order to prevent war millionaires. The biggest favor that this Administration has done for the veteran tax-wise is to have had the high taxes of which Mr. Dewey complains on excessive incomes and profits realized from activities, while that veteran was engaged in the important job of physically pursuing the war.

- 5 -

The Treasury Department has long advocated the repeal of many excise taxes just as soon as the war is ended. As a matter of fact a Committee has been working on this phase of the tax program even before Mr. Dewey was nominated. That program no doubt will recommend along with others, the repeal of the tax on Mrs. Dewey's powder puff, but not as long as the purchase of that powder by our American women helps to purchase powder for our fighting men. American women would resent repeal of that tax at this time.

October 4, 1944

My dear Mr. President:

I am sending, enclosing herewith, a rough draft of a statement which might be issued as a result of Governor Dewey's speech last night. We will continue to polish this statement up during the day, pending hearing from you.

I do not know what disposition you wish to make of it, but I would be very glad to give it out over my name, or may I suggest to you the possibility of asking Senator Walter George to put it out over his name.

I would appreciate your letting me hear from you as to what your pleasure is in regard to this statement.

Yours sincerely,

(Signed) Henry

The President,

The White House.

In his radio address on taxes delivered on October 3, the Republican candidate for President demonstrated his utter disregard of national unity in a time of emergency. He proved beyond doubt that he does not know the American people nor is not above trying to deceive them. Never in the history of the world have a people been so completely in partnership with their Government in financing a war as the American people are today. The American people know how much we have at stake and they realize that no price is too great to pay to defend American liberty and American freedom. They have gladly accepted great tax burdens. They have enthusiastically and voluntarily purchased almost \$50 billion of War Savings Bonds. Without the slightest doubt they have demonstrated a support of the fiscal program of this Administration which is so united and so whole-hearted that even such a misinformed or intentionally misleading attack as Governor Dewey made in his radio address will not shake their morale.

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Just how gullible does Governor Dewey think the American people are? Most of his speech is devoted to ~~describing~~ the horrible situation that would prevail in this country if the present wartime taxes, designed to meet a very special and a very acute emergency were to carry over and to be applied in times of peace and reconversion. Thus did the Governor build the largest straw man in history. There probably is no person over 21 years of age in this country who hasn't known all along that the taxes devised for a war emergency would be repealed and readjusted to a peacetime economy. The Governor's ^{sudden} acceptance of this principle makes it unanimous.

In one 15-minute speech the Governor says "(1) We shall need large federal revenues," "(2) Reduce personal income tax rates," "(3) Lower the income tax on business companies," and "(4) Eliminate as soon as possible all excise taxes except those on alcoholic beverages, tobacco, and gasoline." All this and heaven too!

In a speech which purports to be a fair appraisal of the Administration of Tax Law under the Roosevelt Administration, Governor Dewey carefully avoids comparing conditions with those which prevailed in the 12 years of Republican administration under Harding, Coolidge and Hoover. He neglected to tell you that our national income in 1930 was \$85,600,000,000, in 1931 was \$4,499,000,000 and in 1932 was \$9,963,000,000. In those three years the total tax yields of the Government were \$3,611,000,000, 2 1/2 billions and 1 1/2 billions. Of course, the reasons for this were obvious. After three successive Republican administrations, industry, commerce and agriculture were so prostrate in this country that the ordinary man or woman didn't have any income on which to pay a tax, ^{what?} and the big fellows ^{who} still had an income was afforded so many alternative loopholes for evading his tax that he didn't pay any either. Remember those days when a man could incorporate his yacht, or his racing stable, or could move his fortune to the Bahama Islands and form a corporation there for the purpose of avoiding income taxes. How does Governor Dewey feel about those practices? Does he think they should be reinstated, or that these loopholes should be reopened for the benefit of the wealthy few?

Year after year the present Administration has sought to close the loophole which exempts the interest of State and municipal securities. This loophole enables wealthy people to invest millions of dollars in these

securities and while more than 44 million people in this country are paying their fair share of the cost of this war, the wealthy holders of State and municipal securities are not paying a five-cent piece. How about this, Governor Dewey? Where do you stand on this issue?

For years the present Administration has tried to repeal the preferential tax treatment known as percentage depletion enjoyed by owners and operators of oil wells and mining properties. Where do you stand on this issue, Governor Dewey?

Summary of Comments By Government Security Dealers on Prospective Treasury Financing,
October 3, 1944

	Dudley Mills and Herbert Repp of Discount Corp.	C. J. Devine of C. J. Devine & Co.	Col. Allan Pope of First Boston Corporation	Ben Levy of Salomon Bros. and Hutzler
What issues should be in the basket?	7/8% certificate 1 1/2% note Sept. 1947 --- 2% bond Dec. 1952-54 --- 2 1/2% bond June 1965-70	7/8% certificate 1 1/2% note Sept. or Dec. 1947 --- 2% bond Dec. 1952-54 2 1/2% bond ---	7/8% certificate 1 1/2% note Sept. 1947 --- 2% bond Dec. 1952-54 --- 2 1/2% bond Sept. 1965-70	7/8% certificate --- 1 1/2% note Mar. 1949 --- 2 1/2% bond Sept. 1965-70
Reasons for changing the basket?	Wouldn't change basket except to increase maturities to cover passage of time.	Substituting a 2 1/2% bond for the 2 1/2% bond would improve the market in the 2 1/2% area by creating some demand for the issues now outstanding. Eliminating 2 1/2s would not cut volume of sales very much.	Wouldn't change basket except to increase maturities to cover passage of time.	The issues should be made less attractive to banks deliberately to reduce switching. However, there would still be switching in certificates. Corporations would buy the 1 1/2% note.
Should we offer a 2 1/2% bond?	No comment on a 2 1/2% bond.	As above.	Would not offer a 2 1/2% bond because we might lose some insurance money. A change at this time would be unwise.	Questioned whether the 2 1/2% bond would provide less funds than the 2 1/2s. Savings banks would take more of a 2 1/2 than of other issues.
Should restrictions be made to prevent speculation in drive issues?	No, but speculation could be reduced by announcing a bank offering to take place after the drive.	No comment on restrictions on drive issues.	May need speculation to put drive over. Just repeat letter sent out last time. Don't put in down-payment requirements. A 10% down-payment would legalize free riding and a 25% down-payment would discourage it too much.	Basket suggested would reduce switching. No restrictions mentioned.
Into what issue should the December certificate be refunded?	A 11-month certificate. Would not consider a 13-month issue desirable.	A 11-month certificate.	Either a 11-month or a 13-month issue would be satisfactory.	No comment made on refunding.
What issues should be offered to raise new money before the drive?	1 1/2% note now for \$2 billion. Bills would raise market but thought \$100 millions a week a good compromise.	First choice is \$200 million Bills a week. Second choice is \$1 1/2 or \$2 billion added to December certificate refunding. Did not feel Bills would push market up too much.	Bills of \$100 or \$200 million a week are feasible but not the best way.	3-month Bills are easy enough if you need the money. Could also put out Bills maturing in June and have banks pay for them by war loan account.
What is the outlook for the market?	Market will be getting tighter toward end of year because of technical position; also because of bank buying of rights on maturing 4% bonds in order to get drive issues. Market will take German collapse in its stride.	In general not concerned about bond market in event of German collapse. Market for 2 1/2s, however, would be helped if 2 1/2% bond eliminated from next drive.	Not concerned about adverse market on German collapse. Does not think 2 1/2 area will be affected particularly. 2% bonds are more vulnerable -- some of them are in speculative hands. Cutting out deferred payment plan would help 2 1/2% market.	Collapse of Germany would not have any effect. People feel that low interest rates are here to stay. Even Dewey made a statement to that effect.

October 4, 1944
10:45 a.m.

RE: OPEN MARKET COMMITTEE

Present: Mr. D.W. Bell
Mr. Gamble
Mr. Haas
Mr. Tickton
Mr. Murphy
Mrs. Klotz

H.M.JR: All I will have time to discuss before this Open Market Committee comes would be the question of whether we want to have any additional bills. Then this afternoon I could continue my discussion on the basket and try to clean it up.

I read very carefully the Federal Reserve matter.

MR. HAAS: Devine is here. Did you want him in?

H.M.JR: Not now, later.

MR. HAAS: He is in my office.

H.M.JR: Let's let him wait.

We don't need them. According to Mr. Bell we could go through.

MR. BELL: About three and a half.

H.M.JR: Three and a half billion, and if we took money on the 25th or 27th, dated it, we would get another five to seven billion dollars.

MR. BELL: Well, I think we might get as much as five billion dollars if nothing happens, even dating the

- 2 -

December 1. That is what we got in June. We dated these securities the 26th, and between the 12th and 26th we got, as I recall, between five and six billion dollars.

Now, if we have the same luck this time we would get five or six billion dollars between the 20th and the 1st. So you would have a balance going out of possibly eight or eight and a half billion dollars.

Now, if you date them the 25th or the 27th you would get a lot of corporate money on the day that interest starts and your balance might well be over ten or twelve billion dollars going out on November 30.

So if the Secretary doesn't mind the three and a half billion dollars without any money from the drive, then he doesn't need Treasury bills from the standpoint of the Treasury balance.

That is about the picture.

MR. HAAS: There are other considerations. You are in a critical period here - I mean, just before Elections, and so forth, but here is one thing I think that you should guard against. If you let bills run down to such an extent where many banks don't have them, that they are using certificates, what the Federal Reserve has succeeded in doing is cut off the low end of the market altogether; cutting off the three-eighths, so in all this struggle for low interest rates, you have lost the first stage of the thing. But you may decide not to do them now before Elections - I mean, for several reasons. But I wouldn't want them to get established on that ground, that you wouldn't pick up these bills right after--

H.M.JR: You are not going to reduce the amount of bills.

MR. HAAS: If you let them stand, without putting new money--

- 3 -

MR. BELL: He means in the hands of the market.

H.M.JR: We are not going to--

MR. HAAS: They keep buying them up, Mr. Secretary, so they will finally be all absorbed unless you put new increase in volume out.

H.M.JR: Their point is if they can't get these the banks themselves will buy some of this stuff - some of these certificates and things.

MR. HAAS: The point is--

H.M.JR: Look, the thing that nobody has shown me - where the hell is this thing going to end? You are going to build it up to fifty billion dollars' worth of bills. You can't keep taking a shot in the arm indefinitely, and that is what you fellows keep recommending.

MR. MURPHY: It ends, Mr. Secretary, when the increase in currency and the out-flow in gold and the increase of bank reserves end - when the fundamental forces which cause it end.

H.M.JR: These fellows have been arguing about this since doomsday. We started with seven billion reserves and went down to zero. You have kept throwing this thing at me, and at me, and at me. We had to have reserves and we started with seven billion, and now we are down to less than a billion. Was it nine hundred million?

MR. MURPHY: About eight or nine.

H.M.JR: The thing still functions.

MR. HAAS: It has been a struggle all the way through. This decision today, before Elections, use your elbow on that. But I would like to have some chance to go over this whole thing, because I am afraid if they get their foot in the tent here they have really made some progress. It makes it difficult for us to turn around.

- 4 -

H.M.JR: Elections has nothing to do with this.

MR. TICKTON: Of course the billion dollars was excess reserves, as such. At that time we didn't have a posted bill rate. Now, the posted bills, four or five billions that are in the hands of banks, are functioning just like that seven billion dollars did before. They consider them excess reserves. So it isn't down to nine hundred million, but nine hundred million plus this leeway. So actually the banks, a commercial bank's bills, would represent maybe four billion when they are really down to five against seven.

H.M.JR: It isn't going to make or lose a vote whether I get out a hundred million dollars' or two hundred million dollars' worth of bills.

MR. HAAS: But I would take them out. The bankers recommended that, even.

MR. BELL: They recommended a hundred million, yes.

MR. HAAS: And Devine told me that. You know, he came in here with this device about adding on the certificate. He said that was his second choice, that his first choice we sent over to the Fed was to increase bills, but the Fed was so opposed to them he went back home and figured out something else. But I don't consider him an outstanding authority because it is monetary reasons, you see, why bills should be increased.

MR. BELL: It certainly wouldn't do any harm to put out a hundred million dollars in bills.

MR. HAAS: No, it would ease your situation and you need it eased because it is so uncertain, politically and otherwise.

H.M.JR: Let me give Gamble the argument because he hasn't been around as long as I have, so I have to take the side of War Bonds.

- 5 -

What they don't want - and they haven't got the courage to say so in writing - is that by not increasing the bills you make it that much more difficult for the banks to lend money to different people who want to buy war bonds during the thing. Do you see? And by not adding these now, you make it that much more difficult for these fellows to free ride. We have to be very honest because we are dealing in terrific figures.

MR. TICKTON: It also includes switching.

MR. BELL: Mainly the switching.

H.M.JR: It is the whole business.

MR. BELL: It enables the banks to get excess reserves through the expenditure of this bill money, and then they go into the market and buy longer-term securities such as the notes and the two percent bonds. They don't buy bills. They buy the longer securities and get a higher rate, and we are furnishing the money with which to do it. That is the Federal's argument, and it makes it much harder for them to maintain the curve because we are pushing it out of line all the time through this flow of excess money into the market.

They have another argument that some banks do need excess reserves and they have bills, certificates, short bonds, short notes that they can put to the Federal and get the excess reserve; whereas, through the medium of the bills we throw a hundred or two hundred million dollars to the market and it doesn't go to the banks that need the excess reserves. It goes to all banks, even the banks that have excess reserves, so they are into the market pushing it up all the time. That is their argument.

MR. TICKTON: Bills make the drive easier to boil it down, and the absence makes it that much harder. That is the one sentence.

MR. GAMBLE: I follow that.

- 6 -

MR. HAAS: I don't think there is anything to this argument about making it tough for the Treasury, and therefore we will sell more to individuals outside the banks. The problem is this: You take an aggregate, that you need so much money. We sat down with the sales force and they were all here and they said they could sell so much on the basis of their present organization outside the banks.

Well, the balance has to come from the banking system and it has to be divided between the Federal Reserve Bank and the commercial banks. Now, if so much has to come from the banks to make it tough for Ted, that doesn't change that problem any, but it puts the Treasury in a position where they take more risk, and I can't see any basis for taking more risk. It is the same fight you have had since the war financing started and it comes up under a different flag each time.

MR. GAMBLE: I should think the bankers' compromise would be, probably, the least you would want to do about it - their recommendation - the ABA Committee's recommendation that the bills be stepped up a hundred million dollars instead of two hundred million.

H.M.JR: Well, I will tell them when they are here. I won't decide anything now. We will have another go at it this afternoon. Fortunately, I am free. I am going to settle it today or tomorrow.

MR. GAMBLE: Fine.

October 4, 1944
11:00 a.m.

OPEN MARKET COMMITTEE

Present: Mr. D. W. Bell
Mr. Gamble
Mr. Haas
Mr. Tickton
Mr. Murphy
Mr. Goldenweiser
Mr. Rouse
Mr. Ransom
Mr. Piser
Mrs. Klotz

H.M.JR: Were the rest invited?

MR. RANSOM: Some of them are here, and some are not. Mr. Sproul and Mr. Eccles, as you know, are both out of town. Szymczak, as far as I know, is still out of town.

H.M.JR: Is he back from Europe?

MR. RANSOM: Yes, he has been back some two or three weeks. I haven't seen him, however.

H.M.JR: Well, I read your memorandum very carefully; it was given to me yesterday. What I would like to settle here today, on account of being Wednesday, is the bill question, see?

I am not quite ready yet to settle this question about the basket, but I do hope to settle the war bonds between now and Friday night.

Before you do anything, have you the latest figures on the balance situation?

MR. RANSOM: No; I would like to have them.

H.M.JR: Would you mind giving him those, Dan?

- 2 -

MR. BELL: We came into October with a thirteen billion, three hundred million dollar balance, and we will go out of October with about eight and a half. We will go out of November, without taking into consideration any funds that we might get in the drive, with about three and a half. The drive starts on the 20th, and in past drives we have gotten in the same period five or six billion dollars. The worry we have here is the uncertainty of the period; and if something should happen and we didn't get that money, our balance would be lower than we have set as a policy in the past. That is the worry we have at the present time.

MR. RANSOM: Of course, Dan, as this memorandum points out, you always have the direct borrowing available to you. That is the reason Congress passed the law.

MR. BELL: We are well aware of that, but we certainly don't want to use that authority going into a drive, or in a drive, it doesn't seem to us, unless it is necessary to run an overdraft for money market reasons and not for financing reasons. I don't think we want to use that for that purpose, particularly in a drive.

MR. RANSOM: Don't you think your balances will be ample without any of that?

MR. BELL: If nothing happens I think they will, yes, but it is a little uncertain because of what might happen abroad. It is lower than we like to see our balances. We would feel much more comfortable if that balance were double that.

MR. RANSOM: I think the Committee has pretty fully pointed out to the Treasury why it objects to the use of bills, on several occasions, quite freely. I think that record has been made, because we very sincerely hope that the Treasury will consider it and will be guided by our reasons for objection to that as a policy. We think the consequences are quite evident. You are not borrowing directly, no, but you are borrowing indirectly. It is perfectly obvious.

- 3 -

MR. BELL: Well you have a billion dollar increase in Treasury bills in the hands of the banks during the last operation. I think they went from four to five, didn't they, Bob? You had four billion in Treasury bills in the hands of the banks along in April.

MR. ROUSE: Yes.

MR. RANSOM: This is the chart I asked them to make up for me yesterday in order to point out an obvious fact that we are taking your bills as you issue them (Indicating chart entitled "Distribution of Treasury Bills").

Now, in addition to all the memoranda that the Treasury has been given, Mr. Secretary, I asked some of our people yesterday to reduce to a very brief form the material that we have had before us for consideration. Now, this is wholly my own statement, and not one that has been considered by any other Board member or member of the Committee, and with your permission I would like to read it: "There is no market today for additional three-months Treasury bills at three percent. As the chart shows, the entire increase in bills since the beginning of 1943 has been taken by the Federal Reserve Banks. Consequently, financing the Treasury through bills at this time is equivalent to borrowing from the Federal Reserve Banks. Furthermore, the arrangement made with the dealers to take the bills and pass them on to the Federal Reserve Banks makes the transaction, in effect, borrowing from the Federal Reserve Banks. In the circumstances, no new bills should be issued unless it is desired to increase member banks' reserves, since purchases by the Federal Reserve Banks, of course, have that effect. By issuing Treasury bills at this time, the Treasury would give the member banks additional reserves with which to hold and expand their holdings of Government securities acquired during the last drive.

"The Treasury was not pleased with the fact that the banks took so many Government securities, and has criticized the banks for doing so. If more bills are issued now, this would amount to ratification of this action and an invitation to continue it on an enlarged scale. To an unfriendly critic of the way the Treasury has financed the war, this

- 4 -

affords an opportunity to say that the Treasury's profession of wanting to finance the war by drawing upon the people's savings has not been sincere, since it has pursued a policy of excessive leaning on the Central Bank, with the effect of encouraging banks to buy more and more of the Treasury issues."

It seems to me, Mr. Secretary, that that is what all of us must face. I sincerely hope that no unfriendly critic of the Treasury policy will ever make that point, but I think the record, unfortunately, does make it, and as between doing a thing indirectly and doing it directly, my preference would always be for doing it directly. And I would greatly prefer, personally, to see the Treasury, if it had to - I don't think it will have to resort to that, but should you have to resort to that - borrow directly rather than indirectly. That seems to me to be the entire story. It is told in any number of records that the Committee has made with the Treasury.

H.M.JR: Well, you are familiar with the fact that the ABA Committee, the big Committee, was down here and recommended that we borrow an additional hundred million dollars' worth of bills a week.

MR. RANSOM: I had heard that.

H.M.JR: And, as a matter of fact, I asked Mr. Bell to communicate that to you - contemplating borrowing two hundred. I am sure he communicated, but these people who certainly would be the first to criticize this group, did go on record here in writing recommending that we--

MR. RANSOM: Mr. Secretary, I am not personally very profoundly impressed with that position, or with the source of that position - to be quite frank about it. I think the Treasury has to make these decisions beyond anyone else and it doesn't seem to me that the Banking Committee recommending that would obviate the fact that the Treasury may get rather severe criticism.

H.M.JR: From what source?

- 5 -

MR. RANSOM: I don't know, Mr. Secretary. It could come from students of the problem. I don't think the bankers have thought it through in discussing it with us; and at various meetings we have had with them, I have never been impressed with the fact that they see exactly what is happening.

MR. GAMBLE: Don't you think, Mr. Ransom, that the Committee that was here probably took into consideration the fact that the Treasury is doing everything it can to borrow all the money it can from every market and that was the reason for this recommendation?

MR. RANSOM: That is the Treasury's position, and I would like to see the Treasury carry that as a policy through as far as possible and not deviate from it, which I think would be the case if you resort to a bill issue at this time.

MR. GAMBLE: Whatever is done to ease the whole market situation through the bills with respect to reserves doesn't lessen one bit the Treasury's effort to sell all of the securities it can sell to individuals.

MR. RANSOM: I would hope not.

MR. GAMBLE: I think the record bears that out.

MR. BELL: How many securities do you have to buy between now and, say, the twenty-third?

MR. ROUSE: In round numbers, I guess a billion and a half, possibly.

MR. RANSOM: But I would rather see us buy something else, Dan. If the banks have to sell us something else, why, all right, why not?

MR. BELL: What would be the harm in getting half of that through Treasury bills and giving us a little supplemental money?

MR. RANSOM: Because I think the record points out that you get it in the end from the Central Bank.

- 6 -

MR. BELL: It has a certain psychological effect, getting it the way we are getting it. You fellows don't like it, but I don't see as any harm has been done, and we have had very little criticism of the method we have followed.

H.M.JR: I haven't seen any criticism of it.

MR. RANSOM: No, I think the Treasury has been most fortunate, and I hope it continues so.

H.M.JR: Maybe Mr. Haney, Mr. Hearst's stool pigeon, may write something along those lines--the Chicago Tribune did write an editorial, but outside of Hearst and McCormick, I haven't seen any criticism.

MR. RANSOM: No, I think the Treasury has been most fortunate.

H.M.JR: And they criticize anything I do.

MR. BELL: George Wanders had one paragraph in the paper about three weeks ago that was written in such form that one person out of a hundred wouldn't understand what he meant, but--

MR. RANSOM: That is one advantage the Treasury has, not one person out of whatever number you choose understands exactly what the process is. But what disturbs me is that the record is being made. I think on the whole the Treasury has done an exceptionally fine job of financing a war in a very difficult period, and I would not like personally to see that record at all criticized because toward the end of this period a policy is being followed which I don't think is intellectually correct. It isn't straight-forward, and I don't think that is the attitude of the Treasury at all.

MR. HAAS: What part of it bothers your intellect.

MR. RANSOM: I think you are financing through the Central Bank, and so doing it as to obscure the fact that you are. I think you are doing indirectly what the law

- 7 -

permits you to do directly if the occasion arises. I have the greatest doubt as to whether that occasion is going to arise, and certainly not in this particular period or in connection with this drive.

H.M.JR: Well, as far as doing the thing directly or indirectly, let's take first the question of public criticism. The public--at least, not the public, but at least a few financial writers would come down on my neck with hobnailed boots if I borrowed from you direct.

MR. RANSOM: I think most of those people as they study, Mr. Secretary, would see--

H.M.JR: I don't want to be harsh, but let's be a little bit frank. You are talking about intellectual honesty. You people have been trying for two years to get me to raise the interest rates. Let me run through this thing. For two years you have been after me in every way.

I went down to a dinner there in New York, which I think was for George Harrison, and Sproul got up there in front of everybody and just went after me hammer and tongs on this business. And I just told him that the answer was no.

Now, you people wouldn't face the issue with the Government bond dealers, and I just had to do the thing and take it, and just tell them what I wanted. And as far as telling the story to the public, I would be delighted any time to go to bat with the Federal Reserve on intellectual honesty and conducting this war on one point eight. And on either two or three occasions when you people wouldn't meet the issue, you put me on the spot where I had to say, "O.K., I will do it, and I will direct the Federal Reserve as to what to do." I did it either two or three times.

Now, when the history of the war is written, I am more than willing to stand on one point eight, and that is the average. Granted, I used every device which I could that was put at my disposal.

On the other hand, once I made the decision and told them what I wanted, the Federal Reserve Board and the Open

- 8 -

Market Committee played ball a hundred percent. There has been no criticism, and no holding back of the Open Market Committee or their representatives in New York on maintaining the thing once they forced me to the position of having to tell you what I wanted. Now, if I had to use some devices in order to do this, I would say in wartime, "I am proud of what I did," because the whole trend of the Federal Reserve Board has been to raise the shorter security.

Now, I am not going to sit here and take it from anybody-- let's call a spade a spade-- that the Treasury has been intellectually dishonest. We have used devices which have been at our disposal in order to keep the interest rates down in order to put this thing over and finance this thing as against the last war, when the Federal Reserve System was entirely in charge of Liberty Loans, and the Treasury wasn't. We have done this thing at a stable rate, and I will compare my record against the Federal Reserve System in World War I anytime.

MR. RANSOM: Mr. Secretary, I started out by saying that I think the Treasury has done an exceptionally good job. Also, if you ever have occasion to go back over the record you will find that from the beginning of the war I have personally constantly urged that the war be financed at the lowest rate that was workable. I have never deviated from that at all. I think that when the Treasury fixed two and a half percent as the maximum rate it accomplished a real result. I think you have every reason to be exceedingly proud of that, but, Mr. Secretary, the danger is this, as I see it, that in order to maintain that rate at two and a half you have to do something at the lower end of the so-called pattern of rates. I don't like that term at all; I never use it voluntarily. But if you are going to maintain some relationship between your highest rate and your lowest rate, you can't have a situation developing where constant pressure on your high rates is going to drive that high rate lower and lower, and far lower, in my opinion, than you, yourself, would want in the public interest.

- 9 -

Now, the only thing I have to say on this question is that for the sake of the Treasury--and I am speaking with entire sincerity--and the record of the Treasury, I would much rather see them, if you have to increase your balances, increase them by buying directly from the Fed than by using this plan which is producing a result.

Now, as to the question of your having to tell the dealers rather than us, we were involved in a legal question, as you may remember.

H.M.JR: I didn't even ask my lawyers. I don't know how many lawyers I told.

MR. RANSOM: Not too many, probably.

H.M.JR: I didn't ask my lawyers about it. There was a job to be done, and I said, "We are at war." All I had to do was raise my eyebrows. There wasn't anything; that is all. You people could have done the same thing.

MR. BELL: Of course, we did that, Mr. Secretary, after we talked with a number of outside people and got their views as to what kind of criticism we would get if we did it correctly, and they were unanimous that they thought that the newspapers would just tear us apart for going directly.

MR. RANSOM: These are all matters of opinion, and, Dan, I don't believe actually you are going to have to borrow directly. I think you are by that stage in this whole process of the war, and are doing, as I think, a good job. I am not critical of the Treasury's position, but I think you are running into trouble, perhaps thoughtlessly, and perhaps without due regard to what may be the end point of a policy which you are pursuing.

H.M.JR: Look, there is a hundred million dollar increase in currency each week, roughly. How are we going to meet that?

MR. RANSOM: Well, I think the banks can sell securities they hold without affecting the market, Mr. Secretary.

- 10 -

H.M.JR: Maybe.

MR. RANSOM: I think your two and a half percent rate is all right. I would like to see that adhered to as well as can be done in this period. I think there is a point beyond which the Treasury does not want to go.

H.M.JR: Look, we have had a certain combination which seems to have worked. We get enthusiasm and over-enthusiasm in the Atlanta District, too much enthusiasm. And the Federal Reserve hasn't been able to do a g. d. thing about it.

MR. RANSOM: I think we can only do something about it when the Treasury and we can agree on what should be done. I have told them repeatedly that it is too bad.

H.M.JR: Yes, too bad. But with the exception of Atlanta and Baltimore, everybody plays ball. But Atlanta and Baltimore won't, and I think it is largely the job of the Federal Reserve Board, and you haven't been able to get them to quit this monkey business.

MR. RANSOM: I think we need some help from the Treasury.

H.M.JR: We have tried awfully hard to help you, but we have no authority to go down there and put iron in their soul.

MR. RANSOM: Unfortunately the Treasury is going down there now and putting profits in their pockets, which I know is not what the Treasury wants done.

H.M.JR: No, you are wrong. My whole attitude on this financing of the war until this phase one is over is, I want a buoyancy in the market, and I want the people to make money. I have said so right along.

MR. RANSOM: You don't want them to make it the way they are making it in the Atlanta District.

- 11 -

H.M.JR: Not in the Atlanta District, but in the country at large, and there are fifteen thousand banks outside of the Atlanta District. But I do want a buoyancy, and I do want the people to make money; that is the whole success of this thing, that everybody has made money on it. And the second they can't make money out of it, the bottom drops out of this thing.

I have said this before: I want the people to make money. I don't want them to think that this is the Laurel race tracks, but I do want them to make money; they have made money; nobody has made more money than these Government bond dealers. God, I would like to be in that business. You buy something, and it goes sour on you, so you hand it over to this fellow. It is a wonderful business! I would like to be in it myself. It is a nice business.

MR. BELL: You wouldn't say that the situation in Baltimore and Atlanta was caused by the excess reserves or the policy pursued in respect to bills.

MR. RANSOM: No, but I think you could check the situation in both areas very simply. I think a reasonable down-payment will stop the Atlanta situation over night. I have told you before that I know that well enough to know that it can be stopped.

H.M.JR: Well, we haven't been able to do it. I think you people are making a terrific mountain out of this bill business. It isn't very important to me. I can shut it off tomorrow, but you people keep coming back at it, and I think you keep coming back at me. This is the way I feel, and maybe I am doing you a gross injustice, because I think you would like to see that three-eighths interest raised to a half.

MR. RANSOM: I think, Mr. Secretary, you have to do something that is going to balance this thing.

(The Secretary leaves the office temporarily.)

H.M.JR: Doctor Goldenweiser, do you want to say something?

- 12 -

MR. GOLDENWEISER: No, sir, I don't think I have anything to add. I think all of the views have been stated on both sides.

MR. RANSOM: Mr. Secretary, I would like to ask Doctor Goldenweiser if he is in agreement with the position of the Federal Reserve Committee?

MR. GOLDENWEISER: Yes, I am.

H.M.JR: He would be shot at dawn if he wasn't.

MR. RANSOM: Oh, no, he would shoot us at dawn.

MR. GOLDENWEISER: I do feel that I agree with you, Mr. Secretary, that it is not a matter of very great importance at this particular time, and I don't think Mr. Ransom thinks it is a matter of very great importance. It is a matter of our anxiety, and I wish you would believe in our sincerity of having your record, which is an excellent one, maintained as well as it has been. And I think it is desirable to prevent the possibility of unnecessary criticism when the course of action is one that doesn't seem to us to be needed for the accomplishment of your purpose of financing the war, and financing it as cheaply as possible. Now, that is an opinion, an honest opinion, and it has been stated here about as well as I could state it, so I don't see any reason for adding anything to it. I don't believe that if you decide to buy a hundred million dollars more of bills a week that that is going to make an awful dent in the history of the war or the war finance, but I do think that you would have a somewhat more perfect record if you didn't, that is all.

H.M.JR: That is a very mild statement.

MR. GOLDENWEISER: That is exactly how I feel.

H.M.JR: Rouse?

MR. ROUSE: I haven't anything to add, Mr. Secretary. You know my position in respect to this?

H.M.JR: I am not sure I do.

MR. ROUSE: I know that there is no demand for bills. I have a conception of the relationship of the system to the market, and the Treasury to the market, and the securities should be first sold to the market, and they should be securities which the market will take. I can say, too, as Mr. Goldenweiser did, that eight hundred million or a billion doesn't make any terrible difference, but it is always adding to it, and it is always a small amount.

You asked my advice as to whether to issue bills or not. I advise you against issuing bills.

H.M.JR: Of course, the way I feel is this--

MR. ROUSE: It has nothing to do with the rate situation. You decided a year ago you wanted three-eighths for the war, and I am not raising that question at all.

H.M.JR: I think it is a good gamble that phase one of the war will be over this calendar year. There is a possibility that it might be over--it is anybody's guess; I have no inside information--before the 20th of November, and I think we might need just a little bit of additional buoyancy. If it is over after the war bond drive is over and then the currency situation changes, we can change our bill program. I don't want you people to think I am wedded to this forever, because I am not. As a matter of fact, before I got your memorandum I was for doing two hundred million. You whittled me down to a hundred, and I am not adamant on the hundred if you people thought it was a crisis and simply said, "Look, this is going to wreck the program, and we think this is a major mistake."

I would, said, "Out the window with it."

MR. RANSOM: I don't think anyone ever would tell you that, no, certainly not.

H.M.JR: If you say this is a major mistake and you people think we are making a great blunder, I would say,

- 14 -

"All right, we will bow to the advice of the Federal Reserve," and we don't do it.

MR. RANSOM: As to the degree of mistake, that is a matter of opinion.

H.M.JR: Well, if I had my word, these people had to fight me inch by inch on every increase of bills that I ever put in. I don't like them, and Haas' people have had to fight me all along the line. I have always felt that there is a certain amount of danger connected with it. It is my least favorite instrumentality in financing. I just want you to know that. So it isn't something very close to my heart on this thing, but I do have to look at the whole thing, and, as I say, if the war with Germany should be over between now and the 20th, I just think this would help a little bit, make a little egg. And I think, again, if the war in Germany is over, Gamble is going to have a much harder time than he thinks, or his salesmen think. I think it will be much, much tougher, and I don't think that--he disagrees, and he most likely will prove he is right. I am much more conservative about the toughness of putting across the Sixth War Loan. I think it is going to be a hell of a tough job, and with that in mind I am going out for one week to talk to his people in four different places to do whatever I can to be helpful.

Now, feeling the way I do, and Colonel Pope, incidentally, felt that way, that it was going to be tough, I don't want to cut all the props out from under this war bond crowd; and while this isn't a major problem, still it is a problem.

MR. GOLDENWEISER: May I say one word, not as an argument, but just before you went out you said that you thought that the Federal Reserve underneath it all is still anxious to have a half of one percent.

H.M.JR: Sure.

MR. GOLDENWEISER: I don't know that I can speak for all the Federal Reserve, but I have talked to a number of

- 15 -

them, and I can speak for those I have talked to, and for myself. At this time we have no further interest whatever in having that rate go up on the short bill. I think there was an argument on it, and I think we could rehearse that argument ad infinitum, and it is my personal opinion that you could have achieved the same result that you have achieved in the way of the cost of the war, and maybe even less if that short rate was a little higher, because I think that it would have meant there would have been more of the short rate bought and less of the long rate. But that is an old argument, and it will not interest anyone now.

I think at this late stage where we all realize that this particular phase of the situation is about over and this rate has been established and maintained at that rate, I don't think there is anyone interested. I haven't seen or heard anyone in the Federal Reserve say they were interested in having that rate go out. You know, it was a very strong conviction of the chairman's for a long time. I know that just before he went out he said he would be opposed to having that rate changed now.

H.M.JR: Had he been to New York and talked to them?

MR. GOLDENWEISER: I have talked to them, but I can't speak for others. It is pretty dangerous. I am speaking chiefly about the Board and our meetings here, and in the Open Market Committee meeting this last month there wasn't any voice raised for raising that rate. Isn't that right, Mr. Ransom?

MR. RANSOM: Yes.

MR. ROUSE: It is all right as far as the New York Bank is concerned, too. There has been no question raised by the New York Bank with respect to the short rate, sir.

MR. GOLDENWEISER: I would just like to not have you think we are trying to accomplish something that we have abandoned now.

- 16 -

MR. RANSOM: I regarded that decision as entirely beyond us in the past. We don't need to rehearse the reasons for it, but I think you are approaching nearer and nearer to a time when you will be perplexed as to how you will maintain your long-term rate. I think that is your real difficulty, and I think that is what lies ahead. I think you are merely adding somewhat to the fuel of your own difficulty and your own perplexity by using the bills. I do not think it is a major issue. I don't think the result of the war depends on it or the result of the financing depends on it. Perhaps the only thing is what in the future will be said as to this as a method of doing the job.

H.M.JR: Well, I would like to have the rest of the day to ruminate over it.

Have you told them what these various dealers told us yesterday?

MR. ROUSE: Yes, I told them in substance what I said to you in the memorandum. In fact, I read them a copy of that memorandum which I gave you, and I thought that the two points on which I commented were the only ones in which there was variation.

H.M.JR: Now, are you fully informed of what the Federal Reserve Board would like in the way of a basket?

MR. BELL: They recommended the same basket that we had in the Fifth.

MR. RANSOM: I couldn't see that there was any issue there, Mr. Secretary, to even discuss.

H.M.JR: Will you be here today and tomorrow?

MR. RANSOM: Oh, yes.

H.M.JR: Then could I telephone you during the day and tomorrow?

MR. RANSOM: Certainly. I would like you to do that. All right, sir.

- 17 -

(Mr. Goldenweiser, Mr. Rouse, Mr. Ransom, and Mr. Piser leave the conference.)

MR. HAAS: Mr. Secretary, they spoke of all the students of this problem agreeing with them. Well, our shop is unanimous, call it students or whatever you want; our New Dealers we have down from New York all agree. They want bills.

H.M.JR: Well, you fellows have to do a job. I am throwing my weight the way I am largely to help your (Gamble's) salesmen. I mean, I can't cut everything out from under.

MR. GAMBLE: And they agree that the job on the whole has been good. This is no time to make a decision.

H.M.JR: But on the question of reserves and all the rest--

MR. HAAS: We ought to have some time. Maybe you will have to wait until after election, but we need leisure time to go over this whole business.

MR. GAMBLE: If we get any break in the war, Mr. Secretary, this may be our last big drive, talking in terms of twelve billion for the Seventh War Loan Drive-- that may be the time to start taking off any pressure.

H.M.JR: I think the pressure will have to be increased. Everybody who comes in here keeps talking about when the war in Germany is going to be over, and I think with that out, everything will be four times as hard.

MR. GAMBLE: I don't question that for a minute. I was thinking of the big money.

H.M.JR: We are going to have to get the big money. His figures show we are going to have to borrow sixty billion dollars twelve months after the war stops in Germany.

- 18 -

MR. GAMBLE: But it is easier to get twelve billion than it is sixteen, that was my point.

H.M.JR: Well, Dan, I would go ahead with the God-damned--pardon me, Mrs. Dickinson--I made a fighting speech.

MR. HAAS: It was a swell speech.

H.M.JR: I made it because he makes me mad. Intellectually honest--and we should buy from the God-damned Federal Reserve, and then wouldn't we be in the soup! Of all the hypocrisy I ever heard in my life! Mr. Haney or somebody like that of Hearst's might criticize us for doing this thing if they whispered in his ear, but I can go and buy directly from the Federal Reserve, and then the common man can understand that.

MR. BELL: We certainly went into that pretty thoroughly. You remember, we asked a lot of people. They said, "You certainly will get the criticism when you go directly to the banks."

H.M.JR: And these fellows sit there namby pamby, and all I had to do was raise my eyebrows, "Boys, if you know what I mean, I want a good bill market."

They said, "We know what you mean."

MR. BELL: You never asked them to do anything.

H.M.JR: Not at all. I simply said, "The bill market can be better. Can you fellows do it?"

They go like this and look at me like that (indicating). And that is that.

Well, let's continue this at three o'clock this afternoon. I will take a minute, and then we will go over this business and try to settle the basket today or tomorrow.

Now, who of this crowd is going with you on this trip?

- 19 -

MR. GAMBLE: Tickton is going to Atlantic City, and Lindow is going to Los Angeles.

H.M.JR: Who is going to be there?

I haven't accepted this press release yet, and all the rest of that. I was going to do that tomorrow. Who is going to do that; who is going to be there?

MR. GAMBLE: We have this plan, you know, that I told you about, of sending that man out. Herbert thought it was a swell idea. We have set that up.

H.M.JR: But I have to have somebody with me.

MR. GAMBLE: I thought Shaeffer was going with you. Shaeffer told me that Smith had told him that he was going to be going with you on this trip.

MR. BELL: That is what Shaeffer told me, too.

MR. HAAS: Do you want somebody there technical?

H.M.JR: I want a technical person.

MR. HAAS: Henry. He can go for the four stops if you want him.

H.M.JR: He is all right with me. Can you stand the trip?

MR. MURPHY: I think so, Mr. Secretary.

H.M.JR: Do you know?

MR. MURPHY: Sure.

H.M.JR: Henry is all right with me. He is terrible at the night clubs though.

MR. GAMBLE: If I can have ten minutes with you after our meeting this afternoon, I have some information about

- 20 -

about your trips, broadcasting, and so forth, that I would like to give you.

H.M.JR: I think somebody that has the technical information ought to go along. What is Shaeffer going to do?

MR. GAMBLE: As I understood it, Mr. Secretary--I am only reporting to you; I haven't had a chance to talk to you about it. When we sent up this man to handle the conferences, I talked to Fred earlier about that, and I talked to Shaeffer about it. Shaeffer said that Fred had told him that he would be going with you on the trip.

H.M.JR: Is Fred going?

MR. GAMBLE: Fred is not going, as I understand it.

H.M.JR: I thought he was.

MR. GAMBLE: His office told me yesterday that they didn't even expect him back here until the week end. I was trying to find that out, because I wanted to give him the information.

H.M.JR: Is this advance man going to be so advance that I never see him?

MR. GAMBLE: No, you will see him every place. He will handle the conferences there.

H.M.JR: What do I need Shaeffer for?

MR. GAMBLE: You really don't need Shaeffer. This man will be with you at every conference. He will handle the conference.

H.M.JR: If he sets the conference up, I don't see just what Shaeffer would be doing.

MR. GAMBLE: The only thought was that you might want somebody that you know and work with rather than some stranger. If you didn't like the fellow, you would have your own man, but I think that this fellow can do it adequately. I think we have it well set up.

- 21 -

H.M.JR: I would like a technical fellow with me.

MR. GAMBLE: Then I would take one of the three men.

MR. HAAS: On that technical thing, I would say Henry.

H.M.JR: Do you want to go?

MR. MURPHY: Yes, Mr. Secretary, I will be glad to.

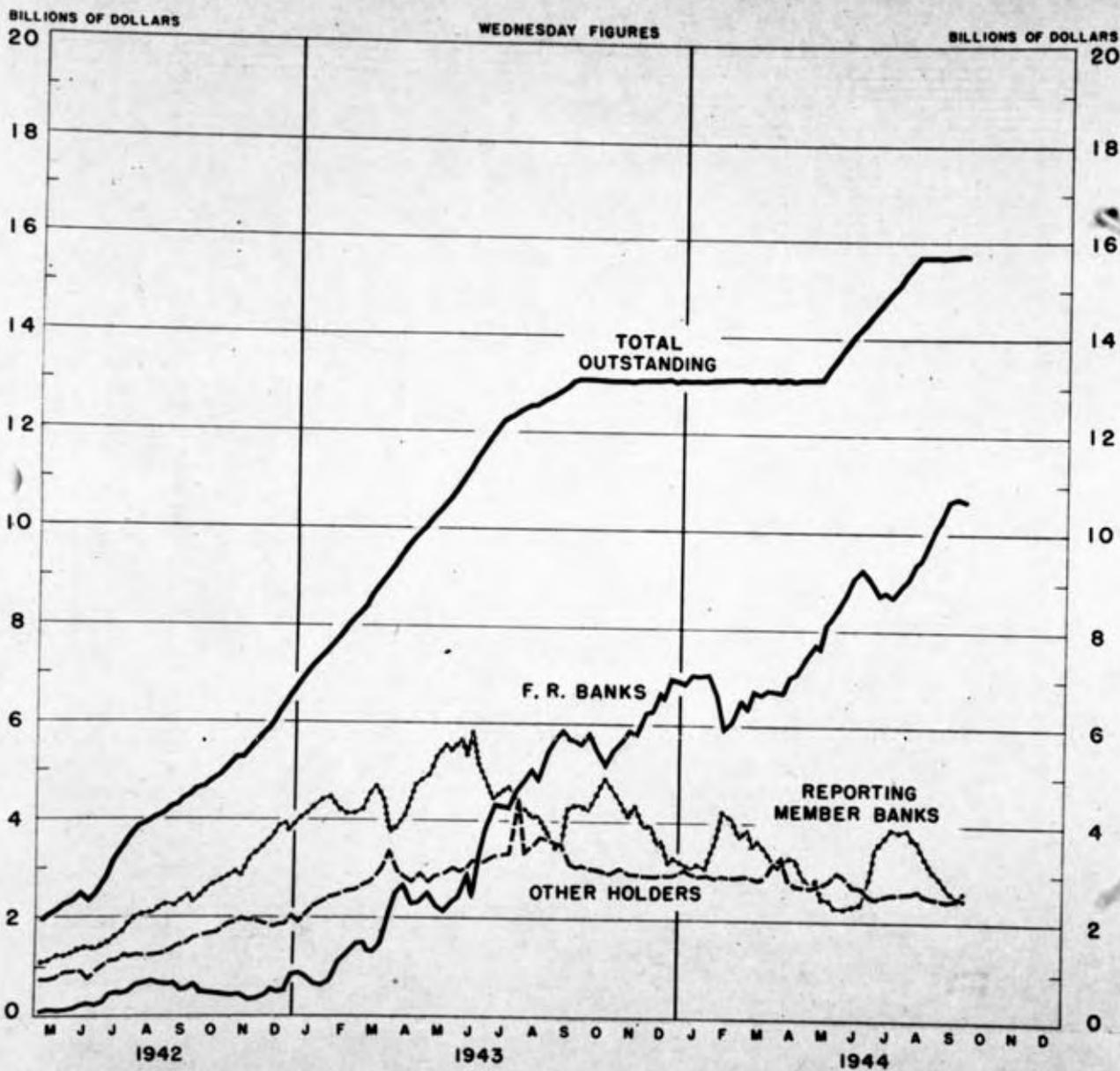
MR. GAMBLE: He will go with you and stay right with you. I only asked because we take care of him and make all these reservations.

Then I have a lot of details to discuss with you. Could I stay after the meeting this afternoon and go over them with you?

H.M.JR: Yes.

10/4/44
49

DISTRIBUTION OF TREASURY BILLS



October 4, 1944
12:10 p.m.

PRESS RELEASE ON DEWEY'S SPEECH OF OCTOBER 3

Present: Mr. Sullivan
Mr. Gaston
Mr. Blough
Mr. Robertson
Mr. Nunan
Mr. Atkeson
Mrs. Klotz

H.M.JR: How are you getting along? I just had a break in my financing.

MR. ROBERTSON: I think this one is a very good one. (Refers to Mr. Gaston's draft of press release)

MR. BLOUGH: One you haven't seen.

MR. ROBERTSON: I had a couple of suggestions to make in it.

H.M.JR: This is something new?

MR. SULLIVAN: This is Mr. Gaston's?

MR. ROBERTSON: But I was going to suggest a couple of additions to it.

MR. GASTON: I think the next thing to do is to have Robertson take that and do a rewrite. I think he is in a better position to judge.

MR. BLOUGH: That is what he is now in the process of doing.

MR. ROBERTSON: I haven't had a chance, yet.

- 2 -

H.M.JR: (Reading) "The Republican candidate for President reached a new low level of demagoguery last night, it seems to me, when he complained about high wartime taxes and justified his complaint on the ground that these taxes 'are not just for the war.' What that means, perhaps Mr. Dewey knows; I don't. The fact is that this Government spent 87 billions strictly on war activities in the last fiscal year and collected 44 billions, or about half what was spent on the war.

"It is quite true, of course, that we collected last year about twice as much as in the previous year and that tax rates and receipts are the highest in the country's history.

"But after all, there is a war on, the greatest war in human history, and the outcome - the fate of humanity - depends on the full and complete mobilization of the effort of the American people and their government. That is a fact which Mr. Dewey seems able to forget when it suits his partisan purposes.

"Perhaps what the candidate meant to say is that not all of government expenditures are for war purposes. That would be true. Just about 5 per cent - one twentieth - of all the expenditures last year were for maintaining the ordinary structure and functions of the government, without which the special war organization would not be possible.

"I think that the Republican candidate misjudges the American people when he assumes that he can stir their anger against the administration and against Congress for asking them to pay nearly half the current costs of the war in taxes out of the high earnings and high profits of the war years. It is literally and wonderfully true that we haven't been hearing a syllable of protest from the people about high taxes. They have been paying them gladly and cheerfully. They have been doing more. They have been saving earnestly and pouring out their savings in the purchase of war bonds. They have been doing these things for the double purpose of paying the costs of the war and of preventing inflation - a danger which Mr. Dewey shows no sign that he ever heard. They know there is a war on, if Mr. Dewey doesn't.

- 3 -

"They are even willing to pay the powder puff tax, which Mr. Dewey appears to find unbearable."

I think we ought to rub that in terribly!

(Continuing) "Mr. Dewey has labored valiantly to construct and to demolish what even a child in school must recognize as a fantastic straw man, the notion that the wartime taxes are to be continued into the peace. In fact, they were imposed to meet the wartime emergency and there has never been the slightest question that they would be repealed and readjusted to a peacetime economy. Someone should really impart to Mr. Dewey the information that the appropriate committees of Congress and their staff have been working with the Treasury Department and committees of taxpayers all this last summer on the question of how the tax system should be modified to meet peacetime needs."

That is good.

"It is interesting to find the candidate silent about tax-exempt securities, percentage, oil well and mine depletion, and other loopholes that enable his silent backers to avoid carrying their proper part of the tax load."

That is wonderful! That is nice.

MR. SULLIVAN: That gets your friend from Pennsylvania.

H.M. JR: (Continuing) "The last Republican administrations in power were equally complacent about such things as incorporated yachts and racing stables and Bahama Island corporations which enabled some of our prosperous citizens to maintain that only poor men and suckers paid their taxes."

Wonderful! You are going back to the Non-partisan League of North Dakota. He was the editor of their papers.

MR. ROBERTSON: I don't know why you brought me in, then.

MR. GASTON: He is a "tired old man."

- 4 -

H.M.JR: (Continuing) "It is worth recalling, too, that in these years of Republican tax master-minding Government receipts dropped to one and a half billions and the National income to less than 40 billions instead of the 150 billions on which Mr. Dewey hopefully bases what he calls his tax program."

I think that is swell.

MR. ROBERTSON: Mr. Secretary, I do think it is necessary to include in this thing a couple of answers to at least a couple of points that he made there last night.

I don't think the average middle-of-the-road guy got nearly as much of an impression of his criticism of war taxes as he did of his criticism of frequent changes in taxes, his charge that the Treasury was limiting the amount a man could make, and things of that kind. Those things are the specific things I think you have to meet, and I think one way to do it would be to work into that something like, for instance, "Mr. Dewey tries to picture frequent tax changes as the major cause of business depression. How then does he explain that between 1929 and '39, when several of the changes he complains about took place, national income rose from forty billion to seventy-six billion; or that from 1940 to 1944, when eight of the changes occurred, national income zoomed to one hundred and fifty-six billion, a figure which economists never dreamed could be attained."

H.M.JR: Good.

MR. ROBERTSON: And also I think there should be something specific in answer to the Lincoln Electric thing which Commissioner Nunan has suggested; that is, to the specific charge with reference to the Lincoln Electric Company. Every Treasury agent connected with this case categorically denied before investigating committees that they made any such statement as recited by Governor Dewey. As a matter of fact, there were two hundred and eleven employees in this company, including so-many factory workers and foremen who received wages of more than five thousand dollars. None of these wage payments were disallowed.

- 5 -

H.M.JR: That is important. And couldn't you also bring in the thing which we spoke about last night, that this very thing which he is arguing over the air is now pending before the courts, and that the Lincoln Electric are the prime movers to discredit, and this whole question of renegotiation of contracts?

MR. ROBERTSON: I would like very much to bring that in.

MR. SULLIVAN: Contesting the constitutionality.

MR. ROBERTSON: I think it is pertinent to note that Lincoln Electric is one of the companies, though it had tremendously high profits, leading the drive against the renegotiation law.

H.M.JR: And where does Mr. Dewey stand on that?

MR. ROBERTSON: For my purposes and PM purposes, I am going to play the Lincoln Electric thing more than anything else. I think it is the best piece in the story.

H.M.JR: Let's put it in. If somebody else wants to take it out, O.K., but I wish you would. I think to the popular mind, the thing that I got there, that if you work with your hands you can't earn over five thousand dollars, and Roosevelt says so - I think you have to get that out of their minds.

MR. ROBERTSON: And I think he used a good deal of deception in that business of bringing in, in that next paragraph, about having before him these photostatic copies, which weren't photostatic copies of what he was charging at all.

MR. SULLIVAN: No, they weren't.

H.M.JR: What were they?

MR. SULLIVAN: Photostatic copies of something else.

- 6 -

They were schedules that an agent went over, but they weren't disallowances of wages. They were disallowances of amounts allotted on a pension fund in which the employees had no vested rights.

H.MJR: Well, I don't care how much - I think we have to destroy that Lincoln Electric case. He will do it over and over. That is Dewey's tactics, keep doing it over and over again. Finally he believes it and the American public believes it.

MR. ROBERTSON: I really think some of these other points are the things that will stick in the American public's mind a lot more than anything he said about war taxes. The thing he said about war taxes, while it may be the important thing to answer, and it may be the good way to get at him on the thing, I am not sure that is what the average man got out of his speech.

H.M.JR: I am with you, because the letter which I wrote to Readers Digest which Paul did for me, I never was satisfied with that letter.

MR. GASTON: Yes, we should have had a letter which we could give out to the press at that time.

MR. SULLIVAN: There is an article in the Readers Digest on the Lincoln Electric.

H.M.JR: He is quoting from Readers Digest, verbatim.

MR. ROBERTSON: I would like to see that.

MR. SULLIVAN: I think you ought to see the reply the Secretary sent to the editor, too.

H.M.JR: Which wasn't too good.

MR. GASTON: He speaks of the Lincoln Electric as having thirteen hundred employees who worked for them for a long time - words to that effect. Of course, that isn't true. The Lincoln Electric was a small shop until war orders built it up.

- 7 -

H.M.JR: Of course, what I wanted to say, and they didn't take it, was that Mr. Dewey shouldn't go to Readers Digest on taxes any more than he would to "Grimm's Fairy Tales."

MR. ROBERTSON: That is right. That is good.

H.M.JR: If you will tackle it, what would be a convenient time for you to come back, without rushing you too much, so I could see this again?

MR. ROBERTSON: It all depends on how much of a job you want to do. If you want to do it for the afternoon papers--

H.M.JR: That is out now.

MR. ROBERTSON: All right. Do you want to hit the morning's papers - which I think is better, anyhow?

H.M.JR: Yes.

MR. ROBERTSON: Give me an hour.

H.M.JR: I can't see you before two.

MR. ROBERTSON: Well, let me work until two o'clock and see what we can do.

H.M.JR: Come back here at two.

MR. ROBERTSON: O.K.

H.M.JR: Where will you get your lunch?

MR. BLOUGH: In the building.

H.M.JR: It doesn't have to be two. Would you like to have it after?

MR. ROBERTSON: I have some work of my own that I will have to do sometime today, so let's make it two.

- 8 -

H.M.JR: Damn it all - let's make it two!

MR. ROBERTSON: O.K. I have already gotten instructions to do the same job for my paper today.

MR. BLOUGH: This will sort of concentrate your attention.

H.M.JR: I will see you all at two o'clock. I am very much obliged.

I enjoyed that dinner the other night.

protest from the people about high taxes. They have been paying them gladly and cheerfully. They have been doing more. They have been saving earnestly and purging out their savings in the purchase of war bonds. They have been doing these things for the double purpose of paying the costs of the war and of preventing inflation--a danger of which Mr. Dewey shows ~~xxxx~~ no sign that he ever heard. They ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ know that there is a war on if Mr. Dewey doesn't.

They are even willing to pay the powder puff tax, which Mr. Dewey appears to find unbearable. //

Mr. Dewey has labored valiantly to construct and to demolish what even a child ~~child~~ in school must recognize as a fantastic straw man, the notion that the wartime taxes are to be continued into the peace. ~~XXXXXXXXXXXX~~ In fact they were imposed to meet the wartime emergency and there has never been the slightest question that they would be repealed and readjusted to a peacetime economy. Someone should really impart to Mr. Dewey the information that the appropriate committees of Congress and their staff have been working with the Treasury Department and committees of taxpayers all this last summer on the question of how the tax system should be modified to meet peacetime needs. //

It is interesting to find the candidate silent about tax-exempt securities, percentage oil well and mine depletion and other loopholes that enable his silent backers ~~XXXXXXXXXXXX~~ to avoid carrying their ^{proper} part of the tax load. The last Republican administrations in power were equally complacent about such things as incorporated yachts and racing stables and Bahamas island corporations which enabled some of our prosperous citizens to maintain that only poor men and suckers paid their taxes. // It is worth recalling too that in these years of Republican tax master-minding Government receipts dropped to one and a half billions and the National income to less than 40 billions instead of the \$150 billions on which Mr. Dewey hopefully bases what he calls his tax program.

October 4, 1944
2:15 p.m.

PRESS RELEASE ON DEWEY'S SPEECH OF OCTOBER 3

Present: Mr. Sullivan
Mr. Gaston
Mr. Blough
Mr. Nunan
Mr. Robertson
Mrs. Klotz

H.M.JR: (Reading) "The Republican candidate for President reached a new low level of demagoguery last night when he complained about high wartime taxes on the ground that these taxes 'are not just for the war' and complained about existing rates, including the face powder tax.

"The war last year cost 90 billion dollars. The Government raised 2 billion in taxes. Would Mr. Dewey have raised less? If not, what would he substitute for the taxes he criticized?

"I think the Republican candidate misjudges the American people when he assumes that he can stir their anger against the Administration and against Congress for asking them to pay only half of the current costs of the war in taxes out of the high earnings and high profits of the war years. We haven't been hearing protests from the people about taxes. They have been paying them gladly and cheerfully. They have been doing more--they have been buying billions of dollars in war bonds. They know a war is on if Mr. Dewey doesn't.

"They are even willing to pay the face powder tax, which Mr. Dewey appears to find unbearable.

"Mr. Dewey has labored valiantly to construct and to demolish what even a child in school must recognize as a fantastic straw man, the notion that the wartime taxes are to be continued in peace. Someone ought to tell Mr. Dewey that appropriate committees of Congress and the Treasury have been working for months on plans for revising taxes after the war, and have been considering suggestions from committees of taxpayers.

- 2 -

"The candidate complains that not all Government expenditures are for war. That is true. But 95 percent of the expenditures last year were for the war and just five percent--or one twentieth--went for maintaining the ordinary structure and functions of the Government, without which the war could not go on.

"By applying peacetime standards to wartime taxes, Mr. Dewey has done the country the disservice of confusing instead of clarifying the tax picture. He attacked business taxes designed to prevent war profiteering, as though they were peace taxes designed to encourage risk-taking. He attacked luxury taxes which add a reasonable levy of twenty percent to the price of non-essentials. He attacked income taxes which rise with personal ability to pay.

"The Republican candidate tries to picture tax changes as a major cause of business depression. How, then, does he explain that between 1932 and 1939, peacetime years when there were seven of the changes in tax laws that he complains about, national income rose from 40 billion to 71 billion? Or that from 1940 to 1944, when war needs forced eight changes, national income zoomed to 158 billion, a figure twice as high as ever before?

"If the Republicans know all the answers on taxes, then why did national income drop from 83 billion in 1929 to 40 billion in 1932 and Government receipts go down to the poverty level of one and a half billions?"

That says Government receipts.

MR. BLOUGH: Those figures will have to be modified or the language will have to be modified.

H.M.JR: I think you could just say, "Government tax receipts."

MR. SULLIVAN: That is right, and then "one and a half billions" is correct.

MR. ROBERTSON: I picked that up from one of the Treasury men, Mr. Secretary!

- 3 -

MR. BLOUGH: That is right. That is the Internal Revenue Tax.

H.M.JR: (Reading) "Mr. Dewey's worst attempt to deceive the people was his charge that the tax laws have been used to discourage high wages, based on a discredited claim that a Treasury agent told the Lincoln Electric Company that 'A man who works with his hands should not be paid as much as \$5000 a year'".

I'd like to say this story is like the Protocol of Zion!

MR. ROBERTSON: That wouldn't be a bad crack, except too many people just don't understand that yet--I mean, there are a great many people in this country who don't realize just how silly that is.

H.M.JR: (Reading) "The Treasury has never had such a rule, of course. The Treasury officials who attended conferences with this company have categorically denied they made any such statement. No proof has ever been offered, but Mr. Dewey now echoes this oft-used piece of business propaganda.

"Best proof of the falsity of the story is that every dollar actually paid to this company's employees, whether classified as base pay or an incentive bonus, whether the total was over or under \$5000, has been allowed in full. In fact there were 211 employees, including 129 factory workers, who received more than \$5000 with the Treasury's approval.

"The Treasury did disallow certain additional annuity premiums and shares in a profit-sharing trust, amounting to about \$2,000,000, by which the company tried to cut its taxes more than \$1,000,000 in 1940 and 1941. No part of this money was actually paid over to the employees, and they had no firm rights to it. This is a technical, legal issue, which is now being settled by the courts.

"It is significant that Governor Dewey chooses to defend the Lincoln Electric Company, which despite tre-

- 4 -

mendously inflated war profits, has been one of the leaders in the fight to curb the Government's control over war profiteering. This company is now fighting in the courts the Government's demand for return of \$3,250,000 of excessive war profits in 1942, a year when it made \$9,000,000 before taxes, as compared with a top pre-war income of about one-third that much."

That is swell.

MRS. KLOTZ: It is very good.

H.M.JR: (Reading) "Typically, Governor Dewey's 'program' for post-war taxes is too vague to give any idea what he proposes. As he outlined it, I could agree with it. And I am sure it would satisfy the most reactionary Republican."

I don't like that, "I could agree with it."

MR. BLOUGH: Say "Anybody could agree with it."

MR. ROBERTSON: That is the point I am trying to get at, that anybody could agree with it.

H.M.JR: If you don't mind, I'll leave out, "And I am sure it would satisfy the most reactionary Republican."

MR. ROBERTSON: All I am trying to say, Mr. Secretary, is that actually you can read what he proposed last night ... and I am sure you could agree to what he proposes-- anybody else could agree to it.

H.M.JR: I know what you mean. Anybody could agree because it is so vague.

MR. GASTON: It is just like Cal Coolidge--he was against sin! He is for sweetness and light.

H.M.JR: (Reading) "I am sure of this because he was completely silent on some of the important post-war tax issues--the percentage depletion provision for oil and mining companies and other loop-holes that enable his silent backers to avoid carrying their proper part of the

tax load."

That is good and dirty!

"The last Republican administrations in power were equally complacent about such things as incorporated yachts and racing stables and Bahamas Island corporations which enabled some of our prosperous citizens to maintain that only poor men and suckers paid their taxes. That is one of the reasons why so many tax revisions have been needed."

I like it.

MR. ROBERTSON: Mr. Secretary, in that last paragraph the Commissioner suggested that we move down here to the end of this paragraph earlier about the many changes, wind up with this paragraph, and go from there to say that many of these changes were forced by the loopholes left in the tax laws by the Republicans.

Then another paragraph is the significant fact that Governor Dewey in outlining his post-war program has been silent on the remaining loopholes, and so forth.

H.M.JR: That is all right. Do you understand it?

MR. BLOUGH: Yes.

MR. ROBERTSON: In other words, it is just a re-arrangement of material, really.

MR. BLOUGH: I talked with him before about that.

H.M.JR: You have to leave now, I take it?

MR. ROBERTSON: Yes, but I'll write this revision if you want it.

H.M.JR: If you could just go with Roy--

MR. ROBERTSON: I'll go upstairs and start to work on my stuff, Roy. If you want anything more from me on this, let me know.

- 6 -

MR. BLOUGH: Why don't I take it and go over it pretty carefully for little flaws here and there and have it checked and come in? You'll be working with your stuff and I can check with you.

MR. ROBERTSON: Okay.

H.M.JR: I am very much obliged. I'll see you before you go. Hop to it, will you?

(Mr. Robertson leaves the office)

MR. SULLIVAN: Were these loopholes referred to removed, or was it necessary to go back?

H.M.JR: Roy will do that.

MR. SULLIVAN: The other question is, are we within our rights in discussing the details of the Lincoln Electric case.

MR. BLOUGH: That is a legal question that should be raised.

H.M.JR: Well, get an opinion.

MR. NUNAN: It is within our rights to answer as far as tax matters and the fact we paid them all over five thousand dollars and the fact that they are the one company that is fighting renegotiation.

MR. SULLIVAN: That is matter of record in the court.

MR. BLOUGH: I don't think there is anything here that challenges or fights the case--

H.M.JR: Do you have a lawyer who can give us the right opinion?

MR. NUNAN: We have him right here--Joe O'Connell.

MRS. KLOTZ: He is sick.

H.M.JR: What about young Olliphant?

- 7 -

MR. SULLIVAN: He is in Montreal with Wenchel.

MR. BLOUGH: We'll get an answer.

H.M.JR: This oughtn't to be kicking around here too long. I'd like to get this over.

MR. BLOUGH: I'd like to point out one thing that Robertson didn't feel he wanted to bring up. He is still a little worried about taking as much space in here in talking about the war-time taxes. Out of three and a half pages you take more than a full page to cover this one war-time issue. I just raise the point because he raised it with me.

MR. GASTON: It seems to me all right. Most of his speech was about this, telling how high the taxes were.

MR. SULLIVAN: I wouldn't cut it down.

MR. NUNAN: I am agreed.

MR. GASTON: I think he is most vulnerable there.

H.M.JR: If you people wouldn't mind taking the time to bring me in a finished document--but I'd like all four of you to see it before it comes to me. Put the heat on, will you?

MR. BLOUGH: It is now twenty-five minutes after two.

MR. GASTON: We understand this is to be put up as a statement from you.

H.M.JR: I don't know. The President said he would call me later on in the day, but I want him to get this because this is so much better than the other.

MR. SULLIVAN: What shall we do if Hannegan calls us back?

H.M.JR: It is very simple. Tell Hannegan that the President of the United States is handling this and has

- 8 -

asked me to prepare this stuff. We have given him one draft and we are sending the second. The President said not to move left, right, east, north, or south without his seeing it.

That ought to be good enough for Hannegan!

10-4-44

my Nathan
Robertson's
draft.

The Republican candidate for President reached a new low level of demagoguery last night when he complained about high wartime taxes on the ground ~~that~~ these taxes "are not just for the war" and complained about existing rates, including the ^{face} powder ~~put~~ tax.

The war last year cost ⁹⁰ ~~87~~ billion dollars. The government raised ² ~~4~~ billion in taxes. Would Mr. Dewey have raised less? If not, what would he substitute for the taxes he criticized?

I think the Republican candidate misjudges the American people when he assumes that he can stir their anger against the Administration and against Congress for asking them to pay ~~only~~ only half of the current costs of the war in taxes out of the high earnings and high profits of the war years. We haven't been hearing protests from the people about taxes. They have been paying them gladly and cheerfully. They have been doing more--they have been buying billions of dollars in war bonds... They know... a war is on if Mr. Dewey doesn't.

They are even willing to pay the ^{face} powder ~~put~~ tax, which Mr. Dewey appears to find unbearable.

~~Mr. Dewey has asserted variantly to construct and to demolish what even a child in school must recognize as a fantastic straw man, the nation that the wartime taxes are to be continued in peace. Someone ought to tell Mr. Dewey that appropriate committees of Congress and the Treasury have been working for months on plans for revising taxes after the war, and have been considering suggestions from committees of taxpayers.~~

The candidate complains that not all government expenditures are for war. That is true. But 95 per cent of the expenditures last year were for the war and just five per cent--or one twentieth--went for maintaining the ordinary structure and functions of the government, without which the war could not go on.

Mr. Dewey has labored valiantly to construct and to demolish what even a child in school must recognize as a fantastic straw man, the notion that the wartime taxes are to be continued in peace. Someone ought to tell him that appropriate committees of Congress and the Treasury have been working for months on plans to revise taxes after the war, considering many proposals including those offered by committees of taxpayers.

By applying peacetime standards to wartime taxes, Mr. Dewey has done the country the disservice of confusing instead of clarifying the tax picture. He attacked business taxes designed to prevent war profiteering, as though they were peace taxes designed to encourage risk taking. He attacked luxury taxes during the war which add a reasonable levy of 20 per cent to the price of non-essentials and help control inflation. He attacked income taxes which rise with personal ability to pay.

The Republican candidate tries to picture tax changes as a major cause of business depression. How, then, does he explain that between 1932 and 1939, peacetime years when there were seven of the changes in tax laws that he complains about, national income rose from ~~40~~ 40 billion to 71 billion? Or that from 1940 to 1944, when ~~war~~ war needs forced eight changes, national income zoomed to 158 billion, ~~a figure twice as high as ever before?~~

If the Republicans know all the answers on taxes, then why did national income drop from 83 billion in 1929 to 40 billion in 1932 and government ^{tax} receipts down to the poverty level of less than two ~~two~~ billions?

(Reduction?)

-4-

Typically, Gov. Dewey's "program" for post-war taxes is too vague to give any idea what he proposes. As he outlined it, I could agree with it. And I am sure it would satisfy the most reactionary Republican.

I am sure ~~it would~~ ^{it would} because he was completely silent on ~~some of~~ ^{some of} the ~~the~~ important post-war tax issues--the percentage depletion provision for oil and mining companies and other loop-holes that enable his silent backers to avoid carrying their proper part of the tax load. The last Republican administrations in power were equally complacent about such things as incorporated yachts and racing stables and Bahamas Island corporations which enabled some of our prosperous citizens to maintain that only poor men and suckers paid their taxes. That is one of the reasons why so many tax revisions have been needed.

(Loophole paragraph —
many of these changes in the tax laws were
forced by the ~~to~~ loopholes in + tax laws

It is significant

4.

7

On of the reasons why so many tax revisions have been needed is that the last Republican administration [redacted] was complacent about such things as incorporated yachts and racing stables and Bahamas Island corporations which enabled some of our prosperous citizens to maintain that only poor men and suckers paid their taxes.

It is significant that Gov. Dewey was completely silent on the loopholes that remain--the percentage depletion provision for oil and mining [redacted] companies and other loop-holes that enable his silent backers to avoid carrying their proper part of the tax load.

Indeed, Gov. Dewey was silent on ~~so~~ many points. ~~and~~ His "program" for post-war taxes ~~is~~ ^{too} vague and formless to give any idea what he proposes. ~~I am sure it would satisfy the most reactionary~~
~~[redacted]~~

October 4, 1944
2:37 p.m.

73

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Fred
Smith: Hi, Boss.

HMJr: Hello, Fred?

S: Yeah.

HMJr: I hadn't heard from you. I didn't know whether I should put in a -- an advertisement in the "Lost and Stolen" column.

S: Lost, strayed or stolen, huh?

HMJr: Yeah.

S: Well, I -- I've been going day and night since I got here.

HMJr: Yeah.

S: I wish you'd find me a job someplace where I can sit in a nice big overstuffed chair and look wise. And I haven't got any office. They haven't got any room.

HMJr: Yeah.

S: So I'm borrowing telephones as I go along.

HMJr: Yeah.

S: And nobody can reach me. It's quite an experience.

HMJr: Nobody what?

S: Nobody can ever reach me because I'm always some place else. I mean, I -- not having an office....

HMJr: Yeah.

S: why, I just float around and pretty soon people look at me like -- as much as to say, "Well, look, you've been here long enough. Go bother somebody else."

HMJr: Yeah.

S: Then I move on to the next office. So by the time anybody finds all the places I've been, why, I'm not there any more and the other party gives up. So I'm -- well, we'll be settled pretty soon.

HMJr: Well, now, I was talking with Gamble this morning.

S: Yeah.

HMJr: And it isn't quite clear what arrangements you made but he said that -- that you had arranged for Shaeffer to go with me.

S: Well, I hadn't -- I hadn't made any particular arrangement on that, no, because that was to -- you mean on this first trip?

HMJr: Yeah.

S: Well, I thought that probably you would take Shaeffer along if you wanted to to handle the publicity, but Ted said that -- that the thing was pretty well organized.

HMJr: Yeah.

S: And that you wouldn't have any of the problems that you ordinarily have, because

HMJr: Well

S: they aren't really public appearances.

HMJr: They've sent a man ahead, you know.

S: That's right.

HMJr: Well -- well, what did you tell Shaeffer?

S: I didn't tell Shaeffer anything, except to -- to sit on these releases which we are going to get out.

HMJr: Yeah.

S: And make sure that they kept moving through the shop so that I'd get them.

HMJr: Well, who

S: And now I understand they are on the way to me.

HMJr: Who wrote the first one?

S: The -- the situation was this: Henry Murphy

HMJr: Yeah.

S: wrote the original statement, which wasn't a release, but it was a statement....

HMJr: Yeah.

S: of -- with all the facts in it. And then that went to Leon Siler

HMJr: Yes.

S: who is the best writer the Treasury has.

HMJr: Yeah.

S: And I sat with him for a half an hour and explained exactly what the function was that they were supposed to serve. And he would rewrite them and then he sent them back to Henry Murphy to make sure that they were still accurate.

HMJr: Yeah.

S: And then they are to be sent to me. And that was done last night so they are some place between Washington and here. ..

HMJr: Yeah.

S: And they may be here now.

HMJr: Yeah.

S: And then I will get on the phone to Shaeffer with any changes and questions that I have.

HMJr: Well, of course, that isn't very satisfactory from my standpoint because they -- they all -- I'd hoped that they'd be done. I got one of them so far.

S: Well, they -- they couldn't have been done because Henry had so much stuff to look up.

HMJr: Yeah.

S: That was the -- that was (Voice fades out).

HMJr: Hello?

S: Hello.

HMJr: The one I got wasn't very good.

S: Well, I haven't seen any of them so I don't know.

HMJr: Well, what are your plans now as far as the Treasury is concerned?

S: Well, as far as the Treasury is concerned now I'm going to come back and go with you wherever you go on the -- in the War Bond Drive.

HMJr: I see.

S: If you want me.

HMJr: Yeah.

S: If you want me to do that.

HMJr: Well, I

S: And then anything else that I can do and I can probably do quite a lot once I get settled.

HMJr: Oh, well, I was -- I must be wrong. I was under the impression that you were going on this trip next week.

S: I thought you told me you didn't need me and didn't want me to.

HMJr: No. I guess

S: I didn't

HMJr: I guess

S: That wasn't the -- I thought we had that very straight.

HMJr: No.

S: Because you -- remember we discussed it and it was -- it wasn't a public appearance and it was pretty well organized and so I thought we decided that it wouldn't be necessary for me to go.

HMJr: Well, I, in somehow or other, got the impression that you were going up there for one week and then come back.

S: Oh. Oh, well, I'm sorry. No, I didn't -- I don't know how that happened.

HMJr: Well, I just wanted to clear it up because I was making the arrangements. The fact is that when you left the other day, you were leaving for the rest of the month -- is that it?

S: Yeah. I -- I -- I'm supposedly now here

HMJr: Yeah.

S: until you get ready to use me during the War Loan Drive.

HMJr: I see. Well, I just wanted

S: I'm cleared at the Network if you want me to go along with you on that.

HMJr: Yeah.

S: And I understand from the newspaper this morning that we're going to Saipan.

HMJr: What?

S: I said I understand from the newspaper this morning that we're going to Saipan or something.

HMJr: I see.

S: I don't know what that is.

HMJr: Neither do I.

S: But it's interesting. I mean if you watch the newspapers you can find out things.

HMJr: Well, I find out a lot which isn't true.

S: (Laughs) That's right.

HMJr: I'm straight now on you and Shaeffer for next week which I wasn't before.

S: Yeah. Well, now, I will -- I'll get in touch with Shaeffer just as soon as these things come.

HMJr: All right.

S: And we'll get them straightened out and get them to you before you leave.

HMJr: Okay.

S: All right. Getting along all right?

HMJr: You bet.

S: Do you miss me?

HMJr: Sure.

S: Well, you'd better.

HMJr: All right.

S: Okay.

HMJr: Right.

S: So long.

October 4, 1944
3:05 p.m.

SIXTH WAR LOAN DRIVE

Present: Mr. D. W. Bell
Mr. Haas
Mr. Murphy
Mr. Gamble
Mr. Tickton
Mr. Rouse
Mr. Devine

MR. DEVINE: I don't think it will have any major effect that will amount to anything.

H.M.JR: How do you feel today about the two and a quarters and two and a halves?

MR. DEVINE: We talked about it a lot yesterday. I just haven't changed my mind, that is all.

H.M.JR: Did you talk with him, Ted?

MR. GAMBLE: Yes, I did, Mr. Secretary. I think there is a good deal in what Chris says about the effect on the market, but I talked also to Mr. Levy and everyone else.

Mr. Levy raises a good point. He says that the two and a halves are going to the people who want them for a long term, and of all the money we get, perhaps from the Treasury's point of view it is the best money, even though it could mean a shrinkage of three hundred million to a billion dollars; he thinks it would be a mistake not to have that amount of money. After talking to everybody--the State chairmen and everyone who has been in here--I personally am of the opinion that we would probably be better off with the same basket, but I do recognize the point that Chris made. I think it is a good point.

- 2 -

MR. BELL: I think we all agree with that, that we would be better off with the same basket, better not change it at this time in view of all the salesmen--

MR. DEVINE: That truly has been the only argument put forth.

MR. BELL: That, no doubt, would help the market on that end, but you have these customers, which I don't think we should eliminate at this time, nor force them into the two and a quarter percent bond.

We all feel that this is going to be a pretty hard one to put over, or at least one of the hardest, and that we shouldn't make it any harder.

MR. GAMBLE: Mr. Bell raised a good point, too, that any change in the basket might be criticized from one point of view or another at this time, elimination of the long security for the first time in the Fifth Drive might--

MR. DEVINE: I would like to ask this question.

H.M.JR: Excuse me, I didn't get that.

MR. GAMBLE: Mr. Bell raised a good point, that any change like that in the basket might cause a lot of people to make observations, rightly or wrongly, that wouldn't be helpful to the program at this time. They might see in it some change in Treasury thinking with respect to the securities.

MR. DEVINE: I would like to ask this question: Is there anyone in this room that thinks that they would sell more two and a half than they would two and a quarters?

MR. GAMBLE: Well, I think there is a chance, Chris, that we would sell--just based on the record of what we have sold, I think you would have to say there is probably anywhere from three hundred million to a billion dollars more sales in that.

- 3 -

MR. DEVINE: What I meant was, is there anyone here that thinks that we would sell more two and a halves than we would two and a quarters?

MR. GAMBLE: That is what I say.

MR. MURPHY: Wouldn't it be fairer to state, Mr. Secretary, whether you would sell more two and two and a halves combined, or two and two and a quarters combined, because part of the sale of your quarters would come from the two's.

MR. DEVINE: That is absolutely correct. But I said, Ted--I have thought the thing over. I don't think there will be any difference in sales.

MR. BELL: But if there isn't, you force the insurance companies to the two and a quarters and into something that they don't really want.

MR. DEVINE: If you have checked them and they don't want it, that is the answer.

MR. BELL: We checked them before; we haven't this time. They didn't want two and a quarters last time.

MR. GAMBLE: A company like Prudential has a billion seven hundred million dollars worth of two and a halves and a hundred million two and a quarters, so they apparently like the two and a halves.

MR. DEVINE: Well, there are many examples like that. I can show you where one of the insurance companies sold seventy-five million two and a halves and didn't buy anything and are going in for two's. You can perhaps quote examples all along the line.

MR. GAMBLE: I just happened to look at their portfolio, Chris, where they stand now.

MR. DEVINE: The question is whether you want to see two and a halves stay at par and remain there, or see them higher. I don't think on total sales you miss anything.

- 4 -

I think that you will sell more two and a quarters than you will two and a halves. I think the total sales will be the same for a combination of two and a quarters and two's and a combination of two's and two and a halves. You will certainly sell more two and a quarters to savings banks than you will ever sell two and a halves. They have proven that they don't want two and a halves.

MR. TICKTON: In other words, they would take the two and a quarters instead of the two's. So that is why you have to talk on the combination. It is primarily insurance companies and other investors buying the two and a halves that you have to consider.

MR. GAMBLE: If we didn't have all the problems we have to deal with this November, it would be an interesting experiment. I think there is a lot to be said for it.

MR. DEVINE: Do you think people would complain if they didn't get a two and a half outside of four insurance companies? I question whether they would complain.

H.M.JR: Oh, boy!

MR. GAMBLE: I am thinking in terms of how badly we may need that money, and it is a pretty important part of one section of the country's total quota. In other words, we would have to revamp the whole quota setup for the States where they have big insurance buyers if we thought we were going to lose that.

MR. BELL: If we didn't have this situation, I would be in favor of putting in a one and a half percent note, two and a quarter percent bond, and two and a half percent bond, eliminating the other.

H.M.JR: Well, I thought they might change their minds, but they haven't, and you haven't, so--you have had a very dull twenty-four hours in Washington.

MR. DEVINE: Chris doesn't feel very badly about it! I have yet to hear a good argument of why two and a quarters shouldn't be sold.

- 5 -

MR. BELL: To please our customers!

MR. DEVINE: That is a good point.

H.M.JR: I argued myself out this morning.

MR. GAMBLE: I learned something from Chris' visit. I think it is a very interesting point, and a very good point, and I think it is something that maybe would be the answer to the Seventh War Loan.

MR. BELL: I am not too worried about that long market staying at ground par or a little above par until this war is over. I think if you shift from two and a quarters to two and a halves and allow your market to go up sixteen or seventeen thirty-seconds on alternate drives, then you have to bring it down, because you are going to offer two and a halves, and they get all they want at par for a while. It is bound to drop, isn't it?

MR. DEVINE: You are going to offer two and a halves of a different maturity. That is why sixty-two sixty-seven's are eighteen twenty.

MR. BELL: That is two years now. If the war goes on long enough, we get far enough away from that maturity so it doesn't make a difference.

MR. DEVINE: If you wait for a drive or two drives, a year has gone by and you automatically make them that much longer, and you are still selling the same thing.

H.M.JR: Well, Chris, we will have to go along. I do appreciate your staying over.

MR. DEVINE: I liked it.

(Mr. Devine leaves the conference.)

H.M.JR: What did you dump this on my lap for, redemptions of December 15 of four percent bonds?

MR. BELL: I asked for something on that because I think it is coming into this picture. We will discuss that before the conference is over, if you will.

- 6 -

H.M.JR: The only discrepancy seems to be Ben Levy, who wanted a one and a half note on March '49.

MR. BELL: And Devine on a two and a quarter.

MR. MURPHY: Mr. Levy's suggestion is based on omitting the two, and that would be a pretty fundamental decision. I take it that his use of the one and a half note is contingent on the idea of omitting the two.

H.M.JR: Yes. I am not going to do any arguing. If everybody wants the same as last time, that is the road of least resistance--a hundred million dollars' worth of bills.

MR. BELL: That is all right with the Treasury.

H.M.JR: Unless somebody wants to object, I think we will just do the basket, and then do the hundred million dollars worth of bills, unless you have changed your mind again.

MR. BELL: I haven't changed my mind. I think that is all right. I think we might tell the Fed we would go along with them to the extent that we will stop the bill program just when we start the drive.

H.M.JR: Go up to the drive?

MR. BELL: Yes, the 23rd. That will be three days after the drive starts. You see, Thursday is the 23rd.

MR. ROUSE: The date of the tender would be the same day as the day the drive starts.

MR. HAAS: But you don't announce that.

MR. ROUSE: You don't announce anything. You just announce a hundred million in bills.

H.M.JR: Don't make any promises. You don't know.

MR. BELL: Just go along until that time. If everything is working--

- 8 -

H.M.JR: But don't commit me too far ahead.

MR. BELL: If you have a change in the picture you might want to do something else at that time.

H.M.JR: Yes. All right, now what else?

MR. BELL: The next thing is the basket. And if you are going on with bills, I assume that you would keep the December 1 dating of the securities--date them all December 1. That is when the interest starts to run. This is what we said in the press statement: "The marketable securities which are to be offered during the drive and which are purchased primarily by large investors and corporations will be on sale from December 1 to December 16."

Now, the papers didn't quote that, but they all interpreted it, and some stated that the securities would be dated December 1, or at least most of the papers did.

H.M.JR: How much would we pick up with the bills?

MR. BELL: Eight hundred million.

H.M.JR: That is all right.

MR. BELL: Now, in dating them December 1--we have a certificate of three and a half billion dollars dated December 1 which matures on that date which we will have to refund about the 20th, and we have been discussing what we would do to that to get it off of that date, because you couldn't have another certificate double up. You might have seven or eight billion dollars of certificates, and you can either issue eleven months on November 1, or you can issue the "gay ninety" note again and make it January 1.

H.M.JR: What is the "gay ninety" note?

MR. BELL: You remember the ninety percent hundred note we put out on March last year.

H.M.JR: I don't want to do it November 1.

- 9 -

MR. BELL: We would do it November 20. But we would just put out an eleven-months certificate like we have in the drive some times so it would fall due next November, a year from now.

H.M.JR: That is all right.

MR. BELL: Now, January 2 is a bad date, right after the holidays and Congress just coming in. I think most of us favor the eleven-months certificate. We put that out on the 20th of November, about the same time as the drive starts, and just as a refunding.

MR. ROUSE: Announce it about the 15th.

MR. BELL: We would also announce it in this press statement. You would announce your basket, and we would announce at the same time what we are going to do with the certificate. Then you eliminate all questions about that big maturity next December, because they will raise those questions.

The other thing is the billion dollars of four percent bonds maturing on December 15.

MR. HAAS: Dan, I didn't think we were all agreed on that eleven. If you dated them the 27th, I thought it would be all right. You are giving the seven-eighths for an eleven months' job.

MR. BELL: Oh, I thought we all agreed that January 2 was a bad date. Excuse me.

MR. HAAS: I don't feel strongly one way or the other, but I don't like to back up like that. The market gets accustomed to an eleven, and the next time you come out with a twelve.

MR. BELL: We are coming out with a twelve right on top of it, December 1, 1945.

H.M.JR: What is the matter with January 2?

- 10 -

MR. HAAS: It is in conformity with what the Secretary did the last time, and went over swell.

MR. BELL: I wouldn't mind any other date but January 1.

H.M.JR: That is all right. January 2, when?

MR. BELL: '46.

H.M.JR: That won't bother me.

MR. ROUSE: We have always left that date open for the private market.

MR. BELL: You have your refunding and Christmas week.

H.M.JR: You are giving them a month.

MR. BELL: I don't think there is much danger in that. I don't think it is really very important which way you go, because we have had eleven and a half months in two drives. Nobody has raised any question about it. It isn't very rich.

MR. GAMBLE: Would there be any effect on the certificate during the drive period? If you had a twelve-month certificate, would that have any effect on it?

MR. BELL: I don't think so.

MR. ROUSE: The way this thing has been treated, it doesn't seem to have any effect at all. At the time we put out the "gay nineties," we realized we could put out thirteen-month, seven-eighths, but we wanted to avoid any possible criticism, and so did it that way.

MR. BELL: They have looked upon it as a convenience to the Treasury. But I really don't care if you want to put out the ninety; I am just worried about the January 1 date. You do your refunding and Christmas week, December 20th--

MR. HAAS: It is just a turn-over job, anyway.

- 11 -

MR. BELL: But it is always a bad week.

H.M.JR: You think we should go back to the twelve months just the same. The market just realizes we are doing it as a convenience? They won't hold that against us, and say, "You did it for eleven months; you can't go back to twelve?"

MR. ROUSE: I don't think they will hold it against us.

MR. MURPHY: You really go back to twelve within the week.

MR. GAMBLE: That is what Ted doesn't like so well.

H.M.JR: Make up your minds, boys.

MR. ROUSE: I think you can argue the other way on that, Ted. Here is a series out and selling at a premium that makes these new certificates--

MR. GAMBLE: I don't know, Bob. I just raised the question.

MR. ROUSE: I think you would have a good atmosphere. It isn't a vital thing, as Mr. Bell says, one way or the other.

MR. MURPHY: We haven't been disturbed about the January 2 date, because, at least speaking for myself, I have sort of taken it for granted that ultimately we are going to have certificates maturing on the 1st of every month just like we have bills on every Thursday, and it will be a quasi-routine operation.

H.M.JR: Please, somebody, make up your mind. Haven't you had a chance to discuss this?

MR. BELL: We just started on this as you called. We think it would be a nice thing to clear up the whole atmosphere.

H.M.JR: Clear it up in your room, and let me know the result, will you, Dan?

- 12 -

MR. BELL: O.K., and we will also make our minds up on the refunding of the fours. We think they ought to go into all the marketable securities, except the seven-eighths.

H.M.JR: The only announcement tonight is bills, isn't it?

MR. BELL: That is all.

H.M.JR: Tomorrow you can clear up this thing.

MR. BELL: I thought you wanted to go over the basket this afternoon.

H.M.JR: Well, I am satisfied.

MR. BELL: The first one is a one and a quarter percent note of September, '47. That will give you about a seven thirty-seconds premium.

H.M.JR: Three of them, say, September.

MR. BELL: And the two percent bond--he said December 15, '52, which would give you nine thirty-seconds. We think that is plenty. But the fourteen thirty-seconds for September would be a little rich.

H.M.JR: Are you boys all together on this?

MR. BELL: Yes, we are unanimous on this. And on the next page--

H.M.JR: Where does this all fall, '52-'54?

MR. BELL: December 15.

H.M.JR: Do you have anything right along there? What do you have for September 15, 1947?

MR. BELL: There is something there. We have three billion, four hundred million dollars on that date; seven hundred million of it is call bonds for October 15.

- 13 -

H.M.JR: Have you got anything fixed then?

MR. BELL: For '47 we have a one and a half percent note maturing on September 15 for two billion, seven hundred million, and there is a four and a quarter percent Treasury bond maturing, and seven hundred and fifty-nine million of four and a half percent Treasury bonds callable October 15. The chances are you will call them. So that makes three billion four hundred million in that month, and if you get four billion on this, you have seven, four hundred million to refund then. But we are getting six or seven billion dollar operations.

H.M.JR: You couldn't move it one way or the other?

MR. BELL: Well, if we move it up to December it would be a little thin. That is four thirty-seconds, and we thought that announcing this a little over a month ahead of time the market might drop off that four.

H.M.JR: Doesn't it have to come on the 15th? That is a tax date, too.

MR. BELL: No, September 1, or August 15.

H.M.JR: Would it help any?

MR. MURPHY: It seemed to us it would be better to only have perhaps four operations a year rather--

MR. BELL: Four big ones, and have them spread--of course, you have August 1, anyhow. You have all the firsts of the months taken up with certificates.

H.M.JR: Why doesn't September 15 make it a four-months operation?

MR. BELL: No, I say--

H.M.JR: But why does Murphy say what he is saying?

MR. BELL: You see, you have four big operations in a year, and your certificates come once a month, and your

- 14 -

bills come once a week. We thought it was better to have four big operations four times a year rather than to have them spread out through the months.

H.M.JR: I agree.

MR. BELL: And I don't think seven or eight billion dollar operations ought to worry us so much any more. We are getting them pretty big.

H.M.JR: When does this '52--

MR. BELL: December 15, '52 is vacant. You have three years there--sixty five--seventy is vacant, too.

H.M.JR: All right, sir, I think we are all right. Now, what else?

MR. BELL: That is all. We are trying to have a press statement and everything tomorrow if you want to meet tomorrow, or are you satisfied?

H.M.JR: I would like to know this other thing, just what you are settling about, whether it is going to be eleven months or twelve months.

MR. BELL: We will go back and talk about it a little bit.

H.M.JR: I will leave it with you people.

MR. HAAS: Is the Secretary agreeable on the fours?

MR. BELL: We have already called them. Is it agreeable to let the holders change them for any marketable issues in the drive, except the seven-eighths, the one and a quarter, the two percent bond, and the two and a half percent bond? I think we are all agreed on that.

H.M.JR: God, I hope I am right on this thing. Just before you walk out, you know nobody agrees with me, but I think this thing is going to be much tougher than anybody thinks. I had lunch with Krug today, and he agreed with me.

- 15 -

He said that people in his own shop don't agree, but he thinks the cancellations and all--and don't repeat this--are going to be much tougher.

MR. BELL: When are they going to be announced, soon?

H.M.JR: No.

MR. BELL: Are there any big ones?

H.M.JR: No.

MR. BELL: You mean just as they go along?

H.M.JR: Yes.

MR. BELL: Well, they may be showing up in the expenditures already, because your expenditures went off in September and the first two days in October are quite a ways down.

H.M.JR: He is all off on his figures, I think, because he said that his people told him, I think, that November or December was going to be the heaviest of all. I sent you in some figures. He didn't have them on his finger tips, and is going to have them done all over again for November and December. He said he was going to put one of his best men on it and send them back over here.

MR. BELL: So far this month--

H.M.JR: I don't want to keep crying wolf, but I am telling you boys that you are all too optimistic. Now, if this thing is no different from the last one, it is going to be tough.

MR. GAMBLE: I think everybody agrees with that, Mr. Secretary.

H.M.JR: But you are giving yourself exactly the same merchandise to sell under conditions which are quite different.

- 16 -

MR. GAMBLE: We are giving ourselves the same merchandise because it is the best basket we have had in any war loan drive.

MR. BELL: I don't know how you could improve on the basket from the sales standpoint, Mr. Secretary.

H.M.JR: I am just warning you, that is all.

MR. HAAS: You can freewheel it if you have to. That is the only safety valve you can get.

H.M.JR: How are you going to freewheel it?

MR. HAAS: You have to use Ted's organization to sell it to corporations, have them sell out something they are holding. That is what it amounts to.

H.M.JR: How do you know they are going to do that?

Ted, I am not trying to scare you, but I am telling you this is your last chance, now.

MR. GAMBLE: Every move that has been made, Mr. Secretary, is on the premise that this is the toughest job we have had since the beginning of the war. Every plan has been laid with that knowledge. Everything we are undertaking to do as we leave tonight is with that idea in mind. We have talked to people all over the United States, people that are market-wise, people that have some sense about this, fellows like Moulton from Southern California, who has been in the security business for twenty-five years--he has talked to corporation heads, and he has studied the whole picture. I don't think the job is going to be easy, but discounting the whole picture by twenty percent as a result of a change in the war, cutbacks, conversions, and so forth, we still can do this job.

H.M.JR: Cutback of how much?

MR. GAMBLE: You won't get over twenty before you get into this drive. You are going to have this operation rolling and half over when the bad part hits them.

- 17 -

H.M.JR: You might. You might get a forty percent cut.

MR. GAMBLE: I don't think you can get it by November 20.

H.M.JR: You don't know.

MR. BELL: It seems to me that you have the best possible basket for this situation for anything that develops along that line.

MR. GAMBLE: I think every good decision has been made, Mr. Secretary; I think the fourteen billion decision is designed to help us rather than hurt us.

H.M.JR: Ted, I am saying this now, because this is your last chance. You are getting what you want. I will back you to the limit the way I always do, but I am now saying, "Stop, look, and listen," because this is designed largely along the lines that you want.

Now, if it isn't what you want--and I have been thoroughly consistent, and everything else--and please don't repeat any of this anywhere, will you please?

MR. ROUSE: Right.

H.M.JR: That means anywhere.

MR. ROUSE: I understand.

H.M.JR: I am less sure myself than I have ever been. I don't feel right about this thing. I don't feel right about this basket. I have never gone into a drive with less self-confidence.

MR. GAMBLE: There has never been a drive when all of us as a group have been more of the same mind than we are on this drive.

H.M.JR: Without any disrespect to anybody, that doesn't mean it is right.

- 18 -

MR. GAMBLE: I understand that.

MR. BELL: I think the reason we are all of the same mind is just what the Secretary is talking about, the uncertainty in the picture.

H.M.JR: But nobody has the same feeling. I am simply saying I have less self-confidence and less assurance on this thing than I have ever had, and that is why I am doing the hundred million dollar thing, just a little shot in the arm. But before you draw up these regulations, I think you ought to leave some loopholes for the banks to get into this thing, some way or other.

MR. BELL: You mean to bring them in as a direct offering.

H.M.JR: If necessary.

MR. BELL: Of course, you can always do that as a part of the fourteen.

H.M.JR: Let me ask you this: How much are you going to let the banks, savings institutions--last time we let them do a hundred thousand, didn't we?

MR. BELL: No, we let them buy at twenty percent or four hundred thousand, whichever was less. The bankers have recommended that you give them ten percent of their deposits for this drive, disregarding all previous subscriptions, or five hundred thousand, whichever is smaller.

H.M.JR: How much could you get on that?

MR. BELL: On the five hundred thousand, I suppose you could get maybe a billion and a quarter, between that and a billion and a half. It would be two and a half times your original.

H.M.JR: That is the two percent?

MR. BELL: It could be in the two and a halves.

- 19 -

MR. ROUSE: They would almost all be in two percent bonds, from experience.

H.M.JR: It would be ten percent or half a million, whichever is smaller.

MR. BELL: And I think that would give you from a billion to a billion and a quarter.

MR. MURPHY: I think that is high. I would say three-quarters of a billion to a billion and a quarter.

MR. BELL: On your first ten percent you get five hundred and fifty million.

H.M.JR: Just let me throw this at you fellows: I am saying, make it twenty percent or a million dollars, whichever is the smaller.

MR. HAAS: That doesn't help the drive.

MR. MURPHY: It doesn't go into your drive totals. It doesn't help to make the goal.

MR. BELL: That is outside of your fourteen billion. It just helps you on the money end.

H.M.JR: All right. O.K. You boys have all the answers.

MR. MURPHY: The five hundred thousand doesn't help you so much.

H.M.JR: This is the first time I have ever said that I wasn't sure of myself.

MR. HAAS: Speaking for myself, I feel less certain about this; I think anybody has to with the uncertain situation they have.

H.M.JR: You have been sitting here all the time, George; you haven't said anything about that.

- 20 -

MR. HAAS: Well, I wrote the memorandum, but we felt this is your safest alternative, what we suggested. You have to do something. You have to finance the war, and you have to put in as many safety factors as you can, and that is what we have suggested; you have taken the recommendations. But that doesn't mean that we feel absolutely confident about it.

H.M.JR: You boys go out and have one more look at your financial souls. If you want to come back and see me after my giving you this talk, I am available. How is that?

October 4, 1944
3:50 p.m.

SECRETARY'S WAR BOND ITINERARY

Present: Mr. Gamble
Mrs. Klotz

MR. GAMBLE: We have you on both the CBS and the Blue Network station in Atlantic City, a combination of the two.

This luncheon will be a little earlier than the other luncheons; it will start at twelve-thirty, and you go on the air at one-thirty, from one-thirty to one forty-five.

I will leave a copy of this with Mrs. Klotz, giving the names of the stations and their network affiliations.

At Chicago all of the luncheons are at one o'clock, and you go on the air from one forty-five to two in the other three cities. In Chicago it is WCLF, the Blue Network. In New Orleans you go on both the CBS and Mutual stations, the combination of two, from one forty-five to two.

On the Pacific Coast you go on the Don Lee Network from one forty-five to two. These meetings will range in attendance, Mr. Secretary, from four hundred to eight hundred and fifty people. Our largest will be in Los Angeles, where we will have eight hundred and fifty people. Everything has been set for all these luncheons. I will have an opportunity to double check them myself. Our man we have arranged to go to these meetings is going to Atlantic City and make these press arrangements. And in checking your question that you asked me this morning about his being in every city while you are there, I find that the only city where you won't meet with him will be Atlantic City. He will be present at all your other press conferences. But we will have a man there, Mr. George Little, who will be in charge of it, and I will be there

- 2 -

twenty-four hours ahead of schedule with him to know it is set up properly. We plan to have these press conferences immediately after your luncheon.

H.M.JR: Nothing is ready yet. I was under the impression--and you can check it--that Fred was to go on this trip this coming week with me.

MR. GAMBLE: I was under that impression until I asked him, and he said he didn't know. Later he got in touch with Shaeffer and told Shaeffer to tell me that Shaeffer was likely to go.

H.M.JR: Mrs. Klotz, will you look up that memorandum which got upstairs by mistake that mentioned that trip?

MRS. KLOTZ: I will get it now.

H.M.JR: Would you, please?

I will call him myself; he is not going to go. I asked him if he had spoken to Shaeffer, and he said he hadn't.

MR. GAMBLE: He must have, because Shaeffer didn't get it out of thin air. Shaeffer even asked me to go so far as to let him know when I knew so as to get some clothes.

H.M.JR: He told me he hadn't spoken to Shaeffer.

MRS. KLOTZ: He said, no, he hadn't, and then in the end he had. I was so mixed up when I got through I didn't know whether he had or hadn't.

MR. GAMBLE: I don't think Shaeffer pulled this out of the air.

H.M.JR: There is no sense in Shaeffer going with me.

MR. GAMBLE: I won't be here tomorrow.

H.M.JR: Who is your second man?

- 3 -

MR. GAMBLE: Coyne. I will see that he is here.

H.M.JR: I have to do this thing now, and with Fred pulling out, it leaves me with nobody, really.

MR. GAMBLE: Let me hasten to tell you that so far as the arrangements are concerned--

H.M.JR: Yes, but going on a broadcast and doing the same speech over four times is going to be deadly for everybody.

MR. GAMBLE: They are different audiences. Your only audience will be a dozen people from Washington. As a matter of fact, I was pleased that that was the way you were going to do it. I think the handout idea is good.

(Mrs. McHugh enters the conference temporarily.)

H.M.JR: You haven't seen the handout?

MR. GAMBLE: No.

MRS. KLOTZ: He says, "My suggestion is that I go down to New York after the speeches are finished and stay until you are ready to make your trip around the country. Then if you need me on that trip I can come back and make the tour with you. Afterwards I can return to New York. for good."

Well, isn't it this trip?

H.M.JR: Yes, of course it is.

MRS. KLOTZ: That is what I thought.

H.M.JR: He told me, "If you will give me one week to get started, I will come back and make this trip with you." There it is. And I agreed with him that that is what he should do.

- 4 -

MRS. KLOTZ: Well, I think he has changed.

H.M.JR: Of course, he has changed. Should I write him?

MRS. KLOTZ: I would forget it.

MR. GAMBLE: I assure you that my time is such that I will be able personally to look after this each time.

MRS. KLOTZ: What has he done that we would be missing him so much?

H.M.JR: These speeches aren't in shape.

MRS. KLOTZ: He never put them in shape.

H.M.JR: Yes, Mrs. Klotz, he did, on the trips.

Anyway, you clean up your thing.

MR. GAMBLE: Fine.

I have one or two other matters--one is a free suggestion. Our Chairman in New Orleans suggested that he would like to have the Governor and three or four prominent Louisianians have a dinner for you the night you are there. He has talked to the Governor about it. They like the idea. They have put it up to us. I told them we would talk to you about it. I think you would enjoy it. You wouldn't have to leave New Orleans until the next morning.

H.M.JR: Who is the Governor?

MR. GAMBLE: This new fellow who was just elected recently.

H.M.JR: I don't know. There is a whole crowd down there.

Mrs. Klotz, you ask Elmer Irey who the Governor is and if it is O.K. You can let me know tomorrow.

- 5 -

MR. GAMBLE: We can take care of this from Atlantic City.

The other suggestion is that when you are in Los Angeles--you are there on Saturday; that is the tail end of the trip--Spyros Skouras is going to be in Los Angeles, and would like to have a dinner for you with a small group of people, probably something at one of the Hollywood hot spots, the Brown Derby, or some such place. He would like to have a small dinner party of half a dozen people; it is something you probably would enjoy doing.

H.M.JR: Do you mind taking all those things up with me in Atlantic City. When I get through in Los Angeles, I think I will want to come right back. Now, if I get in there the night before I might be glad to do this.

MR. GAMBLE: You could be there Friday night, yes.

H.M.JR: I am very tired now. If I have fifteen or twenty minutes to talk to you about it in Atlantic City, that will be plenty of time.

Is that all you have.

MR. GAMBLE: I have three minor matters that will only take a second. These are the usual letters to the Secretary of Navy and the Secretary of War about directives for cooperation in the War Bond Drive.

(Secretary signs letters)

MR. GAMBLE: This is a letter to Randolph Burgess to go in the bankers' manual that goes to every bank.

H.M.JR: I wrote him a letter.

MR. GAMBLE: It is to be accompanied by a letter from Burgess, also.

H.M.JR: Do you want this back?

MR. GAMBLE: I would like to take this one letter with me.

- 6 -

H.M.JR: Will you see that I get copies?

MR. GAMBLE: I will give Mrs. Klotz copies right now.

(Secretary signs letter to Mr. Burgess, dated October 4, 1944.)

MR. GAMBLE: Now, we have softened down a telegram we sent last time to three thousand corporations which was the best thing we did, Mr. Secretary. It brought splendid results. We would again like to send a wire from you to the twenty-seven odd big corporation presidents. While we are away we want to get them out.

H.M.JR: You may have some bad repercussions.

MR. GAMBLE: We purposely toned it down and made it more of a compliment to them than we did last time and said we would like their cooperation.

H.M.JR: Seventy-five dollars?

MR. GAMBLE: Yes, that is the national quota.

H.M.JR: You don't want to say a hundred dollar bond?

MR. GAMBLE: We want to be sure they get the cash idea.

H.M.JR: O.K. (Secretary initials attached letter.)

MR. GAMBLE: That is everything I have, sir.

(Mr. Fitzgerald enters the conference.)

MR. FITZGERALD: I want to know if you would O.K. those hotels. (Hands copy of itinerary to Secretary.)

H.M.JR: When am I supposed to get to Claridge's?

MR. GAMBLE: Saturday morning.

H.M.JR: How long does it take?

- 7 -

MR. FITZGERALD: If you want to fly, about fifty minutes.

H.M.JR: When do I get to Chicago? I had better get there the night before. Make it Monday night.

MR. FITZGERALD O.K.

H.M.JR: Then, what do I do with myself all Wednesday?

MR. GAMBLE: I think you would probably want to fly to New Orleans Wednesday afternoon. It is a pretty healthy flight.

H.M.JR: Ask Colonel McCarthy where in Kansas they are making the B-29.

MR. GAMBLE: Wichita.

H.M.JR: I might stop off there on the way down.

MR. FITZGERALD: All right. That is a four and a half hour run.

H.M.JR: I had planned to get into Los Angeles Friday night, and most likely leave there Saturday night.

MR. GAMBLE: You could get in there Friday night easily.

MR. FITZGERALD: The question on New Orleans is this: The Roosevelt hotel is the best one there, but Chief Wilson brought to my attention the fact that the big shot in that hotel served a term for income tax evasion, and we wondered if that would make any difference to you.

H.M.JR: He is out of prison now?

MR. FITZGERALD: He has paid his debt to society.

H.M.JR: I think it would be very noticeable if I didn't go, I mean, if they all went and I didn't.

- 8 -

MRS. KLOTZ: Why must they all go?

MR. FITZGERALD: The meeting is there.

MR. GAMBLE: It is where you are going to speak.

H.M.JR: What is your impression?

MRS. KLOTZ: I don't know.

MR. GAMBLE: The reason we are going there is because it is one of the few places in the South that can accommodate a crowd of this size.

H.M.JR: Mrs. Klotz, would you make a note to let Joe Gaydica know?

(The Secretary holds a telephone conversation with Mr. Gaston.)

H.M.JR: He says it is all right.

Would you tell Joe Gaydica that leaving the farm Sunday I want him to go with me?

MR. FITZGERALD: That answers my question.

H.M.JR: No, we are leaving Monday.

MRS. KLOTZ: For Chicago?

H.M.JR: We are going from the farm to Chicago Monday the 9th. Leave this itinerary with me, and tomorrow I will work up my own.

MR. FITZGERALD: You will want private telephones throughout?

H.M.JR: I wouldn't bother with Atlantic City.

MR. FITZGERALD: We will plan for you to go to Atlantic City Saturday morning from here?

- 9 -

H.M.JR: Weather permitting.

MR. FITZGERALD: I hope it is, because you would have to get a train out of here at eight o'clock, and there would be a couple of hours on a coach from North Philadelphia to Atlantic City.

H.M.JR: Oh, oh, oh, terrible!

All right?

MR. GAMBLE: Right.

TELEGRAM TO BE SENT ON OCTOBER 15TH TO THE PRESIDENTS OF ALL FIRMS
EMPLOYING OVER 1,000 WORKERS:

Mr. _____
President

Survey of Fifth War Loan results again proved importance of plant quotas, effectiveness of person-to-person solicitation and tremendous value of personal and enthusiastic interest of top management. Plant quotas for Sixth War Loan have been set on basis of average \$75 cash investment per employee with all regular Payroll purchases during November and December credited to this quota. An early start designed to allow maximum number of extra deductions during this period will prove most important in attaining this goal. More than ever we will need your all-out support to make Sixth War Loan a success. We look forward to your continued cooperation.

Henry Morgenthau, Jr. . . .
Secretary of the Treasury

OCT 4 1944

Dear Jim:

Plans for the 6th War Loan are now beginning to take definite shape. The drive will run from November 20th to December 16th and we have set as a goal \$14 billion, of which \$5 billion is to come from individuals. I'm sure from the help we've already had from you that you know our entire campaign is being slanted toward the Pacific war.

We have had in the past excellent cooperation from the Navy in connection with exhibits, bands, speakers, etc. and I can assure you that we could not have done our job without this fine cooperation. However, because of the nature of our campaign in the 6th War Loan drive, and, because it is probably going to be our most difficult job to date, the demands from state and local War Finance Committees will undoubtedly be greater than ever before so far as Navy cooperation is concerned. I am therefore writing to ask you:

- (a) That you be kind enough to insure continuance of the invaluable assistance we have had from you in the past by issuing a similar directive to those issued during previous War Loan campaigns;
- (b) That because of the nature of our campaign, attempting as we are to feature the Navy's gigantic task in the prosecution of the Pacific war, that every possible consideration be given by your Naval District Commandants to such requests for help;
- (c) That a liaison officer again be appointed to work with the War Finance Division in Washington, as well as a liaison officer being set up in each of the Naval Districts, to expedite cooperation between the War Finance Committees and the Naval Districts.

I would like to add that Lieutenant Commander Frank Courtney who has been assigned to the Treasury in the past has done excellent work, understands our problems, and would make a good officer as a liaison, if this can be conveniently

-2-

worked out.

In closing, I'd like to say further that I'm sure you would be pleased with the Navy atmosphere that is bound to be generated by the 6th War Loan campaign.

Thanking you for your always gracious help, I am

Sincerely,

(Signed) Henry

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

TRG:RFP
10-3-44

OCT 4 1944

Dear Harry:

Enthusiastic letters continue to reach us from State and Local Chairmen of War Finance Committees throughout the country relative to the splendid assistance rendered by the Army during the Fifth War Loan Campaign. There can be no question but that the liberal contribution made through the medium of the Army Headquarters and the different Service Commands contributed immeasurably to the success of our Campaign. Equipment displays, Army Shows, Bands and Speakers all help to pyramid the sale of Bonds.

Plans for the Sixth War Loan are now beginning to take definite shape. Although the dates and the total amount to be raised are yet to be decided, it will undoubtedly start in November.

I am, therefore, writing to ask that you be kind enough to ensure a continuance of this valuable assistance by issuing an order or directive similar to those issued during the previous War Loan Campaigns. It would also be very valuable to us to have you again assign to the War Bond Program a Liaison Officer in Washington and in each of the nine Service Commands. Such appointments would again permit the maximum use to be made of such facilities as can be made available to us.

Sincerely,

(Signed) Henry

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

OCT 4 1944

Dear Dr. Burgess:

The Sixth War Loan will start on Monday, November 20th. I am writing to you, as President of the American Bankers Association, and through you to the bankers of the nation, to ask for assistance in putting the nation over the top.

In five War Loans the bankers have rendered the country a great service in providing leadership and in the sale of bonds to their customers.

This experience, as well as that of other selling groups, has shown that the best way to sell bonds is to have folks ask other folks to buy them. Bankers are in a unique position of trust and confidence in their communities, and I feel certain that it will be a tremendous assistance to the Sixth War Loan if every bank, whether large or small, will do what many banks have already done -- solicit every one of its larger depositors face to face. I know that this may be a chore to many banks, but it will sell bonds. It will back up our fighting men. It will help preserve the soundness of the dollar.

Let me take this opportunity to convey to the bankers of the nation our thanks for the hard work they have done in previous War Loans. The job ahead is going to be tougher, and it will be encouraging to know that the banking quota is out there helping carry the ball.

Sincerely,

(Signed) W. MORSEHEAD, JR.

Dr. W. Randolph Burgess
President
American Bankers Association
22 East 40th Street
New York 22, New York

TRG:heh

October 4, 1944.

Dear Randolph:

I congratulate you upon becoming President of the American Bankers Association in a year which I think may be one of very great developments in American banking and finance. You won't mind my saying, I hope, that the A.B.A. has honored itself in selecting one of your public service background and breadth of understanding of economic and financial matters at this particular time.

I want you to know that you have my wholehearted good wishes and those of everybody in the Treasury Department.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

Mr. Randolph Burgess
Vice President, National City Bank
55 Wall Street
New York, New York

HEG/mah



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Oct. 4, 1944

TO Mr. Gaston
FROM Secretary Morgenthau

Would you please prepare a very warm letter to Randolph Burgess for my signature, congratulating him on becoming President of the ABA, and wishing him all kinds of success.

October 4, 1944
4:45 p.m.

PRESS RELEASE ON GOVERNOR DEWEY'S
SPEECH OF OCTOBER 3

Present: Mr. Gaston
Mr. Sullivan
Mr. Nunan
Mr. Blough

H.M.JR: Unfortunately, I haven't had a call from the White House.

Let me read this. (Refers to attached draft of press release)

You changed page 4?

MR. BLOUGH: Technically it is more accurate.

H.M.JR: You left out this, "His silent backers."

MR. BLOUGH: Oh, that's there.

H.M.JR: Oh, I see.

This is all right. I think it is a considerable improvement.

MR. NUNAN: I think exactly as you do. It reads nicely now. This is practically the way Robertson left it, with a few words changed.

MR. BLOUGH: There have been a paragraph or two substituted and some words added and figures have been checked and a few corrections made.

(Miss Chauncey enters office)

H.M.JR: Will you send this letter to the President of the United States:

- 2 -

"My dear Mr. President: I am enclosing a second draft of a proposed statement in answer to Governor Dewey's speech last night on taxes. Yours sincerely."

MR. SULLIVAN: Now, do you want this read to George and Porter?

H.M.JR: I'd say that would be that. We called up Porter. He didn't bother to call back. I'd call up George, if you don't mind.

MR. SULLIVAN: I'll be glad to.

MR. GASTON: I didn't call anybody about this.

MR. SULLIVAN: I thought you said you had called.

MR. GASTON: Oh, no, no, that was weeks ago that I told them, offered that if they wanted anything out of the Treasury, we would provide it, and they said they would be very happy to get our suggestion. I said to let me know if ever they wanted anything.

MR. NUNAN: I called Hannegan. He wasn't in. He is to call back as soon as he gets in, and I'll give him the message that as far as we are concerned this is being handled directly by the President.

H.M.JR: Yes, we'll wait until we hear from the President. Could I have a copy? (Mr. Blough hands copy to the Secretary)

If you would just tell Hannegan we have sent this thing over to the President and there it is.

MR. NUNAN: I'll do that.

H.M.JR: He promised to call me back this afternoon, and he hasn't. I am glad he didn't, because it gives us a chance to give it a big improvement.

If it were your decision, over whose name do you think this should go out?

- 3 -

MR. NUNAN: Yours.

H.M.JR: I agree with you. Didn't I say in my letter this morning I'd be glad to do it?

MR. NUNAN: Yes--or you suggested Senator George.

H.M.JR: It is good and dirty.

MR. SULLIVAN: No, it is dignified. It is dirty in a dignified way!

MR. NUNAN: It hits him right back in the nose, but it is a dignified statement.

H.M.JR: I don't agree. The last thing in the world I'd call it is dignified. If it was dignified, it would be the last thing I'd want to give out. The boys in your district could understand that, couldn't they?

MR. NUNAN: Very easily.

H.M.JR. Would they like it?

MR. NUNAN: In my opinion, they would.

H.M.JR: I like the part about the incorporated yachts and all that. You left out the part that we went down to the billion and a half. Why?

MR. GASTON: Those figures serve to support too much his charge about Roosevelt's depression. We were setting up in juxtaposition a figure of 83 billions of national income in 1929 and the figure of 71 billions of national income in 1939, which I didn't like very well.

H.M.JR: I'd better hang on to this, because somebody will be calling me up at all hours of the night, as usual.

MR. SULLIVAN: I'm going to leave mine here so I won't be able to read it to anybody!

H.M.JR: Well, many, many thanks. I have killed the day for everybody. I did, in between times, settle

- 4 -

the basket for the Sixth War Loan.

MR. GASTON: I'll tell you one thing I did, I wrote a fifteen-minute speech that I'm supposed to give in New York on Monday.

H.M.JR: This will be over there in five minutes, and then it is up to the boss.

MR. BLOUGH: I hope he makes the substitution.

H.M.JR: Oh, yes, I'll take care of it.

4345 8th
10/4/44 118

The Republican candidate for President reached a new low level of demagoguery last night when he complained about high wartime taxes on the ground that these taxes "are not just for the war" and complained about existing rates, including the face powder tax.

The war last year cost 90 billion dollars. The Government raised 42 billion in taxes. Would Mr. Dewey have raised less? If not, what would he substitute for the taxes he criticized?

I think the Republican candidate misjudges the American people when he assumes that he can stir their anger against the Administration and against Congress for asking them to pay half of the current costs of the war in taxes out of the high earnings and high profits of the war years. The taxpayers haven't been complaining. They have been paying them gladly and cheerfully. Even Governor Dewey admitted this in his speech. They have been doing more -- they have been buying billions of dollars in war bonds. They know a war is on if Mr. Dewey doesn't.

They are even willing to pay the face powder tax, which Mr. Dewey appears to find unbearable.

- 2 -

The candidate complains that not all Government expenditures are for war. That is true. But 95 percent of the expenditures last year were for the war and just five percent -- or one-twentieth -- went for maintaining the ordinary structure and functions of the Government, without which the war could not go on.

Mr. Dewey has labored valiantly to construct and to demolish what even a child in school must recognize as a fantastic straw man, the notion that the wartime taxes are to be continued in peace. Someone ought to tell him that appropriate committees of Congress and the Treasury have been working for months on plans to revise taxes after the war, considering many proposals including those offered by committees of taxpayers.

By applying peacetime standards to wartime taxes, Mr. Dewey has done the country the disservice of confusing instead of clarifying the tax picture. He attacked business taxes designed to prevent war profiteering, as though they were peace taxes designed to encourage risk taking. He attacked luxury taxes which during the war add a reasonable levy of 20 percent to the price of non-essentials and help control inflation. He attacked income taxes which rise with personal ability to pay.

- 3 -

Mr. Dewey's worst attempt to deceive the people was his charge that the tax laws have been used to discourage high wages. This was based on a discredited claim that a Treasury agent told the Lincoln Electric Company that "A man who works with his hands should not be paid as much as \$5,000 a year".

The Treasury has never had such a rule, of course. The Treasury officials who attended conferences with this company have categorically denied they made any such statement. No proof has ever been offered, but Mr. Dewey now echoes this oft-used piece of business propaganda.

Best proof of the falsity of the story is that every dollar actually paid to this company's employees, whether classified as base pay or an incentive bonus, whether the total was over or under \$5,000, has been allowed in full. In fact there were 211 employees, including 129 factory workers, who received more than \$5,000 with the Treasury's approval.

- 4 -

The Treasury did disallow certain additional annuity premiums and shares in a profit-sharing trust amounting to about \$2,000,000 by which the company tried to cut its taxes about \$1,000,000 in 1940 and 1941. No part of this money was actually paid over to the employees and they have no assurance they will ever get a large part of it. This is a technical, legal issue, which is now being settled by the courts.

It is significant that Governor Dewey picks out the Lincoln Electric Company to defend. This company, despite tremendously inflated war profits, has been one of the leaders in the campaign to curb the Government's control over war profiteering. It is now opposing the renegotiation of war contracts in the courts and is resisting the Government's demand for return of \$3,250,000 of excessive war profits in 1942, a year when it made \$9,000,000 before taxes, as compared with a top prewar income of about one-third that much.

The Republican candidate made a great deal of the fact that a number of changes have been made in the tax system over the past few years. The reasons for these changes are simple. Over half the tax changes have been made because of the war which made necessary

- 5 -

far heavier taxation than ever before. The other half were required because the last Republican Administration left behind it a bad tax system that needed major overhauling. It also left behind the country's worst depression to which the tax system had to be adjusted.

One of the reasons why so many tax revisions have been needed is that the last Republican Administration was complacent about such things as incorporated yachts and racing stables and Bahamas Island corporations which enabled some of our prosperous citizens to make a joke of the tax laws.

It is significant that Governor Dewey was completely silent on the loopholes that remain -- the percentage depletion provision for oil and mining companies and other loopholes that enable his silent backers to avoid carrying their proper part of the tax load.

Indeed, Governor Dewey was silent on many points. His "program" for postwar taxes is too vague and formless to give any idea what he proposes. His speech was purely political. He is for reducing and abolishing taxes without telling where the money is coming from to run the Government.

10/4/44

October 4, 1944

My dear Mr. President:

I am enclosing the second draft of
a proposed statement in answer to Governor
Dewey's speech last night on taxes.

Yours sincerely,

Signed "Henry"

The President,
The White House.

*delivered to Mrs. Boettger
by Agt Bauck.*

October 4, 1944
5:38 p.m.

HMJr: Okay.

Operator: Go ahead.

HMJr: Hello.

Anna
Boettiger: Hello. Henry?

HMJr: Talking.

B: Say, listen, I wanted to report this much to you.

HMJr: Yes.

B: By the way, that report came and I haven't had time to look at it yet but I'll tell you why and why you haven't heard from Father. He's working on tomorrow night's speech.

HMJr: Yeah.

B: And, of course, you know he gave one this afternoon.

HMJr: Yes.

B: Well, that is the -- I mean, you know how problematical that is as to when you're going to get his attention.

HMJr: Yes.

B: Now, when you -- when I talked to you last I purposely went upstairs to take your call because I thought he might get there while I was talking to you

HMJr: Yeah.

B: and he did, and so I gave him your message as soon as I hung up from talking to you.

HMJr: Yes.

B: But you could tell, knowing him -- you know him as well as I do

- 2 -

HMJr: I doubt it.

B: his mind was on the speech

HMJr: Yeah.

B: and he said, "Oh, oh, oh, yeah." He said, "Why is Henry getting out another draft?" He said, "I don't know whether I want to add to that at all." He said, "Tell Henry I'll call him when I get a chance, but tell him I'm working on this speech and I've got to get it off my chest."

HMJr: Yeah.

B: So I thought I might as well tell you the whole

HMJr: Right.

B: story so you'd know, you know.

HMJr: I appreciate it.

B: It's easier if you know.

HMJr: Sure.

B: But that is the story. I -- I can tell from what he said this morning -- you see I took your first one in there and explained the situation to him, and I could tell from his answer that he hadn't made up his mind that it was wise to answer.

HMJr: I see.

B: He said at that time, "Well, I'll have to think about it because sometimes criticism of that kind is best left unanswered for a while."

HMJr: Yes.

B: Now, whether he'll stick to that, Henry, or not neither of us can tell.

HMJr: Yes.

B: I think the main thing is that I will have this -- he's working right now with -- Harry's in there and Sam's in there and Bob's in there and I was in there until -- just 'till I came out right now to call you.

HMJr: Yeah.

B: Uh

HMJr: Well, that's very sweet of you.

B: But there's -- there's -- there's nothing -- the only thing I can do is to put it -- I thought I'd save it and get a chance to read it and then put it as close to him as possible and see if this evening he has a chance to look at it, you see?

HMJr: Okay. Have a look at it yourself.

B: Well, that's what I want to do. I've got plenty of time because he'll be working at this until supper time now.

HMJr: I think it's pretty good.

B: Well, I'm glad you do.

HMJr: A lot of people worked on it.

B: Well, I

HMJr: Over here, I mean. It's not the work of one person.

B: Oh, well, I'm sure of that. Well, I -- I even told him that.

HMJr: Yes.

B: I told him that -- that you had all your best people working on it and that you didn't want him to even look at the first draft, which by the way is down in the bottom of the basket so I couldn't get it.

HMJr: Yes.

B: But that you didn't want him to even look at that.

HMJr: Yeah.

B: The only thing you were interested in having him look at was the second draft

HMJr: Yes.

B: which you felt was ever so much better.

HMJr: That's right.

B: In other words, he knows the whole story, Mister, but that's as far as I can go.

HMJr: Well, nobody could go as far. Ever so much obliged.

B: Oh, listen

HMJr: Yes.

B: one other thing, Mother said she was going to see Elinor this week end.

HMJr: Yes.

B: And she is being as difficult as ever over her birthday....

HMJr: Oh - oh.

B: which you also -- have you got time for me to tell you this?

HMJr: All the time in the world.

B: Well, she announced to me flatly and absolutely firmly

HMJr: Yes.

B: that she refused to have a birthday party.

HMJr: (Laughs)

B: And Tommy told me -- I went in to Tommy and I said, "What the hell do you do with her on times like this?" And I said -- Tommy said, "Well, last year I had gone out and bought a lot of little stuff for around the table."

HMJr: Yes.

B: And she said, "By gosh, she sat on me so hard that I put them away."

HMJr: Yes.

B: And so I told -- I tried everything. I asked her if I could ask (?) down and she caught -- she said, "Well, that's one of the things -- they can't come. They can't get away. They work too hard."

HMJr: Oh - oh.

B: So-o-o-o -- you know that situation.

HMJr: I know it.

B: So I said, "Well, darling, I'm sure that if they really wanted to that they could get down for just one night and they could go back the next morning -- get up at six and go back."

HMJr: Yeah.

B: Well, I didn't get anywhere at all. She said, "I just want to have family dinner -- just dinner alone that night."

HMJr: (Laughs)

B: So she said -- so then I -- I even tried to bring -- I said, "Well, you know Elinor's counting on being with us, too."

HMJr: Yeah.

B: And she said, "Yes," she said, "I know that and I'm going to see Elinor this week-end." And then she said, "If Elinor is coming down anyway," she said, "I don't want her to come down just for my birthday."

HMJr: Yeah.

B: "But if Elinor is coming down anyway, maybe she could come in and -- she would come in and have lunch with me that day."

HMJr: Yeah.

- 6 -

B: So I didn't -- I didn't tell her I was going to pass it all along because

HMJr: No.

B: to you, but apparently she's -- Tommy tells me every year she puts on this show.

HMJr: Yeah.

B: So I don't know how it will work out but that's that.

HMJr: Okay.

B: (Laughs)

HMJr: It's very sweet of you to take the trouble, and I'll just -- the Treasury will know where I am this evening.

B: Yeah.

HMJr: And if your papa wants me, I'll be available.

B: I'll remind him again so -- and I will do it again before

HMJr: Oh, I wouldn't bother him.

B: Well

HMJr: He's got it and -- I wouldn't

B: Well, the only thing I'll do before I -- Mother's taking us out to see Ethel Barrymore tonight -- just John and me -- so before I go out I'll say -- tell -- just tell him I'm putting it in the top of his basket.

HMJr: Yeah, but I mean after all

B: That's enough of a reminder.

HMJr: Sure, I don't want to make a nuisance of myself on this because I think we've done a good job and it's there and it's up to him to decide what he wants.

- 7 -

B: Yeah. Well, then you know the story so

HMJr: Right.

B: if you hear you hear, if you don't you won't.
(Laughs)

HMJr: Fair enough.

B: Okay.

HMJr: Ever so much obliged.

B: Fine. Good bye, Henry.

October 4, 1944

MEMORANDUM

TO: Dr. White
FROM: Secretary Morgenthau

I had lunch today with Mr. Krug and to my amazement found that he is wholly sympathetic toward what we think should be done with Germany. It is particularly interesting since he said, "I am a German and both of my parents were born in Germany. I ran into a memorandum in Phil Reed's office in London on how to treat Germany and I was thoroughly disgusted."

I suggested that if he would set aside an evening that you and some of your men would like to go into the whole matter with him. He is very keen to do this and said he would have his two principal assistants present. I think that this sort of proselyting is very important, particularly where we can get people as important as Krug, of German extraction, who look at this thing the way we do. But I want to say in Krug's behalf that I didn't have to do any arguing. He is for stripping Germany of all war potentialities and went into this at great length. So please call him up.

HMJ:pm

MEMORANDUM FOR THE SECRETARY.

October 4, 1944.

The following figures represent the response on the report concerning the postwar treatment of Germany from noon yesterday to noon today:

Favorable.....	9
Unfavorable.....	6
Uncertain.....	2

Sabriele E. Fuchsbach
per S. B. Saunders

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Oct. 4, 1944

TO Secretary Morgenthau

FROM Mr. White *HDW*

Subject: Trial of the Germans

The attached rider on the trial of the Germans was sent today to the War Department for inclusion in the Interim German Directive.

The War Department is of the opinion that the appropriate time to press for the inclusion of this material in the Interim Directive will be when the British discuss the directive in the Combined Chiefs of Staff. At the present time the directive -- without the rider -- has been approved by all the agencies on the American side and is before Churchill waiting action.

**Rider A for insertion as Paragraph 1A to Appendix A:
"Directive to SCAEF Regarding Military Government of
Germany in the Period Immediately Following the Cessation
of Organized Resistance."**

"Upon a request filed with you by an appropriate representative of any of the United Nations, you should immediately deliver up to the designated authorities of such country any person who is stated in such request to be charged by such United Nation with an offense against its laws or its nationals, or under the laws of war. This shall, of course, include, but not by way of limitation, any German whose delivery is demanded in accordance with the Moscow Declaration of October 1943 - copy attached. Such request should be promptly and summarily complied with upon the apprehension of the person named in the request. If the same person is requested by the representatives of more than one country, you shall deliver such person to the country charging him with the offense which, in your judgment, is most serious. You should not, however, delay compliance with any request received on the grounds that other requests for the same person may be anticipated. Adolph Hitler and the important members of his personal staff shall not be delivered up under this procedure but will be held by you pending further instructions with regard to their disposition.

"No national of any United Nation should be delivered up pursuant to this procedure without the approval of an appropriate representative of that country.

"It is emphasized that the extradition procedure set forth in this paragraph should be administered in the most simple and expeditious manner."

MOSCOW STATEMENT ON ATROCITIES, OCTOBER, 1943.

The United Kingdom, the United States and the Soviet Union have received from many quarters evidence of atrocities, massacres and cold-blooded mass executions which are being perpetrated by Hitlerite forces in many of the countries they have overrun and from which they are now being steadily expelled.

The brutalities of Nazi domination are no new thing and all peoples or territories in their grip have suffered from the worst form of government by terror. What is new is that many of these territories are now being redeemed by the advancing armies of the liberating powers and that in their desperation the recoiling Hitlerites and Huns are redoubling their ruthless cruelties. This is now evidenced with particular clearness by monstrous crimes on the territory of the Soviet Union which is being liberated from Hitlerites and on French and Italian territory.

Give Full Warning

Accordingly, the aforesaid three Allied powers, speaking in the interests of the 32 United Nations, hereby solemnly declare and give full warning of their declaration as follows: At the time of granting of any armistice to any government which may be set up in Germany, those German officers and men and members of the Nazi party who have been responsible for or have taken a consenting part in the above atrocities, massacres and executions will be sent back to the countries in which their abominable deeds were done in order that they may be judged and punished according to the laws of these liberated countries and of the free governments which will be erected therein.

Lists will be compiled in all possible detail from all these countries, having regard especially to invaded parts of the Soviet Union, to Poland, and Czechoslovakia, to Yugoslavia and Greece, including Crete and other Islands; to Norway, Denmark, Netherlands, Belgium, Luxembourg, France and Italy.

Will Be Delivered to Accusers

Thus, Germans who take part in wholesale shooting of Polish officers or in the execution of French, Dutch, Belgian or Norwegian hostages or of Cretan peasants, or who have shared in slaughters inflicted on the people of Poland or in territories of the Soviet Union which are now being swept clear of the enemy, will know they will be brought to the scene of their crimes and judged on the spot by the peoples whom they have outraged.

Let those who have hitherto not imbrued their hands with innocent blood beware lest they join the ranks of the guilty, for most assuredly the three Allied Powers will pursue them to the uttermost ends of the earth and will deliver them to their accusers in order that justice may be done.

The above declaration is without prejudice to the case of German criminals, whose offenses have no particular geographical localization and who will be punished by joint decision of the governments of the Allies.

**PARTIAL REDEMPTION, BEFORE MATURITY, OF 2¾ PERCENT
MUTUAL MORTGAGE INSURANCE FUND DEBENTURES**

**SERIES B—TWELFTH CALL
SERIES E—THIRD CALL**

1944
Department Circular No. 753
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, October 4, 1944.

TO HOLDERS OF 2¾ PERCENT MUTUAL MORTGAGE INSURANCE FUND DEBENTURES, SERIES B AND E:

**1. NOTICE OF CALL FOR PARTIAL REDEMPTION, BEFORE MATURITY, OF 2¾ PERCENT
MUTUAL MORTGAGE INSURANCE FUND DEBENTURES, SERIES B AND E**

The Federal Housing Commissioner, with the approval of the Secretary of the Treasury, has issued the following notice of call for partial redemption and offer to purchase with respect to 2¾ percent Mutual Mortgage Insurance Fund Debentures, Series B and E:

"Pursuant to the authority conferred by the National Housing Act (48 Stat. 1246; U. S. C., title 12, sec. 1701 et seq.) as amended, public notice is hereby given that 2¾ percent Mutual Mortgage Insurance Fund Debentures, Series B and E, of the denominations and serial numbers designated below, are hereby called for redemption, at par and accrued interest, on January 1, 1945, on which date interest on such debentures shall cease:

2¾ PERCENT MUTUAL MORTGAGE INSURANCE FUND DEBENTURES, SERIES B		2¾ PERCENT MUTUAL MORTGAGE INSURANCE FUND DEBENTURES, SERIES E	
<i>Denomination</i>	<i>Serial numbers (All numbers inclusive)</i>	<i>Denomination</i>	<i>Serial numbers (All numbers inclusive)</i>
\$50.....	1,556 to 1,563	\$50.....	22
100.....	5,766 to 5,786	100.....	84 to 90
500.....	1,824 to 1,831	500.....	21 to 23
1,000.....	7,008 to 7,036	1,000.....	97 to 115
5,000.....	515 to 517		

"The debentures first issued, as determined by the serial numbers, were selected for redemption by the Commissioner, Federal Housing Administration, with the approval of the Secretary of the Treasury.

"No transfers or denominational exchanges in debentures covered by the foregoing call will be made on the books maintained by the Treasury Department on or after October 1, 1944. This does not affect the right of the holder of a debenture to sell and assign the debenture on or after October 1, 1944, and provision will be made for the payment of final interest due January 1, 1945, with the principal thereof to the actual owner, as shown by the assignments thereon.

"The Commissioner of the Federal Housing Administration hereby offers to purchase any debentures included in this call at any time from October 1, 1944, to December 31, 1944, inclusive, at par and accrued interest, to date of purchase.

"Instructions for the presentation and surrender of debentures for redemption on or after January 1, 1945, or for purchase prior to that date will be given by the Secretary of the Treasury."

II. TRANSACTIONS IN CALLED DEBENTURES

1. The debentures included in the foregoing notice of call for partial redemption on January 1, 1945, are hereby designated twelfth-called 2¾ percent Mutual Mortgage Insurance Fund Debentures, Series B, and third-called 2¾ percent Mutual Mortgage Insurance Fund Debentures, Series E, and are hereinafter referred to as twelfth-called and third-called debentures.

2. Transfers and denominational exchanges in twelfth-called and third-called debentures will terminate at the close of business on September 30, 1944.

III. REDEMPTION OR PURCHASE

1. Holders of twelfth-called and third-called debentures will be entitled to have such debentures redeemed and paid at par on January 1, 1945, with interest in full to that date, at the rate of \$13.75 per \$1,000. Interest on twelfth-called and third-called debentures will cease on January 1, 1945.

2. Holders of twelfth-called and third-called debentures have the privilege of presenting such debentures at any time from October 1 to December 31, 1944, inclusive, for purchase at par and accrued interest, at the rate of \$0.074728 per \$1,000 per day from July 1, 1944, to date of purchase.

IV. RULES AND REGULATIONS GOVERNING REDEMPTION AND PURCHASE

1. The United States Treasury Department is the agent of the Federal Housing Commissioner for the redemption and purchase of twelfth-called and third-called debentures. In accordance with regulations adopted by the Federal Housing Commissioner and approved by the Secretary of the Treasury, the assignment, redemption, and purchase of twelfth-called and third-called debentures will be governed by the general regulations of the Treasury Department with respect to United States bonds and notes, so far as applicable, except as otherwise provided herein.

2. Twelfth-called and third-called debentures presented for redemption on January 1, 1945, or for purchase from October 1 to December 31, 1944, inclusive, must be assigned by the registered payee or assignee thereof or by their duly constituted representatives in the form indicated in paragraph 3 hereof, and should thereafter be presented and surrendered to any Federal Reserve Bank or to the Division of Loans and Currency, Treasury Department, Washington 25, D. C., accompanied by appropriate written advice. (Use Form PD 1967 attached hereto.) The debentures must be delivered at the expense and risk of the holders. (See paragraph 8 of this section.) In all cases checks in payment of principal and final interest will be mailed to the address given in the form of advice accompanying the debentures when surrendered.

3. If the registered payee or an assignee holding under proper assignment from the registered payee desires that payment be made to him, the debentures should be assigned by such payee or assignee or by a duly constituted representative to "The Federal Housing Commissioner for redemption" or to "The Federal Housing Commissioner for purchase," according to whether the debentures are to be presented for redemption on January 1, 1945, or for purchase prior to that date. If it is desired for any reason that payment be made to some other person without intermediate assignment, the debentures should be assigned to "The Federal Housing Commissioner for redemption (or purchase) for the account of _____," inserting the name and address of the person to whom payment is to be made.

4. An assignment in blank or other assignment having similar effect will be recognized, but in that event payment will be made to the person surrendering the debenture for redemption or purchase since, under such an assignment, the debenture becomes in effect payable to bearer. Assignments in blank or assignments having similar effect should be avoided, if possible, in order not to lose the protection afforded by registration.

5. Final interest on any twelfth-called and third-called debentures, whether purchased prior to or redeemed on or after January 1, 1945, will be paid with the principal in accordance with the assignments on the debentures surrendered.

6. All assignments must be made on the debentures themselves unless otherwise directed by the Treasury Department. Detached assignments will be recognized and accepted in any particular case in which the use of detached assignments is specifically authorized by the Treasury Department. Any assignment not made upon the debenture is considered a detached assignment.

7. A twelfth-called or a third-called debenture registered in the name of, or assigned to, a corporation, will be paid to such corporation on or after January 1, 1945, upon an appropriate assignment for that purpose executed on behalf of the corporation by a duly authorized officer thereof. An assignment so executed and duly attested in accordance with Treasury Department regulations will ordinarily be accepted without proof of the officer's authority. In all cases coming under this provision payment will be made only by check drawn to the order of the corporation. Proof of the authority of the officer assigning on behalf of a corporation will be required, in accordance with the general regulations of the Treasury Department, in the case of assignments for purchase prior to

January 1, 1945, and in case of assignments for redemption on or after January 1, 1945, for the account of any person other than the corporation.

8. Debentures presented for redemption or purchase under this circular must be delivered to a Federal Reserve Bank or to the Division of Loans and Currency, Treasury Department, Washington 25, D. C., at the expense and risk of the holder. Debentures bearing restricted assignments may be forwarded by registered mail, but debentures bearing unrestricted assignments should be forwarded by registered mail insured or by express prepaid.

9. In order to facilitate the redemption of twelfth-called and third-called debentures on January 1, 1945, any such debenture may be presented and surrendered in the manner herein prescribed in advance of that date but not before December 1, 1944. Such early presentation by holders will insure prompt payment of principal and interest when due.

V. GENERAL PROVISIONS

1. Any further information which may be desired regarding the redemption of twelfth-called and third-called debentures under this circular may be obtained from any Federal Reserve Bank or from the Division of Loans and Currency, Treasury Department, Washington 25, D. C., where copies of the Treasury Department's regulations governing assignments may be obtained.

2. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to perform any necessary acts under this circular. The Secretary of the Treasury may at any time or from time to time prescribe supplemental and amendatory rules and regulations governing the matters covered by this circular, which will be communicated promptly to the registered owners of twelfth-called and third-called debentures.

D. W. BELL,
Acting Secretary of the Treasury.

**FORM OF ADVICE TO ACCOMPANY TWELFTH-CALLED OR THIRD-CALLED 2¾ PERCENT
 MUTUAL MORTGAGE INSURANCE FUND DEBENTURES, SERIES B OR E, PRESENTED
 FOR REDEMPTION ON JANUARY 1, 1945, OR FOR PURCHASE PRIOR TO THAT DATE**

TO THE FEDERAL RESERVE BANK OF _____
 OR
 TREASURY DEPARTMENT, DIVISION OF LOANS AND CURRENCY, *Washington 25, D. C.:*

Pursuant to the provisions of Treasury Department Circular No. 753, dated October 4, 1944,
 the undersigned presents and surrenders herewith for _____

(Indicate whether for immediate purchase or for redemption on January 1, 1945)

\$ _____, face amount of _____ (Insert series of debentures)

registered in the name of _____

and duly assigned to "The Federal Housing Commissioner for _____," as follows:

<i>Number of Debentures</i>	<i>Denomination</i>	<i>Serial Numbers of Debentures</i>	<i>Face amount</i>
_____	\$50	_____	\$ _____
_____	100	_____	_____
_____	500	_____	_____
_____	1,000	_____	_____
_____	5,000	_____	_____
TOTAL _____			\$ _____

and requests that remittance covering payment therefor be forwarded to the undersigned at the
 address indicated below.

Signature _____

Name (please print) _____

Address in full _____

Date _____

* Debentures presented for immediate purchase should be assigned to "The Federal Housing Commissioner for purchase"; debentures pre-
 sented for redemption on January 1, 1945, should be assigned to "The Federal Housing Commissioner for redemption."

**PARTIAL REDEMPTION, BEFORE MATURITY, OF 2¾ PERCENT
HOUSING INSURANCE FUND DEBENTURES**

SERIES C—FIRST CALL
SERIES D—SECOND CALL

1944
Department Circular No. 754
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, October 4, 1944.

TO HOLDERS OF 2¾ PERCENT HOUSING INSURANCE FUND DEBENTURES, SERIES C AND D:

**I. NOTICE OF CALL FOR PARTIAL REDEMPTION, BEFORE MATURITY, OF 2¾ PERCENT
HOUSING INSURANCE FUND DEBENTURES, SERIES C AND D**

The Federal Housing Commissioner, with the approval of the Secretary of the Treasury, has issued the following notice of call for partial redemption and offer to purchase with respect to 2¾ percent Housing Insurance Fund Debentures, Series C and D:

"Pursuant to the authority conferred by the National Housing Act (48 Stat. 1246; U. S. C., title 12, sec. 1701 et seq.) as amended, public notice is hereby given that 2¾ percent Housing Insurance Fund Debentures, Series C and D, of the denominations and serial numbers designated below, are hereby called for redemption, at par and accrued interest, on January 1, 1945, on which date interest on such debentures shall cease:

2¾ PERCENT HOUSING INSURANCE FUND DEBENTURES, SERIES C		2¾ PERCENT HOUSING INSURANCE FUND DEBENTURES, SERIES D
<i>Denomination</i>	<i>Serial numbers (All numbers inclusive)</i>	<i>Denomination</i>
\$100.....	1 to 4	\$100.....
500.....	1	1,000.....
5,000.....	1	5,000.....
10,000.....	1 to 4	10,000.....
		<i>Serial numbers (All numbers inclusive)</i>
		4 to 7
		4 to 6
		2
		162 to 508

"The debentures first issued as determined by the serial numbers were selected for redemption by the Commissioner, Federal Housing Administration, with the approval of the Secretary of the Treasury.

"No transfers or denominational exchanges in debentures covered by the foregoing call will be made on the books maintained by the Treasury Department on or after October 1, 1944. This does not affect the right of the holder of a debenture to sell and assign the debenture on or after October 1, 1944, and provision will be made for the payment of final interest due on January 1, 1945, with the principal thereof to the actual owner, as shown by the assignments thereon.

"The Commissioner of the Federal Housing Administration hereby offers to purchase any debentures included in this call at any time from October 1, 1944 to December 31, 1944, inclusive, at par and accrued interest, to date of purchase.

"Instructions for the presentation and surrender of debentures for redemption on or after January 1, 1945, or for purchase prior to that date will be given by the Secretary of the Treasury."

II. TRANSACTIONS IN CALLED DEBENTURES

1. The debentures included in the foregoing notice of call for partial redemption on January 1, 1945, are hereby designated first-called $2\frac{3}{4}$ percent Housing Insurance Fund Debentures, Series C, and second-called $2\frac{3}{4}$ percent Housing Insurance Fund Debentures, Series D, and are hereinafter referred to as first-called and second-called debentures.

2. Transfers and denominational exchanges in first-called and second-called debentures will terminate at the close of business on September 30, 1944.

III. REDEMPTION OR PURCHASE

1. Holders of first-called and second-called debentures will be entitled to have such debentures redeemed and paid at par on January 1, 1945, with interest in full to that date, at the rate of \$13.75 per \$1,000. Interest on first-called and second-called debentures will cease on January 1, 1945.

2. Holders of first-called and second-called debentures have the privilege of presenting such debentures at any time from October 1 to December 31, 1944, inclusive, for purchase at par and accrued interest, at the rate of \$0.074728 per \$1,000 per day from July 1, 1944, to date of purchase.

IV. RULES AND REGULATIONS GOVERNING REDEMPTION AND PURCHASE

1. The United States Treasury Department is the agent of the Federal Housing Commissioner for the redemption and purchase of first-called and second-called debentures. In accordance with regulations adopted by the Federal Housing Commissioner and approved by the Secretary of the Treasury, the assignment, redemption, and purchase of first-called and second-called debentures will be governed by the general regulations of the Treasury Department with respect to United States bonds and notes, so far as applicable, except as otherwise provided herein.

2. First-called and second-called debentures presented for redemption on January 1, 1945, or for purchase from October 1 to December 31, 1944, inclusive, must be assigned by the registered payee or assignee thereof or by their duly constituted representatives in the form indicated in paragraph 3 hereof, and should thereafter be presented and surrendered to any Federal Reserve Bank or to the Division of Loans and Currency, Treasury Department, Washington 25, D. C., accompanied by appropriate written advice. (Use Form PD 1968 attached hereto.) The debentures must be delivered at the expense and risk of the holders. (See paragraph 8 of this section.) In all cases checks in payment of principal and final interest will be mailed to the address given in the form of advice accompanying the debentures when surrendered.

3. If the registered payee or an assignee holding under proper assignment from the registered payee desires that payment be made to him, the debentures should be assigned by such payee or assignee or by a duly constituted representative to "The Federal Housing Commissioner for redemption" or to "The Federal Housing Commissioner for purchase," according to whether the debentures are to be presented for redemption on January 1, 1945, or for purchase prior to that date. If it is desired for any reason that payment be made to some other person without intermediate assignment, the debentures should be assigned to "The Federal Housing Commissioner for redemption (or purchase) for the account of _____," inserting the name and address of the person to whom payment is to be made.

4. An assignment in blank or other assignment having similar effect will be recognized, but in that event payment will be made to the person surrendering the debenture for redemption or purchase since, under such an assignment, the debenture becomes in effect payable to bearer. Assignments in blank or assignments having similar effect should be avoided, if possible, in order not to lose the protection afforded by registration.

5. Final interest on any first-called and second-called debentures, whether purchased prior to or redeemed on or after January 1, 1945, will be paid with the principal in accordance with the assignments on the debentures surrendered.

6. All assignments must be made on the debentures themselves unless otherwise directed by the Treasury Department. Detached assignments will be recognized and accepted in any particular case in which the use of detached assignments is specifically authorized by the Treasury Department. Any assignment not made upon the debenture is considered a detached assignment.

7. A first-called or a second-called debenture registered in the name of, or assigned to, a corporation, will be paid to such corporation on or after January 1, 1945, upon an appropriate assignment for that purpose executed on behalf of the corporation by a duly authorized officer thereof. An assignment so executed and duly attested in accordance with Treasury Department regulations will ordinarily be accepted without proof of the officer's authority. In all cases coming under this provision payment will be made only by check drawn to the order of the corporation. Proof of the authority of the officer assigning on behalf of a corporation will be required, in accordance with the general regulations of the Treasury Department, in the case of assignments for purchase prior to January 1, 1945, and in case of assignments for redemption on or after January 1, 1945, for the account of any person other than the corporation.

8. Debentures presented for redemption or purchase under this circular must be delivered to a Federal Reserve Bank or to the Division of Loans and Currency, Treasury Department, Washington 25, D. C., at the expense and risk of the holder. Debentures bearing restricted assignments may be forwarded by registered mail, but debentures bearing unrestricted assignments should be forwarded by registered mail insured or by express prepaid.

9. In order to facilitate the redemption of first-called and second-called debentures on January 1, 1945, any such debenture may be presented and surrendered in the manner herein prescribed in advance of that date but not before December 1, 1944. Such early presentation by holders will insure prompt payment of principal and interest when due.

V. GENERAL PROVISIONS

1. Any further information which may be desired regarding the redemption of first-called and second-called debentures under this circular may be obtained from any Federal Reserve Bank or from the Division of Loans and Currency, Treasury Department, Washington 25, D. C., where copies of the Treasury Department's regulations governing assignments may be obtained.

2. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to perform any necessary acts under this circular. The Secretary of the Treasury may at any time or from time to time prescribe supplemental and amendatory rules and regulations governing the matters covered by this circular, which will be communicated promptly to the registered owners of first-called and second-called debentures.

..... D. W. BEIL, .
Acting Secretary of the Treasury.

FORM OF ADVICE TO ACCOMPANY FIRST-CALLED OR SECOND-CALLED 2¾ PERCENT HOUSING INSURANCE FUND DEBENTURES, SERIES C OR D, PRESENTED FOR REDEMPTION ON JANUARY 1, 1945, OR FOR PURCHASE PRIOR TO THAT DATE

TO THE FEDERAL RESERVE BANK OF

OR

TREASURY DEPARTMENT, DIVISION OF LOANS AND CURRENCY, *Washington 25, D. C.:*

Pursuant to the provisions of Treasury Department Circular No. 754, dated October 4, 1944, the undersigned presents and surrenders herewith for

(Indicate whether for immediate purchase or for redemption on January 1, 1945)

\$....., face amount of

(Insert series of debentures)

registered in the name of

and duly assigned to "The Federal Housing Commissioner for*," as follows:

<i>Number of Debentures</i>	<i>Denomination</i>	<i>Serial Numbers of Debentures</i>	<i>Face Amount</i>
.....	\$100	\$.....
.....	500
.....	1,000
.....	5,000
.....	10,000
TOTAL			\$.....

and requests that remittance covering payment therefor be forwarded to the undersigned at the address indicated below.

Signature

Name (please print)

Address in full

Date

* Debentures presented for immediate purchase should be assigned to "The Federal Housing Commissioner for purchase"; debentures presented for redemption on January 1, 1945, should be assigned to "The Federal Housing Commissioner for redemption."

October 4, 1944.

Dear Mr. Brown:

The Sunday Herald Tribune of October 1 carried a story which is highly encouraging with respect to the attitude of the bankers who attended the A.B.A. Convention toward the Bretton Woods proposals.

I know that these favorable impressions the reporters gained after talking to delegates are very largely, if not wholly, the result of the work that you did among them.

I want you to know how deeply I appreciate this.

With cordial regards,

Sincerely,

(Signed) Henry Morgenthau, Jr.
Secretary of the Treasury.

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

HEG/mah

MM

October 4, 1944.

Dear Mr. Dickhuth:

I want to let you know I have read and appreciate very much your article in the financial section of the New York Herald Tribune for Sunday, October 1, which deals with the attitude of the delegates to the A.B.A. Convention toward the Bretton Woods proposals.

I found it extremely interesting and highly encouraging.

All of us here feel that when the Bretton Woods proposals are really digested and understood the majority of the banking and financial community, as well as people generally, will support them.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. H. Eugene Dickhuth
c/o New York Herald Tribune
230 West 41st Street
New York, New York

HEG/mah

MEG

Bretton Woods Proposals Win Bankers' Favor

Many at A.B.A. Convention
Feel World Agreement
Must Be Reached Quickly

By H. Eugene Dickhuth

CHICAGO, Sept. 30.—One of the unpublicized developments of the three-day convention of the American Bankers Association held here this week was a crystallization of the banking viewpoint on international monetary stabilization proposals advanced at the Bretton Woods conference.

Inquiries among attending delegates made it clear that an increasing number of financial men from all parts of the country not only favor the widest possible co-operation among the nations of the world, but lean more toward the school of thought represented by Edward E. Brown, president of First National Bank of Chicago, than that expressed by Winthrop W. Aldrich, chairman of Chase National Bank, and by National City Bank.

In fact, those bankers seem inclined to embrace the Bretton Woods proposals in lieu of any others which have reached an equal state of international agreement. They think the time is past when monetary agreements could wait upon tariff changes in the various countries or upon necessary reform measures.

Non-Partisan Policy Urged

In their opinion, the war in Europe has progressed with such rapidity that some sort of basic understanding is needed badly in the near future lest chaos in liberated countries overtake the planners. At the same time, unanimous agreement has been expressed here privately and by the A. B. A. officially that the pros and cons of the Bretton Woods proposals should be strictly non-partisan.

This is held to be important in this Presidential election year and follows the general pattern of the unwritten agreement between Republicans and Democrats to keep the resolutions of the Dumbarton Oaks conference out of politics, too. Indeed, Bretton Woods, Dumbarton Oaks, the United Nations Relief and Rehabilitation Administration, the international food discussions, all are beginning to be looked upon as a whole which only together can play an important role.

It should be observed, however, that about 400 of the more than 3,000 bankers in attendance here this week came from the Chicago area and the out-of-New York influence predominated at the gatherings. There can be little doubt that proposals which have been advanced in the East for elaborate plans to support Great Britain alone as an initial measure are not regarded as palatable here.

Those bankers with Latin-American connections who were here made it clear that such a "key country approach" embracing at first merely the United States and the United Kingdom would be bad politics south of the Rio Grande since it would be regarded as an Anglo-American attempt at possible economic domination of the world's trade lanes.

Need for World Program Realized

Here in the cradle of former American isolationism there appears to be a genuine realization of the imperativeness of international co-operation on a very broad scale as an antidote for a possible World War III which would probably begin with rocket bombs devastating industrial centers in the United States with greater "efficiency" than that wrought on cities abroad in this war.

Serious study of the Bretton Woods proposals by various groups are proceeding, now with much energy. The economic policy commission of the A. B. A. is pursuing its studies and the New York State Bankers Association committee on this subject has already consulted with officials of the Treasury and State Departments.

There is also a reserve city bankers' committee working on the international monetary proposals, and in due course all these groups will issue their reports and findings. Most of them apparently will be deferred until after the elections and only the new Congress will probably be asked to pass on necessary legislation for the international bank and the fund.

If the opinions expressed here by American bankers this week are any criterion, the chances are that banking reaction as a whole will show much less opposition to the Bretton Woods suggestions than seemed possible a few months ago.

New York Herald Tribune
10/1/44

Copy to Mr. D. W. Bell 10/4/44

144

CONFIDENTIAL

Disclosure Punishable Under Espionage Act

PERCENT DECLINES IN MUNITIONS OUTPUT
ON THE ASSUMPTION OF VICTORY IN EUROPE
ON OCT. 1, 1944 AND 40 PERCENT CUT IN
WAR PRODUCTION

	Third Quarter 1944 Actual to Fourth Quarter 1945
MUNITIONS AND WAR CONSTRUCTION: TOTAL	40
MUNITIONS: TOTAL	38
<u>By Procuring Agencies</u>	
ASF	50
ARCO	20
NAVY (excl. BuAer)	37
MARITIME AND WAR SHIPPING	62
OTHER	100
<u>By Products</u>	
Aircraft	20
Ships	58
Guns	50
Ammunition	33
Combat and Motor Vehicles	54
Communication and Electronic Equipment	27
Other Equipment and Supplies	38
WAR CONSTRUCTION	75

Bureau of Planning and Statistics
General Planning Staff
October 4, 1944

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Disclosure Punishable Under Espionage Act

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Disclosure Punishable Under Espionage Act

V-E DAY MUNITIONS PROGRAMS

40 PERCENT CUTBACK^{1/}
ON ASSUMPTION OF VICTORY IN EUROPE ON DECEMBER 31, 1944(In Billions of Dollars at Standard Munitions Prices)^{2/}

	1944		Post V-E Day 1945			
	IIIQ	IVQ	IQ	IIQ	IIIQ	IVQ
	Actual ^{2/}	Sched				
MUNITIONS AND WAR CONSTRUCTION: TOTAL	17.1	18.2	12.9	11.5	10.8	10.5
MUNITIONS: TOTAL	16.4	17.7	12.4	11.1	10.5	10.2
<u>By Procuring Agencies</u>						
ASF	5.2	6.2	3.0	2.6	2.6	2.6
ARCO	5.5	5.6	4.6	4.4	4.4	4.4
NAVY (excl. BuAer)	4.1	4.2	3.4	3.0	2.7	2.6
Maritime and War Shipping	1.3	1.3	1.2	1.0	.7	.5
Other	.3	.3	.2	.1	*	*
<u>By Products</u>						
Aircraft	4.9	4.9	4.2	3.9	3.9	3.9
Ships	3.6	3.5	3.0	2.3	1.7	1.5
Guns	.8	.9	.6	.5	.5	.4
Ammunition	1.8	2.2	1.3	1.2	1.2	1.2
Combat and Motor Vehicles	1.3	1.7	.6	.6	.6	.6
Communication and Electronic Equipment	1.1	1.4	.9	.8	.8	.8
Other Equipment and Supplies	2.9	3.2	2.0	1.8	1.8	1.8
WAR CONSTRUCTION	.7	.5	.5	.4	.4	.4

1/ Average of B and C Programs -- Planning Division Document #22

2/ Partly estimated

3/ Less than \$50 million

4/ Standard munitions prices are somewhat higher than prices actually paid which are reflected in war expenditures.

Bureau of Planning and Statistics
General Planning Staff
September 29, 1944**CONFIDENTIAL**
Disclosure Punishable Under Espionage Act

IMMEDIATE RELEASE

OCTOBER 4, 1944

The President today made the following statement:

"In accordance with the policies with respect to Italy which were outlined jointly by the Prime Minister and me in a statement issued to the Press on September twenty-sixth, measures are now being taken to provide Italy with supplies necessary to prevent civilian hunger, sickness, and fear during the forthcoming winter. Steps are also being taken to restore the damaged transportation and electrical generating facilities of Italy to the extent necessary to enable the Italian people to throw their full resources into the fight against Germany and Japan.

"Delegation of supply officers has been called from Italy to Washington to review the needs and requirements of the Italian civilian population. In addition to the substantial quantities of food and clothing which are now being shipped, and have for sometime been shipped into Italy, 150,000 tons of wheat and flour are now scheduled for shipment. Steps are being taken to increase the bread ration in those areas in Italy where food supplies are below the standard necessary to maintain full health and efficiency. The distribution of food and essential supplies within the country has been seriously impeded by the damage done to the transportation system and the wholesale commandeering of trucks by the enemy. To meet this emergency need it is planned to send 1,700 additional trucks to Italy.

"In addition, preparations are under way to supply substantial quantities of generating equipment including temporary power facilities to furnish electricity to essential industries and public utilities in central Italy which have been brought to a standstill by the almost complete destruction by the Germans of

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"In addition, preparations are under way to supply substantial quantities of generating equipment including temporary power facilities to furnish electricity to essential industries and public utilities in central Italy which have been brought to a standstill by the almost complete destruction by the Germans of power plants.

"The aid which the Allies have already given to Italy has been substantial. Since the invasion of Sicily to the end of this year, 2,300,000 long tons of civilian supplies will have been shipped to Italy. Of this total, 1,107,000 tons were food and the balance consisted of coal, fertilizer, seeds, medical and sanitary supplies and clothing. As an integral part of military operations the Army has done a great deal to repair roads and bridges and railroads and to repair water and power systems and motor transport.

"Through these and other measures of assistance which are now in preparation, the Italian people will be enabled to increase their already significant contribution toward the defeat of the enemy. By doing these things, this country is serving the military aims and objectives of the United Nations which require the greatest possible contribution from the manpower and the resources of every nation engaged in the final overthrow of Germany and Japan."

- - -

Treasury Department 148✓
Division of Monetary Research

Date Oct. 4 1944

To: Secretary Morgenthau

From: Mr. White

If you haven't already seen
it, I suggest this report is
worth your reading.

MR. WHITE
Branch 2058 - Room 214½

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

REPORT ON SITUATION IN FRANCE

BY

SIMON L. MILLNER, ANALYST-CONSULTANT

Confidential

September 5th, 1944

MEMORANDUM

To: Bureau of Areas of the F. E. A.

From: Simon L. Millner

Subject: Report on Situation in France (based upon sources of information known to Mr. James L. McCamy).

1. FRAME OF MIND.

The situation in France since D Day is undergoing constant change, and in the past few weeks has become crystallized and there is tangible evidence of the feelings and the attitudes of the population. The news that comes to us from France is quite often and for the most part confused and very contradictory, and we must know how to differentiate between truths and half-truths, which are being spread at times by so-called reliable correspondents. Very soon after the invasion began the Frenchmen were so delighted with events that they were politically passive while at the same time militarily active. Their essential aim and their foremost desire was to help the Allies liberate their country from the Germans. With the progress of the liberation, more and more groups of Frenchmen, and especially those in the resistance movement began to awaken to their other problems and began to think about their future. How to re-construct the country? How to rid the land of those elements that sold out their country "working under the slogan -- Better Hitler Than Stalin" (I quote from an underground paper dated March 16th, 1944). And thinking about this, they began to ponder the question of social and economic changes, the nationalization of the key industries, mines, banks, etc., etc. And the logical sequence (it is difficult for a Frenchman to be illogical) brought them to the definite point of such a tremendous outburst of love and sincere desire to strengthen their ties with the U.S.A. as has never been experienced before in the history of France. This is not the result of any sentimental or emotional feeling. Now one hears in all of France cries of "Vivent les Americains" and "Vive Roosevelt" which is not only an expression of gratitude for liberation, but it is a simple product of pure reason. These feelings are not based upon the historical tradition of friendship between the two countries, but are the result of a practical approach to the present problems. The prestige of the United States is very high all over France. Every Frenchman is convinced that the U.S.A. holds the key to European peace and considers the U.S.A. as the mightiest nation in the post-war period, and as such the U.S.A. is the most able among other nations to help reconstruct France and to get her back on her feet after the war. I am trying to

emphasize this fact, which is so clearly the conviction of every Frenchman, and was not so about 2 years ago when the large majority of them were looking toward Soviet Russia; and what is more interesting is that these same feelings are found also in the expressions of the labor movement. On this matter I will again refer hereinafter.

2. DE GAULLE AND HIS GOVERNMENT.

All of the French people have a tremendous admiration for De Gaulle. They have made of him a legendary figure. They admire him because he was courageous and bold, and upon hearing through the clandestine radio that he was too bold in the judgment of foreign critics, their love became even greater. They applauded him when there became known to them in the beginning of April the text of a law that the French will control both the military and the civil administration of every part of French territory immediately after its liberation. The resistance groups, as opposed to the other groups, respect De Gaulle highly, but they are very watchful, and are soberly evaluating his every movement and deed. So for example, they forced him to make sweeping changes in the cabinet in order to take into account the men of the resistance movement. Here De Gaulle had difficulties with some of these groups, especially with the Communists. Finally De Gaulle ousted 8 members of the Algiers government and there are:-

Pierre Frenay
 Andre Philip
 d'Astier de la Vigerie
 Rene Massigli
 Henri Bonnet
 Andre le Trocquer
 Fernand Genier
 Henri Queille
 Jean Monnet

He decided to form a new cabinet to consist of:-

Jules Jeanneney	Without Portfolio
Francois de Menthen	Justice
Georges Bidault or Paul Bastide	Foreign Affairs
Adrien Tixier	Interior
Diethelm	War
Jacquinet	Air
Louis Tillon	Marine
Mendes France	National Economy
Jean Leperg	Finance
Robert Lacoste	Industry
Tanguy-Prigent	Agriculture
Paul Jacobi	Rehabilitation
Rene Pleven	Colonies
Rene Capitant	National Education
Pazodi	Labor
Rene Mayer	Transportation

Augustin Laurent
Tristan Tietgen
Pierre F_renay

Francois Billoux
Georges Catroux

P. T. T.
Information
Prisoners, Deportees,
and R_epatriates.
Health
North Africa

It is noteworthy that in the new list of cabinet members, the name of De G_aulle does not appear, nor any indication of his function. Will he be P_resident of the Cabinet of Ministers? Will he be P_resident of the R_epublic? That is the question in everyone's mind in F_rance. In my judgment, which I have many weeks ago expressed at the meetings of the F. E. A. -- De G_aulle, (if he doesn't make any serious blunders) will be president of the Republic. Will this cabinet be definite, or will he be forced to make other concessions and re-groupings? In my estimation he will be forced to make new changes in the cabinet and to include those members from the resistance groups to whom he now has objections.

De G_aulle has a terrific task. He is stumbling over tremendous difficulties, but he is very cautious in all his movements because he knows that the smallest mistake may cost him his position. Therefore, very often he makes concessions on points which are against his will and his convictions, but is always ready to yield to popular pressure. For the time being he has acted very cleverly as for example in the matter of the A_rmy. De G_aulle wants to incorporate the French Forces of the Interior into the regular A_rmy under regular Army officers. The F.F.I. wants to keep intact its old formation including its officers. When De G_aulle saw that the F.F.I. were not in agreement with him, he immediately consented to organize a special commission to carry out this plan, but this is in effect a postponement in order to gain more time.

Another great difficulty is the question of reconstruction and future social and economic changes which are desired by..... the resistance groups. De G_aulle would like to give the people a kind of New Deal but he was shocked to find that various groups wanted something more drastic than a New Deal. This trend of the people was known to De G_aulle even before the liberation of F_rance when he was in Algiers with his government and amazingly enough, come what may, a long time he began to plan accordingly and a project was worked out to adjust matters in accord with this trend. About this plan I informed the F.E.A. in the beginning of June.

3. RESISTANCE GROUPS

The bulk of these groups consists of men from all social strata. The Maquis represent many labor unions and fractions of the old political parties. They have forgotten their differences of the past; while they were in the underground their suffering fused them in one unit for the fight for a better future and the resurrection of F_rance. They are consumed with a burning hatred against all the old leaders of the T_hird Republic. They hate

nearly all the men who held ministerial office during that time; they hate the former high command of the Army and Navy, the great industrial corporations, the most outstanding bankers, and even all the influential newspapers and magazines. It is impossible to describe the joy of the people when the Maquis began to arrest the directors and the governors of the Bank of France, the bankers Francois Lehideux and Eugene Mirabeau, the latter having been executive director of important copper mines; Duchemin, President of the Kuhlman Chemical Corp. Other alleged collaborationists arrested included a banker H. Worms, and one of his assistants Gabriel Lreoy La Durie, brother of the former Vichy Minister of Agriculture. The morning newspaper Parisien Libre said that these arrests were a blow against international trusts. Worms bank was interested in the tobacco monopoly in Iran and also had heavy interests in coal and shipping. He was the founder of a group of French industrialists known as the "brains trust" that also included the automobile magnate, Francois Le Hideux, recently arrested, and the former Minister of the Interior, Pierre Pucheu, who was executed in Algiers.

The Council of Resistance has from day to day more influence upon the population of France and upon the Government. The Council will play a large part in the future, and there is no doubt that they will have their say in the formulation of policies. The National Council of Resistance will very soon be reorganized and in it there will be representatives of various organizations and ideologies. In the Council there will be the following people:-

Georges Bidault	-- representative of the Christian Democrats -- Honorary President.
Pierre Meunier	Secretary General
Robert Chamboizon	Assistant Secretary
Louis Saillant	C.G.T.
Georges Bastide	Radical Socialist Party (Herriot)
Maxime Bolog	Mascart Civil and Military Organization
Jacque Bridel	Federation Republicaine et Republicains Nationaux
Pascal Copeau	Liberation, Zone Sud (Southern Zone)
Auguste Gillot	Communist Party
Jacque Boinet	"Ceux de la Ristance"
Joseph Laniel	Alliance Democratique
Jean Pierre Levy	"Franc-Tireur"
Dahiel Mayer	Socialist Party
Andre Matter	"Ceux de la Liberation"
Jean Pontault	"Combat"
Henri Ribiere	Liberation Zone Nord (Northern Zone)
Gaston Tissier	C. F. T. C.
Pierre Villon	Front National

4. NATIONALIZATION OF KEY INDUSTRIES.

As I mentioned above, the greatest problems for De Gaulle and his government are social and economic -- how to reconstruct the life of the nation. The government is very anxious to stop the real revolution they are expecting, and to try, if I

may say so, a legal orderly social revolution, i.e. greater restrictions of private wealth and banks and industries, which has never existed in France. Will they succeed? That is the question. The Confederation General Travail (C.G.T.) similar to the C. I. O. or A.F. of L. is back in operation; banned by Petain in November 1940, it went underground and was the spearhead of the resistance. The C.G.T. is a very powerful labor organization and there is no doubt but that in the next few months they will be more powerful than ever before, and they will with other groups of the resistance play the biggest part in the changes to come. In the beginning of June I informed the F.E.A. that the Provisional Government in Algiers had prepared and adopted a program for France which includes these points:-

1. Nationalization and socialization of industries, banks, and mines
2. Industrialization to be sponsored even at the cost of agriculture.
3. Complete government control of exports and imports.
4. A limit of 5,000 francs (about \$100) per month to be spent by any French citizen.
5. No tourism because tourists spending money would emphasize to French citizens their own poverty.

At that time it sounded fantastic. The Provisional government tried very hard to keep this program from common knowledge, and to achieve this after the liberation of France if the pressure of the resistance groups would demand it. It is an open secret that not only the C. G. T. and some of the radical elements of the resistance groups but also many democratic and Christian democratic groups are consistently demanding social changes. They demand:

1. Nationalization of France's mines, electrical power, chemical industry, steel industry, insurance companies; the country's banks should be strictly controlled by the Bank of France, which should be nationalized.
2. Nationalization of the key industries, factories engaged in war work (which means most of them) should be requisitioned by the French Provisional Government, administrators installed to control profits and direct administration.
3. Owners and managers who were collaborationists should be arrested and tried.
4. Holding Companies in which the bulk of French industry was controlled by a small group of men, should be broken up.
5. Indemnities to be paid to the share-holders of the national industries. In the case of collaborationists, their holdings should be appropriated by the nation.

There are many other demands in the same direction, upon which I do not want to dwell because I am expecting more details and information. It is interesting to note that French labor in their desire to put through social and economic changes

immediately, are calling these changes "political and social democracy" and in their statements they say "We are looking to the U. S. for moral and material help in the post-war reconstruction." The De Gaulle government in Algiers promised liberal reforms, social and economic changes, and I am afraid that if he does not carry these out, there is a danger that he will be swept aside and the resistance groups will replace him with someone who will carry out their program.

* * * *

I tried to give a picture of the political scene in France in the light of recent developments. As soon as more information becomes available to me I will immediately add to my report. With regard to economic, financial and food situation in France, I am planning to send a separate memorandum.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON 25

October 4, 1944

SECRET

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the weekly report of Lend-Lease purchases.

A requirement has been received for 5,152,000 pounds of Binder Twine for the 1945 harvest in North Africa, amounting to approximately \$600,000.00.

Clinton E. Mack
Clinton E. Mack
Director of Procurement

*att
to
E&O*

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF SEPTEMBER 27, 1944
 (In Millions of Dollars)

SECRET

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$5573.1 (5547.5)	\$2627.1 (2627.1)	\$2257.3 (2257.3)	\$133.9 (133.9)	\$15.9 (15.9)	\$538.9 (513.3)
Requisitions in Purchase	\$ 183.4 (163.7)	\$ 29.7 (30.9)	\$ 57.0 (58.1)	\$ 1.9 (2.4)	-	\$ 94.8 (72.3)
Requisitions not Cleared by W.P.B.	\$ 104.5 (117.8)	\$ 26.6 (27.6)	\$ 58.1 (80.1)	\$.2 (.1)	-	\$ 19.6 (10.0)
Obligations (Purchases)	\$4059.1 (4033.1)	\$2004.9 (1997.3)	\$1671.4 (1660.1)	\$ 62.6 (62.6)	\$14.0 (13.9)	\$306.2 (299.2)
Deliveries to Foreign Governments at U. S. Ports*	\$2416.6 (2404.8)	\$1470.1 (1465.0)	\$ 871.2 (864.5)	\$ 24.6 (24.6)	-	\$ 50.7 (50.7)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of September 20, 1944.

SECRET

UNITED KINGDOM TREASURY DELEGATION

BOX 680
 BENJAMIN FRANKLIN STATION
 WASHINGTON, D. C.

REFERENCE: File No: 4A

TELEPHONE EXECUTIVE 2020

October 4, 1944.

Dr. Harry White,
 U.S. Treasury,
 Washington, D.C.

Dear Dr. White,

I am writing to inform you that figures for our gold and dollar holdings in million dollars at 31st August, 1944, are as follows:-

Gold -	1,580	
Less Gold Liabilities -	<u>323</u>	
Net Gold -		1,257
Official Dollar Balances -	678	
Less Dollar Liabilities -	<u>187</u>	<u>491</u>
Net Gold & Dollars -		<u>1,748</u>

Yours sincerely,



R. H. Brand.

DFMc:w

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.

AA



OFFICE OF THE
EXECUTIVE DIRECTOR

October 4, 1944

My dear Mr. Secretary:

There is transmitted herewith for your information and files a copy of a memorandum which has this day been transmitted to the President, with regard to the Emergency Refugee Shelter at Oswego, New York. Also transmitted herewith is a copy of the report dated September 19, 1944, on this project, submitted to the War Refugee Board by the Director of the War Relocation Authority.

Very truly yours,

J. W. Penle
.....
J. W. Penle
Executive Director

The Honorable,
The Secretary of the Treasury.

Enclosures.

OCT 4 1944

MEMORANDUM FOR THE PRESIDENT:

You may be interested in the attached report from the War Relocation Authority setting forth its activities in connection with the Emergency Refugee Shelter at Oswego, New York.

Your attention is called particularly to the following:

1. Cooperative Nature of the Enterprise: Although general responsibility for the shelter is in the hands of the War Refugee Board, excellent cooperation has been forthcoming from all groups interested, including the United States Army, both here and overseas, and the War Relocation Authority. The WRA in particular has done an admirable job in meeting a complex problem.
2. Composition of the Group: There are seventeen nationalities represented, of which the principal ones are as follows:

Yugoslavia	. . .	365
Austria	. . .	228
Poland	. . .	152
Germany	. . .	93
Czechoslovakia	. . .	42
Scattered	. . .	88
Stateless or Unknown	. . .	102

The religions fall in four groups. Approximately 93% is Jewish, the remainder scattered among Roman Catholic, Greek Orthodox, and Protestant. Their physical and emotional condition was pathetic. There has been marked improvement since their arrival.

3. Public Acceptance in the United States: The reaction of the general public as expressed in the press and

in correspondence has been overwhelmingly favorable. At Oswego, because of expert handling of the school situation and the demand for seasonal labor, excellent relations have prevailed with the local community. Persons expert in the field have expressed amazement at the small number of complaints.

4. Effect on Easing of Refugee Problem Overseas: The action of the United States in establishing the Oswego shelter was effective in persuading other nations to expand their facilities. Since the establishment of the American shelter, the British agreed to open a refugee camp in Tripolitania and seemed to ease their attitude in furnishing Palestine certificates for refugees in Italy. The number of refugees to be accommodated in Egypt has been increased from 25,000 to 40,000. The French have agreed to establish the Philippeville Camp in Algeria. Mexico has also announced its willingness to provide a temporary haven for Jewish refugees. In addition, the existence of the Oswego shelter has lent strength to the joint American-British acceptance of a Hungarian proposal which resulted in an offer to care for all Hungarian Jewish refugees who reach neutral or United Nations territory.

(Signed) J.W. Pehle

Attachment

UNITED STATES
DEPARTMENT OF THE INTERIOR
WAR RELOCATION AUTHORITY

162

Washington

Office of the Director

September 19, 1944

MEMORANDUM

To: War Refugee Board

Subject: Report on Emergency Refugee Shelter

Six weeks after their arrival in the United States, the 982 refugees at the Fort Ontario Emergency Refugee Shelter, Oswego, New York, had lost most of the signs of deprivation that they showed on their arrival at New York on August 3. Good food, new clothing, medical care, and family apartments which afford privacy have done a great deal to build them up physically and restore their morale. Their children are enrolled in Oswego's elementary and high schools. At the Shelter, the men and women are maintaining their own households and a considerable number are voluntarily carrying on work operations essential to maintenance of the Shelter and the welfare of the community. Religious activities are in full swing and a program of leisure time sports and cultural activities is under way.

WRA Representatives on Voyage

Although the War Relocation Authority did not actually assume responsibility for the refugees until their arrival at Fort Ontario, two WRA representatives made the journey from Italy with the group and were thus enabled to obtain much useful data concerning its makeup and characteristics. Due to security restrictions, however, most of this information was not available until the ship actually docked.

Advance Preparations at Fort Ontario

Meanwhile at Fort Ontario, the War Relocation Authority and the Army put the facilities in readiness to receive the

refugees. Thirty barracks buildings were partitioned so that each contained eight apartments of one, two or three rooms. These were supplied with running water and furnished with cots, tables, chairs, and clothing lockers. Dormitory space was prepared for unattached male refugees. It is hoped that facilities can be arranged to reduce the number living in this type of accommodation.

WRA took over custody of the grounds from the Army on July 30 and a staff of approximately 40 WRA employees, some detailed from the Washington office of the agency and others recruited for full-time work at the Shelter, were stationed at the Fort to make final arrangements for the refugees' arrival. The Director of the Shelter is Joseph H. Smart, former Field Assistant Director for WRA in Denver, and more recently chief of a mission in Peru with the Office of the Coordinator of Inter-American Affairs.

Arrival Attracts Favorable Notice

The group arrived in New York on August 3, several days earlier than had been anticipated. After a health examination and disinfestation of their clothing and belongings, they were ferried across the North River to Hoboken where they entrained for Oswego. WRA handled the press arrangements at the point of entrainment and at the time of the group's arrival at Oswego the following morning. Representative members of the refugee group whose stories held special interest were selected and made available for interviewing. Most of the important eastern papers and news services covered the arrival story and several of the national magazines have since had illustrated features depicting the life at the Shelter. For the most part, press comment has been very favorable.

With the arrival of the refugees at the Fort, the WRA began a new and unprecedented operation within the United States - the administration of a refugee camp. The task of receiving and registering the refugees was speedily accomplished and within the first few hours they were assigned to the apartments and dormitory rooms they were to occupy. Most contingencies had been provided for, although it was inevitable that certain of the arrangements at this stage would require later adjustment as a result of actual experience with the group.

Food and Medical Care

For example, during the early days of the Shelter, the War Relocation Authority fed the refugees on the basis of requirements normally used for other groups living in a similar setting and having similar activities. This proved to be an under-estimation of the severe deprivation which the group had experienced and rations were gradually stepped up to the point where refugees, for a time at least, were eating more than the allotments generally accorded combat troops. Diets were also modified to allow for European tastes, particularly in the matter of providing dark bread.

Although the Army equipped a 50 bed hospital for use of WRA, the average bed load has been approximately 12 since the group arrived and is not likely to rise very much beyond that point. Demands on the out-patient clinic, however, have been fairly great, with as many as 70 individuals coming in a single day. The greater part of the medical work is being performed by several refugee physicians although the hospital is under the direction of a medical officer detailed from one of the relocation centers.

Cooperation with Other Agencies

WRA decided to complete at the earliest possible date the various processing arrangements involving other agencies of the government. Customs inspection was held during the first days at the Shelter. Shortly thereafter security paneling was conducted by the Army. For a period of 90 days, outgoing and incoming mail is being censored by the Chief Postal Censor. Representatives of the OWI Overseas Branch have made several visits to Oswego in connection with the program of that agency and several other government agencies have expressed interest in obtaining useful information from individuals in the refugee group. WRA's long-term responsibility for internal and external security is being carried out by an authorized force of 14 civilian security officers and guards. The guarding arrangements have been checked with the War Department.

- 4 -

During the initial adjustment period of several weeks, refugees were not permitted to leave the Shelter and visiting was confined to representatives of the press and cooperating private agencies. When personal visiting became possible on September 1, an average of 150 persons daily came to see their relatives and friends during the first week, somewhat taxing the town's hotel and restaurant resources.

Relations with Oswego Citizens

Relations with the town of Oswego have been extremely favorable and an Oswego Citizens Advisory Committee has met with Director Joseph H. Smart at frequent intervals to discuss matters of common interest to the town and the Shelter. The Advisory Committee has set up sub-committees on education, recreation, shopping arrangements, and several other activities, including a "rumor clinic". The Mayor, School Board, and Police Department have concurred with the recommendations of the Advisory Committee regarding plans for shopping in the town and the attendance of refugee children at local public and parochial schools.

The townspeople and the Shelter residents have from the very first day shown a good deal of interest in each other and large groups of adults and children have lined both sides of the fence surrounding the post at the point where the Fort directly adjoins one of Oswego's residential streets. In addition, two "open house" functions were held at the Shelter during the first month with a view to encouraging the townspeople to meet the refugees and see for themselves the accommodations afforded at the Shelter. The refugees arranged the program for the second such occasion on September 3 and their musical and theatrical talents entertained some 5,000 visitors.

Shopping Arrangements

The policy of WRA to obtain as many supplies as possible through the town of Oswego has resulted in considerable goodwill of local residents toward the project. During the first two weeks, however, it made for some difficulty in locating the clothing and particularly the shoes essential to outfit the group up to a minimum standard.

- 5 -

The fact that the Army's disinfection process at the pier damaged many of the clothes in the possession of the refugees still further heightened their urgent need for a wardrobe. In the first weeks arrangements were made for shoes and other clothing to be brought out to the Shelter for distribution to those in greatest need. On August 28, however, after an appropriate system for issuance of temporary passes had been worked out, refugees were given permission to visit the town of Oswego for essential shopping.

Educational Plans

One of the earliest expressed desires of the group was for their children to have the opportunity to complete their schooling. In some cases, these children have been in flight for several years with no possibility for any formal instruction during that time. Because of the nature of the project, it did not seem desirable for the Federal government to set up schools within the Shelter. The matter was discussed with the townspeople and upon their invitation, approximately 175 elementary and high school students have now been invited to attend town schools, which are within walking distance of the Shelter. The refugees are delighted with the thought that their children are attending school again. The refugee pupils have been absorbed into the regular school system at no expense to the Federal or State government. The problem of evaluating their language ability and European credits and grading them in proper classes was worked out cooperatively by the education officials of the town, WRA staff members and a committee on education developed by the refugee group. The pupils received preliminary instruction in English before the school term began. Despite the language handicap, it is expected that all children will be able to fit in within one year of the proper grade for their age.

A nursery school for about 30 children is being conducted at the Shelter, and an adult education program, including English and vocational classes at no cost to the government, is planned. The State Teachers' College at Oswego is working with the local education officials in all phases of the program and the State Department of Education in Albany is also cooperating by having specialists on its staff visit

- 6 -

Oswego to aid in the development of the nursery school, grade school, and adult education setup. Refugees have been invited to use the town library on the same basis as other residents of the community.

Employment of Refugees

While the refugees will be expected to carry the main responsibility for essential work at the Shelter, the number of employables is believed to be greater than the manpower needs. There is consequently a small labor supply available for other employment. In response to a demand from the town of Oswego and the surrounding area, arrangements have recently been made for some of the refugees to work in agriculture on a seasonal basis in the immediate vicinity of the Shelter if an urgent need develops.

Recreational Program

On the voyage to the United States, the refugees arranged a ship's concert for the wounded American soldiers who were also on board. A small group at the Shelter have already put on several entertainment programs. A number of buildings on the post have been set aside for the use of the refugees in their leisure time. Five of these buildings, including a youth center for boys, have been furnished by a private organization, and serve as recreation rooms. In addition to the recreation rooms, a boys' club room, library and theater are also in operation. Several entertainment films have been shown and programs showing selected United Nations films are planned.

Refugees Participate in Planning

In line with the aim of the WRA to give the Shelter residents as much participation as possible in planning their own living arrangements, work and leisure time activities, an Advisory Council of refugees representing all nationalities has been set up to meet with the Shelter Director at frequent intervals. The Advisory Council has ten members, two each representing the Yugoslav, Austrian, Polish, and German groups, and the remaining two the Czech and other minority nationalities. The Council has designated

- 7 -

subcommittees on education, recreation, religion, health, and other matters.

In addition to the Advisory Council, there is a House Managers' group of 35, consisting of one representative from each family barracks and representatives from the single men's dormitory room. The house managers have developed a working system for distributing supplies, and getting information into the hands of all residents. It is expected they will help in working out arrangements for barracks maintenance and perhaps also recruit labor for essential project jobs.

Characteristics of the Group

In physical appearance, temperament, nationality, language, and extent of refugee experience, the group presents many startling contrasts. Perhaps their only common bond is a hatred for the Nazis. On the voyage and in the early days at Fort Ontario, nationality differences were the most clearly accentuated. The first refugee Advisory Council was developed on a nationality basis because of the natural cohesiveness of several of these groups. The Yugoslavian majority has showed itself to be especially nationalistic. The only organized group that has cut across nationality lines is the Orthodox Jews, who very quickly organized their own religious services and obtained the help of interested private organizations in opening a kosher dining hall.

The refugees range in age from a boy who was two days old at the time of sailing to a woman of 80. There are 525 males and 457 females. The largest family consists of eleven persons, a father and mother and nine children. All in all, there are 125 families with children 17 and younger. There are 17 nationalities represented in the group, the five largest being Yugoslav (365), Austrian (228), Polish (152), German (93), and Czech (42). German is the language known to the greatest number of people (424) with Italian second (246), Serbo-Croatian third (182) and English listed as fourth (131). The vast majority of the group are Jewish, although there are small contingents of Roman Catholics, Greek Orthodox, and Protestants. A survey of previous occupations indicates that the largest number were engaged as entrepreneurs and merchants. The group contains a relatively high percentage of professional men and some

artisans. Only four were listed as farmers. Very few men of military age are included in the group.

Interest of Private Agencies

An outstanding feature of the project is the amount of interest which it has generated among voluntary agencies. Possibly 50 organizations in the social service, education, nationality, civic and religious fields have offered their services. Recently several of the more prominent of these organizations have formed a coordinating committee with a representative stationed in Oswego. Private agencies have assisted by a loan of personnel for the initial adjustment period and by providing motion picture equipment and films, special dishes and silverware for the kosher mess hall, books, athletic equipment, religious equipment, and other services and facilities not provided by the government. Although this generous assistance has considerably eased the government's responsibility for maintaining the group, it is somewhat out of proportion to the number of persons involved and has probably come about only because the group is the only contingent of refugees that the U. S. Government has brought to this country, and the American people are eager to assume a direct share of the responsibility of caring for the people made homeless by the Nazis.

Long-term Plans for Refugee Group

During the first weeks at the Shelter, the refugees were busy getting settled and the town of Oswego represented the outer limit of their desire for liberty. As the group continues in residence, however, pressure is developing for some modified type of leave parole arrangement. This may be particularly true of the persons at the Shelter who were virtually free agents in Italy prior to coming to the United States. This group were not confined to camps abroad, but could live, shop, and even work in Italian cities. Many of the refugees have parents, children, brothers, or sisters who are settled in the United States. Although these people understand the basis on which they have come to this country, they nevertheless hope that it will somehow be possible for them to leave the Shelter and join their relatives and friends. Several have sons in the U. S. Army who have asked that their

- 9 -

parents be permitted to live on the outside. Others would like to see their children finish their higher education or professional training during the period that they are in the U.S. Many of the residents are of course waiting until it is possible to emigrate to other countries or return to their homelands in Europe, but would like the chance to live and earn outside barriers until that day comes.

A decision will be necessary sometime in the near future regarding the immediate problems of leave and employment for the refugees and the long-range problem of their ultimate destiny. Detailed plans and procedures should also be developed for their return to Europe or to another place of permanent resettlement after the hostilities end.

D. S. MYER
Director

SECRET

FROM

LONDON

Dated October 4, 1944

Recd: October 12, 5 p.m.

Secretary of State,
Washington.

A-1211, October 4, 1944.

FOR DEPARTMENT AND FEA

Reference Embassy's 7860, September 22 and 3145 September 29. Following is the report of the Special Committee on Relief setting forth its recommendations concerning the relaxation of present blockade policy with respect to relief shipments to occupied territory:

RECOMMENDATIONS OF THE JOINT ANGLO AMERICAN RELIEF
COMMITTEE 3rd OCTOBER 1944

NORWAY

1. (1) The United States and British Governments will permit compensating imports into Sweden to replace foodstuffs sent as relief to Norway (as far as supply considerations permit) and will allow the onshipment to Norway of foodstuffs imported through the Allied controls. They will also relax the rule forbidding the export from Sweden to Norway of produits similaires. These relaxations in blockade policy will be made to enable an increase in the extent of relief feeding in Norway both as regards numbers of beneficiaries and variety of diet.

- (a) In schools,
- (b) In canteens for aged people,
- (c) In organized community centres or under special schemes approved by the Joint Standing Commission in Stockholm.

(ii) They will also permit children's clothing to be sent in small lots provided that the despatch of each consignment will be contingent upon receipt of satisfactory reports on the distribution of previous consignments.

(111)/

London A-1211

- 2 -

(iii) All proposed shipments, both of food and clothing, will be submitted to the Joint Standing Commission in Stockholm as constituted under the Anglo-American Swedish War Trade Agreement of 1943. The United States and British members of the Commission will be given wide discretion to approve consignments and will only refer to Washington and London,

- (a) in cases of doubt, and
- (b) for goods other than those specified above.

(iv) Reports on distribution will be submitted to the Joint Standing Commission, Stockholm.

2. The Norwegian Government will be informed of these proposals and consulted as to the form and extent of relief to be provided. They will be asked to submit proposals for the finance of these operations.

3. The Swedish Government will be asked to submit estimates of the additional relief assistance that can be provided through the existing machinery and the approximate quantities of additional imports required through our controls.

4. The German Government will be asked for,

(a) safe conducts for all transport carrying relief supplies, complete freedom of movement and guarantees of personal safety for supervisory personnel;

(b) assurance that rations will be maintained and that imports to Norway from German Europe will be maintained at a rate, not less than that prevailing at the corresponding period of the previous year;

(c) an assurance that the distribution of relief supplies will be permitted in any part of Norway selected by the approved neutral organizations, after consultation with the Joint Standing Commission safe conducts for any additional tonnage required. (The United States and British Governments will be prepared to give the same assurances as now given in the case of Swedish ships in the Greek Relief Service.)

POLAND /

London A-1211

- 3 -

POLAND

5. (1) The International Red Cross Committee will be informed that the United States and British Governments are willing to admit through their controls food for distributions:

(a) in selected cities where the International Red Cross Committee report urgent need and where distribution can be made by them or through their agents in canteens, schools or other community centres; all food will be consumed in these centres;

(b) in other areas by means of food parcels sent to individuals or groups of individuals provided the International Red Cross Committee can obtain verification that the parcels are received and retained by the intended beneficiaries.

(11) The United States and British Governments will also permit children's clothing to be sent in small lots provided that the despatch of each consignment will be contingent upon the receipt of satisfactory reports on the distribution of previous consignments.

6. The Polish Government will be informed of these proposals and consulted both as to the form and the extent of the relief to be provided; they will be asked to submit proposals for the finance of those operations.

7. The International Red Cross Committee will be asked,

(a) to submit names of cities where need is acute and estimates of the quantities of food that they can distribute in both bulk and parcel form, and

(b) to indicate the extent and form of control which they can exercise in each case.

8. The German Government will be asked by the International Red Cross Committee for,

(a)/

(a) safe contacts for all transport carrying relief supplies, freedom of movement and guarantees of personal safety, for supervisory personnel,

(b) assurances that rations will be maintained and that no reduction will be made in normal supplies to the area concerned,

(c) assurance that distribution of relief supplies will be permitted in any cities and any parts of such cities selected by the International Red Cross Committee.

CZECHOSLOVAKIA AND DENMARK

9. Although it is not thought that there is acute need for relief in Czechoslovakia and Denmark, the Czech Government and Danish Council will be consulted and if it appears that need in any particular areas has become urgent, action similar to that proposed for Poland will be authorized.

OTHER AREAS

10. In view of the present military situation it is not thought necessary to make recommendations for the Netherlands and for Yugoslavia. Should however these countries or any part of them remain under settled enemy occupation during the winter, similar action to that proposed for Poland will be authorized.

CONCENTRATION CAMPS

11. The policy of the United States and British Governments with regard to concentration and internment camps and Jews in ghettos will be the same as in recent months, namely that the International Red Cross Committee will be permitted to despatch relief foodstuffs to any such camp or ghetto where it is satisfied as to the conditions of distribution.

12. The United States and British Governments have been in communication with the International Red Cross Committee regarding the possibility of the safe distribution of clothing in such camps and if adequate assurances are received, they will be prepared to permit experimental consignments of children's clothing.

VITAMINS/

VITAMINS

13. Arrangements have already been made to despatch vitamin D to occupied territories in the same way as medical supplies.

It is now proposed to add vitamins B and C.

MONETARY RELIEF

14. It is suggested that licenses which involve or may involve the placing of funds in neutral territory at the disposal of enemy persons should only be issued after consultation between the United States and British Governments. Normally such consultation should take place between the State Department and the British Embassy in Washington, who would be given a wide discretion to agree to their issue, reference to the Relief sub-committee in London only being necessary in doubtful cases.

(Note: The American representatives on the Committee reserved their position on paragraph 14 and the United States Ambassador is referring the matter separately to his Government)."

WINANT

MC:JH

Hectographed by:HH

cc: Miss Gannaway (for the Sec'y) Abramson, Arzin, Cohn, Drury, Lof, Friedman, Guston, Kadel, Lesser, Marks, Shannon, McCormack, Leble, Filson

CABLE TO WINANT; LONDON, FOR MANN FROM WAR REFUGEE BOARD

Proposal referred to in your no. 8133 of
September 29 has been presented again to War Department
for its consideration.

THIS IS WRB CABLE TO LONDON NO. 9

4:45 p.m.
October 4, 1944

CABLE TO WINANT, LONDON, FROM DEPARTMENT AND PEHLE WAR REFUGEE BOARD

Reference Pehle's message forwarded as Department's No. 6809 of August 25, 1944. After discussion with Arthur Goodhart, Pehle and Goodhart agree that best arrangement will be for Goodhart to be available for special consultation and advice on an informal basis, and not be designated as War Refugee Board representative.

Accordingly, the Board proposes to appoint Mr. James H. Mann as Special Representative of the Board in England with the designation by the Department as Special Attaché to the Embassy on war refugee matters. The President's Order of January 22, 1944, provides that the State Department shall appoint such Special Attachés on the recommendation of the Board, that they shall have diplomatic status, and that their duties and responsibilities shall be defined by the Board in consultation with the State Department.

If the appointment meets with your approval, you should advise Mr. Mann that he is so designated and that he is to have diplomatic status. It is assumed that there will be no objection on the part of the British Government to this designation, although you may in your discretion approach the British authorities informally if you consider it necessary or advisable to do so. Please confirm action by telegram.

Please request Mann to contact Goodhart as soon as he returns to England and to consult freely with Goodhart on War Refugee Board problems as they arise.

THIS IS WRB CABLE TO LONDON NO. 8

10:15 a.m.
October 4, 1944

FH:hd 10/3/44

MF--
Distribution of true
reading only by special
arrangement. (SECRET W)

October 4, 1944

8 p.m.

AMEMBASSY

LISBON

2663

The cable below is WRB 100.

Please deliver paraphrase of the following message to Elisabeth Dexter, 111 rua Marquex de Fronteira, Lisbon, from the Unitarian Service Committee:

QUOTE 225 following cable sent directly to Field it was necessary due to a new Treasury Department ruling countermanding our license for France we hope the channels will be cleared soon: INNERQUOTE The apparent misunderstanding concerning use of our funds abroad should be clarified. All available funds for France are exclusively earmarked for refugees or displaced persons they cannot be used in France for French civilians however needy unless these civilians are actually refugees. Same rule beyond our control applies everywhere else. This is reason why the appealing program outlined in your September 15 cable except for repatriation of foreign refugees is outside the scope of our present authorized responsibility. Unfortunately new Treasury Department ruling prevents any expenditures for France even for refugees and even with funds already in your hands until negotiations with French Government clarified. This due to change from occupied to liberated status of France. This rescinds our cabled authorization to spend in France 20,000 at your discretion. The additional 13,000 mentioned as available for France is temporarily blocked. Our approved budget from October 1st is 5,000 monthly for all refugee work in France. Applying for Treasury license hope remit soon. If you can report immediately urgent emergency refugee needs in France we will apply for additional special grant from war fund contingency fund. Also trying to find outside sources of assistance for your recommended nonrefugee program. Deeply regret this confusion. Committee sends grateful appreciation your efforts. END INNERQUOTE UNQUOTE

HULL
(GLW)

SFG-205
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon
Dated October 4, 1944
Rec'd 4:20 p.m.

Secretary of State

Washington

3062, October 4, 1 p.m.

Venezuelan Minister confirms understanding that all
Venezuelan visas (REURTEL 248 WRB 86, September 2) must
be individually confirmed by Venezuelan Government in
Caracas. In view of this understanding which would cause
interminable delay question wisdom of any approach
Portuguese Government.

NORWEB

AVH 391

PLAIN

Lisbon

Dated October 4, 1944

Rec'd 6:25 a.m., Oct. 5

Secretary of State

Washington

3067, Fourth, 7 p.m.
FOR LEAVITT FROM ROBERT PILPEL JDC 83 WRB 211.

Please advise whether and when payment made
177000 Turkish Lira for local communities Turkey
requested our 43, August 3. Hirschmann returning
States next days. Saly advises Valobra family
receiving appropriate assistance also advises
supplied northern Italy 22 million lira since July
for approximately 15,000 persons.

NORWEB

JJM

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: October 4, 1944
NUMBER: 3411

CONFIDENTIAL

We refer herewith to your cable to August 19, 1944, No. 5398.

As regards the serious situation of certain persons holding Paraguayan passports which are due to expire, the Asuncion Mission was informed on September 27 by the Minister of Foreign Relations for Paraguay that inasmuch as the matter was related to the proposed exchange, the American Embassy at Madrid could advise the Government of Spain that the issuance through the Spanish Embassy at Berlin of new passports to those persons who had received Paraguayan protection, especially those at Bergen Belsen, to replace the passports about to expire has been authorized by the Government of Paraguay.

The paraphrased substance of the foregoing has been repeated to Madrid by Asuncion.

HULL

SWP:RCE:FL:rd
Paraphrase:DCR:IDB:FB 10/7/44

Bern

Dated October 4, 1944

Rec'd. 11:56 a.m.

ME-104

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Secretary of State

Washington

6603, October 4, noon.

FOR WRB FROM MC CLELLAND

Department's 3361, September 29.

Received word October 3 from American Embassy London that food parcel proposal for French political internees in German camps has also been approved there.

Our sincere thanks for your successful efforts in obtaining so rapid a decision.

International Committee Red Cross advises consideration be given after consultation with American Red Cross to shipping balance 285,000 WRB parcels to Marseille now rather than to Gothenburg. These are becoming increasingly necessary particularly for Jewish deportees in camps such as Bergen-Belsen as possibilities for International Committee Red Cross to purchase foodstuffs suitable for parcels in Europe are now practically nil.

HARRISON

RR

CABLE TO HARRISON, BERN, FOR MCCLELLAND FROM WAR REFUGEE BOARD

Olsen advises us that you have asked him to supply details re discussions with Germans in Sweden on possibility of rescuing Jews in Europe. In view of Stockholm's lack of communication with Bern, Olsen has asked us to repeat the following cables to you.

[Here take in Stockholm's No. 2362 of June 28, Stockholm's No. 2419 of July 3, Stockholm's No. 2621 of July 15, and Stockholm's 3605 of September 11.]

In a very recent report to the Board, Olsen has stated the following which may also be of interest to you:

"All available channels will, as they have in the past, be used to forestall further massacres in east Prussia and Poland, although we are extremely pessimistic that much can be accomplished since the contacts we have had in the past are not able to exert any influence upon the severe military control presently being maintained by the Germans over such matters. Threats of reprisals are meaningless to this group and it may be assumed that should any proposals ultimately be forthcoming through Kleist or other intermediaries for the Germans, such proposals will undoubtedly involve totally unacceptable military implications. We are pushing these negotiations as strongly as possible nevertheless, simply to stall for time."

THIS IS WRB CABLE TO BERN NO. 200

4:00 p.m.
October 4, 1944

NOT TO BE RE-TRANSMITTEDOPTEL No. 323

Information received up to 10 A.M. 4th October 1944.

1. NAVAL

OSTEND work on blockships held up by weather .
 MEDITERRANEAN on 30th/1st. a British Cruiser bombarded MALEME
 Airport CRETE. On 3rd. W/T Station LEVITHA east of NAKOS attacked
 by carrier-borne Seafires. PORTOLAGO, LEROS attacked by Hellcats.
 Many coasters and small craft bombed and machine gunned. One
 Hellcat missing.

Same day a British Submarine torpedoed German ship, 1,810
 tons, north of SKIATHOS, Eastern GREECE and French Submarine sank
 300 ton ship same area. Weather has prevented destroyer bombard-
 ment in support of Eighth Army for the past four days.

2. MILITARY

N.W. Europe U.S. troops have advanced to the GEILENKIRCHEN-
 KERKRADE Railway and troops of Canadian Army
 are within eight miles of TILBURG.

Italy Slight advance by Fifth Army north of FIRENZUOLA.

Russia Russians have occupied ISLAND OF DAGOE in BALTIC and
 VELIKI BECKEREK in YUGOSLAVIA 40 miles north of
 BELGRADE.

3. AIR OPERATIONS

.....
Western Front 3rd. 247 escorted Bomber Command heavy
 bombers dropped 1,263 tons on WESTKAPELLE
 WALCHEREN successfully breaching the sea wall. 840 U.S. escorted
 heavy bombers bombed NUREMBERG. 1,038 tons results good where
 observed GAGEN, U M.T. Works near KARLSRUHE. 360 very good
 WESSELING Synthetic Oil Plant. 194 unobserved and two airfields
 in WESTERN GERMANY. 365 good to very good. No German fighter
 opposition. 155 further heavy bombers bombed other industrial
 and railway objectives dropping total 357 tons. Ten heavy bombers
 and 13 fighters missing. 72 escorted medium bombers attacked
 German concentrations south of ARNHEM in bad weather. 394 aircraft
 carried supplies to the Continent and evacuated wounded.

3rd/4th. 42 Mosquitoes despatched 43 to CASSEL remainder
 other objectives GERMANY.

Mediterranean 1st/2nd. 73 light bombers and fighters
 (two missing) attacked railway centres and
 transport NORTHERN ITALY.

October 5, 1944
9:00 a.m.

REHEARSAL OF WAR BOND SPEECH AND PRESS RELEASE

Present: Mr. Barth
Mr. Coyne
Mr. Murphy
Mr. Haas
Mrs. Klotz

H.M.JR: I just want to make sure of these statements. Here is the first and here is the second. (Refers to #1 and #2 of four attached press releases.)

Is that all I should have?

MR. MURPHY: There are four altogether.

H.M.JR: How many should have come my way?

MR. MURPHY: Four, one to go with each speech.

H.M.JR: Where are they?

MR. MURPHY: I have the drafts that we wrote for all of them, and I have the drafts that Mr. Shaeffer wrote for two of them.

... (Mrs. Klotz enters office temporarily) ...

H.M.JR: Where are three and four?

MR. MURPHY: I think Shaeffer hasn't sent them.

H.M.JR: Let's do the speech. I haven't done anything else since I last saw you.

MR. BARTH: All right. Do you want me to read it?

H.M.JR: Yes, that seems to work well. We'll do one paragraph at a time.

(Mr. Barth reads first paragraph of attached draft of speech)

- 2 -

H.M.JR: One minute. This is terrible. I have been trying to find my radio time.

MR. COYNE: Ted sent you something, sir, on your radio time.

H.M.JR: Where is it? I'm supposed to pull everything together and do the whole works. Do you know how much time we are supposed to have in Atlantic City?

MR. COYNE: You are supposed to have fifteen minutes on the air. The point is this. Most of these speeches are fifteen minutes. It is about 1800 words, so we are going to have to trim these talks down.

MR. BARTH: It will be broadcast.

H.M.JR: Yes, locally they have arrangements.

MR. COYNE: That is right. They have two stations in Atlantic City.

MR. BARTH: Henry has just pointed out to me that it is the oldest that reaches maturity first, and not the youngest.

MR. MURPHY: And that is without raising a family of my own, too!

(Mr. Barth reads through the first sentence on page 2)

H.M.JR: Mrs. Morgenthau suggested, instead of "average," "every American."

MR. BARTH: Good. (Continues reading) "We wanted to bring the Treasury, through the Federal Reserve System, into direct contact with all the banks of the country."

H.M.JR: Excuse me. Do you have to say, "through the Federal Reserve System"?

MR. COYNE: No, I shouldn't think so.

MR. MURPHY: That would save five words.

- 3 -

MR. BARTH: "The public debt, we felt, should go through something of the same sort of mutualization that had enriched and expanded the life insurance industry in this country."

H.M.JR: Mrs. Morgenthau had never heard the word "mutualization" before. I told her it was a perfectly good word.

MR. MURPHY: Mr. Haas thinks this weakens rather than strengthens the case. He referred to the TNEC.

H.M.JR: I am going back to the days of Justice Hughes. If they are in bad odor now, they stunk in those days-- I mean, they are so much better. I think most people would understand. The word "mutual" appears in most all of these companies, doesn't it?

MR. BARTH: I think most insurance is now written by mutual companies. You will have quite a few insurance people at these meetings. (Continues reading through page 2)

H.M.JR: One minute, please. Do you mind introducing the date again? Somewhere in this part let's remember that this thing started way back in 1935. I want to date it again. I want to get it over that for ten years the Treasury Department has been teaching thrift to the American public.

MR. BARTH: What we are talking about here is 1939 and 1940.

MR. MURPHY: 1941, strictly speaking.

H.M.JR: Just see if you can't date it twice before you leave the subject. I don't know whether you can. You know what I am talking about. This is a birthday. I think it is very important, in view of what Dewey is talking about, that for ten years the Treasury has been working to teach people thrift.

MR. MURPHY: I don't know that the lesson in thrift was particularly helpful in 1936-37.

- 4 -

H.M.JR: In November, 1937 we had a balanced budget.

MR. MURPHY: But we had plenty of unemployed, too.

H.M.JR: You and Jerome Frank!

MR. BARTH: You weren't pushing those baby bonds in those days.

H.M.JR: Do you belong to that school?

MR. MURPHY: I'm not sure of the reference to school, but I would say in any time of general unemployment, thrift increases the unemployment.

H.M.JR: All right. You stay here to see we are technically correct, and my job is to bend the truth, so between us, with the help of Barth, we'll have a good speech.

I like all of this. You have seen the speech, haven't you?

MR. COYNE: Yes, I saw the original draft, sir.

MR. BARTH: "When the crisis struck, the machinery was ready and in operation for the people's financing of the war. It was at this point--"

.....H.M.JR: Excuse me. Mrs. Morgenthau has a question mark after the word "crisis." I don't know just what she means.

MR. BARTH: I think the reference is plain to the preceding sentence, "the great crisis which came upon us at the end of 1941."

H.M.JR: Pearl Harbor?

MR. BARTH: Yes.

"It was at this point that you took over. Defense Bonds became War Bonds."

- 5 -

H.M.JR: You wouldn't want to say, "When the enemy struck"?

MR. BARTH: Surely, that's perfectly good.

H.M.JR: Let's say that.

MR. BARTH: "And through your efforts they have been put into the hands of 80 million individual Americans. I congratulate you on the accomplishment. Think of it! Out of every 13 men, women, children and babies in the United States, eight have purchased bonds of their Government. Today there are approximately 23 billion dollars of Series E Bonds--the people's Bond--outstanding, all held by individual investors."

MR. MURPHY: Mr. Secretary, we have projected that figure of eighty million. Our current estimate is eighty-five, but notwithstanding that, I think it will be best to say eighty million, because you don't want to have eight and a half people here! Our current estimate carried the figure that the President used in his speech starting the Fifth War Loan - eighty-five million.

H.M.JR: Then say it.

MR. MURPHY: It doesn't work out in this nice scheme of eight and thirteen. I thought, why strain a point here?

H.M.JR: I'm surprised at you; suppressing the truth!

MR. BARTH: We could say, "more than eight."

MR. COYNE: Mr. Secretary, you say it was at this point that you took over. Of course, much of this organization was functioning in May of 1941.

MR. BARTH: No, you didn't have a volunteer organization.

MR. COYNE: Yes we did.

MR. BARTH: Oh, that is right.

MR. COYNE: "It was at this point that you assumed the greater responsibility."

- 6 -

MR. BARTH: Let's cut out the sentence.

H.M.JR: Either way.

MR. BARTH: We'll cut it out.

"Now, let us look at the role which these War Bonds have played in the war finance program as a whole and in the maintenance of essential economic stability in the United States both during the war and in the difficult re-conversion period which will come with peace.

"It has been the task of the Treasury Department to finance the costliest war in history. Since Pearl Harbor, the war has cost about 201 billion dollars. During this same period, non-war expenditures have been kept down to 15 billion dollars, making a total government outlay of 216 billion dollars."

H.M.JR: Okay.

MR. MURPHY: Mr. Secretary, in the draft that Mr. Barth is reading, you take the figures through August 31. In the draft I have before me, they are brought up through September 30, which would be the figures, presumptively, in the final speech. It doesn't change any principles. It increases the figures, naturally, slightly. I have them here, if you are interested.

H.M.JR: What are they?

MR. MURPHY: 201 becomes 208, the 15 becomes 16, the 81 becomes 87, and the 37 becomes 39.

H.M.JR: What would the percentage be?

MR. MURPHY: Thirty-nine.

MR. BARTH: "Well, 81 billion dollars, or 37 percent, of this staggering sum has come from revenue - in other words, from taxes."

MR. MURPHY: That includes all receipts including renegotiation.

- 7 -

H.M.JR: Why not say, "Come from revenue."

MR. MURPHY: Taxes is a much more restrictive expression.

MR. BARTH: "During the fiscal year just ended, expenditures were just over 95 billions and net receipts slightly exceeded 44 billions, or 46 percent. In short, our coverage curve has been upward--a favorable trend which may be surprising to some and certainly should be encouraging to all. For the sake of comparison, it may be pointed out that World War I was financed only 29 percent from revenues."

H.M.JR: You have 29 percent comes from revenue, and then you say, "During the fiscal year just ended, expenditures were just over 95 billions and net receipts slightly exceeded 44 billions."

MR. MURPHY: One period covers the whole time since Pearl Harbor, and we compare that with the most recent year.

H.M.JR: Personally, I think we are getting too darned many figures. I would leave out that paragraph on page 4.

MR. MURPHY: The last sentence, then, should be put on the end of the preceding paragraph. You can leave out the first two sentences, but you want to keep the World War I comparison.

H.M.JR: That is all right. Eighty-seven billion, or 39 percent, has come from revenue. For the sake of comparison, it may be pointed out that World War I was financed only 29 percent by revenue.

It is much better to use two hundred billion, because Dewey is using three hundred billion. I think that is much better.

MR. BARTH: "In the year ended June 30, 1940, the last fiscal year before the beginning of the defense program, Treasury receipts were slightly less than 5 1/2 billion dollars. The 44 billion total for the year just ended was more than eight times as great -- a larger

- 8 -

increase than has occurred in the case of any other major belligerent. No sign of a soft policy there."

H.M.JR: Now, may I make this suggestion? Where you say eighty-one billion or 37 percent come from revenue, if you want to give some more figures, then I would say, "During this period the Treasury receipts have increased by eight times." And let it go at that.

MR. MURPHY: The reference isn't the same, Mr. Secretary. One goes back to the year before the beginning of the defense program.

H.M.JR: I don't want so many figures on the radio.

MR. BARTH: I think you are right. Let's cut this paragraph out.

H.M.JR: Simply say that 39 percent of the war has been financed through revenue, and in World War I it was twenty-nine percent.

MR. BARTH: It would make it much easier to follow.

H.M.JR: If you want some of these statistics, we can use them in the press.

MR. BARTH: Yes, that is right. That is what you have those releases for.

H.M.JR: What are you going to do with the words, "No sign of a soft policy there"?

MR. BARTH: Leave it out.

"Recognizing the need for greatly increased government revenues, the American people have submitted to the highest taxes in the nation's history with remarkable good grace and good cheer.

"But after these record collections there remained 51 billion dollars in the last fiscal year, 135 billion in the last three years, that had to be raised in some other manner."

- 9 -

MR. MURPHY: That becomes 137 now.

MR. BARTH: I think we can cut out the last year and refer to just the three years.

H.M.JR: Yes, I'd use just the one figure. Do you mind putting in a Hollywood word before the 137 billion?

MR. MURPHY: Colossal?

H.M.JR: Not good enough.

MRS. KLOTZ: Stupendous.

H.M.JR: Anyway, some adjective.

(Mr. Barth reads through page 5)

H.M.JR: Now what is that sentence? That is a Henry Murphy sentence.

MR. MURPHY: Your elbow is right. What I am awfully anxious to avoid saying, Mr. Secretary, is that we tried to raise every cent of this outside banks and to the extent we didn't do that we fail. As a matter of fact, if we had succeeded in raising it all outside of banks, we would have caused a depression in the middle of the war. When you come to do twice the amount of business you did before, you have to have a great deal more money in the form of currency and demand deposits, so in the nature of the case a large amount of the debt was both sold to banks and had to be sold to the banks, so the measure of our success--

H.M.JR: That is enough!

MR. MURPHY: That is spelled out at some length in one of the press releases.

H.M.JR: That is enough.

MR. BARTH: Henry, I think here it has either got to be left out or spelled out more.

H.M.JR: I agree.

- 10 -

MR. MURPHY: The words, "as large a proportion as possible", raise my inhibitions and should be corrected.

H.M.JR: I have said this, Henry, a dozen times, and nobody is going to be as smart as you to catch me. Have you said something about this in your release?

MR. MURPHY: Yes.

H.M.JR: Okay. Let's cut it out.

MR. BARTH: Would you like to say, "As large a proportion as feasible"?

MR. MURPHY: I don't want the word feasible, because that implies--you have raised sixty-five in and eighty-five out, which is only a good record if you measure it against the standard--

H.M.JR: You are going to be with me there, Henry. You can give it to me.

MR. BARTH: Well, he has a point, you know. An editorial writer will pick up this speech, perhaps, and not the release.

MR. MURPHY: Say you tried to raise as much outside the banking system as possible, and it turned out to be just a little more than half of it. It isn't a good record measure against that criterion. It is a good record measure against the criterion of what really ought to have been done. When you are up in your gross national--

H.M.JR: Which side is Barth on?

MR. BARTH: I don't want to leave it in. As it is, it is confusing. It has to be more or less, but it might satisfy Henry's objection by saying, "But in order to avoid inflation it was essential that a large part of the increased debt be borrowed outside of the banks."

MR. MURPHY: Yes, I would be very happy with that.

- 11 -

H.M.JR: Henry is happy, and I am happy.

MR. BARTH: "We proposed to do this by offering a variety of securities designed to meet each type of investment need. The Series E Savings Bonds, non-negotiable and payable on demand 60 days after issue date, were tailored to meet the need of the average American citizen able to set aside modest savings for investment purposes."

H.M.JR: Would you put in the plug, "And payable on demand 60 days after issue date at any bank"?

MR. MURPHY: I guess you would have to put in "now" wouldn't you? I think so.

MR. BARTH: "Payable on demand 60 days after issue date at any bank."

MR. MURPHY: I feel the "now" has to be in. The reference is back to the time when they were tailored.

H.M.JR: Don't you think it would be good to put it in?

MR. MURPHY: The thing that disturbs me is that the main tenor is what we did, how we planned it.

Now, this is a little buttonhole we sewed in just this week. It sort of interferes with saying how well the suit was tailored in the first place.

H.M.JR: All right, leave it out.

MR. MURPHY: Do you agree, Alan?

MR. BARTH: I tell you, Henry, if we are going to cut this down to fifteen minutes we are going to have to cut a good deal of this six out, anyway. I think this is where the cutting can most effectively be done.

H.M.JR: Starting with, "By their nature they are guaranteed--" Mrs. Morgenthau wrote, "I need hardly remind this audience that by their nature--" she feels I am talking

- 12 -

down a little bit to them--"And that their investment yield--"

MR. MURPHY: Make it all one sentence?

H.M.JR: Yes. I would rather have it two sentences, though, I believe.

MR. MURPHY: I think two sentences would be easier to read, and give you a breathing period.

MR. BARTH: "Their investment yield if held to maturity, 2.9 percent, is the highest obtainable on any United States Government security."

H.M.JR: This is where the cutting will be, because we have drilled this into the American public until they know.

MR. BARTH: Yes, and I think for the sake of brevity you will have to cut out all the business about series E bonds, and F and G bonds, tax certificates, and C notes, because you are talking about E bonds.

H.M.JR: I agree.

Well, do you want to continue to read?

MR. BARTH: I think I can show quite quickly what I mean about cutting it out. Go back to page five, "But in order to avoid inflation, it was essential that as large a proportion as possible of the increased debt be borrowed outside of the banking system, after allowing for the increase in money supply necessary to finance the wartime expansion of the economy." I would then go right to series E bonds.

H.M.JR: Where is that?

MR. BARTH: Page six, "The Series E Savings Bonds--" cut out the first sentence of that paragraph--"non-negotiable and now payable on demand 60 days after issue date at any bank, were tailored to meet the need of the average American

- 13 -

citizen able to set aside modest savings for investment purposes. I need hardly remind this audience that by their nature they are guaranteed against fluctuation, and their investment yield if held to maturity, 2.9 percent, is the highest obtainable on any United States Government security."

Now, I want to keep the whole point until we get to talking about the F and G bonds, and certificates of indebtedness. I want to keep in this part and skip to the next page.

H.M.JR: Now, where do you want to skip?

MR. BARTH: Beginning on page seven, in the third paragraph, series F and G bonds, all about what has been sold to the commercial banks, all of page eight. Then start again on top of page nine.

MR. MURPHY: That just completes taking out everything that had been in the original notes that we wrote.

MR. BARTH: It is libel; I will have my attorneys on you, Henry.

MR. COYNE: I don't think, Mr. Secretary, that these people expect too involved a financial, technical discussion.

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

MR. COYNE: They know it, and I would think that, with all deference to Henry, a lot of these details could be eliminated.

H.M.JR: I will even go further than Barth. I don't think, if you are short for space, that you had better describe the E bond.

MR. MURPHY: Under the circumstances I don't feel so, either, because this was part of a scheme in which we were discussing the philosophy of fitting each security to the needs of the individual investor, in other words, to give the investor the thing that suited his need and having a

-14 -

policy which could be managed over-all with the greatest of flexibility, pointing out the implication of that with respect to the maturity of the whole debt and showing why that in turn was the best for the whole economy.

Now, when that fundamental scheme is taken out--you see, we conceived that this is a rather heavy serious speech--the things that are left rather lose their meaning, and they are sort of vestigial remains, and I don't think it is necessary to describe the bonds.

H.M.JR: After all, you have to cut this to seventeen hundred words.

MR. BARTH: All right. We have about three hours here, so there isn't any question of what we have to do.

MR. MURPHY: I agree. The thing changed form in its evolutionary process.

H.M.JR: So does a caterpillar.

MR. BARTH: The point is a very simple one. In the first place, we are making a speech half as long as what we planned, and, secondly, we are making it to a radio audience.

MR. MURPHY: And, also, we are making it in one rather than four as we discussed.

MR. COYNE: Of course, you might have an omnibus sentence if you wanted to, to incorporate by reference the other securities that were tailored to different measures.

MR. MURPHY: Fred Smith told us very frankly in the meeting in Chicago that under the frame he proposed--and he thought it was necessary, probably correctly so--in order to get a smooth, short speech, the principal part of it was inevitably going to be lost, and we just should like it, and I made the remark in passing.

H.M.JR: Well, Fred Smith isn't here. But I am delighted that I am going to have a radio hook-up on the

- 15 -

theory that maybe I will get an audience of fifty thousand people instead of five hundred.

MR. COYNE: You will.

MR. MURPHY: Aren't you disturbed at giving the identical speech for two radio performances, Mr. Secretary?

MR. COYNE: This is a simultaneous broadcast, Henry.

MR. MURPHY: I mean you will give it at Atlantic City, and then later. It disturbs me plenty.

H.M.JR: Yes, and that is why--I don't know what the appropriate moment is to approach Mr. Barth, but I am inviting him to go with us.

MR. MURPHY: There was a newspaper writeup recently of a fellow who had a speech written for him, and they found the speech had been read by somebody else just before. It might wind up in the "special coincidence department" of the New Yorker.

H.M.JR: I have to think this whole thing out for myself, beginning this morning. It all falls back on my shoulders.

MR. COYNE: I would think with the local radio program, sir, we could watch, and if the newspapers carried your speech so it would be carried around the country, then we could revise the speech for the next stop. But if the newspapers don't carry it intact so it would get into the national press, we might be able to use pretty much the same speech.

H.M.JR: It shows the mental capacity of the Secretary of the Treasury was pretty limited when he has to give the same speech exactly verbatim four times.

MR. BARTH: You will have radio time in all four places.

- 16 -

MR. MURPHY: It seems strange to me, but Fred told me it was perfectly all right.

MRS. KLOTZ: But at the time there was no radio--

H.M.JR: No, excuse me, Mrs. Klotz. I asked for radio time. This is the lazy man's way of doing it.

MR. BARTH: When is the first of these?

H.M.JR: Around noon, Saturday. And there is another one Tuesday in Chicago.

MR. COYNE: Tuesday in Chicago, Thursday in New Orleans, and Saturday in Los Angeles.

H.M.JR: With Commander McCaffery in the pilot seat.

If we keep all this description out, we go where?

MR. BARTH: A couple of pages over, "The average cost of money to the Treasury since Pearl Harbor has been one and three-quarters percent."

MR. MURPHY: Could I interpose a comment, Mr. Secretary? The figure we gave you at Chicago was one point eight at the beginning of the defense program. When we wanted to add the point of taxes, we wanted to take as our point of reference Pearl Harbor, instead, so we could say that every security has been taxable. So that is the reason the figure has changed.

H.M.JR: All the way through--let's make it from Pearl Harbor down to today.

MR. MURPHY: That is the way it is now. I discussed this merely because you have the figure one point eight in your mind. You would wonder why we don't stay put. That is the difference.

H.M.JR: Look, Henry, I get the thing the first time.

MR. MURPHY: Sorry!

- 17 -

MR. BARTH: "On the basis of the 150 billion dollar increase in the debt to the present time, the resulting saving to the Government amounts to almost 4 billion dollars annually.

"The saving in interest has been a real social gain, since it has been achieved by sparing the holders of a large proportion of the debt the risks incident to fluctuations in interest rates. I believe these risks are exaggerated; but whatever they may be, the Government is in a better position to bear them than the bond-holders, whether individual or corporate."

H.M.JR: I never have liked this, "The saving in interest has been a real social gain." That is too highfalutin for me or anybody else. "The risks incident to fluctuations in interest rates"--there is no radio audience or even a group of economists who will understand that. Don't argue with me. I am not going to say it. It is just too damned highfalutin.

MRS. KLOTZ: Technical is what you mean.

MR. MURPHY: You guessed right. It is mine, and I feel myself it is very important and it is very correct.

H.M.JR: Henry, let's save this point for another one.

MR. MURPHY: O.K.

H.M.JR: Maybe we can expand this idea of interest rates and what it means.

MR. MURPHY: Well, you are a better judge than I am of whether it clicks.

H.M.JR: If you are going to spell it out, take a couple of pages.

MR. MURPHY: That concept will gain in clarity by expansion.

H.M.JR: Let's leave it out this time on the theory we will use it in some other speech.

- 18 -

MR. BARTH: "Moreover, and this is a point which is deserving of particular emphasis, the interest on all the securities sold during this war has been fully taxable, while the issues marketed during World War I were largely tax exempt."

H.M.JR: I like that.

MR. MURPHY: I suggest leaving out the "while."

MR. BARTH: "This has resulted in a further savings, probably in excess of a half billion dollars a year, to the Federal Treasury. At the same time it has left the Federal debt in a position where it does not offer unfair competition to private capital, or, maybe I should say, to private enterprise seeking to attract private capital."

H.M.JR: Now, again, these things are thrown in. They are very important remarks. I don't want to say that at all. It is another thought. They are not tidbits; they are big chunks of meat. I might give the radio audience indigestion unless I expand those things and explain in very simple language why a low interest rate isn't competition to private enterprise. We are talking about tax exemptions. That is enough, through having sold taxable bonds we save half a billion dollars a year. That is the thought. Then you bring something else in entirely extra.

MR. MURPHY: This is the first time it has been Alan's thought, but I agree with it. It is his tidbit.

H.M.JR: It is not a tidbit; it is a chunk of raw meat, uncooked and undigested.

MR. BARTH: This must be Vanderpoel.

H.M.JR: All right, here is the idea that the thing that we have sold is all taxable, and we save half a billion dollars a year. That is a good idea that anybody can understand.

- 19 -

MR. BARTH: "Our fiscal policy--paying through taxes for as large a proportion of the war costs as possible and borrowing from sources other than the commercial banks a maximum share of the remainder--has been one of two buttresses supporting the structure of economic stabilization. The other, of course, has consisted of direct controls, including rationing, price ceilings, allocations and so forth."

H.M.JR: May I get in on this? "Our fiscal policy--paying through taxes for as large a proportion of the war costs as possible--" then this other thing seems to me so involved, "And borrowing from sources other than the commercial banks a maximum share of the remainder." Could I put it a different way and get the same thing, "paying through taxes for as large a proportion of the war cost as possible, and borrowing the maximum directly from the people"?

MR. BARTH: Well, we have just spelled out the fiscal policy. Maybe we don't have to describe it again. We can simply say that our fiscal policy has been one of two buttresses supporting the structure.

H.M.JR: That is all right.

MR. BARTH: "As a result of this policy of stabilization, a saving of 70 billion dollars has been effected in Government expenditures through June of this year."

H.M.JR: From when?

MR. MURPHY: From the beginning of the defense program. I have spelled this out more in my version. It is a figure published by OPA.

H.M.JR: Now, again, may I say this? We are going to have to cut this in half, and this idea of saving seventy billion dollars--I would like to reserve that for another speech.

What we have done is, we have taken all the things we have talked about and put them in undigested. If in a radio talk you get over two ideas--

- 20 -

MR. BARTH: Don't say digested; they have been digested for a half-hour speech to bankers and bond volunteers. Now we have to digest it to a fifteen-minute speech for a radio audience.

MR. COYNE: Remembering that your most important audience is in the room and your radio audience is hitchhiking, because your appreciation is going to be right in the room, Mr. Secretary; they are going to understand every word you speak.

H.M.JR: That is why you are here, to make sure it is all right for the people that are there, but those aren't the people I really want to reach. You are here to make sure it is an interesting speech for the people in the room.

MR. COYNE: Right.

H.M.JR: And don't think I have suddenly gone campaigning.

MR. COYNE: Of course not.

H.M.JR: I simply say I want you to be sure it is interesting to the people there, but when you do put me on the radio, I have to have something that the radio people can understand.

MR. MURPHY: The noon-time audience is particularly low in understanding, too, I believe.

H.M.JR: This is where Smith completely reversed himself. Heretofore he never would let me go on the air or talk to an audience of ten or twelve million people. But knowing what is in my own mind, I would like to do this. I would like to talk to whatever audience will listen to me, even if it is fifty thousand people.

MR. MURPHY: A noon-time speech has always seemed to me like fishing in a pail. There aren't many fish.

H.M.JR: It is good because your pail is small, and your fish at least are there.

- 21 -

MRS. KLOTZ: It is a difficult combination to speak to bankers and the people who understand, and at the same time speak to the woman who listens at twelve o'clock. You have to do one or the other.

MR. MURPHY: I think Bob is right, that the radio people are hitch-hikers.

MR. COYNE: And I think it will be interesting to them if you keep that group interested, because you are talking about something the housewives do know about. They know about the savings bond program; it has been thoroughly sold by this group. If it is interesting to the people in the room, Mr. Secretary, I will almost guarantee that every radio listener will understand it.

MR. MURPHY: To clarify our position, we weren't thinking so much either of the audience in the room or the radio audience, but the people who read the pages, and particularly the financial pages, next morning, which are an entirely different group. We wrote it with those people in mind. We are also thinking of the people who read the archives a decade from now.

H.M.JR: If I listen to all of you I get so confused I had better not speak at all. The primary purpose is to go out and talk to four or five hundred men and women who are going out as salesmen, and I am supposed to inspire them. I have to do that in the first instance, and everything I pick up after that is plus, but I am here to inspire these people as their leader to go out and sell bonds in November. Right?

MR. COYNE: Right.

MR. BARTH: This is going to do that.

MR. COYNE: I am sure it will.

MR. BARTH: I think we will have to cut this out, too. Now, this will be all right, Henry, where we stopped here, that the taxation of wartime security has resulted in a further saving, probably, in excess of a half billion dollars to the Treasury.

- 22 -

"But the greatest and most important saving has been that among the people themselves. It has come about through an intelligent deferment of satisfactions. In the course of this war there has been comparatively little of the reckless kind of silk shirt buying that took place as a result of inflated pay envelopes during World War I."

MR. MURPHY: I don't see how that ties into the previous context. You have been talking about low interest rates and tax-exempt securities, and neither one has anything to do with what you are leading into.

MR. BARTH: Yes. If we are going to cut out the rest of the stabilization program, we had better cut this out.

H.M.JR: And save that. There will be chunks we can just lift out and build another speech out of.

MR. MURPHY: That is right. You are going to have long ideas and be short on time, in any event.

MR. BARTH: We go right from the bottom of page nine to the beginning of the second full paragraph on page twelve.

I guess we had better keep in this paragraph, the beginning of the first paragraph on page twelve, "So much for the record of war finance to date. It is a record of which I am proud--good in its accomplishments, perhaps even better in the fine cooperation which made these accomplishments possible. If this same tireless, unselfish cooperation is applied to the problems of the post-war world, we need have no fear of the future."

MR. COYNE: That is a very good sentence, that post-war reference.

MR. BARTH: "The aspect of the War Bond program which gives me the greatest pride is the fact that, throughout, it has been conducted on a genuinely voluntary, democratic basis. From the beginning, we were resolved to avoid certain high-pressure sales tactics which,

- 23 -

unavoidably, attended the fund-raising of World War I. It was determined that there should be no compulsion, no hysteria, no slacker lists and no invidious comparisons between those who bought Bonds and those who did not. There was to be room in this program for the individual with special burdens and responsibilities who could contribute only in very small amounts--and even for the individual who could not share at all. I think you know, and the whole Nation knows, how scrupulously this policy has been observed.

"There was a good reason for it. In the early days of 1941, when I first asked Congress for authorization to borrow from the general public through a Defense Savings Bond campaign, I said this: 'There exists in the country today an overwhelming desire on the part of nearly every man, woman and child to make some direct and tangible contribution to the national defense. We ought to give them a sense of personal participation beyond that which comes from doing their daily job faithfully and well. Every day, letters come to me from people who ask, "What can I do to help?" Our plan to offer securities attractive to all classes of investors is an attempt to answer this question. I can think of no other single way in which so many people can become partners of their Government in facing this emergency. It is the purpose of the Treasury to raise money for national defense by methods which strengthen the national morale.'

..... "The desire of the people...to help,' the sense of participation in the national cause, could never have been realized except through a voluntary program. You will recall, of course, the clamor that arose for forced or compulsory savings. There were many who declared that only in this way could the stupendous sums needed for victory be raised. There were times, indeed, when those of us who had faith in voluntary methods seemed lonely voices crying in the wilderness. But there was one voice that never failed to support us--the voice of the President of the United States. He believed always that the people would respond to any call that was made upon them. He knew that the enlistment of their support could be best attained through a voluntary program adapted to the democratic pattern of American life.

- 24 -

"But a voluntary program could succeed, of course, only through the efforts of volunteer workers. We in the Treasury could fulfill only the functions of a general staff. The real battle had to be fought and won in the field--fought and won by sustained, unstinting, tireless service. You have given that service. You have given it with a resourcefulness and enthusiasm and good cheer that have overridden every difficulty. You have given it at real sacrifice of time and comfort and self-interest. I think that the job that you have done is beyond my praise. I know that the richest reward you can receive for it is the knowledge that it has been done supremely well, that it has played an indispensable part in our forward march to victory. Still, I should like, on behalf of the Treasury Department to say one simple word to you--Thanks. I shall venture nothing more than this. But know that this one word is echoed, and will be re-echoed, by every one of your fellow-Americans."

H.M.JR: That is a good place to stop, isn't it?

MR. BARTH: It is a good place to stop if you don't want to get in this plug about the job for the future.

MR. MURPHY: It was Ted's idea that the major theme of the speech was to be how much more there was to do, and he is just coming up to that.

H.M.JR: O.K.

MR. BARTH: I think that is a possibility. Ted and Bob are going to be out there telling the boys for two days how much they have left to do.

MR. COYNE: It is kind of thanks for the next one, Mr. Secretary.

H.M.JR: This is the commercial. Let's see what comes next.

(Mr. Barth completes the reading of the speech.)

- 25 -

H.M.JR: Yes, we have to say that.

H.M.JR: Now, do you mind if we look ahead just one day and see where we are at?

MR. MURPHY: The first day, economic stabilization is supposedly billed.

H.M.JR: What do I do? Are you familiar with this?

MR. COYNE: You were to have four handouts for the press, Mr. Secretary, and it was undecided whether or not you would have a handout of your speech. If you used the same speech to hand out, we would put different captions at each meeting. We were to look over these handouts, and if they met with your approval, we were to get them mimeographed so they would be ready to service the boys.

H.M.JR: May I make a suggestion? I don't know whether these are good or bad, so before I say it, let me tell you what they have done, Alan. I go and make a speech at this luncheon; there will be four hundred people there. Let's start completely ~~denovo~~, accept what they have, and it all can be changed. I make a radio speech. That is given to the press, and then I am supposed to see the press afterwards. Personally I think it is perfectly cockeyed to have a radio speech, then a handout, and then a press conference.

MR. MURPHY: It sounds a little cockeyed to me, Mr. Secretary.

H.M.JR: I don't know whose idea it is, but I don't care. It sounds cockeyed.

Now, I have tried this thing in Chicago--I don't know whether you were with me--and I saw the press in Boston. I had the Chairman of the bond committee sitting beside me. They asked me any one of a thousand things, and I am going to take Roy Blough with me, because I cannot escape the tax angle.

If the President, between now and Saturday, doesn't answer Dewey, they are certainly going to hit me, and they

- 26 -

are going to say, "What is Morgenthau trying to do, jam all this stuff down? Does he think we will take all of this canned stuff he is handing us, a speech, and then this stuff?"

They are not going to take that. The first thing they will say to me, most likely, is, "Well, is it true that the Treasury said that nobody can earn more than five thousand dollars with his hands?" or something like that.

I don't see this; I am just thinking out loud. But I think the thing to do is to make up my mind that I am going to say something like this with the last two pages: always more or less the same, I mean, thanking the people for what they have done, complimenting them and saying, "Now, the next thing is going to be hard." The last sentences may be turned around a little bit, but I will be thanking them in advance for what they are going to do.

Then I will use the first part, something about the thirty-nine percent and the twenty-nine percent or how much we saved through stabilization--we saved seventy billion dollars, giving them a few chunks each time out of this thing, new in the beginning, with the end always the same, more or less, but no handouts.

Then after I have spoken, I will see the press, and I will do the best I can with the things that they are interested in and that I am associated with in their minds.

MR. COYNE: That is entirely satisfactory. We can eliminate the handouts.

H.M.JR: That is predicated on the theory that I am going to have somebody like Alan Barth with me who can do this thing.

MR. BARTH: I just don't think I can. You are going tomorrow?

H.M.JR: You won't have to join me until Monday. It would be from Monday to Monday.

- 27 -

MR. BARTH: I don't think you need me, Mr. Secretary.

H.M.JR: There you are wrong, and I can't take Herbert Gaston, because I know he can't stand it physically.

MR. BARTH: How about Shaeffer?

H.M.JR: Shaeffer isn't mentally up on this. You see, Smith promised me that he would do this, and now he has just walked out on me.

MR. MURPHY: While I wrote the handouts on directions, Mr. Secretary, the idea never appealed to me. I think it was a compromise, and not a very good one, between two thoughts, one that had developed in the course of conference between Fred and Mr. Gamble, and Mr. Haas and myself, that we wanted something as a statement of policy that would be carefully worded in writing, and the other, the desire to take it out of the speech. But I don't think, as Mr. Gaston said, you can hand a fellow the copy of the Encyclopedia Britannica and say, "I commend the article on the Treasury," but--

H.M.JR: This is the first time I have been able to think about the thing, so I am not blaming anybody because it isn't ready, but what I hoped was that I would be given four separate speeches which would be finished in advance of my leaving, and I could just pick them up and deliver four speeches. And I said I wouldn't start unless I had them.

But I felt that the war bond organization was their responsibility, and Gamble took that on and said they would give me four speeches. If you start to ask why they didn't, there will be the most beautiful buck-passing. The net result is that I will have one.

MR. COYNE: Ted's idea may have been, Mr. Secretary, that rather than give a set speech to the press, there would be a handout for the press, and a set speech to our group would be the better formula, because you would just be restating the same things to our group, anyway. And if you wanted the handouts very widely distributed, that would be a more graceful way of doing it.

- 28 -

H.M.JR: I tell you the way I feel right now. Do
you people mind stepping out a minute?

9-29-44
War Finance Speech
Secy. Korgenhan

A.213

You may not be aware of it but this meeting today is a kind of birthday celebration --- a very important birthday in my calendar. Just about ten years ago the first United States Savings Bonds --- they used to be called Baby Bonds in those days --- were sold to the American public. And in just a few months --- next March to be precise --- the youngest of these Bonds will reach its maturity and be presented to the Treasury of the United States for redemption.

A birthday is a family affair. And I am especially happy to be able to celebrate this birthday with members of the immediate family that made savings bonds the most popular and most widely held form of investment ever conceived in the United States. I think you can be very proud of your adopted child. When the history of this war comes to be written I think, indeed, that the savings bond program will have a highly honored place in it and that the job which you have done so generously and so effectively will be recorded as one of the major contributions to our victory.

I should like to go back with you for a few minutes to those early days, a decade ago, when War Bonds were Baby Bonds. They were conceived then with a very definite purpose in view. That purpose was, in a phrase, to democratize public finance in the United States.

We in the Treasury wanted to give the average American a direct personal stake in the maintenance of sound Federal finances. We wanted to bring the Treasury, through the Federal Reserve System, into direct contact with all the banks of the country. The public debt, we felt, should go through something of the same sort of mutualization that had enriched and expanded the life insurance industry in this country. Every man and woman who owned a Government Bond, we believed, would serve as a bulwark against the constant threats to Uncle Sam's pocket-book from pressure blocs and special interest groups. In short, we wanted the ownership of America to be in the hands of the American people.

We had made only a start in this direction, you will remember, when war broke out in Europe and threatened the security of the United States. But the foundation had been laid for real popular participation in an American preparedness program. Savings bonds became known as Defense Bonds. And, as you all know, they played an important part in making the Nation ready for the great crisis which came upon us at the end of 1941. They served not only as a vital factor in financing the rearmament of our fighting forces but, what seems to me even more important, they gave to the average citizen a sense of the war's meaning and of the urgent nature of the national danger.

- 3 -

When the crisis struck, the machinery was ready and in operation for the people's financing of the war. It was at this point that you took over. Defense Bonds became War Bonds. And through your efforts they have been put into the hands of 80 million individual Americans. I congratulate you on the accomplishment. Think of it! Out of every 13 men, women, children and babies in the United States, eight have purchased bonds of their Government. Today there are approximately 23 billion dollars of Series E Bonds -- the people's Bond -- outstanding, all held by individual investors.

Now let us look at the role which these War Bonds have played in the war finance program as a whole and in the maintenance of essential economic stability in the United States both during the war and in the difficult reconversion period which will come with peace.

It has been the task of the Treasury Department to finance the costliest war in history. Since Pearl Harbor, the war has cost about 201 billion dollars. During this same period, non-war expenditures have been kept down to 15 billion dollars, making a total government outlay of 216 billion dollars.

Well, 81 billion dollars, or 37 percent, of this staggering sum has come from revenue -- in other words, from taxes.

- 4 -

During the fiscal year just ended expenditures were just over 95 billions and net receipts slightly exceeded 44 billions, or 46 percent. In short, our coverage curve has been upward -- a favorable trend which may be surprising to some and certainly should be encouraging to all. For the sake of comparison, it may be pointed out that World War I was financed only 29 percent from revenues.

In the year ended June 30, 1940, the last fiscal year before the beginning of the defense program, Treasury receipts were slightly less than 5 1/2 billion dollars. The 44 billion total for the year just ended was more than eight times as great -- a larger increase than has occurred in the case of any other major belligerent. No sign of a soft policy there.

Recognizing the need for greatly increased government revenues, the American people have submitted to the highest taxes in the nation's history with remarkable good grace and good cheer.

But after these record collections there remained 51 billion dollars in the last fiscal year, 135 billion in the last three years, that had to be raised in some other manner.

This money had to be raised by borrowing. We not only had to get the money, but we had to do it in a way that would

- 5 -

strengthen, rather than weaken, the national economy.

It would have been relatively easy to finance the rising debt through the banks. But in order to avoid inflation, it was essential that as large a proportion as possible of the increased debt be borrowed outside of the banking system, after allowing for the increase in money supply necessary to finance the wartime expansion of the economy.

- 6 -

We proposed to do this by offering a variety of securities designed to meet each type of investment need. The Series E Savings Bonds, non-negotiable and payable on demand 60 days after issue date, were tailored to meet the need of the average American citizen able to set aside modest savings for investment purposes. By their nature they are guaranteed against fluctuation in market value. Their investment yield if held to maturity, 2.9 percent, is the highest obtainable on any United States Government security.

The small investor thus has a fully liquid investment with relatively high yield and a guaranty against loss as a result of fluctuations in market value. There are certain incidental advantages to both the investor and the Government from this situation.

First, non-negotiable securities with guaranteed redemption values are not subject to panicky liquidation which, experience shows, develops among small holders of marketable securities in the event of a decline in market value. In short they are more likely to be retained as investments.

It is worth while to recall the experience following World War I when Liberty Bonds plunged downward into the eighties and frightened buyers, inexperienced as investors, unloaded. They felt that their trust in their Government had been betrayed. Later they awoke to find that their loss had been the gain of

- 7 -

the speculators and the wealthy who then owned their Bonds at prices which brought them truly handsome yields on the safest securities in the world.

Second, it should be noted that when non-negotiable securities are redeemed they have no direct effect upon the money market. The Treasury can refund them in an orderly manner through the issuance of whatever type or types of securities seem best fitted for the market at such time.

Third, War Bonds will constitute an invaluable backlog of purchasing power in the postwar decade. Only a part, and I believe the smaller part, of this purchasing power will come from cashing the bonds themselves. The most important part will come from the greater spending of current incomes growing out of the sense of security afforded to individuals by their war bond holdings. Thus we shall be in a strong position to ward off the sort of deflation which struck this Nation so disastrously in 1920 and 1921.

Series F and G Bonds which have been sold for the most part to individuals in the higher income brackets and Series G Notes which have been sold to corporations are, like Series E Bonds, demand obligations.

On the other hand practically all of the Securities sold to the commercial banks have been of fixed maturities. It has

- 8 -

been our policy to encourage banks to purchase issues of short maturity. As a consequence about half the securities acquired by the commercial banking system since the beginning of the war have been bills and certificates maturing within one year, and practically all of the securities acquired by the banks have had a maturity of ten years or under.

The securities held by industrial corporations, mainly certificates of Indebtedness and Series C Notes, constitute a substantial part of their reserves for reconversion and post-war development. It is advantageous not only to the corporations but to the whole economy that these reserves be liquid.

Finally, it should be noted that Government securities now constitute a large proportion of the assets of the commercial banks. The result is that the banking system of the country is in a position of unparalleled liquidity. This affords added assurance against a recurrence of deflation such as came in the aftermath of World War I. Moreover, it places the banking system in a strong position to meet the shifts in deposits that will probably come with reconversion and the new business demand for funds that may be anticipated with the development of a healthy, expanding economy. In brief, the banks are in a position to service a virile private enterprise system. The maturity structure of the debt is equally advantageous from the point of view of the Government. It has at one and the same time contributed to the liquidity of the economy and permitted a large saving to the

- 9 -

Government in borrowing costs.

The average cost of money to the Treasury since Pearl Harbor has been one and three-quarters percent. This contrasts with an average of four and a quarter percent paid for money during World War I. On the basis of the 150 billion dollar increase in the debt to the present time, the resulting saving to the Government amounts to almost 4 billion dollars annually.

The saving in interest has been a real social gain, since it has been achieved by sparing the holders of a large proportion of the debt the risks incident to fluctuations in interest rates. I believe these risks are exaggerated; but whatever they may be, the Government is in a better position to bear them than the bondholders, whether individual or corporate. There is no reason why gambling on the long-term rate of interest should be a necessary part of lending money to the Government. The day is past when the United States Government need ask its citizens to insure it against changes in the rate of interest.

Moreover, and this is a point which is deserving of particular emphasis, the interest on all the securities sold during this war has been fully taxable, while the issues marketed during World War I were largely tax exempt. This has resulted in a further savings, probably in excess of a half billion dollars a year, to the Federal Treasury. At the same time it has left

- 10 -

the Federal debt in a position where it does not offer unfair competition to private capital, or, maybe I should say, to private enterprise seeking to attract private capital. >

Our fiscal policy -- paying through taxes for as large a proportion of the war costs as possible and borrowing from sources other than the commercial banks a maximum share of the remainder -- has been one of two buttresses supporting the structure of economic stabilization. The other, of course, has consisted of direct controls, including rationing, price ceilings, allocations and so forth. >

As a result of this policy of stabilization, a saving of 70 billion dollars has been effected in ~~Government expenditures~~ ^{the cost of the war} through June of this year, *as compared with what it would have been if price control had been no more effective than it was in World War I.*

- 11 -

But the greatest and most important saving has been that among the people themselves. It has come about through an intelligent deferment of satisfactions. In the course of this war there has been comparatively little of the reckless kind of silk shirt buying that took place as a result of inflated pay envelopes during World War I. There has been very little recourse to black markets. Instead, people have used their incomes, in considerable measure, to pay off their debts. Since the beginning of 1942, for example, farm mortgages have been reduced 15 percent. It is fair to say, I think, that the War Bond program, by its encouragement of thrift, has contributed significantly to this sensible restraint in the expenditure of surplus income.

Of course, there have been other benefits of economic stabilization, too. The success of this policy has aided in preventing the piling up of excessive profits by fortunate business concerns, has helped to reduce industrial disputes to a minimum -- and here I refer you to the factual record rather than the headlines -- has prevented the impoverishment of recipients of fixed incomes including soldiers' dependents; and probably most important of all, it has averted what otherwise would have been almost a certainty, the likelihood of a post-war

- 12 -

deflation which would have been devastating in its consequences.

So much for the record of war finance to date. It is a record of which I am proud -- good in its accomplishments, perhaps even better in the fine cooperation which made these accomplishments possible. If this same tireless, unselfish cooperation is applied to the problems of the post-war world, we need have no fear of the future.

The aspect of the War Bond program which gives me the greatest pride is the fact that, throughout, it has been conducted on a genuinely voluntary, democratic basis. From the beginning, we were resolved to avoid certain high-pressure sales tactics which, unavoidably, attended the fund-raising of World War I. It was determined that there should be no compulsion, no hysteria, no slacker lists and no invidious comparisons between those who bought Bonds and those who did not. There was to be room in this program for the individual with special burdens and responsibilities who could contribute only in very small amounts -- and even for the individual who could not share at all. I think you know, and the whole Nation knows, how scrupulously this policy has been observed.

- 13 -

There was a good reason for it. In the early days of 1941, when I first asked Congress for authorization to borrow from the general public through a Defense Savings Bond campaign, I said this: "There exists in the country today an overwhelming desire on the part of nearly every man, woman and child to make some direct and tangible contribution to the national defense. We ought to give them a sense of personal participation beyond that which comes from doing their daily job faithfully and well. Every day, letters come to me from people who ask, 'What can I do to help?' Our plan to offer securities attractive to all classes of investors is an attempt to answer this question. I can think of no other single way in which so many people can become partners of their Government in facing this emergency. It is the purpose of the Treasury to raise money for national defense by methods which strengthen the national morale."

The desire of the people "to help," the sense of participation in the national cause, could never have been realized except through a voluntary program. You will recall, of course, the clamor that arose for forced or compulsory savings. There were many who declared that only in this way could the stupendous sums needed for victory be raised. There were times, indeed, when those of us who had faith in voluntary methods seemed lonely voices crying in the wilderness. But there was one voice that never failed to support us -- the voice of the President of the

- 14 -

United States. He believed always that the people would respond to any call that was made upon them. He knew that the enlistment of their support could be best attained through a voluntary program adapted to the democratic pattern of American life.

But a voluntary program could succeed, of course, only through the efforts of volunteer workers. We in the Treasury could fulfill only the functions of a general staff. The real battle had to be fought and won in the field -- fought and won by sustained, unstinting, tireless service. You have given that service. You have given it with a resourcefulness and enthusiasm and good cheer that have overridden every difficulty. You have given it at real sacrifice of time and comfort and self-interest. I think that the job that you have done is beyond my praise. I know that the richest reward you can receive for it is the knowledge that it has been done supremely well, that it has played an indispensable part in our forward march to victory. Still, I should like, on behalf of the Treasury Department to say one simple word to you -- Thanks. I shall venture nothing more than this. But know that this one word is echoed, and will be re-echoed, by every one of your fellow-Americans.

When you enlisted in this program, you enlisted for the duration. The term of your service has not yet reached its end. The truth is that the toughest part of your job still lies ahead.

- 15 -

Let us look at the future realistically. The war news of late has been extremely good. The enemy in Europe is on the run. How soon he will collapse, none of us can tell. But even when that great day comes, there will still be a hard and costly victory to be won in Asia. Our military and naval authorities made the grim assertion just recently that it will take us at least a year and a half, possibly two years, to defeat Japan after Germany is beaten. And we shall be able to do it in that time only if we put every bit of our strength into the effort. The enemy has short, interior lines of communication, while we must move men and materials across the vast distances of the Pacific before we can bring our power to bear. The costs of this kind of warfare will certainly be very high, higher even than they were in Europe.

You cannot rest on your laurels. The Sixth War Loan campaign lies immediately ahead. Its challenge must be confronted just as resolutely as in the past. And I tell you frankly that even on the most optimistic assumption there will have to be a Seventh Loan. Your job is to make the people of America understand that there can be no let-down on the Home Front now, that the time has not yet come to relax or celebrate. One thing a champion learns in his climb to the top is to bear down as victory nears. This is the time to bear down with all your strength. I know that America can count upon you to see your job through to its end.

**Fiscal Policy and
Economic Stabilization****I.**

The fiscal policy of the Administration has been one of the two buttresses supporting the structure of economic stabilization. The other buttress supporting the structure has been that of the direct controls which include ceiling prices, rationing, and priorities.

Despite the fact that twice as large a proportion of the resources of the country has been devoted to war purposes during this conflict as compared with World War I and that inflationary pressures have consequently been tremendously greater, prices have been held under much closer control. Based on actual studies of price changes in World War I and World War II, the saving to the Government -- as a result of the greater control of inflationary pressures in World War II -- had already amounted, by June 30 of this year, to \$70 billions.

Fiscal policy -- that is, taxation and borrowing -- has played an important part in making this saving possible.

Half of the total resources of the United States are being devoted to waging war. This means that for every dollar received by individuals for the combined production of consumers' goods and war goods, only 50 cents' worth of consumers' goods is available. The fiscal job which confronted the Government at the beginning of the war, therefore, was to see to it that roughly half of the purchasing power of the whole United States

was transferred from the hands of individuals -- where it could be used only to force up prices -- to the hands of the Government -- where it would be used to buy the goods for victory. How well this job was done would determine whether our economy would be wrecked by a ruinous inflation or maintained strong for the tasks of war and of the ensuing peace.

As the President said in January 1942, there were only two ways by which this transfer could be accomplished -- by taxes and bonds, by bonds and taxes.

The American people know that the Treasury has been pleading for more taxes and more bonds to be sold to individuals ever since 1941, and they know that we have not always attained our objectives. This is because we have set our sights high. We are proud of this; for in setting our sights at the possible, we have attained the creditable. I am convinced that if we had set our sights lower, our accomplishment would also have been less. As it is, I can say without hesitation that the American people have faced and met their fiscal problem in as creditable a fashion as any people have ever faced a similar crisis in their history.

This is strong language, but I believe that it is supported by the record.

- 3 -

Since Pearl Harbor, the war has cost us so far about \$206 billions. During this same time, nonwar expenditures have amounted to about \$16 billions, making total expenditures of \$224 billions. Of these expenditures, \$57 billions, or about 39 percent, has been financed from revenues. During the fiscal year just ended, total expenditures were slightly over \$95 billions and net receipts slightly over \$44 billions, a coverage of about 46 percent. This compares with 29 percent financed from revenues during the entire period of World War I.

The extent of our wartime tax effort can be judged from the fact that Federal revenues, in the fiscal year just ended, were eight times those of the last year before the beginning of the national defense program.

But taxation alone is not enough. In addition, a great deal of money had to be borrowed directly from the people.

During the fiscal year just ended, the Federal Government collected about 25 cents out of every dollar of the gross national product in taxes. It spent, however, a little more than twice this much, leaving an excess of expenditures amounting to \$51 billions, or 26 cents of every dollar of the gross national product. This money, which represents purchasing power in the hands of the people, but for which there are no

goods available to be purchased, must be largely absorbed by bonds, and so taken out of the market for scarce goods and services.

We could not expect to get every dollar of this, and it was not desirable that we should. The great expansion in our economy which has occurred during the wartime period has required a great increase in currency and checking accounts to lubricate it. Any economy requires a great deal of ready cash to make it run smoothly. So business concerns, which are doing a vastly increased business as a result of the war, have required larger cash balances; and war workers, who are receiving greatly increased incomes and who have often been uprooted from their past connections, have required increased amounts of currency. We had no desire to impinge upon this necessary increase in the working capital of the community.

What we did desire, and what it was necessary to accomplish if we were to win the battle on the economic stabilization front, was to secure, for investment in United States Government obligations, the money which was available over and above this necessary increase in working capital. I believe that we have succeeded reasonably well in attaining this objective.

During the whole period from our entry into the war to the present time, \$87 billions of the total Federal expenditures of

\$224 billions has been financed by taxes. This left \$137 billions to be financed by borrowing which, together with an increase in the Treasury balance of \$13 billions, represents the total increase in the public debt over the period.

Of the increase in the debt during this period \$85 billions was absorbed by others than the banking system, and so represented the transfer of an equivalent amount of purchasing power from the people to the Government. The remaining \$65 billions was absorbed by the banking system. Of this amount, \$13 billions is still in the hands of the Treasury, however, and consequently has not become part of the circulating medium of the community. The total amount received from the banking system during this period and added to the available circulating medium of the community has amounted to about 23 cents per dollar of Government expenditures. The proportion of this which represents the excess of bank borrowing over the necessary increase in the working capital of the economy is, of course, much smaller.

This is a record of which the American people can be justly proud. Fiscal policy has borne its fair share in the total work of economic stabilization -- the success of which is the outstanding characteristic of this war on the home front.

The success of the policy of economic stabilization has not only resulted in a great saving of war costs to the Government -- and hence to the people; it has also prevented the piling

- 6 -

**Fiscal Policy and
Economic Stabilization**

up of excessive profits by fortunate business concerns; it has reduced industrial disputes to an unbelievably low minimum -- and here I refer you to the factual record, rather than to the headlines; it has prevented the impoverishment of recipients of fixed incomes, including soldiers' dependents; and, most important of all, it has averted a postwar deflation which would have been more devastating in its consequences than the wartime inflation which preceded it.

Economic stabilization has minimized the hardships inherent in a war economy. More important, it has made it possible for that economy to function effectively in producing what is necessary on the fighting fronts; and to resume peacetime production in sound condition, providing an economic environment in which the goal of full production and employment may successfully be pursued.

October 5, 1944

II. Securities Tailor-Made to Investors' Requirements

In the first World War the same securities were sold to all classes of investors. In the present war the cloth has been cut to fit the customer; different types of securities have been issued to different investors which are suited to their peculiar requirements. It has been the Treasury's aim, in addition to the general purpose of minimizing the inflationary influence of wartime deficit financing, to protect the small individual investor against loss and to maintain the liquidity of our Nation's financial institutions.

In selecting Series E bonds as the principal vehicle for mass borrowing, the primary consideration has been the protection of the interests of the small investor. The Treasury Department has considered itself the trustee for the inexperienced investor who purchases Government securities primarily to help his country in its time of stress, and places his faith in his Government that the securities he purchases are sound investments and are designed with a view to his own requirements. It is with this in mind that the appeal to such investors has been confined to Series E savings bonds, which are nonnegotiable and payable on demand 60 days after issue date. They are, hence, guaranteed against fluctuations in market value. Their investment yield if held to maturity -- 2.9 percent -- is the

**Securities Tailor-Made
to Investors' Requirements**

- 2 -

highest obtainable on any United States Government security. Series E savings bonds are thus especially advantageous to the small investor, as compared with marketable bonds, since E bonds afford him absolute protection against fluctuations in market value.

I believe that the view sometimes expressed that the interest of the Government is otherwise and would be better served by marketable securities of fixed terms is based upon an incorrect analysis of the real problem which is presented by securities of either type when held by small investors. This problem is that the securities may be disposed of by their owners and the proceeds spent for consumers' goods and services at a time when such goods and services are scarce. It does not matter, as far as the main issue is concerned, whether the securities so disposed of are presented directly to the Treasury for redemption or are sold in the market. In either case, the expenditure of the proceeds of the securities would increase the aggregate demand for goods and services and so would tend to increase the price level if it occurred during a period when goods and services were scarce -- or to increase production and employment if it occurred during a time when goods and services were in supply. In either case also, the effect of the

**Securities Tailor-Made
to Investors' Requirements**

- 3 -

disposal of the securities by their original owners would be either to increase the amount of Government securities held by banks or with bank credit or to effect in whole or in part a reduction in the amount of securities so held which would otherwise have occurred. The sale of a long-term negotiable security to individuals would not, therefore, lessen the degree to which the war was ultimately financed by bank credit.

On the broad economic issue, therefore, the advantages and disadvantages of selling nonnegotiable and marketable securities, respectively, to small investors appear to be the same. On two subsidiary counts, however, the case is decidedly in favor of nonnegotiable securities. These counts are: (1) Nonnegotiable securities with guaranteed redemption values are more likely to be held by the purchasers. They are not subject to the panicky liquidation which is likely to occur among small holders of marketable securities in the event of a decline in their market value, and so are not likely to be disposed of until the holder feels an actual need for the use of their proceeds. (2) When nonnegotiable securities are redeemed, they can be refunded

**Securities Tailor-Made
to Investors' Requirements**

- 4 -

in an orderly manner through the issuance of the types of new securities best fitted to the market at that time. In this respect, nonnegotiable securities are much superior from a technical point of view to marketable securities which, under similar circumstances, would dribble into the market in small blocks -- in part through irregular channels where the original holders may not have received full value.

It seems to me, therefore, that the contrast sometimes made between the interest of the whole economy and the interest of the individual investor in this respect is a false one -- both interests are better served by the issuance of nonnegotiable securities, such as the present savings bonds, than they would be by the issuance of marketable securities of fixed term.

Series E bonds, as I have already said, are demand obligations; and the same is true of F and G bonds which have been sold, for the most part, to individuals in the higher income classes. Sales to industrial corporations have been concentrated chiefly in Series G notes, which are demand obligations, and in certificates of indebtedness, which mature in one year. While practically all the securities sold to commercial banks have been of fixed maturities, it has been our

**Securities Tailor-Made
to Investors' Requirements**

- 5 -

policy to encourage banks to purchase securities of short maturity. As a consequence, about half of the securities acquired by the commercial banking system since the beginning of the war have been bills and certificates maturing within one year or less; and practically all of the securities acquired by commercial banks have had a maturity of ten years or under. Longer-term securities have been sold to insurance companies, savings banks, and others whose investment programs are largely of a long-term character.

I am very well satisfied with this maturity structure of the public debt, and I believe that it will make an important contribution to the stability of our economy in the postwar period.

The short-term and demand securities held by industrial corporations constitute in part their reserves for reconversion and postwar development; and it is advantageous both to them and to the whole economy that these reserves should be in as liquid a form as possible.

The large proportion which United States securities constitute of the assets of commercial banks and the short maturity of these securities place the banking system of the United States today in a position of unparalleled liquidity, and give assurance that there will be no recurrence of the

**Securities Tailor-Made
to Investors' Requirements**

- 6 -

deflation in bank assets and in bank deposits which came in the aftermath of World War I. The banking system is likewise in a strong position to meet the inevitable shifts in the location of deposits which will occur in connection with the relocation of industry during the reconversion period.

September 29, 1944

Low Interest
Rates

III.

One of the outstanding accomplishments in financing the war -- an accomplishment in the achievement of which we owe much to the War Finance Chairman with whom I have just been meeting -- has been the maintenance of low interest rates throughout the wartime period. The value of this accomplishment and the desirability of projecting it into the postwar period has now come to be recognized on all sides. If the money to fight this war were being borrowed at the rates prevailing during World War I, the interest charge on the public debt would be at least \$5 billions a year higher than will actually be the case.

The average rate of interest on the entire public debt, including securities issued at the high levels of interest rates which prevailed in the 1920's, is only ^{1.93} 1-92 percent. The average rate on all money borrowed since Pearl Harbor is only 1-3/4 percent. The significance of this fact can perhaps be seen most clearly when it is considered that the average rate on borrowing during World War I was 4-1/4 percent -- more than double the average rate on borrowing during the present war. We have borrowed since Pearl Harbor about \$150 billions, and we can foresee further wartime borrowing of at least another \$50 billions. The interest charge on \$200 billions of wartime borrowing, at 1-3/4 percent, will amount to \$3.5 billions. At World War I interest rates, the interest charge

on this same amount would have been \$6.5 billions, or more than the receipts of the Federal Government in any year prior to Pearl Harbor.

This is a significant saving -- more significant than is generally realized. People are inclined to think of the Treasury as a thing apart, which pursues its own selfish interests in borrowing at low interest rates. But the Treasury is all of us, and what the Treasury saves by borrowing at low interest rates is saved for the taxpayers, who otherwise would have had to carry a larger tax burden for the service of the public debt.

Not only have we effected savings by borrowing at low interest rates, but the interest on all securities issued to finance the war is subject to the Federal income tax in contrast to the securities issued during the First World War, which were either partially or wholly exempt from the Federal income tax. As a consequence, the Treasury will recover in taxes a substantial proportion -- perhaps one-fourth or thereabouts -- of the interest paid out on the securities issued to finance the war. This is an important consideration, although it was not the principal one underlying the Treasury's request in 1941 that Congress subject the income on all future issues of Treasury securities to Federal income taxes. The chief significance of taxing this income lies in the fact

- 3 -

Low Interest Rates

that all purchasers of Treasury securities are made to share, in proportion to their ability, in the cost of the war, a condition which would not have existed if securities had been issued with tax-exemption privileges which were worth nothing to the poorest class of subscribers and which were worth a great deal to those in the very high income brackets.

I do not anticipate an appreciable rise of interest rates in the foreseeable future. Savings are abundant and promise to be adequate to meet all likely demands. We shall, therefore, be able to refund our obligations as they come due at interest rate levels comparable with those now prevailing.

Moreover -- quite apart from its value to the Treasury and, hence, to the taxpayers -- the continuance of low interest rates will provide a valuable stimulus to the economy in the postwar period. High interest rates limit enterprise; low rates encourage it. The main function of interest rates is to guide the available supplies of savings into the most socially useful employment. With savings at peak levels, there would seem to be no occasion for rationing savings by means of high interest rates. As Governor Towers of the Bank of Canada said in his annual report to the Canadian Finance Minister, "A policy aimed at higher interest rates in the postwar period would only become intelligible if, after war shortages are over, consumers' expenditures and capital development were to proceed

- 4 -

**Low Interest
Rates**

at a rate which would over-strain our productive capacity." I agree with Governor Towers that there is no prospect of such a situation arising in a form which would call for a policy of raising interest rates in the post-war period.

September 29, 1944

IV.

Postwar Management
of the Debt

By issuing to each class of investor the securities most suited to their respective needs, the Treasury has prepared the way for effective debt management after the war. The composition of the debt will also contribute significantly to the stability of the economy in the postwar period.

In contrast to the first World War, when the same securities were issued to all investors, this war has been financed by the issuance of a variety of securities, each designed for the particular requirements of one group of investors. Small investors and individuals who are not ordinarily purchasers of Government securities at all, but whose patriotic support of the Government has been an important factor in financing the war, have been sold principally Series E War savings bonds, which are nonnegotiable but which are redeemable at the holders' demand after 60 days from issue date at fixed redemption values which are never less than the purchase price. Securities sold to industrial corporations have consisted almost entirely of short-term Treasury bills and certificates of indebtedness, or Treasury savings notes which are demand obligations. Securities sold to commercial banks have been concentrated in short maturities. About half of the securities sold to commercial banks since we entered the war have consisted of Treasury bills and

certificates maturing within one year, and nearly all of the securities sold to banks during this period had maturities, at the time of original issuance, of 10 years or less. In addition, every effort has been made to secure the widest possible distribution of Government obligations. A measure of success in this respect may be found in the fact that more than 50 million individuals have bought Series E savings bonds.

This tailoring of the securities to the needs of different groups of investors will result in a postwar public debt structure which will be much more manageable than a debt consisting of one type of issue would have been, and will also make an important contribution to economic stability in the postwar period. Holders of Series E savings bonds are protected from the effects of fluctuations of prices in the bond market. They may hold their bonds in confidence that they can not lose by so doing. There can thus be no panicky liquidation by small investors produced by fears of a decline in bond prices such as occurred among holders of Liberty bonds after the first World War. Redemptions of savings bonds will reflect rather the actual financial requirements of bondholders. They will be a factor tending toward economic stability, because redemptions will be likely to increase at times when the economy needs the stimulus of increased consumption expenditures and to decrease

at times of high employment and incomes. The channeling of redemptions through the Treasury rather than through the bond market, as would be the case with any marketable security, will also make for more orderly and efficient refinancing of these obligations. It goes without saying, of course, that the liquidation of savings bonds by redemption and their refinancing by new borrowing is no more and no less inflationary than the liquidation of negotiable securities by sale in the market would be, inasmuch as the source of new funds would be the same in either case.

The widespread distribution of Series E War savings bonds -- the people's bond -- will, moreover, be an important element contributing to postwar economic stability. Savings bond redemptions, when they occur in the postwar period, will have a stimulating effect on the demand for goods and services, and hence on employment. Even more important, however, will be the effect of the savings bonds which continue to be held in imparting a sense of security to their holders and hence in stimulating them to spend their current incomes more freely on goods and services.

Similarly, corporate holders of short-term Government obligations will have liquid funds immediately available for reconversion purposes, and they will be able to draw on these

funds without disturbing the Government security market, and without loss to themselves due to any possible unfavorable situation in the market at the moment. Commercial banks, whose obligations are largely due on demand, have also been protected against any material depreciation in the value of their securities and have consequently been placed in a position to meet without difficulty any shifts, however substantial, in the location of deposits which may occur after the war. The large holdings of Government securities by commercial banks also insure the economy against the possibility of a deflationary shrinkage in the volume of deposits in the postwar period. Such refunding as may be necessary can be done, as in the case of savings bonds, through the Treasury in an orderly manner.

The adaptation of our securities to the needs of particular classes of investors has, moreover, minimized the risk of future changes in interest rates. This, of course, has also meant a large concentration of the debt in short maturities. To many, this has appeared as an unfavorable aspect of our war finance operations. I do not share this view of the matter. I foresee no difficulty in refunding the obligations of the Treasury as they come due, and believe that the present maturity structure of the debt is a factor of strength in the postwar economy.

- 5 -

Postwar Management
of the Debt

The principal effect of issuing long-term obligations is to shift from the Government to the purchaser of such obligations the risk of fluctuations in interest rates. I believe that the Government is much better prepared to bear this risk than is the typical individual or corporate holder of Government securities. The day is past when the Government of the United States needs to ask its citizens to insure it against changes in the rate of interest. As I have said earlier, I foresee no material rise in interest rates in the postwar period. If such a rise should occur, however, I would much rather have the Government debt consist preponderantly of short-term obligations to be refunded at higher rates of interest, than have it consist preponderantly of long-term bonds selling at a substantial discount.

I think it is interesting in this connection to note that the maturity policy of the British Government in financing this war has been the same as our own. While ⁵⁷58 percent of the wartime increase in the debt of the United States has consisted of demand obligations and securities maturing in one year or less, 54 percent of the wartime increase in the British debt has consisted of similar types of securities.

The investment needs of the particular holders of public debt obligations and the need for flexibility and liquidity

- 6 -

**Postwar Management
of the Debt**

in the economy as a whole will continue the same in the postwar period as they are at present. The short-term Government debt is part of the working capital of the economy, and I expect it to continue so after the war. I see no more occasion, therefore, for a postwar funding of the debt of the United States into long-term obligations than there would be for a similar funding of the demand deposits of banks.

September 29, 1944

October 5, 1944
11:00 a.m.

250

HMJr: How are you?

Robert
Vanderpoel: Pretty good.

HMJr: Mr. Vanderpoel, like all of these things when I go out on the road to talk, I've just begun to get down to the thing today, and since I saw you last Fred Smith has taken a job with the Blue Network and is not going to be able to help me next week. Hello?

V: Yes.

HMJr: Now, I think that I'll be all right for Atlantic City. What I'm proposing to do, you see, is to talk in Chicago on the 10th, New Orleans on the 12th and Los Angeles on the 14th, and the purpose of my call is to find out whether you, by any chance, could accompany me from Chicago to Los Angeles.

V: Ah

HMJr: Could you make an arrangement?

V: Would you -- let me ask my assistant here a moment.

HMJr: Right.

V: He was supposed to be on his vacation at that time.

HMJr: Oh.

V: Would you -- just a moment, Mr. Secretary.

HMJr: I'll hold on.

V: (Aside: Mr. Morgenthau wants to know if I can accompany him from Chicago to New Orleans and then to Los Angeles next week, October 10th, 12th, and 14th.) Hello, Mr. Secretary.

HMJr: Yes.

V: Mr. Johnson, my assistant, says that he will postpone his vacation.

HMJr: Well, that's wonderful. Well, then could I meet you sometime Monday evening in Chicago?

V: That will be fine.

HMJr: And then we'd be leaving Chicago some time, I think, Monday afternoon and going on down to New Orleans. I mean -- I'm talking -- I'm mixed up -- on the 10th, I mean. Wait a minute, let me get my calendar here.

V: The -- the 10th is Tuesday.

HMJr: Tuesday. I'll get in there the night -- Monday night.

V: Yes.

HMJr: The 9th. But I'll be leaving Chicago on the afternoon of the 10th and starting down towards New Orleans and Los Angeles. And what I'd like, you see, is your time for that week.

V: All right.

HMJr: Is that all right?

V: Well, I'll just -- I'll plan it that way.

HMJr: Well, that will be wonderful.

V: Do you have any idea when we'll get back so I can tell this man when he'd get away?

HMJr: Well, you ought to be able to get back Monday morning, the 16th.

V: Yeah.

HMJr: You'll be back Monday morning, the 16th.

V: All right. That will be fine. I'll be glad to do it.

HMJr: Well, that will be wonderful. Well, I'll be in telegraphic communication with you and I will be mailing you some stuff so that you can be -- I'll mail you my Atlantic City speech anyway but I doubt if you'll get it in time. See I've got to cut the thing down, now, to fifteen minutes.

- 3 -

V: Oh.

HMJr: What I may do is to send Henry Murphy ahead so he'd get there Monday if necessary and he could be in touch with you.

V: All right. He can get in touch with me.

HMJr: He'll be on the trip with us.

V: That will be fine.

HMJr: And thank you so much.

V: It's all right. I'm glad to do anything I can.

HMJr: Well, it will be very helpful.

V: All right.

HMJr: Thank you.

V: You bet.

HMJr: Bye.

V: Bye.

WUK12 DL GOVT PD

SECRETARY OF THE TREASURY OFFICE
BX WASHINGTON DC OCT 5 1104A

HON HENRY MORGENTHAU JR

*and by phone
conv between
McCormack &
Morgenthau 10/27/44*

1944 OCT 5 AM 11 24

SECRETARY OF THE TREASURY WASHDC

MY DEEP RESPECT AND ADMIRATION FOR DR BARUCH KORFF HAS
INCREASED WITH THE COURAGE OF HIS CONVICTIONS AND HIS
RARE DETERMINATION TO SAVE HUMAN LIVES HIS LOYALTY TO HIS
COUNTRY AND HIS CORELIGIONISTS IS A SOURCE OF ENCOURAGEMENT
TO ANY AMERICAN I SAY THIS KNOWING THAT YOU ARE OF THE SAME
OPINION HAVING MET WITH RABBI KOREF ON SEVERAL OCCASIONS
IN THE PAST I KNOW THAT YOU WILL BE PLEASED TO LEARN THAT
THE DOCTOR IS IN TOWN AND WOULD LIKE TO SEE YOU ON A MATTER
WHICH HAS MY WHOLEHEARTED APPROVAL WILL YOU BE GOOD ENOUGH
TO RECEIVE HIM TODAY OR TOMORROW HE IS AT THE MAYFLOWER
HOTEL

CONGRESSMAN JOHN W MCCORMACK HOUSE MAJORITY LEADER

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October 5, 1944
2:38 p.m.

254 ✓

HMJr: This is Mr. Morgenthau.

Nicholas
Cefalo: Yes, sir.

HMJr: Look, I got this telegram from Mr. McCormack
about Dr. Korff.

C: Yes.

HMJr: Are you familiar with it?

C: Well, we -- we know Dr. Korff.

HMJr: Well, I mean the telegram is signed "John McCormack".

C: Yes. Yes.

HMJr: Well, now, I've tried to do everything possible
for Dr. Korff and I'm leaving tomorrow for a
week's War Bond trip.

C: Uh huh.

HMJr: It's going to be very difficult for me to see
him.

C: I see.

HMJr: Now, we've got Mr. John Pehle here who is
perfectly able to handle the thing.

C: Uh huh.

HMJr: And I just wanted to explain this. Are you
familiar with this?

C: Yeah. Well, I know of Dr. Korff and I know
that the Congressman wanted you to see him
if possible, but I think the Congressman would
be pleased if -- if someone else saw him for
you, Mr. Secretary.

HMJr: Well, the trouble is I'm leaving tomorrow and
I -- I'm making these four speeches for War
Bonds

C: Uh huh.

HMJr: and I'm so tied up.

C: Uh huh.

HMJr: But if when I come back, he's not satisfied after he's seen Mr. Pehle, I'll be glad to see him then.

C: Fine. That will be fine. I think the -- the Congressman would be very pleased.

HMJr: Will you explain that?

C: I certainly will. I'll do that.

HMJr: I'll be back in a week and if Mr. Korff isn't satisfied -- in the meantime if you'd get word to Mr. Korff that Mr. Pehle who is the Executive Director of the War Refugee Board will be glad to see him at any time.

C: Fine. Thank you, Mr. Secretary, and I'll get the message to the Congressman.

HMJr: Thank you.

C: Thank you.

October 5, 1944
2:40 p.m.

Edward R.
Stettinius: Hello, Henry.

HMJr: How's the voice from Dumbarton Oaks?

S: Well, we're getting on fairly well. We aren't finished yet.

HMJr: Yeah. Ed, I got a letter from Crowley in which he said that he wanted to talk over with myself and a representative of the State Department this Great Britain Lend-Lease thing. You see?

S: Yes.

HMJr: And I wondered if by any chance you could drop in for fifteen minutes the very first thing tomorrow morning and I'd try to get Crowley.

S: Well now, Henry, I haven't followed the thing. You know I raised with Mr. Hull and the President as to whether or not I -- they wanted me to drop this and pick up that.

HMJr: Yeah. Well

S: And they told me, "No" -- that I had to live with this thing and that Taft would have to carry that ball until I could pick it up.

HMJr: Yeah. Well, look -- hello?

S: Hello.

HMJr: There's nothing that's going to happen until the 16th. See?

S: 16th of October?

HMJr: Yes. Because they're not going to be ready to make their report.

S: Yes.

HMJr: And quite frankly Taft was not very good the other day.

S: Was -- was not?

- 2 -

HMJr: No.

S: In what way, Henry?

HMJr: Oh, he started in an argument with the War Department about our figures in front of the English....

S: Uh huh.

HMJr: which, after all, if we don't agree on our own figures, I think we should do our arguing privately.

S: Yeah.

HMJr: And not show that State and War are in disagreement.

S: Yeah.

HMJr: Now, I don't know whether you'll be through by the 16th

S: Well, Henry, I can't -- it's impossible to know exactly when we'll be through.

HMJr: Yeah.

S: We're right in the midst of it, working day and night now.

HMJr: I know. What time do you start in the morning?

S: Well, I start -- I've been starting at 7:30 literally.

HMJr: No, but I mean you couldn't spare fifteen minutes?

S: Well, Henry, of course I can spare -- I can spare an hour for you if it's necessary. You know that. But it's a question as to what my coming into the thing

HMJr: Yeah.

S: without having -- without being up to date on it.

HMJr: Yeah.

S: I mean, dropping this thing -- I wouldn't want to come certainly without briefing myself as to what's gone before....

HMJr: Yeah.

S: for the last couple of weeks, and what took place at the other meeting and the state of affairs.

HMJr: Yeah.

S: I think it would be a mistake for me to take part in your discussion unless I was the fellow who was going to carry through. Don't you?

HMJr: Yeah. Well, I'm -- as far as I know there's no change on what you are going to follow through.

S: Well, now is Dean -- is Dean -- is Dean back?

HMJr: I don't know.

S: Well, now would it -- if Dean is back, would it be agreeable to have Dean come rather than Taft?

HMJr: Yes.

S: And then -- then if Dean could come, you could excuse me?

HMJr: Yes.

S: Now, I'll come if you ask me to, Henry.

HMJr: No - no - no, it isn't that important. I -- I'm going to put up a fight to keep you on the Committee later on.

S: Well, sure, I'll be delighted to.

HMJr: See?

S: But -- but -- but you can understand what I've been up against here.

HMJr: I know.

S: And I'm just right squarely in the middle of the Chinese thing.

HMJr: Yeah. Well, that's something.

S: We're having one of our big plenary sessions tomorrow, you see.

HMJr: Well, I understand. Well, could you do this -- suggest that Dean be here at nine tomorrow?

S: I will.

HMJr: And could I get some kind of a confirmation?

S: Surely. Surely. I'll do that immediately.

HMJr: And with the understanding as between you and me that eventually you will carry on.

S: Yes, I will. As far as I'm concerned I would be -- I -- I want to do it. Of course, I'm -- I'm not the boss man, as you know.

HMJr: I know. And my remarks about Taft, I'd like that just for your ear.

S: Oh, well, I'm disappointed about that because he's usually handled himself pretty well.

HMJr: Well, he didn't at this meeting.

S: All right, Henry.

HMJr: Yeah.

S: Thank you.

HMJr: Thank you.

October 5, 1944
3:00 p.m.

SIXTH WAR LOAN BASKET

Present: Mr. D. W. Bell

MR. BELL: Heretofore we have said we were in favor of banks making loans, provided it is in accordance with the Supervisory Statement of 1942.

This time we are adding, "However, the Treasury requests the banks not to make loans for the purpose of acquiring the drive securities later for their own account."

Now, Ted wants that, too, because he has told these chairmen that something had to be done about it. I have read all of this over the telephone to him, and he has agreed to it.

The other thing is that yesterday when we talked about the two and a half percent bond we talked about a '65-'70; Lee Piser came up with this suggestion today, that he didn't feel strongly about it, but he thought it would help if we extended this bond to March 15, '66-'71, which is just three months longer. It has this effect: It helps the companies out in their portfolio distribution. They have a big block now of '65-'70, and this will go over the '66-'71 bonds. It looks better than to have everything blocked up at one time.

We consulted the four big insurance companies, and they said they had no objection, thought it might be better. This will help out some in Devine's suggestion, because it will raise '63-'68 and '64-'69. So we have changed that. Otherwise it is the same as it was yesterday.

H.M.JR: All right.

MR. BELL: These envelope stuffers, I will do tomorrow, if I may. These are for the next drive.

- 2 -

I would like to talk to you tomorrow about Wales who took Surrey's place. He has a tax problem of his brother's, and I want to explain it to you, anyway. He is a little embarrassed, but I don't think we need to worry about it.

H.M.JR: Thank you.

October 5, 1944 262
3:05 p.m.

Operator: She's on.

HMJr: Hello.

White House
Operator: Mr. Morgenthau, Mrs. Boettiger.

HMJr: Thank you.

Anna
Boettiger: Hello.

White House
Operator: The Secretary of the Treasury.

HMJr: Yes.

B: Henry?

HMJr: Speaking.

B: How are you?

HMJr: Fine.

B: Good. Say, by any chance did you happen to see this morning's PM?

HMJr: Yeah.

B: Did you see the editorial on the Lincoln Electric Company?

HMJr: Yes.

B: Well, now, it occurred to Father apparently....

HMJr: Yes.

B: that it might be a good idea to have Mr. -- He said he thought this ought to be answered. You see?

HMJr: Ought to be what?

B: That -- that we might make some answer....

HMJr: Yes.

B: to Dewey's tax speech purely on the basis of the Lincoln Electric Company case.

HMJr: Yes.

B: On nothing else -- do you see?

HMJr: Yeah.

B: But that he felt that this whole tax message -- I mean of Dewey's -- everything on that was not -- should not be dignified by an answer from a Cabinet Officer.

HMJr: Yeah.

B: And he -- his suggestion was -- apparently it came from this article in PM

HMJr: Yes.

B: was that Mr. Joe Nunan -- what is he -- Commissioner -- Head of the -- Commissioner

HMJr: Yeah.

B: of Internal Revenue?

HMJr: Yeah.

B: Should get up some sort of an answer to -- purely based on the Lincoln Electric Company....

HMJr: Uh huh.

B: part of the message.

HMJr: Well, for your own ear, this thing which we sent over for you -- your father -- hello?

B: Yeah.

HMJr: Robertson worked on that all morning with us.

B: Who's Robertson?

HMJr: He's the man who wrote that editorial that you're referring to.

B: Oh, yeah. That's right -- Nathan Robertson.

HMJr: And he was here all morning with me.

B: Yeah.

HMJr: So

B: Well

HMJr: you can put two and two together.

B: Yeah. But what I'm -- I think that that was a darn good job, Mister, that you did.

HMJr: Yeah, I think so, too.

B: Getting him to do it, but

HMJr: Well, he -- there was no question -- his office wanted him to do it, but he was with us all morning and he collaborated on that statement that I sent over.

B: You mean the one you sent over yesterday afternoon?

HMJr: Yeah.

B: Well

HMJr: And we -- we hit the Lincoln Electric

B: Yeah.

HMJr: thing in that... I don't know whether you read it.

B: Yeah, I realize that, but apparently Father's idea at the moment

HMJr: Well, I get you, you want

B: is that it should not be dignified

HMJr: All right. Now, he wants

B: to that extent and that possibly you could get up an answer based on the type of thing that Robertson has said in this

HMJr: Yeah.

B: PM article....

HMJr: Yes.

B: for Nunan to give out.

HMJr: Well, that's easy if that's what your father wants.

B: Well, that was his suggestion.

HMJr: Well, do you mind holding the wire a minute because my tax man is here -- just a second -- may I ask him just one minute?

B: Yes. You bet.

HMJr: Just hold on one minute.

B: Uh huh.

HMJr: He's sitting right here with me.

B: Yes, sir.

HMJr: (Talks aside: The suggestion is that Nunan answer Dewey but just on the Lincoln Electric. Do you think that's all right?)

(Pause)

HMJr: Hello.

B: Yeah.

HMJr: Roy Blough seems to agree with your father. He says he is the administrative head who issued the administrative orders on this case and it keeps it on the level of the man who actually issued the directive on the Lincoln Electric. He thinks it's a good idea.

B: Well, apparently the old man was clicking then.

HMJr: Well, I'll see it's in tomorrow morning's papers.

B: Oh, all right. I think that will be a very good idea.

HMJr: Yeah.

B: Okay.

HMJr: And that's what he wants.

B: Yeah, and that seems to be what he thinks should be done.

HMJr: Suits me.

B: Okay, pal.

HMJr: Thank you.

B: Thank you. Bye.

October 5, 1944
3:05 p.m.

LINCOLN ELECTRIC COMPANY

Present: Mr. White
Mr. Blough

H.M.JR: Roy, I think Numan should answer Dewey just on the Lincoln Electric thing.

MR. BLOUGH: I think that is a good idea. He is the Commissioner, and is the fellow who is responsible for that particular ruling. And I think that keeps it down at the administrative level, which is probably all it deserves.

(Mr. White enters the conference.)

H.M.JR: Harry, I thought you might observe something that has just broken that has nothing to do directly with you, but you will be interested.

While they are waiting, I would like you to accompany me on this trip for this reason: I am having four press conferences. Every time I have a press conference something comes up about taxes. They are certainly going to fire questions at me about Dewey's business. I am starting Saturday afternoon and will have one there, and one in Chicago, one in Los Angeles, and one in New Orleans. I would very much like you to go with me.

MR. BLOUGH: Next week happens to be a pretty good week.

H.M.JR: I will be leaving either late tomorrow afternoon or Saturday morning, but you had better pack your bag for a week. And on these long hops, which will be ten or twelve hours, you can strap me into my seat and pour the tax stuff into me.

MR. BLOUGH: Now, there is a real opportunity.

- 2 -

MR. WHITE: Just don't let him lie down.

(The Secretary holds a telephone conversation with Commissioner Nunan, as follows:)

October 5, 1944
3:11 p.m.

HMJr: Hello.

Operator: Nunan.

HMJr: Hello.

Commissioner
Nunan: Yes, sir.

HMJr: I just got a message from the President who read PM this morning on Dewey and the Lincoln Electric.

N: Yes, sir.

HMJr: And the President says he would like you to answer Dewey, confining yourself wholly to that subject and doing it very much along the lines as it was handled in PM.

N: Well, I -- have you got the copy of PM? Could I send over for it?

HMJr: Well, Roy Blough is here in my office now and he will be glad to collaborate with you and if I -- whatever you and he agree on will be all right with me.

N: All right. Is it possible for Roy to come over here or

HMJr: Yep.

N: All right. I'll be here all afternoon.

HMJr: And I'll tell you, I'd like Mr. Gaston to see the copy before it goes out.

N: I'll see that that happens.

HMJr: And we want to get it out by five o'clock so that it will get in tomorrow morning's papers.

N: All right. Mr. Secretary, did you see the Times editorial this morning?

HMJr: No.

N: Well, there was a very splendid editorial in the Times on Dewey's speech.

HMJr: Really?

N: They give him credit for one point on his tax speech but criticized him terribly on the rest.

HMJr: I see. Well, the President, as I say, wants to confine this thing wholly to answering on the Lincoln Electric.

N: All right. I think we can probably use some of that that we had in the little memorandum we drew up over there.

HMJr: That's right.

N: Well, would you ask Roy to come over and I'll be glad to sit down with him and we'll show it to Gaston before it goes out.

HMJr: If you please.

N: Thank you. All right.

- 3 -

H.M.JR: What were you asking me?

MR. BLOUGH: Do you want me to come in tomorrow prepared?

H.M.JR: Yes, with a bag packed so in case I should want to leave on account of the weather you would be prepared to go to Atlantic City. Then if you want to join Harry White over the week end in New York--

MR. WHITE: You kind of put a monkey wrench in my plan. I was leaving at midnight. You made the meeting tomorrow morning.

H.M.JR: You don't have to be there. I will talk to you about that later.

Is that agreeable to you? Bring the stuff along that you have been doing this summer. I don't want to go to these press conferences and have them fire these tax questions at me. It will be you and Henry Murphy. We are picking up Vanderpoel in Chicago, the financial writer.

MR. BLOUGH: Yes, I know him.

H.M.JR: Do you think well of him?

MR. BLOUGH: Yes.

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 6, 1944.
10-5-44

Press Service
No. 43-63

Joseph D. Nunan, Jr. Commissioner of Internal Revenue,
today made the following statement:

"The Republican candidate for President made a fifteen-minute radio address to the nation Tuesday evening on taxes. In the course of that address he said: 'A Treasury agent of this Administration went into the plant of the Lincoln Electric Company and announced that a man who worked with his hands should not be paid as much as five thousand dollars a year'.

"Mr. Dewey was evidently quoting James F. Lincoln, President of the Lincoln Electric Company, who accused Jesse F. Gregory, head of the Central Division of the Technical Staff, Cleveland, Ohio, of making such a statement. Mr. Gregory has denied making any such statement and is supported in his denial by two employees of his office present at the time he was supposed to have made the statement.

"The Treasury Department has never had any such rule. In fact, in this case the Government's final notice to the taxpayer, the Lincoln Electric Company, permitted deductions for payments in excess of five thousand dollars each to 129 factory workers and 41 foremen who worked with their hands. Every dollar of wages actually paid to employees by this company was allowed as a legitimate operating expense.

"The tax dispute with the Lincoln Electric Company is not over wages actually paid, regardless of their amount, but relates to the validity of certain deductions for annuity premiums and shares in a profit sharing trust.

"Mr. Lincoln, President of the company, informed representatives of the Bureau of Internal Revenue that if they did not concede his position he would try the case in the public press. Evidently he is using Mr. Dewey for that purpose."

October 5, 1944

I gave in person today the Quebec Agreement signed by Churchill and President Roosevelt to Admiral Land. He had not seen it and knew nothing about it.

October 5, 1944
3:10 p.m.

FOREIGN FINANCIAL NEGOTIATIONS - GERMAN ARMISTICE TERMS

Present: Mr. Gaston
Mr. White
Mr. Pehle
Mr. Luxford
Mr. DuBois
Mrs. Klotz

H.M.JR: Here is Crowley asking for October 2 for this meeting, and it just happened to be on my mind that it was referred to you; I didn't want to leave it kicking around.

MR. WHITE: We were just drafting an answer to his letter.

H.M.JR: This asks for a chance to sit down, "I should like to suggest that in order to expedite the working out of an appropriate Lend-Lease policy for Great Britain during phase two, it would be helpful for representatives of our agencies to meet together with the representatives of the State Department," and so forth, and so on.

MR. WHITE: I am suggesting that we agree with him, "We believe we could make more rapid progress if we had before us the details and specific estimates of the British requirements."

H.M.JR: Well, he has something specific in his mind, and I didn't want to shove him off.

Who is your second man on Lend-Lease?

MR. WHITE: Casaday.

H.M.JR: He is not so hot, is he?

- 2 -

MR. WHITE: He is getting on top of it.

H.M.JR: What is your first appointment in New York?

MR. WHITE: What I can do very easily is, I can leave tomorrow afternoon

H.M.JR: My appointment is at nine o'clock in the morning.

MR. WHITE: I was going to leave tonight.

H.M.JR: Go ahead, that is all right. You see, I won't be here Monday. You couldn't sort of shove it over?

MR. WHITE: I also have a National Trade Conference on Monday. Will you be here Tuesday?

H.M.JR: No.

MR. WHITE: If I could stay Monday and Tuesday in New York, I don't have to be there Friday. I had an appointment with the Herald Tribune, and I was going to see the New York Times and one other person on Friday. I can shift that to Monday or Tuesday.

H.M.JR: Can you do that?

MR. WHITE: Yes.

H.M.JR: Sold!

Then the other thing I have is this answer which has been kicking around here to Stimson. Do you want to refresh your memory? (Hands letter to Mr. White.)

MR. WHITE: I see. I remember now. You feel you want to answer that?

H.M.JR: I don't know. I am asking for advice.

MR. WHITE: I think a better job than this might be done if it is to go to the President from this point of

- 3 -

view: What would you think of taking all the criticisms and saying, "These are various points of criticism on the plan which might seem to a person who reads it quickly to have some merit"? Then give answers to all the criticisms, including Stimson's, the question of the economic base.

H.M.JR: And you might also give a summary of the unfavorable mail. Would you give a summary of the favorable and unfavorable?

MR. WHITE: I certainly would have some kind of a digest of that kind of material that comes in your weekly paper, put it in a page, how many letters, and what the proportions are, and some comments.

H.M.JR: Why don't you put one of the boys to work on this thing?

MR. WHITE: Which brings me to this, then:

H.M.JR: Do you want anybody in here?

MR. WHITE: If you are going to discuss this, I think there are several boys--

H.M.JR: Let's let that go until last, then.

On the German thing, we will get in Pehle, Luxford, and DuBois at the end.

MR. WHITE: Here is something you might read. It is an indication of the shift of bankers toward Bretton Woods.

H.M.JR: Is that the New York Tribune?

MR. WHITE: It is the Herald Tribune. (October 1 issue)

H.M.JR: I wrote the reporter a letter, and I drew your attention to it.

MR. WHITE: I see. Well, I was supposed to go up and see the editor of the Herald Tribune next week.

- 4 -

Now, this stabilization agreement to be signed by the Ambassador and yourself--when I first presented this you were in and out, and I didn't want to trouble you; but if you are going to be in, it would be very nice to have the Ambassador come down and sign it in your presence, the Ambassador of Ecuador.

H.M.JR: Oh, I don't want to do that.

MR. WHITE: Should Bell take care of it then?

H.M.JR: Yes.

MR. WHITE: At K'ung's they have asked for twenty million dollars in gold. They want to sell. I have stalled them and raised the question of having them explain why there should be a discrepancy in the price at which the bank sells and the official price. As I said, it looks very much as though somebody is making a profit, and it doesn't look to us as though the Government is making it, because T. L. Soong was there, and his is one of the banks that gets the gold and sells it. They went into very great details.

H.M.JR: Where was this?

MR. WHITE: In my office.

H.M.JR: K'ung, too?

MR. WHITE: No, T. L. and Chi, and Koo. In any case, I said I would talk to you about it. They want twenty million dollars more of the gold. I think if you want to glance at the summary of the situation--

H.M.JR: No, tell it to me, Harry.

MR. WHITE: Half a billion dollars' worth of dollars--

H.M.JR: Now, mind you, I have the rest of the afternoon for you, so you have all the time in the world.

- 5 -

MR. WHITE: Well, on this half billion of financial aid there is two hundred million dollars set aside to pay for U. S. dollar bonds which they sold. They sold a hundred million certificates and a hundred million bonds. You remember about a year ago they were going to be redeemed in dollars, beginning now and running on for several years. So two hundred million has been set aside. They have only used seventeen million of that. We gave them twenty million dollars in gold; we cut down their requests on the basis that there wasn't shipping facilities, and so we stretched out over a year what they wanted in a month.

We also gave them twenty million dollars to meet expenses for buying notes and printers ink, and a lot of other incidentals.

H.M.JR: For printers ink?

MR. WHITE: And currency; it was chiefly currency. We told them it was an awful lot. I don't know whether they have spent it all; they have left two hundred and sixty million dollars, which is untouched, and they are asking for twenty million dollars of gold. They want more; they would like fifty million, but they asked for twenty. I have stalled them. I thought that you would give it to them, but I thought it would be a nicer thing to give it to K'ung than have me tell these fellows. So you could tell them you have agreed to give him the twenty million dollars.

H.M.JR: Is that what I am going to pay for my dinner tonight?

MR. WHITE: He hasn't sent a man to see me about the negotiations, in answer to your letter.

H.M.JR: Look, old man, unless he starts the business, I am not going to talk business. You ask me tomorrow. He will bring up a whole flock of things, and I am not in a very good humor.

MR. WHITE: All right. He told this man to pass on to you that he has seen the President, and he has not

- 6 -

mentioned financial matters to the President. So I am passing it on to you.

H.M.JR: He has not?

MR. WHITE: He has not. He will discuss their financial matters with you, and he will not go over your head is the implication.

H.M.JR: No, if he brings up stuff--by the way, that letter he wrote me--did you ever say, "Well, here is K'ung's statement on the one, and here is the answer on the other"? We didn't answer his various references to different cables and letters, and this person said this, and this person said that. You never did that.

MR. WHITE: We answered his letter.

H.M.JR: But it was just a half page in which we said no. But in this letter he makes reference to the Ambassador--he said this, and the President said that.

MR. WHITE: Yes, we are trying to get the cables he referred to from them. We never discussed those cables in detail with him in that letter.

H.M.JR: Well, in case he brings it up again--

MR. WHITE: I don't think he will bring it up again. This is what he is after, because his man has made it kind of clear to me--he feels he cannot go back unless he has a rate, that the Generalissimo doesn't know amounts and he isn't interested in amounts. They said they tried to get sixty, and the Generalissimo said no, you must get forty. They know they can't get forty or sixty, and the rate that you offered him, and the amount, after you calculate it out, is a hundred to one. And he feels he can't go back with that. He is willing to go to any length and make any kind of maneuvering so he will be able to go back to the Generalissimo and say, "Well, we worked it down to eighty."

What that means in actual amounts, he doesn't much know or care, but that is the only thing that is bothering

- 7 -

him. You offered to give him a hundred million dollars, plus--

H.M.JR: One hundred and twenty-five?

MR. WHITE: One hundred, and twenty five per month, plus--

H.M.JR: We paid them, and then the argument was whether it started in February or March. Well, whatever the figure was--

MR. WHITE: And if he mentions it, it will be with an attempt to try to get you on the rate. But he may not mention it, in which case you can let it go.

All right, then, we won't go into that.

H.M.JR: If I say, "Look, old man, here is twenty million dollars for supper," then he is going to go in and tackle me on the hundred million dollars.

MR. WHITE: No, if he mentions it--

H.M.JR: What does he want that for again?

MR. WHITE: They want to sell the gold. They have many good reasons.

H.M.JR: All right, if he asks me, I will say yes. But I am not going to bring it up.

MR. WHITE: If he brings it up, any business, you can settle the business by saying, "We will settle one thing at a time." Then he can come up to see you on the other. He is hanging around only for that.

H.M.JR: I thought the hanging around was Dumbarton Oaks.

MR. WHITE: Well, Gromyko wanted to find out about the German peace plans.

- 8 -

H.M.JR: What did you tell him.

MR. WHITE: I told him what the issues were.

H.M.JR: How many vodkas?

MR. WHITE: Just one. He tried to push more on me, but I thought I had better just take one.

He has been away for two and a half months. Did you know that? I didn't. He said he wants to see you.

I said, "You haven't been around for a long time."

He said, "I have just returned. I have been in Moscow for two and a half months." So he will probably want to see you.

H.M.JR: What did you tell him about the German stuff?

MR. WHITE: I told him what the main issues were. I gave him the usual line about the major issues. I said one thing we are all curious about is, where do you stand?

H.M.JR: Did you tell him PM--

MR. WHITE: No, I asked him to read the article in the Post. I know he reads PM, though he didn't mention it. He said he would get it.

H.M.JR: You asked him where he stood?

MR. WHITE: I said, "Where does Russia stand?"

He said, "I don't know; they don't tell me."

I said, "What do you think? You know more about Russia than we do."

He said, "I don't know anything official, but I would think that they stand very close or closer to what is spoken of as 'The Morgenthau Plan.'"

- 9 -

H.M.JR: That is interesting.

MR. WHITE: He said they want reparations, but reparations all at once, machinery--that sounds all right to him.

H.M.JR: You talked fairly freely with him?

MR. WHITE: No, only on the issues, not on the details. He said he was going to see you. I said that the matter itself had much of its origin in your trip abroad, and then he asked this pointed question: "Are the reports of what the plan is approximately correct?"

I said, "There is considerable distortion."

He said, "Yes, but are they roughly close?"

I said, "They are close, pretty close." Then I went on to what the issues were between a strong and weak Germany, and I asked him that question. I also asked him how Lend-Lease was going.

He said, "Fairly satisfactory; it is like pulling teeth to get what we need," but up to July they did all right, and since then they are having a little more trouble.

That was the sum total of the discussion. He asked about Nelson and tried to find out why Nelson resigned.

H.M.JR: What did you tell him? Three years to find out a schliemiehl.

MR. WHITE: I thought that Nelson's resignation was probably--

H.M.JR: You get three years in Washington to find out whether or not you are a schliemiehl.

MR. WHITE: And if you are, you get promoted!

(The Secretary holds a telephone conversation with Dean Acheson, as follows:)

October 5, 1944
3:29 p.m.

Dean
Acheson: Henry.

HMJr: How are you?

A: Dean Acheson. I just came in the front door about twenty minutes ago and I got a telephone message from Ed

HMJr: Yes.

A: to call you and that you'd like me to come over at nine o'clock.

HMJr: That's right.

A: Your office at 9:00 p.m. -- a.m.

HMJr: No, not p.m.

A: I mean a.m.

HMJr: You don't -- PM doesn't come out until a.m.

A: (Laughs) Is there anything that I ought to be prepared on? I know nothing about this whatever.

HMJr: Well, it's this -- I have this letter from Crowley asking for a chance to talk with State and ourselves in regard to this Committee which was set up at Quebec.

A: Oh, yes.

HMJr: Are you familiar with that?

A: I -- I've heard about it.

HMJr: Dealing with the whole Lend-Lease for the British.

A: On this what you call Stage 2?

HMJr: Stage 2.

A: Yes.

HMJr: And they, for your information, will not be ready to give us anything much before the 14th of this month.

A: Yeah -- the British?

HMJr: The British.

A: Yeah.

HMJr: Mr. Sinclair is on his way over here with a big staff. Lord Keynes arrived wholly for this and Lord Cherwell is in this country as the Number One man for that.

A: Yes.

HMJr: And this -- what I'm calling was a meeting in response to a request from Crowley. See?

A: Yes.

HMJr: That we get together now. And so I called up Ed who is -- the President put Ed and Crowley and myself on that Committee.

A: Yes.

HMJr: And then he said he couldn't come -- would it be agreeable to have you and I said, "Highly agreeable." So I'll look forward

A: Yes.

HMJr: to seeing you in the morning. Now, may I say this -- that our man came back from Montreal and he said you were magnificent up there on this question of "Aid to the Jews".

A: Well, I -- I did what I felt was right, Henry.

HMJr: Well, I know. He said you made a wonderful speech and I just wanted to tell you that I am very happy over it.

A: Well, I -- I'm glad to get that from you. Harold Glasser was, as always, a perfect tower of strength. He's a -- he's a great fellow to have with you when you get in trouble, and I was in trouble quite a little.

HMJr: I gathered you were.

- 3 -

A: Both on that and on the Italian situation.

HMJr: Well, that Italian thing, you know, months ago, you know, we sent over to the President and then to Mr. Hull for his initialing.

A: Yes.

HMJr: That statement which the President was to have given out, you know?

A: Yes.

HMJr: And then Mr. Hull, after about six weeks, initialed it, and then -- he initialed it prior to Quebec, too, Mr. Hull did.

A: Yes.

HMJr: And then the President never used it.

A: Uh huh.

HMJr: You're familiar with that?

A: I'm familiar with the statement, yes. And I noticed that he never used it.

HMJr: There's another one today that I've had -- that's one of the few things I've had nothing to do with other than that official statement.

A: Yes.

HMJr: So...

A: Well, I -- I haven't seen the official one. I heard about it and saw references to it. You mean the joint one with the Prime Minister? I'll have to get a copy of it.

HMJr: The one I'm talking about is the one where the -- we wanted the President to announce that as of October the 1st he was turning things over to F.E.A.

A: Oh, yes. No, I don't know about that.

- 4 -

HMJr: Oh, yes. Did you never see that?

A: No.

HMJr: I'll have a copy of that for you in the morning.

A: Oh, well, a lot's happened since I've been away.

HMJr: Well, this is quite old. It went through Mr. Hull's office weeks and weeks ago.

A: Oh, it did?

HMJr: Well, I'll give you a copy in the morning.

A: You mean the one on Italy?

HMJr: Yes.

A: Oh, yes, yes, I've seen that one. Yeah.

HMJr: That's the one I mean.

A: Oh, yes, surely.

HMJr: Okay.

A: Well, I'll be there at nine o'clock, Henry.

HMJr: Thank you.

A: All right.

- 10 -

H.M.JR: Did we ever send Governor Lehman a copy of the statement which we prepared for the President to issue in regard to Italy? I said I would let him have a copy. White's office would know about it.

MRS. KLOTZ: I will check on it.

(The Secretary leaves the office temporarily.)

MR. WHITE: Now, here is a draft of an answer that Dan, Herbert, and myself are supposed to prepare. We have two. Herbert and I much prefer the short one. If it bears little resemblance to the one you had in mind, it is because we felt it was as close as we could come to it.

H.M.JR: No. "The whole problem of reorganization of the executive branch"--that is the thing I want to discuss with you, how to reorganize.

MR. WHITE: Let me tell you the reason we did it.

H.M.JR: I don't like this. (Refers to A and B, attached)

MR. WHITE: We thought that his note deserved a little bit of a sock, that the whole thing is messed up, and rather than take any apologetic air, or rather than pay any attention to his instructions, indicate that there are a lot of things. The whole thing needs to be re-examined.

H.M.JR: That is too all-inclusive.

MR. WHITE: Well, we can narrow that down.

There is another alternative that I personally would prefer. I don't know whether it would fit in at all with your idea, but it is to ignore the whole business, not answer it at all. It is just one of those things.

H.M.JR: But supposing he does something further in regard to the Treasury?

MR. WHITE: I don't see what he can do.

- 11 -

H.M.JR: Let me just take a hand in it. I would start this way: "Mr. Hull's memorandum of September 26, which I am returning, seems to reflect a complete misunderstanding of what I proposed, namely, the creation of a foreign financial policy committee. Rather than press for half-way measures at this time--" no, I wouldn't say that--

MR. WHITE: Could I suggest something? Could you add to that, "May I postpone discussion of the whole matter until after your re-election?"

H.M.JR: "I would like to suggest postponement of discussion on this important matter until after your re-election. Yours sincerely."

MR. WHITE: The Indians have come in again; they have been in several times, and they say that when they spoke to you at Bretton Woods you said you would consider their request sympathetically for more silver, which is true. They are asking for sixty-five million ounces for coinage silver. We have a memorandum here with data that we think twenty million can keep them busy for a long time to come. So if it is satisfactory to you, we will say that we took it up with you and you felt we would let them have twenty million ounces for silver coinage, instead of the sixty-five million they have asked for.

H.M.JR: All right.

MR. WHITE: You asked me to talk to you about motion picture production in post-war Germany.

H.M.JR: There is a memorandum there.

MR. WHITE: You asked me to discuss it with you. We think he raises an important point.

H.M.JR: Who?

MR. WHITE: Harry Hopkins sent you a memorandum sent to him by Zanuck on the motion picture industry in which he speaks of its importance in shaping democratic forces in

- 12 -

Germany, and suggests the way it should be done is for American countries or British or any other Allied countries to own and operate their moving pictures in Germany, and not permit the Germans to do it, rather than try to censor them for foreign production or rather than try to forbid the importation of any films that are not regarded as satisfactory. We talked this over at some length.

We think a much better way to approach the objective, which we agree is thoroughly important, is to license directors of moving pictures, and the licenses are revocable and renewable each year, or revocable at any time by the Allied Commission authority, and then if the pictures are of a character to contain propaganda, you just revoke the director's license. That will avoid a lot of difficulties. We would like to prepare another memorandum making the counter-suggestion.

H.M.JR: All right.

MR. WHITE: You asked for a statement of sequence of events. I don't know whether you want to use it at all, but you might. (Hands the Secretary "Memorandum for the President," attachment C)

H.M.JR: Of course, Steele didn't agree with this.

What is the object in my saying this to the President?

MR. WHITE: At the time, you thought that he ought to know that those leaks did not come from the Treasury. I kind of think myself that too much time has passed for that to be significant, because I have something here which Joe DuBois himself has thought up and has gotten an agreement on among the usual group that I want to put before you for consideration--and we had better get them in--which may replace that and be something broader.

H.M.JR: Are you ready for them now?

MR. WHITE: I just have two more things.

- 13 -

On this matter (referring to attachment D), I called up the State Department to find out what they did with respect to that, and what they did was to send a letter to the President saying that they see no reason to take any action. The only reason I am holding it up is because of the negotiations which have been going on with the Russians on the part of the Lend-Lease protocol that deals with goods sold on credit. You remember, there was a question as to whether there should be an interest rate of two and three-eighths, and you finally made the suggestion, "Why doesn't Dean Acheson try no interest?" That has not yet been signed. It is in Moscow. They have had it a few weeks. Glasser seems to think there is reason, he gathered from speaking to the Russians in Montreal, that they were kind of unhappy about the business. I don't see where we can get in it.

H.M.JR: Why don't we raise it tomorrow morning with Crowley and Acheson?

MR. WHITE: Well, all right.

You asked me to speak to you on the letter from Crowley on the word "sold for profit," but that can come up tomorrow.

H.M.JR: I would rather let it go.

MR. WHITE: Then I would suggest getting Luxford, Pehle, and DuBois.

Did you happen to read this letter in the Times which is a direct violation of that phrase we wanted to incorporate? I don't think there is anything you will want to do about it. They are already beginning to use Nazi officials in the occupied towns of Germany, because they can't find anybody else. I spoke to John Steele about that. He thought that was a very, very serious and dangerous procedure. He said that while they are using these fellows, they will be building up all kinds of underground movements. They are playing right into the hands of the Nazis. That was a phrase we had in our Directive which hasn't been accepted by the British, so far as we know.

- 14 -

H.M.JR: I can either write a letter to the President about it, or I can write a letter to the Secretary of War about it.

MR. WHITE: Maybe we could try drafting a letter saying this is an illustration of the very thing we wish to avoid by the inclusion of this.

H.M.JR: To the Secretary of War?

MR. WHITE: Yes.

H.M.JR: I think so.

(Mr. Gaston, Mr. Pehle, Mr. Luxford enter the conference.)

MR. WHITE: This is a statement that Joe DuBois drafted with the aid of the other men, probably. It can be improved, they say, but that is the general tenor. They have gone over it. (Hands Secretary "Draft of Public Statement.")

H.M.JR: To go to whom?

MR. LUXFORD: It is to be a release.

MR. WHITE: If the discussion in the paper doesn't die down, and Joe doesn't think it will die down. He has a complete copy of the file of all the editorials and other letters, and editorial comments and columnists, and he has just been rereading it.

(Mr. DuBois enters the conference.)

MR. WHITE: Here he is; he can speak for himself.

MR. LUXFORD: This is a document, and it is contemplated that it will probably be approved by War and State.

H.M.JR: Read this out loud.

MR. DuBOIS: I would like to make a couple preliminary remarks.

- 15 -

H.M.JR: Try and stop you!

MR. DuBOIS: In the first place, I read over the other night this file of clippings just on the Morgenthau Plan. I was struck by what I imagine a lot of people will be struck with without realizing the facts and difficulties involved, why in the world hasn't the Treasury said something? Now, we are all conscious of the real difficulties, the military, the local political difficulties, and the difficulties involved in a program itself, and the risks involved in saying something.

H.M.JR: Excuse me, Joe is winding up. He is an old-fashioned pitcher.

MR. DuBOIS: So what I thought we might try is to see at least if there wasn't some possibility of the Treasury making a statement, bearing in mind all the factors that are involved. Now, this is very rough and can be tremendously improved (refers to "Draft of Public Statement," attached).

H.M.JR: Is it funny?

MR. PEHLE: Not very.

(Mr. DuBois reads "Draft of Public Statement.")

H.M.JR: Joe, it is a very good statement, but there is as much chance as a snowball in hell of getting it by any one of them, the President, Stimson, or Hull.

MR. GASTON: I think that is wholly true. I am wondering if it wouldn't be a good idea, though, to convey it to the President with the information as to how it originated, and suggest to him that perhaps he may want to make a statement which will include something along this line.

H.M.JR: He won't do it.

MR. DuBOIS: I would like to say a couple of things. I think that if this thing dies down, then we don't want to

- 16 -

recommend such a statement, and we won't have a chance of getting it through. On the other hand, if it doesn't die down and it becomes particularly dangerous from a political point of view, I think something like this the President would go for, because I think politically it is very good, that sort of thing. I am not talking about that specific statement.

The second point is, regardless of whether or not it was issued, if something along this line were presented to the proper people, maybe only the President, at least you have protected your position one hundred percent, because here is a statement, to my mind, no one can say will not remove this charge that the thing is interfering with the military. This statement completely removes that, because militarily this reverses the thing from the general standpoint. I think Elmer Davis could use that statement very effectively from a military point of view.

H.M.JR: What ever happened to Elmer Davis?

MR. WHITE: I don't know. He said he would like to send a note to the President asking him to be able to talk freely about your plan, because he thought that it would have very great propoganda value if he could say that your plan was directed not toward starving thirty million Germans, but toward canalizing their efforts toward an agricultural community.

MR. LUXFORD: The thing that occurs to me, Mr. Secretary, is, I agree with you, you wouldn't get Hull and Stimson to go along. It seems to me this is a thing that the President may say. You don't take this up with Hull and Stimson. This is a thing for the President to decide, whether this is a good document or not to go out. If he thinks it is smart politically, as well as for the war effort, it will go out.

MR. DuBOIS: You are turning around on them their own tactics. They released this plan because they knew they could make the charge that militarily it was bad.

- 17 -

This thing can be said to correct that, and the heat can be put on them in that direction, that here is something that from a military standpoint is desirable. In addition to which--

H.M.JR: Now, will you listen to me a minute?

The President last night at his press conference gave out this red herring, which was the statement about giving this thing to Crowley, and believe it or not, I haven't seen another statement since then in regard to a split in the Cabinet.

MR. DuBOIS: Well, there is an awful lot of--

MR. PEHLE: It had an effect.

H.M.JR: Wait a minute; let me talk a minute.

And he accomplished what he wanted. Now, I don't think he told anybody what he was going to do, and I think he has laid that to rest.

Now, that is the only interest, evidently, and this thing that Joe has, I think, from his standpoint, would just raise the whole thing all over again.

MR. PEHLE: I think that is true right now, unless things get worse.

MRS. KLOTZ: That is what he says.

- 18 -

MR. DUBOIS: If it dies down, I think you are absolutely right, Mr. Secretary. If it doesn't die down--

H.M.JR: The President laid that Cabinet split thing to rest last Friday afternoon.

DR. WHITE: So far as you can lay those things. The issue now is no longer a split, but they are criticizing the Secretary on the plan.

MR. DUBOIS: It is more than just criticizing the Secretary on the plan. They are using these arguments of interfering with the military.

DR. WHITE: Not too widely.

H.M.JR: The other thing is this--I know the President so well. He no more would let me give that statement; he just wouldn't think of it.

MR. GASTON: The other thing to consider is either with or without his permission leaking that sort of semi-authoritative information as to what the Secretary of the Treasury thinks, which is along the lines of what Raymond Gram Swing did the other night.

H.M.JR: That is what we have been doing since last Friday.

MR. GASTON: I know.

MR. PEHLE: With good results, too.

MR. GASTON: I think that is about as far as you can go.

MR. PEHLE: Sylvia Porter had a very good piece.

H.M.JR: My own thought is this: I think we have seen the worst of this. My mail seems to indicate that. The mail is getting less and the bad letters are not bad. I looked at the mail today. I had one bad letter, and that was quoting Dorothy Thompson.

- 19 -

Now I think we have turned a corner, and I think the thing is going to get better for us. If it doesn't, I want to do something. I don't want to go into a long explanation, but take it from me, that is not the way to handle the President. I don't know how to handle Hull and Stimson, but that is not the way to do it with the President.

Very much in the room, I have tried everything I could possibly do up to the time this thing broke on Friday to get the President to do something. And I was unsuccessful.

But I appreciate that you are thinking about my problem of Germany. I'd like to mark time and see what happens. I think we have turned the corner, and I think things are going to get better. Now, let's just see what happens.

I think this is a little late. (Refers to "Sequence of Events" memorandum)

I have talked very freely to Max Lerner and Clifton Fadiman and people like that, and they might perfectly well say, "Well, if it is treason--", you know. Of course, I haven't defended myself.

DR. WHITE: It was already out then.

MR. GASTON: We have tried to catch up with a little of the damage done, is all.

H.M.JR: Do you think I ought to send that to the President?

MR. GASTON: I don't believe it would do any good.

H.M.JR: I sent him and he received these clippings in the order in which they happened. I sent them to him and they went into his room the other day, Friday morning. So he has had those clippings in the order in which they happened.

DR. WHITE: I think it would be an irritating thing that wouldn't yield any results at this particular point.

- 20 -

I thought we might prepare a memorandum answering all the objections to the plan. Now, at what point you would use it, I am not sure; but let's have ready a memorandum for the President and then at some propitious moment, if it doesn't die down--or if you want to make another approach to it, what we are doing is drafting a directive and a handbook to implement the long-run policy as we understand it. Thinking that was before you, if you like it and the time is propitious, it could be presented to the President as the next step, and then along with that might be a memorandum answering the criticisms of the plan.

MRS. KLOTZ: You have copies of all this business?

DR. WHITE: I am not sure, but I'll make sure.

MR. PENLE: Mr. Secretary, what would happen if a fellow like Willkie came out and took a strong position on this?

H.M.JR: Let me just tell you an interesting story that Gamble told me last night on Willkie--and I wouldn't repeat it outside.

He was telling me this, because I always thought he was sort of sympathetic to Willkie. As a matter of fact, I was defending Willkie last night. I thought he was a pretty good guy. So Ted said, "Well, I have just got no use for him. He is a double-crosser."

I said, "Well, Ted, how do you get that way?" He said, "Well, his attorney,"--I guess the attorney for Twentieth Century Fox told Gamble that in the minutes of Twentieth Century Fox, when the question came up of letting Joe Schenck come back and become a Director after he had been in prison, Willkie said that he wouldn't sit on the same Board of Directors with him--he'd have no part of it. Then he turned a complete flop and was the principal person, as I got it--he either welcomed him or got him back on the Board.

And Ted was saying that this attorney told him that there are lots of cases. It is just the same in the utility company with which he is associated. Ted says he

- 21 -

is a complete phoney. Of course, that is what the President thinks.

MR. PEHLE: That is what Hull thinks, too.

MR. LUXFORD: The public record doesn't support that, though.

H.M.JR: Granted.

MR. PEHLE: It looks pretty good.

H.M.JR: I tell you--I'm thinking out loud--every time I have gone to the President and made a suggestion about Willkie, and I have two or three times, the President has said no. Now, I can't do this thing without the President's knowledge, and I wouldn't ask the President because I know he would say no.

Now I think this, just the little we are doing with the people who seek us out has been so far very successful, and we are attracting to ourselves an entirely new group. Let's continue just in that way.

DR. WHITE: Edward Murrow is going out lecturing in the Middle West.

H.M.JR: The people who feel this way strongly are seeking us out. They are getting the information and they are going out. And I don't want to do much more between now and the 7th of November. That is the way I feel. Then after the 7th of November I'd like to sit around and have a real discussion of where do we go from here.

DR. WHITE: Might I tell them about this? The Secretary thought we might send a letter to Secretary Stimson calling his attention to this and say this is the sort of thing the Directive was designed to prevent.

MR. DUBOIS: There is only one thing about this. Our Directive is after the fight. And they contended--even when they agreed to this, if you recall, John--that during

- 22 -

the fighting they couldn't do that. That doesn't mean maybe you can't send him a note, but bear that fact in mind--this Directive is after the fight.

MR. LUXFORD: That still doesn't detract from the fact you are getting this kind of criticisms.

MR. DUBOIS: Yes, I think you can send him the proper kind of note.

H.M.JR: Why don't we send Stimson a note and make a record of this thing? I'd kind of like to do it, because, after all, they used this kind of people and used them before the fighting, during the fighting, after the fighting, and everything else. One of these days this Italian thing is going to blow up in our faces. I'd kind of like to send this to Stimson.

MR. LUXFORD: And to Hull?

H.M.JR: No.

DR. WHITE: Anyway, it makes him sleep better!

MR. LUXFORD: Copy to Hull?

H.M.JR: No, Hull said he would have nothing to do with this; he said it is purely military.

MR. LUXFORD: He sits on the group.

H.M.JR: Just to Stimson. You wouldn't have an answer from Hull in three months.

DR. WHITE: Did you read the document--a very satisfactory document--of the behavior that American soldiers should assume in Germany?

H.M.JR: Yes.

DR. WHITE: McCloy said he drafted most of it.

MR. LUXFORD: Why don't you praise that one, then, in the same letter?

- 23 -

MR. PEHLE: Don't ruin McCloy any more with Stimson! There is no use telling Stimson what a good job McCloy does in such a way that McCloy will hesitate to cooperate.

DR. WHITE: You don't have to mention McCloy.

MR. LUXFORD: No. Just say, "This is a sample of real thinking, and this is something that is bad."

DR. WHITE: There is another one he has; I don't know whether you saw it.

H.M.JR: I think the best thing is just to sit tight. I wouldn't hand out any bouquets right now. What is to be gained?

DR. WHITE: I wouldn't hand him any bouquet--not until he dies.

MR. LUXFORD: Your record looks more objective, is all I had in mind. Your record is that of being objective; when he does a good job, okay, when he does a bad one, you hit him with it.

MR. GASTON: I don't know what this thing is you are proposing to criticize. I think it is a little bit of presumption for us to write commending him on doing a good job on something unless it affects us pretty directly.

DR. WHITE: That isn't a military job that you are complimenting him on.

H.M.JR: He sent it to me, Herbert.

MR. GASTON: McCloy sent it? I'd write to McCloy and tell him we think it is good.

DR. WHITE: I am sure they are always glad to get trade.

H.M.JR: I kind of lean with Luxford toward saying, "We have read this in the Treasury and we would like to tell you we think it is a very good job."

MR. LUXFORD: "And we saw this in the Times and we think it is a bad job."

- 24 -

H.M.JR: .One goes to McCloy and one goes to Stimson.

DR. WHITE: We have no reason to know McCloy drafted it.

MR. PEHLE: The letter came from McCloy. You can tell McCloy it is a good job.

H.M.JR: Just say, "I think this thing that you sent to me is a good job."

MR. LUXFORD: And the one to Stimson, "This is a bad job."

MRS. KLOTZ: Are you serious?

H.M.JR: Definitely.

All right, everybody.

Personal

My dear Mr. President:

My proposal for a Foreign Financial Policy Committee brings to a sharp focus the issue of confusion in the existing administrative machinery of this Government.

Rather than press for half-way reforms at this time I should prefer to discuss with you after your re-election the whole problem of re-organization of the executive branch of the Government. In the meantime, I suppose that such problems of high policy as lend-lease aid to Britain, Russia and France will continue to be handled on the present makeshift basis.

Mr. Hull's memorandum of September 26, which I am returning, seems to reflect a complete misunderstanding of what I proposed.

Sincerely yours,

Secretary of the Treasury.

The President

The White House.

Enclosure. HEG:HDW:AFL:JDUB/jm 10/4/44

My dear Mr. President:

I have read Mr. Hull's memorandum of September 26 which you sent me on September 28 and am returning it.

I think he must have completely misunderstood your memorandum to him on the subject of my proposal for a Cabinet committee on foreign financial policy. My memorandum to you dealt with a plan to coordinate through such a Cabinet committee decisions on important financial problems which are coming up day by day. Through lack of formal coordination we have often worked at cross purposes and there has been confusion and delay. These are matters such as lend-lease decisions and other urgent financial questions necessarily affecting the Treasury and other governmental agencies which cannot possibly be decided by such a committee as that Mr. Hull describes and in fact they are not being referred to that committee. They are matters for action on the Cabinet level or for advice to you on that level. The inter-departmental committee to which Secretary Hull refers is a large committee at a lower level and includes among its responsibilities a wide range of international economic problems. Such a committee could not properly focus on important specific financial problems and make final decisions for your approval with respect to action.

The comments of the Budget and State Department raise issues of basic importance with respect to a proper functioning of our governmental system which had probably better be postponed until after your re-election.

Sincerely yours,

Secretary of the Treasury.

The President

The White House.

Enclosure. HDW:AFL:JDuB/jm 10/3/44

MEMORANDUM FOR THE PRESIDENT:

1. On September 20, at 9:30 a.m., I reported to Secretaries Hull and Stimson on the developments at Quebec regarding Germany. Also present were Messrs. McCloy (War), Mathews (State) and White (Treasury). Prior to this the Treasury plan had been submitted to State and War.

2. On September 22, the New York Times carried a story by Arthur Krock dated September 21, entitled "Why Secretary Morgenthau Want to Quebec."

3. On September 23, Alfred F. Flynn of the Wall Street Journal reported on the "Treasury Plan" with a degree of accuracy and detail that made it clear some one had talked.

4. On September 24, the New York Times and many other papers published similar statements of the "plan."

5. Since that time there has been an incessant flow of stories regarding the "Morgenthau Plan" and playing up the differences existing in the Committee.

6. Climaxing these stories is the story in the New York Times on September 29, by Arthur Krock entitled "A Good Example of the Value of Publicity." The facts disclosed in this article could only have been furnished by a responsible official having full knowledge of the developments at Quebec regarding Germany.

7. If these stories have had any effect on the war, their effect has been that of stiffening German resistance. Certainly Goebbels so evaluates them and is playing them for all they are worth.

8. To us, the release of these facts--knowing how the enemy would use them--borders on treason. It is a sad reflection on the Government that it is not possible to deal with necessary planning in this field without inviting the enemy to draw up a chair and join us at the table.

September 29, 1944

My dear Mr. President:

The instructions on lend-lease administration in your letter of September 9 as interpreted by the Departments have left some doubt whether these instructions were intended to apply to the negotiations current between the U.S.S.R. and this Government on a lend-lease program.

I have reviewed this problem with Secretary Hull and Secretary Stimson. We are agreed on the interpretation that your letter did not require the interruption of negotiations with the Russians, and we join in recommending to you the desirability of this interpretation.

With the concurrence of Secretary Hull and Secretary Stimson I suggest, for your consideration, that the interested government departments be advised definitely as to the effect of your instructions upon these current negotiations, as suggested in the attached draft of a letter.

Faithfully yours,

/s/ H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

DRAFT OF PUBLIC STATEMENT

There has been so much comment in the press and radio lately concerning the so-called "Morgenthau Plan" for dealing with Germany in the post-war period, that I feel it is my duty to the American people to clear up some of the gross misrepresentations and exaggerations which have been made. I have cleared this statement with the President, the Secretary of State and the Secretary of War.

In a matter so vital to the life and happiness of every American, it is essential that the public be kept as fully and accurately informed as possible of the issues involved and the thinking going on in Government circles - subject only to the consideration of military security. If what is done in an effort to win the peace does not meet with the approval of the American people, it will never succeed.

This limitation of military security, however, is unfortunately a real one and not a cloak, as some charge, under which important information is kept secret. This is best illustrated by what has already happened in this very matter. The wide publicity of what was alleged to be the views of an official of this Government concerning the treatment of Germany has furnished the German propaganda machine with much useful material.

In the first place, I would like to reiterate what the President has already stated, namely, that the reports which have appeared in newspapers and over the radio of a split in the Special Cabinet Committee, composed of Secretary Hull, Secretary Stimson and myself, concerning what to do with Germany, are essentially untrue in the basic facts. Actually, all of the Committee members have now agreed upon an interim program for Germany covering the period immediately following Germany's collapse or surrender. I am authorized to state that the substance of this interim program will be released to the public as soon as possible consistent with military security.

Moreover, all of us were in full agreement that strong measures would be required to assure that Germany would be completely disarmed and could not again become a threat to world peace.

- 2 -

With respect to the long-range measures necessary to achieve the objective which we have all agreed upon a number of programs have been advanced, some within this Government and others by our Allies. It is important to recognize, however, that whatever long-range program is eventually adopted to deal with Germany will not only have to rest upon agreement between the governments of the Allied nations concerned but more fundamentally will have to rest upon the support of this program by the peoples of these nations. It is therefore nothing to get excited about that three of the men in high places in this Government do not all see eye to eye on what is the best way to implement our common objective. In fact, it is a healthy and natural sign since the problem is most difficult, and reasonable men may be expected to have different solutions. The program which this Government eventually will support in discussions with our Allies can not be Secretary Hull's program, Secretary Stimson's program, my program, or for that matter, the President's program - it must be the program of the American people.

In order for the American people to form a proper judgment on this subject it is necessary that they be fully informed of the various views of this Government and other governments. As soon as the enemy is defeated, full and open discussion will be essential. Unfortunately, at the present time it is impossible for reasons of military security to have a frank discussion of these views. We can not afford at this time to invite the enemy to pull up a chair and join us in planning the means by which we hope to prevent him from again attempting to destroy civilization.

However, since certain writers for the press and commentators on the radio have already purported to represent my views on this matter - and in doing so have misrepresented them - I feel, and the President, Secretary Hull and Secretary Stimson agree with me, that it is important that these misrepresentations be cleared up. These misrepresentations have not only misled the American public but have also, as already indicated, furnished the enemy with ammunition. From both standpoints it is desirable that the continuance of these misrepresentations cease at once.

For what they are worth, the following represents my general views in this matter:

- 3 -

(1) The fundamental purpose of any long-range program for Germany is to insure, in so far as possible, that Germany will never again be able to plunge the world into war. Revenge and retribution is not the purpose.

(2) If we permit Germany to become industrially strong in the period immediately following this war, she will within 15 to 25 years become as a consequence, regardless of what controls we may establish, so strong politically and militarily that she could again be instrumental in bringing even greater death, horror and destruction to civilization than she has caused in this war.

(3) Until the time comes that we can be certain that the spark of hope for world conquest no longer lingers in the German heart, which I believe will be a long time, Germany can not be allowed to maintain heavy industry, the core of her war-making potential. This does not mean, as some have falsely stated, that every German must live on a farm. It does mean that the role which industry will play in the German economy for some time will be similar to the role which industry now plays in the economy of countries like Norway and Denmark.

(4) And this does not mean, as has also been falsely stated, that the German people or any segment of the German people will have to starve. The purpose of the program is not to arrest German economic development but to assure that it is channelized along the lines of fruitful peacetime pursuits and not along the lines of militaristic might.

(5) The sooner the German people realize that making their aim in life the conquest of other peoples is futile, the sooner the German people will be able to devote themselves to making a better life for themselves and the rest of the world.



THE SECRETARY OF THE TREASURY
WASHINGTON

309 ✓
File
Do not want
to send.
Oct 5/4

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FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

October 5, 1944

My dear Lord Keynes:

I am enclosing herewith a highly confidential document, which is the Treasury Plan on how to deal with Germany. According to our understanding, you are not to show this to anybody except the Chancellor of the Exchequer.

After you have read it, I will be glad to have you discuss it with Harry White and myself.

Sincerely yours,

"Program to Prevent Germany From Starting World War III" enclosed - this is part of Black Book on Germany

Lord John Maynard Keynes,
United Kingdom Treasury Delegation,
Willard Hotel,
Washington, D.C.

UNITED KINGDOM TREASURY DELEGATION

BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

REFERENCE:

TELEPHONE EXECUTIVE 2020

6th October 1944.

Dear Mr. Secretary,

Thank you very much indeed for sending me a copy of that most interesting document. I will treat it most confidentially on the lines you indicate, and will be happy to come round to the Treasury for a talk at any convenient time after you are back.

Sincerely yours,

Keynes

The Hon. Henry Morgenthau, Jr.

October 5, 1944

STRICTLY CONFIDENTIAL

My dear Jim:

I do not know whether Mr. Hull or Mr. Stimson informed you of the action taken at Quebec in regard to future Lend-Lease negotiations with the United Kingdom, covering Stage II. I am enclosing herewith a highly confidential document for your information. If you have any questions in regard to the same, I will be glad to discuss them with you.

Sincerely yours,

[Signed] Henry

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

Delivered by Secret Service -

1. We have discussed the question of the scope and scale of mutual Lend/Lease aid between the United States and the British Empire after the defeat of Germany and during the war with Japan. We have agreed that a Joint Committee shall be set up to consider this question with the following membership:-

Chairman:

American Members:

Secretary Morgenthau
Under-Secretary Stettinius
Mr. Leo Crowley

British Members:

2. The Committee will agree and recommend to the Heads of their respective Governments the amount of Mutual Aid in munitions, non-munitions and services which is to be provided for the most effective prosecution of the war. The Committee is instructed to obtain from the various branches of the Governments whatever pertinent information is necessary for the preparation of their recommendations.

- 2 -

3. Pending the recommendations of the Committee to the Heads of the respective Governments, the appropriate departments of each Government shall be instructed not to make any major decision with respect to the programmes of Lend/Lease Aid for the period referred to above without the approval of the Committee.

4. In reaching its conclusions the Committee will be guided by the conversation between the President and Prime Minister on September 14th, 1944.

Initialed: W.S.C.

F.D.R.

Quebec.
September 14th, 1944.

WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

5 October 1944

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

Dear Henry:

Following the receipt of your letter of October 3, enclosing a copy of Cable No. 7899 dated September 22 from the American Embassy in London to the Secretary of State, in reference to a cable WARX 28496 from the International Division to Army authorities in London, I have looked into the matter.

The International Division cable was sent in the course of the business of coordinated planning of U. S. Production with U. K. and other British Empire production to meet the military requirements of the two countries to best advantage following the defeat of Germany.

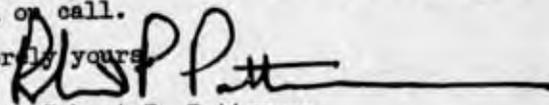
Supply plans have to be made well in advance of the time the supplies will be needed, and the War Department would be dilatory if it failed to anticipate and prepare for prospective developments before they occur. The cable of the International Division is not a policy making document and of course it does not, as apprehended by the Embassy in London, contemplate that the British be urged to produce munitions which can be produced to better advantage in the United States. It is desired to make sure that U. S. requirements which can best be met from British sources are not neglected in the revision of British production schedules.

The cable was sent before the Committee was set up at Quebec and before anything was known of it in the War Department, which had been discussing informally with the British current and stage two requirements and supply plans for several months.

I believe this clears up the matter of the cable.

I understand that the Committee will develop guiding policies in respect to Lend-Lease and reciprocal Lend-Lease and will consider the British requirements to be filled from U. S. sources during the first year of the war against Japan alone. Consideration will no doubt be given also to the U. S. requirements which should be met from British sources. In both of these subjects the War Department will desire to be consulted in respect to the supply of those munitions for which it has primary responsibility for production or for supply. Any other assistance that we can give to the Committee will also be rendered on call.

Sincerely yours



Robert P. Patterson,
Under Secretary of War.

October 12, 1944

Dear Mr. Cox:

The Secretary has asked me to send you the enclosed copy of a letter which he received from Under Secretary Patterson.

Sincerely yours,

(Signed) H.S. Klotz

H. S. Klotz,
Private Secretary.

Mr. Oscar Cox,
Foreign Economic Administration,
Office of the General Counsel,
Washington 25, D.C.

October 12, 1944

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Office of the General Counsel,
Washington 25, D.C.

FOREIGN ECONOMIC ADMINISTRATION
Office of the General Counsel
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

October 4, 1944

Dear Secretary Morgenthau:

I appreciate very much your note of yesterday about the copy of the cable from Phil Reed which I sent you.

I am glad to hear that you are taking this matter up with Bob Patterson and will let me know what he has to say.

Sincerely yours,

Oscar Cox

The Honorable Henry Morgenthau, Jr.

The Secretary of the Treasury.

Treasury Department
Division of Monetary Research

319 ✓

Date. Oct. 5, 1944 19

To: Mrs. McHugh

This is State's latest revision
(August 4, 1944) of the Reparations
Document. (Revision of the document
which the Secretary saw on the plane to
London).

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2.

SECRET

ECEFP D-37/44

**SUMMARY: REPORT OF REPARATION, RESTITUTION, AND
PROPERTY RIGHTS - GERMANY**

**(As finally revised and approved by the Executive
Committee on Economic Foreign Policy at its meeting
on August 4, 1944.)**

SECRETECEFP D-37/44
(Cf. D-17 through D-21,
D-30, D-31) August 12, 1944**SUMMARY: REPORT ON REPARATION, RESTITUTION, AND
PROPERTY RIGHTS - GERMANY****I. Interest of the United States in German Reparation.**

The problem of German reparation is immediately related to the broader question of a general peace settlement, through which the United Nations hope to attain certain political, economic, and security objectives. While not in itself a major means of achieving these objectives, a reparation program can, depending upon its nature, greatly help or hinder their attainment. This Government has approached the problem of German reparation with a view to reaching a solution which would facilitate the attainment of these objectives. The "direct" interest of the United States in German reparation, i.e. in the amount of reparation which this country may receive, is small. The claims of other nations which have suffered severely from German aggression are direct and substantial. The main concern of this Government with respect to German reparation is that the program aid in the attainment of (or interfere as little as possible with) its economic, political, and security objectives and policies.

Broadly stated, the general economic and political objectives of this Government are as follows:

1. The preservation of peace by a system of collective security and disarmament of the aggressors.
2. The early return to a multilateral system of international trade and finance through the removal of excessive barriers to the movement of goods and funds.
3. The rapid reconstruction and rehabilitation of war-torn areas.
4. The maintenance of high levels of employment and standards of living.
5. With respect to Germany: 1/
 - a) The control of German economic war potential. This, however, is not assumed to imply a large-scale and permanent impairment of all German industry.
 - b) The elimination of German economic domination in Europe.
 - c) The eventual integration of Germany into the world economy.

1/ Based on General Objectives of United States Economic Policy with Respect to Germany. (ECEFP D-22/44)

- d) The establishment of democratic institutions, including a free trade union movement.

II. Need for Special Arrangements for the Immediate Post-Surrender Period.

It is unlikely that agreed decisions regarding all of the basic policy questions can be reached during the immediate post-surrender period. It is essential, however, that a program of restitution and reparation transfers be initiated promptly, both in order to hasten European reconstruction and to avert an undue imposition of European requirements upon the American economy while the war against Japan is still in progress.

In order to bridge this gap, immediate discussions looking toward agreement among the claimant states or, in any event, among the United States, United Kingdom, and Union of Soviet Socialist Republics should be inaugurated. Preliminary agreement must promptly be reached on

1. Certain minimum basic principles;
2. an interim reparation organization and the relation of this organization to the machinery of Allied economic control of Germany;
3. the development in advance of the military collapse of Germany of an *ad hoc* program for reparation deliveries which will meet the immediate needs of claimant countries. Such an advance program is essential to the orderly reconversion of industry and labor to post-war production. The purpose of such an interim arrangement would be to initiate and develop a large program of restitution and reparation transfers even before the terms of a final agreement had been settled.

A temporary arrangement of the kind contemplated would remain in effect until a more comprehensive program, based on a final agreement, could be inaugurated.

III. Resume of Recommendations on the Final Reparation Agreement.

The essential elements of the program recommended in the Reparation Report may be summarized as follows:

1. Time Period.

The reparation period should begin as soon as the United Nations have the power to impose economic controls on Germany. It should be limited to a minimum of about five years from its inception but perhaps may have to be extended to ten. Both political and economic considerations emphasize the need for a short reparation period.

- d) The establishment of democratic institutions, including a free trade union movement.

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The urgent needs of the devastated areas for relief and rehabilitation and the desirability of restoring normally functioning economies in these areas as rapidly as possible demand quick and decisive action. Moreover, unless the United Nations stand ready to exploit fully the opportunity for cooperative action during the early period after the surrender of Germany, it may prove difficult to accomplish the aims of the program.

The one-way movement of goods and services which takes place under reparation is artificial and necessarily different from normal trade. The longer it continues the longer is deferred the full resumption of regular multilateral trade and the desired integration of Germany into the world economy.

From the political point of view, it must be remembered that the humiliation and cost or reparation will almost inevitably be associated in the mind of the German public with the regime in power at the time. For this reason, long-continued reparation would prejudice the establishment of democratic government in Germany and, indirectly, the maintenance of peace.

The collection of substantial reparation from Germany will probably be impossible without fairly extensive controls over the German economy. Since this Government has taken the position that enduring controls of this nature are undesirable ✓ the length of the reparation period will need to be correspondingly limited.

It is realized, however, that the countries which have been devastated by Germany will probably demand a much longer reparation period. The long-range objectives of this Government make a five-year period preferable to a longer one. If it is found necessary to extend this period, however, reparation deliveries should in no event continue beyond ten years. In case a period in excess of five years is adopted, deliveries should taper off toward the end of the extended period.

2. Amount of Reparation.

In view of the numerous uncertainties surrounding the post-war situation of Germany, no useful purpose would be served in attempting to estimate at this time the amount of reparation Germany will be able to pay. These uncertainties relate especially to the amount of damage to physical plant in Germany, the degree of disorganization or disruption of the country's working force, the nature and extent of economic disarmament, and territorial adjustment.

1/ See ECERP D-22/44, cited, p. 2.

This much may be stated with confidence, however:

- a) Barring dismemberment or extremes of devastation, Germany will be capable of paying, in absolute terms, a very substantial amount of reparation. This has been made manifest by the proportion of national income devoted by Germany (as well as by other countries) to war purposes.
- b) Large as it may be in absolute terms, the amount recoverable from Germany will, in all probability, be but a small fraction still of the total direct and indirect damage caused by Germany to the claimant countries. It would be highly misleading and dangerous to let the notion gain currency that Germany can be forced to make good all or even a large part of the damage she has wrought.
- c) Reparation deliveries by Germany will be limited both in character and amount by the goods and services the claimant countries are willing and able to take.

Certain general principles regarding the amount of reparation are recommended as follows:

(1) As between the amount, on the one hand, and the time limit on the period of reparation on the other, the time limit should be the governing factor. This means that instead of beginning with the assessment of a definite amount of reparation and adjusting the time period accordingly, the maximum time limit should be defined from the outset and the greatest possible amount of reparation should be collected during that period.

Provision should be made for extending the time period in the event the Allied authorities believe the reparation program is being sabotaged. Conversely, in the event the reparation period is determined to be more than five years, it may be desirable to hold out to the Germans the possibility of reducing the duration of the period by fulfilling their obligations energetically. The decision as to the duration of reparation should not be made known to Germany until an appropriate time in the light of political developments.

(2) During the period of reparation the German people should be permitted to retain such part of their production as may be required to maintain a minimum prescribed standard of living. It is clear that the execution of such a program will require effective controls over the economic life of the country, perhaps similar to the wartime controls now in force.

During the control period Germany's production will consist of that required:

- a) to maintain the prescribed minimum standard of living.
- b) to furnish such exports as may be necessary to pay for essential German imports.
- c) to furnish reparation.

The composition of German output and the reparation schedule should be so fixed as to utilize all German production above that required for (a) and (b) above.

All foreign exchange proceeds of exports should be utilized by the Allied control authorities to pay for necessary German imports and, if there is any surplus, to provide cash reparation. Imports should be restricted to the amounts necessary to effectuate the above types of German production.

3. Form of Reparation Payments.

The bearing of form of payment on the long-range political and security objectives of this Government is regarded as an important consideration. The most important question that arises in this connection is whether payment should be made predominantly in kind or in cash. It is agreed that a policy of requiring payments in kind with allowance for cash payments only in exceptional cases should be adopted.

A. Reparation in Kind.

Payments in kind can be made from the following sources:

- a) Stocks of goods $\frac{1}{2}$;
- b) Existing capital equipment $\frac{1}{2}$;
- c) Current production of goods and services;
- d) Direct labor services.

Stocks of raw materials and food above certain minima for German use will no doubt, be taken immediately from Germany and transferred to the most needy surrounding countries. In regard to other classes of goods to be included in payments in kind, deliveries should consist of the widest possible range of goods needed by the claimant countries for rehabilitation and reconstruction purposes. Reparation in kind should include machinery, electrical equipment, and any other types of manufactured goods that Germany is fitted to produce and the claimant countries are willing to accept, as well as coal, fertilizers, chemicals, etcetera. Only in this way can Germany make its maximum contribution to the European recovery.

✓ Other than those subject to restitution which would not be credited against reparation.

One major question, however, remains to be answered: To what extent should reparation come out of existing stocks of goods and capital equipment and to what extent out of current production?

This question involves consideration of the following factors:

(1) To what extent should deliveries be made out of existing stocks of goods and capital equipment for the purpose of satisfying immediate post-surrender needs in the claimant countries?

Deliveries of this nature should be confined to the early years of the reparation period, first, because they will make their maximum contribution to European reconstruction in these years, when the need will be most urgent, and secondly, because such transfers in the later years might impede the reintegration of Germany into the world economy. The transfer of equipment, particularly of equipment for capital goods industries, should be subject to the condition that the ability of such equipment to contribute the net reconstruction of Europe is not thereby seriously impaired.

This policy of taking reparation deliveries in the form of existing goods and equipment might be objected to on the ground that it will have the effect of reducing German productive capacity and will result in a reduction of reparation deliveries below the maximum obtainable over the total reparation period. It is believed that the long-range security objectives and the contribution to immediate reconstruction in the claimant countries outweigh this objection in many cases. It is recognized, however, that the great bulk of reparation deliveries over the entire period must come from current production since the reparation which could be derived from the transfer of capital equipment would, in any case, be relatively small compared to that available from current production.

(2) To what extent should German industry be rebuilt and operated for the purpose of maximizing current production for reparation deliveries?

It should be the policy of this Government to maximize reparation deliveries in so far as this is possible without extensive rebuilding of German plant and equipment. This kind of capital formation should be kept to a minimum in Germany and should be permitted to the maximum extent in the claimant countries. In general, Germany should be permitted only so much capital expenditure as may be necessary to maintain reparation schedules and the prescribed standard of living. It would be undesirable to leave Germany at the end of the reparation period with plant and equipment much newer and more modern than that of her European neighbors.

Qualifications to this principle would arise in instances such as the following:

- a) In case of extreme devastation of German industry it would be necessary to allow some rebuilding before substantial reparation could be delivered.

b) A limited quantity of capital equipment of a "bottleneck" nature will have to be provided so as to permit German production to get under way.

It is clear that decisions in regard to capital formation in Germany will depend not only on the extent of destruction but also on the types of plant and equipment destroyed in both Germany and the surrounding countries.

B. Reparation in Cash.

Cash payments depend on the commercial policy and the readiness to import of Germany's potential customers. A program of heavy reliance on cash payments is accordingly vulnerable to the same difficulties that plagued the reparation program of the twenties. It will be possible to make use of cash reparation to the extent that a commercial cash market exists for German exports and to the extent that the control authorities decide in exceptional cases to permit such exports to exceed those required to pay for necessary imports. The gold and net foreign exchange assets available to Germany after the restitution program has been completed will be limited.

In a five-year reparation period there will be relatively little need for cash payment. Cash payment, however, can serve a useful purpose in taking care of exceptional cases and in lending flexibility to the reparation program provided the total volume is kept down to a relatively small figure.

If the period is extended to ten years, it may be desirable to increase the proportion of cash payment in the latter half of the period. With reconstruction substantially complete, the claimant countries will be less needful of German goods. As German resources are released from satisfying the wants of surrounding countries, they can be turned increasingly to the production of export goods for other markets on a commercial basis, thus creating foreign exchange for reparation purposes and beginning the process of reintegrating Germany into the world economy.

Reparation whether paid in kind or in foreign exchange should be strictly related to the export surplus of goods and services actually obtained from Germany. Any significant accumulation of external indebtedness by Germany during the period of reparation transfers is contrary to the objectives of this Government. This precludes both commercialization of reparation through the floatation of new German securities abroad and any other substantial extensions of credit to Germany.

Commercialization or other borrowing would in effect mean the financing of German reparation payments primarily by the United States and Great Britain. The continuance over a long period of years of payments by Germany may well become an internal political issue and thus create repercussions which would interfere with the long-range political and security objectives of this Government. Moreover, at present Germany's credit worthiness is virtually nil. An estimation of Germany's future credit worthiness cannot well be made until such time as the essential changes in her political and economic structure have begun.

4. Apportionment of Reparation.

It is recommended that the principal basis for the apportionment of reparation among claimant states should be the amount of damage to and loss of non-military property caused by or incident to hostilities.

This basis of admissible claims does not necessarily favor property owners over other classes of claimants such, for example, as those suffering personal injury since reparation payments will be made to governments, not to individuals. Governments may dispose of the proceeds of reparation and make such compensation to their injured nationals as they see fit.

A precise audit of property loss will be impossible. The total of admissible claims will have to be reached on the basis of reasonable estimates as determined by the appropriate Allied authorities.

It is recognized that the relative impact of property losses on different countries may not be accurately reflected by even the most careful computations. The hardships imposed depend on the circumstances surrounding the loss and on the wealth of the country concerned.

As a supplementary basis for the apportionment of reparation it is recommended that occupation costs levied by Germany also be allowed as an admissible claim but at a lower weighting than property losses. Occupation costs for this purpose should include clearing balances built up in Germany during the period of occupation. Some occupied countries have suffered relatively little physical damage but have undergone many other types of injury at the hands of the Nazis. It is felt that it will be difficult to deny the claims of such countries for some compensation.

In recommending the foregoing two bases for reparation claims, it is intended that all other claims should be excluded.

5. Restitution and Replacement.

The principal recommendations with respect to this subject may be summarized briefly as follows:

- a) In Germany
a) In principle there should be an unlimited obligation on Germany to restore identifiable looted property, even though in practice official efforts to locate such property will have to be confined to a limited number of categories.
- b) Restitution should be restricted to identifiable property in existence prior to German occupation. Looted property should be restored to the existing governments of the territories where the property had its status and not to the former owners individually.
- c) Looted property should be returned in the condition in which it is found. The return of such property should not count as a credit against Germany's reparation obligation nor should it be deducted from the reparation claim of the recipient.

- 9 -

d) All property transferred to Germany during the period of German occupation (except for current output) should be presumed to have been transferred under duress and accordingly treated as looted property.

e) The right to restitution is not absolute. The Allied authorities should have the discretionary right to prevent or postpone restitution of vital equipment (such as, o.g., rolling stock) whenever such equipment is deemed essential to assist the revival of a seriously disorganized country.

f) It has been suggested that, in addition to restitution and reparation, countries having suffered property losses be entitled to "replacement", meaning the receipt of an equivalent piece of property for property lost or destroyed. It is believed that the "replacement" category would be a source of confusion and that it would serve no purpose that could not be served equally well by reparation in kind. It is, therefore, recommended that no claims for replacement be allowed except in the cases of (1) gold and (2) works of art and other cultural treasures, these exceptions being justified by the peculiar importance attached to those categories of goods.

g) Replacement of gold means that stocks of monetary gold found by the Allied authorities in Germany should be prorated in proportion to gold losses among the Allied countries whose gold stocks were looted. In no case, however, should there be transferred to any country gold in excess of its losses.

6. Labor Services (Tentative).

No final conclusion has been reached on this subject and it is receiving further study. In principle it is agreed that under appropriate conditions and to a limited extent labor services can be a proper and useful form of reparation. The chief problems relate to the method of selection of the laborers, their treatment and length of service, and the valuation of their services.

One suggestion receiving consideration is that there be two classes of laborers, one to consist of extreme Nazis such as members of the Gestapo, S.S., etc., and the other to be recruited, on a voluntary basis if possible, from the general German public. It is contemplated that the former class, which would receive punitive or semi-punitive treatment, would be selected on the basis of previous political affiliation or activity and not, like the latter class, on the basis of the needs of claimant countries for labor services. The latter class should be protected by more or less normal labor standards.

7. Reparation Commission.

It is believed that questions of policy such as those discussed in this summary are outside the proper scope of a Reparation Commission. The Commission should be an administrative body whose function, broadly speaking, would be the supervision and management of the program of reparation and restitution. Within the broad limits of policy laid down by the Allied

governments, it would be granted wide discretionary powers to determine the amounts of reparation to be paid periodically, to schedule deliveries in kind, to make adjustments in the schedules of payments, to determine whether Germany is complying with the provisions of the reparation settlement, etc.

The Reparation Commission should act in cooperation with the supreme Allied control authorities in Germany, which authorities should have the power to review and veto any of the Commission's acts.

The Commission should consist of representatives of all claimant states, but equal plural votes should be provided for the United States, the United Kingdom and the Union of Soviet Socialist Republics.

IV. Resume of Recommendations with Respect to Subjects Closely Related to Reparation.

1. Treatment of Property.

a) German Property Abroad.

Each member of the United Nations should reserve the right to retain and dispose of all German property and rights within its territories, and to use the proceeds to pay off reparation claims, and possibly pre-war debts owed by Germany or its nationals to the country in question or to its nationals. The value of property so retained or disposed of, regardless of the claims which it goes to satisfy, should be counted as payment against the reparation claim of the holding country. Germany can be left to compensate its nationals for property so retained.

The problem of obtaining control over German property in neutral countries is a much more difficult one, since from a strictly juridical point of view there is no way of compelling the neutrals to transfer ownership. The matter thus becomes one for treatment on the political level.

b) Allied Property in Germany.

The German Government should be required to return to the owners Allied property in Germany where such property was sequestered by German authorities or seized in any other manner. Such return shall not be deemed to prevent German authorities from subsequent exercise of the customary governmental rights over private property. In the event that industries in which foreign owners have an interest are required to be dismantled for impairing the value of their assets, consideration shall be given to the question of appropriate compensation. Where the property consists of liquid funds, such return should not carry with it the right to transfer the funds out of the country except in accordance with the exchange regulations established by the Allied authorities.

Countries should have the right to present reparation claims for damage to or destruction of property in Germany belonging to them or their nationals.

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- 11 -

2. Pre-War Debts and Claims.

American citizens have outstanding substantial amounts of pre-war claims against both the German Government, and German nationals. These claims consist of short-term, long-term, and commercial obligations. While the problem has not been thoroughly investigated, it is believed both politically impossible and economically undesirable to leave American creditors of Germany entirely to their own devices in protecting their interests. The matter should receive further study.

It is recommended, however, in view of the urgent need of reparation for reconstruction purposes, that pre-war debts and claims receive a priority below that of reparation.

3. Compensation for Injuries to Persecuted German Minority Groups.

It is considered appropriate for several reasons that the German Government be required in some way to compensate the minority groups persecuted by it. The moral basis for such compensation is self-evident. Moreover, it is now recognized that minority baiting and persecution is a potent weapon in the hands of totalitarian demagogues both for gaining political power at home and for spreading anti-democratic doctrines abroad. Finally, it is felt that since Germany was responsible for a situation in which many thousands of former German nationals needed to be rehabilitated or resettled, she should contribute to the solution of that problem and not be permitted to leave the entire burden to the outside world.

The restitution of property located in Germany is, on a number of grounds, regarded as an unsatisfactory answer to the problem:

- a) Most of the individuals involved are either dead or outside the country and many would not find it worthwhile to return in order to regain their property;
- b) Large-scale transfers of funds abroad in full satisfaction of these claims would be out of the question;
- c) The full return of property to members of these groups at a time when the general German public was passing through a period of great difficulty would tend to create strong social tension in Germany.
- d) Lack of proof by claimants, and the varying circumstances under which property was lost or sold, would make the administrative problem of restitution extremely difficult.

A two-fold contribution by Germany is, accordingly recommended:

- 12 -

(1) Resettlement Aid, i.e. payments in cash or in kind, to an international agency, to aid in the settlement of individuals belonging to persecuted minority groups. Such payments would be akin to reparation, but their amounts would be related to the needs of the resettlement schemes rather than to the property losses of the individuals concerned.

(2) Indemnity for Property Losses. In addition to the foregoing payments, Germany should also be obliged in lieu of restitution, to provide an indemnity, up to some moderate maximum per person, to individuals who have suffered property losses since the inception of the Nazi regime through discriminatory measures. Transfers of such indemnities abroad should be subject to the availability of foreign exchange but should receive a priority equal to that of other reparation payments.

The foregoing recommendations apply to German nationals, or former nationals, situated outside Germany ^{1/} who have been subjected to discriminatory laws by reason of their racial, religious or political status.

While the racial and religious categories are susceptible of fairly precise definition and do not involve unmanageable numbers, a moment's reflection will show that the political category offers formidable difficulties in both respects. In spite of this fact, it is considered both impolitic and unjustifiable to deny compensation to those Germans who have suffered loss because of their political opposition to Nazism while granting it to persons discriminated against on other grounds. The problem of defining the political category so as to keep within reasonable bounds the number included is now receiving further attention.

^{1/} and to stateless persons resident in Germany on or before September 1, 1939.

Copy: sh:lrn
10/5/44

October 5, 1944

Dear Oscar:

Thank you very much for your letter of October 4th enclosing a proposed talk by James B. Conant, which I will read over the weekend.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Mr. Oscar Cox,
Foreign Economic Administration,
Office of the General Counsel,
Washington 25, D.C.

FOREIGN ECONOMIC ADMINISTRATION
Office of the General Counsel
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.



October 4, 1944

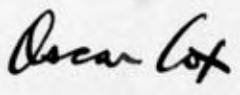
Dear Secretary Morgenthau:

As I mentioned to you over the tele-
phone last evening, I am sending to you herewith
a copy of the proposed talk by James B. Conant
before the Foreign Policy Association this coming
Saturday.

I think you will find it interesting.

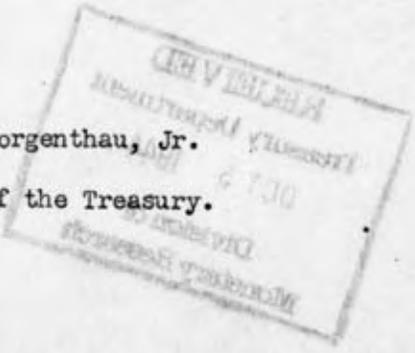
This should, of course, be treated as
confidential until Conant delivers it.

Sincerely yours,



The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury.

OCT 2 11 41 AM '44
SECRETARY OF THE TREASURY
OFFICE



Attachment

THE EFFECTIVE DISARMAMENT OF GERMANY AND JAPAN

I hardly need say that it was not without misgivings that I accepted General McCoy's invitation to address this distinguished audience. In order to make a significant contribution to a discussion of many of the aspects of the topic of the day — Program for Security — one should have spent a lifetime struggling with the complexities of international problems. I can lay claim to no such qualification. As a layman I have, like others, certain views about how we should proceed with the enormously difficult task of preventing the outbreak of another war. These views are by necessity highly flavored by my experience with the problems of science and technology as they affect the military situation of a country in these days. In accepting your invitation I was bold enough to suggest the topic, "The Effective Disarmament of Germany and Japan." My misgivings have not been lessened, may I say, by the fact that in the intervening weeks this subject has attained great prominence in the daily press.

I do not propose to give any detailed blueprints of a scheme for the effective disarmament of Germany and Japan. That would require a symposium of experts working for many days. Rather, I am concerned primarily with the premises from which the discussion of the disarmament of Germany and Japan proceeds. The underlying thesis of my remarks is simple. It can be summed up in a few words. Modern science and technology have so transformed the art of war as to require us to rethink many of the problems involved in an international attempt to keep the peace. One need not indulge in any flights of fancy or in H. G. Wellsian prophecies to

document this statement. One has only to turn his attention to certain developments of the last few years which are matters of common knowledge. The first of these is the effectiveness of the aerial bombardment of Germany; the second is the range and power of the B-29 super bombers; the third, the potentialities of the robot bomb. Consider carefully the situation as it stands today, look back five years and then project yourself forward and envisage the art of war in the early 1950's. Follow, in short, the mounting curve of aerial offensive power. By so doing you will arrive at the best position from which to understand the true military nature of future threats to the world's peace. This position incidentally is quite unlike that in which the United States found itself twenty-five years ago. It is not 1918-19, we must remind ourselves, but the terrible question-mark of the future that we face.

A few days after Pearl Harbor, I ventured the prediction that when the war was won isolationism would be as extinct as the volcanoes on the moon. How can it be otherwise? Who with full knowledge of modern war could vote both against participation in a league of nations and also against a program of heavy armament for our defense? Twenty-five years ago, or even four years ago it was possible for intelligent and well-informed men and women in the United States to differ on the issues that cluster around the word "isolationism." In the future this can be no longer true. Only ignorance can lead one to deny the alternatives which face the country. Either we must play our part in a world organization to preserve the peace, or we must convert this nation into an armed camp bristling with weapons. Either we must have confidence in an international arrangement in which we are vigorous partners and plan our military program in terms of such an arrangement, or else we must

go it alone and arm to the teeth to defend our national independence.

That we should freely elect to militarize the country, to mobilize a large portion of our manpower, to utilize vast numbers of our factories for the production of munitions, to devote a large measure of our scientific and technical energies to devising new instruments of war, that we should adopt as our first choice a policy which would mean that every city would be surrounded by batteries for anti-aircraft fire -- all this seems to me unthinkable. For such a policy might well mean the eventual extinction of personal freedom in this nation. Only if we were convinced that in spite of our best efforts all hope through international collaboration had failed, could we embark upon such a course of action.

Old-fashioned isolationism was compounded of pacificism, extreme nationalism and false estimates of the nature of another war. Fundamentally it rested on the breadth of the Pacific and Atlantic oceans. It is a truism today to remark that for defensive strategic purposes, these oceans have all but disappeared.

It is not that new techniques have necessarily made war more frightful for the combatant -- what is new in modern war is the rapidity with which devastating attacks may be launched from distances on civilian centers of population. On the one hand, mechanized war loans every day more heavily on the industrial productivity of a nation; on the other hand, improvements in airplanes and flying bombs every day make industrial areas more vulnerable to sudden onslaught by a well-armed though distant foreign power. In terms merely of self protection, therefore, we are forced to the conclusion that we must collaborate to the full with other countries -- collaborate to remove the threat of a third world war.

As I see it we have a double problem: first, the elimination of the most obvious danger to world peace - the renewal of the war by our present enemies; second, the construction of an international organization with the vitality and the power to handle the unpredictable threats to peace which are certain to arise in the not too distant future. It can be argued that the first problem will be automatically taken care of if we solve the second. It can be argued that if we are successful in setting up an international association with the ability to use force to stop aggressors, we need not worry about the future of Germany or Japan. But dare we pin our faith on any one procedure? Defeated enemies secretly planning to once again give battle present an obvious danger. Surely this danger must be removed before we are warranted in facing the future with only that moderate degree of armament commensurate with the healthy life of a free people. Ordnance experts require at least two safety devices to protect a high explosive bomb from premature explosion; can we be less careful about the peace? Must we not insure the elimination of the menace of a third world war within the next fifty years by more than one procedure? Must we not direct our attention to neutralizing the dangers inherent in our defeated enemies and also do our utmost to assure the growth of a successful international organization?

As to the defeated enemies, almost everyone today in this country is ready without too much thought to subscribe to the proposition that Germany and Japan must be disarmed. But I wonder how many have explored thoroughly the difficulties of insuring the success of this undertaking for a sufficient span of time.

Most Americans are agreed that certain steps must follow the surrender of Germany and Japan: military occupation, the removal or destruction of all

remaining engines and weapons of war, the use of every possible means to break the power of the German General Staff and the Japanese War Party. Most of us would approve during this period of a careful inspection of all German factories and industrial facilities to be certain that the terms of disarmament were fulfilled. All of these are immediate military measures, essential to initial disarmament of our enemies.

It is when we look into the more distant future that doubts arise. For some maintain that to be successful the disarmament of Germany and Japan will require a profound alteration of the industrial potentialities of these countries. Indeed to my mind, there can be no escape from this conclusion. It is one of the inevitable consequences of the changes in warfare wrought by advances in science and technology. Yet many recoil from the consequences of such a plan. Therefore, before we explore the details further, we may well inquire as to just how serious is the need to keep Germany and Japan disarmed for another generation.

In the first place let us remember that we are concerned primarily with Germany and Japan not as they will be at the hour of our victory, nor even a few years later. We are concerned with those countries in the period that starts a decade hence. Ten years from now youths now nine will be fifteen, veterans of this war now in the twenties will be still young men. The boys in school will for the most part still remember the horrors of aerial bombardment, and curse their former enemies for the damage that they wrought. In Germany, even among the non-Nazis, the crimes of the Nazis will tend to be forgotten. Hitler's errors and pathological aberrations will be passed over. Perhaps, as some have suggested, his aims and accomplishments may be deified. Is it not the lesson of history that a once

powerful and strong nation, badly defeated in war, will cherish the aims of renewing that war at the first opportunity, at least for a generation? If this has been true in the past, will it not be far more true in the future since the ruin of cities and towns by devastating aerial bombardment spreads suffering far wider than ever before among our entire population?

Even if we were to leave aside the record of the German General Staff on the one hand and the fanaticism of the Nazi party on the other, even if we were to forget the past history of Japan, it seems clear that in two defeated nations we are confronted with a menace to future peace. Must we not arrange matters so as to prevent Germany and Japan from even thinking of using military force? Must not this condition prevail for at least another thirty years? So it seems to me. When the next generation now unborn has grown up and come to power, we may hope, if we have been wise that the bitterness and spirit of revenge will to a large extent have disappeared. When that time comes, Germany and Japan, we hope, will no longer constitute a special problem. By that time an international organization should have gained sufficient support and strength to guarantee the peace. That at least must in these days be the goal of our ambitions.

What proportion of the citizens of Germany should be held responsible for the continuing ambitions and the crafty planning of the military caste, I do not pretend to know. But the facts are clear as to the consequences of this continuity of military thought in an extremely able group. Five times in eighty years German military might has disturbed the peace. Twice within the lifetime of those present here today this same military force has been primarily responsible for a world-wide struggle. What possible assurances can we have that this tradition will be broken? Given the

-7-

overwhelming importance of technological developments and industrial power, must we not insist that the physical means be absent by which a military clique can accomplish its ambition?

To my mind it is an unprofitable debate to argue whether or not we can indict the German nation. Who can say to what degree Germany today is represented by the fanatics of the Nazi party? Who can say to what extent we should hold the entire German people responsible for the atrocities against the Jews and the crimes of the Nazi leaders? The question is what will be the mood of that nation in the coming years. To what degree will the natural desire for revenge be reinforced by the fanatic Nazi doctrine? There is little question that a considerable proportion of the German youth today are convinced believers in all that Germany has stood for in the last ten years. It would be a miracle indeed if bitter defeat suddenly changed their minds. One has to be an incurable optimist to believe that any process of education, particularly one sponsored by other nations and imposed from without, will change the views of these youths hardened by the party discipline. In time, of course, we can hope for modification of this attitude. But the time is not ten years or even twenty, it is the span of life in which those now young become old and in which new social forces arise to influence a new generation of German people.

To return now to a consideration of the measures to be employed if the disarmament of Germany is to be effective for a generation—I believe that it can be demonstrated that a drastic change in the German industrial scene and a considerable degree of redistribution of European industry will be required. With Germany's industrial plants now largely reduced to ruin,

-8-

the question turns on the degree of physical reconstruction which shall be allowed.

As far as aviation is concerned, of course, Germany and Japan must both be prevented from the manufacture or use of airplanes even for commercial purposes for years to come. But the success of the robot bomb shows that control of conventional aviation is not enough. The basic issue is total industrial power. There are only two types of nations in the world today which can be relied on to keep the peace: those that are weak in their industrial potentials for modern war, and those with a strong will to peace. Lacking the will to peace, would it not be fatal if our enemies soon again became industrially strong?

To be sure, I suppose no one would now advocate that we should build up Germany as a great industrial power immediately the war is won. I suppose no one who pays even lip service to the theory of disarming our enemies would propose to lend money freely to Germany to rebuild the industrial plants now being reduced to ruin. Few indeed would advocate that American firms once again be permitted to build huge factories in Germany which might become arsenals for our enemies as such factories are today. But there will be those who wish to start the discussion of the disarmament of Germany from the premise that nothing must be planned which will seriously dislocate the economic life of the German people. Here is the real issue; and I submit that if we begin our approach to the problem of the disarmament of Germany and Japan by saying what must not be done because of economic repercussion we have already decided against the proposition under consideration--the proposition that the effective disarmament of our enemies is an absolute first condition for world peace. I do not minimize the difficulties of the economic aspects of the problem. I do not belittle the importance to a peaceful future of an international flow of trade.

-9-

But if the necessity to remove the threat of a third world war inherent in the defeated nations is as great as I imagine, effective disarmament must have overriding priority in all discussions of the European and Pacific future.

If it turns out on careful analysis that there are a number of equally effectual methods of reducing the industrial strength of Germany as far as armament is concerned, we should, of course, choose those that cause the least disruption. But I cannot emphasize too strongly my profound conviction that effective methods—effective for many years—must be found and that these methods will almost surely require vital changes in Germany's industrial structure. To me it is beyond question that even if these measures require a reorientation of the economic balance of the world, we must apply them nevertheless. Apply them, of course, in such a way as, at the same time, to make possible the rebuilding of the economic life of Europe on an altered basis. The adjustment period in Germany will be difficult, that seems certain. Great changes in the distribution of the population will probably occur. With no spirit of vindictiveness but rather with understanding and a desire to help, we must assist the growth of a healthy national life along new lines in the defeated nations.

Those who object to the approach which I have just advocated paint a terrible picture of the results of the policy in question. Without the rebuilding of industrial Germany, they declare, Europe will be in chaos for a decade. I would reply: which is worse, the scene you depict or a third world war? You speak of the bitterness which drastic changes will cause among the German people, but this bitterness will be but a small addition to the hatred inevitably present in a defeated nation, particularly a nation nurtured on the Nazi doctrine.

-10-

You bemoan the dislocations of trade and commerce incident to the disarmament of our enemies. I believe our children would bemoan our failure to take sufficient measures to remove a clear danger to the world in which they must live and rear their children.

You say, how can prosperity be restored to Europe unless Germany is industrially strong again? I say, what will become of the economic structure of Europe or, indeed, the world, if Germany and Japan rearm and fifteen years from now wage another war?

To be efficacious such measures as are employed must be determined upon and put into operation soon after our enemies are defeated, but these measures must be lasting in their results. No mere paper transactions involving ownership or management seem to me sufficient, nor would I rely solely on political subdivisions of enemy territory. For to be effective the changes must be such that they cannot be reversed in a few months by a dictator. Alien management and ownership can be wiped out overnight by one who controls the internal police force of a country. New German states could be reunited in a few days by a forceful leader. All this might happen before other nations could act to meet the danger. Only changes which it would take years to reverse can be considered safe. Moulton and Marlio, in their recent book, have spelled this all out and have made the excellent suggestion that Germany's main source of electrical power be located beyond her borders. International operation of this mainspring of future industrial life would be the sort of industrial control which would be both effectual and not too crippling to the economic life of the German nation. But I have grave doubts if this or any other single measure alone will be sufficient. It is total industrial strength that tells.

-11-

To a certain degree, real disarmament requires prolonged supervision of some aspects of German life. But surely the less there is of this control the better, better both for Germany and for the enduring efficiency of the measures employed. To me it would seem preferable to make at the outset such drastic alterations in the industrial scene that relatively little continuing interference with Germany's internal affairs will be required. If we had to rely for many years on armies of occupation and a vast horde of inspectors and supervisors of the industrial plants of Germany, we should be relying on human instruments that are bound before long to fail.

Consider the situation in the 1950's--which would be preferable, a Germany industrially strong still occupied by foreign troops ready to act if reconversion to armament manufacture starts, or a weak industrial Germany readjusted to a new life and free from alien soldiers? Which is preferable from the point of view of the eventual reentry of the German people into the family of equal nations? Which is likely to be more successful, a disarmament plan resting on military force which must act rapidly when the alarm is sounded, or a plan based on a low industrial potential? The application of military force might be inoperative at any time the supporting powers were in disagreement; an industrially strong nation might lay plans in secret and have many of these plans well under way while sanctions were delayed. A few months suffice for the conversion of many factories from a peace basis to that of war. Surely the history of the last fifteen years is not silent on this point. But next time, because of the technological changes in modern war, the interval between the rise of a new Hitler and the

-12-

ability to strike with terrific force may be as short as a few months. That is unless the new Hitler or the new war party of Japan must first of all alter the whole industrial pattern of the nation.

It would take five years to rebuild the industrial strength of a nation once that strength had been destroyed. And while it is too much to expect that the association of nations which must control the military forces can be ready to act rapidly at any moment in the next two decades, even pessimists can hope that a period of five years would bring the endangered nations to their senses.

Let me be clear that I am not arguing against the military occupation of Germany in the immediate future. Of course, military occupation will be a necessity for several years. Furthermore, careful inspection of all German factories and industrial facilities will be required in order to be certain that the initial terms of disarmament are fulfilled. This can be done in this period largely by military men of the occupying nations, but as the years go by the supervision of Germany's disarmament status will be less of a military problem and more a matter of industrial and technical inspection. It should then be placed in the hands of a corps of technical men responsible to an international organization. This inspection will have to be minute as well as rigid at the beginning, but would become less of a burden as the economic and political life of Germany flows in the new and safer channels. But for a long period of time there must be available to the world from year to year information as to the potentialities of Germany and Japan for waging war. A reliable public report each year of Germany's and Japan's industrial status in so far as it affects rearmament will be needed, particularly during the period of five to fifteen years

from now when the power of an international organization may well be on trial. Without such a report public opinion in this country would be easily swayed by foreign propaganda designed to conceal the true conditions of the defeated nations. Clear information about the threats to peace inherent in the potential force of our former enemies would seem a prime requisite for intelligent guidance of the policy of any international association. Can such a report be made without the tight control of an occupying army? Eventually I believe it can, but let us not close our eyes to the great difficulties of this problem. International armament commissions have been proposed by many people, but it seems to me the problems involved in the operations of such commissions within a country have been to a large degree glossed over.

All doors must be open inside Germany to those responsible for preparing a report on the status of rearmament. There can be no secrets from the inspectors assigned to such a task. Yet the possibility of misuse of such inspectorial power is great. Business information of no military value might be transmitted to manufacturers in other countries. Even a greatly weakened industrial Germany would have some firms with new processes or new inventions, and these firms would feel entitled to develop their new ideas without disclosure to the entire world. Yet all new techniques must be assessed as to their possible application to the art of war. Quite apart from any considerations of justice or the necessity for allowing our defeated enemies some business privacy, international inspection for a long period of years will be very difficult unless some measure of cooperation from the Germans can gradually be secured. And this cooperation would be forthcoming only if German technical men were convinced of the integrity and lack of national bias of the men employed by the armament commission.

-14-

The difficulties I have just mentioned inherent in a continued technical inspection of Germany present a challenge which must be faced. We cannot afford to ignore those problems in our planning. Ways and means must be found for recruiting a corps of civilian experts of the highest calibre. A tradition of reliability and a sense of international responsibility must be developed that will prevent an abuse of the inspectorial powers.

In suggesting that the agents of an international armament commission can develop a tradition which anchors their professional loyalties to an association of nations rather than to their own country perhaps I am open to the charge of indulging in Utopian dreams. Yet if we wish to operate successfully for many years a plan for the continued disarmament of Germany and Japan, some such corps of inspectors must be developed for a mere aggregate of officials of other nations will have great difficulties with the task.

In this same connection, I might mention parenthetically that if we contemplate the eventual creation of a commission to report on the armament of all countries, the difficulties I have mentioned will be magnified manyfold. On the one hand we realize that if an international organization is to have power to keep the peace, it must be provided with unprejudiced information, and if we in the United States are to keep our armaments at a moderate level we must be confident as to the status of other powers. On the other hand, we must realize the vast difficulties in obtaining accurate information about military preparations in other countries. Can the dilemma be solved by the development of new type of public official of high integrity loyal only to the international commission which employs him. One might hope that this

-15-

would eventually be the case. At least it would seem far easier to develop and staff an international office for military and technical information than to arrange for the recruiting and functioning of an international police force which is now advocated in many quarters. At all events, in our handling of these matters in connection with Germany we should obtain valuable experience to guide the slow evolution of an association of nations which will preserve the peace.

To return to more immediate problems, may I in conclusion repeat my conviction that unless we can feel confident two or three years from now that the threat of a third world war has been virtually eliminated, the United States will be forced into keeping a vast military organization. To an extent never before approached in our history our domestic policy will be governed by our judgment of the international scene. So much will be at stake for each citizen of this republic personally that the question of future war or peace will be uppermost in his mind.

Today we recognize the grave danger of another world war. Contrast this with the complacency of 1918 and 1919 when we assumed that all wars were over. To my mind, our concern with the future military situation of the country is a good omen. When we thought peace was easy, that words and ceremonial incantations of high officials would banish force, we unconsciously prepared for the present global devastation. I believe that if we realize sufficiently how hard it will be to eliminate the threat of war, we may succeed in the undertaking. For we shall not be content until we have taken every measure that gives a promise of success. Like the ordnance expert to whom I earlier referred who specifies several safety devices for

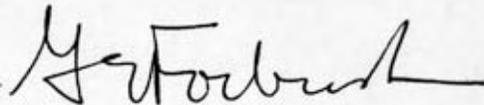
-16-

a high explosive bomb, we too must realize the danger which confronts us. We will then require that more than one method of insuring peace must fail before another great war overtakes us. We shall demand first that Germany and Japan shall be disarmed effectively by procedures that cannot fail. We shall require as equally important the establishment of an association of nations which can become a real instrument for the preservation of world peace. We will plan our own military program in accordance with the promise of security given by all these measures as they gradually unfold. Patiently but boldly, with our courage and intelligence not blunted as they were a generation ago by false judgment and excessive optimism, we shall labor to create a true international understanding, knowing the alternative may well be the death warrant of our civilization.

MEMORANDUM FOR THE SECRETARY.

October 5, 1944.

Receipts to noon today on postwar treatment of Germany
number 11 favorable, 3 unfavorable, 1 uncertain.

A handwritten signature in cursive script, appearing to read "H. F. Wood". The signature is written in dark ink and is centered on the page.



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

352
61325

October 5, 1944.

MR. MURPHY:

I don't know what you ^{have} said in the Secretary's proposed speeches about the relation of the revenues in World War I to expenditures, but I notice in the proposed press release prepared by Mr. Shaeffer this quotation "No such record was made in World War I. Of the World War I costs, regular revenues accounted for only 29 percent." This seems to me to be an unfair comparison. World War I ended officially on July 2, 1921 by Proclamation of the President of the United States in accordance with an Act of Congress. Taking the entire period 1917 to 1921 fiscal years, the revenues will equal almost 50 percent of the expenditures. Furthermore, you have to bear in mind that World War I was much shorter than the present war and many of the revenues collected under bills enacted during World War I period did not come in until well after the Armistice.

There are other statements in the press release which I don't quite understand concerning which I have asked Mr. Moore to contact you.

sub B



October 5, 1944

My dear Archie:

I want to thank you for your letter of October 3 and for your good offices in exploring the possibility of obtaining the Magna Carta and the Bill of Rights for a Sixth War Loan tour. A number of difficulties as to routing and adequate protection have been presented and so I am going to ask you to do nothing more about it pending further word from me.

I want to thank you again for your considerate handling of the initial inquiry to Lord Halifax.

Sincerely yours,

(Signed) Henry

The Honorable Archibald MacLeish,
Librarian of Congress,
Washington, D. C.

LIBRARY OF CONGRESS
WASHINGTON

Jan H.

OFFICE OF THE LIBRARIAN

October 3, 1944

Dear Henry:

Your people down at the Treasury have talked to me informally about the possibility of arranging a tour of the Magna Carta and some of the great documents of this Library at the time of the Sixth War Loan drive. As you will see from the attached, your cousin, Arthur Goodhart, also talked to me about it, as a result of which I wrote Halifax, who replied as per the attached photostat.

I can't answer Halifax's question without knowing your plans. Also, I should not like to answer it without knowing the President's views, since he takes, as you probably know, a very active interest in matters involving the great documents.

If you really want to do anything about this, I wish you would write me a letter, telling me just what it is you want and indicating what safeguards you could provide, and what itinerary you have in mind. I will then take the matter up with the President and, on the basis of his reaction, I will try to give Lord Halifax an answer as to the Library's position.

Enclosure

Faithfully yours,

Gene MacLeish
Archibald MacLeish

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



LIBRARIAN

BRITISH EMBASSY,
WASHINGTON 8, D. C.

October 2nd, 1944.

My dear Archie,

Many thanks for your letter of September 30th
about Magna Carta.

Am I to take it that you definitely do want
to plan a tour for it, and that you would like me
accordingly to take it up with the Government in
London and to get them to clear it with Lincoln
Cathedral?

Yours ever,

Edward *Heiter*

Mr. Archibald MacLeish,
Office of the Librarian,
Library of Congress,
Washington, D.C.

FORMER COLLECTIONS, ESCI ATTACHED

September 30, 1944

My dear Edward:

Arthur Goodhard spoke yesterday of the possibility that the Magna Carta might tour the country - and of your interest in the proposal. I find that the terms of deposit here are expressed in an exchange of letters between Nevile Butler and myself, and specifically in my letter to him of December 28, 1940. That letter states that the Charter will be preserved in the Library of Congress "subject to the disposition of the British Government communicated through its diplomatic representative in Washington. It will not be sent to any other place for exhibit except with express permission therefor received through the British Embassy". It would seem, therefore, that a tour could be arranged, provided you thought well of it. I assume someone in London would take care of the consent of the Dean and Chapter of Lincoln Cathedral. We might well be able to send along on such a trip, should it take place, material of interest from the Library's collections.

Faithfully yours,

Archibald MacLeish

The Right Honorable
The Earl of Halifax
The British Embassy
Washington, D. C.

Oct. 5, 1944

To Mr. D. W. Bell

From Ted R. Gamble

During the regional meetings of the War Finance Division, Mr. Harold Mager (extension 2284) will be in over-all charge of the headquarters office. The various divisions will be in charge of the following people:

Radio, Press, & Advertising. . .	Mr. Robert Smith. . .	5291
Radio	Mr. Maurice Kafka and	5318
	Mr. Bernard Holahan	5294
Newspapers.	Mr. Loyal Phillips. . .	5472
Outdoor	Mr. Al Randall. . .	5316
Magazines	Mr. Boyd Fisher . . .	5260
Administrative	Mr. Wm. McCorkle. . .	5642
Field.	Mr. Jarvis Morse. . .	5221
Agriculture	Mr. Walter Daly and	5464
	Mr. Frank Essick. . .	5521
Women's Activities.	Miss Mae Alexander and	5500
	Mrs. Naomi Engelsman	5552
Payroll Savings	Mr. Jarvis Morse. . .	5221
Special Events.	Mrs. Sue Oulahan. . .	5324
Labor & Nat'l. Org.	Mr. Wm. FitzGibbon. . .	5236
Schools	Mrs. Dorothy Ingraham	5519

10-6-44

358

MR. McDONALD'S OFFICE TO

Miss Chauncey:

I have discussed Mr. Hinckley's letter with Mr. Olrich, and he recommends Mr. Frey as principal and Mr. Falvey who is Mr. Olrich's top publicity man as alternate. Mr. Falvey reports through Mr. Frey to Mr. Olrich.

After Mr. Frey becomes fully acquainted with Mr. Hinckley's Public Information Committee, Mr. Falvey will probably assume the major responsibility.

PMcD

25

October 5, 1944.

Dear Mr. Hinckley:

In accordance with the request contained in your letter of September 30, I am glad to appoint a representative to the Committee on Public Information of the Contract Settlement Board.

I have appointed Mr. Albert W. Fray, Deputy Director to Mr. Ernest Olrich, Director of the Office of Surplus Property of the Treasury Procurement Division, as a member of this committee. I should like to suggest that Mr. Thomas E. Falvey act as alternate member.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Robert H. Hinckley,
Office of Contract Settlement,
Federal Reserve Building,
Washington, D. C.

GEF/dbs

OFFICE OF CONTRACT SETTLEMENT

Federal Reserve Building

WASHINGTON, D. C.

September 30, 1944

Dear Mr. Secretary:

In order to provide for a means of consultation and the securing of expert advice on public information and related problems of the Office of Contract Settlement, I am requesting that a committee of the Contract Settlement Board be established on public information, in which I would appreciate your designating a member and an alternate member. I am also requesting that the Office of War Information and the Surplus War Property Administrator designate a representative and an alternate to sit with the committee on public information. Mr. Walter F. Wiener, who will direct the public information 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 public information and public education. In addition it will advise on cooperation with groups such as professional associations, trade associations and others in dealing with matters concerned with public opinion and public understanding of the problems connected with contract settlement.

Mr. Wiener is anxious to call a meeting of the committee just as soon as members have been designated since it seems advisable that there be an exchange of ideas on the public information activities of the several departments and agencies connected with contract settlement to bring about the most effective use of the resources available.

Sincerely,


Robert H. Hinckley

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

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Monthly Report No.13 covering
Aircraft Flight Delivery as at September 30, 1944.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury,
WASHINGTON, D.C.

October 5, 1944.

CONFIDENTIAL

REV. NO. D-55
MONTHLY REPORT NO. 13

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT
(COVERING MOVEMENTS THROUGH SEPT. 30, 1944)

October 4, 1944

	(1) FORTRESS (BAG-L/L)	(2) LIB. (BAG)	(3) HUDSON (BAG-L/L)	(4) VENT. (BAG)	(5) P. BOAT (BAG-L/L)	(6) VENT. (L/L)	(7) BOST. (L/L)	(8) BALT. (L/L)	(9) B24 (L/L)	(10) B25 (L/L)	(11) B26 (B/L)	(12) TRANSP. (L/L)	TOTAL
UNITED KINGDOM	141	96	807	141	599	58	309	1	392	468	8	(g) 549	3909
MIDDLE EAST (a)		5	95			205	34 (e)	1115	226		(f) 990	215	2285
WEST AFRICA (a)									22			4	26
AUSTRALIA					27								27
SOUTH AFRICA (a)				135		107						43	285
SINGAPORE					9								9
INDIA (a)									346			264	610
AZORES	3												3
PRENTOWN			91										91
OTU'S IN CANADA			210	68		64			49	41		30	462
RCAP					28	1	2		(e) 15	1			47
111 OTU									35	72			107
45 GROUP RAFTS		11	43	11	10				10				85
En route overseas									31	3	9	7	52
Gander, Goose, etc.					1		2	2	7			1	11
Nassau or Bermuda (en route)					6				2			14	21
Special duty in Canada			1	1								9	2
Montreal				3	1		15	1	19	10	1	14	64
CRASHED AFTER EXPORT			52	19	10	9	17	40	6	13	13	11	190
En route export							31		5	8		22	66
At Modification Center					9	1			98				108
En route Modification Center									4				4
Special duty in U.S.		2					1						3
CRASHED IN U.S.		1	28	5		1	3	15	5	2	11	1	72
DIVERTED TO U.S.		50	21	(b) 281									352
TOTAL	144	165	1348	664	(d) 640	446	474 (e) 1174	1272	618	(f) 446	(g) 1170		8901

- (a) Including deliveries to Rabat, Accra or Takoradi for these destinations.
 (b) Including 15 returned under Req. BGC 41018 after use by U.S.A.A.F. for training, with 45 off BA-152 also under 41018 after A.A.F. training use. All 60 are included in Column 6.
 (c) Later re-allocated to Canada by M.A.C. (Air), under Req. GA-00076.
 (d) Reduced by 21 PW's, 35 PW's, and 25 PRZY-38's, returned to U.S. Navy.
 (e) Including 72 removed from British charge and transferred to Turkey.
 (f) Including 1 removed from British charge and transferred to Turkey.
 (g) Including 3 removed from British charge and transferred to Netherlands

PLANNING AND AIRFRAME SUPPLY
BRITISH AIR COMMISSION
WASHINGTON, D.C.

Regraded Unclassified

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

October 5, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended September 27, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

E. M. B.

FEDERAL RESERVE BANK
OF NEW YORK

October 4, 1944

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended September 27, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ H. L. Sanford

H. L. Sanford,
Assistant Vice President.

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington 25, D.C.

Enclosure

COPY

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended September 27, 1944
Strictly Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)							BANK OF FRANCE					
	DEBITS				CREDITS			Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in Funds (d)			
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Securities (Official) (b)	Transfers from Official Australian Account				Other Credits (c)	Net Incr. (+) or Decr. (-) in Funds (d)	
War Years (g)													
First	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3 (f)	1,095.3 (h)	+ 299.0
Second	2,203.0	1,792.2	3.6	407.4	2,189.8	1,193.7	276.0	16.7	705.4	- 13.2	38.9	6.8	- 30.1
Third	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	6.4	- 14.1
Fourth	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
Fifth	1,197.2	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
<u>1944</u>													
September													
October													
November													
December													
<u>1945</u>													
January													
February													
March													
April													
May													
June													
July													
August													
<u>Week Ended</u>													
Sep. 6, 1944	10.3	5.7	-	4.6	5.0	-	-	0.5	4.5	- 5.3	-	-	-
Sep. 13, 1944	6.0	0.6	-	5.4	3.8	-	-	-	3.8	- 2.2	-	-	-
Sep. 20, 1944	65.2	7.9	50.4	6.9	23.4	-	-	-	23.4	- 41.8	-	-	-
Sep. 27, 1944	69.2(1)	5.5	-	63.7(1)	18.3 (h)	-	-	-	18.3 (h)	- 50.9	-	-	-

Adjusted Weekly Reserve Funds Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$34.9 million
 England (since March 12, 1941) 21.9 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Includes \$17.2 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.
- (i) Of which \$ 50.1 million represents cost of gold purchased for export.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended September 27, 1944 **Strictly Confidential**

PERIOD War Years (a)	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total Debits	Transfers to Official A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official A/C	For Own A/C	For Foreign A/C	Other Credits	Net Incr. (+) or Decr. (-) in Funds	Total Debits	Transfers to Official A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Other Credits
First	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
Second	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 3.0
Third	525.8	0.3	525.5	566.3	198.5	7.7	-	360.0	+ 40.5	107.2	27.4	49.8	112.3	17.2	95.0	- 2.0
Fourth	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
Fifth	849.3	1.0	848.3	958.5	38.1	61.4	-	859.0	+ 283.3	298.6	252.5	46.1	287.7	-	287.7	- 10.9
1944																
September																
October																
November																
December																
1945																
January																
February																
March																
April																
May																
June																
July																
August																
Week Ended																
Sep. 6, 1944	2.2	-	2.2	23.0	-	-	-	23.0	+ 26.8	3.6	0.5	3.1	3.2	-	3.2	- 0.4
Sep. 13, 1944	3.2	0.1	3.1	5.3	-	-	-	5.3	+ 2.1	0.3	-	0.3	1.3	-	1.3	+ 1.0
Sep. 20, 1944	2.4	-	2.4	56.8	-	50.4	-	6.4	+ 54.4	0.1	-	0.1	1.7	-	1.7	+ 1.6
Sep. 27, 1944	16.9(a)	-	16.9	5.1(a)	-	-	-	5.1(a)	- 11.8	1.3	-	1.3	0.8	-	0.8	- 0.5

Approximate Weekly expenditures for

- First year of war 6.2 million.
- Second year of war 8.9 million.
- Third year of war 10.1 million.
- Fourth year of war 13.9 million.
- Fifth year of war 26.1 million.
- Sixth year of war (through September, 27, 1944) 6.2 million.

- (a) For monthly breakdowns see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (c) Does not reflect transactions in short term U. S. securities.
- (d) Includes \$ 1.7 million deposited by War Supplies, Ltd. and \$ 3.3 million received from New York accounts of Canadian chartered banks.

Distribution of true
reading only by special
arrangement. (SECRET W)

October 5, 1944

8 p.m.

AMEMBASSY

LONDON

8148

The cable below for Mann is WRB 9.

Proposal referred to in your no. 8133 of September 29
has been presented again to War Department for its con-
sideration.

HULL

(GLW)

WRB:MMV:KG
10/5/44

BC

EE

HEB-483

PLAIN

London

Dated October 5, 1944

Rec'd 12:40 pm

Secretary of State

Washington

Eighth meeting of Executive Committee of Intergovernmental Committee on refugees held today. Agenda and minutes will be airmailed when minutes received.

Main items of business were election of chairman and approval of estimates for administrative and operational expenses. Lord Winterton, the British delegate, unanimously elected chairman. Director's estimate of administrative expenses for 1945 was approved. Total to be collected from member governments is 14,400 pounds, of which United States share is 1,944 pounds in accordance with intergovernmental scale. Specific approval by Department is requested.

Committee unanimously approved estimate of operational expenses for 1945 in the sum of

2,000,000

expenditures 1945 up to 1,000,000 pounds.

370

WINANT

RR

-2-2 8362, fifth, from London

2,000,000 pounds. It was agreed that the estimate be accepted subject to approval of British and American Governments which underwrite operational expenses on a fifty-fifty basis. Increase as against 1944 operational budget seems justified in view of expected expansion of IGC activities as more territory becomes liberated. Also about 500,000 pounds have been saved from 1944 budget and will not be drawn. I recommend approval by our government and request authorization to notify director IGC that United States will underwrite operational expenditures 1945 up to 1,000,000 pounds.

WINANT

RR

RA-758

PLAIN

Casablanca

Dated October 5, 1944

Rec'd 7:25 a.m., 6th

Secretary of State

Washington

261, fifth

FOR AMERICAN JOINT DISTRIBUTION COMMITTEE FOR
SCHWARTZ FROM BECKELMAN No. 1.

Your September 20th.

Arrived last week end. Have advised UNRRA.

Awaiting reply. Airmailing details.

RUSSELL

EB

MF-664

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Jerusalem

Dated October 5, 1944

Rec'd 9:50 p.m.

Secretary of State

Washington

142, October 5, 11 a.m.

Doctor Magnes requests transmission of following to Joint Distribution Committee New York for Paul Bearwald and Joseph Schwartz distribution 252.

"Passman arrived October 1. He states that till his departure did not receive your reply to his cable No. 167 to Lisbon of September 3 asking your approval for his going to Rumania. Therefore does not know how to plan his future activities even if permission for his visit to Balkan countries will be granted by State Department which he hopes you may be able to expedite.

In general we are ignorant your relief policy now that rescue program approaching its end.

Our opinion relief needs Jews Balkan Countries and Poland which now probably reachable from Rumania and Teheran are so great that it is impossible for D.C. to undertake responsibility to meet them alone.

We believe J.D.C. should immediately take initiative on the spot in each of these liberated countries and arrange to supplement relief activities of various governments and local Jewish organization as well as other relief bodies. Moreover, this is the very moment when the presence of J.D.C. representatives will not only stimulate governments and other bodies to engage upon systematic relief activities but the J.D.C. task should be to urge and help them to ameliorate sufferings of Jews without delay.

In absence of any indications of J.D.C. policy Jewish Agency pressing its own plans for relief activities which doubtless as heretofore J.B.C. will have to pay for.

If you are unable to secure someone to take his place and assuming that he will get approval from his boards New York and London Passman prepared to devote the next 6 months to organize this work provided you fix a definite general policy and give him sufficient authority to carry it out as conditions on the spot will require. Also provided you can send quickly from America competent personnel to carry on the work in each country in cooperation with local committee. If you are unable to get American personnel expeditiously you should then authorize us to engage necessary personnel for Palestine including Usseskin as per yours 228.

Passman intends at all events to return for a short time to Istanbul in order to settle all J.D.C. affairs and accounts with Jewish agency and other organizations. Kindly acknowledge the receipt of this cable."

PARAPHRASE OF TELEGRAM RECEIVED

373

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATED: October 5, 1944
NUMBER: 4039

SECRET

U S URGENT

This cable refers to V/781, foodstuffs to Germany, and has today been repeated as No. 1210 to London.

Due to the fact that they believe opportunity of forwarding relief parcels to Germany for distressed Jewish internees may disappear shortly, a decision with regard to reference application is being urged by Jewish representatives in Sweden.

Unless it is possible for Department to communicate decision on entire application by October 9, approval of five tons by that date to cover most urgent cases is strongly recommended.

DCH:GPW

JOHNSON

10-17-44

DSH-507

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SECRET O)

Bern

Dated October 5, 1944

Rec'd 2:10 p.m.

Secretary of State,

Washington,

6619, October 5, 8 a.m.

FOR WRB FROM MCCLELLAND

I have received a number of reports lately dealing with most recent developments in situation of Jews in Slovakia and Hungary of which I consider following pertinent details would interest you.

Report from Bratislava dated September 27 states that due to cooperation of various Jewish youth groups with Partisan Gestapo has instigated general concentration of all Jews in provinces. They are being mainly assembled at camp of Sered which was taken earlier in month by Partisans. About 500 Jews were liberated (but later recaptured by Germans. Germans are also said to be concentrating Jews at Trencsin. About 1700 Jewish internees from camp at Novaky were recently liberated by Partisans who still control this region. All Jews capable of bearing arms from Novaky have been enrolled into resistance units.

According to report from Czech resistance operating in Slovakia dated September 19 Tito declared he had received "assurances" from Germans that Jews in provinces were simply being concentrated but would "not be removed from Slovak territory". This can scarcely be relied upon and telegram from responsible Jewish circles in Bratislava dated October 3 indicates that deportations from provinces (scale unknown) are already taking place.

Situation in Bratislava itself while tense appears ~~quite~~ quiet as far as deportations are concerned and central Jewish office under direction Mrs. Fleischmann continues to function. Rescue activity now consists mainly in procuring false "Aryan" papers for and in hiding Jews. There is a certain volume of flight back to Hungary.

I sent a further sum of 100,000 Swiss francs from WRB funds to support all such practical rescue activities with Coujier who left October 4 for Bratislava and Budapest.

During his most recent interview with Kasstner, Bielitz and again elicited un-Gestapo agent at Swiss German frontier on September 29 Saly Mayer/~~William~~ willing assurances from German that no deportations from Slovakia would take place as long as "negotiations" continued. This seems to have been successful to date in any event as far as Jews in Bratislava are concerned.

- 2 -

Status of Mayor's negotiations with Germans remains very much as reported in Legation's 6110, September 16. Claiming that he did not have necessary technical qualifications for compiling list of goods Germans desired in Switzerland, Mayer again invited them to send representatives for this purpose here. It is however still most doubtful that Swiss authorities will grant such visas, as presence Gestapo men Switzerland is highly distasteful to them. I have discussed matter informally with Swiss and Mayer is taking it up once more this week. By bluffing it has happily been possible to draw matters out another time although whole affair is becoming very strained.

During this recent interview Kasztner reported that as yet no movement of Jews out of Budapest (Legation's 6447, September 28) had begun. However notorious SS "obersturmbann Fuehrer" Eichmann formerly of Lublin who along with his henchman "Hauptsturm Fuehrer" Wislicony was responsible from German side for organization of mass deportation of Jews from Hungary in May and June has been transferred back to Budapest from Temesvar. His return at this time is most disquieting sign.

Another report from Budapest dated September 13 received through representative of Hungarian resistance movement in Zurich indicates that it was possible during July and August (Legation's 4394, July 11) to organize evacuation of some 7,000 Jewish men including the families of 400 from southern Hungary to partisan controlled Yugoslav territory. Men capable bearing arms have been enrolled Partisan forces these physically unsuited, Women and children have been moved to interior but are living under extremely primitive conditions. In attempt alleviate this shipment have recently financed shipment of medical and sanitary supplies for these refugees.

MEV

HARRISON

MF-427

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SECRET O)

Bern

Dated October 5, 1944

Rec'd 9:31 a.m.

Secretary of State

Washington

6621, October 5, 10 a.m.

FOR WRB FROM MCCLELLAND

Departments 3333, September 27.

I immediately contacted Valobra of Delasem who reports that according to news from Northern Italy dated September 2 is no urgent or extraordinary need of funds. Sufficient balance of twenty million lire sent during August is still on hand to meet current needs. Have asked Valobra obtain further report as soon as possible to ascertain when additional funds will be needed.

It is estimated that approximately fifteen thousand Jews remain in German occupied Italy.

Above for Leavill of JDC from Saly Mayer. 27.30

HARRISON

RR

GEM-497

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (SECRET 0)

BERN**Dated October 5, 1944****Rec'd 1:20 p.m.**

**Secretary of State,
Washington.**

6626, October 5, noon**FOR WRB FROM MCCLELLAND**

Radio Suisse states they transmitted wire photo receipt card on September 22 and New York confirmed reception. Department's 3992, October 2. They are sending service check up; suggest meanwhile you ask Amcross make further inquiries. Photo dispatched with designation for "For Amcross Washington From McClelland, WRB".

MF**REC**

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: October 5, 1944
NUMBER: 3423

CONFIDENTIAL

We are sending to Reber by airgram for appropriate action a paraphrase of your telegram of September 29, 1944, No. 6471. We will transmit to you any information received.

HULL

SWP:EJD:JED

Paraphrase: DCR:IDB:FB 10/7/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: October 5, 1944
NUMBER: 3427

SECRET

TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND.

With reference to your 6292 of September 22, you may request Swiss Foreign Office to inform Hungarian authorities that, if they so desire, this government will be glad to treat as a Hungarian national any person in the United States who claims Hungarian nationality even if the claim of such person to Hungarian nationality is not well established, and thus permit him to benefit from protection of State representing Hungarian interests.

This government assumes that other American republics will also accede to such a request, in case Hungarian authorities are really desirous of making it.

Please convey to Hungarian officials through such informal channels as may be available to you that this Government views the Hungarian inquiry as specious in view of the circumstances and considers it to have been made in an endeavor to gain time. Such officials should be advised that this Government will hold them personally accountable for any harm that may befall any person claiming the nationality of an American republic as the result of the Hungarian government's failure to accord him the rights and privileges due to a national of an American republic. In this connection, you should also convey to appropriate Hungarian quarters the sense of Department's 2490 of July 21 paragraph three.

THIS IS WRB CABLE TO BERN NO. 191

HULL

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

The War Refugee Board requests that you deliver the following message to Gerhard Riegner, 37 Quai Wilson, Geneva from Leon Kubowitzki, New York:

QUOTE Forwarded through War Refugee Board to McClelland list 116 Latin American passport holders for exchange purposes. UNQUOTE

THIS IS WRB CABLE TO BERN NO. 201

9:00 a.m.
October 5, 1944

BAkzin:ar 10/3/44

CABLE TO MINISTER HARRISON, BERN, FROM WAR REFUGEE BOARD.

Please deliver the following message to Rene Bertholet, Waserstrasse 14,
Zurich, from Sheba Strunsky of the International Rescue and Relief
Committee:

QUOTE ANXIOUSLY AWAITING YOUR REPORT ON FRENCH OFFICE
COMMUNICATE WITH GUIGUI AND MAYER WHOM WE ALREADY CONTACTED
REGARDING FRENCH WORK STOP CONSULT GUISEPTE CHIOSTERGI
10 AVENUE DE LA CROISSETTE GENEVA FOR NAMES OF SPANISH
REFUGEES NEEDING HELP STOP ASK FABIAN FOR ADDRESS
MRS GRUSS FORMERLY WITH AMERICAN CONSULATE MARSEILLE
UNDERSTAND SHE DISTRIBUTED OUR FUNDS AFTER FABIANS
DEPARTURE STOP DANNYS FAMILY HEARD HE IS SAFE STOP
TRY TO CABLE US WEEKLY IF YOU NOT AVAILABLE ARRANGE
SOMEONE ELSE CABLE UNQUOTE

THIS IS WRB CABLE TO BERN NO. 203

4:45 p.m.
October 5, 1944

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 324

Information received up to 10 a.m., 5th October, 1944.

1. NAVAL

HOME WATERS. A convoy of 30 ships from North Russia has arrived in home waters. 2 ships were sunk by U-boat north Atlantic 4th. One of H.M. Canadian Frigates escorting outbound convoy torpedoed 500 miles S.W. CAPE CLEAR.

2. MILITARY

WESTERN EUROPE. On 1st and 2nd 7th U.S. Army made limited advances against stiff opposition east of EPINAL and S.E. of LUNEVILLE.

1st U.S. Army has made little progress in face of very determined resistance.

1st Canadian Army has made progress between TURNHOUT and TILBERG and also north of ANTWERP.

ITALY. Bad weather has held up operations of 8th Army except on left flank where some gains have been made by Indian troops in SOGLIANO area.

5th Army have advanced astride FLORENCE-BOLOGNA Road after 2 days heavy fighting. Line now runs from north of SASSONERO (13 miles S.W. IMOLA) through southern outskirts of LOIANA and includes part of M. VENERE, 3 miles further west. On left of this salient South African troops are approaching M. VIGESE (5 miles S. of VERGATO).

BURMA. Our troops have now reached point 4 miles N.E. of TIDDIM. In CHINDWIN we have reached village of YESAGYO, 20 miles north of KALEMYO.

3. AIR OPERATIONS

WESTERN FRONT. 4th. Escorted Lancasters (1 missing) and Halifaxes dropped 600 tons on U-boat basin and pens at BERGEN. Attacks concentrated and first reports indicate substantial damage. In battle area fighter bombers dropped 135 tons on railway transport destroying 42 locomotives and 230 wagons. 5,333 aircraft carried supplies.

4th/5th. 126 aircraft despatched (4 missing) of which 78 were sea mining.

MEDITERRANEAN. 3rd. Medium and fighter bombers successfully attacked road and rail bridges south of BOLOGNA and in N.W. Italy. Beaufighters hit a coaster and two large caiques in AEGEAN.

4th. 760 Fortresses and Liberators dropped 715 tons on MUNICH railway centre and 870 tons on railway centres in ITALY. 16 bombers, 1 escorting fighter missing.

OPTEL No. 323, para. 3 'AIR'

Correct to read:

"3rd/4th. 82 Mosquitoes despatched...."