

**DIARY**

**Book 809**

**January 11-15, 1945**

	Book	Page
American Federation of Labor		
See also Financing, Government: War Savings Bonds 6th War Loan Drive)		
Speaking invitation accepted by HMJr - 1/15/45.....	809	325
American Manufacturers Association		
See Stettinius, E. H., Jr.		
Appointments and Resignations		
Berkshire, Stewart: Barkley recommends for Assistant Commissioner of Internal Revenue - 1/13/45.....		203
Surplus Property, Disposal of: Kansas City, Missouri: Truman and Hannegan-Treasury correspondence concerning appointments and dismissals - 1/12/45.....		143,147
Correction by Pehle - 1/26/45: See Book <u>812</u> , page 314		
Appropriations, Treasury - Fiscal year 1946		
See Statements by HMJr		
Athenagoras, His Grace Archbishop		
See Financing, Government: War Savings Bonds (Greece)		

Bandages		
See Post-War Planning: Surplus Property, Disposal of Berkshire, Stewart		
See Appointments and Resignations		
Business Conditions		
Haas memorandum on situation, week ending January 13, 1945 - 1/15/45.....		334

Cabinet Legislative Committee		
O'Connell memorandum on Acheson's proposal discussed by Treasury group (Viner present) - 1/12/45.....		70
(Acheson letter and proposal: page 353)		
a) Treasury group recommends that Treasury "go it alone" on Bretton Woods, etc.; HMJr disagrees - considers Stettinius really anxious to cooperate.....		71
Acheson-HMJr conversation - 1/12/45.....		84
Acheson-HMJr correspondence concerning re-draft of memorandum for submission to Secretary of State and Director of Budget - 1/15/45.....		348
a) O'Connell memorandum of opposition.....		350
Budget Director Smith has signed copy sent him by Acheson - White tells HMJr - 1/18/45: See Book <u>810</u> , page 212		
FIE's memorandum now signed by Secretary of State, Secretary of Treasury, and Director of Budget, and OK'd by FIE ("but add Wallace") - 1/18/45: Book <u>810</u> , page 291; Book <u>811</u> , page 87		
a) FIE-HMJr discussion - 1/19/45: Book <u>811</u> , page 71		
b) Executive Order signed - 1/19/45: Book <u>811</u> , page 92		

	Book	Page
Correspondence		
Mrs. Forbush's mail report - 1/12/45.....	809	123

- F -

Federal Reserve

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

See Financing, Government: Federal Reserve Legislation

Federal Reserve Bank of New York (Fiscal Agent of U.S. Treasury)

See Financing, Government

Financing, Government

Federal Reserve Bank of New York (Fiscal Agent of  
U.S. Treasury): HMJr considers transferring some of  
Treasury business to either Chicago or Boston Federal  
Reserve Banks - 1/13/45..... 194  
(See also Book 811, page 271 - 1/22/45)

Federal Reserve Legislation

Conference of Treasury group; Currie and Viner present -  
1/13/45..... 179

a) Ratio - legislation to change as soon as  
possible recommended by Viner, Currie, and Bell  
1) HMJr opposed to legislation but in view  
of Budget Message feels Treasury must go  
along..... 182

b) HMJr-Eccles conversation - 1/13/45..... 188

c) Eccles-O'Connell-Congressmen Spence and  
Wolcott conference - O'Connell memorandum -  
1/23/45: See Book 811, page 286

Conference of Treasury group: discussion of timing  
legislation; Bell advocates no overlapping with next  
War Loan Drive - 1/24/45: Book 812, page 3  
(See also Post-War Planning: Bretton Woods  
legislation: Book 812, page 1)

War Savings Bonds

Greece: His Grace Archbishop Athenagoras thanked for  
assistance - 1/11/45..... 16

6th War Loan Drive

Presidents of Federal Reserve Banks thanked for  
assistance - 1/12/45..... 111

Presidents of certain railroads thanked for  
assistance - 1/15/45..... 314

New York Times critical editorial discussed in  
Gaston memorandum - 1/15/45..... 317

a) Hays-Gaston memorandum - 1/16/45:  
See Book 810, page 49

b) Discussion by 9:30 group - 1/17/45:  
Book 810, page 124

American Federation of Labor-Treasury correspondence  
concerning Los Angeles representative cooperation -  
1/15/45..... 319

- F - (Continued)

	Book	Page
Foreign Financial Policy Board		
See also Book 807		
Crowley-EMJr conversation at Cabinet reported to Treasury group - 1/12/45.....	809	103-G
a) Crowley "is in Treasury corner"		
b) EMJr asks Crowley to check Cox		
Foreign Funds Control		
Office of Strategic Services told type of information that would be of value in locating hidden enemy assets - 1/11/45.....		30
Lazard Freres: Progress report on investigation of remittance to France - Schmidt memorandum - 1/13/45....		224
France		
Lazard Freres: See Foreign Funds Control		

- G -

Germany		
Hitler: Report on physical condition sent by Office of Strategic Services - 1/13/45.....		245
Greece		
See Financing, Government: War Savings Bonds		

- H -

Hannegan, Robert E. (Chairman, Democratic National Committee)		
See Appointments and Resignations		
Harper, Fowler		
See War Refugee Board		
Hitler, A.		
See Germany		

- I -

International Labor Organization		
Departments of Labor and State relation to ILO discussed in Perkins-EMJr correspondence - 1/13/45.....		213

- K -

Kaltenborn, H. V.		
Thanks EMJr for cooperative interview - 1/15/45.....		212
Kansas City, Missouri		
See Appointments and Resignations: Surplus Property, Disposal of		

- L -

Lazard Freres		
See Foreign Funds Control		

- L - (Continued)

	Book	Page
Legislative Committee (Cabinet)		
See Cabinet Legislative Committee		
Lend-Lease		
Purchase contracts - for methods of making see Procurement Division		
Executive Reports as of November 30, 1944 - 1/11/45.....	809	35
U. S. S. R.: FDR asks for complete cooperation pending formulation of Fifth Protocol - 1/11/45.....		39
United Kingdom		
Federal Reserve Bank of New York statement showing dollar disbursements, week ending January 3, 1945 - 1/11/45.....		45
Aircraft flight delivery as at December 31, 1944 - British Air Commission report - 1/15/45.....		386

- M -

Manufacturers Association, American		
See Stettinius, E. R., Jr.		
Missouri		
See Appointments and Resignations: Surplus Property, Disposal of		
Morgan, J. P., and Company		
Attitude toward Jews outlined.....		374
Morgenthau, Henry, Jr.		
Enclosures in Treasury Pay Envelopes: See Treasury Dept.		

- N -

New York Times		
See Financing, Government: War Savings Bonds (6th War Loan Drive)		

- O -

O'Dwyer, General William		
See War Refugee Board		
Office of Strategic Services		
See Foreign Funds Control		

- P -

Post-War Planning		
Surplus Property, Disposal of (Kansas City, Missouri)		
See also Appointments and Resignations		
Bandages - re-sale of discussed in Mrs. FDR-Treasury correspondence - 1/15/45.....		272
Withdrawals of property previously declared surplus by Army and Navy - Fahle report - 1/17/45: See Book <u>810</u> , page 166		

	Book	Page
Press Conferences		
Staff members present discussed in Gaston memorandum - 1/11/45.....	809	12
Procurement Division		
Purchase Contracts (Lend-Lease, etc.): Mack memorandum describing - 1/11/45.....		18

- R -

Rosenman, Samuel I.		
Father-in-law's appointment to Surplus Property discussed by HMJr and Pehle - 1/15/45.....		254
a) Rosenman-HMJr conversation.....		257
b) " accepts suggestion of transfer to Surplus Property - 1/25/45: See Book <u>812</u> , page 191		

- S -

State Department		
See Cabinet Legislative Committee		
Statements by HMJr		
Treasury Appropriation, fiscal year 1946: HMJr's testimony before House Ways and Means Committee - 1/15/45.....		289
Stettinius, E. R., Jr.		
See also Cabinet Legislative Committee		
American Manufacturers Association attacked by Stettinius in White House anteroom in presence of Winthrop Aldrich and Eric Johnston - 1/13/45.....		193
Stevenson, Adlai		
See War Refugee Board		
Surplus Property, Disposal of		
Kansas City, Missouri: See Appointments and Resignations		
Bandages: See Post-War Planning		

- T -

Taxation		
Refunds - delay in settling discussed by HMJr, D.W. Bell, Gaston, Blough, and O'Connell - 1/11/45.....		1
a) Numan's memorandum of explanation - 1/12/45.....		119
Treasury Appropriations (Fiscal year 1946)		
See Statements by HMJr		
Treasury Department		
Enclosures in Pay Envelopes		
See also Book <u>805</u>		
First letter by HMJr - 1/15/45.....		310
Truman, Harry S. (Senator, Missouri; Vice President of U.S.)		
See Appointments and Resignations		

U. S. S. R.

See Lend-Lease

" United Nations Relief and Rehabilitation Administration

United Kingdom

See Lend-Lease

United Nations Relief and Rehabilitation Administration

U. S. S. R. difficulties as outlined in memorandum transmitted

by Luxford - 1/15/45..... 809 376

War Refugees Board

Full-time Director discussed by Pehle and Treasury group -

1/12/45..... 91

a) Fowler Harper suggested..... 91

b) Adlai Stevenson suggested..... 97

c) General William O'Dwyer suggested..... 149

1) Pehle reports O'Dwyer is interested -

1/17/45: See Book 810, page 140

2) McCloy-HMJr conversation concerning -

1/25/45: Book 812, page 201

3) HMJr's letter to McCloy: Book 812, page 203-A

4) War Department agrees: Book 812, page 262;

Book 813, page 54

5) Grew-HMJr conversation - 1/26/45:

Book 812, page 265

a) Grew agrees: Book 812, page 290

6) Pehle's formal resignation and designation of

O'Dwyer as succeeding Executive Director -

1/27/45: Book 813, page 55

7) FDR sent formal notice of change:

Book 813, page 59

8) Letter to Grew concerning appointment -

2/1/45: Book 815, page 63

9) Resume' of appointment by Pehle - 2/3/45:

Book 816, page 42

War Savings Bonds

See Financing, Government

January 11, 1945  
10:25 a.m.

INTERNAL REVENUE

Present: Mr. D. W. Bell  
Mr. Gaston  
Mr. Blough  
Mr. O'Connell  
Mrs. Klotz

MR. O'CONNELL: You and Dan ought to know something in connection with the refunds. We made the suggestion last fall that they couldn't get all the refunds paid by an early enough date. It was my thought that they ought to pay the refunds on the basis of the taxpayers returns and check for discrepancies or errors afterwards. In any event, we are up against this situation. Five and three-quarters million of the sixteen million claims for refunds for 1943 have not been paid, and will not have been paid by the 15th of March. This means that when people file on March 15 of this year, presumably a good part of the five and three-quarters million will deduct the amount of their 1943 refunds. Some may not file a return at all, and by that time they will have good reason to be griped about not having got what they were entitled to get.

MR. BLOUGH: That is an understatement.

MR. O'CONNELL: The average amount of refund is thirty-four dollars.

H.M.JR: How much?

MR. O'CONNELL: The total amount of refund is about one hundred and ninety-five million dollars.

H.M.JR: One hundred and ninety-five?

MR. O'CONNELL: One hundred and ninety-five million dollars would be the total amount of refunds. We would pay them right away. The nine or ten million we have already paid involves three hundred million dollars, so we are assuming we will maintain the same average. They made a couple sample checks of a couple thousand cases in different districts which have been handled by a laborious process of matching documents and being sure they are absolutely right. The average error in these cases was two dollars and sixty-one cents. Now, from time immemorial the Bureau has had a tolerance of two dollars, and the errors are not much more than that. It is not practical to check.

MR. GASTON: Two dollars and sixty-one cents. Let's deduct the sixty-one cents.

MR. BELL: Let's raise the tolerance to three dollars.

MR. O'CONNELL: Assuming we lose two dollars and sixty-one cents on each five and three quarters million dollars--it is the worst assumption we could make--it would cost us thirteen million dollars. That is a literal impossibility. Assuming two dollars and sixty-one cents is right, we are going to make a check of the returns, especially those in which there is more money involved, and we will get back any substantial amounts we overpay. It is costing us a million dollars a month interest, incidentally, because all refund claims bear six percent interest.

H.M.JR: Why not say that first?

MR. O'CONNELL: I'm saving the best gun for last. The proposal is the same we discussed last fall. Take these five and three-quarters million claims and pay them.

MR. BELL: I was worried about it first--

MR. O'CONNELL: I was worried about it and called a conference of Harold Graves and Nunan.

H.M.JR: John Sullivan comes in here and tells me all these things and he promises this thing, that everything will be out by the first of January. He goes up and has his picture taken--up there in my shop. Everything is lovely.

MR. BLOUGH: They more or less promised him--

H.M.JR: It's the same thing all over again. The first time I walked in, this Assistant Secretary of the Treasury from Connecticut--the Fiscal Assistant Secretary--we were three or four billion dollars off in our figures then. I said, "Why didn't you tell the President?"

He said, "He didn't ask me."

I don't want anybody like that around me.

MR. BELL: Harold was pretty certain he would have all of the claims out of the New York office before election.

H.M.JR: Why doesn't Nunan tell me this?

MR. BELL: They all thought they would have it into the collector's office.

H.M.JR: They are five and three-quarters million behind. Why doesn't Nunan tell it to me?

MR. O'CONNELL: This has been building up.

H.M.JR: You want me to say at ten-thirty we are going to pay it?

MR. O'CONNELL: No indeed. I would like you to tell me it is all right for the Bureau to do it.

MR. BLOUGH: Pay the money and then tell them.

MR. O'CONNELL: In the first place we have handled ten million of these the other way and this is a kind of emergency proposition. We hope we won't have to do it again, and I don't think it is a good idea to tell people at this stage of the game that without checking we are going to pay out one hundred and ninety-five million dollars.

MR. BELL: They really had quite a problem on their hands.

MR. GASTON: I am inclined to think the boys are right. It is too much confession of error. We have gone along so long and said we were doing all right and now to tell the boys we gave up because we found we were cockeyed and didn't know what we were doing--

H.M.JR: How wonderful it is for a head of a department for once to say he was wrong!

MR. GASTON: There's something in that.

MR. O'CONNELL: We may not have to do this for next year.

H.M.JR: How wonderful it is to say we are wrong. I have had these complaints--I have taken hold of this thing. I was advised we could do it. We haven't been able to do it and this thing is going to go out and I want the American public to know it.

MR. GASTON: I don't think we ought to tell them on this five and a quarter million we're paying without checking. I would be inclined to do it first, or get going, and then next week, next Monday, perhaps--can we get started on the thing?

MR. O'CONNELL: They are waiting. I was supposed to speak to the Secretary yesterday. They are waiting in the Bureau for word from the Secretary.

H.M.JR: I'll do it on one condition. The Bureau has got to write me a letter and say they fell down over Nunan's signature. The Bureau was wrong. They have

to write me that kind of a letter, "We were wrong. We estimated wrong. We told you wrong. We have fallen down on our face. Now we want to do it this way." I want that kind of a letter.

MR. BELL: Mr. Secretary, one reason for falling down is lack of personnel. They haven't been able to get people.

H.M.JR: Wait a minute. I have been out there in the Chicago office. Unless I've had the wool pulled over my eyes by the fellow doing bonds, he's getting the people.

MR. BELL: He isn't. He lost fifteen hundred people last year.

H.M.JR: How many did he put on?

MR. BELL: Two thousand, but he lost a net of fifteen hundred people. We are down to sixty-eight hundred. We have a serious situation in Chicago personnel.

H.M. I want a letter from the Bureau, the great Bureau that is all over there by themselves. I think I am going to insist I want them to give me the whole gist of the situation, an analysis of where they fell down and made promises and weren't able to live up to them and why.

MR. O'CONNELL: I would like to have that letter signed by a fellow that isn't here.

H.M.JR: Who is that?

MR. O'CONNELL: It seems Harold Graves is the one responsible.

H.M.JR: I don't care. Let them go back on the record. I have to have a record on why I am going to pay back five and three-quarter million people without examining it. I want a reason for it. I have to have a record if I'm pulled up before Congress.

MR. BELL: I think you can make a record as far as you are concerned without blaming a lot of people.

H.M.JR: Now look. I want a letter from Nunan giving me the history of what they promised, where they fell down and why they fell down, and now he recommends to me I do what you said.

MR. BELL: That's all right.

MR. O'CONNELL: Now may we tell them to go ahead without waiting for a letter, because they ought to start right today in getting things in shape?

H.M.JR: But I want the letter by two o'clock.

MR. O'CONNELL: It's impossible. If you want that kind of a letter, you have to give him a day or two to write a good letter. They have to analyze it and get figures.

H.M.JR: All right. Tomorrow at two o'clock. That's the deadline.

MR. BELL: You start it. It's my responsibility from now on. You dump things on the Disbursing Office. Now we have--

H.M.JR: I want a letter by two o'clock.

MR. GASTON: I think the last time we saw them they told us--

H.M.JR: Two o'clock tomorrow.

MR. GASTON: I think they told us they wouldn't finish until February.

H.M.JR: The first of January.

MR. GASTON: When we reviewed it, the time Dan spoke of, they wouldn't promise better than February 15.

MR. O'CONNELL: They have since changed it to February 28 and March 15 now.

H.M.JR: Send the preliminaries in.

WCNS

TICKER NEWS  
8:53 a.m.

Mr Blough 8  
January 11, 1945

Chairman George of the Senate Finance Committee took issue with the recommendation of Federal Reserve Board Chairman Marriner Eccles that individuals get postwar tax relief ahead of corporations.

When relief is possible, George said, it should go to individuals and corporations at the same moment. That, he insisted, is the only way to stimulate productive capacity--which means jobs--and buying power.

Eccles discussed his postwar tax views in the current issue of the Federal Reserve Bulletin. He advocated drastic reduction of excise taxes, lowering of personal income taxes in the lower brackets and later reductions in corporate taxes. And he called for a halt in deficit financing as soon as possible.

George agreed with Eccles' attack on deficit financing which, the Senator said, should be abandoned "at the earliest possible moment" to avoid "calamity."

He also endorsed the idea that excise taxes should be "drastically reduced," but he pointed out that the high wartime excises now in effect will die by statute six months after the war.

George said he did not believe Eccles went far enough in proposing that corporate excess profits taxes be reduced to "around 65 per cent."

January 11, 1945  
10:30 a.m.

PRE-PRESS

Present: Mr. D. W. Bell  
Mr. Gaston  
Mr. Blough  
Mr. Shaeffer  
Mrs. Klotz  
Miss Chauncey

MR. BLOUGH: Senator George has made another comment.

H.M.JR: Are you all right? I am going to have the press in. All right.

MR. BLOUGH: Apparently the papers yesterday carried the old story about Eccles' speech before the National Industrial Conference Board which was printed in the Federal Reserve Bulletin in December. The Washington News and this morning's Herald Tribune carried that as a new story and George apparently was asked about it, and reacted to it, and Eccles recommended excise taxes and individual income taxes be lowered first and corporation taxes afterwards.

George said they ought to be lowered at once. This is no time to talk about it.

MR. BELL: It is really an old story and they made a new one out of it.

MR. BLOUGH: I just wanted to call it to your attention.

H.M.JR: I have nothing to volunteer.

MR. SHAEFFER: Wilcox is going to ask what the Treasury's program is in taxing municipal bonds, and also if you have any comment on the refusal of the Supreme Court to review that adverse ruling on the Port Authority Bonds.

MR. BLOUGH: What happened was the Supreme Court said as far as it was concerned, it would not review a decision

of the Circuit Court of Appeals, that the Statute exempts the Port of New York Authority Bonds--the interest on them--from taxation. No constitutional question was decided by the Court in any way.

MR. GASTON: Was it raised?

MR. BLOUGH: The question was raised throughout the trial but it was decided in every court, both in the Tax Court and the Circuit Court of Appeals on a statutory issue, and not on a constitutional issue. There has been nothing to throw any light on the constitutional issue. It seems to me that we can't properly comment on the Supreme Court's decision except to point out that it clearly did not touch the basic constitutional question of the power to tax, and as far as the Treasury's position on taxation is concerned, I see no reason for any change in position whatever.

H.M.JR: Why not just say that?

MR. SHAEFFER: It's all right. Wilcox is going to ask the question.

MR. BELL: You have no plan at the moment to carry it any further.

MR. GASTON: To recommend a law to tax municipals? Have we?

MR. BLOUGH: We have no plan. This decision hasn't had any effect on tax plans.

H.M.JR: Now, I want to know who the fellow was that made me stick my neck out on this New York Port of Authority case. Was that Paul? Somebody made it a great personal issue to force that thing through.

MR. BLOUGH: The Port of New York Authority case?

H.M.JR: Who was so sure we could win that and all that?

MR. BLOUGH: I better look into that. I think it was Kades.

-3-

H.M.JR: I would like to know. I know there was somebody around my shop.

MR. BELL: I think it came up under--

H.M.JR: Somebody made it a personal issue.

MR. BLOUGH: Neither Paul nor Wenchel thought we could win the case.

H.M.JR: Will you find out?

MR. BLOUGH: Yes.

H.M.JR: Now, this thing in the New York Times about Stettinius and Morgenthau calling on the President with a report to meet on Bretton Woods. I won't say anything unless they ask me.

MR. SHAEFFER: All right.

MR. GASTON: I guess all you can say about a call on the President is that you called on the President, isn't it?

H.M.JR: Yes.

Show them in.

AA

January 11, 1945.

Memorandum

TO: Secretary Morgenthau  
FROM: Mr. Gaston

Shaeffer talked to the boys and girls in the press room about having members of your staff present at press conferences. They said they approved and Charlie is positive that there will be no unfavorable reaction.

The customs of some of the other Cabinet members are:

Ickes - He has a whole army of bureau heads and staff assistants with him at conferences, as many as thirty at a time. He checks his replies to questions with the bureau head affected and frequently asks them to reply directly to questions from newspapermen.

State Department - Conferences are usually a one man show, except of course for the presence of Mike McDermott, who is in charge of public relations. Occasionally Stettinius will have one or more of his aides if he knows of special matters that are coming up on which they would be useful. When Dumbarton Oaks was ready for discussion, he had the whole delegation present.

Stimson - Always has General Surles and Colonel Parmentier. Stimson reads a review of events of the week and answers only those questions that have been submitted in advance. He doesn't answer anything off the cuff. If a new question is submitted to him in conferences he refers it to Surles to have it looked up.

Forrestal - He has his public relations man present and if he knows of any particular subject that is coming up he will have the appropriate men in to discuss or check on that subject.

Perkins, Walker and Jones rarely hold press conferences. Jones holds one only when he has something special to tell and usually has two or three of his assistants with him.

WBS

ASSISTANT SECRETARY OF THE TREASURY *AA*<sup>13</sup>

January 11, 1945.

Memorandum

TO: Secretary Morgenthau  
FROM: Mr. Gaston

Charles J. V. Murphy is no doubt the man you saw this morning. He was with the World in 1928 and has been with Fortune since 1936. He went with the second Byrd expedition in 1934, in charge of radio broadcasts. He had previously written a biography of Byrd.

*MSG*

## ASSISTANT SECRETARY OF THE TREASURY

January 9, 1945.

Memorandum

TO: Secretary Morgenthau  
FROM: Mr. Gaston

As ammunition for use by salesmen with the 16 millimeter film on E Bonds which is being made, War Finance is also getting up a booklet on objectives of saving and the use that can be made of funds saved by the E Bond method.

The attached open letter will, if you approve, be reproduced in the booklet.



JAN 11 1945

TO THE OWNERS OF WAR BONDS

We know what your War Bonds have meant to the Government and to the War, but do you know how much they can mean to you?

For the past three years you have been investing your savings in a security unique in the history of Government financing -- the E Bond. This Bond was especially designed for your protection. It's yours in your name, and it has the guarantee of the greatest concern in the world -- the United States Government.

It has special privileges such as joint-ownership, the right to name a beneficiary, guaranteed values and -- if held to maturity -- will pay a rate of return not obtainable on any like security anywhere.

As Secretary of the Treasury, I can assure you that the Government will stand back of this Bond and fulfill every provision of it. It will be paid precisely and exactly according to the terms under which it was issued.

You have only to hold on to your Bonds to receive the maximum return, for they are designed to favor those who hold them the longest. Keep buying them regularly and hold them to maturity.

Sincerely,

(Signed) Henry Morgenthau, Jr.

MAY 1 1945

Your Grace:

Please accept my thanks for your untiring efforts in behalf of our War Loan campaigns. I am informed that you have been kind enough to insert stirring War Loan appeals into your various sermons before Greek Orthodox congregations throughout the nation. I am told that the recent recording in behalf of the Sixth War Loan Drive, under the auspices of the Treasury Department and the Office of War Information, has been rebroadcast in many communities with excellent results.

With such wholehearted cooperation on the part of leaders such as you, we cannot fail in our task of financing this great struggle for human freedom.

Sincerely,

(Signed)

His Grace Athenagoras  
Archbishop of the Greek Orthodox  
Church of North & South America  
10 East 79th Street  
New York, New York

RWC deb

EXECUTIVE OFFICE OF THE PRESIDENT  
**OFFICE FOR EMERGENCY MANAGEMENT**

**OFFICE MEMORANDUM**

**TO:** Mr. Burton Davis, Field Promotion Desk  
War Finance Division, Treasury Department

**DATE:** January 8, 1945

**FROM:** Achilles N. Sakell, Chief *A.N.S.*  
Domestic Foreign Language Press & Radio, OWI

**SUBJECT:**

Appended is a suggested draft of a letter to His Grace Archbishop Athenagoras of the Greek Orthodox Church of North and South America. The letter is for Mr. Morgenthau's signature and is self-explanatory.

The Archbishop has been doing an excellent job in making Greek-Americans War Bond-conscious.

During the Sixth War Loan Drive he prepared a stirring War Bond appeal which was recorded under the auspices of the OWI. Some 100 transcriptions of the recording were distributed to an equal number of Greek-American communities with instructions by the Archbishop to form local committees and give the recording the widest possible play.

In this address the Archbishop stressed the stake of the United States and all freedom-loving peoples in this war. He emphasized the necessity for bringing this war to a speedy and victorious conclusion. This, he said, will be achieved not only through the valor of our armed forces, who are "a veritable shield of the Republic" but through extensive production of adequate weapons of war. This he followed with a fervent appeal to help our government finance this war for freedom. Americans of Greek extraction, he said, have a double duty toward the United States. Here, he said, the noblest ideals of Hellenism have been transplanted and came to full fruition.

A copy of this excellent address was published in all the Greek-language newspapers and periodicals in this country.

Kindly call me up as soon as Mr. Morgenthau mails the letter to the Archbishop. A letter along the same lines will be sent to His Grace by Mr. Elmer Davis.



**TREASURY DEPARTMENT**

**INTER OFFICE COMMUNICATION**

*Howe 18*

**DATE**

January 11, 1945

**TO** Secretary Morgenthau

**FROM** J. W. Pehle

During one of our recent discussions on Procurement matters you inquired with respect to the method used by the Procurement Division in buying goods, and particularly whether competitive bidding was used. I indicated to you that competitive bidding was used to a considerable extent but that negotiated contracts were used for a great deal of the Lend-Lease purchases.

There is attached a memorandum prepared at my request by Mr. Mack, indicating the methods employed by the Procurement Division in making purchase contracts. The great bulk of the purchases in monetary value are negotiated contracts, authorized under the authority of the First War Powers Act and used for Lend-Lease and similar purchases.





OFFICE OF THE DIRECTOR

# TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



MEMORANDUM TO MR. J. W. PEHLE

In accordance with your request this memorandum will briefly outline our methods of making purchase contracts.

1. Indefinite-quantity term contracts; that is, contracts definite as to period of time, but indefinite as to quantity. These would include General Schedule of Supply contracts and certain other special types.
2. Open-market contracts; that is, purchase of definite quantities, for delivery at definite times and places. These would include purchases for other agencies of the Government, and purchases for replenishment of Procurement Division warehouse stocks.
3. Negotiated contracts; that is, contracts entered into under authority of the First War Powers Act, 1941, or similar authority such as provided in the Critical and Strategic Materials and Red Cross appropriation acts. These would include purchases against Lend-Lease appropriations, primarily.

The distinctive features of each type are described hereunder.

General Schedule of Supply contracts are based on estimated needs of two or more agencies of the Government. The schedules are actually digests of several contracts in the same commodity class and are generally available to all Government agencies both in Washington, D.C. and in the field.

- 2 -

In these contracts the supplier agrees to deliver such quantities as may be required, and the Government agrees to purchase its requirements from the contractor for a specific period of time during the life of the contracts, which may range anywhere from three months to a year depending on the type of commodity. The main feature of General Schedule of Supply contracts is the fact that they are intended to cover items in common use in two or more departments and considerable economies are accomplished because the agencies concerned have merely to place purchase orders on the schedule contractors for such amounts as they may require.

In addition to the General Schedule of Supply contracts there are other special classes of indefinite-quantity contracts which include annual and semi-annual contracts for typewriter and computing machine ribbons, carbon paper and scotch tape; these contracts being entered into for the account of the Stores Branch. Other types of contracts in the same class would be those for news ticker service, packing of office furniture, motion picture laboratory work, reporting service for hearings, stencil cutting, manufacture of identification badges, burglary service, lumber and grading inspection service, marketing research reporting, newspaper mat service, and packing of typewriters for export.

The major steps in processing and distributing General Schedule of Supply contracts are as follows:

1. Preparation of specifications and proposals.
2. Issuance of proposal.
3. Receiving and tabulating of bids.
4. Review and recommendation for award by Commodity Group.

- 3 -

5. Review and approval of award by contracting officer.
6. Notification to contractor of award by Contract Section.
7. Preparation of General Schedules by Editorial Section.
8. Printing and distributing of General Schedule of Supply to departments.

Open market purchases are based on specific requirements of several Government agencies, made known to the Procurement Division by the presentation of requisitions or purchase authorities. These requests for purchase result in definite-quantity contracts, that is, for the delivery of a specific amount of material and supplies at a definite date. The Procurement Division solicits bids for such requirements, and in general the purchase is made from the lowest responsible bidder meeting specifications. This is more generally known as "regular purchasing procedure," that is, in accordance with Section 3709, Revised Statutes, which provides in pertinent part that all purchases for material and supplies must be made after public advertisement from the lowest bidder who has offered a product in accordance with the specifications.

A substantial portion of stock-replenishment requirements for the Stores Branch is purchased on the open-market, as above defined. In this sense the Stores Branch is regarded as one of the customer agencies of the Contract and Purchase Branch.

The principal steps in processing open market transactions are as follows:

- 4 -

1. Receipt and recording of requisition by Control Section.
2. Preparation of specifications and proposals.
3. Issuance of proposals.
4. Receiving and tabulating of bids.
5. Review and recommendation for award by Commodity Group.
6. Review and approval of award by contracting officer.
7. Issuance of contract and purchase order to contractor.
8. Following up by Control Section until delivery is completed.
9. Transmittal of receipted documents to Finance Division for payment.

Negotiated purchases are those made under the authority of the First War Powers Act. The emphasis in war powers purchasing is that of speed. Some secondary factors, such as keeping out of labor shortage areas, favoring smaller manufacturers, evaluating excessive transportation costs are considered but speed and time of delivery are the important factors.

The matter of price is arrived at by discussion and bargaining with the supplier who has been selected on the basis of best delivery. All purchases under this program originate principally with the Foreign Economic Administration and the Red Cross and the requisitions are formally cleared with the War Production Board before commitments are made.

- 5 -

The major steps in processing Lend-Lease requisitions are as follows:

1. Receipt and recording of requisitions by Control Section.
2. Preparation of specifications and issuance of informal proposals either by telephone, telegram or letter.
3. Receiving and tabulating of bids.
4. Discussion and bargaining with supplier with best delivery.
5. Recommendation for award by Commodity Group.
6. Review and approval of award by contracting officer.
7. Notification to contractor by letter or wire commitment of award.
8. Notification to Inspection Division of award.
9. Preparation of formal contract and transmittal to contractor.
10. Approval of formal contract and distribution to Inspection and foreign missions.

Under all types of purchasing whether regular or negotiated, examinations of all proposals are carefully screened for the following matters:

- 6 -

1. See that the bidder complies with all terms and conditions of the request for bids - delivery date, quality of commodity offered, etc.
2. That prices do not exceed Ceiling Prices.
3. See if any contingent fees, commissions, royalties or any other irregularities are involved.
4. If any unusual terms or conditions are imposed or suggested by the supplier, these are forwarded to the Chief Counsel for decision before award is made. In addition to these types of submission to the Chief Counsel all cases involving an expenditure of \$100,000 or more are formally submitted to his office for review before award is made.

Clifton E. Mack  
Director of Procurement

1/11/45

**Mr. White****Secretary Morgenthau**

I understand that Beardsley Ruml and a Committee of the Federal Reserve Bank are going to report unfavorably on Bretton Woods.

Since Ruml is a friend of yours, I wonder if you or some one in your office couldn't see him and talk to him.

White talked to Ruml 1/18/45.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

26 ✓  
House

DATE

January 11, 1945

TO Secretary Morgenthau  
FROM Mr. Luxford and Mr. DuBois

We think that you should ignore these statements for the time being. Jessie Sumner's remarks are merely further evidence of the significant part Russia is playing in the thinking about Germany.

*ADH geo*

27

January 10, 1944

To: Mr. Luxford ✓  
Mr. Du Bois

The Secretary would like to have you advise him whether he should do anything about this.

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

*San Bois  
1 July*

DATE *10/10/45*  
Jan. 10, 1945

TO Secretary Morgenthau  
FROM Mr. Lynch *[Signature]*

*6-10-45  
1-10-45*

Yesterday in an address to the House on the subject of the unconditional surrender policy, which she described as "an anachronism", Miss Jessie Sumner of Illinois made the following statement:

"Recently we saw German resistance stiffen because of the revelation of the Morgenthau plan. But the American people have not been told that the reason was because it seemed to confirm the devilish Nazi dogma which says that unconditional surrender means the shattering of Germany into Communistic revolutionary chaos with middle-class people being killed or carried off into Russian slavery. Germans are seeing neighboring countries liberated only to fall into the hands of Stalin through internal revolution. They know that Stalin's army killed or carried into slavery worse than death, great numbers of anti-Nazi Poles and Lithuanians. They know that they, the German people themselves - the hated enemy - need expect a fate no better and probably worse."

"If Mr. Churchill and President Roosevelt intend to impose upon the German people a fate less harsh than chaos, death, and slavery worse than death, they owe it to our gallant fighting men to spare our servicemen needless suffering by saying so plainly, unequivocally, and reliably. Can they? Unfortunately, President Roosevelt and Mr. Churchill, to say nothing of Stalin, have not kept to the high moral level of trustworthiness as did Woodrow Wilson. Their

evasive dealings with Polish and Yugoslavian agreements and the Atlantic Charter have greatly discredited them. Therefore, the task is perhaps the most difficult, though, perhaps, also the most important they have yet undertaken." (Congressional Record, January 9, 1945, page 151)

The above quotation gives a summary of Miss Sumner's diatribe against the policy of unconditional surrender.

The Record also includes in the Appendix a speech on foreign policy given by Representative Robert Hale, at Portland, Maine, on January 2, 1945, in which the following statement appears:

"In any case an essential of any peace terms would seem to be to make possible some sort of an economy under which the German people can live. There will be no German economy left after the war. It would obviously be more humane to send 80,000,000 men, women, and children to the firing squad or the Vernichtungslager than to have them starve to death over the years. The suggestion of Secretary Morgenthau to destroy all German industry would have left no assurance of any economic future for Germany. \* \* \*"  
(Page A82)

January 11, 1945

20

*Handwritten initials*

MEMORANDUM FOR THE SECRETARY

I thought you would like to know that the information handed to you Tuesday by the two representatives of O.S.S. is of little value in locating hidden enemy assets and is of a type which we have been receiving for quite some time. After leaving your office, I explained to the representatives of O.S.S. the kind of information that would be helpful to us. I am supplementing my oral explanation with a brief memorandum, a copy of which is attached for your information.

*Chris A. Schmitt*

**TOP  
SECRET**

JAN 10 1945

25

Memorandum for E. J. Putzell, O.S.S.

In accordance with your suggestion of yesterday, I have indicated below some of the types of information which would be most helpful to the Treasury Department in connection with the Safehaven project. As a general rule, the more specific the information the more useful, and wherever possible such facts as names of persons or institutions participating, amounts involved, dates of transactions, place in which funds are held, names in which held, etc. should be obtained.

1. Individuals or institutions in neutral countries holding, or to or through whom transfers are made of, enemy assets including bank balances, gold, currency, securities, diamonds, art objects, etc.
2. Individuals or private institutions in the neutral countries buying or selling substantial amounts of gold.
3. Individuals or institutions in neutral countries buying gold from Germany.
4. Individuals and institutions in neutral countries dealing in United States dollar currency or dollar stocks and bonds issued in the United States, where there is reason to believe such currency or securities have emanated from enemy or occupied territory.
5. Names of attorneys in neutral countries whose business has been that of representing important German interests and any information concerning any recent activity on behalf of such clients.
6. Investments, whether cloaked or open, of new capital in any form on behalf of enemy persons or firms. Such investments may include, among others, the establishment of new business enterprises, trusts, or holding companies; acquisition of majority or minority interests in new or established enterprises; purchase of real estate, securities, gold, patents, trademarks, etc.
7. Any information on trips made to neutral countries by representatives of important German banks, financial institutions, industrial or commercial organizations, and the like. For example, a month or so ago we learned that Wolff and Von Wedel, directors of the Reichsbank, visited Switzerland for the purpose of carrying out a plan to protect German assets from anticipated Allied post-hostilities control. Their plan was to induce large Swiss banks to grant loans to German companies which the German companies

Regraded Unclassified

would repay with funds held in their accounts in Switzerland. The funds received from the new loans, however, were to be placed in cloaked accounts. As a result of this operation, funds which the Germans had been holding openly in Switzerland would be wiped out and put into hiding. This proposal was made to the Swiss Bank Corporation, which reportedly refused to grant such loans.

8. Any sales to persons in neutral countries of enemy properties, whether or not they appear to be bona fide, and any information bearing on the bona fide character of the transaction (such as, for example, adequacy of compensation, method of payment, etc.).

9. Any sales or transfers of enemy patents and trademarks, and agreements relative thereto.

10. Individuals or institutions participating in the disposition of looted assets of any kind, regardless of current ownership.

11. Individuals and institutions in neutral countries who are parties to the creation of new enemy credits arising from delivery of merchandise, performance of services, or otherwise, where such credits are or may be retained in the neutral countries for postwar collection or liquidation.

12. Persons or firms, in neutral countries, utilizing enemy technical or managerial help.

Information of any activities of the above types would be extremely valuable.

(Signed) Orvis A. Schmidt

Orvis A. Schmidt  
Director

**TOP  
SECRET**

**SECRET**

33 L

**OFFICE OF STRATEGIC SERVICES  
WASHINGTON, D. C.**

11 January 1945

*White has these*

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

My dear Mr. Secretary:

In accordance with your suggestion to Lt. Putzell of this office we are pleased to hand you herewith copies of the following documents prepared by our Research & Analysis Branch:

"South Germany", volumes I - VI inclusive,  
dated 22 September 1944.

"The Belgian Situation" (through 30 November 1944)  
dated 26 December 1944.

"Liberated Belgrade" dated 6 January 1945.

"Hungary and the Peace" dated 2 January 1945.

"Political Conditions and Foreign Relations of  
Bulgaria" dated 22 December 1944.

"Sicilian Problems and Prospects" dated  
8 November 1944.

"Present Political Party Trends in Yugoslavia"  
dated 22 December 1944.

"Views of a German Conservative" dated  
22 December 1944.

"Weekly French Intelligence Report No. 12"  
dated 1 January 1945.

"Nazi Plans to go Underground" undated.

"The Pattern of Illegal Anti-Democratic Activity  
in Germany after the Last War: The Free Corps"  
dated 13 October 1944.

"The Clandestine Nazi Movement in Post-War Germany"  
dated 13 October 1944.

"Russian Reconstruction and Postwar Foreign Trade  
Developments" dated 9 September 1944.

**SECRET**

Regraded Unclassified

**SECRET**

"Russian Economic Conditions in Germany in the Period of Military Occupation", Part I, dated 28 October 1944.

"Concentration Camps in Germany" dated 3 October 1944.

"Capabilities and Intentions of the Chinese Communists" dated 8 December 1944.

"Captured Chetnik Documents" dated 15 June 1944.

"Political Parties and Personalities in Palestine" dated 16 June 1944.

"Italian Electoral Problems" dated 10 October 1944.

"The Political Significance of the Polish Constitutional Issue" dated 2 December 1944.

"The Sinarquista Movement in Mexico" dated June 1943.

"The Possibilities of Opening Additional Supply Routes to China" dated 14 September 1944.

"Anti-Semitism as a Weapon of Axis Political Warfare in Latin America" dated 15 August 1944.

"The Greek Political Crisis" dated 4 December 1944.

I am also enclosing copy #9 of top secret #3189 (In 795) of 9 January from our representative in Bern, Switzerland, which I am asking Lt. Putzell to discuss with you.

We will be pleased to send you other material which may be of interest to you as it becomes available.

Sincerely yours,

*Charles S. Cheston*

Charles S. Cheston  
Acting Director

Enclosures

**SECRET**

## FOREIGN ECONOMIC ADMINISTRATION

Washington, D. C.

January 11, 1945

MEMORANDUM

To: **The Honorable Henry Morgenthau**

From: Herbert Willett  
Director of Research and Reports  
Office of General Counsel

Subject: Executive Reports on Lend-Lease Operations

Transmitted herewith, for your information,  
are copies of Executive Reports 1, 2 and 3, on  
lend-lease operations, as of November 30, 1944.

## ALLOCATIONS, OBLIGATIONS AND EXPENDITURES LEND-LEASE FUNDS APPROPRIATED TO THE PRESIDENT

Report as of November 30, 1944

(Thousands of Dollars)

Appropriation Category	Adjusted Appropriations	Cumulative to November 30, 1944		
		Allocations	Obligations	Expenditures
Ordnance and Ordnance Stores	\$1,467,306	\$1,462,836	\$1,390,363	\$1,294,473
Aircraft and Aero. Material	2,474,625	2,471,048	2,370,569	2,198,805
Tanks and Other Vehicles	739,273	706,762	672,688	643,497
Watercraft	4,121,703	3,837,667	3,636,757	3,401,398
Misc. Military Equipment	304,288	300,562	268,946	267,810
Production Facilities	1,087,688	1,086,909	1,056,271	1,012,722
Agric. and Indust. Commodities	16,690,589	15,281,796	12,562,685	10,679,801
Servicing, Repair of Ships, etc.	790,818	757,467	629,606	620,984
Services and Expenses	500,000	415,818	328,938	293,046
Administrative Expenses	33,208	30,549	29,508	29,397
<b>Total</b>	<b>28,209,498</b>	<b>26,351,414</b>	<b>22,946,331</b>	<b>20,441,933</b>

Procuring Agency	Cumulative to November 30, 1944		
	Allocations	Obligations	Expenditures
War Department	\$5,365,766	\$5,129,937	\$4,893,383
Navy Department	3,990,903	3,201,929	2,862,834
Maritime Commission and War Shipping Admin.	3,868,976	3,590,287	3,482,256
Treasury Department	5,899,471	4,488,780	3,794,598
Department of Agriculture	7,199,869	6,511,463	5,388,097
Other	26,429	23,935	20,765
<b>Total</b>	<b>26,351,414</b>	<b>22,946,331</b>	<b>20,441,933</b>

Foreign Economic Administration  
Office of General Counsel  
Division of Research and Reports  
January 5, 1945

Lend-Lease Operations  
Executive Report No. 3

**LEND-LEASE GOODS TRANSFERRED**

Report as of November 30, 1944

(Thousands of Dollars)

	Cumulative to November 30, 1944				
	Br. Empire	China	U.S.S.R.	Other	Total
Ordnance (Excl. Ammunition)	\$834,744	\$15,740	\$293,816	\$26,413	\$1,170,713
Ammunition and Components	1,814,986	22,204	454,900	34,292	2,326,382
Aircraft	2,950,509	90,487	951,465	138,963	4,131,424
Aircraft Engines, Parts, etc.	1,597,400	27,573	301,083	47,640	1,973,696
Tanks and Parts	2,592,331	941	554,897	41,553	3,189,722
Motor Vehicles and Parts	728,923	26,501	821,417	23,552	1,600,393
Watercraft and Parts	2,667,761	447	280,205	185,894	3,134,307
Foods	2,791,975	52	1,215,122	36,755	4,043,904
Other Agric. Products	639,993	48	15,970	131	656,142
Machinery	673,809	6,824	878,913	14,552	1,574,098
Metals	1,028,124	12,070	517,589	49,003	1,606,786
Petroleum Products	1,458,366	2,602	67,799	3,193	1,531,960
Miscellaneous Materials and Manufactures	2,308,291	13,954	804,220	90,239	3,216,704
<b>Total</b>	<b>22,087,212</b>	<b>219,443</b>	<b>7,157,396</b>	<b>692,180</b>	<b>30,156,231</b>

Foreign Economic Administration  
Office of General Counsel  
Division of Research and Reports  
January 5, 1945



TREASURY DEPARTMENT  
WASHINGTON 25

To: Secretary Morgenthau  
From: J. W. Pehle

Attached is a proposed reply to the President's memorandum of January 5 on Russian requirements.

The President's memorandum is almost identical with a memorandum received from him on February 14, 1944, dealing with the Fourth Protocol.

A handwritten signature in black ink, appearing to be "JWP".

JAN 11 1945

My dear Mr. President:

I have your memorandum of January 5, 1945, requesting that the U.S.S.R. be provided the maximum amount of supplies which can be delivered to her ports, and emphasizing the importance of meeting Russian needs.

This Department will continue to exert every effort to meet Russian requirements as they are made known to us. I am happy to report that the Procurement Division is obtaining production and delivery of Russian requirements at rates substantially in excess of those fixed by the current protocols.

Faithfully,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

**SECRET**

JWPehle:dg 1/9/45

Jan. 8, 1945

40

Copies to: D. W. Bell ✓  
○ Harry White  
John Pehle  
Ansel Luxford  
Josiah DuBois

Mr. Pehle to please prepare a reply.

SECRET

THE WHITE HOUSE  
WASHINGTON

January 5, 1945

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

Russia continues to be a major factor in achieving the defeat of Germany. We must, therefore, continue to support the U.S.S.R. by providing the maximum amount of supplies which can be delivered to her ports. I consider this a matter of utmost importance, second only to the operational requirements in the Pacific and the Atlantic.

The U.S.S.R. has been requested to state requirements for a Fifth Protocol, to cover the period from July 1, 1945 to June 30, 1946. It is desired that, within the limitations of available resources, every effort be made to meet these requirements.

Pending the formulation of the Fifth Protocol, it is my desire that every effort be made to continue a full and uninterrupted flow of supplies to the U.S.S.R.

*Franklin D. Roosevelt*

SECRET



CONFIDENTIAL

WAR DEPARTMENT  
OFFICE OF THE UNDER SECRETARY

WASHINGTON 25, D. C.  
January 11, 1945

*copy to White*

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

Dear Mr. Secretary:

Reference is made to your letter of December 15, 1944 wherein you requested the cooperation of the War Department in helping to clear up certain claims by the British for payment on account of the transfer to the United States, in 1941 and 1942, of certain British contracts with Savage Arms Corporation, The Tennessee Powder Company, and the Lima Locomotive Works.

I have been advised by the Office of the Fiscal Director, the Office of the Director of Materiel, and the Office of the Chief of Ordnance as follows:

1. Savage Arms Corporation (\$684,000). The Comptroller General in decision B-23634, dated November 11, 1944 (Letter to the Secretary of War), and decision B-23634, dated December 12, 1944 (Letter to Colonel D. T. Nelson, Finance Department, U. S. Army), advised that credit had been allowed in the Disbursing Officer's account for the payments made on vouchers Nos. 832, DA-6435, and DA-9595, June, November, and December 1942, respectively, accounts of I. S. Werman, covering reimbursement to the Savage Arms Corporation.

2. Tennessee Powder Company (\$292,000). This matter is presently being considered and reviewed by the Legal Branch, Office of the Director of Materiel, Army Service Forces. Payment procedure is under discussion with the British (Mr. H. J. Devaud, Deputy Director of Finance, British Purchasing Commission), with the latter considering a proposed settlement under Section 17(a) of the Contract Settlement Act of 1944.

3. Lima Locomotive Works (\$100,000 and \$237,000). The Office of the Chief of Ordnance has advised that an

*(Book 803, p. 76)*

CONFIDENTIAL

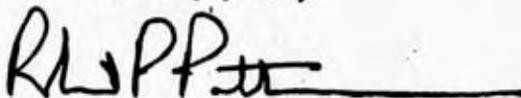
CONFIDENTIAL

43

investigation is being made with a view to appraising the total claim and the possibility of settling the same under the contract, or, if that is not possible, under Section 17(a) of the Contract Settlement Act of 1944.

With respect to items 2 and 3 above, I shall advise you further upon receipt of the information now being collected.

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. P. Patterson", followed by a horizontal line extending to the right.

ROBERT P. PATTERSON,  
Under Secretary of War.

CONFIDENTIAL

- 2 -



WAR DEPARTMENT  
OFFICE OF THE UNDER SECRETARY  
WASHINGTON 25, D. C.  
January 11, 1945

44 L  
? 1 ?  
carbon copy to  
Mr. White  
1/12/45

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

Dear Mr. Secretary:

As requested in your letter of January 8, I am having an investigation made of the matter involving British-owned capital facilities, referred to in your letter.

As soon as the results of the investigation are available and a conclusion reached, I shall advise you.

Sincerely yours,

*RLS P.P.*

ROBERT P. PATTERSON,  
Under Secretary of War.

(Book 808, p. 132)

RECEIVED  
JAN 15 1945

FEDERAL RESERVE BANK  
OF NEW YORK

January 11, 1945.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended January 3, 1945, 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.

Enclosures

C O P Y



- (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 \$65 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 5,
- (h) Includes \$ 18.5 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$ 8.0 million transferred from account in this market of Norwegian shipping and Trade mission.
- (i) Transactions for account of Caisse Central d'Outre-Mer included for first time in week ended December 6, 1944.
- (j) Includes \$14.5 million and \$ 8.0 million transferred to accounts at this bank of Commonwealth Bank of Australia and Oversee Riksbank, respectively.
- (k) Transferred to official French account in this market.

ANALYSIS OF CANADIAN AND AUSTRALIAN RESERVES  
(In Millions of Dollars)

Strictly Confidential  
Week Ended Jan. 3, 1945

PERIOD	CANADA (and Canadian Government)						AUSTRALIA (and Australian Government)									
	DEBITS		CREDITS		NET INCR. (+) or DECR. (-)		DEBITS		CREDITS		NET INCR. (+) or DECR. (-)					
	Total	Transfers to Official A/C	Others	Total	Proceeds of Gold Sales	Transfers from Official A/C	Other Credits	Total	Transfers to Official A/C	Others	Total	Proceeds of Gold Sales	Other Credits			
War Years (a)	323.0	16.6	306.4	506.7	183.7	20.8	28.7	32.4	+ 182.7	31.2	3.9	27.3	26.3	20.9	6.1	+ 4.9
First	460.4	-	460.4	462.0	245.2	3.4	123.0	82.5	+ 1.6	72.2	16.7	55.5	62.2	68.9	18.3	+ 9.0
Second	525.8	0.3	525.5	566.8	198.6	7.7	-	360.0	+ 20.5	377.2	37.7	48.8	112.2	17.2	28.0	+ 5.0
Third	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 234.2	1077.0	157.1	42.9	200.4	-	200.4	+ 3.4
Fourth	849.3	1.0	848.3	928.5	38.1	61.4	-	829.0	+ 287.3	298.6	231.0	45.6	287.9	-	287.7	+ 10.9
1944																
September	76.5	0.1	76.4	91.8	-	30.4	-	31.4	+ 17.3	1.8	1.0	4.8	7.3	-	7.3	+ 1.5
October	24.1	-	24.1	24.2	-	7.4	-	7.4	+ 20.1	20.5	1.0	10.9	21.0	-	21.0	+ 0.5
November	38.8	-	38.8	53.7	-	2.9	-	30.8	+ 14.9	1.4	1.0	2.4	5.8	-	5.8	+ 2.4
December																
1945																
January																
February																
March																
April																
May																
June																
July																
August																
Week Ended																
Dec. 3, 1944	3.9	-	3.9	3.0	-	-	-	3.0	- 0.9	-	-	-	0.3	-	0.3	+ 0.3
Dec. 20, 1944	5.4	-	5.4	14.5	-	-	-	14.5	+ 7.1	1.0	-	1.0	1.1	-	1.1	+ 0.1
Dec. 27, 1944	14.0	0.7	14.3	4.7	-	-	-	4.7	+ 10.3	-	-	0.3	-	-	0.3	+ 0.3
Jan. 3, 1945	14.9	-	14.9	21.69	-	-	-	21.69	+ 6.7	2.5	-	2.5	17.7	-	17.7	+ 3.2

Average 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	16.1 million.
Sixth year of war (through Jan. 3, 1945)	8.2 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 \$ 19.2 million deposited by War Supplies, Ltd. and \$ 1.5 million received from New York accounts of Canadian chartered banks.

CABLE TO WINANT, LONDON, FOR MANN FROM WAR REFUGEE BOARD

Reference your 11461 of December 27. Department, War Refugee Board and Treasury all approve proposed methods of transfer for I.G.C. expenditures for Rumania, North Italy and Hungary in view of the urgency of relief needs in those areas.

THIS IS WRB LONDON CABLE NO. 36.

11:00 a.m.  
January 11, 1945

MB  
Dis tribution of true  
reading only by special  
arrangement. (SECRET W)

January 11, 1945

9 p.m.

**AMBASSY**

**LONDON**

**238**

The following for Mann is WRB 36.

Reference your 11461 of December 27. Department,  
War Refugee Board and Treasury all approve proposed  
methods of transfer for I.G.C. expenditures for Rumania,  
North Italy and Hungary in view of the urgency of relief  
needs in those areas.

**ORIN**  
**(Acting)**  
**(ORIN)**

**WRB:184V:EO**  
**1/11/45**

**BC**

**SE**

**SWP**

MF-1710

PLAIN

London

Dated January 11, 1945

Rec'd 12:45 p.m.

Secretary of State,  
Washington.

365, eleventh

TO PERHLE FROM MANN

Please deliver the following message from Joseph Schwartz to Moses Leavitt of the JDC.

Have been discussing with Passman setup of Middle East Regional Office to control relief activities Balkans and purchases and shipments supplies to Eastern Europe through Tehran have agreed setup JDC Regional Office in Palestine for those purposes with Passman in charge as Regional Director with Magnes Committee acting in advisory capacity to him. Passman will be directly responsible to me and it is understood that no financial commitments and no decisions regarding basic policy will be made by regional office without prior clearance either with me or when I am not available directly with you. Passman expects leave next days and hopes proceed soonest to Sofia and Bucharest to establish personal contacts with our committees those countries for proper organization relief programmes. Trobe also leaving Thursday en route Istanbul and Balkans and important that Fishohn proceed at once consider this arrangement satisfactory from every point of view and believe it will facilitate our work for Balkan area. Passman indicates that he will be able to give us at least twelve months service this capacity.

JMB

WINANT

LFG-1930  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

London  
Dated January 11, 1945  
Red'd 11:20 p.m.

Secretary of State,

Washington.

368, January 11, 4 p.m.

FOR PEHLE FROM MANN

Please deliver the following message to Moses  
Leavitt American Joint Distribution Committee from  
Joseph Schwartz.

Your cable regarding parcel service and relief  
liberated Poland has been discussed with Passman and  
also meetings with Polish authorities here have been  
held regarding situation. Polish authorities willing  
continue help us with parcel service and bulk relief not  
imposing any conditions even if some confined only Jews.  
They hope, however, we will endeavour and succeed obtain  
permission Russian Government to help also non-Jewish  
refugees Asiatic Russia liberated Poland in which event  
they are prepared to assist us on large scale. No attempt  
made by Passman to bring pressure in his negotiations  
Russian authorities Tehran but simply indicated that  
reasons no longer exist for our not sending parcels  
to non-Jewish Polish nationals. Passman believes  
also that if we have representative in Poland we may  
be able to bring about change in present parcel service  
by extending it to all refugees and relieve us of pay-  
ment Russian duty. Regarding purchase thirty thousand  
pairs of shoes we propose sending ten thousand to  
Bulgaria and twenty thousand to Rumania. As regards  
cost of shoes et cetera, Passman will inform us from  
Jerusalem.

WINANT

EMB

Miss Chauncey (for the Sec'y) Ackermann, Akzin, Cohn, Drury,  
DuBois, Gaston, Hodel, Marks, McCormack, Pehle, Files

MF-1964  
Distribution of true  
reading only by special  
arrangement (SECRET W)

London

Dated January 11, 1945

Rec'd 2:20 a.m., 12th

Secretary of State

Washington

377, January 11, 7 p.m.

FOR WRB FOR PEHLE FROM M'INN

Please deliver a paraphrase of the following message to Susanne LaFollette Labor League Human Rights from Jacobus Oldenbrook.

"Just received your letter December 6. Full information has been supplied to Mann, War Refugee Board representative London and to McClelland, Bern. Have spoken also to Irving Abramson during his stay London. I have given all necessary assurances and awaiting transfer 90 or 165,000 to Netherlands Minister Bern. You will understand that Clement and Krier would not stay Switzerland after liberation their country. Money had not yet reached Switzerland when they left on October 13. Because of long delay in transferring money we were and are without trustees in Switzerland. Request therefore you agree our using intervention Netherlands Government for transfer to Netherlands occupied territory \$75,000 as already done in respect \$90,000 in October. Your generous offer for 150,000 for projects in liberated territory very much appreciated. The matter is being taken up with trade unionists in liberated parts and projects and names trustees will be submitted to you shortly. End Message.

Assurances referred to are those mentioned in my 11471, December 27. I have never told Oldenbrook outright and I considered his assurances insufficient but have told him that I would transmit to Washington such assurances as he had been able to give me and pointed out that such might not be considered sufficient. He has promised to put me in touch with Burgher, Dutch Minister for Home Affairs who is still in liberated part

Holland

-2- #377, January 11, 7 p.m., from London

Holland but expected back any day now. Abramson when here agreed with me that assurances received from Oldenbroek were not sufficient. Board may care to discuss matter with Abramson who left London January 1.

WINANT

EH

Miss Chauncey (for the Sec'y) Ackermann, Akzin, Drury, Cohn, DuBois, Gaston, Hodel, Marks, McCormack, Pehle, Files

CABLE TO AMERICAN EMBASSY, PARIS, FROM WAR REFUGEE BOARD.

Please deliver following message to Joseph Schwartz from

M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE ACCORDING YOUR REQUEST CHASE CABLING INSTRUCTIONS  
PARIS BRANCH REFERENCE SIGNATURES OUR ACCOUNT. DOES THIS  
REPLACE CREDIT LYONNAIS ACCOUNT? ADVISE BANKING INSTRUCTIONS  
FUTURE REMITTANCES. ARRANGED PAYMENT OUR ACCOUNT CREDIT LYONNAIS  
FRANCS 20 MILLION BY UNIVERSAL INTERNATIONAL FILMS WHICH PLEASE  
HOLD PENDING FUTURE INSTRUCTIONS FROM US. ADVISE WHEN RECEIVED.  
UNQUOTE

11:00 a.m.  
January 11, 1945

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN CONSULATE GENERAL, Jerusalem  
TO: Secretary of State, Washington  
DATED: January 11, 1945  
NUMBER: 10

SECRET

The Chief Secretary informed me, during a discussion of immigration policy, that conditions now appear easier than they were some weeks ago when flood of illegal immigrants was anticipated. The Chief Secretary stated that the Government of Turkey had been informed of withdrawal of blanket permission for Jews escaping from Balkans into Turkey to enter Palestine and now admission will be granted only to those coming within the allotted quotas. Therefore, Turkey will need entry certificates prior to issuing transit visas he stated thus controlling at the source the immigration.

Recently some six hundred in excess of the quota were stopped at frontier of Bulgaria, however arrangements were made whereby they would be charged to October when only a very small number came for entrance. Further to the quota trouble they are said to have had difficulty with the Soviet autho (\*) umania and some were children born in Transnistria to whose emigration was objected to by Soviet authorities. Finally all difficulties were solved and today they are due in Palestine.

PINKERTON

DC/L:MLG  
1-13-45

Not@: (\*) Apparent omission correction to follow.

Miss Chauncey (for the Sec'y) Ackermann, Akzin, Cohn, Drury, DuBois, Gaston, Hodel, Marks, McCormack, Pehle, Files

CORRECTION OF  
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN CONSULATE GENERAL, Jerusalem  
TO: Secretary of State, Washington  
DATED: January 11, 1945  
NUMBER: 10

SECRET

In the second paragraph, line five, of the above message delete autho(\*) umania" and insert "authorities as they originated in Rumania". The line should then read "with the Soviet authorities as they originated in Rumania and some were children" etc.

PINKERTON

DC/L:EMB  
1-26-45

CABLE TO AMERICAN LEGATION, LISBON, FROM WAR REFUGEE BOARD.

Please deliver following message to Robert Pilpel from M. A.

Leavitt of American Jewish Joint Distribution Committee:

QUOTE ADVISE SCHWARTZ REMITTED \$500,000 SALY MAYER JANUARY AND EXPECT REMIT BALANCE \$500,000 ABOUT JANUARY 18. ALSO REMITTED DECEMBER TOTAL \$700,000 INCLUDING ONETIME GRANT \$400,000. ADVISE SCHWARTZ HE MUST CONSIDER SUBSTANTIAL BUDGETARY REDUCTION AFTER FEBRUARY VIEW EXTRAORDINARY REQUIREMENTS WHICH HAVE ARISEN. WE PARTICIPATING LARGE NATIONWIDE USED CLOTHING DRIVE WHICH WILL TAKE PLACE CONJUNCTION WITH UNRRA AND EXPECT JDC WILL RECEIVE SUPPLIES FOR AREAS NOT COVERED BY UNRRA DISTRIBUTION. ALL AGENCIES COOPERATING THIS LARGE ACTIVITY AND NO SECTARIAN EFFORTS POSSIBLE AT LEAST DURING FIRST SIX MONTHS THIS YEAR. UNQUOTE

THIS IS WRB LISBON CABLE NO. 125.

11:30 a.m.  
January 11, 1945

CABLE TO AMERICAN LEGATION, LISBON, FROM WAR REFUGEE BOARD

Please deliver following message to Robert Pilpel from M. A. Leavitt  
of American Jewish Joint Distribution Committee:

QUOTE YOUR 144 APPROVE EXPENDITURE \$10,000 FOR MEDICINES PURCHASABLE  
SWEDEN TO INCLUDE FOLLOWING: SULFADIAZINE STERILIZED POWDER IN AMPULES,  
DIGITAN 1-CAT UNIT, MORPHINE HYDROCHLORIDE ONEQUARTER GRAIN, ANTI-  
DYSENTERY SERUM 20,000 SHIGA PER VIALS, ASPIRIN 5 GRAIN, ZINC OXIDE,  
PETROLATUM, SODIUM SALICYLATE 5 GRAIN, BELLADONNA, NUX VOMICA, CASTOR  
OIL, GLYCERIN, LYSOL, BISMUTH SUEENITRATE, BORIC ACID, POTASSIUM  
PERMANGANATE, SODIUM BROMIDE, MAGNESIUM SULPHATE, ANTI-SCABIES OINTMENT,  
GREENSOAP, BICHLORIDE OF MERCURY 5 GRAIN AMPULES, TINCTURE IODINE SOLUTION,  
HYDROGEN PEROXIDE, CAMPHOR 20.3% GRAIN PER CC, COTTON GAUZE BANDAGES.  
QUANTITIES DEPEND ON COST AND AMOUNT PURCHASABLE WITH ABOVE SUM SUGGEST  
LAURA DISCUSS THIS WITH PHYSICIANS STOCKHOLM. UNQUOTE

THIS IS WRB LISBON CABLE NO. 126.

11:30 a.m.  
January 11, 1945

CABLE TO AMERICAN LEGATION LISBON FROM WAR REFUGEE BOARD.

Please deliver following message to Robert Pilpel from M. A. Leavitt  
of American Jewish Joint Distribution Committee:

QUOTE BALTIC JEWISH RELIEF COMMITTEE, SVEAVAEGEN 32, STOCKHOLM  
CONSISTING LEO DAPIDUS, MARCUS KAPLAN, HIELEL STORCH AND OTHERS  
CABLED WORLD JEWISH CONGRESS THAT THEY HAVE POSSIBILITIES RESCUE  
JEWS FROM LATVIA AND REQUIRE \$10,000. PLEASE ASK MARGOLIS DISCUSS  
THEIR PLANS PROJECTS AND IF FEASIBLE WE PREPARED PARTICIPATE AND  
COOPERATE. FROM OUR INFORMATION SUCH RESCUE ACTIVITIES NOW ALMOST  
IMPOSSIBLE AND WE MUST BE ASSURED THAT ALL PLANS CAREFULLY WORKED  
OUT AND PRACTICAL. YOUR 260 COST PER PARCEL SEEMS VERY HIGH FOR  
CONTENTS AND WONDER WHETHER SWITZERLAND PARCEL SERVICE NOT MORE  
DESIRABLE. UNQUOTE

THIS IS WRB LISBON CABLE NO. 127.

11:30 a.m.  
January 11, 1945

EJC-1747

PLAIN

Lisbon

Dated January 11, 1945

Rec'd 2 p.m.

Secretary of State

Washington

65, Eleventh

WRB 290 JDC 151 FOR LEAVITT FROM PILPEL

Further our 150 Resnik expects authorization payment balance due Palestine refugees amounting approximately 4 million lire thus making total approximately 12-1/2 million lire available Italy this connection. Pursuant request Allied Commission Resnik agreed send Magnes unimportant amount miscellaneous currency excepting sterling dollars lire which Palestine refugees deposited Italy.

NORWED

WJS

EK-1917  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

Stockholm  
Dated January 11, 1945  
Rec'd 10:34 p.m.

Secretary of State,  
Washington.

128, January 11, 7 p.m.

FROM MISS MARGOLIS TO MOSES LEAVITT.

Rabbis Wolb (\*) Jacobson called to see me this p.m. regarding Jewish Rabbi Nical group in Shanghai. Information they gave is somewhat at variance with that in my 100 January 9, 3 p.m. They claim they have talked with Japanese Minister here who said Japanese interpose no objection to Rabbi Nical group leaving Shanghai provided they can be guaranteed reception in some neutral country. Only practicable way for them to get out is via Russia and Rabbis want help of USA to induce Moscow to give transit visas. They also wish my intervention with Swedish Government to grant entry permits into Sweden and for me to certify to Swedish Government that Vaadhahazalah Emergency Committee is office officially acknowledged by United States Government.

I informed Rabbis that I sympathized with their desires but that I could not take action in this matter toward Swedish Government without instructions. I said I would report their request both with respect to Sweden and Russia.

I questioned Rabbis closely as to their reasons for desiring special efforts made for this particular group of people. From their admissions it is quite clear Rabbi Nical group is under no greater difficulties nor in greater jeopardy than any other group of foreigners in Japanese territory. What Rabbis desperately want to do is save this group because they are Rabbi Nical teachers and scholars, claiming it is only intellectual group existing capable of carrying on traditions of Judaism. They want to save group as such because it can not carry on its work in Shanghai, not because it is in special peril.

Department

-2- #128, January 11, 7 p.m., from Stockholm.

Department doubtless has much fuller information re the situation of this Rabbi Nical group than I and I would appreciate Department's comments and instructions as to attitude to be taken by Legation in this matter.

JOHNSON

JMS

(\*) apparent omission. Repetition requested.

Miss Chauncey (for the Sec'y) Ackermann, Akzin, Cohn, Drury,  
DuBois, Gaston, Hodel, Marks, McCormack, Pehle, Files

CABLE TO AMERICAN LEGATION, BERN, FOR MC CLELLAND, FROM WAR REFUGEE BOARD.

Please deliver following message to Isaac Sternbuch, 3 Teufener Strasse,  
St. Gall, from Rabbi Abraham Kalmanowitz of Vaad Hahatgala Emergency Committee:

QUOTE REPORTED RABBI NAFTOLI WEISS OF BILKI RENOWNED SPINKER  
REBI DEPORTED TO LABOR CAMP NEAR BERLIN. ENDEAVOR CONTACT DO  
EVERYTHING RESCUE. REPORT DEVELOPMENTS. UNQUOTE

THIS IS WRB BERN CABLE NO. 357.

11:00 a.m.  
January 11, 1945

MS-1916

This telegram must be paraphrased before being communicated to anyone other than a Government agency. (RESTRICTED)

Ankara

Dated January 11, 1945

Rec'd 11:15 p.m.

Secretary of State,

Washington.

51, January 11, 11 p.m.

FROM KATZKI TO FEHLE, WRB.

Ankara's number 5 (confidential reference is made to the Embassy's telegram number 2323 and 31 Ankara's - 202 and 2). At the present time it appears that the activities of the War Refugee Board in Turkey during the immediate future will become more limited in scope. Pending receipt of information regarding the Board's plans it is my opinion that our office will not require the services of two secretaries. Miss Bixler will be in a position to accept offers of employment which have been made to her by other official American agencies in Turkey upon receipt from us of a certificate of availability in accordance with War Manpower Commission regulations. Under these circumstances provided no complications arise in the future with the Comptroller of the Currency resulting from a possible extended stay in Europe by Mrs. Henderson in connection with Board matters and dependent upon the Board's plans and programs you might wish to consider whether or not Miss Bixler shall be released. As an alternative Mrs. Henderson or Miss Bixler both of whom are of value to the Board in its overseas service might be transferred to another station in Europe. On the other hand the Board might desire to have someone in Turkey to handle details connected with Board affairs which might arise should I proceed to Bulgaria or Rumania with secretarial assistance. I would then recommend stationing Mrs. Henderson in Turkey and I would take Miss Bixler with me.

Please advise telegraphically.

HTM

STEINHARDT

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL No. 13

Information received up to 10 a.m., 11th January, 1945.

MILITARY

1. WESTERN FRONT. In the South, North of Colmar, recent enemy penetration has caused further slight withdrawals by French forces. Enemy salient Bitche area still contained and slightly reduced. Southern Flank Ardennes salient: four-divisional attack east of Bastogne made limited progress against heavy opposition.

Northern Flank Salient: enemy holding from Tailles to Bovigny (N. of Houffalize) very strongly and little progress made this area. Further West enemy resistance less severe and U.S. troops have captured Laroche in heavy fighting. Still further west of this enemy resistance very slight and chief obstacles, snow mines and booby traps. In this latter Area British troops have reached Hallbux, Harsin, Nassogne and Awenne.

2. BURMA. In Kaladan Valley Japanese strongly resisting southward advance of our troops while S.E. of Chin Hills enemy active in area Tiffin. East of Chindwin enemy reported still active in area Budalin.

Road Ye-U-Shwebo now clear of enemy and village eight miles west of latter town captured but further advance contested.

3. SOUTHERN CHINA. Along railway N.W. of Liuchow Japanese have given up Hochih and Szeen.

AIR

4. WESTERN FRONT. 10th. Adverse weather continued. 912 escorted U.S. heavy bombers out of 1119 despatched dropped 1962 tons on communication targets and airfields between Cologne and Karlsruhe, mainly with unobserved results. 51 heavy bombers and 11 fighters outstanding though fighter opposition very small. 332 fighters (1 missing) operated central sector while 334 (5 missing) operating Southern sector destroyed 2 enemy aircraft and 200 M.T. Beaufighters, Coastal Command, set fire 750 ton vessel and minesweeper off Aalesund.

Night 10th/11th. 55 Mosquitoes despatched, 50 attacking Hanover.

5. MEDITERRANEAN. 9th. Mitchells 81 and Baltimores 60 successfully attacked bridges Po Valley and barracks Bologna respectively. 732 fighters and fighter bombers (3 missing) operated battle area.

6. BURMA. 8th. Liberators 68 attacked rail targets Burma/Siam railway.

HOME SECURITY

7. ROCKETS. Up to 7 a.m. 11th. Incidents reported 4.

Regraded Unclassified

January 12, 1945  
9:30 a.m.

GROUP

Present: Mr. D. W. Bell  
Mr. Gaston  
Mr. White  
Mr. Haas  
Mr. Luxford  
Mr. DuBois  
Mr. C. S. Bell  
Mr. Pehle  
Mr. Coyne  
Mr. Lynch  
Mr. Viner  
Mr. Flough  
Mrs. Klotz

H.M.JR: What is it now? How much? What percentage is revenue now?

MR. D. W. BELL: About forty-six, I think.

MR. HAAS: Fifty.

H.M.JR: Wonderful. I said forty. He made the statement that our revenue was less than the French.

MR. D. W. BELL: I don't know what the French is.

H.M.JR: He said three-quarters.

Wasn't Kaltenborn very unfriendly during the campaign to me?

MR. D. W. BELL: I don't recall. He commented on the political--

MR. GASTON: Kaltenborn is in an eclipse; people don't pay so much attention to him.

- 2 -

H.M.JR: He offered to do an interview with me, and I told him no soap.

I recommend Raymond Moley to those people interested in Germany. He says, "Hitler's main argument, however, is that if Germany is reduced to an agricultural state, as suggested by the Vansittart-Morgenthau idea, it will starve. This is patently ridiculous, since Germany could feed herself and do so with greater ease if the present slave laborers are permitted to leave and other millions of Germans are deported."

MR. PENLE: Is that Moley?

MR. GASTON: That's Moley who runs the barber college.  
(Laughter)

H.M.JR: Barber college!

MR. D.W. BELL: Barber college!

H.M.JR: I thought we had a good break on the statement that I think people of my generation should realize that for the rest of their lives they will be paying high taxes. I think we should. I don't know if you saw that, but it was given very good play.

Now, there is a lot of stuff that is accumulating. I hope not to bore you too much today, but at least you will get the flavor of the Treasury.

MR. VINER: I don't get bored easily any more.

H.M.JR: Oh, I wanted War Bonds. I met Vice Admiral Wilson Brown personally. He said the President went very carefully through war bond citations, and liked them. He thought they were good. Leave them alone. And in the case of the Navy, similar citations--civilians and everybody must come to him for his personal O.K. So we are in the clear, but in the case of the Navy doing similar stuff, he said no citations shall be given to civilians in the form of a letter unless he personally O.K.'s it. And it was presented to him by the Navy, which I think is rather nice.

MR. COYNE: That is very good.

H.M.JR: I thought so, because it was quite difficult for us.

Now, I haven't got this in the right order here. The multiple thing is the thing that will take the longest, I am afraid, so I will do first this thing of this proposal of the State Department to set up a committee of State, Budget, and Treasury to pass on legislation.

Supposing I read O'Connell's memo to me. Is he quite sick now?

MR. LYNCH: Yes, yes, he is.

H.M.JR: A cold?

MR. LYNCH: Cold in his throat, and yesterday his ear bothered him, too.

H.M.JR: I will read this (Memorandum from Mr. O'Connell to the Secretary dated January 11, 1945). <sup>350</sup>  
"I have talked with Messrs. White, Luxford, and DuBois about the proposed memorandum for the President, sent you this morning by Dean Acheson, and it is the consensus that you should not sign it, at least at this time.

"The people with whom I have discussed it are concerned about the proposal on several grounds:

"(a) The creation of a 'Cabinet Legislative Committee' which would 'consider initiating early in the session the necessary action on the food and agricultural organization and on the Bretton Woods proposals and the closely related matters concerning the Export-Import Bank and the repeal of the Johnson Act' would commit us to have the Bretton Woods proposals considered along with these other matters, and might make it much more difficult to get our legislation through. Also, it would hardly seem practical or desirable to have the Bretton Woods legislation handled by a Cabinet committee. The Treasury has carried the ball this far and can probably go it better alone from here on."

I wholly disagree with this.

"(B) The memorandum for the President proposes that a message on 'Foreign Economic Policy' will be submitted to the President sometime in January. With Mr. Acheson's letter is enclosed a draft of message on this subject, and the theory of it is also incompatible with our thinking as to how the Bretton Woods proposal should be handled. The proposed message also ties the Bretton Woods proposal with the repeal of the Johnson Act and the Export-Import Bank legislation, and also separates the Bank from the Fund."

That, I didn't know.

"It had been our thought, and you will recall the people from the Hill who attended your luncheon last Monday were of the same mind, that a special message on Bretton Woods should go down to the Hill as soon as our legislation is ready. Whether we are successful in having the President send a special message or not, we should not be foreclosed at this stage in the game from attempting it (as we would be were you to sign the proposed memorandum to the President).

"Under the circumstances, I think you should do no more than acknowledge Acheson's letter and indicate that pending further study you are unwilling to sign the memo for the President.

"Attached is a letter to him along these lines."

Now I will tell you why I wholly disagree with you. Acheson--not Acheson, but Stettinius is really trying to do a job of coordination. And if we try to ride this thing alone and say, "Kill this thing," he will go ahead, anyway. We will get boxed off, and I would rather take my chance of sitting across the table from Stettinius and the Director of the Budget, who is supposed to be the control on this, anyway.

MR. D. W. BELL: Is this a separate committee from the one you talked about the other day?

H.M.JR: Yes, this is just legislation affecting State and Treasury.

MR. D. W. BELL: Well, I didn't see anything in it which you need to be afraid of as the memo indicates, and I don't see anything in it that hooked them.

Bretton Woods with all these other things, other than Committee discussions--I thought it would still be separate when it got on the Hill, and you could handle it just as you contemplated handling it.

H.M.JR: I have to take the position--I am going to take the position that I have confidence in him, he is going to treat me fairly and squarely, and this thing of everybody cutting everybody else's throat and the devil get the hindmost--I am just not going to be a part of it. Stettinius wants to play ball; ~~he~~ he wants to coordinate this thing. You take it right within the Treasury, the Federal Reserve--one of the things I want to speak--

MR.D.W.BELL:The Federal Reserve wants to run this bill on the Federal Reserve ratio ahead of Bretton Woods.

H.M.JR: We will come to that afterwards, but I just feel very, very strongly that I am going to give Stettinius an opportunity to cooperate up to the time I find he doesn't. And this thing of playing a lone hand--and in the room it is very difficult to get to see the President. Stettinius has five excuses to see him to my one, but I don't want to bother the President. I can run my own shop. If the President wants to run the State Department--he sees Stettinius almost every day. If Stettinius wants to, he can get five appointments to my one.

I haven't read this message; I don't know what is in the message, but as to the committee, I am very sorry, but I am in total disagreement with this memo, and with whoever agrees with it.

MR. WHITE: Luxford and DuBois. The memo and the statement are two separate things. They can be evaluated

- 6 -

separately. Our thought was you would have to go along with the committee in any case, but that it is desirable to postpone it until you get it clear, which it has been up to now, that the Bretton Woods thing would go forward, plus the further fact, Mr. Secretary--I am not sure that there is thorough appreciation of the necessity for pushing through Bretton Woods and being able to, shall I say, maneuver or to have complete charge of the way the arrangements are there, because there isn't a complete identity of interest, and the amount of difficulties that occur and that have to be settled more quickly will be great, and if you can't take a step without the committee functioning, you are going to be handicapped. That may not be possible. It may be the committee will confine itself to very large issues, which is all to the good. But we felt stronger about the committee than the message.

H.M.JR: You feel more strongly about what?

MR. WHITE: About the message than the committee.

H.M.JR: I am not going to argue about the message today, because I haven't read it. Just the committee.

MR. LUXFORD: You can say that the message and the committee are separate. I don't believe that that is true, in fact, that you would have to examine the message and the proposal State was making for saying that the Export-Import Bank, the Johnson Act, the Trade Agreements Act, and the Bretton Woods proposal were all integral parts of a program which they were presenting in one message to Congress. If you examine the legislation State has prepared to take to the Hill, you will find their conception of strategy is to lump the Export-Import Bank, the Johnson Act, and Bretton Woods all in one bill.

Now, the point we are getting at is that that is their evaluation of the priority of Bretton Woods, and it means they are willing to go up there and sink or swim on the whole lot, and to us that is wrong.

H.M.JR: I am very sorry, but I am not going to argue much this morning. I am in total disagreement with you

people, and I am not going to follow this cut-throat business. I am very sorry, but I am going to make my own decision. You fellows are going to have to learn to cooperate with the State Department and take Stettinius' offer of cooperation at face value until he proves differently.

MR. WHITE: I think you are putting this on the wrong foot. Mr. Secretary, this is not Stettinius; it is Acheson who is desirous of drafting that message and presenting it in that way. They have been telling us that for many months, and the degree of cooperation which is possible which we are perfectly willing to--not only perfectly willing, but desirous of doing--makes your comment with respect to our desire to undertake cut-throat methods quite aside from the point. We want to cooperate fully, but we don't want to be jockeyed into that position, and I think it would be unwise to be jockeyed into a position where you have to follow a position which is very difficult and will jeopardize operations on the Hill with respect to Bretton Woods.

H.M.JR: You are willing to cooperate as long as you can have your own way, is what you are saying.

MR. WHITE: We are willing to cooperate as long as we think what they are doing is in the best interest of what we are trying to do.

H.M.JR: They have four or five things, and when they want legislation on the Hill affecting foreign affairs, they should wrap it in a package and say that is what they want, and they don't want something on Monday, Tuesday, or Thursday.

MR. WHITE: It is possible to do that in another way so you won't have to take on all the enemies of the five bills in order to get legislation. It has never been done before, and I question whether it is good strategy. That is something you will want to consider.

H.M.JR: Let me hear from two other people, Bell and Gaston, before I make up my mind.

- 8 -

MR. D. W. BELL: I read over that proposal.

MR. GASTON: I haven't read it.

MR. D. W. BELL: I read that and also the message last night. I feel that being strictly a legislative committee and not interfering with the other committee-- if you had that, you ought to go along with it. I thought the message was pretty good. There are some things you might want to argue about, but I thought that could be done in the committee. You could decide what you wanted to put in the message by committee action, and you ought to go along with the committee idea and decide in the committee how this matter ought to be handled.

I agree with Harry that Bretton Woods should not be put in the same bill with the Export-Import Bank and the Johnson Act if you want to get it through, but I don't see that this does that. It merely ties it up in the message. You are not going to get the President to send five or six messages to Congress on this; you will have a hard time getting him to send one and I think it is the proper--

H.M.JR: Excuse me. They go to the President and say--Stettinius sees him five times to my once because the President runs the State Department, and he goes and says, "Mr. President, let me make this thing easy for you." I sent him a draft of the message on Bretton Woods and he sent it to Stettinius and said, "What shall I do?" And Stettinius immediately, being sore, says, "We'll fix that; wrap it up in a parcel." This way I will sit across a table myself with Stettinius and Harold Smith, and I will have my day in court, which I don't have now. I don't know how they make up the agenda from that legislation that goes to the Hill from over in Harold Smith's shop--I have never been asked in my life; nobody in State has ever asked me which legislation of theirs should go now. He said, "I want to sit down and talk the thing over with you," and instead of being over here in the corner--they will just outdo us. If I don't do anything, they will do what is in this message.

-9-

If I have a chance to sit with Stettinius and Harold Smith, I have my day in court to argue with those two men. I don't now, and if I do this thing alone and say I want a message, either Harold Smith will kill it or Stettinius, ten to one. He will kill it and you will find yourselves in exactly the position you are in in this message which I don't like, don't want, and I will resist, but I will have a place to resist it officially. Now I have no position. Stettinius' argument with me on the other thing--he said, "Henry, do you know Harold Ickes is making a fifty million dollar loan to Mexico? Do you know what he is doing?" I had to answer no. He said, "Well, you should."

MR. LUXFORD: And you would under either committee that was set up. That's not a real argument on the question.

H.M.JR: All I am saying is the committee, and I will say this on the telephone when I send it over, "I am for the committee but before anything is set, what is in the agenda, what goes in the message?" I want to sit down with the people over there, because I am not in agreement and by agreeing to the committee I don't agree to what is in the message, to make it perfectly clear.

MR. WHITE: I think your position is right. Our position with respect to the committee had not been that you shouldn't join. We merely wanted to stall. If we have another week, the thing can be put in the hopper, and we can get it. Not in the hopper but the Senators can--

H.M.JR: But Harry, I am as guilty as you are up to now because I had to work that way. I had no other way, and you trained with me. That's how we have had to work, and we had to fight and take our chances and do it and we have done pretty well.

-10-

Now, this fellow seems to want to work, not as my superior, not like Hull and have himself placed ahead of the Speaker of the House as "Prime Minister of this Administration"--he is willing to be man to man. Let's give the fellow a break. That's all I am pleading for. I don't agree with what is in the message but up to the time the fellow doublecrosses me--and I don't want to stall because he is smart--and the man is going away.

I spoke to Grew and Grew said that he wanted this-- I will call Grew myself and say I don't agree to this. Mr. Stettinius asked me to work with Grew and I want to work with you people.

MR. LUXFORD: Mr. Secretary, the line you are suggesting--I don't know whether you want to go this far, but might it not be possible to discuss a little bit of the strategy of Bretton Woods legislation before you go into it?

H.M.JR: You can't stall these people. These people are operating the way I like to operate. They are moving, the world is moving. You can't sit still for a week.

MR. LUXFORD: I didn't think you even had to sit still for a week.

H.M.JR: Let me handle it.

MR. LUXFORD: I want to hear from Herbert.

H.M.JR: You can't stall these people.

MR. LUXFORD: I didn't propose that, Mr. Secretary. I am not proposing that, that's what I want to make clear.

- 11 -

H.M.JR: You can't do it and you can't drop the bill in the House and you can't outsmart them. Suppose we drop the thing?

MR. WHITE: I didn't mean to drop it in, I meant to get to make some progress before--

H.M.JR: In order to keep the Treasury's place in the sun. Now this fellow is offering to cooperate, not as my superior, not as Prime Minister of the Government, but as an equal, and I will take my chances on that.

MR. WHITE: I think you are right on that.

MR. LUXFORD: But you rejected what I was proposing. I would like you to see what I was proposing.

H.M.JR: You fellows can't wear me down. Try it on someone else.

MR. GASTON: As I understand your position, I agree with you entirely. We went over this a week ago and one of the things on the agenda was a unified program on these international matters, and my recollection is that you agreed or we agreed to that and some suggestion was made to bring the Budget into it. I thought it was a very logical thing.

H.M.JR: When was this, Herbert? You say I did this?

MR. GASTON: We went over and had lunch at the Blair House a week ago Thursday and this was one of the items on their agenda, and I thought it was a very reasonable and logical proposition, and my recollection was there was implicit agreement on our part and I think we should go through in good faith with it, and discuss it on that basis on the presumption we are going to try to get together on a unified plan on legislation in these foreign matters and to discuss it candidly with the State Department, and if they want it in the Budget, I think it's a good idea.

- 12 -

H.M.JR: I am sorry to shut you off, Luxford, but I just don't have the time.

MR. WHITE: Those are the right tactics with him because if you don't, he will wear you out. That's what I have to do. He will wear you out.

MR. LUXFORD: I am in a good position to be vindicated.

MR. WHITE: He's near the door.

H.M.JR: You don't want that either. Anyway, I know what you have in mind but I don't want to be worn out.

MRS. KLOTZ: That's one of his qualities.

H.M.JR: Keep the quality and maintain it and keep on just as you have but on this thing I would like to do what I am suggesting.

MR. WHITE: If you are going to sign that memorandum, Mr. Secretary--

H.M.JR: It has to be rewritten.

MR. LUXFORD: That's what I was getting at.

MR. WHITE: There are one or two paragraphs and if you can get them rewritten, I would like to do so.

MR. LUXFORD: That's the point I wanted to make.

H.M.JR: I wouldn't sign this.

MR. WHITE: The one which contains Stettinius' signature.

MR. D.W. BELL: You couldn't sign the letter because the letter turns it down.

H.M.JR: Joe, do you want to say anything?

- 13 -

MR. DuBOIS: I would like two minutes.

H.M.JR: O. K. I'll give you three.

MR. DuBOIS: I don't think the question is whether you agree to the committee, but when you agree to it, let it be understood you are not prejudicing Bretton Woods cooperation. I don't think cooperation with State means we have our own way or let them have their own way. There is room for sitting down here and discussing this thing. We can agree to the committee without at all affecting Bretton Woods.

The document, as they have it drawn, Mr. Secretary, on the committee has a couple of paragraphs which are designed to prejudice the Bretton Woods situation, as I read them, and there is no reason why they can't be changed.

H.M.JR: I just want the thing drawn, Tom, saying that I agree to the committee. But before the agenda for the legislation is drawn up and the procedure as to how to handle it, I want to sit down with Mr. Stettinius and Mr. Acheson and Mr. Harold Smith.

Does anybody want to volunteer something? I owe you a minute.

MR. DuBOIS: The issue, Mr. Secretary, is whether you want to sign the memorandum to Mr. Stettinius. It is already signed on the legislation. Now, the memorandum as drawn, that Mr. Stettinius has signed, has a couple of paragraphs in it which I think would be desirable, if possible, to have changed.

H.M.JR: I am going to tell him this morning that I am simply telling him as to the committee--you hear what I say--but I think we will get it. Where is the rest of the stuff?

MRS. KLOTZ: I sent it in to you.

H.M.JR: Did I give you more than what was there?

- 14 -

MRS. KLOTZ: I think not.

H.M.JR: No. Here it is, I have it here.

(Secretary reading letter from James E. Markham,  
dated January 10, 1945)

"At a recent conference between representatives of your Department, the Department of State and my Office, discussion was had of the pending problems surrounding the unblocking of frozen French assets. At that conference I understand it was indicated that the Foreign Funds Control representatives did not believe that the appropriate time had as yet arrived for discussion of the action to be taken with respect to the frozen assets of enemy nationals.

"As a result of studies by this Office, including attention to the historical phases of the treatment of enemy property and to the current problems of American and friendly alien creditors against enemy nationals, as well as other claims of non-enemies, it is my considered judgment that the national interest may best be served by the vesting of all strictly enemy assets by the Alien Property Custodian."

That's an old subject that is under you. Do you care to speak for that?

MR. WHITE: We will have a meeting and draft a reply in a day or two for your consideration.

H.M.JR: Will you consult with those interested?

MR. WHITE: Yes, the Legal Division of Foreign Funds and possibly some others.

H.M.JR: You are not ready yet?

MR. WHITE: No, we just received this last night.

MRS. KLOTZ: It came last night.

- 15 -

H.M.JR: Did we send Mr. Markham an interim letter saying that?

MR. WHITE: I think we can draft something for tomorrow to avoid that. It would make it appear we are giving too much consideration if we do the other.

H.M.JR: By Monday?

MR. WHITE: Definitely by Monday.

MR. PEHLE: I wouldn't worry too much about Mr. Markham. He is just Crowley's stooge. He's not very much on top of these issues anyway.

H.M.JR: He may not have drafted that letter.

Now, this other thing--I will go to an easy one I think.

(Secretary reading from letter drafted to Senator Truman, dated January 9, 1945)

"Referring to your letter of January 4, I am having inquiry made about the activities of Thomas C. Stephens, regional Director of the Procurement Division office at Kansas City, I shall be happy to write you again when I get something more definite."

I thought you were going to have a survey made?

MR. GASTON: I wrote that letter. We have to get some field information. I talked to John about that. You might have it even today or tomorrow, I suppose.

MRS. KLOTZ: Did you read the incoming letter?

MR. PEHLE: It is a rather snotty letter Mr. Truman wrote you on that. It's all right, I agree with the reply, but you ought to know he wrote you a pretty tough letter.

H.M.JR: We should worry.

This is on Dale Johnson. (Picks up letter from Mr. Hannegan to the Secretary dated January 5, 1945.)

- 16 -

MR. GASTON: That's by Hannegan.

MR. PEHLE: I can give you a final reply on that today if you want to hold it up.

MR. GASTON: They relate to the same office situation.

(The Secretary has a telephone conversation with Mr. Acheson)

January 12, 1945  
9:53 a.m.

84

HMJr: Hello.

Operator: Mr. Acheson is in a staff meeting but she can call him out if you want her to.

HMJr: I think he'd be interested; I'd call him out.

Operator: You would call him out?

HMJr: Yes.

Operator: Right.

10:01 a.m.

HMJr: Hello.

Operator: Dean Acheson. Go ahead.

HMJr: Dean.

Dean Acheson: Yes, Henry.

HMJr: The reason I bothered you to come out was because I thought you might want to report what I said at staff. I'll be very brief.

A: Yes.

HMJr: Hello?

A: Yes, sir.

HMJr: In regard to the Cabinet Committee of State and Budget and ourselves -- in regard to legislation of mutual interest, I am preparing a letter to say that I will go along. As to the treatment of some of the legislation and as to the President's budget -- as to this message in regard to the treatment of this pending legislation, I am not in agreement, see? So what I'd like to do is let's act as though the Committee was in existence and have an early meeting and sit down and discuss how we should proceed. See?

A: All right. Fine. I understand that you would like me to come over this morning.

HMJr: No, I didn't say that.

A: Oh, I thought Joe -- Joe Grew told me last night that you wanted me to come over to the Treasury this morning.

HMJr: Well, what -- no -- what I'd like to do, if it would be agreeable to you, is: I'd like you to sit down with White and some of his cohorts at a time mutually agreeable to you, and discuss the thing first.

A: I see.

HMJr: About just where Bretton Woods fits into the pattern. See?

A: Yes.

HMJr: And then see if -- if White and his cohorts and you and yours can come to some kind of an understanding in advance of my meeting with Stettinius and Harold Smith.

A: All right. Fine. Then that memorandum has not gone to the President?

HMJr: No, because I was bothered about it and we will fix something up and -- and try to get it over to you and -- and this being Stettinius' baby I'd like him to carry it with the President.

A: Yes. All right.

HMJr: But just as long as we understand each other, that agreeing to the Committee does not on my part agree to the program or the contents of the suggested message. And I'd like White to sit down with you and go into it fully because -- well, you -- I know how much interested you are in Bretton Woods and -- and I'd like to thrash it out because Bretton Woods, Export-Import Bank, the Johnson Act -- all of that business -- do we want to tie it up in a parcel or don't we? See?

A: Yes. All right, I'll try and get in touch with him today.

HMJr: Thank you so much.

A: All right, Henry.

H.M.JR: Satisfied Mr. Luxford?

MR. LUXFORD: Yes, I am.

H.M.JR: You are still hoping I slip and break my neck.

MR. LUXFORD: I never hope that, Mr. Secretary.

MR. GASTON: Not your neck. (Laughter)

MR. LUXFORD: That was Herbert speaking for me as he did for you yesterday.

MR. GASTON: I will help you out any time.

MR. PEHLE: I will give you a final answer on Johnson today if you want to hold that up.

H.M.JR: You could? Then, why write him twice?

MR. GASTON: Hold them both up. If John may have some information today, we could revise it.

MR. PEHLE: I will try to revise that today.

MRS. KLOTZ: That would be wonderful! They have been kicking around.

MR. GASTON: Here is something you haven't seen. (Hands Secretary letter from Mr. G. B. Parker of Scripps-Howard Newspapers to the Secretary dated January 9, 1945)

- 17 -

H.M.JR: Oh, yes.

MR. GASTON: Had you seen that?

H.M.JR: I had. I congratulate you. Herbert Gaston wrote for my signature the dirtiest, snottiest letter I have ever written to a newspaper man in my life and I signed it. This is the answer to it. (Reading)

"G. B. Parker, Editor-in-Chief, Scripps-Howard Newspapers"--

Herbert wrote a three page letter and called him everything. He threw stuff at him.

MR. LUXFORD: Sounds like a curmudgeon.

H.M.JR: He outdid it, and after this he comes back with (Reading) "Far be it from me to argue with you in behalf of editorial flippancy--this in reply to yours of January 5.

"But--and I hope"--now, this is Herbert, ..."you won't think I'm being smart-alecky when I say--it has been my observation over many years that cheapness, irresponsibility, loose talk and flippancy are usually attributed to the thing a reader doesn't like;"--this is not Herbert--"and that sanity, sincerity and deep wisdom are the characterizations of the same article by the reader who agrees.

"That is just human nature working, in a world where controversy plays so large a part.

"However, I appreciate your very frank though friendly reaction, and am passing it on to the author of the piece to which you object; also the enclosure from the Washington Post.

"Thanks for your invitation to come and see you and for saying you enjoy talking with me. I say the same as to talking with you. Sincerely, G. B. Parker."

- 18 -

MR. GASTON: He feels just a little chastened, I think.

H.M.JR: I thought what we would do is ask him who the guy is and let him bring him over for lunch too.

MR. GASTON: Oh, I don't know. Maybe so. You have a--

MR. VINER: He has to protect his staff.

MR. GASTON: He probably doesn't want to bring Walker over. I don't know.

H.M.JR: What would you advise me?

MR. GASTON: I would certainly invite Deacon over.

H.M.JR: I have.

MR. GASTON: You have?

H.M.JR: For lunch Thursday.

MR. GASTON: Yes, tell him to bring Walker.

H.M.JR: I will call him on the phone. I will take it up with him myself.

If anybody wants to read a really good letter, get Gaston to show you the letter he wrote this fellow. He called him everything under the sun.

MRS. KLOTZ: He did it very nicely, though.

H.M.JR: Not too nicely.

MRS. KLOTZ: Yes he did.

H.M.JR: This is the last thing I have and then you people can have a crack at me. This is a thing which I am not up on. Is this the same Jay Gould, or is it my peculiar pronunciation?

Bernstein is fighting for changes in the financial directive.

- 19 -

Mr. White, I got your memorandum from Mrs. Shanahan when you were out for a day or so. She wrote me this. (Indicates memorandum to Secretary from Mrs. Shanahan, Jan. 5, 1945)

MR. WHITE: I dictated it.

H.M.JR: Are you familiar with it?

MR. WHITE: I dictated it.

H.M.JR: You didn't answer my question. Are you familiar with it?

MR. WHITE: She transmitted the inquiry you made, or you asked me over the phone, I don't know which.

H.M.JR: They did.

MR. WHITE: I was in the office at the time and told her what the facts were.

MRS. KLOTZ: You got a little mixed up, but that is all right.

H.M.JR: Anyway, McCloy went along one hundred percent on our suggested 1067. You remember? He didn't want to be pushed too much, and I said, "Let's go all out," so he took them.

Now, I don't know--frankly, what are Bernstein and Glasser pushing?

MR. WHITE: Some of the provisions which had been discussed in London indicated that they are willing to go further along the direction that we would have liked to have gone, but didn't think we could. And when Bernstein came back and told us that--he said he thought if we tried again we could get it, and we said by all means, provided that McCloy doesn't think we are holding it up, because he already accepted these four suggestions, and he had taken all our suggestions on the financial draft except a few, so we didn't feel we wanted to re-open it again at this point.

I said that if he could make some kind of arrangements with them--say to them either to submit material separately or submit material after London was considered, it would be entirely satisfactory to us, but under no circumstances make a fight on it now and hold it back, because we had already agreed. There were a couple of other provisions which Bernstein said were being interpreted quite differently in the field than we thought they should be because the thing wasn't drafted with sufficient directness, and that they were going to wilfully misinterpret it. They had boasted that they would misinterpret it; they brought that back to us, and we wanted to tie it up, and we put that in the same class and asked McCloy to get that altered, and it would be satisfactory to us, but not fight for it at this time. Apparently they had success in convincing McCloy of the desirability of including those. You were present at the first meeting, Joe.

MR. DuBOIS: The latest development, Mr. Secretary, is that the directive will be sent out with all these situations in it, except financial, which will be held up for a few days, pending agreement to arrive at an agreement.

Now, I went over it with Colonel Bernstein at the first meeting, and throughout I talked to McCloy's assistant as well as Riddleberger of State. I made the point clear to Colonel Cutter, McCloy's assistant that if it was agreeable with Mr. McCloy, we would be agreeable to handling the things in this way.

If Mr. McCloy felt it should not be handled in that way, we also would have no objection. Mr. McCloy is agreeable to handling it this way, and so is State, and I think in the long run it will be beneficial.

H.M.JR: Then I can row my oars in that direction.

MR. DuBOIS: Yes.

MR. WHITE: McCloy has been fully cooperative on this and we have taken advantage of that. He has been extra nice in acquiescing to our modification after we ourselves had agreed on the earlier draft.

- 21 -

H.M.JR: All right.

Now, the last thing is, I have had a message on a very brief conversation from "de boys" who are worried about the Refugee Board, and I didn't know whether it was triumphant or too wet.

MR. PEHLE: We don't see eye to eye on every point, Mr. Secretary, but this I would like to have you know, that if it can be changed, I don't feel I can do both jobs adequately the way the war is going. Along with the public reactions, I have had three groups come to me in the last week complaining that I am spending too much time on Procurement and not enough on War Refugee matters. Congressman Celler came down to see me, and somebody asked him to write some letters to the three members of the War Refugee Board complaining about it; he wouldn't do it, but he is getting a little mail now saying this thing deserves a full-time director, and I think it does, too.

H.M.JR: Did you fellows who are interested in the War Refugee Board get together on a couple of candidates.

MR. PEHLE: We have been trying to do that.

H.M.JR: Are you together on Fowler Harper?

MR. PEHLE: Yes.

MR. LUXFORD: Mr. Secretary, all of us agree on this point, too, that we are not asking you to carry the ball for Fowler Harper like you did for John Pehle.

H.M.JR: That is damned sweet of you. (Laughter)

MR. LUXFORD: I want you to be sure, because on the record you could very well feel you were asking for more, because we have in the past, but this thought of letting Fowler Harper row his own boat with Stimson and Stettinius-- we can't go along with it.

- 22 -

MR. PEHLE: Mr. Secretary, we are in this position; none of the alternatives--

H.M.JR: I am only one of three, but you are certainly going to have a tough job selling Fowler Harper to me.

MR. PEHLE: Can I say something on that, Mr. Secretary? None of the alternatives are ideal. One way is to worry along the way we are. I don't like that at all from my own personal point of view; it is too much. I spent one hour and a half last night at the close of a very onerous day at Procurement dealing with a group of Rabbis, who are at best not easy to deal with.

H.M.JR: Who is tougher, Luxford, DuBois, or the group of Rabbis?

MR. PEHLE: They are about the same. In fact, their tactics at times are very comparable.

H.M.JR: Especially when the Rabbis have beards.

MR. PEHLE: That is right.

Well, Luxford doesn't cry, but he does everything else.

H.M.JR: Who?

MR. PEHLE: Luxford. He doesn't cry, but does everything else.

One of the Rabbis said last night that there is a saying among them that you cannot compare the effect of a request made one hundred times with a request made one hundred and one times.

- 23 -

MRS. KLOTZ: There is good logic behind that one.

MR. PEHLE: Which is entirely true, and which is entirely the tactics we are following. None of the alternatives are ideal. You are not going to find an ideal candidate for the job, but weighing--

H.M.JR: I won't subscribe to this defeatist attitude.

MR. PEHLE: If we can, that's wonderful.

MR. DuBOIS: On Fowler Harper--I talked to Bernice Bernstein last night and her recommendation was that he was very good.

H.M.JR: I haven't mentioned this to Herbert Gaston, but my impression was that he was in on the thing. Have you any impression on Fowler Harper?

MR. GASTON: We have had a few contacts with him. I don't think there is anything that reflects seriously on Fowler Harper. He is a friend of McNutt's.

MR. WHITE: He was. I know him well, and what I know of him is quite favorable.

H.M.JR: Well, Herbert--

MRS. KLOTZ: You will find them all against you.

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

MR. VINER: He is standing with his back to the fire.

H.M.JR: You don't carry that McNutt fight in your mind.

MR. GASTON: I never did know whether Fowler Harper was at all connected or what his connection was. I think he came over here. I have an indistinct recollection that he came over here to plead Paul's case on one or two occasions. That is all I can remember.

- 24 -

MR. LUXFORD: I looked into that, yesterday, and I can report to you exactly what happened. You would be interested to know--

H.M.JR: Well, between now and tomorrow noon sometime, but I want Pehle present, and I want this man whatever his name is who made the McNutt investigation.

MRS. KLOTZ: I think he happens to be in Washington.

H.M.JR: He is in the building. We shall see. In the meantime, if you want to save time, dig up another candidate.

MR. LUXFORD: Mr. Secretary, one point there--the most difficult part of this job--

MR. PEHLE: You are not pre-judging this?

H.M.JR: I don't like Fowler Harper.

MR. PEHLE: If that is for an inadequate reason, I am sure you will be willing to change your mind.

H.M.JR: I don't like the Indiana political gang, and I don't like anybody who defended it, and Fowler Harper tried to defend McNutt to me, and the thing I know about McNutt and his conduct in his office in the Philippines, and his conduct as a politician, and this man here was pleading to have me call off the dogs.

MR. WHITE: He was very loyal.

MRS. KLOTZ: He was General Counsel, and he just had to go over. There may be something in that.

H.M.JR: Anyway--

MR. D.W.BELL: You can't question his loyalty to his organization.

H.M.JR: But I don't want that kind of a fellow around me, see? I mean I am going to listen to you fellows. You fellows aren't going to get anywhere. I went through all

- 25 -

that McNutt fight. I give you all three minutes, but I'm going to see Elmer Irey and this other fellow first to refresh my memory.

Fowler Harper went around and sicked all the columnists on me. He did a regular job.

MR. PEHLE: He is a good fighter.

MR. LUXFORD: He sounds like the kind of man we need.

H.M.JR: I would rather pick fellows who fight like Ray Moley on my side. (Laughter)

MR. PEHLE: If you haven't lost your sense of humor, I think we've got a chance yet.

H.M.JR: We've settled Fowler Harper. Dig up somebody else. I am going to see this fellow Sullivan.

MR. GASTON: Jim Sullivan?

H.M.JR: Yes. In order to get you off the spot, see--if you don't have the rabbis weeping on your shoulder and wiping their beards on your coat, if you are smart, and no one has ever accused you of not being, you will have several alternatives.

MR. PEHLE: We'll do our best.

H.M.JR: The fellow whose name I want to give you, I don't know much about him, but I want you to look him up--he wrote me this letter. He belongs to the most important law firm in Rochester, New York, and I met him at Pattersons. He's a classmate of Patterson. He comes from Charlestown, South Carolina. He is a great New Dealer. He is a man about my age. I met him at Bob Patterson's home. He wrote me a letter when he got back. He sent me that thing in the New Yorker about Dewey.

MRS. KLOTZ: Oh, yes.

- 26 -

H.M.JR: He's a great little guy. I was asking Eddie Greenbaum how it happened that they never took him in the War Department. I just want--I'll give you his name. He certainly--I said something about the OPA and apples, and my God he jumped right down my throat because he thought I was criticizing the OPA. You fellows can inquire about him. He comes from Rochester.

But there must be people we could start fresh, who haven't got McNutt's two percent club kids to stand on them.

MR. VINER: Has anybody suggested Stevenson?

H.M.JR: You don't know what I went through on that McNutt job. The job they did was unbelievable. I'll never forget it. It's like the people that came to my aid, one or two newspapers that came to my aid when we had the Huey Long machine. You come to me and say about somebody, "He was loyal to Huey Long. He had to fight for Huey Long, because he was his General Counsel."

MRS. KLOTZ: He was over here in the Federal Security Administration. He wasn't--

H.M.JR: There wasn't very much difference.

This is in the room here. Anybody like McNutt who would win seventy-five thousand dollars from native Filipinos in poker and make a business of it, and there is no doubt about it, and let these fellows regularly lose to him, see? That is the kind of thing he did when he was Governor General, and I can go on and on and on. And this fellow coming over here!

MR. PEHLE: Mr. Secretary, I wouldn't--

H.M.JR: But this fellow Harper pleading with me to lead off.

MR. PEHLE: Once you get in that situation, it isn't the guy under him you are criticizing, but the guy above him.

- 27 -

MR. LUXFORD: And the fellow leaves him in that job.

H.M.JR: Excuse me, Mrs. Klotz, if a man can be General Counsel to that kind of a fellow--

MR. PEHLE: I don't see how he is in any worse a position than the President in appointing him. Wouldn't you say that?

MR. WHITE: There is no use in evaluating in a vacuum. Wait until you have someone to compare him with.

MR. GASTON: How about Adlai Stevenson?

MR. VINER: He's a grand person.

MR. PEHLE: Would he want to take on this kind of a dirty job?

MR. VINER: He went back to a routine law firm, and I have a hunch he wants to get into something else. He tried to buy the Chicago Daily News on the rebound. He is looking for something to do. I don't think he's a high powered brain, but he's a grand person, and he is well known. You can investigate him, of course.

H.M.JR: John, I know Adlai Stevenson. His reputation is very high, but why these boys just get one man-- you are going to waste so much time.

MR. LUXFORD: We are looking at the War Refugee Board as a cornerstone for a post-war agency in this field. You are not going to find a great many people who are going to follow this thing through.

H.M.JR: I am surprised Harry White hasn't recommended Latimer.

MR. WHITE: Just because he is a good man should I keep recommending him for everything? The thing he belongs in and I wish you would use your influence to get him in, is Civil Service. It is the "lousiest organization in Washington--"

- 28 -

MR. GASTON: Remove the quotes.

MRS. KLOTZ: Better make that off the record.

MR. WHITE: Leave it in the record, and underline it.

MR. VINER: You mean, off the record.

MRS. KLOTZ: It ought to be off the record, absolutely. They have their faults, but they are not as lousy as he is. They have other departments just as lousy as the Civil Service Commission. (Laughter)

H.M.JR: All right. We have about five minutes. Who has an emergency matter?

MR. C. S. BELL: On the pass situation, we would like to have the passes ~~displayed~~ after nine-thirty if you will agree to that. Everybody else has been taken care of.

H.M.JR: On the passes?

MR. C. S. BELL: The reason is, it gives us a control over the cafeteria. Otherwise Garfinckel's will be eating in our cafeteria.

H.M.JR: And why not? (Laughter)

MR. C. S. BELL: Do you want to go into blood donations now, or a little later? We are getting fifty percent-- sixty percent has been reached, which is a good figure, but Mr. Evans of the Federal Reserve has ideas on building it up.

H.M.JR: I will tell you what my situation is. I don't know what the rest of you--I would have a very good time if I could have my own way, but this thing may take half an hour, and I would be ready again at eleven o'clock for anybody who wants to see me and clear something. Is that fair enough? If anybody has anything, he can come back at eleven o'clock and I will be available. But I did have that accumulation. I wanted to see Pehle for two or three minutes.

- 29 -

MR. GASTON: I just wanted to mention--

H.M.JR: I will be available.

MR. GASTON: Tom Connally's candidate for Collector went up on the Hill. I don't know what to make of that.

H.M.JR: I don't, either. It would most likely be yesterday. Did it happen yesterday?

MR. GASTON: Yes, it happened yesterday.

H.M.JR: What I want to do--I have Viner here for a special purpose, and we ought to make the best use of his services.

MR. D. W. BELL: He spent a good deal of time with Haas yesterday afternoon, and I talked to him last night.

I think that Harry, Luxford, and DuBois ought to talk to him about that one problem, and he ought to get their views. And I think he ought to talk to Herbert, also.

MR. WHITE: What problem?

MR. D. W. BELL: The currency problem.

H.M.JR: And the question of the Federal Reserve.

MR. D. W. BELL: I think he has that pretty well in mind.

H.M.JR: Round up those two problems. I am going to change this other thing.

Let's do this at ten o'clock tomorrow in order to get the benefit of the thing, and if you want to go over and talk to Eccles this afternoon--

MR. LYNCH: On the material they gave me there is something else that I would like to talk about. That is financing, because I read Eccles' memorandum on the Treasury side, and I think he would like to talk to somebody about that, because on the interest rate structure--

H.M.JR: The point is I have got to hear Bell this afternoon, so if you want to go over it and if you want to talk with Lauchlin Currie, I've got Currie in on this thing, too. He is working on it, but let's have a meeting at ten o'clock tomorrow. I'll take care of you boys. Currie is out of FEA and back with the President.

MR. VINER: I thought you didn't know that secret.

MR. GASTON: It was published yesterday.

H.M.JR: I read the papers every other day, but get Lauch in on this thing at ten o'clock tomorrow. Let's clean this thing up.

MR. D.W.BELL: Shall I call him?

H.M.JR: I wish you would organize a meeting for ten and don't you boys--I may have to work this Sunday, but I've got to clean this thing up. I'll find out what time, so as not to spoil your Sunday.

MR. WHITE: In the winter it's all right.

H.M.JR: When the wind blows.

MR. WHITE: I would rather have the evenings.

H.M.JR: Evenings?

MR. WHITE: It doesn't matter.

H.M.JR: In the room here, the reason I've got time and don't have to rush at the end of the week--I'm not

- 31 -

so good. I mean, I just can't stand up against you boys. I get in on everything.

MR. PEHLE: Yes.

H.M.JR: So we may get at it Monday morning when we are all fresh, but the President doesn't get back until Tuesday, so I am not losing anything, you see, by that.

So, Mr. Bell, if you organize it and see that Viner gets in on the two things--and I promised Ted Gamble that when we got into this with Federal Reserve we might change that and you fellows would have your day in Court. So you better find out what is going on. You better be here tomorrow, see? (To Mr. Coyne)

MR. COYNE: Yes.

H.M.JR: You may wake up and find you had your throat cut and didn't know it.

They are pressing very hard on this question for the change in the Federal Reserve legislation to go ahead of Bretton Woods, so you want to get in on that. I think we better have this thing tomorrow morning, and I have the problem very much in mind, and you very much in mind.

MR. WHITE: We would like to take the Federal Reserve Board in the drafting of the Bretton Woods legislation. They have been in the earliest stages and we would like to call them in at a later stage unless you have any objection, because they ought to be in on it.

H.M.JR: Anybody that has anything which I didn't clear for you--I only cleared my own stuff--I will be available at eleven and if Pehle would stay behind, and if you would, please, Tom.

- 32 -

Have the letter to Mrs. Klotz by two o'clock; and, strictly in the Committee, I personally think that before that goes to the President, that we should put in the letter to Stettinius that I want him to carry the ball. Try to get him to carry it.

I think I should suggest to the President that before you send this to Stettinius--before you send it to the President--you certainly should talk to Harold Smith, because it is chopping off a piece of his territory, and I would like to be on record that Harold Smith should be consulted, because then Harold Smith couldn't say, "You went behind my back to the President on a matter which is wholly my responsibility."

MR. D.W. BELL: Don't you think they did? It's a good suggestion, but I assumed they had discussed it.

H.M.JR: Harold Smith is a sporting fellow. We have to live with him as well as Stettinius. I would like to put it up to Stettinius before it goes to the President. Smith should be brought into this thing, and Smith should sign it, if he is agreeable, because what we are really doing is taking a piece of his thing and saying, "Segregate it."

MR. D.W. BELL: I agree. I assumed they discussed it with him.

H.M.JR: It was my suggestion--they didn't bring him in at all.

MR. LYNCH: I suppose you want a letter addressed to Mr. Stettinius rather than Dean Acheson?

H.M.JR: Attention Mr. Stettinius.

MR. LYNCH: Attention Mr. Acheson.

H.M.JR: Yes. I don't know how long this thing is going to last but those of you who want to come back and see me, leave your names with Fitz. When this appointment is over I will have Fitz phone you.

January 12, 1945  
11:50 a.m.

GROUP (Continuation)

Present: Mr. White  
Mr. Blough  
Mr. C. S. Bell  
Mrs. Klotz

MR. BLOUGH: You wanted to know about the Shamberg case. I can write you a little note about that and save your time here.

H.M.JR: What case?

MR. BLOUGH: The Shamberg case. Tax-exempt securities-- the New York Port of Authority case.

If you would like, I will write you a little note about what happened so you can get started, and then I will just drop out.

H.M.JR: Who was the man?

MR. BLOUGH: Mr. Foley. But it was a very wise thing to do; everybody is in agreement.

H.M.JR: Did he get licked?

MR. BLOUGH: I will write you a little note on that.

(Mr. Blough leaves the conference.)

H.M.JR: How much have you got, Charlie?

MR. BELL: I think we can go right through, sir. Are you satisfied on the order of coming in and out of the building after nine-thirty? We are going to look at passes

- 2 -

rather than have crowds in the cafeteria, outsiders going in and out of the building.

MRS. KLOTZ: I think that is good.

H.M.JR: When is that going into effect?

MR. BELL: It went into effect yesterday morning informally, and officially now.

Blood donations, Mr. Secretary, were fifty percent. I have talked with Mrs. Bell and a number of persons who are interested in this thing, but they don't want to see all the names put up at the front door because some people can't give blood. We don't want to focus on them, but they suggest two things. Mrs. Bell feels when a person gives blood three times that he should have some recognition. We have suggested placing a little sign in the office the person works in, and then when a person reaches a gallon, we will put it on a bulletin board in the front. That is eight times. Will that be satisfactory to you?

H.M.JR: Yes.

MR. BELL: I found this at the Red Cross, and we might break that down by bureaus (hands Secretary chart).

H.M.JR: May I keep this?

MR. BELL: Yes, sir.

We are up to fifty percent now, and I hope we can get to sixty, and that is what the Red Cross would like to see. I think they are a little heavier on the quotas. And I think they say so.

H.M.JR: What is this?

MR. BELL: That is Byrnes' letter you said to bring in at nine-thirty. That is something that has been done over and over many times by Johnson. It is repetition of

- 3 -

the same thing. There is no way of getting at a comparison. Let that go along.

When would you like to see Saxon? He is back in town.

H.M.JR: Not this morning. Tell Fitz I will see him next week. How are they?

MR. BELL: Both have bad colds.

H.M.JR: Oh, for God's sake! As long as they both have colds, that is all right.

MR. BELL: I am going ahead with a little committee on meritorious promotions. Suppose we hold that up for a while. I have two good members, and I am lining up a third.

You might be interested to know that our office, under Ed Berney, blocked a deal which contemplated Procurement moving into the Empire State Building at an annual rate of \$4.00 per square foot, by digging up space costing \$1.75 per square foot, thus saving us about a quarter of a million dollars. This was a grand job done by Berney and will result in concentrating all of Procurement in one building in New York, which makes for good organization. They are now in two buildings.

H.M.JR: They are going to be in the Empire State Building?

MR. BELL: No, sir, they are getting away from the Empire State Building. They want four dollars a square foot, and they can't break them down. They don't want us in there--no Government activity. We are looking at a building now at 299 Broadway at one dollar and seventy-five.

H.M.JR: Just like DuPont.

MR. BELL: It is awfully tough.

H.M.JR: Rascob--

- 4 -

MR. BELL: Rascob has taken over where Al Smith left off. He is tough to do business with.

Pehle is appointing an eight-thousand-dollar man, Colonel Seymour, from the Army to be one of his principal deputies, and he is going to shoot him around the field as a regional director at large.

H.M.JR: Let Pehle come in and see me himself.

MR. BELL: I am going to clear all eight thousand dollar appointments with you.

H.M.JR: That is an eight thousand-dollar appointment?

MRS. KLOTZ: What classification?

MR. BELL: The highest, CAF-15.

H.M.JR: Stop at sixty-five hundred.

MR. BELL: Then I will have another one to bring in.

They want to defer Hoffman again. In view of this morning's paper, I don't know whether you want to go into it or not. I don't know if he is doing more where he is than he would in a uniform. He is in Paris. His being abroad is practically the whole thing.

H.M.JR: That is all right. How old is he?

MR. BELL: Twenty-nine.

H.M.JR: No, the President yesterday said that even the thirty-year olds would fight.

MR. WHITE: Is he only twenty-nine? I thought he was in his early thirties.

H.M.JR: Anybody thirty years old will fight.

MR. BELL: He is twenty-nine years old, married, and has no children, but he is all-out valuable, of the Saxon variety.

- 5 -

H.M.JR: I bet he will have to fight if he is physically able.

MR. WHITE: They were going to send him to Switzerland.

H.M.JR: I think the President is right.

MRS. KLOTZ: If you think it is right, you will have no people then.

MR. WHITE: He is the only one, I think, who is that young.

H.M.JR: The only difference between him and a mechanic--

MR. BELL: You just can't get those mechanics. You can't get women--

H.M.JR: Bring it to me again Monday; I am tired now.

MRS. KLOTZ: Take a fellow like Saxon. Look what he was able to accomplish.

MR. WHITE: He is older.

MRS. KLOTZ: But I mean, whether it is a year or two--

MR. BELL: This isn't being brought out.

MR. WHITE: If he got in the Army, after he goes through basic training--if he has to go through--we could get him back on almost the same thing, but not quite.

H.M.JR: They don't say--it has nothing to do with it any more. Everybody thirty years or under really is going to have to fight.

MR. WHITE: If he is the only one that the Treasury has, then you might consider not having any exception, but--

MR. BELL: That's all outside of the Mint, and the Bureau of Engraving.

- 6 -

H.M.JR: I am tired, so let's let that rest. I want to give this--I have to set a precedent. And on this thing the Attorney General brought up about people getting releases from the Government to go to work in essential industries--there was the case of the lawyer who wanted to get a release from the Government and get into a strategic place so he wouldn't get drafted.

MR. BELL: We didn't have a case like that.

H.M.JR: He didn't think the Government was safe enough.

MR. BELL: We turned these down under thirty years.

H.M.JR: What was in the paper this morning?

MR. BELL: Stimson came up with the same statement the President--

H.M.JR: Is it under thirty, or thirty?

MR. BELL: Up to thirty.

H.M.JR: If you are thirty years old--

MR. BELL: If you are thirty, then you are over the line, as we understand it. Saxon goes over the line. He is thirty, and will be thirty-one in April.

H.M.JR: Let's have another look at Hoffman Monday.

MR. BELL: All right, sir.

H.M.JR: Mike Hoffman, isn't it?

MR. WHITE: Mike Hoffman is a very good man.

MR. BELL: Here is an Executive Order that Cy Upham would like to see go over, and Danny Bell, exempting bank examiners from Civil Service.

H.M.JR: Let it go until Monday.

MR. BELL: Yes, sir. That's the crop.

H.M.JR: The Hoffman thing will keep until Monday?

MR. BELL: It is kind of hot, sir.

H.M.JR: I will be here tomorrow. Will you be in tomorrow?

MR. BELL: Yes, sir.

H.M.JR: And this afternoon, too.

O.K. You didn't do too well, Charlie, but Harry is going to do worse.

(Mr. Bell leaves the conference.)

MR. WHITE: I think I can boil this down to probably two very simple things if you want to go into anything. One is to take some position on the French Lend-Lease.

H.M.JR: No.

MR. WHITE: Either we say we--

H.M.JR: I am waiting for Ed Stettinius' letter to be answered. You can call up Mr. Will Clayton and say that when we get an answer on that we will move. But I want an answer first. If Stettinius is away, let Joe Grew answer it.

MR. WHITE: All right.

H.M.JR: He is only up in New York.

MR. WHITE Oscar Cox called me again and said he ran in to you last night, and you stated you were afraid you weren't going to be of any help to him, and he said that under those circumstances that, "You provide me with a very complete alibi," and I said under those circumstances I didn't think I could give him anything. He said he wasn't sure; he didn't have much time to talk to you. I said I

- 8 -

would check. What he wants is that order which is no longer in point, but it is the one the President sends him now. We can send him that order.

H.M.JR: I thought they had it.

MR. WHITE: He says he hasn't got it. The President sent him a letter asking for comments, but never sent him the memo which he said the Treasury Department sent to him with the order.

H.M.JR: Tell him to call up Arthur Krock and get it from him.

MR. WHITE: He has been made deputy.

H.M.JR: He didn't tell you the truth. I told him that I told--this was the conversation, see? I wanted to tell you that Crowley greeted me at Cabinet, see? He said, "Henry, I called up Stettinius on this thing, and Stettinius told me that this was strictly a State Department matter." He said he spoke to Stettinius on the phone, which isn't--Stettinius told me that Crowley called up and said, "For God's sake, block this thing," and I believe Stettinius.

Crowley turned to me and said, "Henry, whatever you want, just tell me. I am for you. This is ninety percent your business, five percent ours, and two percent State's. You tell me what you want; I am in your corner, and I will give you anything you want."

So I said, "That isn't the way I understand the story."

He said, "What do you want me to do?"

I said, "You tell Oscar Cox to rest his horses."

So Crowley said, "What's Oscar doing?" He said, "He is calling up Harry every five minutes."

I said, "See, I don't know anything about it."

MRS. KLOTZ: They are an awful bunch of liars.

H.M.JR: Last night I said, "You just tell Oscar--" I don't know who brought it up first, but I said, "Did Crowley tell you to rest your horses?" He told me of his conversation with you, and I said he should tell you to rest your horses. So you rest.

MR. WHITE: Under those circumstances, yes.

H.M.JR: We can't tell him that this order--we will tell him, Harry, you see, that this order is no longer valid, and then say, "Well, what is the next move?" I spent a lot of time on this thing, so I just want to stall with them, and they will say, "What is Morgenthau up to now?"

MR. WHITE: I told them that apparently there were changes from time to time of which I am not cognizant.

MRS. KLOTZ: If ever you wanted a log to burn, you do now.

MR. WHITE: I was in your corner. I am sure it would never start to burn.

H.M.JR: I am an expert. Just listen, White, "I don't know what is going on. He calls back and says, "Oscar, are you resting?"

MR. WHITE: I have enough now to--

H.M.JR: And I am waiting for that other answer from the State Department.

MR. WHITE: Jimmy Landis is in. I think you ought to see him. He is going back to Harvard. Among other things, he said he felt the Treasury was at fault for not taking the leadership in helping to solve the acute monetary and financial problems that are all over the world. I told him you were cognizant of that and were trying to establish an appropriate setup here which would be able to do something about it.

- 10 -

H.M.JR: Tell him I am sorry, but I can't see him, will you?

MR. WHITE: There is a cable request for a speech on February 19.

H.M.JR: This is the fifth thing he has brought up, and he said he only had two.

MR. WHITE: This about Jim Landis wasn't one of those; it was just an aside. It didn't matter if I didn't take that up; it could wait, but do you want to make a speech to the Chicago World Trade Conference on February 19? I have been holding up their cable.

H.M.JR: What is the date of the one at Detroit?

MR. WHITE: Within a week or two.

H.M.JR: Within a day or so.

MR. WHITE: I don't think so. They were asking for me, but I--

H.M.JR: Oh!

MR. WHITE: This is important.

H.M.JR: Let me have it so I can check with the Detroit date.

MR. WHITE: We thought there were three speeches, Detroit, Chicago, and one before the AF of L and CIO labor meeting at, I think, Cleveland.

MRS. KLOTZ: Do you know how old this is?

MR. WHITE: January 3.

MRS. KLOTZ: That is right. Do you know what date today is?

MR. WHITE: I never have a chance to raise these unimportant matters.

- 11 -

MRS. KLOTZ: Our man!

H.M.JR: I will be seeing you again.

MR. WHITE: And you say the Argentine thing can wait?

H.M.JR: No move on our part.

MR. WHITE: The only move you might want to suggest is what you suggested before, if they want to move in on England they should have a--

H.M.JR: We will sit down and talk this thing out very quietly.

Thank you.

104  
January 12, 1945  
2:31 p.m.

HMJr: How are you?

George  
Parker: Not so good. I've got a cold.

HMJr: Gosh!

P: I've been in bed for a couple of days, but I'm getting better today.

HMJr: Oh, the trouble is you're getting old.

P: Well, that's the hell of it, you know, you can't beat the calendar.

HMJr: I wondered -- I just thought I'd put it up to you -- I appreciated the tone of your letter and I wondered if you would care to bring whoever the gentleman was who wrote the editorial or would you rather just see Gaston and me alone at lunch?

P: Well, I'd -- if he's in town, I'll be very glad to bring him along.

HMJr: Because I imagine it's Walker Stone.

P: Walker, I think, had quite a lot to do with it, although I'm not so sure that he was the author of the piece because it was the New York World-Telegram. But anyway ....

HMJr: Well ....

P: .... leave it up to me.

HMJr: .... which -- I'll leave it up to you -- whichever way you think that it would be the most constructive.

P: That's fine and I certainly will be delighted to see you again, although probably we'll get in an argument.

HMJr: That's all right.

P: Okay.

HMJr: Thank you.

P: All right.

HMJr: Take care of yourself.

P: I will and I told my secretary to call back to explain that I was laid up but it looks as -- I -- I think I'll be perfectly all right.

HMJr: Well, if not ....

P: If not, give me a rain check.

HMJr: I certainly will. And will you let me know on that morning whether the ....

P: Whether you'll have -- whether I'll have one or just two.

HMJr: That's right.

P: Okey-doke.

HMJr: Thank you.

P: Will do, and I hope you're well physically -- are you?

HMJr: Yes, I'm all right.

P: I read the other day that you were having housing trouble.

HMJr: Still am.

P: Still are.

HMJr: They ran a little piece in the paper -- I didn't see it in your paper -- that we had taken the Bullitt house, which was incorrect.

P: Oh, well, that's up on Kalorama.

HMJr: Yes.

P: Oh, you -- well, no, I don't think it was our paper, but I thought you were living up on Kalorama.

HMJr: No, we live on the street below -- on Belmont.

P: Oh, on Belmont. Well, that's not the -- that's not the one where -- I was up at your house for dinner one time -- that -- that's not the place that you were living in then.

HMJr: I don't think so.

P: Yes.

HMJr: No, I -- I think that was on R Street.

P: Yeah. Well, I think that's correct.

HMJr: Yes.

P: Well, I hope you have good luck and pray for me.

HMJr: I'll do that.

P: Okay.

HMJr: Thank you.

P: Thank you.

HMJr: Bye.

January 12, 1945  
4:11 p.m.

Operator: There you are.

Carl  
Hamilton: Hello.

HMJr: Mr. Hamilton.

H: Yes.

HMJr: Morgenthau speaking.

H: Yes, Mr. Secretary.

HMJr: A couple of weeks ago I was out in Arizona and there is, or was, a Farmer's Community there -- cooperative community -- I think it's a place called Florence if I remember the name correctly.

H: Yes.

HMJr: Where they had a central dairy and I don't know whether you are familiar ....

H: No, not off hand, I'm not, Mr. Secretary.

HMJr: Well, it's the only -- it's not very far from Phoenix.

H: I see.

HMJr: I think it's a place called Florence.

H: Uh huh.

HMJr: You're in the process of liquidating it now.

H: It's a Farm Security project.

HMJr: That's right.

H: That's right.

HMJr: Now, the Farm Security man -- I asked for him -- he took me down there and the thing that -- the suggestion that I was going to make, in all of the work that's been done, there's no history that's been kept of the good and the bad points in that community.

H: Yes.

- 2 -

HMJr: And looking for the returning soldier, that kind of thing, I think, is going to be very useful, because I personally think it's that kind of thing that Farm Security has set up that we'll have to do for the returning soldier.

H: Well, there are a lot of people over here that agree with you, Mr. Secretary.

HMJr: Who do or don't?

H: Who do agree with you.

HMJr: Now, there's no history been written but the people are still on your payroll....

H: Yes.

HMJr: .... who know all about it.

H: Uh huh.

HMJr: And there's one man there who supervises that District -- lives in Phoenix and used to live in Florence, and still does, I think.

H: Yes.

HMJr: I can't remember his name.

H: Well, we could undoubtedly ....

HMJr: But who knows the history of that whole group in the Arizona -- these various cooperative communities.

H: Uh huh.

HMJr: And my suggestion is that you have somebody write the thing up -- just how it was organized and where it was successful, where it failed and all that, and not lose the thousands of dollars we've spent in experimenting.

H: Well, I think that's a very interesting suggestion. I don't know that it had ever occurred to our people who have been so close to it.

HMJr: You plant a new variety of wheat and from the day you plant it you keep writing the history. Now here's an experiment in human beings and nobody writes anything.

H: No, when Congress liquidates it we forget the whole thing.

HMJr: Yes.

H: I think that's very interesting and I know that Secretary Wickard would appreciate your thoughts on the matter. I don't know ....

HMJr: Will you?

H: .... that it had ever occurred to him.

HMJr: No, it's an experiment in human beings and nobody takes the trouble to write it up.

H: That's exactly the case.

HMJr: And if it's written up, I -- I would like a copy sent to me.

H: All right. You had an opportunity to talk with the people?

HMJr: I talked to some of the people and, you know, it's -- it's a tragedy -- here you're renting that plant, I think, for \$65,000 a year cash rental.

H: Yes.

HMJr: The people are there, still in the houses.

H: That's right.

HMJr: The things this particular one did, I can make out, was a success. It was going beautifully.

H: That's right.

HMJr: And now it's gotten into all kinds of local politics and, of course ....

H: Well ....

HMJr: In this sense: they're fighting over their --  
the water rights. They are very valuable.

H: That's right. Those are extremely valuable.

HMJr: And the way the thing is being handled, the  
Judge, the local attorney and the family and  
all are getting into the water rights -- didn't  
smell very good.

H: Well, I expect there is local flavor all right.

HMJr: But the main thing I was interested in was to  
have a history written up of that and similar  
projects.

H: It's very excellent. Let me pass it on and  
as soon as we get something, I'll see that you  
have a copy.

HMJr: Thank you very much.

H: Thank you.

HMJr: Good bye.

Copy of letters sent to Presidents  
of Federal Reserve Banks.

- Mr. Alan Sproul, New York, N.Y.
- Mr. Ralph E. Flanders, Boston, Mass.
- Mr. A. H. Williams, Philadelphia, Penna.
- Mr. R. M. Gidney, Cleveland, Ohio
- Mr. Hugh Leach, Richmond, Virginia
- Mr. W. S. McLarin, Jr., Atlanta, Ga.
- Mr. C. S. Young, Chicago, Ill.
- Mr. Chester C. Davis, St. Louis, Missouri
- Mr. J. N. Peyton, Minneapolis, Minn.
- Mr. H. G. Leedy, Kansas City, Missouri
- Mr. R. R. Gilbert, Dallas, Texas
- Mr. William A. Day, San Francisco, Calif.

January 12, 1945.

Dear Mr. Gilbert:

The Federal Reserve Banks, as usual, played a major part in the success of the Sixth War Loan Drive, the quota for which was exceeded by more than fifty per cent. I want to thank you for the great help you and your organization contributed to this success, and I particularly would like for you to thank, on my behalf, the employees of your bank who processed the subscriptions and payment for the bonds sold in the Drive. The work they did enabled us here in the Treasury to keep currently informed of the Drive in each district and was responsible for bringing to our attention any weak spots that needed to be corrected.

We appreciate your having made these facilities available to us and I know we can continue to count upon your interest and assistance in future drives, as in the past.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. R. R. Gilbert  
President  
Federal Reserve Bank  
Dallas, Texas.

DWB:ew

January 12, 1945.

Dear Mr. Bartelt:

I want to thank you and the members of the Interdepartmental Committee for the important help you gave the Treasury in the Sixth War Loan Drive, the quota for which was exceeded by more than fifty per cent. I understand that Government employees as a whole, including both departmental and field, subscribed about \$198-1/2 million of the securities in the Drive, which exceeded their quota by more than twenty-five per cent. The success of this loan would not have been possible without the assistance of individuals and organizations like you and your Committee.

I appreciate very much all the hard work you put in during the two months' period covered by the Drive and I am looking forward to your continued interest and assistance in future drives as in the past.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. E. F. Bartelt  
Chairman  
Interdepartmental War Savings Bond Committee

DWB:ew

January 12, 1945.

Dear Mr. Broughton:

The Sixth War Loan, as you know, was a great success, the subscriptions for which exceeded our quota by more than fifty per cent. Your organization was responsible for getting out some of the preliminary announcements, all of the official circulars covering the securities in the Drive, the day to day reports of subscription totals, and seeing that sufficient volume of securities offered in the Drive were available in every part of the country.

I appreciate greatly the assistance you have rendered us in this connection and I am certain that future drives will be handled in the same efficient manner as past drives.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. William S. Broughton  
Commissioner of the Public Debt

DWB:ew

January 12, 1945.

Dear Mr. Hall:

The success of any sales campaign depends in no small measure upon the ability of the sales organization to deliver to the purchaser the commodity that is being sold. The Bureau of Engraving and Printing is responsible for printing and delivering to the Bureau of the Public Debt the securities that we estimated we would sell during the Sixth War Loan Drive. I have been advised that there was at no time during the Drive period any shortage of the securities offered.

I just wanted to thank you for this great assistance given us in the Sixth War Loan Drive. I appreciate very much the effort you and your organization put forth to have these securities available and I know that I can count upon the Bureau to see that the securities to be sold will always be available in sufficient volume to meet the demands of future drives, as in the past.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. A. W. Hall  
Director  
Bureau of Engraving & Printing.

DWB:ew

January 12, 1945

Dear Randolph:

Thank you very much for all the help you and the individual members of your committees gave the Treasury before and during the Sixth War Loan. You, of course, know by now that we exceeded our quota by more than fifty per cent. This success would not have been possible without the help of thousands of individuals and organizations throughout the country. You and your committees played a very prominent part in the success of this campaign.

I do appreciate your having made these facilities available to us and trust that we may continue to count upon your interest and assistance in future drives as in the past.

Sincerely yours,

(Signed) Henry

Secretary of the Treasury.

Mr. W. R. Burgess  
Vice-Chairman of the Board  
National City Bank  
New York, N. Y.

DWB:ew

JAN 12 1945

Dear Mr. Byrnes:

I have your letter of January 8, 1945, calling attention to measures which you have recently taken to curtail further civilian travel and want to assure you that your efforts have my whole-hearted support.

Since the beginning of the war this Department has repeatedly emphasized through instructions to bureau heads the necessity for surveying travel requirements and effecting reductions wherever possible. I feel that as a result of our efforts in cooperation with the Office of Defense Transportation travel by Treasury personnel is now at a minimum consistent with our essential requirements.

I shall be pleased, however, to issue further instructions based on your letter and to report within sixty days percentage reductions in so far as these data can be identified and assembled.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable James F. Byrnes,  
Director,  
Office of War Mobilization  
and Reconversion,  
Washington, D. C.

*BM*  
CSB:em  
1-11-45

OFFICE OF WAR MOBILIZATION AND RECONVERSION  
WASHINGTON, D. C.



January 8, 1945

Dear Mr. Morgenthau:

Increases in passenger traffic over the past several months have resulted in an overload of our railway system with a corresponding demand for additional manpower. A substantial portion of this increase may be charged to the large number of conventions now being held. These conventions have also overtaxed our hotel facilities in crowded war centers.

Therefore, I have issued an appeal for the cancellation of all group meetings involving the attendance of over 50 persons and trade shows not essential to the war, and for the elimination of other than essential travel.

With the approval of the President, I have asked Director J. M. Johnson of the Office of Defense Transportation to head a committee to be composed of representatives of the War and Navy Departments, War Production Board and the War Manpower Commission to receive and pass upon applications for the holding of group meetings to be attended by more than 50 persons, to determine if the holding of these meetings is warranted in the war interest. This committee is not only to act on requests from the public, but also on requests from the civilian government agencies sponsoring or holding group meetings.

In addition to these measures, I believe that it would be most helpful if you would establish a procedure which would insure that the personnel under your jurisdiction are permitted to travel only when absolutely essential and that all possible measures are taken to consolidate travel to reduce the number of trips to a minimum. I would appreciate it very much if you would cooperate with me in this endeavor and if you would advise me within sixty days of the percentage reduction which you have been able to effect.

I also believe that the presence of government personnel at group meetings frequently serves as an excuse for the meeting to be considered as in the war interest. Therefore, I would like to suggest also that you give careful consideration to the attendance of the personnel under your jurisdiction at such group meetings to determine if their presence is really essential to our war effort.

I know that you will agree with me that a good example set by government agencies will do much to encourage the general public to defer non-essential trips.

Sincerely yours,

*James G. Byrnes*  
Director

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



TREASURY DEPARTMENT  
WASHINGTON 25



OFFICE OF  
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO  
COMMISSIONER OF INTERNAL REVENUE  
AND REFER TO

JAN 12 1945

MEMORANDUM FOR THE SECRETARY:

During the past few weeks the Bureau has been giving serious consideration to the status of the refunding operation involving 1943 income tax returns. The Bureau and the several Collectors of Internal Revenue have been receiving many letters of inquiry from taxpayers regarding their refunds. The records show that as the number of completed refunds increases, the number of inquiries or complaints becomes greater in a larger proportion from those taxpayers who have not received their refunds.

It was realized in the beginning that the refunding operation would experience many difficulties in its first year of operation. The problem was an entirely new one and it was necessary to obtain space and equipment and to train personnel to accomplish the task. Complications resulting from the transition from the former method of collecting to the pay-as-you-go plan in mid-year of 1943 have also affected the refunding program adversely. Unanticipated difficulties in the recruitment of competent personnel have also been encountered.

Despite these difficulties, the program progressed in its early stages more or less according to plan and the initial phase was completed only slightly behind schedule. The second phase of the operation, which commenced a few days prior to November 1st, has in some respects been a disappointment. In this second phase it was expected that the Processing Division would dispose of approximately 500,000 cases per week by scheduling thirty to thirty-five per cent and returning the balance to Collectors for final action. Notwithstanding the fact that the Processing Division has bent every effort to do so, this schedule has not been maintained. Even if it were possible to make up the present deficiency in the remaining weeks it would throw upon Collectors' offices a greater volume than they are equipped to handle.

MEMORANDUM FOR THE SECRETARY.

It was originally hoped that the major part of the program would be completed by January 31, 1945. Subsequently, this date was moved up to February 20th and then to February 28th. It now appears that it will be impossible to complete the task until a considerable time after the close of this year's filing period.

Taxpayers are now faced with the necessity of filing their income tax returns for 1944. Many of them who have not received a settlement of their overpayment for 1943 will owe a tax for 1944. It is anticipated that this fact will greatly increase the pressure on the Treasury, on the Bureau, and on members of Congress to expedite the 1943 refunds. Furthermore, many of them will wish to take a credit for their overpayment. This will present serious administrative difficulties to the Accounts and Collections Unit and to Collectors' offices.

In its consideration of the problem, the Bureau has already taken action within administrative limits designed to accelerate the preparation of refund schedules. However, it seems certain that these measures are not sufficient in themselves to provide the degree of acceleration needed to complete the refunding operation for 1943 before the 1944 returns become due on March 15, 1945. This has brought the Bureau to consideration of the possibility of a broader modification of policy.

The treatment of the refunding problem, thus far, has been predicated upon the proposition that the amount of withholding or prepayment credit claimed by a taxpayer on his annual return should be substantiated by comparison with the amount of withholding reported by his employer, or a verification of payments on the 1942 tax, or the estimated tax for 1943 by comparison with Collector's records. The change in policy herein presented contemplates that refunds be made on the basis of the taxpayers' statements on their returns. The statement on the return, with respect to withholding or prepayment credits, like all other items on the return, is verified by the taxpayer under penalties of perjury.

MEMORANDUM FOR THE SECRETARY.

In the beginning the Processing Division received 19,373,191 income tax returns for 1943 and approximately 150,000,000 duplicate withholding receipts and other vouchers representing advance payments applicable to the 1943 tax. Its task is to verify the credits claimed on returns by matching and comparing the documents representing advance payments and to prepare schedules of refundable amounts for certification by Collectors. Of the 19,373,191 returns, it is estimated that about 16,000,000 will require the payment of refunds. As of the present time, about 10,500,000 refunds have been scheduled and there remain approximately 6,500,000 returns to be examined.

The remaining returns are the ones presenting the greatest difficulty and in about one-half of these cases it will be necessary, under the present plan of operations, to correspond with or interview the individuals concerned. Based upon the experience of the past ten weeks when the more difficult cases were first taken up, it will require about five months to bring the 1943 refunding operation to a conclusion, assuming adherence to established practice.

The Bureau feels, in order to avoid the increasing criticism, that it would be justified, as an emergency measure, in making payment of the remaining refunds on the basis of the amount claimed by taxpayers on their returns, subject to a post-review of the cases involving substantial amounts or containing any elements of doubt.

If this plan is approved, the scheduling of refunds in the remaining cases could be greatly expedited and the Bureau would expect that the work would be substantially completed in approximately six weeks. Inasmuch as interest at the rate of six per centum per annum is paid on these refunds, some monetary benefit would accrue from this acceleration, in addition to the avoidance of criticism. You will understand, of course, that a few errors would

MEMORANDUM FOR THE SECRETARY.

be unavoidable but it is believed that no erroneous refund of any substantial amount would be made which would not be discovered and rectified as the result of post-review.

*Joseph D. Menan Jr.*  
Commissioner.

Approved:

*H. M. Smith*

Secretary. June 12, 1945

## MEMORANDUM FOR THE SECRETARY.

January 12, 1945

Mail Report

Though there were no new subjects discussed in the mail received this week, the intake was heavy, and the letters had more urgency than they have had for many weeks. A great deal of pressure came from families of Service men whose bonds purchased by deductions were overdue. In almost every case, the soldier is stationed overseas, and his bonds, which used to come regularly, have not been received since August or September. The date of the last bond received is almost always given as July.

The second trouble spot was, of course, overdue tax refunds. While requests sent the Secretary of the Treasury remained about the same, those addressed to the President have steadily increased. During the first 11 days of January, 36 of the 85 pieces of mail forwarded from the White House demanded payment of tax refunds.

Other mail remained much as usual, with an occasional shift in emphasis. There was some opposition to increases in taxes withheld, or to new tax forms. Objection to cancellation of ration stamps decreased greatly by the end of this week, as had letters dealing with a Federal lottery. Both of these were live topics last week, but now seem to be on the way out. Some 20 inquiries concerned Adjusted Service Bonds, and countless others related to Series E holdings.

Recent war reverses prompted 3 unfavorable communications regarding the so-called Morgenthau Plan.

John E. Forbush

114

General Comments

Nancy Lyke, Bronxville, New York. I just heard over the radio that you have been put in charge of disposing of several thousand old-style WAVE hats, and that you are having quite a time getting rid of them. I agree that it would be foolish to throw them away, and I think it would be very difficult for a group of men to decide about what to do with women's hats. I am a high school girl, and I know several other girls who agree with me that those old-style WAVE hats are darling. Why not put them on sale in stores all over the country for purchase by high school girls. I am sure it would start a new fad. I know that I would love to wear one of those darling WAVE hats. I would appreciate it very much if you would consider this.

R. G. Bostwick, Thorp, Bostwick, Reed & Armstrong (Lawyers), Pittsburgh, Pennsylvania. -- Letter forwarded by Senator Joseph F. Guffey (Pa.) -- We have for many years represented the Marquise Josephine de Amodio, who was Josephine Wainwright of Pittsburgh before her marriage to a Spanish citizen. When the Germans took Paris, she escaped to Switzerland. She was too ill to be brought by airplane, or otherwise, to the United States, and has ever since been confined to her hotel in Geneva, where she now is. She is continuously under the care of physicians, and has very heavy expenses. In addition to taking care of herself, she has to support her daughter. \* \* \* They are held by the Swiss Government pending the deposit of funds with the Swiss Government, to insure the fact that neither of them would become public charges in Switzerland. \* \* \* From time to time the Treasury has issued some special licenses under which money has been sent to the Marquise, and \$500.00 is sent to her monthly under General License No. 33 in such cases provided. In September of 1944, the Guaranty Trust Company of New York, at the request of the Fidelity Trust Company of Pittsburgh, applied for a license to pay \$20,000.00 to the Swiss Bank Corporation of New York, for account of its Geneva office. \* \* \* I

- 2 -

made a trip to Washington and had a conference with Mr. Bennett of the Foreign Funds Control Division, for which your Mr. Bailey made the arrangements, but no action upon this application for special license has yet been granted. \* \* \* The Marquise has repeatedly cabled that her situation is very bad. One cable read, "Have sent already four affidavits this year to Legation at their request Last one amounting Seventy Thousand Eight Hundred Francs for nineteen months debts You must find your way settlement before December 30 to Swiss Bank or Legation." We wrote Mr. Bennett personally on November 8th, 1944, asking that he give the matter his personal attention. That letter was not acknowledged. We wrote him again on November 17th, 1944, making the same request, but still have not heard. You can see that the Marquise has filed affidavits with the Legation in Geneva, and done everything requested of her by the Treasury through the Legation, so we think this application should have attention. The Fidelity Trust Company and ourselves would greatly appreciate your contact with Mr. Bennett, to see whether we can get some action to enable us to send money to the Marquise which belongs to her, and which could well be protected so that no part of it can possibly, in any way, be of any benefit to any German citizen. \* \* \*

Favorable Comments on Bonds

Iris Daniel, Westwood, New Jersey. I have no doubt you are surprised to hear from me, as we have not had the pleasure of meeting. I'm a girl singer 20 years old, and would like very much to have you hear my war bond song. \* \* \* It really draws a crowd, and war bonds go like mad. I will be glad to send you the record of "Come and Get It - Your War Bond Today." \* \* \* If you are interested, please let me know. After all, I consider this very little compared to what our boys are going through.

Unfavorable Comments on Bonds

F. O. Johnson, Atlanta, Georgia. It occurred to me to call your attention to a situation here in Georgia which may vitally effect the sale of War Bonds and other Treasury issues. This state has an intangible tax law, and although they cannot tax Federal securities they have ordered that ALL U.S. BONDS MUST BE REPORTED or severe penalties may be imposed. Can you see the result? Hundreds of thousands of people have U.S. WAR BONDS and no other intangibles. So, to comply with this directive, there must be hundreds of thousands of returns made in duplicate on which the state cannot collect one cent. A FINE WASTE OF EFFORT, MAN POWER AND PAPER. I believe that, when this is found out, any number of people will sell their bonds to avoid this nuisance. WHY NOT? A list of Federal bond holders would make a fine "sucker" list for sale to swindlers or even legitimate business - wouldn't it? Of course, the information is supposed to be kept confidential, and it may be. However, confidential matters have a peculiar way of becoming public on occasion, even in war.

Mrs. John Smith, Alexandria, Virginia. (Copy of letter addressed to the Editor, Washington Post, Washington, D. C.). I am just one of the many wives whose husbands are fighting overseas and living on the small salary that a Captain earns, saving, skimping, to make both ends meet. I have been saving my "red points" for months, trying to save enough to get a rib roast, and as a Christmas present from Uncle Sam, my ration points were all cancelled, after repeated statements that they were to be good indefinitely. So one cannot believe their own Government -- what next to be cancelled - shoe stamps or Government bonds. I took no chances but cancelled all of my "E" bonds by turning them in and getting the cash, and believe me I am going to keep the cash and buy no more war bonds. I am not the only one who is doing it either, so do not feel that I am being unpatriotic in any sense of the word. \* \* \*

Mrs. Edward E. Thate, Three Forks, Montana. My husband and I have bought as many bonds, Series E, as we can. We buy them every pay day, and we have kept them. But a number of people have told us, that if we both die, our children will not be able to inherit them and the money will go to the government. Is that so? Being Americans we want to support our war effort as much as we can. We have bought about \$3,000 worth of bonds so far. We do not want to cash any. But I have a son, a Jap prisoner or dead. He has been in the Philippine Islands since April '41. And I have a daughter in the WAVES. My other son works in the smelter at Anaconda, Montana. If anything happened to us, we would like for the children to inherit the bonds. Some people try to tell us our bonds won't be any good, but we tell them, if the bonds aren't good, their money won't be either.

Anonymous, San Antonio, Texas. -(Letter addressed to Senator Tom Connally (Texas) and referred by his office to the Treasury Department) - I have been spending my days issuing bonds for one of the local banks. Every day someone asks me whether or not the United States might freeze the War Bonds and refuse payment before maturity. People are really worried about this. It has been my honest opinion that our country would not do such a thing, and I have argued myself blue in the face trying to establish absolute confidence in the integrity of our government. \* \* \* BUT NOW they tell me, "Well, the government asked me not to buy more than I needed, and they have canceled my reserve stamps for canned goods and sugar; I am going to use my spare money to purchase canned goods and to hoard all I can instead of buying bonds." \* \* \* Can I honestly tell all my customers that Uncle Sam will keep his word and cash the bonds as stated in writing on the face? You will see from this letter that my trouble is not points or sugar or canned goods - it is a need to be reassured myself that Uncle Sam will not again break faith so that I can argue with **CONVICTION** when I tell people, "Your bond is the best buy on earth; it is better than money in the bank."

Mrs. Wirt Leake, Dallas, Texas. In accordance with my personal desire and against the opinion of friends, I have put my entire savings in U. S. War Bonds. Since the withdrawal of food stamps, which makes no difference to me personally, I have wondered if the same thing might happen to our War Bonds. After all we only have small papers and the government's word. We had the same thing in ration stamps. This makes a feeling of anxiety and distrust which will not easily be overcome, and harasses those like myself. How can we be assured that Bonds will not have the same treatment that ration stamps did?

R. G. Troster, Executive Vice President, Greensboro Merchant's Association, Greensboro, North Carolina. -- Letter forwarded by Congressman Carl T. Durham (N.C.) -- I don't know whether you have run up against this thing of getting a lost bond replaced or not. If you haven't, believe me, you've got something to learn. You have to fill out a four-page questionnaire, take an oath before a notary public, make yourself liable for a penalty of \$10,000 or 10 years in jail and finally even if you bought the bonds for a minor, get that minor to sign up that it is OK. With millions of these bonds out, there is bound to be a tremendous loss to the buyers. The average person needs a lawyer now to fill out correctly one of these forms. Couldn't there be some simplification and as much eagerness on the part of the government to replace a bond as there was to sell it in the first place?

Mrs. Edna F. Simpson, Denver, Colorado. -- Letter forwarded by Senator Edwin C. Johnson (Colo.) -- Since the cancellation of the ration stamps, there has been a persistent rumor that the Government may freeze or cancel the War Savings Bonds. We have tried to be patriotic and purchase all of the bonds we could, in fact, more than we could actually afford, and should they cancel them and tell us it was our share of taxes or some other excuse, it would ruin us financially since we are too far along in years

- 6 -

to start over. You may think this is silly, but it means a lot to us, and since they had promised the ration stamps would be good indefinitely, and broke faith with the public, giving them the "jolt" they did right at Christmas Time when a promise means more than at any other time, we have no more faith in what anyone tells us from Washington. That's a terrible thing to say, but it is a fact, so would like your assurance that you think the Bonds are a safe investment.

---

Unfavorable Comments on Taxation

Marvin H. Carter, Carter and Company (Cotton), Troy, Alabama. I have just finished a three-day bout with my income tax blank. I had to pay over four thousand dollars, but I am not kicking about that with my country in the fix it is. It is a mystery to me how you could find lawyers to get up such an involved blank. I have been reading in the papers that you had a simplified form this year. A bigger lie was never printed. This one is the worst yet. For God's sake go back to the old one. We had learned it to a certain extent and could wade through it. But this one is much worse instead of better. Suppose you fire all the lawyers, go out on the street and get the first man you meet to draw up a form. It would have to be an improvement written in language people could understand. When it gets to the pass where making returns is more onerous than paying the money, it is time to change.

Ralph V. Villasuso, New York, New York. (Copy of letter addressed to the Collector of Internal Revenue, New York, New York). On May 8, 1944, I wrote you regarding the Claim for a refund that I made, when on January 31, 1944 I filed my 1943 Tax Return. Answering my letter, you stated that in due time my claim would be refunded, but it was seven months ago and I have not heard from you. May I have an idea of when the Treasury Department will pay me the money I really need?

George McCarthy, Bridgeboro, New Jersey. I am at a loss to know why a refund of about \$96.00 has not been returned to me. \* \* \* The writer is an old man working every day in a defense plant, doing the hardest, dirtiest and most discouraging type of manual labor because of the WAR. Ever since last March, I have been looking for a return of that 96. It means a lot to me. Please write me a letter or send in a G man to investigate or something, but don't forget to return the 96. I've been jipped enough. \* \* \* It's your next move.

- 8 -

Earl Quickle, Vinton, Ohio. I am writing you in regard to 1943 income taxes that were withheld on the pay checks. We had over \$100 to be paid back to us, and as yet we've never heard from it at all. We are desperately in need of it, and if you could inform us as to why it isn't being sent, would sincerely appreciate it.

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE  
January 12, 1945

TO Secretary Morgenthau  
FROM Messrs. White, Luxford and DuBois

### Personal and Confidential

We have reluctantly come to the conclusion that it would be unwise for you to embark upon any currency program at this time which had as its objectives the trapping of blackmarket profiteers and tax evaders.

It is not easy for us to take this position since we have always believed - and we still believe - that a program of the type you have in mind could be made effective and is certainly justified on its merits.

Our reasons for urging you to postpone consideration of a program which would trap the black market operations and tax evaders are:

- (1) Any program of this character must be really successful in its objective of actually trapping these groups or you will be the object of ridicule and personal attack.
- (2) Those interests affected adversely by the program (including farmers, professional men and certain labor leaders) would foment a hue and cry about gestapo tactics, threatened repudiation and confiscation of our currency and savings bonds, communism, and every other conceivable angle of attack on both you and the program. The outcry might well become a chorus with opponents of the Morgenthau Plan, Bretton Woods and full employment joining in for a field day of ideological propaganda.

- (3) We do not think you could count on genuine support within the Administration. We suspect that some of your "friends" would like nothing better than to seize upon the outcry on this issue as a basis for an attack on you.
- (4) We even doubt whether the President would give you the support you would need. It seems all too clear that he is prepared to make almost any sacrifice to achieve unity on the domestic front in order to procure unity on the foreign front.

We would like to make it clear, however, that we do not believe that such a program would really have any effect on the soundness of the U. S. money or credit system in the eyes of the public. In our opinion, the arguments which have been advanced to this effect are not valid.

What really troubles us is that this criticism which would be levied at you would tend to undermine your effectiveness in fighting much more important and fundamental issues on which so many of us are depending on you to carry the ball--for example, the German issue, Bretton Woods and full employment--in fact the whole cause of liberalism. In addition to the tremendous amount of your time and that of many able men in the Treasury which such a program would undoubtedly consume if it were made really effective, there is the more important problem of how many issues you feel that you can take the heat on. If this issue was of tremendous significance that would be one thing. However, we are sure you will agree with us that this issue as compared with others in its relationship to making a better way of life is truly insignificant.

OK HDW  
paraph. JES

January 12, 1945

Dear Mr. Bowles:

This will acknowledge receipt of your letter of January 8, 1945.

Please accept my thanks for your prompt response to my inquiry on the question of bills of large denominations in black market operations.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Chester Bowles, Administrator  
Office of Price Administration,  
Washington 25, D. C.

OFFICE OF PRICE ADMINISTRATION  
WASHINGTON 25, D. C.

215  
F. H. C. H.

OFFICE OF THE ADMINISTRATOR

Personal and Confidential

January 8, 1945

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

Dear Mr. Secretary:

I have checked rather thoroughly with our enforcement people on this whole question of bills of large denominations in black market operations. We do not, of course, have any accurate information on the volume of currency employed in such transactions or the volume stored away which may represent profits from black market operations.

We do know that a high proportion of transactions occurring in violation of our regulations take the form of illegal payments in cash. This is especially true of black market deals in gasoline, meat, poultry, fresh fruits and vegetables, liquor, textiles, and certain other commodities. Our experience has been, also, that where large amounts of cash are paid illegally the payment is likely to be in bills of higher denominations.

As to hoarded cash representing profits on black market sales, we have heard many rumors that the amount is high. We have no concrete evidence in our possession on this. Again we know, however, that black market transactions involving payments of cash are not recorded in the books of the violator. The profit represented by such deals must largely remain in the form of cash.

Likewise, profits from illegal transactions not involving cash on the side, but upgrading or other forms of violations, are undoubtedly frequently withdrawn in cash to avoid detection as well as to avoid payment of taxes. There is undoubtedly considerable foundation to the rumors of hoarding of cash resulting from black market profits.

The plan which you suggested over the telephone would help us substantially in our fight against the black markets. In the first place, it would make cash transactions and the hoarding of black market profits more difficult. More important, it would reveal sources of illegal transactions which could be checked further and violations prosecuted. In addition, any measure which would assist the enforcement of the tax laws would aid materially our own enforcement efforts. For these reasons the steps which

you outlined would be welcomed by us as a distinct aid in enforcing price and rationing regulations.

I understand that this move was made in Britain and proved highly effective, both from the standpoint of tax collection and as a curb on black marketeers.

Please let me know if I can be of any further assistance.

My best regards.

Sincerely,



Chester Bowles  
Administrator

P.S. I am attaching a copy of last week's United States News (Jan. 5, 1945) with an article covering this subject.

# OVERSUPPLY OF CURRENCY: SYMPTOM OF LAWBREAKING

## Use of Huge Cash Excess for Tax Evasion and Black Market Deals

**Rapid increase in amount of money in circulation. Hoarding of many big bills**

The amount of cash that the American public is using today is beginning to be a major concern to the Government.

Currency in circulation five years ago was \$7,600,000,000. Now, it is above \$25,300,000,000 and rising at the rate of \$5,000,000,000 a year. The Government now fears that these figures cover a huge growth of illegal transactions, of black market operations, tax evasions and other illegalities, as well as a boom in hoarding.

The growth of the currency demand is causing other worries as well. It is working printing presses overtime. It is forcing the Federal Reserve Board to consider a request that the gold cover for the currency dollar be reduced from its present 40 per cent to some lower figure. (See page 53.)

Most concern, however, relates to the dishonesty that probably is represented in important part by the increase of almost \$18,000,000,000 in currency. Part of that increase, of course, relates to increases in pay rolls. But this is not the part that is growing, and is not the cause of concern.

The Pietogram on pages 20 and 21 shows the size of the currency expansion. The chart on this page reveals where, by bill denominations, that increase is occurring. Big bills—those of \$50, \$100, \$500 and higher—have risen by more than \$5,000,000,000, largely in the last two years. Bills of that size are not used extensively in legitimate transactions. Officials are inclined to think that at least this \$5,000,000,000 and as much as \$2,000,000,000 more in smaller bills may now reflect illegal transactions and hoarding.

How the illegitimate activities and hoarding are affecting the currency supply is indicated in the following:

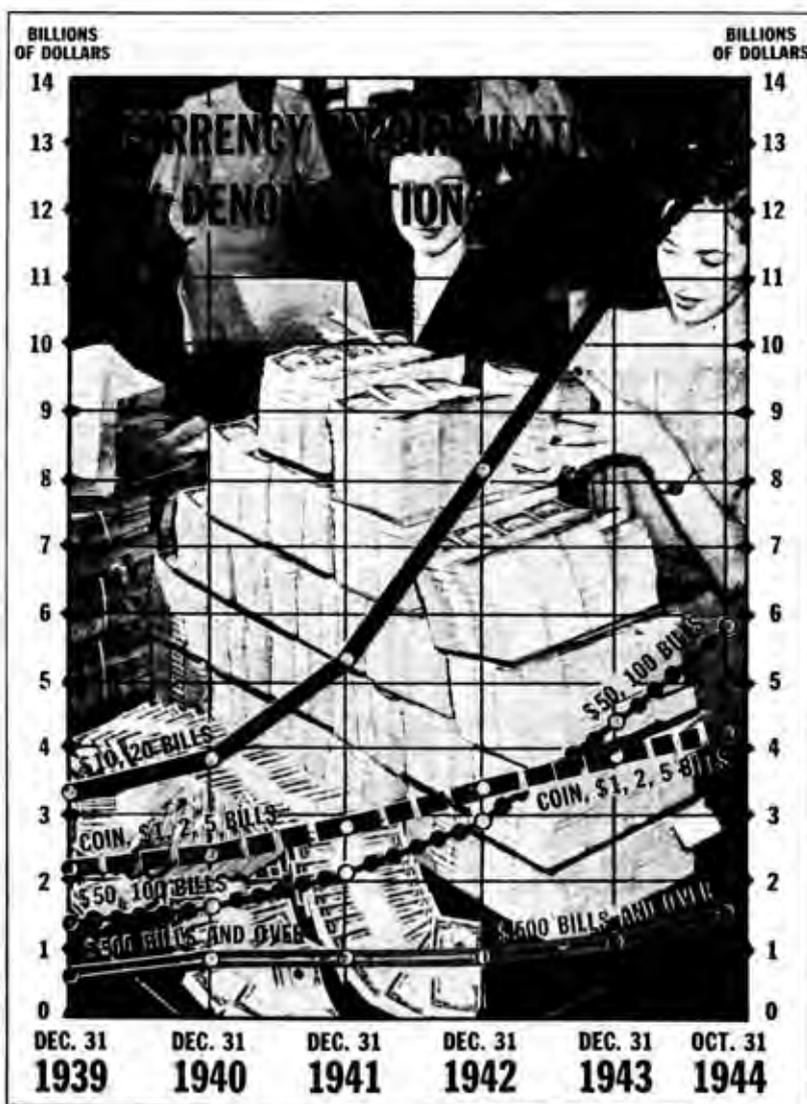
**Tax evasions.** Tax rates at their wartime levels offer a great incentive to evasion. In this evasion, currency is a big help. Transactions in cash are difficult to trace. That is one big reason why there now are 40,000,000 \$100 bills circulating in hiding, or more than twice as many as there in use only two years ago. Other signs of tax evasion are numerous, too, especially in the wide-spread pleas and demands for buyers to pay for goods and

services in currency, rather than by check, although by no means are all such demands related to tax evasions.

For example, a garage owner collects cash in premiums for illegal gas. Then he fails to include these cash receipts in the income he reports for taxation. Or a fur dealer offers to "forget" the excise tax that

his customer should pay on a \$500 fur coat, if the customer will pay for the coat in currency. Then the dealer can "forget" to include in his income tax return his profit on the sale of the coat.

All such transactions build up demands for currency and contribute to the currency expansion. The effect is magnified



Copyright, 1945, By The United States News Publishing Corporation

# Salary Pinch for Top Officials: Problem of Keeping Best Men

## Squeeze on U. S. Leaders' Income by High Taxes and Living Costs

**Private funds needed by the holders of many Government posts. Proposal to raise pay**

Washington's upper-deck officials are finding themselves caught between wartime taxes and high living costs. Government clerks have gotten raises in one way or another. New pay scales have been set up for the officials of war agencies to lure more capable men into Government service. But the top officials who run the Government and shape its policies still are trying to get along on salaries of a bygone era when neither taxes nor rents were what they now are.

The problem is reaching an acute stage. Congress is taking it up gingerly, talking about a raise for itself and for the President, the Vice President, the Speaker of the House of Representatives and for members of the President's Cabinet. Representative Vinson (Dem.) of Georgia, has introduced a bill to accomplish this.

But the bill does not reach under secretaries, assistant secretaries and the heads of bureaus, all experts in their fields. They mold the policies for their agencies. And they are being drained steadily out of Government service by business concerns that will pay them more money than a Cabinet officer can get.

**Their plight.** Like the Cabinet officers, these officials are shut off from earnings outside the salaries from their Government posts. Those with private fortunes must draw upon them. Those who are not wealthy find themselves pinched to live on Government pay. If they do not quit the Government for jobs with private industry, they find themselves compelled to make personal sacrifices. It is getting harder to attract men with brains into public service, either in the executive departments or in Congress.

Even for the President, after taxes have been deducted, the salary now is only about two thirds of the \$50,000 that was paid for that office in 1909, when the present salary of \$75,000 was fixed. The Vice President, Speaker of the House of Representatives and members of the Cabinet now get \$1,000 a year less, after taxes are paid, than the \$12,000 their predecessors received in 1925, when the pay for their posts was raised to \$15,000 a year. And members of Congress are just about back



—Harris & Ewing  
**REPRESENTATIVE VINSON**  
... bonus for brains?

where they were in 1925, when their own salaries were raised from \$7,500 to \$10,000 a year.

But Congress has the job of fixing the pay of its own members. It always is uncertain of the reaction of constituents. It hesitates to raise its own pay. And members of Congress are slow to acknowledge that any Government official of lesser rank than a Cabinet officer should get a larger salary than a member of Congress. To the heads of some Government agencies, such as members of the Social Security Board, Congress is willing to pay a sum equal to that of a Senator or Representative. But, in the main, the pay of bureau chiefs runs below \$10,000 a year. An overtime pay act builds this up by about \$625 a year.

**The pay of the President** is cut by federal taxes to around \$33,600. New York State taxes carve still more out of it. The President gets another \$25,000 yearly as an allowance for travel and entertainment. But the expenses of maintaining his office is so great, what with foreign visitors brought in by the war, that the President may have to dig into his private income to maintain the establishment. A rent-free White House does not wholly compensate for the other expenses of the office.

By comparison with the present situa-

tion, frugal Calvin Coolidge, during the unruffled and easy tax days of the '20s is commonly supposed to have saved a large share of his salary as President. Now, in spite of the quadrennial scramble for the job, for which there is never any lack of applicants, a man without private means would have trouble handling it.

The Vinson proposal would raise the presidential salary to \$100,000 a year. But, with 10 per cent of allowable deductions, the tax on this amount would be \$60,465. He would have \$39,535 left—or less than \$6,000 out of the \$25,000 raise that Congress may give him. State taxes would take still more of this.

This would put the presidential salary at the edge of the range enjoyed by movie stars and big business executives. Scores of these salaries run above the \$100,000 mark. The tax take on these works the same as on the presidential salary. A movie star making \$150,000, as did Paul-ette Goddard in 1942, given a 10 per cent deduction, would pay \$101,015 in federal taxes. One making \$200,000, as did Don Ameche in the same year, and with the same deductions, would pay \$143,305 in federal taxes. But a President, unlike a businessman or a movie star, is shut off from many kinds of other earnings.

**Supreme Court** salaries are set at \$20,000, but, after taxes, the Justices have less than the \$15,000 set for Cabinet officers. Members of the Court are not affected by the Vinson proposal. But they receive less in yearly salary than many a high-priced corporation lawyer gets from one big case. Yet, such is the prestige that goes with the Supreme Court bench that there always are more applicants, or hopefuls, than there are vacancies. The cream of the nation's lawyers always are available.

The Vinson plan would raise the pay of the Vice President, the Speaker and members of the President's Cabinet to the \$20,000 level now enjoyed by the Justices.

**Cabinet officers**, just as the Vice President and the Speaker, now get \$15,000. But, aside from the 10 members of the Cabinet, only a handful of men in the Government are paid such salaries. Three of them are the heads of new war agencies: James F. Byrnes, Director of War Mobilization and Reconversion; Julius A. Krug, Chairman of the War Production Board, and Fred M. Vinson, Director of Economic

1-8-45

140

TO:

SECRETARY MORGENTHAU:

COPIES SENT TO ALL MEMBERS  
OF THE 9:30 GROUP.

P.B. Mannen

JAN 7 - 1945

# The Great Game of Politics

By FRANK R. KENT

## Tax Evaders And Hoarding

WASHINGTON, JAN. 6. NOT THE least of the problems for which the Treasury is not too well equipped to handle are those created by the almost incredible amount of money which has come to be in circulation. It is so vastly in excess of anything heretofore dreamed of that it is rather appalling to contemplate.

CERTAINLY, there are no concrete ideas of how to control it and no definite notion of the consequences of not controlling it. This is not an indictment of the Treasury on the ground of inexcusable ignorance. The truth seems to be that nobody knows. In fact, it is pretty generally agreed that, in or out of the Treasury, there is no clear understanding of what the immense increase means and how it is to be accounted for. All anyone seems definitely sure about is that in April of last year the total amount of money in circulation was a little more than \$21,000,000,000, or \$154.65 for every man, woman and child in the country. Since April, according to the latest available figures—December 15—the total was \$25,163,000,000 or \$182.21 for every individual. In brief, the increase has been more than \$4,000,000,000 in eight months—and it is growing every week.

IN THE whole of history there has never been such an increase in money. No previous increase even compares with it. No one so far has adequately explained it. Mr. Ralph Robey, one of the most eminent authorities in the country, asserts that so far as the general expansion is concerned there is almost unanimous agreement among students of finance on the reasons: first, the increase in factory pay rolls, which are more than double those of 1939; second, the great growth in military pay rolls; third, the 33 per cent rise in prices since

the war began; fourth, much more idle cash in the pockets of workers; fifth, the many shortages which create a demand for more cash with which to shop and, particularly, with which to trade in the black market; sixth, individuals and businesses which have gone on a "cash" basis in order to hide income and evade taxes; seventh, hoarding.

THERE WILL be slight dissent from this statement of causes for the expansion of the currency; but, as Mr. Robey points out, quite clearly they do not explain the enormous increase of four billion in the last eight months. Because the first four reasons were all operating last April and there has been no jump since then in factory pay rolls, not much in military pay rolls, only a slight rise in prices and no great increase in "pocket cash." How then can the four billion in eight months be accounted for? There seems but one answer—hoarding, tax evasion and black market. If there is any other explanation it has not been advanced.

THIS IS not a pleasant theory, but it has to be accepted—and it is accepted by those here whose business it is to "hold the line" against inflation, concerning which there is more justified apprehension now than at any time since the war began. Partly, this is due to the manner in which the Administration has yielded to CIO political pressure for more money for steel workers and, partly, to the utter failure to evolve a firm, comprehensive and nonpolitical tax program. As of today, according to the *United States News*, there are some 40,000,000 more \$50 and \$100 bills in circulation or in hiding, which is 100 per cent more than a year ago. There also has been a great increase in the number of \$500 and \$1,000 bills.

NOR is there any end to the expansion. Month by month the money continues to roll out. It is a situation without precedent and not without danger. It is causing concern to practically every official whose job touches the fiscal facts and who is capable of understanding them—which does not include all of them by a long shot. Nevertheless, many are convinced that those three factors—tax evasion, hoarding and black markets—are the real explanation and that they have reached menacing proportions. Ways of discouraging all three are being studied and there is a prospect that Congress will act along these lines—particularly on lines to catch the tax evasion practitioners.

THERE IS, in fact, a very strong determination to prove to these that they are not nearly as clever as they think—that, in reality, they are exceedingly stupid and have laid themselves open to pretty heavy penalties, to say nothing of extremely unpleasant publicity. One thing which is pointed out is that no tax evader who has been hiding income by the "cash" system can feel safe from investigation and prosecution for six years. That is under the present law. But, it is declared, Congress will be asked—and assuredly will respond—to extend still further this time limit. Also, there are other ways by which the cash hoarders and the tax evaders can be exposed and punished. At the moment the intention is to use them all.

NEWSWEEK  
12/25/45

## BUSINESS TIDES

## How the Money Rolls Out

by RALPH ROBEY

This column under the date of last April 24 was devoted to the question of the incredible amount of money in circulation in this country. At that time the total was a little over \$21,000,000,000, or \$154.65 for every man, woman, and child in the country. Since then, or in a period of only eight months, the total has risen another \$4,000,000,000 and on Dec. 13, the last day for which figures are available, stood at the amazing total of \$25,163,000,000, or \$182.21 for each person in the country.

Never before in the history of this nation has there been an increase of money in circulation comparable to this. And the end of the expansion clearly is not in sight. Week by week and month by month it continues with never a let up. What does it all mean and how is it to be accounted for?

No one knows the answer to those questions in any definitive, qualitative sense. All anyone knows are some of the general factors which it seems quite reasonable to suppose are contributing to the increase. And it now appears that even in these broad terms we know less than we thought we did.

Thus in this column last April, it was said that the general factors accounting for the expansion were:

- 1—An increase in factory payrolls of about 2½ times over 1939.
- 2—The growth of the military payroll.
- 3—The rise of prices of approximately one-third over 1939.
- 4—More idle pocket cash as a result of higher weekly wages.
- 5—More professional people and individually operated business concerns going on a "cash" basis in order to hide their real income and thus evade taxes without danger of being caught by the tax collector.
- 6—The growing shortage of goods with a consequent demand for more cash with which to shop around from store to store, and especially for trading in the black market.
- 7—Hoarding.

Now at the time this appeared to be a perfectly sensible list and one could go from one student of this problem to another and the chances were that he would get this particular listing almost item for item. And that still is largely true.

But now consider this: Of these seven factors, the first five quite obviously can have had little or nothing to do with the increase of more than \$4,000,000,000 of money in circulation during the past eight months. During this period factory payrolls have declined, the size of the military has increased only slightly so the demand for the military payroll presumably has remained approximately the same, the general price level has not changed to any appreciable degree, the increase in the weekly wage rate has been insignificant from the point of view of causing people to change their habits as to the amount of money they carry in their pockets, and those who are willing to try to evade their just share of the present tax burden by going on a "cash" basis almost certainly would have started on this path long before last April.

So where does this leave us in seeking for an explanation for the continued enormous expansion of money in circulation? Have any new factors come onto the scene?

In so far as anyone can determine there are no such new factors. From casual observation and the endless stories that one hears, it is evident that people constantly are spending more and more freely in night clubs and for other forms of entertainment and for all kinds of luxury items in the stores. In the aggregate, this spending unquestionably comes to a huge sum, but even so it does not appear probable that the increase in this field during the past eight months could account for more than a minor proportion of the \$4,000,000,000 expansion of currency within this period.

We have no choice, therefore, but to assign the major proportion of the currency expansion to the growth of black markets and hoarding—hoarding, not in the sense that people are frightened and thus hold cash as a matter of safety, but hoarding simply as the most convenient way to accumulate and hold their savings.

On the whole this is not a pretty picture. And, even more important, the expansion of the currency is now getting to the point where, because of the demand it is making on our gold reserves, it shortly will begin to create a really serious problem which will have to be faced.

January 12, 1945.

My dear Senator Truman:

Since receiving your letter of January 4, I have made some inquiries about the situation in the Kansas City and St. Louis offices of the Procurement Division concerning which you wrote.

Mr. Thomas C. Stephens, who was assigned to the position of Regional Director at St. Louis on December 1 last, is originally from Kentucky and is a graduate of the University of Kentucky. When the Treasury first employed him in 1936 he had been working for the Missouri Relief Commission in Jefferson City and St. Louis and he continued to work in Missouri for the Procurement Division until 1940, when he returned to Kentucky. He was in San Francisco only from March, 1943, to October of last year. Since his assignment to our Kansas City office there have been but two employees transferred there from California, both with our approval. I have not been able to find that he has employed any relatives.

I shall be very happy to pursue the inquiry further if you can give me any definite leads or suggestions. Perhaps it would be a good idea for Mr. John Pehle, Assistant to the Secretary in charge of the Procurement Division, to call on you and give you what information he has available as to Stephens and the situation in the St. Louis and Kansas City offices. He would be delighted to do so at any time.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Harry S. Truman

United States Senate

HEG/mah



THE SECRETARY OF THE TREASURY  
WASHINGTON

January 9, 1945.

My dear Senator:

Referring to your letter of January 4, I am having inquiry made about the activities of Thomas C. Stephens, Regional Director of the Procurement Division office at Kansas City. I shall be happy to write you again when I get something more definite.

I have learned, however, that Mr. Stephens is not a Pacific Coast man, as you apparently were led to believe, but is originally from Kentucky and went out to the Pacific Coast in March of 1943, after several years spent in the Treasury service in Kentucky and Missouri.

Sincerely,

*W. M. C. [Signature]*  
Secretary of the Treasury.

The Honorable Harry S. Truman  
United States Senate



74-27

ROBERT A. REYNOLDS, M. C., CHAIRMAN  
 CLBERT D. THOMAS, UTAH  
 EDWIN C. JOHNSON, OHIO  
 LEFFER HILL, ALA.  
 WEDAH DOWNEY, CALIF.  
 BERT S. CHANDLER, NY.  
 RUBY S. TRUMAN, MD.  
 MON. C. WALLACE, WASH.  
 HARLEY M. KILGORE, W. VA.  
 JAMES E. MURRAY, MONT.  
 JOSEPH C. O'MAHONEY, WYO.  
 WARREN H. AMSTER, VT.  
 ETTLES BRIDGES, N. H.  
 CHAS GIBNEY, S. DAK.  
 RUFUS C. HOLMAN, BRIS.  
 CHAPMAN REVERSON, W. VA.  
 GEORGE A. WELSH, IOWA  
 JOHN THOMAS, IDAHO

# United States Senate

COMMITTEE ON MILITARY AFFAIRS

MARGHERITE E. WATTS, CLERK

Washington, D. C.

January 4, 1945

Dear Mr. Secretary:

While I was out in Kansas City I had a series of complaints about the assignment of Mr. Thomas C. Stephens, who has been made Regional Director of Property Disposals in Kansas City, Missouri.

Mr. Stephens is replacing capable and efficient men in the office, both in St. Louis and Kansas City, with his sisters, his cousins, and his aunts, and favorites from the West Coast.

This fellow has completely upset the apple cart, and I suggest you send him back to the West Coast and let him exercise his talents out there.

Sincerely yours,

*Harry S. Truman*  
Harry S. Truman, U.S.S.

HST:MLD

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

U.S. Dept. of Justice, Dec 1936  
 30-31 - Can. Submarine  
 31-34 - Stephens  
 Feb 34 - Stephens  
 47-33  
 Proc. - 10/10/1936  
 40-41  
 10 Dec  
 13  
 44

**Office Memorandum • UNITED STATES GOVERNMENT**

TO : Mr. J. W. Pehle

DATE: January 12, 1945

FROM : W. W. Parsons *wwp*

SUBJECT: Appointments and Separations in Kansas City Regional Office

An analysis has been made of all separations and appointments in the Kansas City Regional Office occurring since October 5, 1944, the approximate date upon which Mr. Stephens reported for duty in Kansas City. Only two employees appointed were from California, namely, F. Gerald Moyer, Acting Deputy Director for the Office of Surplus Property, and Joseph Gardner, a Sales Officer (CAF-7, \$2600). You are familiar with the Moyer case and the file on Gardner gives no indication of anything unusual or that should in any way be questioned. None of the employees appointed since October 5, 1944 are relatives of the Regional Director.

The analysis excluded four appointments which are now in process of approval for which the files were not immediately available.

The appointments made since October 5 total 70 and the separations total 15.

W.W.P.

January 12, 1945.

Dear Bob:

I am a little late in replying to your letter of January 5 because I had to look up the situation with respect to Dale Johnson, a Procurement Division employee at St. Louis, about whom Father Johnston of St. Patrick's Church had written to you.

I find fortunately that Father Johnston's fears are needless. Instead of planning to dismiss Dale Johnson, Mr. Stephens, the Regional Director, is in fact considering promoting him and placing him in charge of the St. Louis district office.

The report we get is that Dale Johnson is doing excellent work.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Robert E. Hannegan  
Chairman, Democratic National Committee  
Mayflower Hotel  
Washington, D. C.

HEG/mah

DEMOCRATIC NATIONAL COMMITTEE  
MAYFLOWER HOTEL  
WASHINGTON 6, D. C.

January 5, 1945

ROBERT E. HANNEGAN  
CHAIRMAN

PERSONAL

Honorable Henry Morgenthau, Jr.,  
Secretary Of The Treasury  
15th Street & Pennsylvania Avenue  
Washington, D. C.

Dear Mr. Secretary:

Reverend James P. Johnston, Pastor of  
St. Patrick's Church in St. Louis, is also director  
of a number of Catholic charitable institutions.  
Among these are homes for working men and working  
women. Father Johnston is an old pal of mine and  
in the precincts where his homes are located the vote  
is always 100% Democratic.

And now Father Johnston has written me for  
his first political favor. He advises me that Dale  
Johnson (no relation) is the present Manager of the  
Property Division and Distribution Procurement  
Division of the United States Treasury Department.  
Father Johnston says that a Mr. Stephens of the  
Treasury Department wants to remove Dale Johnson from  
his present position and Father Johnston wants Dale  
Johnson retained.

If it is possible and consistent to do so  
I shall appreciate your kindness in having Dale  
Johnson retained in his present position.

With kind personal regards and best wishes,

Very sincerely yours,

*Bob Hannegan*

# Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. J. W. Pehle

DATE: January 11, 1945

FROM : W. W. Parsons

*WWP*

SUBJECT: Dale H. Johnson, Field Property Officer, St. Louis, Missouri

Mr. Tom Stephens informs me that Mr. Dale H. Johnson, about whom Assistant Secretary Gaston inquired relative to the inquiry from Mr. Hannegan, is now doing an excellent job as our Field Property Officer in St. Louis (at CAF-9, \$3200 per year).

Mr. Stephens is now seriously considering recommending Mr. Johnson for promotion to CAF-11 (\$3800), to be in charge of the District Office at St. Louis. There appears to be no ground for the fear expressed in Mr. Hannegan's letter that Mr. Johnson was being dismissed.

W. W. P.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau  
FROM Messrs. DuBois and Luxford

January 12, 1945.

How about Gen. O'Dwyer for the War Refugee Board?

We understand he is not committed elsewhere at this moment and may be interested--but we will have to act fast.

John Pehle and Harry White think he is a "natural."

*RAH JES*



EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD  
WASHINGTON 25, D. C.

OFFICE OF THE  
EXECUTIVE DIRECTOR

JAN 12 1945

My dear Mr. Secretary:

I am pleased to send you herewith a copy of the report of the War Refugee Board for the week of December 25 to December 30, 1944.

Very truly yours,

  
J. W. Pehle  
Executive Director

The Honorable,  
The Secretary of the Treasury.

Enclosure.

101

Report of the War Refugee Board  
for the Week of December 25 to 30, 1944

SITUATION IN HUNGARY

According to a report dated December 8 which the Swedish Foreign Office received from Mr. Wallenberg, the Special Attache to the Swedish Legation in Budapest, the position of Hungarian Jews has become very serious. About 40,000 persons -- 15,000 men from labor service and 25,000 men and women taken from their homes -- have been forced to march the distance of 240 kilometers to Germany on foot. Cold and rainy weather has prevailed ever since these marches started, and since the deportees have had to sleep under rain covers and in the open, many of them have died. When Mr. Wallenberg was in Moson Magyarovar, he saw seven persons who had died that day and seven who had died the day before. The Secretary of the Portuguese Legation reported having seen forty-two dead persons along the line of march and others reported similar figures. When any of the marchers could no longer manage to walk, they were shot. At the border, the deportees were taken over by an SS officer and those who survived the march and the beatings which they received were put at hard labor on border fortifications. Twenty thousand military labor men who were taken to the border by railroad were working mainly on Hungarian territory.

The Jews in Budapest are being assembled in a central ghetto with a capacity for 69,000 persons, but which it is indicated will probably house considerably more than that number. An aliens' ghetto for 17,000 persons is already housing 35,000 Jews, of whom 7,000 are in Swedish houses, 2,000 in Red Cross houses, and 23,000 in Swiss houses. A thousand Swiss and Vatican wards are removed every day for deportation or transfer to the central ghetto. Jews live four to twelve persons per room in these ghettos, and an epidemic of "Ruhr" sickness has broken out among them but is not yet widespread. Since in the process of transferring the Jews from their homes they were allowed to take with them only what they could themselves carry, they are generally destitute, and it is expected that the supply situation will soon be disastrous.

It was reported that the Arrow Cross men, who take numbers of Jews in their localities, mistreat and torment them before taking them to the points from which they are deported. Rumors being circulated that a death brigade closely affiliated with Minister Kovacs will conduct an anti-Jewish program were discounted by Mr. Wallenberg on the strength of reports that SS organs have received orders not to arrange any systematic Jewish slaughters.

The best conditions were reported to prevail in the Swedish houses, where health conditions are still good and only five persons have died so far. Ward Jews are now being vaccinated against typhus, paratyphus, and cholera, as are the staff members of the Legation section conducting activities for the protection of Jews. Since

the events of October, the activities of the section have been further expanded and employees now total 335 in addition to about 40 physicians, house governors, etc. They all live in places under the protection of the section together with an equal number of members of their families. The section has about ten offices and dwellings, one of which is in the aliens' ghetto. Two hospitals with about 150 beds have been established and a soup kitchen has been set up. Jews in the Swedish ward houses leave their ration cards with the section where supplies are brought in and distributed. About 2,000,000 pengo worth of supplies have been purchased.

The achievements of the section reported by Mr. Wallenberg included the procurement of a command from the Honved minister that all Jews in the labor service with foreign documents should be returned to Budapest. About 15,000 Jews have returned since orders were given by a military person sent out in one of the section's cars. For a short time, until it was forbidden, deportees in the columns marching to the border were given certain food and medicines. About 200 sick persons were rescued from deportation points. Intervention in one form or another resulted in the return of some 2,000 persons from places where Jews were loaded for deportation, about 500 from Hegyeshalom alone, but forcible measures threatened by the Germans in the Eichmann commando have interrupted this traffic. It was indicated that as of the date of this report Jews with protective passports had fared best of all of the wards of foreign powers, only 8 or 10 having been shot in Budapest and vicinity. The forced labor service mentioned in a previous report was said to have ceased.

EVACUEES FROM BERGEN BELSEN

After a visit was made to the temporary quarters of the group of Jews who recently arrived in Switzerland from Bergen Belsen, we received a report from our Legation in Bern indicating that all ages and social classes are represented in the group, with a relatively high percentage of intellectuals and professional men. A few of these refugees are Poles, Slovaks, and Yugoslavs, but the majority are Hungarians, including some from Transylvania who acquired Rumanian nationality as a result of Vienna arbitration, and all of them originally intended to go to Palestine. Although none of them is actually in possession of a Palestine certificate or its equivalent, they all hold documents issued by the Hungarian Red Cross or an international Jewish organization, for the most part shortly before the German occupation of Hungary, stating that Palestine certificates in their names are available at Istanbul, and they expected to pick up their certificates in Istanbul and proceed to Haifa. Most of them have relatives in Palestine. McClelland reported that, in view of the nature of the temporary accommodations arranged for these refugees, the Swiss authorities have urged that their early removal from Switzerland be facilitated.

EVACUATIONS THROUGH TURKEY

Representative Katzki reported that authorization has been obtained for the onward movement of 608 refugees and emigrants of Hungarian, Polish, and Rumanian nationality who were detained in Bulgaria en route from Rumania to Palestine.

SITUATION IN YUGOSLAVIA

According to reports reaching us from private sources through our missions in Lisbon and Rome, groups of 1,200 refugees at Topuska and 140 at Split are receiving food parcels and relief supplies. Efforts are being made to arrange to evacuate the Topuska group, evacuation of which was formerly delayed because of military considerations.

UNITED STATES VISAS FOR PERSONS IN ENEMY TERRITORY

In connection with the question of the transmission to the German Government of the names of persons eligible for inclusion in the special visa programs developed for the benefit of persons in enemy territory and the issuance of collective or individual Swiss entry visas for them, McClelland advised us that the Swiss Federal Police, while entirely willing to admit any or all of these persons, share the views of the Division of Foreign Interests that classification of the individuals in question as exchangeable would afford the Swiss a better possibility of protecting them while they are still in the hands of the Germans than further representations such as have already been made in their behalf. The agreement of the Board and the Department of State in the suggestions presented was cabled to our Legation and it was requested to advise Swiss officials that the persons named in the lists which we have forwarded may be included in a category of persons whose eligibility for exchange against German civilians is established.

Minister Johnson advised us that, in accordance with our request, it has been suggested to the Swedish Foreign Office that submission of the names of persons in Germany and German-occupied countries other than Hungary could perhaps be considered as a follow up of the original Swedish step in informing the German Government that the entry of such persons into Sweden would be permitted. The Foreign Office indicated its desire to consult the Swedish Legation in Berlin before making a definite reply.

REPORT ON THE USE OF BOARD FUNDS IN SWITZERLAND

A report which Representative McClelland sent to us concerning projects to which War Refugee Board funds placed at his disposal have

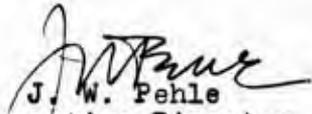
been applied reflects the wide interest and invaluable cooperation which have been given to refugee relief and rescue measures by varied groups. In addition to the collaboration of Jewish organizations and other private relief agencies, rescue activities were undertaken by groups composed of Dutch Jews, German political refugees, and Hungarian students, and by French, Italian, Czech, and Spanish resistance organizations.

Costs of temporary maintenance, concealment, transportation, and false papers in small-scale border-passing operations by which Jews and political refugees were enabled to reach Switzerland from Germany and occupied areas were met with Board funds. In some instances, it was necessary to use money to obtain the cooperation of border officials. Substantial contributions went to finance the flight of Jewish refugees from Hungary into Rumania. Expenditures for objectives collateral to rescue activities included fees for courier services, costs incident to a series of reports concerning Jewish persecutions in Hungary issued in English, French, and German, and reports on the political situation in Hungary emphasizing the anti-Jewish and Fascist tendencies of the various Hungarian governments since March 19, 1944, and contributions for relief to French, Italian, and Yugoslav resistance people, whose own need was so great that they could give us little cooperation without themselves receiving some assistance.

It is of especial interest to note the following accomplishments reported. A sum placed at the disposal of the director of Catholic relief work in Lyon was largely instrumental in organizing the release of some 200 wounded prisoners whom the Germans were keeping at a Lyon hospital awaiting their sufficient recovery so that they could be executed. In Northern Italy, relief parcels have been smuggled to Jewish internees in the ill-famed prison of San Vittore in Milano, and in the camps of San Martino di Rosignano Monferrato near Alessandria and Fossoli di Carpi near Modena. The release of thirty-five political prisoners, eight of whom had been condemned to death, from four prisons was effected in whole or in part with Board funds. With contributions from the Board and a private organization, Czech partisans accomplished the capture of the camps of Sered and Novaky in Slovakia, and an estimated 1,500 persons were saved, although it is not known how many of them later fell into the hands of the Germans when the situation in Slovakia deteriorated. Approximately 2,000 persons were enabled to escape from Hungary to Rumania, 250 to Slovakia, and about 500 to Northern Yugoslavia. To the group which conducted the latter operations a further contribution is being made to be used mostly for Budapest but in part for Berlin, where there are still upwards of 300 Jews in hiding who are in contact with this organization. Their situation is extremely precarious, and it is hoped that a small group of

young people may be brought to Switzerland within the next few weeks, the Swiss having already declared their willingness to admit them. With the help of Spanish partisan groups operating along the chain of the Pyrenees, close to 700 persons were successfully passed over the mountains into Spain. Board funds have been deposited to provide a guarantee in connection with a proposal involving the transportation of Jews from Bergen Belsen to Switzerland under a plan developed by a Swiss individual.

Representative McClelland's report, which covers the six-months' period from May 1 to October 31, 1944, describes the channels which have been found for making important contacts and for pursuing rescue possibilities. The funds placed at his disposal have made possible a variety of approaches to rescue and relief problems, and the energy with which the many avenues of approach have been developed and followed through is evident in the concrete results reported.

  
 J. W. Pehle  
 Executive Director

DCG-83

PLAIN

London

Dated January 12, 1945

Rec'd 1:30 p.m.

Secretary of State,

Washington.

415, Twelfth

TO PEHLE FROM MANN

Please deliver the following message from Joseph Schwartz to Moses Leavitt of the JDC.

"Please request Plauts passport be validated for France and Belgium. Glad advise Laura Margolia arrived and hope have her proceed Paris and then Brussels at early date. Jacob Trube has left for Cairo en route to Balkans and Passman expects leave tomorrow. I hope return to Paris tomorrow and after completing work there and visiting Brussels hope be back London in three to four weeks."

WINANT

WFS

MR-408  
Distribution of true  
reading only by special  
arrangement (SECRET W)

London  
Dated January 12, 1945  
Rec'd 12:08 p.m.

Secretary of State,  
Washington.

437, January 12, 9 p.m.

FOR PEHLE FROM MANN

Dr. Leon Kubowitzki requests that a paraphrase of the following message be delivered to Dr. Nahum Goldman 1834 Broadway, New York: "Emerson in conference with Lady Reading and me stated ten million dollars fund never existed. British Government never pledged contribute four million dollars Inter-Red Cross relief. Schirmer Inter-Red Cross delegate assured Reigner 18,000 Jews around Vienna could possibly be supplied with clothing and food if funds available. I urge you consult the appropriate authorities concerning this matter."

WIN/NT

WSB

Miss Chauncey (for the Sec'y) Ackermann, Akzin, Drury, DuBois, Gaston, Hodel, Marks, McCormack, Pehle, Files

CABLE TO MINISTER, GRAY, DUBLIN, IRELAND

War Refugee Board informed that Robert Briscoe, member of Dail, stated on the authority of the Irish Department of External Affairs that German authorities stated that the rumor that they intend to exterminate Jews in Oswiecim and Birkenau camp is a pure invention devoid of all foundation and that if camps should be abandoned, inmates will be evacuated.

Please investigate truth of this information and report results.

12:45 p.m.  
January 12, 1945

CABLE TO AMLEGATION, BERN, SWITZERLAND, FOR MCCLELLAND

Information said to originate with Irish Department of External Relations reached the Board to the effect that German authorities stated that the rumor that they intend to exterminate Jews in Oswiecim and Birkenau camps is a pure invention devoid of all foundation and that if camps should be abandoned, inmates will be evacuated.

Please investigate truth of this information and report results.

THIS IS WRB BERN CABLE NO. 360.

12:45 p.m.  
January 12, 1945

CABLE TO HUDDLE, BERN, FOR MCCLELLAND FROM WAR REFUGEE BOARD

Please deliver the following message to Theodore Fischer, World Jewish Congress Relief Committee, 1 Rue du Rhone, Geneva, from Dr. Abraham Silberschein of World Jewish Congress, New York:

QUOTE CABLE FROM KLEE RECEIVED. PLEASE DISCUSS PROJECT WITH MCCLELLAND UNQUOTE

Following for McClelland from War Refugee Board:

Cable referred to above reads as follows: QUOTE FOR SILBERSCHEIN NEGOTIATIONS RE GEORG GUGGENHEIM WITHOUT RESULT THEREFORE DEPOT LIBERATED STOP AUTHOR OF HERE ARRIVED BERGENBELSEN TRANSPORT DURING SHORT VISIT HERE GAVE FISCHER HOPE ANOTHER PROMISING WAY SAME MATTER IF NECESSARY MEANS PREVIOUSLY SECURED STOP TRY UTMOST PROCURE HALFMILLION SWISSFRANCS WHILST CORRESPONDING SUM PROCURED HERE BY INDIVIDUALS UNQUOTE.

Please discuss his plans with Fischer at once and send us your views.

THIS IS WRB BERN CABLE NO. 362.

3:30 p.m.  
January 12, 1945

EAK-35  
 Distribution of true  
 reading only by special  
 arrangement (SECRET W)

Bern

Dated January 12, 1945

Rec'd 11:14 a.m.

Secretary of State,  
 Washington.

213, January 12, 9 a.m.

FOR WRB FROM MCCLELLAND

Substance your 49 communicated to Swiss authorities. (Department's 49, January 3 WRB 34) who expressed appreciation promptness Board's efforts organize evacuation this group from Bergen-Belsen from Switzerland. Swiss also expressed hope that pending reply from London regarding permission enter Palestine for majority these refugees arrangements could be started for transit this group France, a trip which they will have to undertake in any event whether they proceed to Palestine or North Africa. In this connection Swiss federal railways prepared if necessary furnish trains for transport these people to French port of embarkation.

Federal police wish rectify oversight in their recent communication concerning size group stating they wish include first Hungarian convoy from Bergen-Belsen (Legation's 5517, August 23) numbering group (\*)ly 320 persons. This would bring total group in question up to some 1672 rather than 1352.

HUDDLE

RB

(\*) Apparent omission

Miss Chauncey (for the Sec'y) Ackermann, Akzin, Cohn, Drury,  
 DuBois, Gaston, Hodel, Marks, McCormack, Pehle, Files

**EJG-65**  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

Bern  
Dated January 12, 1945  
Rec'd 12:58 p.m.

**Secretary of State**

Washington

216, January 12, Noon

FOR WRB FROM MCCLELLAND

Legation's 8415, December 29

According recent information from their delegation in Germany ICRC states retention our first load 15,002 WRB parcels at Warnstende is part of general standstill all parcels including those for POWS transhipped during last two months from Gosteborg via Luebeck. German POW apparently establish closed east west transport corridor to bring up supplies for their recent western offensive. No non-military freight traffic in north south direction was allowed traverse this corridor.

ICRC has been negotiating for some weeks get such stocks held up moving and received January 10 unconfirmed report that three cars containing our parcels had gone forward on January 4.

News of shipment remaining 60672 WRB parcels to Toulon contained your 4401, December 30 most welcome as we may have more luck getting them into Germany from south.

In packing future parcels please include ~~series~~ individual receipt cards in about 60% of all "G" parcels as exact addresses for more than about 8000 individual Jewish detainees in German camps are not available to us here so that many will have to go forward as collective shipments.

**HUDDLE**

**WTD**

Distribution of true  
reading only by special  
arrangement. (SECRET W)

Bern

Dated January 12, 1945

Rec'd. 6:24 p.m.

Secretary of State,

Washington.

223, January 12, 3 p.m.

FOR WRB FROM MCCLELLAND.

Responsible members of Hungarian group recently arrived in Switzerland from Bergen Belsen (BB) have furnished me with following figures concerning number of Jewish deportees in this camp as of end November, 1944. Last figures reported in Legation's 7593, November 17, were as of September 1, 1944.

4500 Jews from Holland (of whom a fairly accurate list of some 1700 is available in Switzerland) and Belgium. Several hundreds hold Latin American documents or are registered for Palestine immigration; 3500 Slovak and Hungarian women and girls including a few children transferred to BB from Auschwitz during September, 1944. They are housed mostly in tents at BB and very badly off especially as regards clothing. It is expected they will be gradually shifted to work camps within Germany; 349 Poles bearing Latin American documents about 30 claiming US nationality (list to be forwarded to you shortly) and larger part classified as Palestine subjects. We have an exact and accurate list of this group which includes some Jews who escaped from Poland into Hungary after having taken part in defense of Warsaw ghetto in April 1943; 300 Jews of unspecified nationality in a punitive block; 300 Jews in so called "Spanish" block having various nationalities such as Portuguese, Argentine, Brazilian, et cetera; 150 Greeks; 89 Hungarians mostly craftsmen recently transferred to BB from Vienna. A nominative list of them is available.

WTD

HUDDLE

DEPARTMENT OF STATE

OUTGOING  
TELEGRAM

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

The telegram must be  
paraphrased before being  
communicated to anyone  
other than a Government  
Agency. (SECRET-0)

January 12, 1945

5 p.m.

AMEMBASSY

CHUNCKING

65

Matter of gold shipments has been referred to Treasury  
Department whose decision and action will govern. (CONFIDENTIAL.  
FROM CROWLEY AND MILLER FEA FOR STANTON. Hour 23, January 9)

GRLW  
(Acting)  
(RLH)

DC:RLH:EBH

M. Miller  
Liaison:  
SU-984-CPeterson:mb  
1/11/45  
cc: H. Wolpaw

gsa:copy  
1/17/45

SECRET

OPTEL No. 14

Information received up to 10 a.m., 12th January, 1945.

NAVAL

1. HOME WATERS. 11th. One Midget U-Boat sunk by shore defences north of S. Beveland Canal and another probably sunk by M.L. off Flushing.  
12th. Two of H.M. Cruisers with three destroyers attacked convoy of 8 ships off Egersund and left 3 on fire.
2. EAST INDIES. One of H.M. Submarines during recent patrol probably sank one 1,000 ton ship off Andamans and severely damaged another. The Submarine was damaged by gun fire and repeated aircraft attacks (one shot down), but was taken in tow and has now reached port. Another of H.M. Submarines sank 7 large schooners loaded with explosives or petrol off Burma Coast.
3. ENEMY ATTACKS ON SHIPPING. Two ships (2606 and 1428 tons) sunk by mine or torpedo W. of Holyhead yesterday. A ship in east-bound convoy was torpedoed 60 miles W. of Gibraltar on 10th.

MILITARY

4. WESTERN FRONT. Northern flank of Ardennes salient: heavily mined roads and tracks which difficult to clear in deep snow have delayed our advance. Nevertheless we have occupied St. Hubert, reached a point on the St. Hubert/Laroche Road, and established bridgehead over S. Salm at Grand Halleux.
5. GREECE. Athens and Piraeus quiet. Our mobile columns continue to increase hold on country N. of city. Martial law has been proclaimed in Patras where ELAS have withdrawn from town as result ultimatum. Situation Salonika uneasy. ELAS casualties, majority sustained in Athens area, estimated to date at 50 percent their total strength.
6. EASTERN FRONT. Russians continue to report repulse of attacks N.W. and W. of Budapest, and further gains in city itself.
7. BURMA. In Arakan our troops in contact with enemy 8 miles N. Pennagyun. In Kaladan Valley West African troops have captured feature 13 miles S.E. of Kyauk Taw against stiff opposition. In Central Burma Japanese resistance reported to have been strong to our final occupation of Shwebo, but this town now completely in our hands and our troops advancing southward down R. Irrawaddy have reached town 20 miles E. of Shwebo.

AIR

8. WESTERN FRONT. 11th. Escorted Lancasters 145 dropped 670 tons Krefeld-Uerdingen railway centre through cloud with unobserved results. SHAEF (Air) - bombers 118 attacked communications central sector dropping 179 tons with varied results, while 37 fighters and fighter bombers operated central and southern sectors.
9. MEDITERRANEAN FRONT. 10th. 661 fighters and fighter bombers attacked communications Po Valley and shipping off Venice and Genoa cutting railways in 68 places, destroying or damaging 11 bridges, 268 road and rail vehicles, 1 medium sized ship and 6 small ships.

HOME SECURITY

Up to 7 a.m. 12th. 11th. One incident reported.

January 13, 1945  
10:10 a.m.

CURRENCY - FEDERAL RESERVE LEGISLATION

Present: Mr. D. W. Bell  
Mr. Gaston  
Mr. O'Connell  
Mr. White  
Mr. Luxford  
Mr. DuBois  
Mr. Haas  
Mr. Lindow  
Mr. Coyne  
Mr. Currie  
Mr. Viner  
Mrs. Klotz

H.M.JR: How is your cold, Harry?

MR. WHITE: It is better, thank you.

H.M.JR: If that medicine didn't work, I have another treatment that is a little more powerful.

MR. WHITE: More powerful?

H.M.JR: The base of it is vodka. How do you feel?

MR. WHITE: Better yet. (Laughter) It takes an awfully long time to get rid of the thing.

H.M.JR: Is that story in the Times true about the Russians delivering this Vodka and you gave it--

MR. WHITE: I never got the stuff, either.

MR. VINER: You haven't got it?

MR. WHITE: No.

H.M.JR: Who got it in the first place?

MR. WHITE: I told Paul to keep half and give me half.

H.M.JR: Well, Mr. Dan Bell--Washington Bell of Illinois--

MR. GASTON: Kinderhook.

MR. BELL: Kinderhook, that is right.

H.M.JR: It took twelve years for you to find out.

MRS. KLOTZ: I didn't know. Is Washington your middle name?

MR. BELL: That is bad enough.

H.M.JR: Come on, Georgie.

MR. BELL: Well, the currency is, whether you know-- just in the room--maybe you know Jake--

H.M.JR: Well, I haven't the courage to ask Lauch first. He looks so wistful this morning. He has a story here about Crowley calling me. (Laughter)

MRS. KLOTZ: He could answer that one, too.

H.M.JR: We will start with Doctor Viner, who comes from the Windy City.

DR. VINER: I don't think it is necessary. I haven't found any disagreement yet in the Treasury. Everybody seems to be agreed.

H.M.JR: Which way?

MR. BELL: Jake saw everybody yesterday afternoon. He had a conference.

H.M.JR: I will put it this way: I have had a little whispering from different people. Does anybody think I should go forward on the currency matter--the big bills--and want to talk about it? If so, how? Let's put it that way.

MR. LUXFORD: Mr. Secretary, I didn't think you should go through with the big program you are talking about. We were discussing last night from the foreign angle whether it wouldn't be all right to quietly withdraw the large bills without any regulations or anything else so that if several months from now you find that you have a good part of them out of circulation you may want to then take a measure directed only at the foreign picture and not get into the domestic features of it. That could be done on just a quiet basis, withdrawing them whenever they came into the banks. At some point we do have to resolve what we are going to do about the problem on the foreign currency side.

MR. DuBOIS: We might want to consider going even one step further in this sense, that you might want to issue some sort of an order maybe without even going to the President now, asking that they be called in, say, within the next sixty or ninety days, and after that anybody who brings them in would be investigated, but no questions will be asked during sixty or ninety days. I think such a program could be put over and at the same time accomplish purposes in the foreign field, not just in the domestic.

MR. LUXFORD: If one of our goals was to get large bills out of circulation here at home, I suspect the only thing you have to do is send Mr. Ireys' investigators around and ask questions at the right places, and the underworld would be upset. They would begin to come in, and you wouldn't have to worry about forcing them to come in.

H.M.JR: Who was it that told me one-thousand-dollar bills were selling at a five percent discount?

MR. WHITE: Schmidt heard that rumor; we don't know.

MR. BELL: Mr. Avis told you that the racketeers had quit using five thousand and five hundred-dollar bills; they are down to one-hundred-dollar bills and twenties, and there wouldn't be any problem there with them. A lot of them have already switched.

MR. DuBOIS: What you said wouldn't be satisfactory if you really wanted to do something in the foreign field because you should combine with giving a sixty or ninety day period here in the United States--combine it with an order calling them in in foreign areas and designating depositories, as a similar procedure that we now have. It could be a rather simple program, but yet effective.

H.M.JR: George, could you come out behind there? I can hardly see you.

MR. BELL: Don't you have a pretty effective control now with foreign--

MR. DuBOIS: That will only last as long as the war lasts, and in particular, say, the war in Germany, but after that your censorship and wartime controls are going to break down. If you are not ready for that situation, I am afraid you are going to lose control of it.

MR. WHITE: I don't think it is important enough at this time to initiate that program. After all, your chief reason for having a program of that character rests in the field of economic warfare and in the field of trying to prevent the use of American money by the Axis powers for subversive purposes. The other reasons are of secondary importance, and even that reason has now become much less important, so I think you could initiate a program after the war with effectiveness enough to prevent the three objectives which will be to let the Axis powers--Germany--utilize dollars which they may have obtained in the past for purposes of their own in the future. Even that isn't very important.

In other words, I think as time goes on, Mr. Secretary, the whole question is becoming of diminishing importance

- 5 -

and that there is not sufficient urgency or acuteness to warrant any program at this stage of the game. There might have been, and there was some justification a year ago or two years ago, but now I am very skeptical.

H.M.JR: In the foreign field?

MR. WHITE: Foreign. I am speaking of doing something in the foreign field. Sure, it is not just subversive activity during the war. If the Germans had three billion to fifty-six billion in American currency, they could convert it very easily, individual Nazis. That is a bad thing. We ought to do everything we can to prevent that from happening. I think you can do that immediately after the war as easily and with equal effectiveness.

MR. CURRIE: Or as you approach the end of the war.

MR. WHITE: I don't know whether that is important.

MR. LUXFORD: The point I had in mind, Mr. Secretary, was that I am not saying you have to decide today whether you will ever put in a program of the kind you are suggesting. What you can do today is say that we are going to take steps to begin to suck large bills out of circulation by not re-issuing them, quietly telling the banks to not re-issue them. As time goes on, at a later date you may find your problem reduced to half or a quarter the size it is today by gradually pulling the bills out; and later on if you do want to take measures to take the rest out of circulation, your problem would be much smaller and easier.

H.M.JR: Give me a minute, Luxford.

Do you want to say something?

MR. CURRIE: As you know, Mr. Secretary, my first impression was favorable because I like the objectives. But after talking with your people more and more, I became impressed with the difficulties of enforcement and the kickback, and one of the features of enforcement bothered me, and that is the necessity of having bank officials present when people open bank deposit boxes, and that

would create terrific resentment, but if you put it entirely on an economic warfare basis with no question of law enforcement here, but to prevent Nazis and Japs from protecting themselves after the war, I think you will be immune to criticism on any measures you may care to take on those grounds.

H.M.JR: Well, where is Joe O'Connell? Hasn't he been in on this?

MR. BELL: The last meeting you had Friedman was here, and you said--

H.M.JR: Well, let me ask you this--we had this man Avis, who is the enforcement man on alcohol tax, and he told us this: They have a case in Cincinnati where a man had made three million dollars through selling liquor at a premium. Now the expression he used--and I think I have it correct--they called it side money purchase.

MR. GASTON: That is right. He goes to the distiller and wholesaler and agrees to buy liquor. They invoice it to him at the regular price, but he meets somebody in the corner drugstore or cigar store and hands him a premium of anywhere from five to twenty dollars a case.

(Mr. O'Connell enters the conference.)

H.M.JR: Did you know the meeting was going on?

MR. O'CONNELL: No.

H.M.JR: Nobody tells you nothing!

MR. O'CONNELL: No, nobody tells me nothing!

H.M.JR: As Herbert Gaston was saying, and this fellow on this case, the fact that he had thousand-dollar bills made it easier to trace it, because they are more conspicuous, so there is the other side to this thing. When they began they took the numbers on seventeen bills or nineteen bills.

MR. GASTON: They began taking some numbers.

H.M.JR: That immediately threw the fellow into a panic, and he sent a fellow to New York or New Orleans to cash the bills and change them into twenties. So after listening to him, I felt that in a sense it was an advantage having the thousand-dollar bills, because they were more conspicuous. When they began to throw around thousand-dollar bills, the bank of its own accord took the numbers.

MR. BELL: Encourage them to take thousands.

MR. GASTON: Detroit sent us word about these bills; they thought it was black market and liquor, and it was.

MR. WHITE: Did they catch this fellow?

H.M.JR: Yes, they had the whole organization there in the process of making a case; and if Avis would come up and give us those names--

MR. O'CONNELL: I mentioned it to the Attorney General-- who it was--but he didn't know the man who prosecutes liquor cases. He said he would be glad to have us bring it to his attention, and he would put a burr under his tail to make him more active.

MR. GASTON: Tom Clark of the Criminal Division.

H.M.JR: This is the way my mind is working: After listening to all of this thing, even if we withdraw all bills above twenty dollars, it is going to be very helpful; but on a public relations basis and toward the swivel chair monetary economists, that is far removed.

MR. CURRIE: It must be you. (Laughter)

H.M.JR: They have a Phi Beta Kappa key on one end of the chain, and no watch on the other. You have heard that. The definition of an economist is a Phi Beta Kappa key on one end, and no watch on the other.

MR. VINER: I hadn't heard that.

H.M.JR: You can use it then.

MR. VINER: I don't know when and where it has been used before.

H.M.JR: It is not too old.

MR. BELL: He wouldn't use it on economists; he would change the profession--lawyer.

MR. VINER: Phi Beta Kappa key, no.

H.M.JR: Anyway, what I was thinking of is to sort of protect myself against the United States News and the great monetary spirit, Mr. Robey, purely public relations-wise. The way I feel this morning after some consultation is, I would sort of tell the banks we are not going to issue anything above twenty-dollar bills, and would they please turn in anything they have above twenty-dollar bills, just to keep them from criticizing the Treasury, that is all.

MR. WHITE: You would have to make some special arrangements, partly for the large number of bills you would have to have to take care of it, and partly because of the bills which the banks keep ordinarily.

H.M.JR: Just before we get into the mechanics of it, I wonder what you people think. I would do it largely to keep them from saying, "Morgenthau isn't doing anything. He doesn't know how to handle it."

MR. BELL: If you tell three commercial banks, it is public. Announce it.

H.M.JR: Announce it on the basis of--well, we are cooperating with Chester Bowles, fighting the black markets.

MR. GASTON: A lot of comment will come on the fifties and hundreds, because they are not merely hoarding big transaction bills, but a lot of free spenders carry fifties and one-hundreds quite generally.

H.M.JR: All right, they shouldn't.

MR. WHITE: Could the Secret Service give us some

advice of that character to the effect that it would be helpful in this instead of giving the reason of helping Chester Bowles?

MR. GASTON: There isn't any counterfeiting.

MR. WHITE: I don't mean counterfeiting; I think generally.

MR. LUXFORD: I think this is a public relations matter, not to be tied into the foreign side, looking toward the long haul where there are large bills circulating abroad. We think we ought to get them out of circulation there. Public relationswise, no one can criticize that.

H.M.JR: To me that doesn't have the appeal. I think we could do both.

MR. LUXFORD: I am worried. Bowles said that if you get into that, you are saying that we are not doing anything about it, because you are just taking bills out of circulation.

H.M.JR: You could do it this way: Start with the five hundred and thousand-dollar bills, and see what kind of effect that would have.

MR. BELL: That isn't much of a problem. There aren't very many of them, a billion and a half dollars.

H.M.JR: Why not just start with it?

MR. BELL: I was wondering if you could.

H.M.JR: Start with five hundred and thousand-dollar bills. If that works all right, do the one-hundred ones next. How many twenty-dollar bills have you got on hand?

MR. BELL: I don't know, I haven't talked to them down there. They have quite a lot of currency on hand, about a six-months supply.

H.M.JR: Have Gaston write out some publicity just doing one-thousand and five hundred-dollar bills.

MR. VINER: I would go down to one hundred dollars if you do anything at all.

MR. GASTON: There is an immense volume of one-hundred-dollar bills, forty million pieces, four billion dollars face value, forty million pieces. There is the same number of pieces on fifty's.

MR. VINER: Does anybody know how many?

MR. BELL: Not so much any more. Banks keep these. They used to have five-thousand and ten-thousand-dollar notes; they don't keep them any more. They used to keep them for vault space instead of gold, but they don't do it any more.

H.M.JR: They don't need them.

MR. O'CONNELL: The last figure I saw showed there was less than two billion dollars in total currency in the banks.

MR. BELL: One billion and a half--one billion, six, in banks in cash.

H.M.JR: How far do you want to go? Jake wants to go to one hundred.

MR. WHITE: I don't think you ought to go in successive steps. I think you ought to take whatever you decide to do in one lump.

H.M.JR: I want to go down to fifty.

MR. LUXFORD: I think so, too.

MR. VINSON: And also for the banks a single order would be much more convenient than--

H.M.JR: All right, we will go down to fifty.

MR. WHITE: Including the hundreds and the fifties. In other words, the only thing in circulation will be ones, two's, fives, and tens, and twenties.

MR. BELL: That means about three hundred and fifty million pieces from the twenties up. We have to take those out of circulation, and that is a lot of pieces.

MR. GASTON: There are about forty million fifties; that would cut it down to three, ten.

H.M.JR: I tell you what. Bill Stonier is a pretty good man.

MR. BELL: Harold Stonier, you mean--banking.

H.M.JR: I would like to see the draft of the publicity and think about it a little more. I am still a little jittery about fooling with the currency in wartime.

MR. HAAS: I feel that way, too.

MR. VINER: What fooling would there be? There would be no announcement, and people wouldn't even be asked to hand them in. Just banks will be asked not to re-issue them. That is, I wouldn't go any further than that myself, and, as a matter of fact, I would apply it only to the big banks. It will get to them pretty soon, and that simplifies it; you are not having fifty thousand bank clerks all alert and on guard.

MR. BELL: You have to have some reason for it.

MR. VINER: I would put it on the foreign--

MR. CURRIE: Point out that it will have an incidental effect on the black market, but you are doing it for the foreign reason.

MR. VINER: Let people speculate, but have a good foreign purpose well stated.

H.M.JR: What was that?

MR. VINER: We believe that there may be large quantities of large denomination bills, and eventually they are going to creep back here, and then we wouldn't be able to effectively control it if there is a similar supply not distinguishable in the country.

MR. WHITE: We know that a very large quantity of fifty-dollar bills were officially sent out of the country for various war purposes, so it can be said we know there are a large number of big bills outstanding which we would want to do something about. I think you can make a pretty convincing kind of justification on foreign grounds, but I agree with Danny, it better be tried first.

H.M.JR: herbert, over the week end see what you can do. These boys seem to think we should stress the foreign field.

MR. VINER: Not only stress it, but don't say a word from the Treasury about black markets or about income tax evasion. In other words, if you are going to say anything about that, make out a good statement about that, too; but I would say don't say a word about it, and if they ask you if you have that in mind, the most I would say is, "I don't see that it hurts there, but I wouldn't claim it does any job there," because I don't believe it does.

H.M.JR: Will you have a try at it, Herbert?

MR. GASTON: Yes.

H.M.JR: That's that.

MR. BELL: I would like to go on with the other program, however, of submitting to you sometime soon a change in design of all the currency so that right after the war you could put out a new design and let all of the outstanding currency come in. Then your catching the foreign stuff would be much simpler; even the counterfeits would be much simpler.

MR. WHITE: Then you wouldn't need this program.

MR. BELL: You could stop at twenty, and nothing higher than a twenty-dollar bill would be issued hereafter. That would be the permanent policy of the Government. Change the design and everything.

MR. WHITE: You could accomplish the same total purpose by changing the design.

MR. O'CONNELL: That would be later.

MR. BELL: That would be right after the war. I would like to be ready and have a supply of the newly designed currency on hand, and the minute the war stops, say this is a new policy, and issue this new currency.

MR. WHITE: From an artistic point of view, if you compare our currency with the currency of other countries, there is much to be desired.

MR. BELL: It is much harder to counterfeit than any currency in the world. Herbert will agree with that.

H.M.JR: Our currency is like the furniture of 1875, it is now beginning to be stylish. Things go in waves now.

MR. GASTON: The British have a currency that can be detected if it is counterfeited, but they can't tell anybody how to detect it. Only the Bank of England and some of their advisers can tell you whether a piece is counterfeit or not.

H.M.JR: Well, I will have a look at the currency release next week--by Tuesday. I don't want you to work over the week end.

MR. GASTON: Yes.

H.M.JR: Now, Mr. Bell, all these swivel chair experts around here--see, my chair is fixed firm.

MR. GASTON: Oh, that is why all this talk about swivel chairs.

H.M.JR: I removed it.

Where do we stand on this question of legislation? I gathered from talks that the feeling is that they should have legislation to change the Reserve requirements.

MR. BELL: Ratio. The Fed feels that way about it, and that is all right with us; we have no objection to that.

I think the question here in the Treasury is whether we should try to get the ratio changed first, or whether we should go up on Bretton Woods.

H.M.JR: Before we get to that, Viner thinks the quicker we have the ratio changed, the better. I don't know how Currie feels.

MR. CURRIE: I agree.

MR. BELL: We have no desire on the fiscal front to get ahead of Bretton Woods, but we do have a desire, and think it is very essential, that we have the ratio out of the picture and all of the comment and criticism about it over before April 1 when we start discussing the Seventh War Loan.

H.M.JR: Bretton Woods is ably represented here. How do they feel?

MR. WHITE: I think that if there is a sufficient degree of assurance which might be obtained by talking with the appropriate people on the Hill that this gold reserve ratio question will not be made the center of a whole investigation of the monetary system and be dragged out a month or two--and that might be the case, because there are so many people who are familiar with it who will attempt to utilize any excess monetary legislation as a base for that-- if it could be gotten over in a few weeks, it really should, because it is a relatively simple question.

- 15 -

MR. BELL: It is pretty well recognized by even those people that something has to be done.

MR. WHITE: That is true.

MR. BELL: And I think they will prefer legislation to any other action, although they will criticize. I think that will be a very short period of criticism.

H.M.JR: May I make this suggestion. Let me call up Eccles now if he is there, and if he isn't, get somebody who is there and say, "What I would like to do is to have O'Connell go up on the Hill and see the Democrats and Republicans with somebody from the Federal Reserve, and see whether the Republicans would be willing to join the Democrats to make this thing a quicky."

MR. WHITE: If you could get that--

MR. VINER: It would be a very short and simple bill, wouldn't it?

MR. BELL: There are two things, one, the ratio, and the other, extending the time which expires June 30, 1945. Put up Government securities as collateral for Federal Reserve notes.

MR. VINER: Couldn't we have a redraft?

MR. BELL: I think they are working on that and will have it ready the first of the week.

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

MR. BELL: Authority to pledge Government securities as collateral for Federal Reserve notes instead of commercial paper, and the Federal Reserve Act, which expires on June 30. It is necessary to have it extended.

MR. WHITE: I am wondering whether that isn't a little different thing. About the first there is no choice.

MR. BELL: There is no choice on either.

H.M.JR: Eccles insists on that.

MR. BELL: And they are both non-controversial, I should think, so far as the Congress is concerned. They are both necessary. There isn't any other alternative. You have to take some action on both of those fronts.

MR. LUXFORD: Mr. Secretary, what worries me about it is not at all the merits of these two bills, but that the boys will take the opportunity for a field day for monetary cranks, and not only that, but they will get into Bretton Woods. If anybody from the Treasury goes down there, he is going to have to explain Bretton Woods.

MR. WHITE: They have the thing in all gold, and just say that that will help solve the problem.

H.M.JR: I know, but we can say no, and Eccles will say, "Go up on the Hill." It is a question of getting Eccles to say he will not make this a field day.

MR. VINER: The Federal Reserve should carry the ball on this.

MR. WHITE: It is Mr. White's baby.

MR. BELL: When this other question came up, we didn't go up at all.

MR. VINER: It was a straight, routine, technical thing.

H.M.JR: Take Luxford up there with you in case they ask about Bretton Woods.

(Discussion off the record)

H.M.JR: I didn't get an opinion from O'Connell.

MR. O'CONNELL: I understood the immediate thing was to go to the Hill and sound out the leaders. One good way of keeping Bretton Woods out of the preliminary discussion would be to have nobody go down who knows too much about it.

MR. WHITE: You leave decisions to me.

H.M.JR: Talk it over with White. When I say talk it over with White, I always leave the decision to the fellows who talk it over.

MR. BELL: The other thing I have to report is that after your meeting the other day with the Fed we went into my office and continued discussion. We wound up by agreeing we would have another meeting on Tuesday of the Committee and the Treasury people, and in the meantime have Mr. Haas' group and Doctor Goldenweiser's group get together on the points that would be discussed next Tuesday, or at least discuss the points; they might not get together. George had a meeting with Doctor Goldenweiser yesterday, and it was a very good meeting. The attitude had changed. The objectives are entirely the same on both sides, and they had quite a frank discussion of the whole rate structure.

H.M.JR: Just so there is no misunderstanding, I don't like to see this Federal Reserve thing go up. I want to be plain. But after having talked with Eccles and listening to him and knowing it is in the President's Budget Message, you have to be realistic. I would like to go up with Bretton Woods right away, but the President having it in his Budget Message, and we have a War Loan coming along in May, and the longer you wait, the more controversial it becomes. It is like all of these things. You have got to give them the thing in this town, and I think that Eccles would do it, anyway. I think we can do it this way in partnership with him. It isn't a committee so much as--I forget the last thing Eccles went up there on, something that Crowley was interested in.

MR. BELL: That was--

MR. WHITE: ...deposit insurance.

MR. BELL: Exchange charges.

H.M.JR: You would think it was a normal thing; they were up there for weeks.

MR. BELL: That was knocked down and dragged out between FDIC and the Federal Reserve Board, and they got into a terrible scrap over it.

H.M.JR: I have to get a promise out of Eccles that he will be glad--

MR. WHITE: I think he would agree with you that if people on the Hill think there will be extended discussions, he might well prefer to postpone it until the time approaches when they will be forced to do so.

MR. BELL: He can't wait. You can't wait; you can't go into a war loan it seems to me, with things hanging over your head, and you can't wait until June 30 when the ratio will be down to forty or forty-one.

MR. WHITE: Then Congress is forced to pass it.

H.M.JR: I haven't any way to change myself, but I am trying to be practical and realistic. I figure that we had better join them, and by joining them we might get a better deal than if we stand by and say no, and with the President's Message backing him, I would suggest that they go up on the Hill by themselves.

MR. WHITE: I think you are one hundred percent correct.

H.M.JR: Thank you, Mr. White. Will you tell that to Mr. Luxford, please? (Laughter)

MR. WHITE: With proper qualifications I will make outside.

H.M.JR: White has agreed with me two days running now.

MR. WHITE: You told me to be on my best behavior until I am confirmed. (Laughter)

H.M.JR: That didn't mean--

MR. WHITE: There is a backlog piling up.

H.M.JR: I was going to say something. Here we go again. It's too much.

MR. LUXFORD: You might read about it in the papers.  
(Laughter)

MR. VINER: I wondered if the Senate would confirm him if they discovered he was a yes-man.

H.M.JR: He says yes. (Laughter)

Well, anyway, I didn't mean to interrupt you, but let's go back and say--Goldenweiser and Haas were having a love feast; I want to know what it was all about.

MR. BELL: It was about the whole financial program, including issuance of additional bills. It was a matter of issuing, and a different kind of obligation for that lower end of the rate structure, and also discussing the possibilities of one and three-quarter percent bonds. It is all in the discussion stage, and it will be continued; I guess it is going over this afternoon and will be continued Monday with a larger committee. They had pretty generally agreed that we ought to issue two hundred million dollars a week in additional bills. I don't know whether you noticed the other day in the conference that Eccles has completely turned around from what he said in the summer.

H.M.JR: I'll say this: You have to explain that, what Eccles said. I don't know whether you were in the room or not, but he stayed behind and said, "Look, Henry, just so there can be no possible misunderstanding, I want you to know that I am in complete harmony with you. We want you to borrow the money at the least possible cost, and anybody saying anything contrary isn't telling the truth. I am in complete harmony."

MR. BELL: I think he is sincere about that.

H.M.JR: He did say that. I don't know whether that means he has turned around.

I wish you would explain to me what you mean so I can concentrate. I don't know what you mean that he has changed since last summer.

MR. BELL: I think it was in August that we asked, or we told him we wanted to issue additional bills, and in the discussion they took the view that we should not issue bills, except for general fund balance purposes, in other words, increase our general fund balance, and not for money market reasons. I think they wrote us a memo to that effect and said they wouldn't agree to issuing bills except on that basis.

The other day Eccles said we could issue bills whenever the money market needed them for purposes of excess reserves, and that is a complete change, about-face.

H.M.JR: I have asked you to clear it with the people, and I am not sensitive.

MR. BELL: I think by the end of next week we may have something where you can sit down and discuss this with the two groups, and maybe come out sometime after that.

H.M.JR: The thing that bothers me is this: I go back and then--people in New York have tried over a period of two or three years to get us to increase the amount of interest in accordance with what we are paying for money of one year or less. Now, there has been a constant drive on the Treasury for that, and I have been advised by Haas and the people he has around that if that happens--by the way, I don't know whether this interests DuBois, Luxford, and the rest of you.

MR. LUXFORD: It does.

MR. WHITE: They are learning.

H.M.JR: They have a lot of other stuff to do. Do you want to get in on that? I didn't realize we switched.

(Mr. Luxford and Mr. DuBois leave the conference.)

H.M.JR: Now, Bell comes in here and tells me that since last November the short money rate curve has changed. It has sort of crept up on us. They say it is not intentional, but the thing which you people are going to have to do for me is to be sure that when we take this--it is supposed to be a straight line, and agree, if I still am correct, that they tie up the short end and charge more there, and at the same time reduce the ten-year money from two percent to one and three-quarters. They really have changed. That is the thing.

MR. BELL: It is better than that.

H.M.JR: I am still suspicious, because they have tried to undermine me all the way around. They think they get me down by charging more for the very short money, and I mean, in the long run, I will be paying more for the twenty and twenty-five year money. That is what I want to know, whether Eccles has really changed.

MR. HAAS: You are right on that, but I think that-- I am trying to analyze why there is the change. There must be something, and the best I can make out of it is this, that the bankers are going up so rapidly that unless some change is made, the banking industry will be in a very weak political position after the war, particularly in view of the increase in the debt that is coming out with the extension of the war. And I think that is a very important force in turning them around.

Goldenweiser told me--even Sproul and the whole group over there was in agreement--and what they are proposing now is to cut three eighths to one-quarter.

MR. BELL: They had a long meeting after they left us last Wednesday, Mr. Secretary, and went into the whole problem.

MR. HAAS: I would still keep my fingers crossed.

H.M.JR: I will on the suspicion side. I can realize times have changed since the Treasury was paying seventy-five

percent of the running expenses of the Federal Reserve System through charges rendered us, and they were really hungry for earnings.

You are going to have to get together with the old man, too, because before you are going to get me to agree to raising the interest rates on the money under one year, you are going to have to--

MR. HAAS: This proposal is to reduce those.

MR. VINER: The new proposal isn't going to raise any rates; it is going to reduce them.

MR. BELL: From one quarter up to two percent.

H.M.JR: It is too good to be true. I can't believe it.

MR. HAAS: Yesterday was really a love feast as you call it, but their objectives and ours--

MR. BELL: I really think Eccles is sincere about doing this at the least cost to the Government, and I think that all of their recommendations are based on a money market reason that they haven't been able to support this curve between the three-eighths and seven-eighths, because of the volume, unless they just took everything into the Fed. There is something to their side.

H.M.JR: Excuse me, I didn't mean to interrupt you. You War Bond people certainly went into the thing very, very thoroughly, because if it is true, it means a whole complete change in the basket, and you certainly want to know what is happening. And that is what you are here for Coyne. See?

(The Secretary held a telephone conversation with Mr. Eccles, as follows:)

January 13, 1945  
10:38 a.m.

HMJr: Hello.

Operator: Chairman Eccles stepped out of his office for about five minutes.

HMJr: Well, as soon as he comes back.

Operator: Right.

10:49 a.m.

Marriner  
Eccles: Hello.

HMJr: Marriner?

E: Yes, Henry.

HMJr: Feeling all right?

E: Yes, feeling fine.

HMJr: Good. The purpose of this call is this: I would like that Joe O'Connell, who is General Counsel of the Treasury and who represents us on the Hill in legislative matters, get together with you just as soon as possible, along the lines of this legislation in changing your reserve requirements and then also the backing for your bill. See?

E: Yeah.

HMJr: We realize here the necessity of prompt action. We also -- you, too -- we don't want to get Bretton Woods stymied. You see? Now, I don't know who goes on the Hill for you, but ....

E: Well, I -- I usually go for myself ....

HMJr: If Joe ....

E: .... on the legislative end of it.

HMJr: .... could talk with you, if it would be agreeable to you, possibly having him, if it's going to be yourself, call on both the Democratic and Republican members of Banking and Currency, whom we have been working very closely with, on Bretton Woods, to make sure that if we go up with this -- if you go up

HMJr:  
Cont'd.

with this piece of legislation, that it would be handled promptly and handled -- and not be a matter of months. You see? Because we don't want Bretton Woods, frankly, side-tracked.

E: Well ....

HMJr: And I don't think you do either.

E: .... we've got a meeting -- let's see -- Tuesday again. Sproul is coming down and we discussed this the other day, and we've got our lawyers busy working on a draft. We haven't agreed here among ourselves as to just what we would ask for -- whether the -- eliminate entirely the reserve requirements or drop them down to some percentage -- whether it would be temporary or just what -- just what we would do on it. The ....

HMJr: Well, could O'Connell ....

E: If you would -- do you want this before Bretton Woods or after?

HMJr: Well, I'll -- if left to me, I'd like to have it afterwards.

E: Uh huh. I think Dan and the boys feel they ought to have it before, don't they -- or do they?

HMJr: Yes, they'd like to have it before in that it would be a matter of sort of whisking it through Congress. You see?

E: Yes. Well ....

HMJr: But I think Dan would agree if it's going to be up there for two or three months -- then we'd rather start with Bretton Woods and leave this thing in the position that it would be so obvious that they'd have to do it as sort of a last minute gasp. You see? There're two schools of thought.

E: Uh huh.

HMJr: But ....

E: I can't -- I can't believe that they could spend an awful lot of time on this legislation. It's either -- it's a pretty simple thing.

HMJr: Well, you know our set-up here. I look to Dan to contact you and other members of the Board.

E: Yeah.

HMJr: Now -- but on a legislative matter like this, Joe O'Connell -- and going on the Hill, it would be Joe.

E: Uh huh.

HMJr: Now ....

E: Joe -- Joe would handle -- is he going to handle the Bretton Woods on the Hill?

HMJr: He -- he -- on over-all legislation, he handles everything.

E: Yeah.

HMJr: But when it comes to taxes, I mean, it's Roy Blough.

E: Yes.

HMJr: Bretton Woods will be Harry White. We've got to have one man ...

E: He's your contact man?

HMJr: .... on the Hill. But he -- we divide the thing up depending upon what it is. See?

E: Well, I'll tell you -- let me do this, then, let me get in touch with Joe next week and we'll go up and see if we can talk to Wagner and Spence. It would be those committees that would handle this.

HMJr: That's right.

E: And they should be able to indicate to us whether or not they could get pretty prompt action after the legislation is introduced.

HMJr: Yeah. And they might very quickly tell us which way they'd like to handle it.

E: Yes. Which they would like to handle first.

HMJr: Yeah. But we'd like to do it with you on the Hill on account of Bretton Woods, if that's agreeable to you.

E: Yes.

HMJr: Is that all right?

E: That's okay. We'll be -- we'll be willing to either do what we can to -- to get it through first or to wait and get it through last.

HMJr: Well, nothing could be more ....

E: It doesn't -- it really doesn't -- or if one should -- if this should get started and it should bog down, we'd ask them to hold it up.

HMJr: Well, I couldn't ask for anything more.

E: So far as we're concerned, we -- we certainly don't see that there's any reason to have the slightest conflict. It seems to me in the consideration of the matter, I can see how -- so often, this is what happens: the House will hold the hearings before the Senate. You may -- will find the House is holding hearings on Bretton Woods before the Senate gets to it, so that the one body might be handling one piece of legislation, and another another. I think on our legislation they might turn it over to a sub-committee. That often happens in the Senate.

HMJr: Well, just as long as ....

E: Well, I'll work with O'Connell and -- and you can tell him if -- if he wants to get in touch with me about any aspect of it, I'll be very glad to talk to him.

HMJr: All right. Well, he'll be doing that.

E: Yeah. Okay, Henry.

HMJr: Thank you very much.

E: Good bye.

H.M.JR: We couldn't ask for anything better, could we?

MR. WHITE: Perfect.

H.M.JR: The only other thing contemplated was where we would stand vis-a-vis the State Department.

MR. WHITE: We are having a meeting this afternoon. Dean's men said they would come over here, but I said we would go over there. We are going to discuss three items on the agenda, one, the draft of the letter from Stettinius to the President with your signature that you questioned him about; second, the presumed proposed Budget Message-- a proposed message from the President on foreign economic matters; and, three, the specific type of legislation on the bill, so that after that meeting we will have a clear idea of what we are doing.

H.M.JR: So by Monday we ought to know.

MR. WHITE: We ought to know what is ahead of us.

H.M.JR: Well, that is making progress, don't you think? Just from visiting, Jake, don't you think there is a much better spirit around here?

MR. VINER: Yes. It is almost indecent, the amount of cooperation that is going around now.

H.M.JR: It is good for a couple of weeks, you know. I don't want to make you blush again, but--

MR. VINER: That was very nice, I thought, on the rate structure thing, and on this thing, the currency thing.

H.M.JR: Now, may I say something while I have you two gentlemen here to advise me? I would like to say this in the strictest confidence--this is an over-night thought, and you may both jump on me or say anything, but I would like to say something here in the strictest confidence, and that is this: I don't like the attitude of the New York

Bank boys. It isn't worth a G. D. I think it is terrible. And the other day they told me--the committee on, I think, Bretton Woods--I thought Sproul was kind of ugly the other day over this. I want to get this over to Harry. Their committee--this man from General Motors--

MR. BELL: Brown?

H.M.JR: Brown. I just want you to give me a couple of minutes to get this out of my system. And B. Ruml--

MR. HAAS: Conway--

H.M.JR: And I gather--

MR. BELL: This is the Board committee?

H.M.JR: I just want to do it as much for the record as anything else. I was sitting and waiting with Stettinius-- and I want you people to get this--to get the flavor of this--to see the President, and in came Winthrop Aldrich and the President of the American Chamber of Commerce.

They were sitting about that far away--Mr. Paul Watson was, and Stettinius and I were sitting as far away from Paul Watson, and we were talking. Addressing himself to Aldrich and Eric Johnston, Stettinius said, "I just want to say to you people that I think the way the American Manufacturers have been behaving is the most outrageous, stupid, asinine behavior I have ever seen." He was referring to certain bulletins they have gotten out on Lend-Lease. And he said, "Believe me, if I ever go back into business and am ever connected with U. S. Steel, they will never see me write out another check for ten thousand dollars for the American Manufacturers Association.

MR. BELL: Good for him.

MR. VINER: That isn't Johnston, you know.

H.M.JR: I think he was doing this for the benefit of Winthrop Aldrich. He said, "I don't know what is the matter with my former associates in business or why they are so stupid and so dumb," and he just laid it on the line. I

was simply flabbergasted, see, that this very group that Stettinius in a very forthright manner--I was simply breathless--was attacking, the American Manufacturers Association, more or less the same people who control or overlap in the Federal Reserve Bank of New York--certainly the man he was attacking was one. He mentioned Tom Lamont, Brown of General Motors, and he might as well have added Winthrop Aldrich. This was all for the benefit of Aldrich, I believe, certainly not for Eric Johnston. And after all, the Federal Reserve Bank of New York, as fiscal agent, lives and exists more or less for the good-will of the Treasury Department. I am getting to the point gradually. And, Harry, they are going to fight us. And the expression on what's-his-name's face here the other day--I don't think I could make the appeal that I did to Randolph Burgess or Fleming and make the appeal to the Federal Reserve Bank in New York and get anywhere. This is my feeling, and I just want to think that the only thing these people understand is power.

One of you gentlemen said the other day that the Federal Reserve is trying to justify some of this; they are looking for a place in the sun.

Now, Boston has been very cooperative, as has Chicago, and, Harry, I would like to seriously think of moving some of the Treasury business to either Chicago or Boston where, I have a feeling, they are sympathetic. This man Fleming who is President of--

MR. BELL: Flanders--

MR. WHITE: Philadelphia has been cooperative.

H.M.JR: I just want to know why we should center all this vast fiscal agency business in New York where I think they are out to cut our throats. I think the only kind of thing that this fellow B. Ruml, or Mr. Brown, or Mr. Sproul, understands is power politics in that field, and I think they are out to cut my throat personally. He has directed it to me and the President, and I just want

to ask you--I want to first ask White if I am over-emphasizing the sensitivity of my old elbow, I mean, whether you feel you can make any headway. You are a good friend of B. Ruml's, and I would like to know whether you can make any headway, let's say, on the Bretton Woods thing.

MR. WHITE: I have never talked to B. Ruml about it, and I would like to try. I want to see him on that. I think there may be some chance with him. I am positive there is absolutely no chance with Sproul or with Fraser, or with several others I might mention. I do think that on that matter and on other matters they have been unfriendly. I think Beardsley Ruml has a certain amount of rancor against the Treasury on taxes, but I believe--and, Lauch, I would like to get his views on that. I think he is much more susceptible to reasoning, and much less inclined to be--I think you could get results with him. Now, I am not sure, and I think one of the ways--if I might suggest it--there are some past episodes I don't want to bring in which went fifty percent of the way, but I think there is a definite possibility with Ruml, but I don't think there is any with the others.

MR. BELL: Well, you have a good friend on that Board in Bill Myers.

MR. WHITE: I don't know him.

H.M.JR: What do you mean, good friend?

MR. BELL: Isn't he a good friend?

H.M.JR: Don't kid me, Dan. Listen, the Cornell group--I will give you some editorials from the American Agriculturist, the Cornell group of Bill Myers.

MRS. KLOTZ: Ed Babcock and--

H.M.JR: ...Eastman, I think, wrote the most vicious attacks on Roosevelt on the front line dollar that I have seen in any publication in the United States, barring none. Bill is just a toad; there are about three or four of them together. He is President of the Cornell trustees. Of all

the vicious stuff I ever read! I am telling you people, see, that if White wants to take it on, I would like him to go to New York and test the thing out.

MR. WHITE: I think I would like to try.

H.M.JR: Eccles as much as said the other day, "I don't think I can do anything;" the Board is split. I don't think he can do anything, but I would like White to try it.

I would like Lauch to think about it a little bit, because I have got--I made real headway with what I call the constructive bankers, Randolph Burgess and William C. Potter, who is now President of the clearing house, and who is more or less the leader there. And I feel I have real friends, not personal friends, but friends of what we are trying to do, the financing of the war. I don't have any personal friends there, but they would give me a chance, see? I mean, to exist and do my job, but these other people, I think--I may be wrong, but I think they are just out to cut my throat. And if I think they are, I think it is about time we fought back in the only kind of language they can understand, and that is to take some of their business away from them.

MR. WHITE: What do you think of Ruml? What do you think of my judgment on that?

H.M.JR: I am very, very serious about this, Dan, and you will have to tell me how to do it, but I will make the most of it personally.

MR. BELL: I am not thinking of that. We don't just create business in the Federal Reserve District; it is created by Government activities, and they carry on the activities of the Government in that District. We don't move the Government business around from one District to another.

H.M.JR: I want the Foreign Funds business done in Chicago.

MR. BELL: Some of it is done there.

H.M.JR: I can move it, lock, stock, and barrel. New York is too crowded; we can move it to Chicago.

MR. WHITE: I think the decision may be made that if one wishes to go to that length, there are a lot of things the Treasury can do of a number of varieties. I don't say not to examine the question, whether it is desirable to do so; I merely say there are a lot of cards in our hands.

H.M.JR: I have had two telephone calls from the Chairman of the Bank at Boston.

MR. GASTON: Flanders?

H.M.JR: No, the Chairman.

MR. WHITE: Creighton.

H.M.JR: He called me two days ago and said he wanted to help. "I will do anything you ask me to do. I want to come down and help you. Give me something to do." See? He called me up twice. He said, "I want to do something. Give me something to do; I have had a lot of experience; I have been to Russia four times; I have traveled all over the world. I want to go to work for you."

MR. BELL: He is one Chairman who really takes his job very seriously.

MR. WHITE: He is favorable to Bretton Woods, incidentally.

H.M.JR: I was up there in Boston, and his whole annual statement was confined to Bretton Woods.

Look, Dan, I want to do my job. I want to finance the war at as low an interest rate as I can, but I am telling you that this crowd is out to get me. They are moving in on me, and this fellow, Sproul, never forgave me for the fact that I licked them on the fight that the Federal Reserve Banks didn't run the War Loans, and I took

the business away from them and gave it to Ted Gamble and his organization on a State basis, which I did in the summer, a year ago. The man was so sick over it he had to go to the hospital. He has never forgiven me. We have this wonderful organization, but the fellow sat there with just an ugly look on his face. He just looked ugly and hostile, see. He was wrong, and at that time Burgess and Potter came and took my side, and we licked him. But I couldn't have done it without Burgess and Potter, and I got the whole banking fraternity with me, except this little clique, which is, as near as I can make out, Morgan's, see. I think if you analyze it, you will find it all stems back to J. P.

I am not looking for any fights, but if they are, I am willing to take them on. And I don't know any other way to fight them than to take business away from them. There must be a lot of things we can do.

MR. BELL: There are some things you probably could move. I don't know whether you could get foreign governments to move accounts.

H.M.JR: Do you know what happens the first time Sproul resigns? They come and say, "Who do you want as President?" We will name somebody, and we will name somebody as Chairman of the Board, too. That is what is going to happen. These people aren't going to lose business. The minute we indicate we are going to move stuff to Boston and Chicago, Sproul has got to resign.

Now, I don't want any of this repeated, and I am not looking for fights. I am a very peaceful fellow, but I want to do my job. I want to do what Mr. Roosevelt hired me for, and that is to finance this war at a low cost. But when these fellows--I think they are trying to move in on my job, and the spleen against me and Mr. Roosevelt-- I am not going to take it sitting down.

MR. CURRIE: I think there might be a chance of splitting a group there, but I agree with Harry that huml ought to be, in line with some of his other views, in favor of Bretton Woods.

MR. BELL: I can't understand Ruml's being on the other side.

MR. CURRIE: Do you know he is?

MR. VINER: Do you know he is on the other side?

MR. BELL: He headed a committee--

H.M.JR: Sproul said so.

MR. BELL: ...of the Board of Directors, which was Ruml, Brown of General Motors, and Sloan of the Bankers, and Allan.

H.M.JR: And Williams of Harvard.

MR. BELL: They came out with a report to the Board that they were against the International Fund, but not the Bank.

H.M.JR: Sproul is coming down to try to beat Bretton Woods; he is going to come down and fight us on the Hill.

MR. BELL: But I asked him, if you recall, if he was going to volunteer to testify, and he said, "No, we are not, but we probably will be called."

MR. WHITE: I am very much surprised about Ruml; he hasn't been present at any meeting of the Federal Reserve Bank in New York at which we presented our case. Everything he got, he got from the other side. But the International Planning Association is meeting next week to draft a resolution, and they asked me to come up and sit with them. I think there is an excellent chance that Ruml would reverse his course in the Treasury if you gave him half a chance. I think so. I will tell you why. I think the situation with him is different than with the others.

H.M.JR: I know, you have told me the Ruml story. I will tell you now, you go up to New York, and if he puts

it on a purely personal basis, I will take half a day-- and I won't take benzedrine that day, either--to talk to him. I won't have pink pants and a velvet coat on, either. I didn't put those stories in the paper; they came right out of the General Counsel's office.

MR. O'CONNELL: Impossible.

H.M.JR: What?

MR. O'CONNELL: Impossible.

H.M.JR: No it isn't. I mean, Paul, if you want to call a spade a spade. He is a great friend of B. Ruml's, and Paul thought he could run him over, and B. Ruml out-smarted Paul and put it all over him, and Paul got sore.

MR. BELL: I told Harry to be careful or he would be outsmarted.

H.M.JR: And when Paul got sore he got dirty; that is the story. I wasn't in on any of that, but they blamed me. Ruml used to--after he made all these attacks, he went around in the evening and would get drunk up at Paul's house and have a wonderful time discussing me. I wasn't in on that fight at all. The only thing was, Paul waited too long, and Ruml put it all over him. And in the end Paul got plenty dirty, and, as usual, I am the catch-all on this thing. That is the story, take it from me.

MR. WHITE: Whatever it is, I think he is worth working on, because I don't think his views or attitudes are the same or even similar with many of the rest of the boys that I know.

H.M.JR: Paul wouldn't come to grips with Ruml; he thought he could just outsmart him. Ruml put on the most marvelous campaign, and strictly in the office Macy's tried to deduct it from their income taxes, and it was disallowed.

MRS. KLOTZ: And how! (Laughter)

H.M.JR: Sure.

Am I right, Joe?

MR. O'CONNELL: I don't know, sir. I would support you if I had any reason to believe you are right.

H.M.JR: I am right. They put it on their expense account, and I was told it was disallowed.

MR. O'CONNELL: I will be glad to see that it is disallowed.

MR. WHITE: I didn't realize that Duke was as tough as that.

H.M.JR: Somebody came in grinning from ear to ear. All of the expenses of his campaign were charged to Macy's.

MRS. KLOTZ: That was so incidental.

H.M.JR: It makes Harry's job harder.

MR. WHITE: It makes mine insuperable.

H.M.JR: If I am wrong on the disallowance, I will let you know, but I know they charged it up, and I am ninety percent sure it was disallowed. Have a look at it.

MR. O'CONNELL: I will.

MR. WHITE: He has just written a book which, aside from the tax section, about which there can be differences of opinion--I know we differ--is really an excellent forward-looking book.

H.M.JR: The man is a very able fellow, and he and I used to think we worked together. I asked him originally to get all those statistics on department stores, remember, George? We did the job and turned it over to the Federal Reserve--there were a number of things. But I think you will find that in the personal attack which was levied at him he thinks I am at fault, and I am telling you--and I don't lie--I was not. I had nothing to do with it, because after

all, I don't get down to that level. I had nothing to do with it.

Well, anyway, you go up to New York. And, Lauch, you keep your ear to the ground on this Federal Reserve in New York business, will you please, and also think of some of the things if we wanted to make a move?

Viner likes this thing, and I am sure he will--

MR. VINER: Have you talked to Frank Altschul, about that group? Do you know him well?

H.M.JR: He is related to the family, but I don't know him very well.

MR. VINER: If you know him--well, he can tell you all you want to know about the inside of what the currents are in that group in New York.

H.M.JR: I wouldn't go to Frank Altschul for it. I mean--what is he, a first cousin of my wife's through marriage? He has a lovely wife. I would go to Mrs. Altschul in a minute; she is a charming lady. He happened to be in on another matter.

MR. VINER: That is why I saw him in the anteroom.

(The Secretary holds a telephone conversation with Senator Barkley, as follows:)

January 13, 1945  
11:18 a.m.

233

Senator  
Barkley: Henry.

HMJr: Alben.

B: Fine. What have you got on your mind?

HMJr: Nothing. You called me a week ago today and I've been trying to catch up with you ever since.

B: Well, I've been hard to catch.

HMJr: I know you have.

B: I'm a slippery boy. I'm eel ....

HMJr: No, I wouldn't say that.

B: .... eel-like. Well, I've been busy trying to get this Senate organized, and get the Committee -- get the Committee vacancies filled. What I wanted to talk with you about: Nunan, I think, wants to appoint Stewart Berkshire as his assistant.

HMJr: Yeah.

B: I sent you a letter the other day urging this appointment but I thought I'd just put in a personal word. He's a good man.

HMJr: Is he a Kentuckian?

B: He was born and reared in Kentucky and owns the farm on which he was born and reared but he was appointed from Texas. Of course, that ought to be against him.

HMJr: (Laughs)

B: But nevertheless ....

HMJr: Where was he born?

B: He was born in Kentucky.

HMJr: But he lives in Texas?

B: He lives -- his voting home is in Texas. He went out to Texas, I think, after he was grown.

HMJr: I see.

B: But really he is a Kentuckian. And he's been in the Internal Revenue Bureau down there -- well, for -- ever since Roosevelt came in.

HMJr: Yeah.

B: And he's been a good man.

HMJr: Yeah.

B: And I think -- I understand that Nunan really wants to appoint him.

HMJr: Well, I'm glad to know you're interested in him.

B: Well, thank you.

HMJr: Thank you, sir.

B: Good luck.

HMJr: I need it.

H.M.JR: Tell Berkshire if he knows what's good for him he'll lay off.

MR. O'CONNELL: I think Berkshire knows how he ought to--

H.M.JR: Tell him to lay off or the first thing he knows he will be sent to the field. You know how we do those things.

MR. BELL: One thing, Mr. Secretary on that change in the rate structure--you told Mr. Coyne and Mr. Gamble and his organization to get in on it. I think we ought to confine the discussions to the four walls of the Treasury. It is all right to tell Ted and Bob, but they can't discuss it with their organization. It's got to be confined to this group.

H.M.JR: Is that agreeable?

MR. COYNE: Entirely.

H.M.JR: But, after all, they have a manufacturing company and are planning a new line of goods. Their salesmen should be consulted if it is going to be successful. That is the way I look at it.

MR. COYNE: We appreciate consultation, and wouldn't comment at all, except by some agreement with Mr. Bell.

H.M.JR: And some of the remarks I made here may be slightly tinged with personal feelings, but I don't want to--

MR. COYNE: You made some that I agree with, Mr. Secretary. I can remember a year and a half ago, too.

H.M.JR: Well, I mean, some of the scars didn't heal in New York.

MR. BELL: They didn't heal in other places, either. Gradually they are healing. Fleming carried his right to the day he resigned.

H.M.JR: Fleming?

MR. BELL: Fleming of Cleveland. We had wonderful cooperation from the bank in all of our processing work all down the line, but Fleming was really bitter to the day he resigned.

H.M.JR: Who else besides Fleming and Sproul?

MR. GASTON: John Peyton, probably.

MR. BELL: No, John Peyton has switched. He has done a wonderful job out there, and I thought he would be the worst of the lot.

MR. GASTON: The San Francisco man.

MR. BELL: In another year or so he will be out.

H.M.JR: Nature will take its course.

MR. COYNE: Ira Clark will be in. He runs that bank. Peyton has come in very nicely.

H.M.JR: Where else?

MR. COYNE: Other banks have fallen in line. Philadelphia is great. Chester Davis has been very good, and with the possible exception of New York; they have had a lot of mental reservations up there.

MR. BELL: There were only four spots where bitterness stuck out, New York, Cleveland, Minneapolis, and San Francisco, certainly Cleveland and Minneapolis.

MR. COYNE: Minneapolis is all right.

MR. BELL: John Peyton switched completely around.

H.M.JR: You will be interested. Aldrich said his man in New York--

- 36 -

MR. COYNE: Fred Gehle,

H.M.JR: He has arranged so he can stay with us for another loan.

MR. COYNE: Swell.

H.M.JR: Gehle was afraid he might lose his seniority while he was away, but he has taken care of that.

MR. BELL: Did he do a good job?

MR. COYNE: Yes, the best that has been done in New York.

January 13, 1945  
11:54 a.m.

HMJr: Hello.

Operator: Eugene Meyer.

HMJr: Hello.

M: Good morning.

HMJr: Henry speaking.

M: Eugene Meyer.

HMJr: How are you?

M: All right except I've been having a cold.

HMJr: I'm sorry.

M: Not very serious. Who's responsible for the tax -- who got Jimmy to do that? He didn't think that up.

HMJr: Uh ....

M: Or don't you know?

HMJr: I don't know.

M: Have you got any ideas on the subject?

HMJr: No, I really don't.

M: You don't think that that was his own grand idea, do you?

HMJr: I really don't know, Eugene. I've had no contact with him.

M: I see.

HMJr: Why?

M: I was just thinking about it and wondering who put him up to it.

HMJr: Oh.

M: It's a little out of his line, isn't it? I mean, his usual line.

HMJr: Well, I don't really know. I -- I -- the only thing I know I was very pleased at the editorial you ran about it.

M: Yes, you wrote me you appreciated it.

HMJr: Yes.

M: He wrote me, too. He wasn't pleased.

HMJr: He was not pleased?

M: (Laughs) No. However, I'm not trying to get you and him into any more tangles, but I wrote him back that I stood by my opinion.

HMJr: No, I -- strangely enough -- I mean, I've had no contact with him since then and I just don't know. And, oh, Washington is so big.

M: Yeah. Well, I didn't -- I thought maybe you had an idea.

HMJr: No. Evidently you do.

M: No, I haven't. I got to thinking about it though and I said to myself, "Jimmy's mind doesn't turn in the tax direction very much." He was in Appropriation Committees -- never even on the Ways and Means ....

HMJr: Well, he's got a big staff there now, you know.

M: Huh.

HMJr: And ....

M: But, my God, he hasn't got the staff -- if they were all devoted to taxation, he wouldn't have a big enough staff to be getting off tax policies.

HMJr: As a matter of fact, leaving him out, at no time since I've been here, have Treasury's relations been as good as they are with the Joint Committee on Taxation on the Hill.

M: Huh.

HMJr: We've been working very closely with Joint ....

M: Well, I know, but all the more reason for not disturbing it.

HMJr: Yes, I think so.

M: I once issued a report on the wheat situation in which -- when I was managing director of the War Finance 'way back in '24 -- and I thought to myself, "Well, gosh, here's a thing that will have huge circulation, be carried in all the papers," and I put in everything that I knew about anything.

HMJr: Yes.

M: Or thought.

HMJr: Yes.

M: And I did put in some matters related to taxation in a very general way and its effect on the economic conditions of the country.

HMJr: Yes.

M: Mr. Mellon sent for me about it. He was then Secretary of the Treasury.

HMJr: Yes.

M: And he -- I had practically discounted the Treasury tax program without ever having talked to anybody about it.

HMJr: And he didn't -- he didn't like it?

M: Yeah, he was very much pleased.

HMJr: Oh, was he?

M: Yes.

HMJr: Well, I'll be darned. Well, I don't ....

M: Well, it was in general terms. I had no schedules.

HMJr: I just figured that was one -- Byrnes' episode was one of those things that happen and it's over the dam and now on to the next one.

M: Yeah. Well, you're not spending time thinking about it?

HMJr: No.

M: The only reason I was I got a letter from him after a few days -- I saw him in the meantime about something else and he said he was going to write me ....

HMJr: Yeah.

M: .... which I invited him to do, but not for publication, and I answered him, not for publi-  
cation.

HMJr: Okay. Hope to see you soon.

M: Okay. Good luck.