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February 7, 1945
9:20 a.m.

HMJr: Good morning.

Archibald
MacLeish: How are you?

HMJr: Oh, pretty well, and you?

M: Fine, thanks.

HMJr: Archie, I don't know whether there's any use
for this message but I'm going to try anyway.

M: Yeah.

HMJr: Yesterday in my office from three to four,
Clayton and McCloy and Cox and their various
appendages -- we finally came to an agreement
on this American Administration policy on
French Lend-Lease. See? Hello?

M: Yes.

HMJr: And then this morning Reston has practically the
whole story, very unfriendly, but particularly
towards the President. And of course, which is
typical of the New York Times, he leaves us com-
pletely out of it. Naturally, it suits me.
Hello?

M: Hello.

HMJr: But I mean they just don't mention us at all.

M: Yeah.

HMJr: Now, somebody, after four o'clock, got damn
quick and busy to give this story

M: Well, who were there, Henry?

HMJr: Well, as I say, there was Clayton and his people.

M: Yeah.

HMJr: Oscar Cox and a couple of his people.

M: Uh huh.

HMJr: And McCloy and General Hilldring.

M: Uh huh.

HMJr: And our people. Now, we have no contact with Reston whatsoever. He doesn't come in here.

M: Yeah.

HMJr: And the only time he came in -- a couple of weeks ago, on the Russian Lend-Lease, and I wouldn't talk to him. And I immediately called up the Acting Secretary and told him that he'd been here and that we would give him no story. But I don't know -- it seems to me that when we're all working, and you people have had this trouble with France

M: Yeah.

HMJr: this sort of thing ought to stop.

M: I couldn't agree with you more.

HMJr: And particularly where it puts the President in a bad light. Now, you saw that story in the Tribune about Harry Hopkins on Sunday -- did you see that?

M: I didn't happen to see that, Henry. I heard about it but I haven't read it.

HMJr: Well, that's -- of course -- but this one, the meeting happened to be in my office and that's why I feel I have a right to call you.

M: Yeah, you certainly have. Henry, I agree absolutely with you, and feel just as you do about it. I don't know what can be done but I'd like to see what I can find out about this one.

HMJr: Will you?

M: I will, and if I learn anything, I'll let you know.

HMJr: I wish you would.

M: Thank you, Henry.

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HMJr: Our boys aren't -- they don't -- they don't -- they have no connection with the Times.

M: Yes.

HMJr: And when you read these stories, you can -- you know -- usually you get some inkling.

M: Yeah.

HMJr: Well, we're not even mentioned.

M: Yeah. Yeah. All right, Henry. If I can find anything at all, I will call you back.

HMJr: I thank you.

M: Thank you, Henry.

HMJr: Bye.

M: Good bye.

February 7, 1945
9:30 a.m.

GROUP

- Present: Mr. D. W. Bell
- Mr. Gaston
- Mr. White
- Mr. O'Connell
- Mr. Haas
- Mr. Gamble
- Mr. Pehle
- Mr. Luxford
- Mr. DuBois
- Mr. Blough
- Mr. C. S. Bell

H.M.JR: I just got through calling up Mr. Archibald MacLeish in regard to the story in today's New York Times which is a full story of what happened here yesterday between three and four.

MR. WHITE: That is fast work.

H.M.JR: I told him, "Archie, I am doing this; I don't know if it serves any purpose or anything else, but I want to draw your attention to two things, first, the meeting took place in my office, and there is no mention of the Treasury having any part of it. That is typical of the New York Times. And, second, they put the President in a very bad light. What they do in the story is--and I think it is unfortunate--that it is the President who wanted them to spend their gold first." And I said, "That doesn't help him vis-a-vis DeGaulle."

He wanted to know who was here, and I mentioned the principals who were here and asked him to get busy on it, and he said he would try.

MR. GASTON: Who was here?

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H.M.JR: The principals were Clayton and a couple of assistants, McCloy and Hilldring, Cox, and three assistants, and my own group.

MR. GASTON: Bell thinks the three assistants weren't necessary to the story.

MR. D. W. BELL: Just one man was necessary.

MR. DuBOIS: I don't know who the comedian was. He knew Cox was here.

MR. GASTON: That is what I understood.

H.M.JR: The other thing that I thought was interesting was the story in the Wall Street Journal, the House Banking group is ready to approve Bretton Woods plans. "The Administration will have little or no difficulty in getting its global credit schemes through the House Banking and Currency Committee. This was the opinion expressed in Congressional and Administration circles yesterday after the House leadership demonstrated it can control the Democratic members of this committee and vote them as a bloc on controversial issues."

MR. LUXFORD: Spence told me the boys had been up trying to nail him down on combining, and he told them no soap.

H.M.JR: Who?

MR. LUXFORD: Spence.

H.M.JR: This is by George B. Bryant, Jr., who knows his way around.

Now, on this thing, I had this suggestion to make: Mr. Gamble, I wish you would have a little talk with Lawrence Houghteling this morning and let him take my press conference notes after we have explained them to him, and give them to the labor press. See? He has labor, foreign language, and Negroes. Isn't that what he covers?

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MR. GAMBLE: And that Washington Post editorial, too.

H.M.JR: Yes, today. But I think if you see Lawrence Houghteling--he is not too busy, is he? With his facilities--I meant to do it yesterday, but I didn't get around to it. But give it to the weekly labor press. He knows how to reach them, you see. He has a mailing list.

MR. LUXFORD: All right.

H.M.JR: He has the best contact with the Labor Board of anybody in Washington.

MR. LUXFORD: Fowler of CIO called; he would like to have a press conference, presided over by you, for the labor press at some point on some subject that you would suggest. It could be War Finance, Bretton Woods, or anything like that.

H.M.JR: Well, right now I think it ought to be Bretton Woods, and if you want to take it up with me, I will be back Tuesday morning. I think we did it once before, and it was arranged for by Houghteling. He has all the machinery, and I would let Houghteling arrange it. Don't you think so?

MR. GAMBLE: He has all these good labor people right in his shop, and he is very friendly with Green and Murray. They like Houghteling, and have a lot in common.

MR. WHITE: Did you happen to see the article on the ABA report several days ago?

H.M.JR: For background, he was Commissioner of Immigration--Houghteling--and Frances Perkins forced him out, and he has today the best contacts with labor of anybody in the Administration, and she has the worst.

MR. GASTON: I thought he got out when the move was made over to Justice.

MR. PEHLE: That is right.

H.M.JR: Is that right?

MR. PEHLE: That is right.

H.M.JR: She treated him very badly.

MR. GASTON: She wasn't through.

H.M.JR: Sure. I can hear all right.

MR. GASTON: I can hear, but I can't understand.

H.M.JR: I said no more special dates on Bretton Woods until they get somebody to help me write.

MR. WHITE: That is not much of a speech, just a five-minute welcome.

H.M.JR: I am not going to sweat. See what the boys have at two-thirty today?

MR. LUXFORD: I was wondering if you couldn't do one thing. We could arrange the meeting, and if you felt you didn't want to speak, all right, but we would have the meeting down here.

MR. PEHLE: You might try. (Laughter)

H.M.JR: Twelve years in Washington, and he thinks he can put that over on me.

Charlie, what do you think? What have you got?

MR. C. S. BELL: We have Mal Hanks here. We have gotten in touch with Colonel Heller. He is only partially interested and I think he will decide today if he will come back. It would improve his retirement a whole lot if he would take this job. Based on that, he might do it, but he is pretty well tied on the Pacific Coast.

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Mr. Feltus has come in. For lack of a title, I wonder if you have any objection to calling him a technical assistant to you. Would that be all right?

H.M.JR: Sure.

MR. C. S. BELL: The Navy Department has put in a request to use our pillars to aid Navy Relief, similar to what the Army has done. "The Fighting Lady" is what they are advertising.

H.M.JR: Where do they want to put it?

MR. C. S. BELL: On our pillars.

Dan and I decided on Delano for Chairman of the Red Cross. When I took it up with him last night he was happy to go along.

H.M.JR: O.K.

MR. C. S. BELL: You might want to sign a letter to Henderson on that.

H.M.JR: Henderson?

MR. C. S. BELL: He is the fellow that wrote in.

MR. GASTON: Henderson of RFC.

H.M.JR: Incidentally, Joe, look into what Jesse Jones' status is. There was quite a story in last night's news. Find out what his status is in relation to Henderson, Chairman of RFC. I would be curious to know. Supposing he decides he wants to stay there and hold an office there.

MR. O'CONNELL: He has no office in RFC. Jesse is not even a member of the Board of Directors.

H.M.JR: That is where he is making his office.

MR. O'CONNELL: He is president of various defense corporations and Chairman of the Board. And I think technically he could keep those jobs until the expiration of his term.

MR. FLOUGH: Ex officio?

MR. O'CONNELL: No, he by name is Chairman of the Board of each of those corporations. His status, as far as being Secretary of Commerce, is completely confused because the President accepted his resignation and didn't tell him definitely in his letter that he was through. And Jones in his reply said, in effect, "I have no alternative than to acquiesce in your wishes," but neither-- he did not resign in his reply. Somewhat later he designated Wayne Taylor to act as Acting Secretary, and yet I am informed as recently as last week, Thursday or Friday, he was signing letters himself as Secretary of Commerce. Add all those up, and I don't know what the devil you get.

MR. GASTON: If he had authority to designate Wayne as Acting, he was still Secretary of Commerce.

MR. D. W. BELL: If he did it after--

MR. O'CONNELL: He did it after the exchange of letters--a week or so after.

MR. GASTON: I don't think he or anybody else knows whether he is Secretary of Commerce now or not.

MR. FLOUGH: He wrote a letter to Taylor after Pepper had made that nasty remark in the hearing.

MR. O'CONNELL: After he and Pepper had this exchange he designated Wayne Taylor as Acting Secretary.

H.M.JR: Do you think that is something I should get into? (Laughter)

MR. GASTON: I think it would help.

MR. PEHLE: I think it is Treasury business, Mr. Secretary.

H.M.JR: I was serious.

MR. O'CONNELL: I don't know just how this--

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H.M.JR: Bringing the President's attention to the fact--

MR. BLOUGH: Have the pay check go to him.

MR. DuBOIS: I suppose if you are relying on--if you look at the exchange of letters, in effect there was no actual resignation and no firing in those letters.

MR. O'CONNELL: That is perfectly true. What it really needs to clear the whole thing up is something from the White House.

MR. D. W. BELL: It would be interesting to see if he is still on the payroll.

MR. PEHLE: He was taking his salary?

MR. D. W. BELL: I don't know. I will find out.

H.M.JR: If he got a check, would it show?

MR. D. W. BELL: No, it would not. But it wouldn't necessary mean that if he resigned he would resign effective the day of his letter. If he went off the payroll, that is the day he would have gone off.

MR. O'CONNELL: He will be Secretary until Henry Wallace is confirmed. In the meantime, he stays in office until the President does something.

MR. GASTON: It is a matter of the President's will, and the way Wayne Taylor said it is, "Having resigned, you are now the Acting Secretary of Commerce." That would be acceptance of a resignation.

MR. D. W. BELL: He didn't need a designation. Wayne is acting under the law.

MR. GASTON: That is for the President to interpret.

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MR. D. W. BELL: He doesn't need a designation for the Acting Secretary of Commerce. You wouldn't need it if the President had made his intention clear that Jones was out.

MR. DuBOIS: I would just say, "You are fired, period." I am not kidding.

H.M.JR: That sort of action doesn't make one President, I am afraid. (Laughter)

MR. LUXFORD: Touche!

MR. GASTON: I think that sort of action did make one President, T. R.

H.M.JR: Herbert, last night I read some very interesting reports by one Elmer Irey on the goings on on the Hill, and they say twice they invited Pehle to lunch, but it was never cleared whether he had lunch with them or not. On this report--Pehle, do you want the story on that? It goes on and leads up--

MR. PEHLE: I have been tempted to go up and testify.

H.M.JR: A couple of times they invited you, but they didn't say whether you had lunch with them or not.

MR. PEHLE: A fellow by the name of Gross, who is connected with JDC and is a very reputable lawyer, incorporated this outfit of Surplus Liquidators, and he was counsel for them. Whether he still is, I don't know. He was present at the dinner in New York which Swope and Baruch gave in connection with overseas war service at which I spoke as Chairman of the War Refugee Board last February, or a little later than that. That is the dinner. Durham never invited me to lunch in connection with Procurement work.

H.M.JR: It isn't Durham, and it isn't Gross. They said you were in, and they thought it was worth while getting to know you.

MR. PEHLE: That is Brandt and Goldberg I saw, as you know, in my office.

H.M.JR: Yes. Now, they speak about Brandt.

MR. PEHLE: I got one of the famous Swope letters.

H.M.JR: But it does leave it kind of up in the air.

MR. PEHLE: It does. If there had been anything in the press that sounded wrong, I would go up there. I am still sort of considering whether I ought to, but the Committee doesn't seem to think--the Treasury record is so clean.

H.M.JR: I know, but I want to get it straightened up. Somebody reading this a month from now would say that my name was mentioned and you did have lunch with them. It doesn't say you didn't have lunch with them.

MR. LUXFORD: Send them a letter, John.

MR. PEHLE: No. What the hell! What if I did have lunch with them? So what! Some day somebody is going to turn up there; somebody has had it wrong--somebody has had lunch--

MR. GASTON: This fellow Van Ginhaven testified on the Hill that among the letters he looked at was one bearing your signature. When he was down here he denied there was one with your name on it, and he denied he said it.

H.M.JR: When Brandt testified, he said he had never seen it.

MR. PEHLE: The testimony you are referring to was in the executive session, not the public.

H.M.JR: But in the public one Brandt said no.

MR. PEHLE: I read that same memo.

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H.M.JR: You are not bothered?

MR. PEHLE: Not at any time anybody creates any inference. I am not troubled about it so far. Isn't that Gross?

H.M.JR: What they say is this: Senator Ferguson asked, "Did you have a conversation with Durham about that?"

"I don't recall, Senator."

"Do you know whether Durham ever had a dinner or a lunch with Pehle?"

"Not to my knowledge." That is Brandt answering.

"Now wait a minute."

"Not to my knowledge."

"Think a minute."

"Oh, no, I don't believe that he ever did."

"Did he have with Joe Gross? (A stockholder in the Surplus Liquidators, Inc.)"

"Dinner with Joe Gross? I am quite sure he didn't."

"You never heard of that?"

"I never heard of that."

"When did you get the letter to Pehle from 'S'?"

"I got the letter from Mr. Swope to Pehle some weeks ago." That is all.

MR. PEHLE: They skirted around it. What they have in the back of their minds--and I think it was brought out at some executive session of the Committee--that long

before I had anything to do with Procurement I attended this dinner in New York where Gross was present. As far as I know, Gross was entirely clean, and they wanted to bring out the dinner because they are breaking their necks to prevent any smearing of Mr. Baruch, who was there, and Swope, who was there. Connally made a speech yesterday saying that it was all right to go after Goldberg or any other "berg," but not Mr. Swope or Mr. Baruch.

MR. GASTON: Did you get the idea it was Baruch and Swope he was protecting? I got the notion it was Jesse Jones.

MR. LUXFORD: That is the point they were defending.

MR. PERLE: That is part of the picture, too, but he mentioned Baruch and Swope.

MR. O'CONNELL: That was the joint way of setting it up.

MR. PERLE: I think they are protecting all three of them.

H.M.JR: This other part did bother me, Herbert.

MR. GASTON: What is that?

H.M.JR: Senator Mead said, "What do you think about the auction method?"

Brandt said, "I have attended several of these auctions, governmental auctions. We were not the first one. This is not the first auction."

"That is right."

"There was an auction held for the Treasury Department (Procurement) out in St. Louis. We had a talk with Mr. Olrich on several things, and we pointed out some of the methods that were employed, and, as a matter of fact, Mr. Olrich offered us a job, asked us to come over and join his forces and run things for him."

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"Who was he going to put to work?"

"Mr. Olrich asked us to come over."

"You mean the whole organization?"

"Mr. Goldberg and myself. He asked us right there in his office. We pointed out to him--and I can give you in detail the things that happened. They are startling."

Senator Ferguson interrupted with the question, "Before you answer us as to auctions, I would like to get one more letter in--" and the testimony turned to other matters with no further reference during the afternoon to the Treasury Department or any of its offices. And then the Committee adjourned.

MR. GASTON: Elmer telegraphed the whole of that to his man Stone in Minneapolis yesterday, and Stone went to Olrich and got the specific details from Olrich. Olrich called Elmer up and repeated his answer to that over the telephone, so Elmer, if he hasn't already given it to you, will have a report.

MR. PEHLE: You ought to let me know, because I was calling Olrich myself on the same thing.

MR. GASTON: I didn't know until after it all happened, except Elmer told me he had done that.

H.M.JR: It wasn't on my authority.

MR. GASTON: You assigned Elmer to make these investigations.

H.M.JR: That is right.

MR. PEHLE: I take it the investigation had to do with the Secretary's own name being smeared.

H.M.JR: That was the way it started, but--

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MR. PEHLE: It is just that I would like to be kept in touch as far as going to Olrich and getting a denial is concerned. I don't think that is right. Everybody down at Procurement was hostile to these people, as far as I can figure out.

H.M.JR: Well, so much for that.

MR. C. S. BELL: That is all I have today.

(Discussion off the record.)

H.M.JR: Danny?

MR. D. W. BELL: The Railroad Retirement Board has had introduced in Congress a bill to revamp the Railroad Retirement Act and the Railroad Unemployment Act, and it takes away the tax collecting end on the Railroad Retirement funds from the Bureau of Internal Revenue, and transfers it to the Board; it raises some of the benefits and raises the rates eventually to fifteen and one-half percent.

The President wrote a letter to the Chairman of the Committee, in effect, endorsing that bill. He said, "I am heartily in favor of the objectives of S-293, and I hope that Congress will see fit to act favorably on those objectives."

Now, we would like to write an adverse report on that bill in the sense that we think this ought to be thrown in the hopper to be studied along with the social security in line with the Senate resolution, and, furthermore, we would like to object to their taking over the collection of taxes; that is two agencies going into business.

MR. WHITE: Could you get in that?

MR. BELL: They would be going into business on taxes, and we are pointing out that the withholding tax now, in effect, offers possibilities of integrating the collection of social security and other forms of taxes from business.

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That is about the extent of our report, wouldn't you say, Roy?

MR. BLOUGH: Yes. We would like to have this thing held up until it can be studied along with social security, or at least made consistent with social security generally, because it will not be consistent under the plan which is incorporated in the bill.

MR. WHITE: Have you had an opportunity to discuss that with the fellows in the Railroad Retirement Board?

MR. D. W. BELL: No, we haven't discussed it. The Chairman has asked us for a report, and the Budget is anxious to get our report so they can integrate all of them. This is the same way they handled the Railroad Retirement Act when it went through. They went behind the scenes and got the President to agree to set up a separate organization outside the social security scheme of things, and nobody could touch it after that.

They have done the same thing here; Harrison and Latimer have gone to the President and they got him to sign this letter. They didn't go through channels at all. I think it is bad, and I don't think we ought to be hog-tied by the pat on the back the President has given the bill.

MR. WHITE: Well, I would like to suggest that if it is feasible we have a meeting with the proponents of the bill and give them an opportunity to present their case and discuss it with you.

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MR. O'CONNELL: I don't think that is necessary.

MR. WHITE: I don't think it is. I didn't say it was necessary; I said it might be desirable.

MR. BELL: One reason the Bureau of the Budget wants our report is to get all reports together and try to coordinate the reports, but I don't think it is up to us to get the Railroad Retirement Board in on a conference on the bill.

MR. DuBOIS: I know they proposed a bill and other agencies were going to object to it, and I know the chances are ten to one that if they would meet with us, we would have a lot of things they don't know about.

MR. LUXFORD: And we would feel a lot better if objections came through that way.

MR. D.W. BELL: That's what they should have done before the bill was introduced. It's up to the Budget to coordinate it from here on, and not us.

MR. LUXFORD: We have ignored that on occasions. I recall in Bretton Woods--

MR. D.W. BELL: It has the President's endorsement.

MR. LUXFORD: They got the President's endorsement on the bill?

MR. O'CONNELL: The Budget Message was cleared all over town.

MR. WHITE: Either they have a good case and could convince you, in which case I am sure you don't object, or they don't have a good case and can't convince you.

MR. BLOUGH: Are you willing to apply that to all your dealings?

MR. WHITE: I don't know. I think each case that is not--

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MR. LUXFORD: We want to fight, that's the important thing.

MR. WHITE: I have some interest.

MR. GASTON: We are neutral, but on which side?

MR. WHITE: On which side of this?

MR. O'CONNELL: Who are we neutral against?

MR. WHITE: Well, barring that, may I suggest that you could hold that up a little while?

MR. D.W. BELL: It was due last Thursday.

MR. WHITE: Since it is a little late, it could be a little later. Could we hold it up for two days?

MR. BLOUGH: Would you care to indicate your interest in the matter?

MR. WHITE: Very clearly.

MR. BLOUGH: It has been circulating around here for weeks.

MR. WHITE: I can very clearly indicate that I have confidence in the people who proposed the bill. They are New Dealers. I have found them in the past to be thoroughly behind every liberal measure. That doesn't mean they are right, but it means I would like to see them get as much of a hearing or break as possible. We wouldn't like to oppose them unless we feel after listening to their case that we still haven't changed our minds about it.

MR. D.W. BELL: We are not opposing the legislation, other than that it should be studied along with social security.

MR. BLOUGH: They propose--

MR. D.W. BELL: Tie it in together.

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MR. BLOUGH: They proposed full reserve.

MR. WHITE: If you thought it was a good measure, you wouldn't postpone it.

MR. D.W. BELL: We are for the objectives.

MR. WHITE: That is what the bankers say about Bretton Woods, but that is precisely what we are complaining about. They say we favor the objectives and we would like some of this postponed. I don't want to push this thing.

MR. D.W. BELL: We don't see why one class of people in the country who have a lot of pressure on the Hill should get out ahead of the rest of the people because they haven't got the pressure.

MR. LUXFORD: We are going to be asking them to use that pressure on Bretton Woods.

MR. WHITE: We want to get the Railroad Brotherhood behind us.

H.M.JR: Don't worry, we will get them through War Bonds.

MR. GASTON: I suggest we postpone this for one day and call a meeting in which we include Mr. White, Mr. Luxford, and Mr. DuBois.

H.M.JR: It's up to them. I am not going to interfere.

MR. D.W. BELL: I am willing to turn it over to them. I have had enough hearings on it to say that this letter is right, and it ought to go forward, and I think that the two ought to come together. There isn't any sense of having one group get way out in front of another group.

H.M.JR: It's up to you. You have to decide.

MR. D.W. BELL: I am perfectly willing. You haven't any objection to letting the letter go along in view of the President's endorsement?

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

MR. D.W. BELL: It doesn't bother me, and I don't think it is too inconsistent.

H.M.JR: Do you want to give them twenty-four hours?

MR. WHITE: If you don't want to spend your time, Roy Blough has your complete views, and he can be present.

H.M.JR: What are you going to do in the twenty-four hours?

MR. WHITE: Call a meeting and give them a hearing.

MR. GASTON: Give them a hearing?

MR. WHITE: Talk it over with them.

MR. GASTON: That wasn't my idea. That was your suggestion. My suggestion was that we have a meeting here at which you get an opportunity to look into the thing.

MR. WHITE: Look Herbert, we can't get on top of a bill like that in the time we have spent, the time we have available.

MR. GASTON: The questions are awfully simple. The railroad people are out ahead. They have a better bill now than the general Social Security Bill. They have a new bill which pushes them further out into advantage. Their plan is quite different from the other plan. Their plan is a full reserve plan. They are extending their full reserve plan. The question is whether you want to give them a separate thing as a sort of mark for somebody else to shoot at. Do you want greater benefits, or do you want to try to toe the line with the other?

MR. WHITE: Probably I am making more out of this than is essential. All we are asking for--if you don't want to meet them, give us just twenty-four hours and let me familiarize myself with it, and if I still feel strongly about it, I will talk to Dan about it.

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H.M.JR: That's all right.

MR. WHITE: But it is clear that I wouldn't go into a huddle with myself. I am going to find out about this thing.

H.M.JR: But you will see Dan?

MR. WHITE: After it is over tomorrow.

MR. GASTON: Sure.

MR. WHITE: And in the meantime I will get somebody to talk with me who knows more about it.

MR. D.W. BELL: I think Mr. Pehle brought up here at one time a question of--I guess it was White--of you signing a contract to take care of some Chinese students coming to this country for training, and the question was raised as to whether we can pay for that out of Government funds or through Lend-Lease. I think White would like to negotiate with them and have the Chinese pay it out of their own funds. I raised the question as to whether legally we could pay it out of Lend-Lease funds, and the lawyers say that you can. I still have some doubts.

MR. O'CONNELL: No doubt about that, Dan, none at all.

H.M.JR: This isn't the first training program they have.

MR. D.W. BELL: No. The Lend-Lease people have a number of programs for armed guards, liberty shipments, Marine officers for liberty shipments, railroad engineers and medical people. Now I don't know whether the Comptroller General has passed on it, but certainly you have to stretch the law to say that because you are furnishing communications and shipping to the Chinese you can train the people to run those things for the Chinese. I don't know whether the Comptroller General is--

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MR. WHITE: We train pilots you know.

MR. O'CONNELL: I don't think there is one doubt in a million, and in the second place it is the primary responsibility of FEA and the Lend-Lease Administration to decide what lend-lease can be used for, and they have allocated funds from Procurement for that purpose. I wouldn't have any hesitancy to say it is legal, but since our responsibility is secondary, I have less doubt.

MR. D.W. BELL: The Secretary signed contracts and his allowances would be--

MR. O'CONNELL: Our responsibility for purposes of determining a billion dollar Lend-Lease fund is secondary to Lend-Lease aid.

MR. D.W. BELL: You have a President.

MR. O'CONNELL: If you don't want to do it--

H.M.JR: Can I get a word in? I know we have been training pilots over here for about a year. I don't know who paid for them--

MR. PEHLE: It seems to me this is a perfectly reasonable Lend-Lease thing if China didn't have funds of their own. There is a policy question.

MR. WHITE: The only question I raised is that they might be willing to pay for it themselves, and we think they will, but that is quite a separate question.

H.M.JR: Now, look, we are getting this thing--I know that there have been Chinese students that have been trained in this country as pilots for at least a year, and I think it has been paid for by Lend-Lease.

MR. D.W. BELL: I assumed that was part of the Army. I don't know, but there is nothing here to indicate--

MR. WHITE: It probably is the Army.

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MR. D.W. BELL: But there is nothing in here to indicate there have been pilots.

H.M.JR: If FEA had settled this thing and this fellow said it was legal, if I were White, I wouldn't bring up the question at this stage as to whether the Chinese should pay for it or not.

MR. WHITE: We are not bringing it up to stop this. This is a small portion of the expenditure. There is a lot more coming. The Chinese themselves asked you if they could use some of their money for training people. That's a separate question from stopping this.

H.M.JR: I wouldn't stop this thing.

MR. D.W. BELL: It isn't planned to stop it. He is going to use that for subsequent--

MR. PEHLE: The only reason you were asked to sign that is in connection with advanced payments and I think--

H.M.JR: I never signed one of these in my life.

MR. O'CONNELL: The reason is as John said, whether we are proposing under contract to make an advance payment. The Secretary of the Treasury has to approve the advanced payment. Ordinarily that kind would be entered into by the Director of Procurement.

MR. D.W. BELL: Is this the first one you had of that character?

MR. PEHLE: We had advanced payments before which have been cleared with the Secretary, only the method of clearance wasn't the signing of contracts.

MR. O'CONNELL: We can split this in two.

MR. PEHLE: In the future we will fix this so--

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MR. O'CONNELL: The contract could have been entered into by the Director of Procurement and the authorization of making advance payments could have been handled separately, and you could have been asked only to approve that, but it was put in one basket.

MR. PEHLE: But it is all signed that way.

MR. O'CONNELL: I think it ought to be signed, of course, but before cases have come up to you for approval for advance payments, and not exactly in this form.

MR. PEHLE: We can put a memo in the file indicating your approval was on there because of the advanced payment.

(The Secretary signs the Chinese Student Training Contract.)

MR. PEHLE: That's not much responsibility. It's a big file.

MR. WHITE: That's exactly what I did. Have faith in America, Mr. Secretary.

H.M.JR: If John Pehle is going to have me sign all of these things from now on--

MR. GASTON: You ought to check if there are twelve initials on it. If there aren't, it isn't all right.

MR. PEHLE: There are at least twelve.

H.M.JR: That isn't going to help me. All the initials in the world aren't going to help me.

MR. D.W. BELL: If there is any disallowance, the disbursing officer can contact you.

The only other thing you asked me to do is raise the question of Savings Bonds. Do you want to take that up here or afterward?

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H.M.JR: We are tying up too many people. I think we will take it up afterwards.

One thing I do want to tell you about, and you should know about, is that all of this trouble with the French was because the English were not agreeing to our methods of accounting on food for the French, and I suggested that they had done a fairly good job for the Army with the Russians, and that when it came to negotiating with the French that we would be glad to handle it, and I thought it was a job we should handle. General Hilldring said they decided they did want us to do it, and I gathered that some people are going over with Bernstein, aren't they?

MR. WHITE: Yes, I don't know who they are.

H.M.JR: And White raised the question that if we are going to handle the payment, we would like to have a look at the contract.

MR. WHITE: The bill.

H.M.JR: Good or bad, but I would like Bell to know about it.

MR. WHITE: If they do anything about it, we will turn it over--

H.M.JR: Yes, see? But in the Chinese case, it was much easier to say it was just the Army, and they asked us to check the money. I mean, if you get in, I think it is easier to present a bill, but I think if we are going to do this thing for the Army you should be--I am sure White would. All right?

MR. D. W. BELL: All right.

H.M.JR: When are you going to be ready for me?

MR. LUXFORD: Two-thirty is what you said.

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H.M.JR: If we get through here, there is hope for you this morning on the books, unless White has too many things.

MR. WHITE: I will skip most of them. Here is one I should take up with you. It's the third time I have tried. You will get a direct call from Mr. Brand because he said the Government is pressing him.

H.M.JR: Wait a minute! I only know once when you tried and that was yesterday when you were invited in on an entirely different matter.

MR. WHITE: I tried yesterday, but previously I passed over these papers because you didn't have time.

H.M.JR: It is most inconsiderate of you to say three times. Once he passes over--that's what Mr. Brand did. He passed over the papers and said one of them is Morgenthau. Go ahead.

MR. WHITE: I will repeat the sentence. I have just received a further telegram from London asking whether you've been able to agree that Glasser should go. We would like to have that meeting. Tasca is here, but you are going away, so I don't know what time.

H.M.JR: This afternoon.

MR. WHITE: Wouldn't it be possible to squeeze in a few minutes this morning?

H.M.JR: No.

MR. WHITE: I gather that you would not agree to send him until that is settled.

H.M.JR: On that matter of telling them what the troubles are, General O'Dwyer said he thinks Kamarck could do a much better job than Tasca.

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MR. WHITE: They both ought to do a better job. They both could do it.

H.M.JR: In order not to have you bring this up a fifth time, why couldn't you do the thing for me?

MR. WHITE: We could make it much more effective if you were present, but we can have the Acting Secretary present.

H.M.JR: Simply say for me that I say--(Laughter)

MR. D.W. BELL: What am I being drawn into?

H.M.JR: It is something. Supposing I call our friend on the telephone myself and say that I heard they wanted to send somebody over, and I have grave doubts as to the usefulness of sending anybody over in view of the reports I get on what happens to the Treasury representatives over there? How would that be?

MR. WHITE: He would want to know more about it, and tell him to come to Treasury and we will tell him.

H.M.JR: Right. Then you don't need to have the Acting Secretary present. I will do it right now, and tell him I would like him to hear some of the stories I have heard, to say more or less they have been forced out of Italy. How is that?

MR. WHITE: That would be swell, all except the last sentence. They weren't forced out.

H.M.JR: What's his name said he was. He was boxed in.

MR. LUXFORD: Fenced in.

MR. WHITE: I raise this next one because you asked for twenty-four hours service. The twenty-four hours were up yesterday at noon. (Laughter) This can wait until you come back. (Laughter)

MR. D.W. BELL: Nice way of asking for more time.

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H.M.JR: Harold Glasser was here yesterday with White around eleven-thirty. They looked at me with their tongues hanging out, and I asked, "What's the matter?" Glasser said, "This twenty-four hour service is getting me."

What is it Harry?

MR. WHITE: You wanted a copy of the memo that I sent you on the British dollar balances, and a letter to Sir John Anderson.

H.M.JR: Sort of rubbing his nose.

MR. WHITE: We think it would not be very propitious to send it to him at this time. In the first place, we won't accomplish anything by it. In the second place, we can accomplish more if we save it until we have our next negotiations. In the third place, because of the state of the war we don't want to inject this consideration into it, and there is nothing to be gained by it. We have the data and we will make use of it, but I think we will have a better time later on.

H.M.JR: All right.

MR. WHITE: The rest can wait.

H.M.JR: Is that counting--

MR. LUXFORD: This is one against Morgenthau.

H.M.JR: You are going to tell me now that you brought it to my attention twice because you said it can wait.

MR. WHITE: It is kind of skirting the edges, I suppose.

H.M.JR: All right.

MR. WHITE: I know there isn't much time.

H.M.JR: What about you?

MR. DuBOIS: I have nothing.

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MR. PEHLE: Our appropriations on surplus property provide that we can spend money for advertising, in newspapers, trade journals and so forth. We are not ready for that, but we are trying to make plans for it in connection with plans to see what kind of services advertising agencies could give us.

H.M.JR: Will you talk to Mr. Gamble, please?

MR. PEHLE: Sure.

H.M.JR: Kind of keep together on this.

(The Secretary holds a telephone conversation with Mr. Brand.)

February 7, 1945
10:17 a.m.

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HMJr: Hello.

Operator: Mr. Brand.

HMJr: Hello.

R. H. Brand: Hello.

HMJr: Hello, Mr. Brand.

B: Yes.

HMJr: How are you?

B: How are you?

HMJr: Morgenthau.

B: Yes.

HMJr: Look, Mr. Brand, Harry White tells me that your Government is desirous that we send somebody from the Treasury to Italy. Hello?

B: Yes.

HMJr: Is that correct?

B: That is -- you know, some time ago it was arranged that Mr. Glasser and Mr. Wade, from the Treasury, should go, and then they couldn't send Wade, for some reason which I am not aware of, and it was all put off. You see?

HMJr: Yes.

B: Now, they are most anxious that two representatives, one from your Treasury and one from ours, should go and then report back as to the conditions.

HMJr: Well

B: And they can send Wade now and they were hopeful that you would be able to spare Mr. Glasser.

HMJr: Well, the point is this: we've just had two men come back from Italy, who have been there for us.

B: Yes.

HMJr: And the stories they tell me are so discouraging that I really question whether there is much use sending anybody, but what I'd like to do, and I'm sorry I can't be here myself -- I'd like you, at your convenience, to see Mr. White and let these two Treasury men come back and tell you what they told me.

B: Yes. Well, I'd be very glad to.

HMJr: Because it's the most discouraging story.

B: Yes.

HMJr: And I want to think it over some more.

B: Yes.

HMJr: But if you could, as I say, at a time mutually agreeable to you and White, and then let these two men just tell you what they told me.

B: Yes, well, I certainly will do that. I'll ring him up ask him what time suits him.

HMJr: Will you? Right.

B: With pleasure, yes.

HMJr: Right.

B: Are you going to be in Washington

HMJr: Well, I'm leaving this afternoon. I'll be back Monday night.

B: I see.

HMJr: Unless something unforeseen happens.

B: Yes. Well, thanks very much. I'll do that.

HMJr: Thank you.

B: Good bye.

MR. WHITE: That's all right. I don't think he got the impression that you were going to convey. The discouraging part was their policy, but he will get it when he comes down here.

MR. GASTON: I think he suspects it now.

MR. WHITE: We will have a meeting while you are gone. Does Mr. O'Dwyer want to be present at that meeting?

H.M.JR: No, he said he would rather not. Do you think we should tell State what we are doing?

MR. WHITE: We can have somebody over here, but since they are asking for a Treasury man, all you are doing is indicating how our Treasury men feel about their activities there, which isn't essential. He is a Treasury representative.

H.M.JR: You can think it over and in a day or two decide to send somebody. He will cable the story.

MR. WHITE: I am sure he will.

H.M.JR: Anything else, Harry?

MR. PEHLE: We were on advertising agencies. I will be glad to go with Ted on that. I haven't, but I will.

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H.M.JR: After all we don't want to--some agencies are very non-cooperative.

MR. PEHLE: At this stage we were thinking of sending out a letter to all agencies having more than one hundred employees and anybody else who wanted to--

H.M.JR: He has a whole setup there. It's just like using our Intelligence group, the way Luxford is working with them to work their systems to publicize Bretton Woods. We have learned our mistakes.

MR. PEHLE: I will talk with Ted.

H.M.JR: I think you will find they can handle this thing for you.

MR. PEHLE: We will sit down and talk about it.

H.M.JR: I am against starting new things when we have a perfectly good one working.

MR. PEHLE: I agree with that insofar as what is in the Treasury, but I don't know about outside of Treasury.

H.M.JR: I have been opposed to hiring any agencies.

MR. PEHLE: You mean on a fee basis. This wouldn't be on a fee basis. It would be a percentage of the advertising placed.

H.M.JR: We haven't done that.

MR. PEHLE: I will go into it thoroughly.

MR. GAMBLE: We pay only out of pocket expenses.

MR. PEHLE: We are going to be on surplus property anyway.

H.M.JR: The purpose of these staffs is to bring it up and so one group in Treasury knows what the other is doing, and you have found it helpful, haven't you?

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MR. LUXFORD: Very helpful.

MR. PEHLE: I don't question we should take full advantage of their experience.

H.M.JR: You may get a free ride out of it.

MR. PEHLE: I just wanted to mention to you that I talked to Charlie Bell and asked him to apply his ingenuity to improve the cafeteria in the Procurement Division. It is a disgrace to the Treasury, and he is going to give it the works.

H.M.JR: You spoke about that a couple of weeks ago.

MR. PEHLE: I just mentioned it to you. The food is terrible, dirty; and the employees are surly.

MR. C.S. BELL: It needs a complete overhauling.

H.M.JR: We will go over there and have lunch one day.

MR. C.S. BELL: Let me go first and see if I survive it.

MR. BLOUGH: If he does as good a job over there as he did over here--

H.M.JR: We did that in Chicago in a small way. Mrs. Doyle said she had five of my ten cent sandwiches and lived to tell the tale. Anyway, I am glad Charlie is in on it.

MR. PEHLE: Right.

H.M.JR: You can talk louder.

MR. PEHLE: General O'Dwyer called me yesterday and he is getting disturbed about political publicity in New York. He asked if he and I could see you this afternoon for a few minutes. He is going to tell you that he doesn't want this to embarrass you or embarrass me and if it is better, we could both step out. On the other hand, my reports

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are that all these meetings we had with the various interested groups in New York were very successful. He handled them very well, and I think he is doing all right, as far as the Board is concerned, but he would like to tell you how he feels about it.

MR. GASTON: Does he want to run for Mayor?

MR. PEHLE: The word I get is he wants to go into private practice and make some money.

MR. WHITE: he has a political future, there is no question about it.

MR. PEHLE: There is no question about it. It could be sometime after two-thirty.

H.M.JR: Luxford is at two-thirty. Two-fifteen is all right.

MR. PEHLE: He told me he was tied up with the Army, that's the only thing.

H.M.JR: I can do it at two-fifteen.

MR. PEHLE: I will try to make it with him.

H.M.JR: I don't want to cut in on Luxford's time.

MR. PEHLE: No, I don't want to cut in on Luxford, not this time.

MR. WHITE: Mr. Taylor will be gone by the time you get back. You wanted to make sure you know that he is.

H.M.JR: Let Harold come in at ten minutes of twelve. That's cutting in on DuBois.

MR. PEHLE: By the time I got to the War Department Stimson had signed that letter, but you haven't-- the letter that you signed--which Stimson signed or O'Dwyer-- I don't think it ought to go to State. I would like to send it--

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H.M.JR: I withdrew--did you talk to Pehle?

MR. DuBOIS: We are to go--

MR. PEHLE: But I have the letter, and it has both your name and Mr. Stimson's name on it. I would like to put a line through the name and send it back to McCloy and say, "This didn't work out with O'Dwyer, and you can just file this." O.K?

H.M.JR: Yes.

George?

MR. HAAS: I have nothing except an angle on a bond refunding I would like to bring to your attention.

H.M.JR: We are going to do this right after this, unless I am exhausted, which I am. All right.

MR. HAAS: That's all I have.

MR. BLOUGH: I suppose you noticed that Representative Frank Carlson, Republican from Kansas, Ways and Means Committee, has introduced a bill to make revenue bonds of States and municipalities subject to Federal tax, the interest on revenue bonds. That may raise the tax-exempt issue again and from the conservative side--

H.M.JR: I am mentioning that in my speech.

MR. BLOUGH: Are you?

H.M.JR: I am pointing with pride that we are financing withholding tax on bonds.

MR. O'CONNELL: Mr. Carlson's purpose, of course, is entirely different from ours. He wants to subject revenue bonds particularly in connection with publicly owned public utilities, that is, municipal electric light plants; and he wants to subject their securities to tax, but not subject the general obligation of States and municipalities to tax.

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MR. GASTON: It puts his foot in the door.

MR. D.W. BELL: It's a satisfactory step.

MR. GASTON: It opens it up.

MR. BLOUGH: In any event I think it would be a desirable thing as a step to get this through. There is no reason why those bonds should be exempt.

MR. WHITE: Are you making your speech on Sunday?

H.M.JR: Yes, at one-fifteen, from my house in the country. AF of L at one-fifteen.

MR. BLOUGH: I like that paragraph in there on tax exemption. I am glad you are saying it. It helps in the state and local fight, too.

H.M.JR: It happens to be my own idea. I have great resistance around here, but it finally came to mind. Murphy wrote that for me. It's very good.

MR. HAAS: Yes, sir.

MR. BLOUGH: That's all I have.

H.M.JR: Theodore?

MR. GAMBLE: In addition to a bond matter, we have a rather important decision to be made in connection with the Drive.

H.M.JR: You can stay behind. I am all right. I promised Joe DuBois some time.

MR. GAMBLE: We can let that come right after this discussion.

MR. WHITE: I am sorry to raise this, Mr. Secretary, but you said you wanted that legislation on Friday on the President's Message. Do you want to wait until you get back, or make the arrangements before you leave?

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H.M.JR: I am going to--all right, let me do this stuff here, and then Luxford and White can come back.

MR. LUXFORD: No, I would like Joe, probably, too.

H.M.JR: Joe and White come back after this, and we will do this thing. I want Herbert in on that, too, so he knows about it. We will do that. Now, I will tell you what you do, Joe. You better think about it, because your time has just gone.

MR. DuBOIS: I could see it going.

H.M.JR: Seriously, I am worried about this thing, and what's his name?

MR. GASTON: Loth.

H.M.JR: I am trying to get a drawing room on the four o'clock train, see, and if you and Loth want to ride with me, you would have three hours out of three and one-half on the train. I might sleep for half an hour.

MR. DuBOIS: At four.

H.M.JR: And if you want to send up to your house, I can send a Treasury car up to get an overnight bag.

MR. DuBOIS: That sounds like a very good suggestion.

H.M.JR: You can have a Treasury car go up to your home and get an overnight bag.

MR. DuBOIS: Yes.

MR. GASTON: You might be able to get reservations tonight if you want to, coming back.

H.M.JR: Now, Herbert! (Laughter)

MR. DuBOIS: Will you let me handle that one Herbert?

MR. GASTON: I was just offering a suggestion. (Laughter)

H.M.JR: Harry, do you want to come along? It is a book.

MR. WHITE: No, no, no! It's an idea.

H.M.JR: Pehle wouldn't let him in there, Joe. Everybody else is going to be raising points. It's just a book. Do you want to come along?

MR. WHITE: If I can arrange some things, maybe I would like to. Do you have to know now?

H.M.JR: No, just about sending your things and telling Fitz he can get each of you hotel accomodations.

MR. WHITE: Four o'clock, arrive there at seven or eight, have the night to ourselves and come back. I'll see if I can arrange some appointments I have made for this afternoon.

(Hands Mr. White a draft of proposed report "To Amend the Railroad Retirement Acts, dated February 3, 1945.)

MR. D.W. BELL: I want twenty-four hour service on that.

MR. WHITE: My pal! (Laughter) Give me a little time, Mr. Secretary, and I will get this, too.

MR. PEHLE: I don't think that is such an interesting question, do you Harry?

H.M.JR: Overland Johnson, is that their name?

MR. WHITE: Olson and Johnson.

H.M.JR: They are showing in New York.

MR. GAMBLE: It is a good show. Critics to the contrary, notwithstanding.

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H.M.JR: How far did we get?

MR. WHITE: Just up to the tickets.

MR. GAMBLE: As a matter of fact, we can arrange for you to go backstage if you like. I took my little boy, who is ten years old, the night before last and he said, "Boy, what scenery!"

MR. WHITE: And he couldn't see very high either.

H.M.JR: It was like when I asked Ted, "How is Hollywood? How are all the stars?" He said, "I left them as I found them." Do you want to save yourself?

MR. GAMBLE: Yes.

MR. O'CONNELL: I have nothing.

MR. BLOUGH: Mills Kitchin.

H.M.JR: Let's get this Mills Kitchin, and I will call up--

MR. GASTON: On Mills Kitchin I have nothing except that I called up the Democratic National Committee and found-it was reported to me that the President had personally promised this place to Jed Johnson of Oklahoma. I think it was some lame-duck Congressman.

H.M.JR: What can I tell Mr. Doughton?

MR. GASTON: For the present, I think there is nothing we can tell him except that we will have to watch for vacancies. I have put in a bid for him at the Committee for any later vacancy that might occur in the Customs Court in New York.

H.M.JR: But this vacancy has been promised.

MR. GASTON: By the President, so Hannegan told Boyle.

H.M.JR: Should I tell him?

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MR. GASTON: I imagine you better not.

H.M.JR: Can I say it went to a lame-duck Congressman?

MR. GASTON: I think so.

H.M.JR: Herbert?

MR. GASTON: I wanted to talk to you, but I don't want to take the time this morning, about an effort to get some of our investigators back from the Army, Navy, and Coast Guard, men over thirty years old. We have gone down. We had twenty-six hundred men at the time of Pearl Harbor on investigative forces, and we now have eighteen hundred, and a large part of those are green. We are really in a bad way and you can't improvise trained investigators in the tax field or in some of these other fields. They are letting a few of those men go, but I think we can expedite it without any damage to the war effort at all. I think it would help immensely. John would like to. We have taken these men to put them on Procurement investigations, and it probably would be a good thing to create a force for Procurement investigations.

We just don't have the men to do it. They are much too thin. We would like to add to it.

(The Secretary holds a telephone conversation with Mr. Doughton.)

February 7, 1945
10:35 a.m.

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HMJr: Hello.
Operator: Mr. Doughton is out for about half an hour.
HMJr: Well, when he comes back, I want to talk to him.
Operator: All right.

10:46 a.m.

HMJr: Hello.
Robert
Doughton: Hello, Henry, this is your Uncle Bob.
HMJr: Young Bob, huh?
D: Yeah.
HMJr: This is old man Morgenthau.
D: I said, your Uncle Bob.
HMJr: Oh, Uncle Bob.
D: Yes.
HMJr: Well, this is
D: They call me "Uncle" up here on the Hill you know.
I tell them I've got more fine nephews than anybody
living.
HMJr: Well, I'm glad to be one of your nephews.
D: Lot of the men who call me "Uncle" up here are much
older than I am.
HMJr: (Laughs)
D: All right. Did you call me?
HMJr: Yes, I did.
D: Fine.
HMJr: I wanted to let you know where we stood on Mills
Kitchen.

D: Fine.

HMJr: Now, we went to bat with them -- with -- on the

D: How's that?

HMJr: We went to the National Democratic Committee, you see?

D: Yes.

HMJr: I, being an organization Democrat

D: Yes.

HMJr: And asked them where the thing stood in regard to the Customs Court.

D: Yes.

HMJr: And it seems that they've promised this vacancy on the Customs Court to a defeated Congressman.

D: Yeah.

HMJr: And that the President has also promised that vacancy

D: Yeah.

HMJr: to a -- to some defeated Congressman, who was defeated this last time.

D: Yes. Sometimes they get defeated.

HMJr: What?

D: Sometimes Congressmen get defeated.

HMJr: Yes.

D: Even a good Democrat does sometimes.

HMJr: That's right. So, I'm afraid we'll have to start over again and look around for something else.

D: Well, that will be fine. How were you impressed with him when you had your interview?

HMJr: Good.

D: He's a very smart fellow.

HMJr: Very smart, but I wanted to let you know that I have been working on it.

D: Yeah.

HMJr: That we have gone to the Democratic Committee, but we found that that job had been promised by the President to some ex-Congressman.

D: Yeah. Well, I appreciate your interest and your calling me, and any help you can give, I am sure, will be well deserved, and nothing could be more appreciated both by me and Mr. Daniels. I've been working on that for three or four years. I've tried to not be offensive about it

HMJr: No, no.

D: or unreasonable, but we are very anxious to help the boy.

HMJr: Well, if you get some other ideas, you let me know.

D: I was interested in what you just said about it and I've called McGranery a time or two. He always talks favorable but talks me off and never gets down to anything. Would you just leave it like it is, or would you call him if you were me?

HMJr: Well, that's up to you, but I'm giving you the low down on what the situation is.

D: Well, suppose I let you explore the matter a little more.

HMJr: All right.

D: A few days, and if you don't get any -- on to anything, I'll call you again, and then if we haven't found something, I'll see what McGranery has got to say.

HMJr: All right.

D: Thank you. Thank you so much for your interest and for calling. Our boys are getting along fine in their tax studies.

HMJr: Yes, I hear that.

D: We never have had such fine, complete 100% cooperation before.

HMJr: Well, that's wonderful.

D: Yeah. Well, thank you so much.

HMJr: Thank you, Uncle Bob.

D: Good bye.

MR. GASTON: I would like to ask them to let us have some of our men back who are not doing vital work.

MR. WHITE: Don't you think you might wait a few weeks?

MR. GASTON: That occurred to me, but I think we ought to be prepared. It is better to open it up before then.

H.M.JR: Not men who are in active service?

MR. GASTON: Not men who are performing valuable services. For instance, we have a man who is a first-class special agent of the Intelligence Unit. A first-class tax man, accountant,

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and so forth, and he is out here in New York and in Washington pounding the pavements, getting character reports on stenographers and other civilian employees who are--

H.M.JR: Use your judgment, Herbert. I will trust you. You know how I feel about those things.

MR. GASTON: Right.

H.M.JR: Anything else?

MR. GASTON: That's all.

H.M.JR: We are going into A Bonds, and after that I will see you.

February 7, 1945
10:35 a.m.

FINANCING
WAR BONDS

- Present: Mr. D. W. Bell
- Mr. Gamble
- Mr. Haas
- Mr. Gaston
- Mr. Coyne
- Mr. Tickton
- Mr. Murphy
- Mr. Lindow

H.M.JR: Go ahead, gentlemen.

MR. BELL: First is the question of what we are going to do with Savings Bond Series A, maturing March 1. You heard most of the arguments yesterday, except Ted's. Are you going to pay them off in cash?

H.M.JR: Ted has had time to think it over and see whether he has changed his opinion on that.

MR. GAMBLE: No. As a matter of fact, Mr. Secretary, Mr. Coyne, following your suggestion, contacted these twelve State Chairmen. As a matter of fact, he contacted thirteen, because one of them is in town, and twelve of the thirteen are in favor of the exchange.

H.M.JR: Which way?

MR. GAMBLE: Of your finding.

H.M.JR: The so-called "Morgenthau Plan?"

MR. GAMBLE: They won't feel bad about the other.

H.M.JR: Twelve out of thirteen?

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MR. GAMBLE: Twelve out of the thirteen are in favor of your plan.

H.M.JR: Which states?

MR. GAMBLE: All but Maryland.

H.M.JR: Which states?

MR. GAMBLE: New Hampshire, Delaware, Maryland, Rhode Island, Vermont, Kentucky, North Carolina, Mississippi, Ohio, Massachusetts, Nebraska, New Mexico, and Arizona.

H.M.JR: That's a good cross-section.

MR. BELL: Which was against it?

MR. GAMBLE: Maryland was against it. She said cash, period. The others say they don't--

H.M.JR: After that Gallup poll where are you?

MR. GAMBLE: I am still where I was in the beginning, and I will tell you why. These surveys we have been taking in the last three War Bond Drives show in each Drive an increasing number of people were concerned about the buying of War Bonds. Now, I have never allowed myself to get too much upset about it, but the percentage is increasing, and in this survey we just completed, about a third of the people contacted expressed concern in that way when we asked them this question, "Why do you think people that you might know, what reasons do they give for not buying War Bonds?" It is a good way of getting up--

H.M.JR: It's a good way of getting up their personal interest, and I think that the positive treatment we gave it in the last sixty days has been helpful, both in radio and things that we did. I am not sure this won't be very helpful to the redemption feature, paying off in cash, in the face of twelve out of thirteen.

MR. GAMBLE: You asked me how I felt. As I told you

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earlier, and as I repeat again, I don't think there is so much difference in what we are recommending here that we ought to wrestle all day about it.

H.M.JR: Does Coyne think independently of you?

MR. GAMBLE: Yes, on all matters.

MR. COYNE: Well, if Ted had got to me before my Gallup poll yesterday, undoubtedly I would have shared his view, but I think since there is such a definite opinion in the field for an exchange, and they argued mainly this way that they are largely bankers we are talking to, and we have a maturing obligation, we always offer something in exchange. They were definite in wanting to have the cash alternative very clear-cut, but just if the folks want an exchange, it should be offered to them, and a number of them came up voluntarily and said that it should be exclusive of the limitation, so they were fairly close to the refunding problem. I don't think it makes an awful lot of difference.

H.M.JR: Well, George, do you want to say something?

MR. HAAS: Yes, sir. I agree with Ted, and I agree with the reasons he stated, but there is another very important reason. I think these men in the field--these salesmen--it would be very surprising to me if they wouldn't want an exchange. It would be an easy way to sell some more E Bonds, so I am surprised the Maryland interest went the other way. If I were in the field and anybody gave me a little help if I wanted to sell E Bonds, I would say I was for that and wouldn't worry too much about the principle involved. The other angle I have is bankers and investment people are right when they say you shall offer an exchange, but this is not analagous to the usual exchange.

If, for instance, these were some maturing four percent bonds or something--we don't try--the fact that he had four percent for that period doesn't obligate us to pay him another higher rate. We give him exactly what other people in the market have.

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H.M.JR: You haven't changed your mind?

MR. HAAS: That's right, but I have another angle that I want to bring to your attention that is not in that memo. The angle is this, Mr. Secretary, that this rate on these bonds is a subsidized rate, and the Treasury has been very generous. You have given an annual limit whereas in England they have an overall limit of three hundred and seventy-five pounds, which is fifteen hundred dollars, as a total amount of subsidized rate bonds that any individual can hold. Now, what disturbs me is this: If you go ahead on this and allow these holders, which are mainly people in higher income brackets, you haven't got an inflationary argument you can use. You see, that helps the inflationary problem, and what if some laborer should come in and say, "I work in a factory and I have sold my house for four thousand dollars, and I want to invest in E Bonds, but now I will be over the limit." You say, "Regulations say you can't." He says, "My neighbor next door, who is a doctor, says this year he bought thirteen thousand seven hundred and fifty dollars worth," or whatever it is, the limit. It would be very difficult to answer that. You would say that fellow is in a different class, but you pay him a subsidy for ten years, and he is apt to get more subsidy. The fact that a man has a subsidy and therefore he is entitled to more because he has had it for ten years!

H.M.JR: Anyway, you have made your point. I don't agree with you.

MR. GASTON: I think that would be difficult to answer.

H.M.JR: GD it, the thing we are trying to do here-- I am trying to do--is to impress these fellows that it is worth their while to hold on to their bonds and not cash them. That, to me, is a great deal more important than the fact that they can't cash them. We have proved to them they can cash them.

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MR. HAAS: Maybe there is a fundamental difference in your thinking and mine on that. The Treasury policy should be to stay neutral. Some day you may want to--

(The Secretary holds a telephone conversation with Mr. Doughton.)

H.M.JR: I don't mean you haven't got a point, but I am looking at this from the redemption standpoint and the standpoint of selling, and so forth. Do you have anything else, Gaston?

MR. GASTON: No, except I am a little bit swayed by George's arguments. I would certainly put it in lieu of an exchange, because it isn't an exchange at all. You are giving these fellows the privilege to hold more than the quota of bonds.

MR. BELL: We call it a reinvestment plan.

MR. GASTON: In the publicity you ought to be very careful and say these bonds are all going to be paid in cash, but that people who wish can and will be permitted to buy new E Bonds in the same amount regardless of whether they own the limit, disregarding the limit of five thousand dollars.

MR. BELL: That is what the press releases say.

H.M.JR: Can you make up your mind instead of being lukewarm on this thing?

MR. BELL: I still don't think it makes a lot of difference. You are going to get criticism on both sides along the line that Ted said, and if you don't-- if you pay them off in cash, I think the fellows who hold the bonds will say, "We have been with you for ten years and we had a right to assume we could say we want to do something on Savings Bonds." If you allow the exchanges and raise the limit, you are going to get some criticism there. I don't think it will be much either way, and since I have listened to all these hearings, I have favored the cash payment, but there has been very little favoring,

and if you feel strongly about it, I say let's go ahead and have the exchange. I don't think it makes so much difference.

H.M.JR: I don't feel strongly, but I feel this way. There are two things. We are going to have all these people with their bonds coming due, and I am looking just as the insurance company does where a fellow had a straight-way kind of life insurance policy which expires--what do they call it?

MR. HAAS: Term-life?

MR. COYNE: Endowment.

MR. GASTON: We have named the different kinds, ordinary life, twenty year endowment.

H.M.JR: Where you take it from year to year?

MR. HAAS: That's term insurance.

H.M.JR: I am thinking of term insurance, and trying to get the fellow to renew.

MR. HAAS: That's not a subsidized rate. My opinion would be entirely different if that was a subsidized rate.

H.M.JR: The reason I can justify it in my own mind, I am spreading subsidies over eighty-five million people on bond books now.

MR. HAAS: Take a fellow like Viner who has no particular feeling about high finances, and on this thing he felt strongly. Why should the Treasury give it? That's the whole thing about it, and I am afraid with interest rates going as they are you will want to revise the Savings Bond rate structure, and why hold these people up? I think you will have to be nonchalant on this if people want to get money and say, "Here it is, boys, get it."

MR. GASTON: You spoke of a large majority being limit holders. We are not offering anything except to limit holders. Those who are small holders aren't getting

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anything but what they already have.

MR. BELL: It seems the only real danger you run here by allowing these people to exchange to E Bonds is that E Bond holders, the big ones, when you come along for Drives, they expect the same thing, and when you get to that point you may say that rate is too high, and for refunding we are going to have a lower rate. They might kick because you gave the fellows back in '32 a high rate. It seems every bond holder takes that chance that subsequent issues are going to be lower rate issues.

H.M.JR: May I say this? George Haas has a good argument. You are not offering a two, nine piece of paper, but you are offering a two, nine paper if he again holds it for ten years. He has got to hold it another ten years to get two, nine.

MR. HAAS: But you have offered him the whole limit instead of--

H.M.JR: But he has got to hold it for ten years to get the benefit.

MR. HAAS: Initially, say a laborer on this E Bond thing--you are giving this man a better deal than you are giving the laborer today. That is what bothers me.

H.M.JR: In a sense you are starting a sort of consol thing.

MR. HAAS: What you need, Mr. Secretary, is annuities to be sold in conjunction with these things and not this type of arrangement.

H.M.JR: This will stop Gamble until we--

MR. HAAS: The argument is so small. That bothers me, too. There is a lot of to-do about little money. Jake said we think we are awfully hard up and go through all these mechanics for a few million dollars.

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MR. GAMBLE: None of that bothers me so much. What George said wouldn't make me make a decision. The only concern I have is psychological and ninety percent reason in the manner we have answered satisfactorily.

H.M.JR: Well, you have twelve out of thirteen. We made this check here. I think this is the way to do it in the face of everybody's advice. Then I said, "Maybe I am wrong," and twelve out of thirteen agree with me. I did it simply on my own feeling. In the face of this field check I will just take the responsibility and say, "Let's do it." That's all.

MR. BELL: That's all right.

H.M.JR: You all thought I was wrong. I said to Coyne, "Go out and find out." Here are twelve out of thirteen fellows agreeing with us. That's a pretty good average. If it had been the other way, I would have said no. I am very much influenced by your State Chairmen.

MR. GAMBLE: I know.

MR. BELL: I have a draft of a press statement which I would like to--

H.M.JR: I think it is all right. George, I am going capitalistic.

MR. HAAS: I don't like it. It is one of these seeds that gets planted which develops into something big.

H.M.JR: I have some other things in mind. I think just at this time I have got a particular reason for wanting to do it, and I haven't said everything. I have a certain reason just right now that I believe it is a good thing.

MR. HAAS: You are giving me a chance to say what I want to say.

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H.M.JR: I think with certain things going on and around, I would leave it this way, throw my weight this way, in view of the fact that I have got twelve out of thirteen Chairmen with me. Let's do it.

MR. BELL: You want to read the press release?

H.M.JR: No. Does the committee here adjourn to your room and decide on it?

MR. GAMBLE: We want to take a few minutes on the Drive.

MR. BELL: I don't know whether you saw one draft of it, but we are pretty well agreed.

H.M.JR: You are perfectly happy on this?

MR. GAMBLE: Oh, yes.

(Discussion off the record.)

MR. GASTON: Somebody is waiting in my office. I would like to go.

H.M.JR: French Underground?

MR. GASTON: Yes, yes, yes!

(Mr. Gaston leaves the conference.)

MR. GAMBLE: This is a very important decision, Mr. Secretary, and I hate to be in a position of trying to bring it up to get a reaction from you in a hurry, but it is on the assumption that we might undertake to do something that we have never done before, and if we do undertake to do it, we have to move.

H.M.JR: You mean on the Drive?

(The secretary leaves the conference temporarily.)

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(Mr. Lindow and Mr. Murphy enter the conference.)

H.M.JR: Go ahead.

MR. GAMBLE: We need to make our decision right now in case we are going to give it any further study.

H.M.JR: I said to Henry we decided on A Bonds. We are going to give A Bonds a chance. He said, "My elbow told me your elbow would do that."

MR. GAMBLE: We had this meeting in New York. We had seven of our most important States represented, New York, Massachusetts, Connecticut, New Jersey, Michigan, Pennsylvania, and Ohio, and we have since added to that California. We have talked to people at considerable length, representing the ten most important offices on the matter of having a seven billion dollar individual quota. If we are going to have a seven billion dollar individual quota, it is the opinion of all of us who have studied it that the only way it could be made is through establishing a four billion dollar E Bond goal, and our opinion is to change the character of the Drive to permit a longer period of time for deductions in plants. Instead of establishing a May-June quota, establish an April-May-June quota. Instead of one hundred dollars from every pay check, we would ask for one hundred and fifty dollars during that period. Give them six pay days instead of four on a weekly basis, and we would have a campaign. We wouldn't dilute the effectiveness of our formal Drive period by starting our promotion of it in advance, but we would have special things we would do, special material for all plants in the nation. We would start almost instantly to hold meetings throughout the country.

H.M.JR: May I just interrupt you a minute? The reason I am for this--I don't know where Bell stands--I personally think that the most difficult days are ahead of us as far as inflation goes, and I think the Treasury can play a very important part in absorbing some of that money. If we have a Drive starting the first of April, I personally think it is very, very important. I don't know any other agency in the Government that can do it.

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MR. GAMBLE: None can do it. It is a courageous move.

H.M.JR: I don't know of any other agency--I don't know where Bell stands. I would like to see the pay roll drive.

MR. BELL: I am in favor of it.

MR. GAMBLE: It is a tough move, and our people are well aware of it. It means we have taken on our biggest job, and these people know what it amounts to.

H.M.JR: What would that be worth?

MR. GAMBLE: Five billion, or six billion.

H.M.JR: Normally we would get three billion dollars. You would be adding half a billion to that.

MR. BELL: You couldn't make it more than that, could you?

MR. GAMBLE: No.

MR. BELL: Deduct redemptions.

MR. GAMBLE: There is no use kidding yourself. This is--and I don't want to tell you, Mr. Secretary, that this is a cinch, but I want to tell you that if we only sold three billion, eight, or nine, I think it would be the finest move we have ever made, and it would put you ninety days in front of anybody else in Washington. It is the only way we can pick up the ground we are going to lose because of having two drives this year.

H.M.JR: The only reason I am interested is if Germany collapses, they think they will maintain war production at the same scale.

MR. BELL: At least until long after the Drive is over.

MR. GAMBLE: Suppose Germany did collapse, and suppose

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what they have been telling us isn't true, and suppose there are some conversions? Suppose there is a letdown on the home front? I would rather miss a seven billion dollar goal than miss a six billion dollar goal, if we were going to miss one or the other.

H.M.JR: I can't just say that I am for four billion in E Bonds. I can tell you now, if Bell is willing, that I am for doing the thing April-May-June.

MR. GAMBLE: Yes.

H.M.JR: I am willing to say that.

MR. BELL: You would have to up your E Bond quota if you did that, three months or two months. Before three billion dollars has been your top quota for E Bonds.

H.M.JR: Say three and one-half.

MR. BELL: Just the month of April without much work-- you have got in the month of April half a billion dollars without any work.

H.M.JR: Then you are raising it another half.

MR. BELL: Another half for the extra months.

MR. GAMBLE: We went after two and a half the last time. There is no reason why--I am for the four.

MR. BELL: We got two, eight sixty-eight. Now, there is no reason--I am for four billion, but answering the solution to some compromise you may have in your mind, you may set two and one-half billion as your goal for the Drive and a billion extra, which brings you to three and one-half.

H.M.JR: What do you mean?

MR. GAMBLE: You have a half billion credit in April. You can take that into consideration. You can say we establish a two and one-half billion goal and add one-half billion on top of that, giving us three and one-half billion dollars E Bond Drive. I am in favor of four.

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MR. BELL: That's too complicated.

H.M.JR: My own feeling is if we went after two and one-half last time, I would say three.

MR. BELL: We got two, eight sixty-eight.

MR. GAMBLE: I would rather go for the four.

H.M.JR: I will not in split seconds say three or four, but so far as your machinery is concerned, if you know it is going to be April, you can go--whether it is three and one-half or four, you can wait until I get back next week.

MR. GAMBLE: We need during the week a decision from you.

H.M.JR: Next week?

MR. GAMBLE: Yes, because we are going to have to go like--we will set up, predicated on this meeting this morning, other meetings, Coyne and myself, with our Chairmen to meet throughout the country to sell this idea within the next two weeks.

H.M.JR: Without having talked to anybody, I would say three.

MR. GAMBLE: Not for the whole period.

MR. BELL: That is wrong, I think.

MR. GAMBLE: That's too low. You would be criticized for it.

H.M.JR: You are adding in the half billion dollars for April, and you are going after the same amount you did in the Sixth.

MR. BELL: That is just three billion. That's nothing for the extra effort.

MR. GAMBLE: Even then you would have to go three and one-half.

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MR. BELL: You are adding a month of effort, really more than that, because you are extending it for the full three months.

MR. GAMBLE: You would have it in two months.

H.M.JR: All you could expect out of me and Bell today is to say do you want a three months' Drive? Are George and his boys with us on this?

MR. HAAS: And the rest of them, yes.

MR. GAMBLE: One other thing, we can decide on a starting date. There will be no announcement of this, but in setting up our mechanical operations, that would be all right with you if we set dates on that, say from April 6 to July 6.

MR. BELL: You won't run over into July--a full three months?

MR. GAMBLE: We will have trouble getting started on the first of April right now on account of time.

H.M.JR: April 1 is bad anyway. April Fool's Day.

MR. GAMBLE: April 6 to July 6 would be all right with you?

MR. BELL: I hate to see it run into that month.

MR. GAMBLE: We could have it from April 15 to July 15. I would rather do it a little earlier because of the schools. We originally talked about April 15 to July 15.

H.M.JR: Don't let's argue too much on that right now.

MR. GAMBLE: All right. Now, you have no serious thoughts in the back of your mind that we are going to split this Drive as against confining it to individuals. Well, we can't go to the field with that.

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H.M.JR: That's all right. You can go after me next week on that. We will do it some evening. That is the best way.

MR. GAMBLE: Would you like to set an evening? Would that pin you down too much?

H.M.JR: We ought to have a song entitled, "Don't pin me down."

MR. GAMBLE: By H.M.Jr.

H.M.JR: They liked that song we had here the other night.

MR. GAMBLE: Isn't that a swell song? I think it is one of the best songs of the whole war.

H.M.JR: You see, next week all these speeches--I'll be in St. Louis Wednesday evening.

MR. BELL: Can you give us some time Tuesday?

H.M.JR: I ought to go out of here Tuesday night to St. Louis.

MR. BELL: When will you be back?

H.M.JR: I will be back at nine o'clock.

MR. BELL: After St. Louis--

H.M.JR: I am all right then. I can't do it Tuesday night.

MR. GAMBLE: You are not going to be here Monday night?

MR. BELL: Couldn't you do it during the day on Tuesday?

H.M.JR: I have all these things--

MR. COYNE: It is very important, Ted, that we offer these fellows a package when we sell them this.

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MR. BELL: When would you contemplate your meetings? Two weeks from now?

MR. GAMBLE: If we can get this decision, we can have meetings over the next week end. It is an emergency operation. You see, we did a good job in presenting this to this group of people in New York, and when it is done carefully and they understand what we are trying to do--they were one hundred percent in favor of it.

MR. TICKTON: It took you four hours to do it.

MR. GAMBLE: We need to do that before the pay roll organization, if the State Chairman isn't sold up to the hilt.

H.M.JR: I make this suggestion--I am going to go in a Coast Guard plane, see?

MR. GAMBLE: Yes.

H.M.JR: I think it is perfectly explainable that I go to make these speeches, otherwise you can't make them. I have nothing to argue about. I would be willing to take a couple of you fellows with me if you want to take twenty-four hours. We can argue back and forth. I think it is five hours to St. Louis and five hours back, and this is something I should do. What would you think of that?

MR. GAMBLE: That would be swell. We can take Dan and George Haas.

MR. HAAS: I don't ride planes.

H.M.JR: I think Dan better stay here. I will do this--George doesn't ride planes.

MR. HAAS: But Sid and Wes could go, couldn't they?

H.M.JR: I tell you what I would like to do. I'll take Gamble, Henry Murphy, and one, either, not both of those.

MR. HAAS: I thought it would be a little harder on Henry.

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H.M.JR: He likes it.

MR. MURPHY: When I am in good shape.

H.M.JR: How are you?

MR. MURPHY: Pretty fair.

MR. HAAS: He has been under the weather for a couple of weeks.

H.M.JR: Well, then I can take Lindow and Tickton, and Bell can make up his mind beforehand and give you a memo. How would that be?

MR. BELL: I have pretty well made up my mind.

H.M.JR: You have? But I can't--I have to go, and it may take a couple of hours. If we get through earlier, you might want to get off at Indianapolis.

MR. GAMBLE: We'll stay. We'll go for the trip.

H.M.JR: When I go to St. Louis I talk.

MR. GAMBLE: What we could do, Mr. Secretary, I could call four or five Chairmen in to St. Louis and see them while we are there, and maybe we will have arrived at a decision by then.

H.M.JR: I could see them with you. I don't speak until nine o'clock. I think it would be a good idea.

MR. GAMBLE: I think you would like that, and I think if we can accomplish that, I won't have to see the Northwest group again.

H.M.JR: I don't speak until nine o'clock.

MR. BELL: What time do you get there?

H.M.JR: The plane is going out Tuesday night, and I have to cut it short and leave here to get out there around ten o'clock that night, see? The next morning I could meet

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with Ted and talk with them and we could make up our minds. Right? What do you think of that?

MR. BELL: That's right.

MR. GAMBLE: It saves me meeting that group again.

H.M.JR: And then the point is that Bell ought to have this meeting with you people and make up his own mind.

MR. GAMBLE: We can do that over the week end. I don't think we are far apart.

MR. HAAS: I don't think so.

MR. BELL: We have had a good many meetings.

H.M.JR: What do you think of that?

MR. GAMBLE: That's excellent.

H.M.JR: Fitz can tell you what hotel I am at, and this is important for me to do it just like that, you know, like that, and then if I can talk to half a dozen of our Chairmen then, I would be satisfied.

MR. GAMBLE: Yes.

H.M.JR: What do you think?

MR. GAMBLE: It is agreeable with me.

H.M.JR: And it saves you a trip.

MR. GAMBLE: It saves me a trip and gives us several important hours we need with you.

H.M.JR: Three seats there and mine is four and Luxford five. How are we going to do that? There are four of us now, plus Luxford. That's five.

MR. BELL: Do you have a couch?

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H.M.JR: I reserved that.

MR. BELL: Then one can sit in your seat.

H.M.JR: There are one, two, three, four, and that extra seat, and one can sit on the couch when I am not lying on it.

MR. GAMBLE: Do you want to take Levy with you? He can go ahead, because he doesn't like to fly.

H.M.JR: Let me get this thing straight. There are five of us, one on the couch. When I am not in my own seat, somebody sits in my seat, is that right?

MR. GAMBLE: That's right. We have carried five. We took five across the country.

H.M.JR: That will make that seat up front vacant, what do you think? Is that all right?

MR. GAMBLE: Yes.

H.M.JR: Certainly within that time you ought to be able to come to an agreement.

MR. GAMBLE: Definitely.

H.M.JR: And you were going out there for another meeting.

MR. GAMBLE: We were going right after that. This accomplishes the purpose for me.

H.M.JR: You have all day there.

February 7, 1945
11:30 a.m.

PRESIDENT'S MESSAGE ON BRETTON WOODS

Present: Mr. C. S. Bell
Mr. Gaston
Mr. White
Mr. O'Connell
Mr. Luxford
Mrs. McHugh

H.M.JR: Did you get anything out of the French Underground?

MR. GASTON: He went away and said he would be back in a few days.

H.M.JR: I am suspicious of these fellows.

MR. GASTON: He had an appointment for ten-thirty. I think he may have gotten annoyed because it was eleven when I got in there.

H.M.JR: Now, when this goes up (indicating President's Message on Bretton Woods)--what Joe is this?

(Secretary holds a telephone conversation with Mr. Rosenman.)

February 7, 1945
11:35 a.m.

Judge
Rosenman: Hello.

HMJr: I just spoke to Dorothy.

R: Yes.

HMJr: And I told her I was terribly sorry I couldn't come tonight, because I'm going on the four o'clock train to New York.

R: Oh, well, I'm sorry too.

HMJr: But I wanted to -- to tell you -- I wanted to wish you the best of luck....

R: Thanks very much, and I appreciate all you've done.

HMJr: and great success.

R: I think you've given me a swell fellow. As a matter of fact, I think he's the best of the group.

HMJr: Well, it's nice to hear that.

R: He'll be the most helpful to me.

HMJr: And

R: Now, Henry

HMJr: Yes.

R: there's one thing I wanted to ask you. I'm sorry you can't come, but there are just a couple of friends coming in, and

HMJr: Well, I would have -- I would have come if I'd have been here.

R: How is Ellie?

HMJr: She's getting along fine.

R: Good. Henry, we, depending on what happens on the trip, and of course, you'll be kept advised --

R:
Cont'd. We may want to write that report in -- in London before we -- and then so that when we come back, we can submit it. Now, I remember what I said to you, that I would show you that report before it went in.

HMJr: Yes.

R: Do you want to see it personally or

HMJr: Personally.

R: Personally?

HMJr: Yes.

R: Okay.

HMJr: Yes, I do.

R: All right. Well, I'll -- I can arrange that when I come in.

HMJr: Fine.

R: We'll have to do that between you and me because I don't to be showing it around.

HMJr: That's all right, just as long as you, Drew Pearson and I see it.

R: Hey, someone -- I didn't see the thing, but someone told me about Drew Pearson's story.

HMJr: Yeah.

R: I didn't see it. What did he say?

HMJr: Oh, just -- Oh, I don't know -- they're trying to make out a little trouble between you and me.

R: It's the God-damnedest thing what these columnists do.

HMJr: Yeah.

R: They're after me and Biddle.

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HMJr: Are they?

R: Yeah.

HMJr: On

R: On, you know -- Solicitor General.

HMJr: Oh, really?

R: Yeah. Jeez, it's awful!

HMJr: What? Have they got hold of that?

R: Well, they don't say. What they're trying to say now is, you know, that there's no vacancy and I'm trying to force Fahey out.

HMJr: They're trying to what?

R: Force Fahey out.

HMJr: Oh, was that in the papers?

R: Yes.

HMJr: Who ran that?

R: Oh, that bastard Cassini, and I think George Nixon had it, too.

HMJr: No, I didn't see that. Is Cassini back again?

R: Mrs. Cassini.

HMJr: Oh, Mrs. Cassini.

R: Yeah.

HMJr: Well, what is the female?

R: She's worse than the male.

HMJr: I see.

R: (Laughs)

HMJr: Well, anyway -- no, they -- the town is full of them.

R: Yes.

HMJr: Well, I'm sorry, and Taylor's there and I think he will be helpful.

R: I know he will. Fine. And I'll -- I'll get

HMJr: Are you going up to the front at all?

R: Yeah, I want to get -- see the way they hand out civilian supplies up there.

HMJr: I think I'll send you a little note giving you Henry's address. He's with Patton.

R: Where is he?

HMJr: With Third Army.

R: I wish you would send it over now, because I'm -- I'd like very much to see him.

HMJr: Well, I'll tell you what I'll do. I'll give it to Taylor. Taylor can hand it to you.

R: All right. Fine.

HMJr: See? I'll just give you

R: All right.

HMJr: his address.

R: Bob isn't over in that area, is he?

HMJr: No, he's in the Pacific.

R: Yeah.

HMJr: But if you're anywhere near Henry, you might ask after him.

R: I certainly will.

HMJr: Because

R: Do you want me to give him a letter of any -- do you want to write a letter or something?

HMJr: Well, I'll tell you -- Bernie's going this week
and I'm giving him one.

R: Who?

HMJr: Bernstein.

R: Oh. Oh, yes. All right.

HMJr: He's going direct to Paris.

R: He is?

HMJr: Yes.

R: All right.

HMJr: Thank you very much.

R: All right, Henry.

HMJr: But if you're up that way, you might ask after
him.

R: I will.

HMJr: Thank you.

R: Fine.

HMJr: Good luck.

R: Thank you.

HMJr: Bye.

R: Bye.

(Mr. Charles Bell enters conference.)

MR. LUXFORD: I heard something about his going to be on Supreme Court.

H.M.JR: No, no!

MR. LUXFORD: That is a step to the Supreme Court.

H.M.JR: Is that the way you interpret it?

MR. LUXFORD: I didn't interpret it. I heard from other sources he wanted to be on the Supreme Court.

H.M.JR: Now, here is a message that has been in my

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safe, a message from the President to the Congress. If and when these fellows get ready to send the thing up, I want photostats for my own record, but the originals go over to the Chief Clerk. (Secretary hands President's Message to Mr. Bell.)

I told them that at the time the President signed it, he said I should keep it in my safe. There are two sets there. I don't think they are dated. No, we will date them now. The other thing I told the President-- the thing Joe will have to do--is see Barkley and Rayburn. Rayburn already knows it, but tell him this thing has come. I told the President we would make sure it was agreeable to Rayburn and Barkley that they get copies, see?

MR. GASTON: That is the Bretton Woods Message?

MR. O'CONNELL: Yes, that is the Bretton Woods Message.

H.M.JR: I am anxious that it will not go up before Friday.

MR. O'CONNELL: We hope to get the details straightened out Thursday. The Message ought to be down maybe at noon on Friday. Barkley and Rayburn should know in advance, and Spence and Rayburn should have a copy of the bill to put in the hopper immediately on the Message.

H.M.JR: And if Wagner and Spence agree, I would tell Tobey and Wolcott.

MR. LUXFORD: All four of them would be together.

MR. O'CONNELL: We could tell them tomorrow.

MR. WHITE: They would have to read the copies before it goes.

MR. O'CONNELL: No.

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MR. WHITE: Shouldn't something be done publicly, or would they take care of that?

H.M.JR: The White House would.

MR. LUXFORD: Daniels is in charge of publicity there now.

H.M.JR: When the Message from the President leaves the White House, and this is the first one to go up since he left, what they automatically do is send the Message up, and I think he will know how to do it.

MR. WHITE: You might call Jonathan and ask if he would give it an extra boost.

MR. C.S.BELL: This has been made up in duplicate, one for you and one for the White House?

H.M.JR: No, both are for the White House. All I get would be photostats.

MR. C.S. BELL: I see.

H.M.JR: I am not going to the North Pole. I have a phone. You can get me in less than sixty seconds, if I am there. (Laughter) So, I don't know what else there is to do. They are going to be together when?

MR. LUXFORD: Thursday, two o'clock.

H.M.JR: My own inclination would be to tell Tbey and Wolcott it is coming.

MR. O'CONNELL: They should be told, and if the meeting is satisfactory and you are away after that meeting, I can tell Barkley and Rayburn that the plan is it goes down the following day.

MR. LUXFORD: Wolcott suggested there be a message from the President even though he didn't like it too well.

H.M.JR: The thing Luxford should do is to get on the phone and tell all the American Delegates that it is coming.

MR. LUXFORD: After we have agreed on the time?

H.M.JR: Yes.

MR. O'CONNELL: Is the time Friday morning?

H.M.JR: I would do it Friday morning. People like Fred Vinson say they will know within a couple of hours.

MR. O'CONNELL: Normally the newspaper men would get it eleven o'clock Friday morning if it is going to go down at noon.

H.M.JR: There is a message from the President, and it will get plenty of publicity. Every paper Saturday morning, if it goes out at noon Friday, will carry it in full.

MR. O'CONNELL: I hope both Houses will be in session Friday. I have no reason to believe they won't, but I will check again this afternoon.

H.M.JR: You are meeting when with these men?

MR. O'CONNELL: Tomorrow afternoon.

H.M.JR: Is tomorrow Thursday?

MR. LUXFORD: Yes.

H.M.JR: All right. Now, I want you here when Taylor is here.

February 7, 1945

Dear Randolph:

Your letter dated February 1 and mailed on February 5 was received by me today.

I have hastily glanced at the report, but intend to study it carefully. Thank you for sending it to me.

Yours sincerely,

(Signed) Henry

Mr. W. Randolph Burgess,
55 Wall Street,
New York, New York.

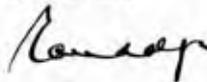
W. RANDOLPH BURGESS
55 WALL STREET
NEW YORK

February 1, 1945

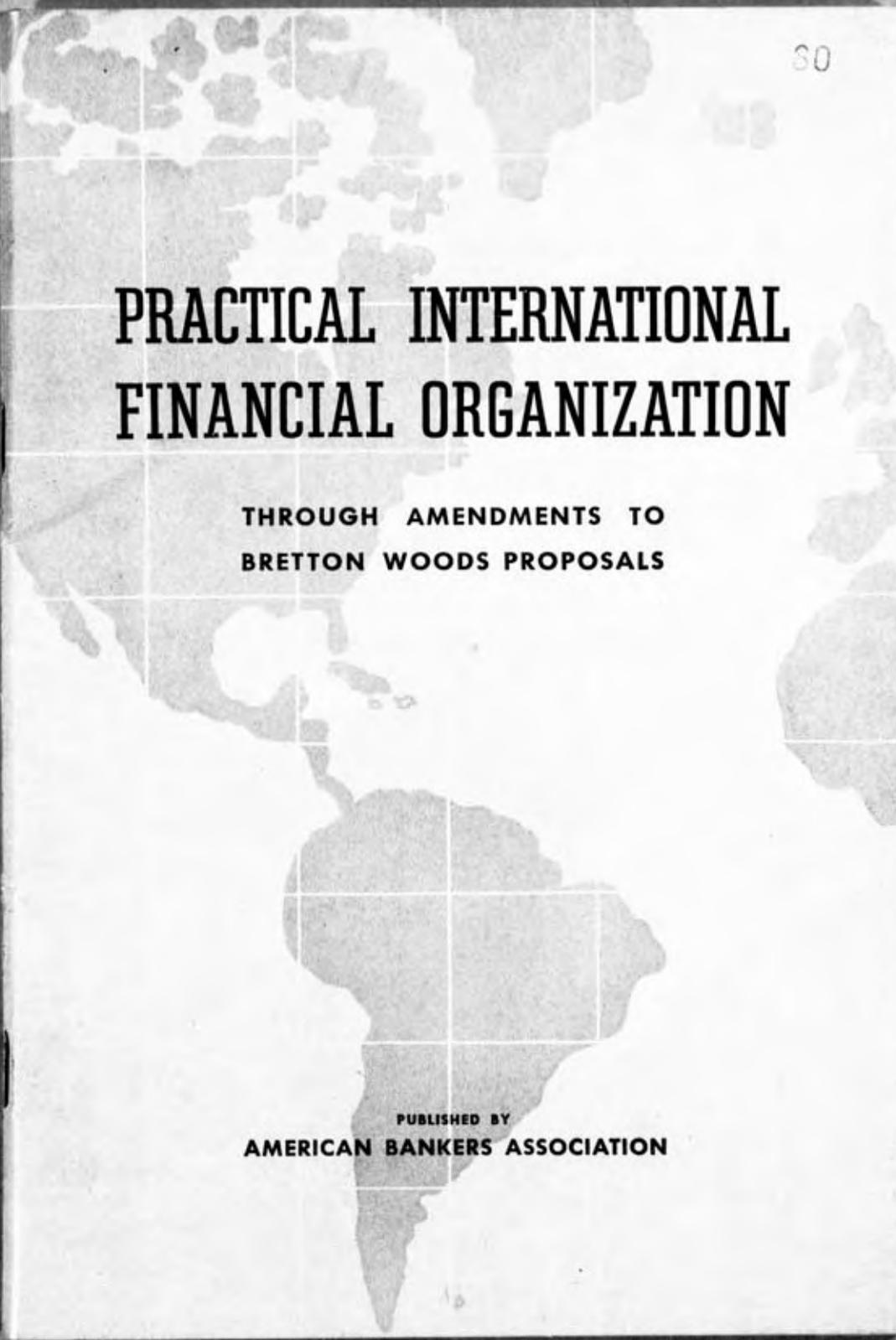
Dear Henry:

Here is our report. It presents our case as effectively as we know how. At the same time, however, I think you will agree that the emphasis is constructive and positive. I should like to call your particular attention to the statement toward the bottom of page 9, the first paragraph of the conclusion on page 25, and the final paragraph on page 26. We are most desirous of keeping the whole discussion on a high plane.

Sincerely yours,



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



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PRACTICAL INTERNATIONAL FINANCIAL ORGANIZATION

**THROUGH AMENDMENTS TO
BRETTON WOODS PROPOSALS**

**PUBLISHED BY
AMERICAN BANKERS ASSOCIATION**

**PRACTICAL
INTERNATIONAL
FINANCIAL
ORGANIZATION**

**Through Amendments
to Bretton Woods
Proposals**

**AMERICAN BANKERS ASSOCIATION
FEBRUARY 1, 1945**

PRACTICAL
INTERNATIONAL

This report is based upon the studies of the Committee on Federal Fiscal Policy of the Association of Reserve City Bankers, of the Advisory Committee on Special Activities and the Economic Policy Commission of the American Bankers Association, and of the Study Committee on Post-War Problems of the Bankers Association for Foreign Trade. It has been approved by the Administrative Committee of the American Bankers Association.

AMERICAN BANKERS ASSOCIATION
NEW YORK

S U M M A R Y

The international financial proposals by the Bretton Woods Conference last July lie primarily in the fields of banking and finance. The banking associations, therefore, have recognized their special responsibility for studying these proposals with care, and for making public their considered judgments concerning them.

We find much that is desirable in the objectives and in certain features of the Bretton Woods plan; but we also find provisions which, in our opinion, are financially unsound and, if adopted, might retard rather than promote enduring recovery.

We suggest a way of preserving and making effective the desirable features of the Bretton Woods proposals while at the same time avoiding their more serious dangers. In brief, we recommend that the plan for the International Bank for Reconstruction and Development be adopted with minor changes, but that the plan for the International Monetary Fund be not adopted, as it embodies lending methods that are unproved and impractical. In lieu of the Monetary Fund we recommend that certain of its features be incorporated into the provisions for the Bank. In this way, we believe, the objectives of Bretton Woods could be achieved and the risks reduced. The details of this proposal and the reasons for it are reviewed in the following pages.

so new and unfamiliar that men will not be prepared to participate in it."

Fourth, credits granted by such an agency should be extended in accordance with proven standards, based on the merits of the individual case, and conditioned on adequate commitments by the debtor. . . . A system of quotas or shares in a pool which gives debtor countries the impression that they have a *right* to credits up to some amount is unsound in principle, and raises hopes that cannot be realized. . . .

In September 1943 the American Bankers Association at its Sixty-Ninth Annual Meeting in New York City adopted the following resolution, in which the governing body of the Association endorsed in general the above-quoted principles.

This Association supports the view that our own progress and well-being, and that of the world, require our active participation with other countries in dealing with post-war problems. Such participation may require generous aid in stricken areas to relieve distress. In addition there will undoubtedly be need of cooperation in measures to restore stability of currencies, broaden the flow of commerce between nations, and encourage international capital investment for rehabilitation and development.

But any plan in which this nation may agree to assist in the stabilization or reestablishment of foreign currencies should incorporate the principle that the value of currencies be fixed in terms of gold. Financial and commercial relations with other countries should accord with sound business principles. While recognizing that enlightened self-interest calls for our participation in efforts to build a better world, yet we fully realize that achievement of the goal depends primarily upon the efforts of people everywhere to help themselves.

Major Features of the Bretton Woods Proposals

The conference at Bretton Woods resulted in the 44 delegations signing a tentative document which includes detailed plans for an International Monetary Fund and an International Bank for Reconstruction and Development. All signatures, however, were subject to a blanket reservation so as not to bind the several governments in any way. The terms of

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its submission to the 44 governments were stated by the chairman of the British delegation, Lord Keynes, as follows:

The whole of our proceedings is ad referendum to our governments who are at the present stage in no way committed to anything. . . . We do not even recommend our governments to adopt the result. We merely submit it for what it is worth to the attention of the governments and the legislators concerned.

There are really two plans, one for a Fund and one for a Bank. They are elaborate and complicated, together filling 85 printed pages of text. A condensed summary of the principal provisions of both is given in the appendix of this report. It is desirable here to draw attention to major points of the Bretton Woods program in relation to the principles set forth in the reports of the American Bankers Association referred to above.

(1) The Bretton Woods program provides machinery for continuing international consultation on currency problems, the collecting of information, and agreement on the "rules of the game" applicable to currency policies and practices. It would provide a place where important people influential in the formulation of currency policies in the different countries might meet regularly and become acquainted with one another's problems.

In these broad purposes the Bretton Woods proposals are in harmony with the principles heretofore endorsed by the American Bankers Association.

(2) The Bretton Woods program for the granting of credits is huge and complicated and the United States would supply a large proportion of the money. The two institutions initially would have a combined capital of about \$18 billion in gold and miscellaneous currencies. Of the total the United States would make a commitment for nearly \$6 billion—about a third of the overall total but more than half of the gold or currencies exchangeable into gold. Even this \$6 billion might not be all that the United States would be expected to supply,

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since the Fund has the right to borrow scarce currencies and quotas may by agreement be increased.*

With respect to size and complexity, the Bretton Woods program departs from the principle that an international organization should be simple and understandable. There are already differences in interpretation.

(3) The plan for the *Monetary Fund* introduces a method of lending which is novel and contrary to accepted credit principles. Under the system of quotas in the Fund, a member country would be virtually entitled to borrow in certain specified annual amounts from the international pool of resources, provided the purposes of such borrowing were represented by it to accord with the broad purposes of the Fund. The borrowing would be subject to certain limitations, but with no stipulation that the loans should be good loans or—once a country had been admitted to full rights of membership in the Fund—that the loans should be based on prior consideration of the economic condition and prospects of the borrowing country.

(4) The *Monetary Fund* also, in its effort to meet the situation of countries now in uncertain financial position, goes far beyond the principles heretofore accepted by the United States in recognizing and approving changes in currency values and the maintenance of exchange controls. It is noteworthy that in the evolution of the program the name "Stabilization Fund" has been discarded. The difficulty arises inevitably from any attempt while we are still at war to lay down rules that we must live up to after the war and following the transition period. Naturally many countries are reluctant to make firm commitments now as to currency values and removing exchange controls.

* "The aggregate facilities (of the Fund) guaranteed by the initial subscriptions of the members under II (x) are smaller than were proposed for the (Keynes) Clearing Union. But they are substantial, and, if necessary, can be increased later on, by general agreement."—Explanatory notes by United Kingdom experts on the International Monetary Fund as proposed in the Joint Statement of the Experts, April 1944.

"The quotas are not so large as under the Clearing Union . . . But they are substantial and can be increased substantially if the need is shown."—Lord Keynes, address to the House of Lords, May 23, 1944.

The commitment is so slight that Lord Keynes has some justification for saying in the House of Lords, "These proposals are the exact opposite to the gold standard."

Nevertheless the United States is asked for a firm commitment in putting up a large part of the internationally valid money.

(5) In contrast to the Fund, the proposed Bank would operate more on the basis of established banking and investment principles, with the criteria that the loans must be investigated in advance by a competent committee and must give adequate promise of repayment. The United States, moreover, would retain in the Bank a veto power over loans payable in dollars. The bulk of the Bank's operations would be financed by the sale of its own obligations or take the form of guaranteeing loans made by others. The Bank plan, therefore, does not call immediately for large amounts of capital subscriptions, as does the Fund. Only the first 10 per cent of the Bank's capital would be called in the first year—some \$300 million in the case of the United States. Another 10 per cent would be subject to call for making direct loans; the remaining 80 per cent would constitute a guarantee fund, to be called only if needed to cover defaults in loans which the Bank has guaranteed or to meet its own obligations.

Questions to be Considered by the Congress

The international discussions prior to and at Bretton Woods marked a step forward in mutual understanding among the United Nations in one area where cooperation is essential. It is most desirable to capitalize and build upon the progress made. Total rejection of the Bretton Woods plans might delay and endanger future progress toward international understanding in this and other fields. Constructive action is part—and a vital part—of the broader program of international reconstruction, peace, and well-being.

This does not mean that the Congress must accept the conclusions of Bretton Woods in their entirety without change.

Here is one of the largest commitments for the post-war period the United States is being asked to make, both in terms of money and in terms of monetary, economic, and political policies. The discussions up to this point have been conducted largely at the official technical level. No other country has yet acted upon these proposals. The Congress has had no opportunity to obtain the views of others or to formulate its own conclusions. It can hardly be expected to give these plans hurried or perfunctory approval. They call for careful study.

In reading the plans it is easy to become lost in the maze of technical details and thus to overlook the broad economic and human questions which, in the end, are the determining factors. The question is not how an institution ought to work in a perfect world, but how it is likely to work in an imperfect world where decisions are based upon political and human reactions. We need to recognize that all governments are under constant pressure to take the easier way, which is all too often not the sound way. Specifically, if credit is too easily available, governments are apt to use it instead of making the maximum effort to put their economic affairs in order.

With such considerations in mind, the United States may well apply to the Bretton Woods program certain broad tests discussed in succeeding paragraphs.

Size and Nature of Credit Needs

Among the first questions to consider are these: How much and what kind of money is needed? What commitments should the United States make now?

Resources Already Available. Much current discussion seems to imply that the whole world is dependent upon the United States for huge quantities of goods and credits. Actually this is not true.

In the first place, most of the feeding, clothing, and rehousing of the people, and other rebuilding in the stricken

areas, will have to be done at home. These countries will be wanting to put their people to work, and their producers will be striving to recapture their share of the home market. According to President Roosevelt's first report to Congress on United States participation in UNRRA as of September 1944, the liberated peoples of Europe will themselves produce over 90 per cent of their food and clothing and of other supplies they need. In a similar vein is the following statement by M. Ernest Mercier,* President of Union de L'Electricite and a member of the French delegation to the International Business Conference at Rye: "We need some necessities, but we do not ask for more. Above all, we know that money will not do the job of reconstructing France. Only our own toil will do that—probably ten years of it."

In the second place, the outside world as a whole already has more gold and dollar exchange than ever before, partly as a result of our huge overseas expenditures for our armed forces and for materials. As shown by figures published in the November 1944 Federal Reserve Bulletin, the official holdings of gold and dollars by foreign central banks and governments in September 1944 totaled about \$17 billion. Counting also foreign-owned private banking funds, the total gold and dollars is estimated at about \$20 billion.

Every day the war lasts and our overseas spending continues the total increases. Already in the three years that the Treasury has been considering plans for an international monetary fund, the outside world's holdings of gold and dollars have increased by something like \$7 billion. This is three times the American subscription called for by the original White plan and more than the American commitments called for by both of the Bretton Woods institutions combined. In other words, even while we have been talking about these plans, other countries have been acquiring gold and dollars in large amounts, and there are now few countries without substantial holdings of dollars and gold. At the same time the gold stock in this country has been going down to

* Fortune Magazine, January 1945, p. 226.

the point where, in the face of the currency and credit expansion taking place, the President has suggested to the Congress the necessity of lowering the legally required reserves of the Federal Reserve Banks.

Third, with reasonable encouragement, large amounts of private United States dollars are ready to go abroad. The banks are now financing current trade in substantial amounts and are ready to take care of a much larger volume. Many business concerns are preparing to extend their operations to new areas. Some governments can borrow intermediate funds privately in this country, as the Dutch are doing; and they and others should be able to sell dollar bonds here soon after the war ends.

The recent flow of private capital from this country to Mexico since political conditions there have become more favorable is an indication that venture capital is venturesome. To a large extent foreign countries have the power to attract capital, by creating the kind of atmosphere in which investors will be willing to take chances. The between-war experience showed clearly that the best kind of capital flow occurs where enterprisers can go in with their money and stay with their undertakings and see that the capital is productively employed.

Too Much Money as Bad as too Little. All this is not to suggest that there will be no need for additional lending facilities involving the use of government credit. But there is danger of providing too much money as well as danger of providing too little. Too much available money tends to encourage unsound and political borrowing, leading to dissipation of resources and grief to both borrower and lender. Such lending is inflationary in tendency, in that it creates large amounts of new spending power. And who knows whether our problem after the war is going to be one of underspending or of overspending?

Experience has indeed shown that comparatively modest sums of money, wisely lent, go a long way. When Great Britain stabilized the pound in 1925, the total stand-by credits

arranged amounted to only \$300 million, none of which was ever actually used. The United States Treasury Stabilization Fund, which since its establishment in 1934 has conducted stabilization operations with some fifteen countries, has never had more than \$50 million in use at any one time. The Export-Import Bank, which is generally recognized as having done a useful job in promoting American trade, has in the ten years of its existence authorized credits of about \$1.2 billion, with actual disbursements of only \$474 million. Outstanding loans in November 1944 were \$223 million and undisbursed commitments were \$367 million.

The point is that with good management and proper methods to stimulate the flow of private capital, the sound need for money is limited. The chief limitation is the power of borrowing countries to absorb money, to use it productively, and to repay it when the time comes. There is no favor to anyone, but rather a grave danger, in ignoring these limitations, getting countries loaded up with too much debt, and adding fuel to the inflationary fires now burning over most of the world.

Experience after World War I. We have before us the painful lessons of what we did after the first World War. For more than a decade dollars flowed abroad freely from both public and private purses. Then the movement practically stopped. After the Armistice in 1918 our Government lent other nations over \$3 billion—partly for much needed relief, partly to pay for goods already ordered, and for other purposes. All of this, together with U. S. purchases for its army abroad, failed to prevent a precipitous decline in European currency values. Most of these loans have never been repaid.

Then began the outflow of private funds under government encouragement and in a wave of optimism for the decade of the "new era" in foreign trade. Private advances took three forms:

(1) Bank credit was used to finance trade largely by the use of the acceptance but secondarily through a number of

special corporations organized for foreign trade. Much of the bank credit was good and served a useful purpose, with the outstanding exception of German and Austrian credits. Most of the special corporations suffered heavy losses and were liquidated or absorbed.

(2) Foreign long-term bond issues were floated—over \$8 billion in all. Some were well and carefully made; others were justified only through rosy glasses. Some were to foreign governments and others to foreign companies. When the great depression hit the world economy, nearly half these bonds went into default and we stopped lending. Two lessons stand out in this experience: We lent too much and not carefully enough; we stopped lending too suddenly.

(3) The third type of funds was direct investments by American business in factories, mines, and other enterprises abroad. With investment went care, management, and continuity of policy. We didn't expect to be paid off when the depression fell upon us. Many companies had heavy weather. Some took losses. But, generally speaking, the results have been good. The standard of living has been raised in many countries, and the world is better for what was done. Many lessons have been learned of how and how not to make foreign investments.

This background of experience with foreign loans suggests careful exploration of what the real requirements of foreign borrowers are likely to be after this war, and of the degree to which they can be met by already existing facilities. It suggests also that as government enters the field of foreign lending, whether through national or international organizations, its loans should be made with great care.

Assurance of Soundness

With regard to the quality of international lending, the Fund and the Bank are in different categories. The proposed International Bank embodies satisfactory principles and procedures: (1) The loans have to be for specific purposes,

(2) they have to be examined by a special committee, (3) they must offer promise of repayment, (4) the country whose currency is lent has a veto power covering all major transactions, (5) much of the operations may take the form of guarantees of loans made through the market and subject to that review, and (6) the Bank will not make loans which can be made reasonably through private channels. If we assume good management, the institution should be able to operate soundly and effectively.

The Fund, on the other hand, has no such definite or effective provisions to safeguard it against misuse. The Fund is set up on the principle of a pool from which each member has a right to draw. This right is subject to the following conditions:

1. The purposes of borrowing must accord with the general purposes of the Fund. These purposes include—besides promoting exchange stability and multilateral clearings—such broad objectives as facilitating and expanding trade and employment.

2. Member countries will not be permitted, without action of the Fund, to borrow more than 25 per cent of their quotas in any twelve months' period nor to an amount where the Fund's holdings of their currencies would exceed 200 per cent of their quotas.

3. Member countries having ample resources of their own and using the Fund will be required at the end of each year to repurchase a certain portion of their currency held by the Fund, under complicated rules. This would retard, not prevent, use of the Fund's resources by countries which do not need the Fund.

4. Members using the Fund will pay a uniform service charge of $\frac{3}{4}$ of 1 per cent on each transaction plus a graduated charge on Fund holdings of their currencies in excess of their quotas, such charge rising in accordance with a fixed schedule. It will normally take 10 years for the rate to rise to 5 per cent, when the Fund can fix rates at its discretion.

5. In case of serious scarcity of any particular currency, the Fund must formally declare such currency scarce and ration its supply.

6. The Fund may postpone exchange transactions with any member if its circumstances are such that, in the opinion of the Fund, they would lead to use of the resources of the

Fund in a manner contrary to the purposes of the Agreement or prejudicial to the Fund or its members. This limitation appears to apply only to initial transactions between the Fund and a member country.

It will be noted that these limitations are of two types: (1) formulas which are so rigid in their operation as by their very inflexibility to require the insertion of waiver clauses that leave loopholes, and (2) formulas which are so general and vague in their terms that countries—even with the best of intentions—may easily differ as to their interpretation. It is questionable how effective in practice these limitations would be, especially when the whole emphasis of the Fund, as expressed in the Articles of Agreement, is to give countries experiencing difficulties the benefit of every doubt. As opposed to the usual lending practice, which places the responsibility for making out a case for credit upon the borrower, the Fund goes on the theory that the borrower is entitled to credit unless the lender can make out a case to the contrary. And under the Bretton Woods plan the lender is an institution in which the United States would have only a minority vote as compared with actual and potential borrowers.

Confident assertions by proponents of the Fund that political considerations would not enter into the lending are hardly consistent either with practical experience in such matters or with the experience at Bretton Woods, where politics entered quite frankly into the determination of quotas. If it has been found necessary to make concessions of this nature in framing the program, what reason is there to suppose that further departures from principle may not be found expedient after the program has been put into operation?

The suggestion has been made regarding the Fund that the \$2¾ billion the United States would be asked to put up would represent a small sum to risk for the sake of such approach to exchange stability and freedom from exchange controls as the Fund promises. In weighing the rather modest hoped-for advantage against the cost, it must be noted that \$2¾ billion (which is in sober fact a very large sum) is our

initial subscription. When the dollars we put into the Fund are exhausted, as they may well be, we shall then be faced with the same problem, in even more pressing form, that we are faced with today—that is, of putting up dollars or running the risk of seeing this scheme of currency collaboration break down, with consequent centering of the responsibility for failure upon the United States.

The question is not just one of protecting our initial investment, but of not getting started on a policy of making doubtful loans. That policy would subject us to an endless drain on our resources. It would be of little lasting benefit to the borrowers, and we should be running the risk of repeating the disastrous policies of the twenties and thirties when we lent too freely and then stopped altogether.

Protection of United States Principles and Interests

The United States has a definite national point of view in foreign relations represented by such concepts as those in the Atlantic Charter and the trade policies sponsored by Mr. Hull. In addition, the citizens of the United States have widespread commercial, financial, and cultural interests.

One of the greatest contributions the United States can render to the world is to make available to other countries the virility and productiveness of our system of private enterprise. The operations of any international financial institution could be conducted in such a way as either to encourage or to hamper the spread of the benefits of private enterprise. On the board of any such body there will be representatives of some countries which do not have the same understanding and appreciation of private enterprise that we do.

With these considerations in mind we may well ask the question: How much ought we lend through an international organization and how much through a national body of our own, such as the Export-Import Bank? In both

the International Bank and the Monetary Fund we should be putting up the major share of the internationally owned funds, but we should have only a minority of the votes on the disposition of these dollars. In the case of the Bank we should have a veto power over loans floated in dollars, just as other countries would have such power in respect to loans in their currencies.

There is no such veto power in the case of the Fund. In other words, with the Fund we should be handing over to an international body the power to determine the destination, time, and use of our money. Countries with whom we might be having serious political differences, as was the case with Italy over Ethiopia or Japan over Manchuria, or countries whose trade policies discriminated against the United States, might go right ahead using our dollars, and we should have little power to prevent it.

In many cases there will be substantial advantages in having other countries share with us the responsibility and risk of loans, and this can be done by the Bank effectively because of its structure. In loans to Italy, Poland, or Yugoslavia, for example, the European representatives on the Bank would know more about the facts than we, and could follow more closely the fulfilment from year to year of the condition of the loans; trade policies of neighboring countries, moreover, would affect the goodness of the loans.

In other cases where American interests are closely involved we may find it better to make the loans ourselves through a national organization such as the Export-Import Bank. Its continuance, with sound management, is therefore desirable; it can be especially useful in meeting emergency needs in the period before an international plan can begin operations; and further needs will arise.

The point of this section is that we have national principles and interests to protect and our lending policies will be affected by this just as are the lending policies of other countries. In the Bank plan we would appear to have adequate power of protection; in the Fund we do not.

Timeliness

Another question is: What should be done now and what should wait? Relief is, of course, a pressing necessity, and must be promptly and generously given. Starving people cannot rebuild their shattered homes and industries or think much beyond where the next meal is coming from. UNRRA has been set up to meet that situation. Along with relief comes reconstruction, which likewise must be tackled without delay. This is largely a question of local governments and their peoples, but it may require in part the use of medium and long-term capital, such as could be provided in the proposed Bank. Only as these preliminary steps are taken, readjustments made, and an orderly economy again started can the stabilization part of the program have secure foundation.

The Congress will need to weigh this question of doing first things first and to determine whether it would be wise to make large sums of money available for stabilization during the transition period when, as we are learning through bitter experience in Greece and in Italy, economic conditions may be in confusion. Who knows today what the French franc is really worth when it sells at 2 cents in the official market and $\frac{1}{2}$ cent in the black market? Who knows what kind of world we are facing for the next five years—what political, social, and economic conditions?

To set up a stabilization fund under such conditions is to risk becoming involved in attempts to support uneconomic levels of currency, and to use up wastefully funds which should be used constructively at the right time and under the right safeguards.

Form of Organization

The Bretton Woods plan sets up two separate organizations, a Bank and a Fund. But why should there be two? There would seem to be few advantages in such division of effort and many probable difficulties.

Any program such as has been proposed will require wise and experienced management. The number of men qualified for these highly important posts is limited; and the prospect of divided authority and likelihood of jurisdictional conflicts between two such institutions might prove serious handicaps in attracting such men. The Congress might well consider the potential confusion and extra burden upon the public of the activities of two institutions with possibly overlapping powers. Washington's wartime experience with multiple government agencies has shown us that where two agencies are created to work in the same general field the result is a tangle of red tape, increased expense, lost time, duplication of reports, and decreased efficiency. Moreover, if, as seems possible, the cooperating nations should demand that the Fund be located in one country and the Bank in another, conflicts between the two would seem almost inevitable.

If the Congress should decide to create only a single institution, the Bank might by minor changes in its charter, as suggested later in this report, carry on the desirable functions of the Fund. The Bank might readily provide the meeting place for international consultation and agreement on monetary policies which the Bretton Woods program delegates to the complicated Fund. The other essential of the Fund is the provision of stabilization credits, which the Bank could supply with little change in its provisions and under more satisfactory safeguards.*

Other Parts of the Program

Certainly a key question for the Congress is how this program fits into related elements of the international picture. A financial program cannot stand by itself. It can hope to be successful only as it is supported by effective agreements on international security and commercial policy. We need free-

* This suggestion was discussed by Dr. John H. Williams in *Foreign Affairs* for October 1944.

dom from fear of war and freedom from hampering trade barriers, subsidies, and other economic weapons.

Among the resolutions adopted at the Bretton Woods Conference was the important declaration that the objectives and purposes of the International Monetary Fund "cannot be achieved through the instrumentalities of the Fund alone." The resolution declared that governments, in addition to implementing the Conference's monetary and financial proposals, should seek in the field of international economic relations "conditions necessary for the attainment of the purposes of the Fund." The ramifications of the problem are indicated by the following points specifically enumerated in the resolution as calling for agreement:

- (1) Reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations;
- (2) Bring about the orderly marketing of staple commodities at prices fair to the producer and consumer alike;
- (3) Deal with the special problems of international concern which will arise from the cessation of production for war purposes; and
- (4) Facilitate by cooperative effort the harmonization of national policies of member states designed to promote and maintain high levels of employment and progressively rising standards of living.

In other words, the Conference recognized that currency stability is not a matter of monetary mechanisms alone, but depends upon actions and policies in other directions as well. This again suggests the need for keeping the financial mechanism we adopt now simple and flexible so that it can fit with the other elements in the program as they develop.

The British situation is a vital factor in any stabilization program, for Britain has been a great center of world trade and finance on which many parts of the world depend. Much of her substance has been drained off in this war. An essential step in world recovery is a plan for Britain. We ought to know more about that before making large commitments.

The Post-War Budget

Involved in this whole question of viewing all the pertinent parts of the international picture is the need for putting together some budget of what our overall post-war expenditures may be. Our national resources are not unlimited, and the American taxpayer is already carrying a heavy burden. Economic stability in the United States is necessary to world stability, and we can maintain stability here only as we resist the inflationary pressures which arise from loose fiscal policies and as we avoid taxes which stifle enterprise. Before entering into large scale commitments for any part of the foreign program, it would seem reasonable to prepare an estimate of post-war needs.

An Alternative Suggestion

The foregoing questions for the consideration of the Congress present a complicated and difficult problem. As a contribution toward its solution, the Advisory Committee on Special Activities of the American Bankers Association and the Federal Fiscal Policy Committee of the Association of Reserve City Bankers and the Study Committee on Post-War Problems of the Bankers Association for Foreign Trade have agreed on the following specific suggestions. These proposals are approved by the Administrative Committee of the American Bankers Association, which was authorized by action of the Convention in September 1944 to speak for the Association.

(1) That the capital funds of the Export-Import Bank be increased to \$2 billion, first to provide means for meeting promptly deserving credit needs prior to the setting up of an international bank, and second to enable the United States to make loans in which this country has special interest and which can be made more effectively through a national institution than through an international body.

(2) That the Johnson Act and any analogous provisions in the Neutrality Act now standing in the way of private loans to certain foreign countries be repealed.

(3) That the Bretton Woods plan for an International Bank of Reconstruction and Development be adopted, but with the following suggested changes:

(a) That the two paragraphs in the Bank agreement which make membership in the Bank dependent on membership in the Fund be deleted.

(b) That an article be added placing on the governors and directors of the Bank responsibility for arranging and negotiating agreements between the member countries with respect to the stabilization of currencies, removal of exchange controls as rapidly as practicable, and the general rules of procedure in carrying out monetary policies.

(c) That the Bank be authorized to collect information with respect to monetary and economic matters as outlined in the Monetary Fund proposal.

(d) That the lending powers of the Bank be broadened sufficiently to allow it to make loans, under the same safeguards as the other loans of the Bank, for the purpose of aiding countries in stabilizing their currencies.

As an administrative matter, it is presumed that with the adoption of the above recommendations, which do not include approval of the proposed Fund, the Bank would set up, under properly qualified management, a separate department to deal with currency stabilization. The experience of central banks constitutes a reservoir of information and experience which should be tapped by the Bank, and every effort should be made to see to it that qualified central bankers participate in the management of the Bank.

These provisions should enable the Bank to carry out all the essential purposes of the Fund in a sound and practical manner. The capital provided in the Bank plan should be adequate for all the purposes included in the amended proposal.* If, after a few years' operation, successful results dem-

* Initially \$9.1 billion; ultimately \$10 billion.

onstrate the need for more capital, there is nothing to prevent reconsideration of the subject at that time.

A certain number of safeguards should be thrown around the operations of the Bank in the enabling legislation which the Congress adopts in approving the Bank. These should include the provision that the American governor and director of the Bank should be appointed by the President with the advice and consent of the Senate and that they should be men of tested banking experience.

Provision should also be made for a United States directing committee consisting of officers such as the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, a representative of the Federal Reserve Banks, the Foreign Economic Administrator, and the President of the Export-Import Bank. This committee might instruct the American governor or director of the Bank in important decisions of broad policy affecting the welfare of the country. The committee also might act as the agency of the United States in those matters in which the articles of the Bank call for a decision by this Government. There should also be provision for regular consultation between this committee and the appropriate Congressional committees and formal reports at regular and frequent intervals to the President and the Congress.

In addition to suggesting this amended plan, the banking committees again reaffirm the position which the American Bankers Association has taken repeatedly: that a primary foundation for the stabilization of currencies is the firm stabilization of the United States dollar in relation to gold.

The committees also reaffirm the position heretofore taken by the American Bankers Association that any plan for general stabilization of currencies can endure only if it is based on sound internal economic policies of the nations and on sound international economic policies, including trade arrangements which encourage a continued two-way flow of trade. Nations cannot repay foreign loans unless they can

market their products. To bring this about, a continuing and vigorous effort will be necessary for the reduction of trade barriers, for the elimination of special privileges, discriminatory bilateral arrangements, etc. The committees look with favor on efforts in these directions being made in connection with the security program discussed at Dumbarton Oaks, including the proposed Social and Economic Council.

Conclusion

American bankers are keenly desirous of securing positive, constructive, and effective action in establishing means for international monetary cooperation. This is one of the essential steps in a broad program for world reconstruction and laying the foundation for lasting peace.

The interest of the bankers in this program is the same as that of their 50,000,000 customers, and of the people as a whole. The well-being of all Americans will be affected for good or ill by the action that may be taken on these proposals. Any plan adopted will be a new experiment in international cooperation on a scale never before attempted. An international organization at best offers such serious practical operating difficulties that we must try hard to make this one simple, understandable, and workable.

The committees of three major banking organizations, having studied the Bretton Woods plans with great care, make the foregoing recommendations in the belief that, with able and experienced management, the plan proposed would prove sound and effective over a term of years in achieving the major objective of international financial cooperation. The committees believe that the Monetary Fund as drafted is unsound and would increase the already grave danger of inflation; would delay fundamental economic adjustments; and would fail to protect the principles and interests of the United States and her citizens. They believe that the simplified program they here suggest would accomplish the desired

purposes more effectively and with much less danger. They believe that it would be accepted as readily by other countries and would wear better in the realities of this chaotic world.

The responsibility for decision lies with the Congress, in the light of broad political and economic as well as technical considerations. We hope the Congress will act positively and with as much promptness as is consistent with the careful scrutiny the problem requires.

Appendix A

CONDENSED SUMMARY OF PRINCIPAL PROVISIONS OF

THE PROPOSED INTERNATIONAL MONETARY FUND AND

INTERNATIONAL BANK FOR RECONSTRUCTION AND

DEVELOPMENT

PROVISIONS
ARTICLE I

FUND

Official Purposes

To promote international monetary cooperation through a permanent institution.

To facilitate expansion of international trade and contribute thereby to high levels of employment and real income.

To promote exchange stability and avoid competitive exchange depreciation.

To assist in establishing multilateral clearings of current transactions and in eliminating foreign exchange restrictions.

To provide "under adequate safeguards" resources to member countries to aid them in correcting maladjustments in their balance of payments.

Nature and Size

An international fund, to consist principally of national currencies and to a lesser extent of gold, subscribed by member countries in accordance with schedule of "quotas" in the plan. (See Appendix B.)

CAPITAL Initial total quotas equivalent of \$8.8 billion.

Gold value of the Fund to remain constant despite changes in exchange rates of any member. A member reducing par value of its currency unit would supply the Fund with additional national currency. A member increasing the par value of its currency unit would receive currency back from the Fund.

Quotas may be changed by 4/5 majority of total voting power, but not without consent of member concerned.

**PROPORTION
IN GOLD**

Each member to pay in gold the lesser of 25% of its quota or 10% of its net official holdings of gold and U. S. dollars, and the balance in its national currency. (Special exceptions for countries occupied during the war.)

BANK

Official Purposes

To assist reconstruction and development in member countries by facilitating capital investment for productive purposes.

To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors.

To supplement private investment, when private capital is not available on reasonable terms, by providing, on suitable conditions, finance for productive purposes.

To promote long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments, and thereby to raise productivity, living standards, and labor conditions.

Nature and Size

An international institution, to consist of national currencies and of commitments in national and other currencies, and to a minor extent of gold, subscribed by member countries in accordance with schedule of capital subscriptions in the plan. (See Appendix C.)

Authorized capital equivalent of \$10 billion, of which 44 nations represented at Bretton Woods would subscribe \$9.1 billion. 20% of subscriptions to constitute Bank's own loan fund and 80%, a guarantee fund to cover losses on Bank's own obligations or guarantees.

A member reducing par value of its currency unit would supply additional currency to maintain the value of its currency held by Bank. If par value of member's currency is increased, member to receive currency back from the Bank.

Capital stock may be increased by 3/4 majority of total voting power, but no member obligated to subscribe to additional stock.

Each member to pay initially only 2% of its subscription in gold or U. S. dollars. (Special exceptions for countries occupied during the war or whose gold reserves have been immobilized by reason of the war.)

Calls to make good on Bank's guarantees must be met in gold, U. S. dollars or the currency that will discharge the obligation.

CAPITAL

**PROPORTION
IN GOLD**

FUND

TIME OF PAYMENT Member subscriptions to be paid in full on or before date member becomes eligible to use the Fund.

U. S. SHARE U. S. total quota \$2,750 million, of which 25%, or about \$687 million would be in gold.

Membership

Original members to be countries represented at Bretton Woods which accept membership by December 31, 1945.

Membership to be open to other countries as determined by the Fund.

Management and Voting Power

MANAGEMENT Overall management to be in a Board of Governors consisting of 1 Governor and 1 alternate appointed by each member and meeting at least once a year.

Conduct of general operations (except decisions on certain specified points) to be delegated to an Executive directorate of at least 12 members in continuous session and including 5 representatives of countries with 5 largest quotas, 2 others appointed by Latin American countries, and 5 elected by other members. Two additional Directors may be appointed to represent the two countries, if not already represented, the currencies of which are being reduced below their quotas in the largest absolute amounts.

Executive Directors to select a Managing Director as chief of the operating staff.

BANK

Of the 20% serving as Bank's own loan fund, 2% must be paid in gold or dollars within 60 days and a further 8% in national currencies within the first year; not more than 5% is callable in any three months. The 80% serving as guarantee fund is callable as needed.

TIME OF PAYMENT

U. S. shares \$3,175 million, of which 2% (\$63 million) may (but need not) be paid in gold.

U. S. SHARE

Membership

Original members to be the members of the Fund which accept Bank membership by December 31, 1945.

Membership to be open to other members of the Fund as determined by the Bank.

Management and Voting Power

MANAGEMENT Overall management to be in a Board of Governors consisting of 1 Governor and 1 alternate appointed by each member and meeting at least once a year.

Conduct of general operations (except decisions on certain specified points) to be delegated to an Executive directorate of 12 members in continuous session, including 5 representatives of countries with the 5 largest number of shares and 7 elected by the other countries.

Executive directors to select a President as chief of operating staff.

Bank to have an Advisory Council of not less than seven persons selected by Board of Governors, including representatives of banking, commercial, industrial, labor, and agricultural interests, and with "as wide a national representation as possible." In fields where specialized international organizations exist, the members of the Council representative of those fields to be selected in agreement with such organizations. The Council to "advise the Bank on matters of general policy" and to meet annually or as often as Bank requests.

FUND

VOTING POWER

Each member to have 250 votes, plus 1 vote for each \$100,000 of its quota. On this basis U. S. share would be 28%.

Voting on certain questions, viz:—

(a) whether or not to waive certain of the limitations on a member's use of the Fund or

(b) on question of declaring a member ineligible to use the Fund because of misuse of the privilege—

would be on an adjusted sliding scale. Countries whose currencies were being borrowed from the Fund would get one additional vote for each \$400,000 net of their currencies borrowed while countries borrowing would suffer a corresponding decrease in voting power (provided net purchases or net sales do not exceed the quota of the member involved).

On this basis, the U. S. might have its voting power increased from 28 to 35 per cent, assuming the Fund's supply of dollars was fully exhausted.

Except as otherwise provided, all decisions to be by a majority of the votes cast.

Terms and Conditions of Lending

QUANTITATIVE LIMITATIONS

Each member is entitled to borrow (purchase other members' currencies in exchange for its own) from the Fund, subject to the quantitative and qualitative limitations mentioned below.

Member not to be permitted to borrow more than 25% of its quota in any 12-months period nor to an amount where the Fund's holdings of its currency exceed 200% of its quota. (See "Exceptions," below.)

Member country having monetary reserves in excess of its quota at end of each year to be required to repurchase $\frac{1}{2}$ of any increase occurring in Fund's holdings of its currency, plus $\frac{1}{2}$ of any increase in own monetary reserves or minus $\frac{1}{2}$ of any decrease in own monetary reserves. Another repurchase provision is intended to limit use of one currency such as the dollar, for example, for financing adverse balances of payments between two other countries. These adjustments not to be carried to a point reducing the member's monetary reserves below quota, or the Fund's holdings of the member's currency below 75% of quota, or raising the Fund's holdings of any currency used for repurchase above 75% of quota of the member concerned.

BANK

VOTING POWER

Each member to have 250 votes, plus 1 vote for each \$100,000 of subscribed stock, regardless of extent to which calls have been made for payments on subscriptions. On this basis U. S. share would be 31.4%.

There is no sliding scale voting arrangement like that of the Fund.

Except as otherwise provided, all decisions to be by a majority of the votes cast.

Terms and Conditions of Lending

QUANTITATIVE LIMITATIONS

Bank may make or facilitate loans to members, and to political subdivisions and business, industrial, or agricultural enterprises in the territory of a member, subject to the quantitative and qualitative limitations mentioned below.

Total outstanding guarantees, participations, and direct loans to be limited to a maximum of 100% of unimpaired subscribed capital, reserves, and surplus of the Bank.

Bank must be satisfied in each case that the borrower would otherwise be unable to obtain the loan under "reasonable" conditions.

FUND

QUANTITATIVE LIMITATIONS (Cont'd)

If the demand for a particular currency "seriously threatens the Fund's ability to supply that currency," the Fund must formally declare such currency "scarce" and ration its supply, thus limiting the amount of it any individual member may borrow.

Members borrowing from the Fund in excess of their gold contribution would pay a graduated charge, progressing with volume and duration of borrowing. (See "Commissions and Charges" below.)

QUALITATIVE LIMITATIONS

Borrowing from Fund must be for purposes represented to be consistent with the provisions of the Agreement.

Members not to make net use of the Fund to meet large or sustained outflow of capital. Nor is the Fund intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of war.

Fund may postpone initial exchange transactions with any member if its circumstances are such that, in opinion of the Fund, they would lead to use of the resources of the Fund in a manner contrary to the purposes of the Agreement or prejudicial to the Fund or its members.

OTHER SAFEGUARDS

Whenever Fund is of the opinion that any member is using the Fund contrary to its purposes, the Fund may limit the member's use of the Fund or declare it ineligible to use the Fund.

EXCEPTIONS

There are, however, important exceptions to the above limitations. For example—

Fund may at its discretion suspend the provisions limiting member's annual and overall borrowings.

Fund may suspend the general provision that use of its resources must be for purposes consistent with the provisions of the Agreement.

Fund, by a three-fourths majority of total voting power, may alter the graduated scale of charges on member's borrowing.

BANK

QUANTITATIVE LIMITATIONS (Cont'd)

When a member in whose territories the project to be financed is located is not itself the borrower, the member or the central bank or some comparable agency acceptable to the Bank, must fully guarantee principal and interest and other charges.

Loan projects must be investigated and approved in advance in a written report by a "competent" committee after "careful study" of their merits.

Bank must "pay due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in position to meet its obligations under the loan."

Loans or guarantees must, except in "special circumstances," be for specific projects of reconstruction or development.

Bank may borrow funds or guarantee loans only with approval of the member in whose markets the funds are raised and the member in whose currency the loan is denominated.

Bank to make arrangements to ensure that proceeds of loans are used only for the purposes intended, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences.

In case of loans made by the Bank, the borrower to be permitted to draw on the proceeds only for expenses actually incurred.

QUALITATIVE LIMITATIONS

OTHER SAFEGUARDS

EXCEPTIONS

FUND

Commissions and Charges

Fund to levy a uniform service charge of $\frac{3}{4}$ of 1% upon any member purchasing another member's currency from the Fund, with discretionary limits ranging from $\frac{1}{2}$ of 1% to 1%.

In addition to above service charge, members using the Fund would pay a graduated charge, progressing with volume and duration of borrowing. Under this scale, applying only to net borrowing (e.g. borrowing in excess of a member's gold subscription) a country could borrow net up to 25% of its quota without charge for 3 months, after which it would pay $\frac{1}{2}$ % for the next 9 months, and a $\frac{1}{2}$ % step-up each year thereafter. On net borrowing between 25 and 50% of quota, the country would pay an additional $\frac{1}{2}$ % for the first year, with a further $\frac{1}{2}$ % increment each successive year,—and so on up the scale. Assuming that the country exercises its full borrowing rights each year and assuming that it does not fall subject to the repurchase provisions, it would take 5 years for the overall rate (excluding service charge) to reach $2\frac{1}{2}$ %, 8 years to reach 4%, and 10 years to reach 5%, after which time the Fund could fix rates at its discretion.

Determination of Exchange Rates

Par values of currencies to be expressed in gold or in U. S. dollars of present weight and fineness.

Initial par values to be those prevailing on the 60th day prior to inauguration of the Fund, providing that both Fund and member countries agree. (Exceptions made for countries which have suffered enemy occupation.)

The par value of a member's currency may be changed only on its own proposal except in case of general revaluation which a country may decline to follow.

Members to agree not to change exchange rates without consultation with the Fund, and not to propose changes except to correct a "fundamental disequilibrium."

Beyond initial changes of up to 10%, changes in rates require approval of the Fund, which must concur if satisfied change is to correct a "fundamental disequilibrium." Fund cannot object because of "domestic social or political policies of the member."

A member making unauthorized changes in par value of its currency to be denied use of the Fund, unless Fund otherwise determines. In case of continuing disagreement, member may be required to withdraw from the Fund by majority vote of Governors representing a majority of total voting power.

BANK

Commissions and Charges

Interest and commissions on direct loans of the Bank's own capital funds to be determined by the bank.

Rates of commission on loans financed by sale of the Bank's own obligations or by its guarantees to be not less than 1% nor more than $1\frac{1}{2}$ % per annum, and to apply on the outstanding portion of any such credits. After 10 years the rate of commission may be reduced, both on new loans and old loans still outstanding, or it may be increased on new loans, at discretion of the Bank.

FUND

Scarce Currencies

In case of general scarcity of a particular currency:

(1) The Fund may issue a report setting forth causes of the scarcity, and recommending remedial measures.

(2) The Fund may replenish its holdings of the scarce currency by—

- (a) borrowing the currency from the member or from some other source with the member's approval,
- (b) requiring the member to sell its currency for gold.

(3) If the demand for the currency seriously threatens the Fund's ability to supply it, the Fund must formally declare the currency scarce and ration its supply. Such declaration will authorize other members, after consultation with the Fund, to impose temporary exchange restrictions in the scarce currency.

Transitional Period

Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of war.

Notwithstanding other provisions of this Agreement, members may maintain and adapt to changing circumstances (and in case of members which have been occupied by the enemy introduce where necessary) restrictions on payments for current international transactions, such restrictions to be withdrawn as soon as practicable.

Not later than three years after Fund begins operations, the Fund shall report on restrictions on current transactions still in force; five years after operations begin and annually thereafter, any member still retaining such restrictions shall consult with the Fund. The Fund may if it deems action necessary "in exceptional circumstances" suggest that conditions are favorable for withdrawal of the restrictions. If the member persists in maintaining restrictions inconsistent with the purposes of the Fund, the member may be declared ineligible to use the resources of the Fund.

Fund shall recognize that the transitional period is one of change and adjustment and, in reaching decisions on member's request, shall give the member the benefit of any reasonable doubt.

BANK

Transitional Period

The Bank shall assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by the war and the reconversion of productive facilities to peacetime needs.

To facilitate the restoration and reconstruction of member countries which have suffered war damage, the Bank, in determining the conditions and terms of loans, shall pay special regard to lightening the financial burden and expediting the completion of such restoration and reconstruction.

FUND

Furnishing Information

Fund to have authority to require members to furnish information necessary for its operation, and to serve as a center for collection and exchange of information on monetary and financial problems.

Withdrawal from Membership

Any member to be permitted to withdraw from the Fund by giving notice in writing.

Settlement of accounts to be by agreement between the member and the Fund, or, in the event of disagreement, in accordance with a schedule outlined in the plan.

BANK

Withdrawal from Membership

Any member to be permitted to withdraw from the Bank by giving notice in writing.

Member withdrawing from the Bank to remain liable for its direct and contingent liabilities to the Bank so long as any part of the loans or guarantees contracted before it ceased to be a member are outstanding.

Appendix B

INTERNATIONAL MONETARY FUND QUOTAS AND ESTIMATED GOLD SUBSCRIPTIONS OF MEMBERS REPRESENTED AT THE UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

Quotas [In millions of United States dollars]	
Australia	200
Belgium	225
Bolivia	10
Brazil	150
Canada	500
Chile	50
China	550
Colombia	50
Costa Rica	5
Cuba	50
Czechoslovakia	125
Denmark	(¹)
Dominican Republic	5
Ecuador	5
Egypt	45
El Salvador	2.5
Ethiopia	6
France	450
Greece	40
Guatemala	5
Haiti	5
Honduras	2.5
Iceland	1
India	400
Iran	25
Iraq	8
Liberia	5
Luxembourg	10
Mexico	90
Netherlands	275
New Zealand	50
Nicaragua	2
Norway	50
Panama	5
Paraguay	2
Peru	25
Philippine Commonwealth	15
Poland	125
Union of South Africa	100
Union of Soviet Socialist Republics	1,200
United Kingdom	1,300
United States	2,750
Uruguay	15
Venezuela	15
Yugoslavia	60
Total	8,800
Estimated Gold Subscriptions	
United States	687.5
Others	955.5
Total	1,643

¹ The quota of Denmark shall be determined by the Fund after the Danish Government has declared its readiness to join this Agreement but before signature takes place.

² Figure based on gross official gold and dollar holdings at the end of March 1944. In cases where gold reserves are not reported officially the figures have been estimated and are subject to revision. In general, gold confiscated in invaded countries is attributed to those countries since their claims will presumably be honored after the war. To the extent that there have been net transfers of such gold to other accounts there is double counting.

SOURCE: "Bretton Woods Agreements" by E. A. Goldenweiser and Alice Bourneuf, Federal Reserve Bulletin, September 1944.

Appendix C

REQUIRED SUBSCRIPTIONS TO THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT OF COUNTRIES REPRESENTED AT THE UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

Country	Total subscription	Amount of total subscription which may be used	
		For Bank's own loan fund ¹	Only to meet Bank's obligations
Australia	200	40	160
Belgium	225	45	180
Bolivia	7	1.4	5.6
Brazil	105	21	84
Canada	525	65	260
Chile	55	7	28
China	600	120	480
Colombia	55	7	28
Costa Rica	2	.4	1.6
Cuba	55	7	28
Czechoslovakia	125	25	100
Denmark	(¹)	(¹)	(¹)
Dominican Republic	2	.4	1.6
Ecuador	3.2	.64	2.56
Egypt	40	8	32
El Salvador	1	.2	.8
Ethiopia	5	.6	2.4
France	450	90	360
Greece	25	5	20
Guatemala	2	.4	1.6
Haiti	2	.4	1.6
Honduras	1	.2	.8
Iceland	1	.2	.8
India	400	80	320
Iran	24	4.8	19.2
Iraq	6	1.2	4.8
Liberia .....	.5	.1	.4
Luxembourg	10	2	8
Mexico	65	13	52
Netherlands	275	55	220
New Zealand	50	10	40
Nicaragua .....	.8	.16	.64
Norway	50	10	40
Panama .....	.2	.04	.16
Paraguay .....	.8	.16	.64
Peru	17.5	3.5	14
Philippine Commonwealth	15	3	12
Poland	125	25	100
Union of South Africa	100	20	80
Union of Soviet Socialist Republics	1,200	240	960
United Kingdom	1,300	260	1,040
United States	3,175	635	2,540
Uruguay	10.5	2.1	8.4
Venezuela	10.5	2.1	8.4
Yugoslavia	40	8	32
Total	9,100	1,820	7,280

¹ Twenty per cent of total subscription. Of this amount 10 per cent or a total of 182 million dollars must be paid in gold or United States dollars.

² The quota of Denmark shall be determined by the Bank after Denmark accepts membership in accordance with the Articles of Agreement.

SOURCE: "Bretton Woods Agreements" by E. A. Goldenweiser and Alice Bourneuf, Federal Reserve Bulletin, September 1944.

American Bankers Association

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Wilbert Ward, Vice President The National City Bank of New York, New York, N. Y.

February 7, 1945

Personal

Dear Alan:

May I congratulate you on the wonderful editorial you wrote today on the Monetary Agreement. If you haven't read the one in the New York Times, please do so because the two editorials are so different.

I am enclosing herewith an outline of a suggested speech for Red Army Day on February 22nd. I suggest that you and I have lunch together on Tuesday, February 13th, at 1:00, because I am leaving town that afternoon for St. Louis. Would you please let me know whether this will be convenient for you.

With best regards,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Alan Barth,
The Washington Post,
Washington, D.C.

Outline of Speech to be given on Anniversary
of Red Army

1. The achievements of the first American Army under Washington under the most trying circumstances and against the superior and better prepared foe in the fight for independence.
2. Achievements of the Red Army in this war.
 - (a) Most people in the United States and perhaps in other countries expected the Red Army to collapse within a few months after June 22, 1941.
 - (b) The Red Army had the courage and discipline and the ability to absorb suffering to accept military defeats while preparing for the great counter-blows.
 - (c) The Red Army in achieving the greatest military success in history has permanently established itself as a great military power of a great industrial and cultured nation.
3. The achievement of the United States in this war.
 - (a) Transition from a completely unprepared and peaceful nation to a powerful military nation within the short time of two years, the time that was given to us by the resistance of the Russian armed forces.
 - (b) Our great military victories.
 - (c) The great achievement of the military production.
 - (d) The political education and advancement of the American people in the course of the war. The realization and the general acceptance of the role of the United States in preserving the peace in the future.
4. The achievements of the United States and the U.S.S.R. in the war have been complementary. It has been competitive only in the sense that each judges its achievements by the achievements of the other and the achievement of one is an incentive to greater achievements of the other. We have joined to fight common enemies. Our objectives are the same objectives.

5. The achievements of the United States and the U.S.S.R. have been accomplished with different political and economic systems.

6. We have common enemies, the two disturbers of the Peace, Germany and Japan.

7. We have common objectives in preserving the peace--nothing to gain and everything to lose when war is unleashed in the world. The American leaders like the Russian leaders are convinced that peace is indivisible, that war beginning in any part of the globe is a threat to world peace.

8. We have common economic objectives--development of our own resources, raising the standard of living of our people.

9. We have the common realization that the greater welfare of other peoples the greater our own.

10. It is a matter of common observation that wherever the Russian and American soldiers meet they become immediate friends, that despite language barriers they understand each other, they respect each other and they enjoy each other's company. And today the American soldiers look forward to the time when they can shake hands with the Russian soldiers on German soil.

11. In the sphere of international economic relations there is less competition between the U.S.S.R. and the U.S. than between any two major countries.

- (a) Each country is tremendously rich in natural resources.
- (b) Each country has a large and dynamic growing population.
- (c) The economic structure of both countries have a vitality that provides for each country the greatest scope in its energies, ambitions and ingenuity.
- (d) Both countries believe in a maximum of free and public education.
- (e) Both countries have a written constitution which includes in its tenets the highest exercise of personal freedom and human rights.

12. The two countries will be complementary in the military sphere in the post-war world. Russia has the greatest Army in the world and the U.S. has the greatest Navy in the world.

13. The two countries supplement each other with increasing effectiveness. The U.S. can supply an unlimited amount of finished goods and technical equipment for export whereas the U.S.S.R. is rapidly moving into the direction where she will be able to restore the raw materials which have in the past decades been depleted from our natural resources.

14. Never in the history of the world have there been two such great countries whose interests have been so coordinate, and so little competitive.

15. The future peace and social development of the world rests upon these two countries marching, each in its own sphere with opposite social systems, marching together toward a common goal.

Presented 3/7/45
(Typed) February 9, 1945

My dear Admiral Nimitz:

The nation has watched with admiration your masterful strategy in first checking and then rolling back the tide of brutal enemy aggression in the Pacific.

As the able leader of our Pacific Fleet, which in the early days of War was numerically and physically but never spiritually outmatched, you know from experience the vital importance of adequate preparation and equipment.

This citation is presented to you in recognition of your warm personal interest in and support of the Navy War Bond program, and your recognition that through their savings in War Bonds, Pacific Fleet personnel are financially preparing and equipping themselves for the challenges and opportunities of the future.

I echo the admiration of the nation in saying to you "Well Done".

Sincerely,

(Signed) H. Morgenthau, Jr.

Fleet Admiral C. W. Nimitz, USN
Commander in Chief, U. S. Pacific Fleet
And Pacific Ocean Areas
Fleet Post Office
San Francisco, California

CJZ:JRM:rs

Treasury Department

TELEGRAPH OFFICE

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HON HENRY MORGANTHAU JR

SECY OF THE TREASURY WASHDC

FIRST DAY'S RESERVATIONS FOR YOUR DINNER FEBRUARY FOURTEENTH
EXCEED FOUR HUNDRED. SOMETHING OF A RECORD IN OUR EXPERIENCE
GEORGE C SMITH PRESIDENT ST LOUIS CHAMBER OF COMMERCE.

116P

DRAFT OF ST. LOUIS SPEECH

2/7 87
First Draft -
~~2/10/45~~
2/10/45

As the greatest Allied offensive rolls up to the very gates of Berlin, we are all thinking and hoping tonight for an early victory and an early end to the war.

As Berlin totters in the balance and as the shadows of our B-29 bombers darken the streets of Tokyo, our boys on the fighting front and we here at home have a common purpose -- to win this war and achieve a lasting peace.

We want our boys to come home, and we want to get back to the simple pleasant livable things that all of us can remember. We want to feel that our neighbors in the world community are good neighbors, that no one threatens, no one fears, and we can achieve our dream of peace and prosperity for ourselves and all the world.

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But peace is not a passive state if we are to have a peace that will endure. Peace hereafter cannot be merely the absence of war. Peace must be a positive and an active force. It will not be such a force unless we in this country do our part to make it so.

Whether we like it or not, America today has a primary responsibility for seeing that the problems of peace are faced courageously and with the determination that never again will any one nation or group of nations be suffered to breed, nurture, and finally unleash the mad dogs of war upon a lethargic world.

We are emerging from this war as a world leader -- a leader commanding the respect and hope of the world on a plane never before known to man. We hold this unique position, of course, in part by virtue of the materialistic power of America -- by our tremendous and overwhelming capacity to produce on a scale always leaping beyond the world's threshold of comprehension. But while we could command leadership through fear and brute force alone, America's leadership does not stem from these sources. It stems from the world's confidence in America's intellectual and moral fabric, from the power of our example of broad vision in a world honeycombed with expediency and doubt.

- 3 -

More than anything else this war has been symbolized by the conflict between the American way and the Nazi-German way. On each of the fronts upon which the war is being fought it is fundamentally a battle between the dignity America places on human values versus the spiritual and moral degradation inherent in the Axis philosophy.

Whatever doubts may have existed in the minds of some people abroad as to whether America was prepared to assume the mature responsibilities of world leadership disappeared as the world witnesses the acceptance of this status by both the Republican and Democratic Parties in the last election campaign, and as the American people once more gave President Roosevelt and his foreign policy a resounding vote of confidence.

One of the prerequisites to the discharge of our responsibilities for world leadership is our willingness to take a clear and firm position on the problem of international economic cooperation as the first step in meeting the greatest challenge of all history. No longer can we hide behind the cloak of isolationism, and leave vital economic problems, knowing no national boundaries, to be solved by each nation on its own and without regard for the welfare of its neighbors. The world today expects to be advised of America's plans on both the international political and economic fronts and the extent to which we are prepared to support our proposals with deeds.

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Because I believe in waging a positive and victorious peace, and because I feel so strongly that lasting peace must be built on the solid foundations of international economic cooperation, I was very happy to come here tonight to talk to you about the Bretton Woods Agreements which I believe are important to all of us in the years beyond the war.

The Bretton Woods Agreements, particularly the proposed International Monetary Fund, deal with the difficult problem of introducing stability into the values of foreign currencies -- the problem of stabilizing measures of value.

Speaking of measurements of value, it is interesting to note that lack of uniformity in other forms of measurement was once of great concern to us right here in the United States. A pound was not always a pound, even in our own country. John Quincy Adams made a report to Congress in 1823 which showed that the Massachusetts pound was a quarter of an ounce lighter than the Maine pound, and that 96 bushels of South Carolina corn was equal to 100 bushels when it was shipped to New York.

Things moved slowly a century and more ago, but I am proud to say that the Department of Treasury took the initiative in 1830 to establish standards of weights and measures. Six years later, the governors of all the 25 states were provided with exact copies of the weights and measures adopted by the Federal government. Later, there was international agreement on weights and measures. In

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the 109 years since then, no one in the United States has had to worry about the content of a bushel. A bushel is a constant measure, whether it is wheat or corn in Missouri or Illinois, apples in Oregon or Virginia, potatoes in Maine or Idaho.

But the content of the dollar, when taken in relationship with the franc of France, the pound of England, the ruble of Russia, the cruzeiro of Brazil, the gulder of Holland, and all the other currency denominations of the world's nations is of equal importance to every businessman and farmer. It is of equal importance to every businessman and farmer and to everyone affected by it, which means every individual who uses money as a medium of exchange -- all of us.

The Missouri farmer growing wheat for export knows how much is in a bushel. What worries him is whether, in the complexities of fluctuating foreign currencies, a bushel of wheat sold abroad will buy him a pair of overalls or only a pair of gloves.

The value of a dollar in other countries is a relative matter. It depends on the values that have been put on other currencies. And wars, as we have learned twice in a generation, do devastating things to currency values. During the last war, as during this, currency systems the world over suffered from the strain of war financing.

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Prices doubled and trebled in some countries, and mounted to fantastic heights in others. After the/^{last}war, the leading European powers attempted to cooperate in an informal way to facilitate the stabilization of currencies. The attempt failed, possibly because it was started too late, and was edged out by political questions.

The underlying cause of the failure, however, was that the leading countries, including the United States, each regarded currency problems as matters of exclusive national concern. It soon became apparent that this isolationist approach would not work. When a country on its own initiative altered the exchange value of its currency, whether as an honest attempt to maintain stability or as a surreptitious grab for somebody else's markets, the other countries were inclined to regard the change as an act of economic aggression. The tendency, growing with the years, was to retaliate to meet this change. A single nation could not stand alone and aloof, manipulating its money values, without injuring other nations in such a way as to bring eventual hurt upon itself.

Competitive currency depreciation led to other forms of economic warfare in addition to new and more burdensome trade restrictions. New controls were put on exchange between countries. The blocked balance was invented, enabling a customer of Nazi Germany to use his funds only

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for the purchase of specific commodities, such as the well-known harmonicas and aspirin pills with which Nazi Germany flooded foreign markets. Currencies were introduced which had different values, depending on who owned them, how they were used, and to whom they were paid. Almost all of the devices used were restrictive. They, ~~along with the restrictive exchange economy,~~ must certainly be counted as a contributory cause of the great depression and of the economic warfare which preceded the present war.

Since 1934, when the dollar stabilization fund was established, the United States has made numerous attempts to bring about stability in exchange through direct dealing with individual nations. In 1936 we made a beginning toward cooperating with several nations through the Tripartite Declaration, which included the United States, Great Britain and France; to this group were later added Belgium, the Netherlands, and Switzerland. Such limited agreements helped, but they were not enough.

These experiences convinced us in the Treasury that, in order to work, monetary cooperation must be as broad as world trade itself. We began, in 1941, to draft preliminary plans for a worldwide approach to the problem. Our ideas were discussed with Congressional committees, with the Board of Governors of the Federal Reserve System, the State Department, other government agencies, and then with banking, business, and labor people throughout the country. For the next two years we were in almost constant conference with monetary experts of 30 other countries.

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All this led up to the United Nations Monetary and Financial Conference at Bretton Woods last July, attended by delegations from 44 United and Associated Nations.

We worked together at Bretton Woods, despite the differences of language, national background, and the determination of each nation represented to protect its own interests. We worked together because it soon became apparent that we were working on problems that were of broad human and economic scope rather than of limited national import. Delegates from Chile and China, Ethiopia and El Salvador, Soviet Russia, and South Africa found that they were dealing with familiar problems and familiar needs -- to stabilize their currency in relation with that of the rest of the world, and on this firm foundation to go ahead with new confidence to refinance their postwar activities and work toward a positive and determined peace.

At Bretton Woods it was proposed to establish an International Monetary Fund, which would stabilize the value of all member currencies relative to each other. It would remove artificial barriers against making payments across national boundary lines. It would provide a supplementary source of foreign exchange from which a member country could obtain assistance that would help it to maintain stable exchange relationships with the others. Under this plan, currencies would be defined in terms of gold and fluctuation could be kept to the very low minimum of one percent above and below parity.

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The Fund will have assets of \$8.8 billions, of which the United States will subscribe \$2.75 billions. These funds will be used to provide financial assistance to members, in order that they can maintain stable and orderly exchange relationships. It will automatically remove exchange depreciation, which is a form of tariff barrier, ^{and it} will facilitate the removal of other psuedo-protective and restrictive devices and open up the prospect of a freer economy in the post-war world.

The Bretton Woods Conference ^{also} prepared Articles of Agreement for the establishment of an International Bank for Reconstruction and Development. This bank will help war-ravaged nations to reconstruct themselves and help to develop those which have been underdeveloped in the past. It will begin where private loans leave off, guaranteeing and making direct loans which will serve to add to the world's production and increase the volume of international trade. And, I might add here, full production and full employment in this country will depend in large measure on the success of attempts to increase international trade. The loans, which are calculated to benefit all nations by expanded development and trade, will be insured by all member countries. The subscribed capital is \$9.1 billions, of which the United States will subscribe \$3.175 billion. But members will pay in only 10 percent of their subscription, in our case \$318 millions. The rest would be subject to call

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as needed, although with moderate success the Bank will not find it necessary to draw further on its capital.

The Bretton Woods proposals will be laid before Congress soon by a bi-partisan group of Senators and Representatives. What the people of America decide about these proposals, and, hence, what Congress decides, will have profound effect on the future of America and the world. The only possibility of avoiding future wars is to avoid future economic aggression which leads to war. Bretton Woods is to the economic future of the world what Dumbarton Oaks is to the political future of the world. If we embrace the one and cast away the other we are building only one side of the triumphal arch under which our returning heroes will march after military victory.

We must learn to work together as nations. It took us a long time to learn it in the shooting war, but we did learn, and we are winning that war. It took several years of background labor to teach us to work together successfully at Bretton Woods on the economic front but we learned to do it.

There is and will be no school for cooperation so rich as the day-to-day give and take of international economic cooperation. We have found that we can work through the language barriers, through the differences of national backgrounds and ideologies, through the differences in national currencies, because under all these differences

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lie the inalterable human values, the unchanging human economic needs, the same ideals for human freedom which have been so thoroughly demonstrated in the course of this war.

The farmer who spends a year raising a crop of wheat, working against the vicissitudes of weather, disease, and insects, has a right to know what he can expect by way of content in the foreign currency for which his wheat is sold abroad as well as in the long-established content of his bushel.

We must take measures which will guarantee that the farmer, the businessman, and the laborer will not be penalized, here or elsewhere, by nationalist economic deals which will endanger the amount he receives for his crop, his standard of living, and his livelihood. The only way to avoid these insidious influences is to work together as nations.

I would like to leave this thought with you tonight: This is the first agreement among forty-four nations on any major economic issue that will go to Congress. The rest of the world is sitting back and watching the United States take the leadership. Of course, the Bretton Woods Agreements are not perfect instruments. Nobody expects that. You can't get forty-four people, let alone forty-four delegates, to sit down and agree on a document and not have a certain amount of give and take. And at Bretton Woods

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the smallest nation had as much to say as the largest nation, as it should.

But the important thing which I believe, and which those people who partook in Bretton Woods believe is that we get something like this started. After the last war enemies of the League of Nations gave it the kiss of death by suggesting amendments, and that is the easiest way to kill the Bretton Woods program. I therefore urge that when the time comes for all of us to express our views on these Agreements, each of us will see just a little bit further than our own immediate business, and will realize that no instrument of this kind can be perfect, and that we will give Bretton Woods our wholehearted support.

America must lend to her world leadership the same boldness of conception and courage that is associated with our development from a few small villages on an unexplored continent; that we displayed in framing a Constitution defining equal political rights for man; that brought the formulation of the first patterns of the new world order, the Atlantic Charter and the Four Freedoms. The world is prepared to follow an America of this stature.

Third Barth Draft - 3/1/45

The war in Europe is approaching its climax. No war in history has ever been waged with such fury or on so vast a scale. You can gauge the intensity and the vastness of this war from a fact revealed by General Marshall last month. In two months' time alone, General Marshall reported, we sent more supplies to the European Theater of Operations than were sent during all of World War One. And this leaves out of account all that we sent during the same period to the Pacific and, through Lend-Lease, to our Allies.

*Insert
from
the
memo of 2/16*

In terms of money, the war, so far, has cost us two hundred twenty-nine billion dollars. This is more than seven times the total cost of World War One.

Today we are paying for about forty-six per cent of the current cost of the war through taxes. These taxes are being paid by virtually all of the American people. The number of individual income taxpayers has increased from four million before the beginning of the defense program to fifty million at the present time. Never before has a democracy taxed itself on such a broad base.

The people are also sharing on a vast scale in lending money to the Government. Before the war, there was only a handful of Government bondholders. But since the war began, eighty-five million persons have bought Government Bonds.

And it is also worth noting, I think, that of the total value of Series E Bonds bought during the war, nearly half -- 46 per cent to be exact -- ^{have come} ~~came~~ from workers through payroll deductions, including their extra purchases of E Bonds for cash during drives.

All of the securities issued to finance this war have been subject to the Federal income tax. This contrasts with the last war in which all of the securities were either wholly or partially exempt from Federal income tax. This is an important step toward more democratic war finance, since the privilege of tax exemption -- which all receive at the same price -- is worth nothing at all to the poorest subscribers but is worth a great deal to those in the high income brackets.

The average interest cost on the securities issued during this war is less than half that of the last war. Allowing for the fact that the interest on the securities issued in this war is taxable, the net cost per dollar borrowed is only about one-third that of the last war.

America's productive equipment and efficient labor force are its trump cards in this war. When you use your money to pay taxes or to buy War Bonds, you give up, or postpone, your claim to the materials out of which weapons are made. This

means that a portion of this equipment and of this labor, which might otherwise have been devoted to making your luxuries and your comforts, is instead devoted to turning out more and better war weapons.

It is these better weapons which have made our casualties so much lower than those of our enemies. To a significant degree, we have been able to exchange equipment for casualties -- that is, money for lives. This has been made possible by your collective resolve, expressed through Congress, to pay taxes; and by your individual resolve to buy War Bonds.

You men and women who are members of the American Federation of Labor have a dual responsibility -- first, the actual production of the war weapons that ^{we} have shielded and saved¹ the lives of our fighting forces; and, second, the continued buying of bonds so that the American productive machine will be devoted to winning the war as speedily as possible and with the least possible cost in lives.

A F of S Speech -

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*Copy of final
draft - 2/7/45 -*

The war in Europe is approaching its climax.

No war in history has ever been waged with such fury or on so vast a scale. You can gauge the intensity and the vastness of this war from a fact revealed by General Marshall last month. In two months' time alone, General Marshall reported, we sent more supplies to the European Theater of Operations than were sent during all of World War One. And this leaves out of account all that we sent during the same period to the Pacific and, through Lend-Lease, to our Allies.

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In terms of money, since Pearl Harbor, the war so far has cost us 238 billion dollars. This is about seven times the total cost of World War One through June 30, 1919.

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You men and women who are members of the American Federation of Labor have a dual responsibility -- first, the actual production of the war weapons that are shielding and saving the lives of our fighting forces; and, second, the continued buying of bonds so that the American productive machine will be devoted to winning the war as speedily as possible, and with the least possible cost in lives.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE FEB - 7 1945

TO Secretary Morgenthau

FROM Mr. O'Connell

Re: Final Report on Status of the Treasury Department's Legislative Program at the End of the 78th Congress.

Attached herewith in tabular form is a final report on the status of Treasury-sponsored legislation at the end of the 78th Congress. Due to the policy adopted in this Department of sponsoring only legislation that is closely connected with the war effort or is very essential to the maintenance of necessary activities of the Department, and because of the fact that Congress has devoted most of its time to the consideration of war measures, there has been a decrease in the number of Treasury-sponsored proposals handled by the Legislative Section. However, several measures of real importance were included in the 15 Treasury bills enacted during the 78th Congress.

The following were among the bills enacted during that Congress:

Public Debt Act of 1943, increasing the debt limit of the United States from \$125 billion to \$210 billion, authorizing the utilization of banks and trust companies in connection with the redemption of United States Savings Bonds, and providing relief for losses incurred in making payments in connection with the redemption of such Bonds.

Public Debt Act of 1944, increasing the debt limit of the United States to \$260 billion.

Legislation extending to June 30, 1945, the time within which the powers relating to the stabilization fund may be exercised.

Legislation extending the expiration date to December 31, 1945, of certain titles of the Second War Powers Act, 1942, among which were included those titles administered by or which affected this Department.

Legislation authorizing disbursing officers of the United States for official purposes or for the accommodation of military, naval, and civilian personnel of the United States to conduct certain transactions involving United States and foreign currency.

Legislation preventing, in effect, the manufacture and sale and hence the general circulation of slugs, tokens and similar devices used for fraudulent purchases of merchandise and services in substitution for United States coins.

Legislation making conspirators (chiefs of counterfeiting syndicates) subject to the punishment applicable to convictions for substantive violations (as applied to their legmen) of the law relating to counterfeiting of currency, stamps, etc.

Nine Treasury-sponsored bills on which some action had been taken were pending in the Congress at the final adjournment on December 19, 1944. Some of these bills did not pass because of the prevailing economy sentiment of the Congress with respect to matters not related to the war effort and the absence from Washington of many of the members during the last few months of the first and second sessions of the Congress.

The Legislative Section, however, did a great deal of work on many other pieces of legislation in the 78th Congress, notably on war contract termination (Public Law 395); amendments to the renegotiation of war contracts law (Public Laws 108, 149 and 235); and legislation relative to the disposition of Government surplus property (Public Law 457). Also, considerable work was done on legislation during that Congress relative to fiscal aids for small business (Public Law 474, increasing the capital stock of the Smaller War Plants Corporation to be subscribed for by the United States; S. 1040, to aid in the production of strategic and critical materials by small business; S. 1777, to establish a Small Business Finance Insurance Administrator in the Department of Commerce; S. 1913, to create the Small Business Corporation and increase its capital; S. 1918, H.R. 3509, and S. 1470,

to provide for mandatory loans to small business upon termination of war contracts; H.R. 5345, to establish within the Federal Reserve system a Business Finance Corporation; S. 1913, which would, in effect, place the Smaller War Plants Corporation over the Surplus Property Disposal Agency; H.R. 4801, which would authorize the Chairman of the Smaller War Plants Corporation to direct, among other things, the letting of contracts for civilian supply which would otherwise be handled through Government agencies charged with procurement for civilian purposes); guaranteed loans by the Federal Reserve Board to business (H.R. 4804 and S. 1918); the issuance of postal notes (Public Law 370); H.R. 4870 and S. 1940, to amend Title III of the First War Powers Act of 1941, affecting Alien Property Custodian functions; the use for war purposes of silver held by the Government (Green Silver Bill, S. 35; Public Law 137); a national program for war mobilization and reconversion (Public Law 458); rehabilitation, currency stabilization, and reconstruction (H.J.Res. 226, H.J.Res. 207, H.R. 3854); the elimination of assessment and reserve requirements in connection with war loan accounts (Public Law 37); the barring of certain claims by the United States in connection with Government checks and warrants (H.R. 5468 and S. 2030); elimination as uncollectible of certain credits of the United States (Public Law 568); sale of certain Government-owned merchant vessels and the disposition of proceeds therefrom (H.R. 5213); establishment of an official checking account with the Treasurer of the United States for the United States Marshals and clerks (Public Law 524); the appropriation of the Conscientious Objectors' Fund (H.R. 3199); relief of the Puerto Rico and Virgin Islands unemployment problems (S. 981); the admission of evidence in certain cases (H.R. 3690, introduced as a result of the McNabb decision); extension of the Federal Protection Act to officers and employees of the Secret Service Division and the Bureau of Narcotics (S. 1227); Customs overtime compensation (Public Law 328); limitation on overtime compensation for employees of the Bureau of Engraving and Printing (Public Law 279), First Deficiency Appropriation Act); conference of countries where the cultivation of the poppy plant exists for the limitation of the production of opium (Public Law 400); the procurement of public utility services by oral contract (H.R. 4022); administrative procedure for executive departments and agencies (S. 2030, H.R. 5081, H.R. 673, H.R. 816, H.R. 4314, and H.R. 5237); and the proposed revision of the Criminal Code (H.R. 5450).

Proposed legislation relative to the following subject matters was successfully opposed during the 78th Congress: war bond lotteries (S. 1560); the subsidy of newspapers (S. 1457, H.R. 3693 and S. 1073); the attachment, garnishment and execution or trustee proceedings of wages and salaries of civilian officers and employees of the United States (H.R. 2985 and H.R. 694); plan to provide that all sums received by the United States from the liquidation of Government property be applied to the reduction of the public debt (H.R. 4822); measures that would insure the aggregate annual private and Government investment of \$40 million to provide full employment (proposed amendment to S. 2061); gratuitous extension of policies of insurance issued by the War Damage Insurance Corporation (S. 1534, S. 1271); the issuance of a special series of War Savings bonds for purchase solely by State and local governments to provide for post-war planning (H.R. 1952); discontinuance of land grant rates for transportation of Government traffic (H.R. 4184); payments to States in lieu of taxes on real property acquired by the United States (S. 1018); an amendment to the Railroad Unemployment Insurance Act providing for returning to the unemployment insurance funds of certain States portions of contributions made by them and authorizing the distribution of such amounts to persons who paid taxes (H.R. 2740); non-payment of dividends after June 30, 1943, on shares of the Federal Savings and Loan Insurance Corporation (S. 1034); legislative and budgetary control of expenditures for publicity activities in the Executive Branch of the Federal Government (H.R. 656); amendment to the existing law relative to the payment by the Government of the cost of travel and transportation of household effects of Government employees transferred other than by their own request (H.R. 2313); and the withdrawal from circulation of one-cent pieces coined after December 23, 1942, and prohibition of such pieces not readily distinguishable from coins of higher denomination (S. 1383). None of the bills mentioned in this paragraph and the preceding one, however, strictly speaking, could be described as a Treasury bill.

The Legislative Section handled a total of 382 Treasury reports on legislation during the 78th Congress. Of this number 232 were reports to Committees of the Congress, 83 were reports to the Bureau of the Budget on pending or

proposed legislation, and 68 were reports to the Bureau of the Budget on enrolled bills to assist the President in determining whether or not to approve these bills.

The Legislative Section transacted legislative business with the legislative counsel of both the House and the Senate, and worked with, and appeared before, many committees of both Houses of Congress, during the 78th Congress. It drafted or assisted in drafting, much legislation not covered by this report, such as bills which are still in process, bills which have been submitted to, but not yet cleared by, the Bureau of the Budget, bills which were completed but which, for one reason or another, the appropriate administrative officers decided not to submit to the Congress at that time, bills prepared as a courtesy accommodation to members of Congress, etc. The Legislative Section also opposed legislation objectionable to the Treasury Department and drafted, or participated in drafting, a number of executive orders. Moreover, this section did a large amount of research work on legislative and other problems of interest to the Department, and generally endeavored to keep various bureaus and branches of the Department advised about all phases of legislative matters in which they were interested.

Joseph J. O'Connell

FINAL PROGRESS REPORT TREASURY LEGISLATION
DURING THE 78th CONGRESS

A. TREASURY SPONSORED BILLS ENACTED DURING
THE 78th CONGRESS.

I. Treasury Sponsored Bills Enacted
During First Session of the 78th
Congress (1943).

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>APPROVED</u>	<u>PUBLIC OR PRIVATE NUMBER</u>
1. H.R. 1780 (H.R. 1470; S. 566) Public Debt Legislation.	Increases the debt limit of the United States from \$125 billion to \$210 billion; authorizes the Secretary of the Treasury to utilize banks and trust companies in connection with the redemption of United States Savings Bonds; and provides relief for losses incurred in making payments in connection with the redemption of such Bonds. (H.R. 1470 contained Treasury's proposed legislation, and the provisions of that bill were incorporated in H.R. 1780 with an additional section containing an amendment to the Emergency Price Control Act of 1942.)	Presented to the President on March 30, 1943. Became a law without the President's approval.	Public Law 34
2. S. 319 (H.R. 1801) National Gallery of Art, Permanent Loan.	Authorizes the Secretary of the Treasury to receive a permanent loan to the United States from the Board of Trustees of the National Gallery of Art, in cash, of not to exceed \$5 million in the aggregate, and to pay interest on the principal amount of such loan at the rate of 4 percent per annum, payable semi-annually; and permanently appropriates such interest for payment to the Board of Trustees.	April 10, 1943	Public Law 32
3. S. 854 (H.R. 1321) Relief of First National Bank of Huntsville, Texas	Provides for payment of \$105.61 on account of two checks drawn on the Treasury of the United States by Division of Disbursement, which checks were erroneously cancelled by that Division and the amounts included in a new check issued.	April 12, 1943	Private Law 25

I. Treasury sponsored bills enacted during first session of the 78th Congress (1943) - (continued).

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>APPROVED</u>	<u>PUBLIC OR PRIVATE NUMBER</u>
4. S. 991 (H.R. 1489; H.R. 2489) Stabilization Fund.	Extends until June 30, 1945, the powers established under section 10 of the Gold Reserve Act of 1934, relating to the stabilization fund; and provides that such fund shall not be used in any manner whereby direct control and custody thereof pass from the President and the Secretary of the Treasury.	April 29, 1943	Public Law 42
*5. S. 990 (H.R. 2531) Relief of the Washington, Brandywine & Point Lookout Railroad.	Authorizes the Secretary of the Treasury to accept the principal amount of \$50,000 in full settlement and discharge of the indebtedness of the Washington, Brandywine & Point Lookout Railroad Company to the United States, evidenced by a note dated July 6, 1918.	December 17, 1943	Private Law 162

* S. 990 was sponsored by Senator Millard E. Tydings, but was actually drafted in the Treasury Department.

II. TREASURY SPONSORED BILLS ENACTED DURING SECOND
SESSION OF THE 78th CONGRESS (1944).

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>APPROVED</u>	<u>PUBLIC OR PRIVATE NUMBER</u>
1. S. 1447 (H.R. 3449) Relief for part-time charwomen in Bureau of Engraving and Printing.	Provides that remission be made of all claims of the United States in consequence of payment of wages at the rate of 78¢ an hour, rather than at some lower rate or rates, for work performed during the period from Aug. 1, 1942 to June 30, 1943, by part-time charwomen employed in the Bureau of Engraving and Printing.	February 14, 1944	Public No. 230
2. H.R. 3408 (H.R. 2998) Slugs, tokens, or similar devices fraudulently used for the purchases of merchandise and services.	Amends chapter 7 of the Criminal Code making it a criminal offense to manufacture for sale any tokens, slugs, disks, or other devices, with knowledge or reason to believe such tokens, slugs, etc., may be used unlawfully or fraudulently to procure anything of value. (The purpose of this bill is to prevent the manufacture and sale and hence the general circulation of slugs, tokens, and similar devices now used for fraudulent purchases of merchandise and service, in substitution for United States coins.)	April 1, 1944	Public No. 278
3. S. 1758 Payment of compensa- tion of customs employees for in- spectional ser- vices on Sundays and holidays.	Authorizes the continuance of Sunday inspectional services to toll bridges, tunnels and ferries without payment or obligation on the part of the bridges, tunnels and ferries, and obligates the Government to pay all compensation of the employees for such services, as well as amounts which may be due to them for such past services, in accordance with existing law as interpreted in the case of the <u>United States v. Howard C. Myers</u> (1944) 320 U.S. 561; relieves the toll bridges, tunnels and certain ferries from any liability which they had incurred under the law as interpreted in the <u>Myers</u> case for Sunday and	June 3, 1944	Public Law 328

II. Treasury sponsored bills enacted during second session of the 78th Congress (1944) - cont'd.

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>APPROVED</u>	<u>PUBLIC OR PRIVATE NUMBER</u>
	holiday services; and requires a report to the Congress of recommendations by the Civil Service Commission looking toward a general revision of the customs overtime compensation laws.		
4. H.R. 4464 Public Debt Act of 1944.	Increases the debt limit of the United States to \$260 billion; and reduces the war tax rate in cabarets, roof gardens, etc., from 30% to 20%.	June 9, 1944	Public No. 333
5. H.R. 3661 (S. 1522) Relief of G. F. Allen, Chief Disbursing Officer, Treasury Department.	Authorizes and directs the Comptroller General to allow credit in the account of G. F. Allen in an amount of \$4,796.85 for items suspended or disallowed, as enumerated in House Report No. 909, 78th Cong., 1st Session; grants relief for former disbursing clerks, Treasury Department, in the amount of \$1,371.25; provides relief for certifying officers; allows certain credit in accounts of Treasurers of the United States; and appropriates \$575.75 to adjust unavailable items resulting from overpayments and checks paid on forged endorsements.	June 27, 1944	Private No. 313
6. H.R. 3891 (S. 447) Night differential for certain employees of the Bureau of Engraving and Printing.	Provides night differential for all employees of the Bureau of Engraving and Printing who hold positions in the clerical-mechanical service where the work and working conditions are so closely related to those of the skilled workmen who already receive 15% in excess of the day rate for the same work.	July 1, 1944	Public No. 394

II. Treasury sponsored bills enacted during second session of the 78th Congress (1944) - cont'd.

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>APPROVED</u>	<u>PUBLIC OR PRIVATE NUMBER</u>
7. H.R. 4881 (S. 1914) Classification of a new synthetic drug (isonipecaine) under Federal narcotic laws.	Amends the Internal Revenue Code, the "Narcotic Drugs Import and Export Act", and the "Tariff Act of 1930" for the primary purpose of making existing Federal narcotic laws applicable to a recently discovered synthetic drug, designated as isonipecaine, subjecting such drug to the same restrictions as morphine with respect to manufacture, distribution, importation, and exportation.	July 1, 1944	Public No. 414
8. S. 725 (H.R. 1199) Conspiracy counterfeiting bill.	Amends the laws relating to counterfeiting of currency, stamps, etc., by providing conspirators shall be subject to the punishment applicable to convictions for substantive violations of such laws. (This bill makes the same penalties applicable to the chiefs of counterfeiting syndicates as now apply to their legmen.)	September 27, 1944	Public No. 438
9. H.R. 4993 Second War Powers Act Extension.	Extends the expiration date to December 31, 1945, of titles I to VII, inclusive, and titles IX, XI, and XIV of the Second War Powers Act, 1942. *	December 20, 1944	Public No. 509

* Although this legislation was presented to the Congress by the Department of Justice, this Department commented on and sponsored the extension of those titles of the Second War Powers Act which are administered by or affect the Department, as Title III, which grants the President priorities powers; Title IV, which authorizes the Federal Reserve banks to purchase obligations of the United States directly from the Government; Title V, which pertains to navigation and vessel inspection laws; and Title XI, which authorizes the Secretary of the Treasury to accept conditional gifts.

II. Treasury sponsored bills enacted during second session of the 78th Congress (1944) - cont'd.

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>APPROVED</u>	<u>PUBLIC OR PRIVATE NUMBER</u>
10. H.R. 5062 (S. 2013) Foreign Exchange for the armed forces.	Permits disbursing officers of the United States, for official purposes or for the accommodation of military, naval and civilian personnel of the United States and personnel of contractors and authorized non-governmental agencies operating with the armed forces of the United States, to conduct certain transactions involving United States and foreign currency, subject to regulations promulgated under this Act; and provides that any gains resulting from operations permitted by the Act shall be paid into the Treasury as miscellaneous receipts, and authorizes appropriations to adjust any deficiencies which may result from such operation. This Act was made effective from December 7, 1941, to remain in force during the continuance of the present war and for six months thereafter.	December 23, 1944	Public No. 554

B. TREASURY SPONSORED BILLS ACTIVELY PENDING IN CONGRESS
AT THE END OF THE 78th CONGRESS (DECEMBER 19, 1944).

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>STATUS AT END OF 78th CONGRESS</u>	<u>REMARKS</u>
1. H.R. 5200 (S. 2070) Relief for G. F. Allen, Chief Disbursing Officer, and certain other officers.	Provides relief for the Chief Disbursing Officer in an amount of \$709.51 and for former disbursing clerks of the Division of Disbursement in the amount of \$59,854.21 for items suspended or disallowed; provides a method for clearing the accounts of such officers and clerks of <u>all</u> suspensions and disallowances (exclusive of items involving fraud) on account of <u>all</u> payments made during the period December 16, 1933, to March 31, 1942; relieves certifying officer of responsibility for certification of vouchers pursuant to Executive Order 6166; provides that credit be allowed in the accounts of former Treasurer of the United States and the present Treasurer for sums not to exceed \$1,164.93 and \$63,334.51, respectively, representing unavailable items in their accounts; and appropriates \$10,224.08 to cover certain enumerated items.	S. 2070 passed Senate Dec. 14 1944; referred to House Committee on Claims Dec. 15, 1944.	A vote in the House on this bill was impossible due to the absence of a quorum during the final days of the 78th Congress. Enactment of the measure is expected early in the next session.
*2. S. Con. Res. 7 Medal for the President of the United States.	Authorizes the Secretary of the Treasury to strike a gold medal for presentation to President Roosevelt for inspiring confidence in aviation by his flight to Casablanca, North Africa, the expense to be paid by the American Section of the Ligue Internationale des Aviateurs.	Senate agreed to resolution on Feb. 25, 1943; referred to House Committee on Coinage, Weights, and Measures March 1, 1943.	Due to the intervening period since the presentation of this matter to the Congress, it, no doubt, will be dropped.

* Although not sponsored by the Treasury Department, S. Con. Res. 7 was drafted in the Treasury Department at the informal request of Senator Barkley's office.

B. TREASURY SPONSORED BILLS ACTIVELY PENDING IN CONGRESS
 AT THE END OF THE 78th CONGRESS (DECEMBER 19, 1944) - cont'd.

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>STATUS AT THE OF 78th CONGRESS</u>	<u>REMARKS</u>
3. S. 1360 (H.R. 4077) Disposition of securities.	Authorizes the Secretary of the Treasury to sell, exchange, or otherwise dispose of any bonds, notes, or other securities which may be acquired by him on behalf of the United States under judicial process or otherwise, or delivered to him for disposal, in such manner and upon such terms and conditions as he may deem advisable and in the public interest, without the three months' advertising period as required by existing law.	S. 1360 referred to Senate Com. on Finance Sept. 17, 1943. H.R. 4077 referred to Com. on Ways and Means Jan. 27, 1944.	This bill has only a fair chance of enactment during the next Congress, as it provoked considerable controversy among the members of the Ways and Means Committee.
4. S. 1788 (H.R. 4475) Future status of certain functions and personnel transferred to the Coast Guard and the Customs Bureau.	Provides for the permanent retention by the Coast Guard and the Bureau of Customs of those functions of the Bureau of Marine Inspection and Navigation, the Department of Commerce, and collectors of customs, which were transferred from those agencies to the Coast Guard and to the Bureau of Customs, respectively, by Executive Order 9083. (Functions transferred to the Coast Guard relate to safety at sea and those transferred to Customs Bureau relate to the protection and collection of the revenue.)	H.R. 4475 pending before House Com. on the Merchant Marine and Fisheries; S. 1788 pending before Senate Com. on Commerce.	Action on this bill, no doubt, was held up because of objections and the fact that it pertains to conditions after the cessation of hostilities. It has a fair chance of enactment next Congress.

B. TREASURY SPONSORED BILLS ACTIVELY PENDING IN CONGRESS
AT THE END OF THE 78th CONGRESS (DECEMBER 19, 1944) - cont'd.

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>STATUS AT END OF 78th CONGRESS</u>	<u>REMARKS</u>
5. H.R. 5177 (S. 2072) Relief for certain Treasury personnel.	Authorizes the Secretary of the Treasury, after a determination of the validity and the amount of loss claimed under such regulations as he may prescribe, to pay sums totaling not to exceed \$5,079 to three persons (Arthur J. Campbell, James J. Saxon, Kenneth Q. N. Wong) employed by the Treasury Department and to one person (William Henry Taylor) who served as the Alternate American Member of the Stabilization Board of China for losses sustained by them at their posts of duty as a result of the Japanese occupation of Hong Kong and Manila.	Bills pending before House and Senate Committees on Claims.	This legislation was not introduced until August 1944 and did not receive consideration due to the heavy calendars of the committees. Its enactment is probable during the next session.
6. H.R. 1194 Orderly payment of conflicting claims against the United States.	Relieves the Treasury Department from the necessity and responsibility of making a judicial determination whenever a creditor or other claimant against a claimant against the United States requests that the Treasury Department withhold payment from the original claimant, and relieves original claimants from the necessity of having to travel to the District of Columbia to defend actions commenced there to reach amounts payable to them by the United States, while at the same time protecting the rights of creditors of such claimants.	Referred to House Com. on the Judiciary Jan. 14, 1943.	Although the Attorney General and the Comptroller General have approved the objectives of this bill, no action has been taken on it for the last two Congresses. Thus, it has a very slight chance of enactment during the next Congress.

B. TREASURY SPONSORED BILLS ACTIVELY PENDING IN CONGRESS
AT THE END OF THE 78th CONGRESS (DECEMBER 19, 1944) - cont'd.

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>STATUS AT END OF 78th CONGRESS</u>	<u>REMARKS</u>
7. H.R. 826 Enforcement Officers' death and disability benefits.	Authorizes an increase in the death and disability compensation payable to Federal enforcement officers and their dependents when such officers are killed or disabled while engaged in hazardous work.	Referred to House Jusiciary Com. on Jan. 7, 1943.	This bill probably will not be enacted during the war due to the prevailing economy sentiment on the Hill with respect to matters not related to the war effort.
8. S. 767 Additional coinage mint.	Authorizes the Secretary of the Treasury to establish an additional coinage mint for the United States in the central section of the United States.	Referred to Sen. Com. on Banking and Currency Feb. 25, 1943.	This legislation is being held up because of disagreement of Members of Congress as to the location of the proposed Mint. Also, at the present time it is impossible to secure materials to build a new Mint.

B. TREASURY SPONSORED BILLS ACTIVELY PENDING IN CONGRESS
AT THE END OF THE 78th CONGRESS (DECEMBER 19, 1944) - cont'd.

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>STATUS AT END OF 78th CONGRESS</u>	<u>REMARKS</u>
9. S. 26 An amendment (in the nature of a substitute) proposed by Senator McCarran. Bonding of Federal officers and employees.	Establishes a Federal Fidelity Bonding Board to administer a fidelity trust fund for the establishment of which an appropriation of \$500,000 is authorized; and gives Federal officials or employees, who are required by law to give fidelity bonds, an option of complying with such requirement by contributing to the fund an annual premium fixed by the Board, or of continuing to give bond with sufficient sureties according to existing law and practice.	This amendment (in the nature of a substitute) was referred to the Senate Com. on Education and Labor Apr. 6, 1943.	This bill has only a slight chance of passage, as it involves a controversial issue.

FEB 7 1945

My dear Mr. Bowles:

I have your letter of February 3, 1945, telling of how much assistance the furnishing of corporate income tax data and other information has been to you in the price control effort and requesting further aid with particular reference to the returns for the years 1936 and 1937.

I am glad we have been able to help and you are assured that every effort will be made to make the information which you desire from corporate returns for the year 1936 more accessible despite the fact that space and equipment will not permit these files to be moved to the Internal Revenue Building. There is at present no intention of moving files of Federal income returns for the year 1937 and consideration will be given your requirements if any move becomes necessary in the future.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Honorable Chester Bowles
Administrator
Office of Price Administration
Washington 25, D. C.

OFFICE OF PRICE ADMINISTRATION

WASHINGTON 25, D. C.

FEB 3 1945

CHESTER BOWLES
ADMINISTRATOR

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

I have had occasion to address so many requests to you of late that I hesitate to add a special one to the already long list. However, we have reached a point in our administration of the Emergency Price Control Act where pressures on prices have led to our tightening up the enforcement of price policies, and your department can be of further assistance to us in this process.

In establishing price ceilings we have been placing a great deal of reliance on the industry earnings standard, which requires reference to the earnings in the base period, 1936-1939, or some other period where 1936-1939 is not considered a normal pre-war period. The corporation income tax data and other information made available by you under Executive Orders 9076, 9258 and 9430, and on my specific request from time to time have been of invaluable assistance in the price control effort. Our collection of this information directly from the companies would have required substantial expenditures of Government as well as business funds.

At the present time we maintain a small staff within the Bureau of Internal Revenue to obtain information as requested from day to day for special purposes. We find it necessary to obtain data for the years 1936-1939 and later years from individual, partnership and corporate income tax returns. I am informed that the returns for 1936 have been placed in a Washington warehouse and that it is extremely time-consuming for the Bureau's staff to obtain information for a given company for that year. I appreciate that these records must be very voluminous and that there is limited filing space in the Bureau of Internal Revenue offices. However, I should like to have you take whatever steps you can to make 1936 data more accessible. I should also like to request that, before information for 1937 or subsequent years is also placed in storage, serious consideration be given to our requirements, which will undoubtedly extend throughout the period of the Emergency.

Sincerely,



Chester Bowles
Administrator

FEB 7 1945

My dear Fiorello:

I have your letter of February 3, 1945, requesting that, if at all possible, the Treasury working balance, which is made public each day and used by the numbers racket, be stated in round figures.

I appreciate your problem and would like to help, but I do not believe this would accomplish the purpose you have in mind. A summary of the United States Daily Treasury Statement is published on the financial page of many of the large metropolitan newspapers and while the racket is now using certain digits out of the working balance so published, they can shift to any one of a number of other figures in this summary. We would, therefore, have to round out all of the figures on the Daily to eliminate this medium. I am sure that if we were to do this, it would merely mean we would drive the racket to some other set of published figures.

We have found that over a period of several years, the Treasury figures are used in one community for a period and then they are later shifted to another community. In other words, this racket seems to follow one set of figures for a given time in a particular community and then shift their use to another community.

We, of course, are very anxious to report accurate figures on the financial condition of the Government, and I would hate to have the general public come to look upon them as only estimates, which would probably be the case if we used round figures.

I am sorry that I can not be more helpful, but I honestly believe that your suggestion would

- 2 -

not eliminate this racket, and would do no more than inconvenience the racketeers for a few days at most.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Honorable Fiorello LaGuardia
Mayor
City of New York
New York 7, N. Y.

DWB:NLE
February 6, 1945



CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK 7. N. Y.

February 3, 1945. g

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

My dear Henry:

This is an unusual request but one of great importance and social and economic significance, else I would not write you about it. Every day the paper carries United States Treasury figures. For instance, February 1st, 1945, the papers carried U.S. Treasury figures \$19,823,490,069. I understand the purpose and importance of giving out this figure. I want to request, if at all possible, that the figure be stated in round numbers. For instance, if the second digit is above one half or three quarters, it might be reflected in the next. So then the above figure might be stated as about \$20,000,000,000. This may seem strange to you but I can assure you that it will save thousands of dollars every day for poor families in New York City and help us in a most difficult police problem.

What is happening is that now that we have the Number Racket rather well under control, but not at all as well as I would like, and that racing information is scarce, a new racket has started in using three of the figures of the Treasury Report as a winning number in what is known as the Number Game. Three of the digits are taken. It may be the last three or the first three complete digits of the total amount. The poor unfortunate victims who play do not realize that there are 999 chances against them. By publishing the figures in round numbers it would put an end at least to this one kind of Number Racket. After all I am sure that the full intent and purpose of publishing the figure, when stated to the nearest possible amount, in round figures, will be served and will cause no embarrassment or disturb any financial arrangements.

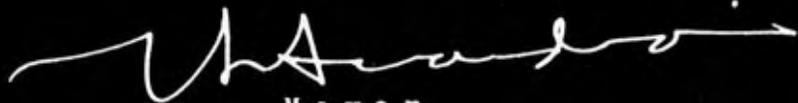
Will you please give this matter some thought and not just brush it aside as impractical or unimportant.

Recently we raided a "Bank" running a game and we estimated the "take" to be about \$30,000 a day and it only operated in one section of the City.

I will be glad to furnish additional figures and information if I have not made my request clear to you.

With kind personal regards,

Sincerely yours,

A handwritten signature in white ink, appearing to read 'W. A. ...', with a long horizontal flourish extending to the right.

M a y o r.

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*showing to Ball
who said his ltr
is still all right*

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HON HENRY MORGENTHAU JR

SECRETARY OF THE TREASURY WASHDC

SUPPLEMENTING MY LETTER OF FEBRUARY THIRD, HAPPY TO INFORM
YOU THAT THE NEW YORK STOCK EXCHANGE AND NEW YORK CURB
EXCHANGE HAVE EXPRESSED WILLINGNESS TO COOPERATE AND WILL
ANNOUNCE FIGURES IN ACCORDANCE WITH LETTER

F H LA GUARDI MAYOR.

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AMERICAN FEDERATION OF LABOR

Executive Council

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Secretary-Treasurer, GEORGE MALBY

A. F. of L. Building, Washington, D. C.

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CABLE ADDRESS AFEL.



Washington 1, D. C.

February 7, 1945

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

Dear Mr. Morgenthau:

Thank you for your letter of February 1 regarding the work of the Office of Procurement in the Treasury Department, which has been given a large measure of responsibility in surplus property disposal. The manner and the terms of disposal of all surplus property are of very real concern to labor. It is of most direct interest to us to keep in touch with the policies and procedures concerning the disposal of consumer goods.

In view of this, I am most grateful for the opportunity you are extending to us for consultation and advice on matters pertaining to surplus disposal problems. I am glad to respond to your invitation and am designating Mr. Boris Shishkin, Economist of the American Federation of Labor, as our representative for this purpose.

With kindest regards, I am,

Sincerely yours,

President
American Federation of Labor

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 7,
1945

TO Secretary Morgenthau
FROM J. W. Pehle

I think you will be interested in reading the attached copy of the "Surplus War Property Newsletter" which gives what I think is the right emphasis on the way the Treasury is trying to handle this job.

With your concurrence I am going to try to constantly stress our determination to use every reasonable device to protect the name of the Treasury Department in the surplus property field.

Attachment





Telephone
NATIONAL
2 4 4 4

SURPLUS WAR PROPERTY NEWSLETTER

*A Private Weekly Washington Information Service on
Disposal of U.S. Surplus War Goods and Properties*

1701 H STREET, N.W. WASHINGTON 4, D.C.

Letter No. 39, Washington, D. C., February 3, 1945.

Dear Sir:

Some important and reputable businessmen (subscribers of ours) who want to deal in surplus war property came and consulted the editors of NEWSLETTER about it.

They didn't plan to bribe anybody or seek underhand favors, but they thought the takeoff was to "get on the inside" in Washington or the field offices of disposal agencies.

We told them that was exactly the wrong way - that it wouldn't work - and why.

The questions of these subscribers - plus scores of similar questions asked of us in past months - suggested that some straight talk about surplus disposal is desirable. So here it is:

The mistakes Government made in surplus selling after World War I are well known. They are catalogued in Washington, and there is going to be no repetition this time. Those who think along devious lines and proceed to act accordingly will be sorry. Anybody who attempts to deal in surplus except by completely above-board methods is headed for difficulty, maybe for jail!

Don't mistake us. There will be bargains in surplus, money will be made in surplus - and maybe a lot of it, by people smart enough to adapt military products to civilian use. But the dealings will be strictly on the up-and-up.

Government Tough, Getting Tougher

Two developments this week illustrate the stern disposition of Government to keep disposal on the level. Treasury suspended a Regional Office employe suspected of questionable practices, started an investigation. The Senate (Mead) Committee Investigating the War Effort began what promises to be a long series of hearings on an auction sale conducted by Reconstruction Finance Corporation.

Billions in surplus war property can't help attract a few of the kind of operators who always want to "lock up the right people." Some of them may try trickery and deceit in attempts to make easy dough. But it won't work.

No person, no group, is "on the inside" in surplus war property disposal. Administration of disposal has been established (read the Baruch-Hancock report of last Spring) in Government departments manned by honest, conscientious, capable officials who are concerned with only one thing - doing a first-class job according to their high conception of what is due themselves in their posts, to their Government and to the public.

This is a new and baffling field, and mistakes will be made, of

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course. But we said (in NEWSLETTER No. 35) that war surpluses "in the main will be liquidated to the advantage of the American public and to business and industry." We stand by that.

The small minority of easy-money seekers or downright crooks likely to be intrigued by the huge transaction of surplus disposal can't get to first base. The Mead Committee (now in explosive action) and the Surplus Subcommittee of the Senate Small Business group are maintaining hawk-eyed watchfulness over every disposal move. This surveillance is not sporadic, but continuous. Treasury, always jealous of its integrity, put John W. Pehle, lawyer and hard-boiled administrator, into the disposal spot. He led with his right in blunt instructions warning all employees to keep their hands clean.

Close Watch on Operations

The new Surplus Property Board, charged with enforcement of a law with teeth in it, has shown unmistakable signs of framing an administration which will use every care and foresight to compel upright dealings by agencies and customers. Already the Board has taken steps to enlist FBI action if there's any hint of fraud.

NEWSLETTER has related week by week the moves being made to handle surplus for the best return to the taxpayer, to avoid upsetting markets, to benefit local governments and institutions and groups that rate help like veterans, small businessmen, farmers. In the main we think they have been sound and competent moves.

Sooner or later fraud, crookedness, racketeering in surplus war property are going to be found out, with uncomfortable consequences. The day is fast approaching when full publicity will attend every sale. Treasury started something last month when it announced the names of 57 buyers of surplus in the \$10,000 class. That was just the beginning. Any queer transaction will get the spotlight.

Treasury, Reconstruction Finance, Maritime, and all the rest of the disposal agencies are eager to sell surplus, but only legally and according to regulations.

Business should be done only in Government offices or through the mails. Anybody with a complaint shouldn't squawk to his friends, but to the Surplus Property Board or the Government agency concerned.

And everyone interested should remember that this surplus disposal business has been put 'way out in the open, and anyone daring the unremitting Government scrutiny that surrounds it is hunting trouble. -0-

RFC AUCTION UNDERGOING PROBE

Hearings which Capitol Hill expected to go on for days were started this week by the Senate (Mead) Committee Investigating the War Effort into auctioning of construction equipment last fall by the Reconstruction Finance Corporation.

Sparked by allegations made to the committee by Mayor F. H. LaGuardia, of New York, the inquiry involved Defense Plant Corporation, a subsidiary of RFC, and Surplus Liquidators, Inc., of 1775 Broadway, New York.

Charges suggested that surplus property was "knocked down" to "insiders" at cut rate figures. In the first few sessions the testimony of numerous witnesses got much newspaper space, but no definite results were forthcoming, naturally - nor can there be any until the committee completes its investigation and makes its report. -0-

NEW TREASURY SELLING PLAN

A new method of selling surplus products is being tested by Treasury's Office of Surplus Property, and will be announced soon. Initially the plan will apply to construction and farm machinery.

Details of the operation of this "spot bid method" are being formulated in a pattern which can be followed in any Treasury Regional Office. Meanwhile NEWSLETTER can tell you how an experimental sale was conducted January 17 and 18 in Salina, Kansas.

Treasury sold 742 units of construction and agricultural machinery, mostly used, for \$329,209 to 110 successful bidders among the 233 qualified dealers who attended from 32 of 48 states. Here's how it worked:

On December 30 notices were sent to all dealers in construction and farm machinery throughout the United States. The sale was timed just prior to a national convention of machinery dealers in Chicago.

The dealers were invited to attend a sale of machinery at Camp Phillips, Salina, to be conducted by Treasury's Kansas City Regional Office, Thomas C. Stephens, Regional Director.

For three days before the sale, the items, each plainly numbered, were displayed for inspection of prospective bidders. Before the sale opened on January 17 all expectant bidders were required to register to assure participation of qualified machinery dealers only.

Each qualified bidder had a list of the items for sale, which were offered individually and by number by a Regional Office official. Unlike an auction, there was no vocal bidding. Each bidder wrote his bid on a card.

The cards were then collected, and the item awarded to the high bidder in every case, unless bids were adjudged to be too low, in which event the item was withdrawn, and offered again later in the sale. In most instances a satisfactory bid was finally obtained. Each sale was made in an average of 45 seconds.

Other experimental sales of this nature have been held by Treasury. Last December 900 items were disposed of for about \$200,000 at Kearney, Nebraska. Another sale will be held later this month at Kearney. -0-

EXPANSION, MORE CONTROL

Survey here in Washington of recent developments shows that Treasury's Office of Surplus Property is expanding its selling program through the Regional Offices and tightening controls over its organization. Washington sets the sales policy. It is carried out strictly in the Regional Offices. All sales are made in the field.

Special care is being taken to see that all surplus property available for sale is widely publicized. Regional Directors are held firmly accountable, must make sure this is done.

Two committees of three or more Regional officials have been established to act in each area. One is the Regional Disposition Committee. This group decides how goods shall be sold—by formal or informal bid, negotiation, etc. It also selects the trade groups to which the items will be offered, directs selling plans, publicity.

The other committee is the Regional Board of Awards. This board passes on all sales, checks the prices offered, legitimacy of the buyer, and sees that Treasury policies are observed.

New Treasury Offices Opened

In line with the expansion plan announced last Spring to set up Treasury branch offices in large trading areas, two new district offices have just been opened.

One is at Los Angeles, 1206 South Maple Street, with W. D. Johnson as acting district manager, under the San Francisco office, of which Col. John F. Hough is Regional Director. Other is at St. Louis, Paul Brown Building, with W. Jack Swink as District Manager, under the Kansas City office, Thomas C. Stephens, Regional Director.

District offices will be opened soon in Detroit and Philadelphia and others may be established if the need for them develops.

Headquarters finds SURPLUS REPORTER is working out satisfactorily. Suggestions received from those on the mailing list are being put into effect, so the publication will be easier to read.

It was emphasized that description of items in SURPLUS REPORTER are purposely kept very brief. Treasury does not expect people to buy just from reading SURPLUS REPORTER. If they are interested, they should write to Regional Offices and a full description of all items which they are considering will be sent to them. -0-

LATEST TREASURY OFFERINGS

Treasury's Office of Surplus Property offers regionally in the two current issues of SURPLUS REPORTER numerous hardware and general products. Items in large quantities include:

Tableware, nails, hinges, latches, bolts and other small hardware items; some small tools; lead seals; smoke generators; respirators (in very large supply); watch compasses; hand carts; neon and incandescent lamps; containers of various types and sizes in large quantities, also boxes and cans; and plastic foot-tubs. -0-

TRAWLERS AVAILABLE

Maritime Commission has extended until February 28 invitations to bid on eleven fishing vessels, seven at Bucksport, Me., two at New Orleans, two at Houston. Four are lugger type fish trawlers, one is a shrimp fisherman and the rest are rated as "commercial fishing." For information and bid papers apply to Division of Small Vessels, War Shipping Administration, Commerce Bldg., Washington 25, D. C. -0-

ANOTHER HANDBOOK FOR YOU

Surplus Property Board has issued Pamphlet No. 3 in the HANDBOOK OF STANDARDS for Describing Surplus Property series. This is Section IX - Industrial and Service Machinery and Equipment, running 104 pages. NEWSLETTER will be glad to send you a copy gratis on request. -0-

Cordially,

Vincent F. Callahan

Editor.

ISSUED EACH WEEK FROM WASHINGTON ⁸⁰ ~~AT \$1.75~~ ^{50¢} A COPY ^{5/5} OR AT \$40 FOR SIX MONTHS

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TREASURY DEPT

178 ✓
February 7, 1945

Dear Mr. Morgenthau:

This is to thank you for your very kind and generous letter.

You are quite right, of course. The item concerning Lend-Lease to France was unjustified and represents the sort of irresponsible journalism I have always deplored in others. I cannot say how sorry I am to have been found guilty of the same thing myself, particularly in the second week of my venture into political commentary.

There is an elaborate explanation which partially covers my guilt in this matter, but I won't burden you with it. The fact is that the item had no business getting in print, and I am terribly sorry that it ever happened, particularly since it concerns yourself, for whom I have always felt the very deepest respect.

Please forgive your erring but devoted friend.

Orson

Orson Welles
427 N. Canon Dr.
Beverly Hills, Cal.

FOREIGN ECONOMIC ADMINISTRATION

Washington, D. C.

February 7, 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 December 31, 1944.

CONFIDENTIAL

Lend-Lease Operations
Executive Report No. 1

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

Report as of December 31, 1944

(Thousands of Dollars)

Appropriation Category	Adjusted Appropriations	Cumulative to December 31, 1944		
		Allocations	Obligations	Expenditures
Ordnance and Ordnance Stores	\$1,467,306	\$1,462,836	\$1,383,846	\$1,298,516
Aircraft and Aero. Material	2,484,625	2,474,031	2,369,008	2,201,074
Tanks and Other Vehicles	739,273	738,827	674,491	643,348
Watercraft	4,121,703	3,843,167	3,679,208	2,293,120
Misc. Military Equipment	304,288	300,562	268,904	266,811
Production Facilities	1,087,688	1,086,909	1,057,206	1,010,388
Agric. and Indust. Commodities	16,680,589	15,714,128	12,861,072	10,767,624
Servicing, Repair of Ships, etc.	790,818	757,467	639,686	454,930
Services and Expenses	500,000	416,227	332,096	292,666
Administrative Expenses	33,208	30,549	29,795	29,300
Total	28,209,498	26,824,703	23,295,312	19,257,777

Procuring Agency	Cumulative to December 31, 1944		
	Allocations	Obligations	Expenditures
War Department	\$5,398,768	\$5,122,094	\$4,897,220
Navy Department	3,990,904	3,278,057	2,951,169
Maritime Commission and War Shipping Admin.	3,874,477	3,650,260	2,131,278
Treasury Department	9,962,647	4,596,089	3,876,076
Department of Agriculture	7,521,069	6,624,729	5,381,192
Other	76,838	24,083	20,842
Total	26,824,703	23,295,312	19,257,777

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
January 30, 1945

CONFIDENTIAL

Lend-Lease Operations
Executive Report No. 2

STATEMENT OF LEND-LEASE AID

Report as of December 31, 1944

(Thousands of Dollars)

Type of Aid	Cumulative to		Month of	
	December, 1944	November, 1944	December	November
Goods Transferred	\$31,410,228	\$30,156,231	\$1,253,997	\$856,659
Servicing, Repair of Ships, etc.	532,335	520,656	11,679	Cr. 45,500
Rental of Ships, Ferrying of Aircraft, etc.	2,704,900	2,653,634	51,266	82,256
Production Facilities in U. S.	628,519	627,618	901	456
Miscellaneous Expenses	106,664	105,452	1,212	1,844
Total Services	3,972,418	3,907,360	65,058	39,056
Total Goods and Services	35,382,646	34,063,591	1,319,055	895,715

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the War and Navy Departments.

Type of Aid	Cumulative to December 31, 1944				
	Br. Empire	China	U.S.S.R.	Other	Total
Goods Transferred	\$22,519,936	\$228,646	\$7,433,635	\$828,011	\$31,410,228
Servicing, Repair of Ships, etc.	373,607	1,898	103,029	53,801	532,335
Rental of Ships Ferrying of Aircraft, etc.	2,098,880	14,143	363,520	228,357	2,704,900
Production Facilities in U. S.	-	-	-	-	628,519
Miscellaneous Expenses	52,878	1,215	5,854	46,717	106,664
Total Goods and Services	-	-	-	-	35,382,646

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
January 30, 1945

CONFIDENTIAL

Lend-Lease Operations
Executive Report No. 3

LEND-LEASE GOODS TRANSFERRED

Report as of December 31, 1944

(Thousands of Dollars)

	Cumulative to December 31, 1944				
	Br. Empire	China	U.S.S.R.	Other .	Total
Ordnance (Excl. Ammunition)	\$856,133	\$14,281	\$295,369	\$32,762	\$1,198,545
Ammunition and Components	1,867,295	9,094	458,788	63,554	2,398,731
Aircraft	3,110,460	87,280	976,783	151,960	4,326,483
Aircraft Engines, Parts, etc.	1,700,561	26,915	309,179	52,274	2,088,929
Tanks and Parts	2,668,763	1,354	564,686	44,412	3,279,215
Motor Vehicles and Parts	751,971	27,268	851,339	25,781	1,656,359
Watercraft and Parts	2,687,631	447	285,926	210,044	3,184,048
Foods	2,924,936	2,674	1,291,817	42,178	4,261,605
Other Agric. Products	675,016	536	17,729	175	693,456
Machinery	684,800	12,187	922,034	17,550	1,636,571
Metals	1,047,030	12,180	544,347	53,001	1,656,558
Petroleum Products	1,486,237	2,602	71,518	7,827	1,568,184
Miscellaneous Materials and Manufactures	2,459,103	31,828	844,120	126,493	3,461,544
Total	22,919,936	228,646	7,433,635	828,011	31,410,228

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
January 30, 1945

FEB 7 1945

My dear Mr. Secretary:

In my letter of November 28, 1944, I requested that Lt. Comdr. Henry J. Tascia be assigned to the United States Treasury in order that he might be attached to the staff of the United States Ambassador in Italy as United States Treasury representative.

He will shortly complete his consultations in Washington preparatory to his departure overseas for Rome. After full consideration of all aspects of the matter, I have come to the conclusion that Lt. Comdr. Tascia should go to the United States Embassy in Rome in a civilian status. In this way, I am convinced, he will be better able to carry out his new duties.

I should, therefore, appreciate it greatly if you could arrange that Lt. Comdr. Tascia be placed on inactive duty at the earliest possible date.

Very truly yours,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of the Navy.

HJT:sas 2-7-45

FEB 7 1945

My dear Mr. Charge d'Affaires:

This is in reply to your letter of February 2 with respect to Belgian currency notes which have been put at the disposal of the Allied forces in Belgium.

As of the end of December 1944, 7,420,000,000 Belgian francs had been advanced to the United States military. Large requests for Belgian currency were placed by U.S. Army finance officers during December (4 billion Belgian francs) apparently in anticipation of increased expenditures by U.S. Army in Belgium and Luxembourg. It is our understanding, however, that this anticipated increase in the use of Belgian currency has not taken place because of changes in military plans. The War Department informs us that actual expenditures by the U.S. Army have been relatively minor, and that the above figure of Belgian currency obtained by the Army is not an indication of the real amounts.

We have requested, but have not yet received, the necessary information on actual expenditures, by item, of the U.S. Army in Belgium. As soon as the information is obtained, it will be communicated to you.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Baron Herve de Gruben,
Belgian Charge d'Affaires, a.i.,
1715 - 22nd Street, N.W.,
Washington, D. C.

HG:JWG:gsa
2/7/45

AMBASSADE DE BELGIQUE

D.8443-6-j

Washington, February 2nd, 1945

No.618

Dear Mr. Morgenthau:

As you probably know, the amount of Belgian currency notes put at the disposal of the Allied Forces in Belgium has increased these last weeks at a considerable rate. Whilst it reached 6 billion francs as of December 15th, 1944 it was, as of January 15th, 1945, 9.5 billion francs - and pressing demands for further amounts had been put forth to the Belgian Finance Minister.

Mr. Gutt is very much concerned, as you may understand, by the damaging effect this increase of note circulation is bound to have on the monetary structure of the country. On January 19th, he requested Brigadier General Cobbs, Director of Etousa, to communicate to him the break up of these amounts between such various items as pay of the troops, purchases of goods, services, etc...

Brigadier General Cobbs replied that he was not authorized to furnish that information - which would be available only from the United States Treasury.

May I request you to instruct the appropriate section of your Department to send me those figures for transmission to the Belgian Government and to authorize Brigadier General Cobbs

Mr. Henry Morgenthau Jr.,
Secretary of the Treasury,
WASHINGTON, D.C.

....

to hand regularly to the Belgian Minister of Finance in Brussels a monthly detailed statement - broken down into categories - of expenses paid for by the American Army with Belgian currency.

Sincerely yours,

The Belgian Chargé d'Affaires a.i.

Paul de Quenbergh

FEB 7 1945

Dear Mr. Grew:

As you know, members of our staffs here in Washington have been concerned with the problem of uncovering and controlling German assets secreted outside of Germany. Although this project is still in its formative stages, the importance of coordination and organization in the field at the earliest possible moment is apparent. The need for prompt action is even more urgent in view of the recent events in Europe.

There is no place where field planning and action is more urgently needed than in Argentina. It is unnecessary for either of us to cull the extensive series of dispatches sent by the mission concerning Nazi activity and penetration in the economy of Argentina in order to appreciate the importance of the problem. More recent reports indicate clearly that Argentina is not only a likely refuge for Nazi criminals but also has been and still is the focal point of Nazi financial and economic activity in this hemisphere. In the light of these facts, I feel certain you will agree that we should have someone in the field who is well-versed in the financial aspects of this problem.

I should, therefore, like to send a Treasury representative to Argentina for this purpose as soon as it can be arranged. Please let me know if this is agreeable to you.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Joseph C. Grew,
Acting Secretary of State,
Washington, D. C.

IM:LCA:meu
2/2/45

FEB 7 1945

Dear Mr. McCloy:

Reference is made to the Financial Directive, Appendix B of JCS 1067 as amended by the draft of January 31, 1945. This draft, which is annexed hereto, meets with the approval of the Treasury Department.

Very truly yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Hon. John J. McCloy,
Assistant Secretary of War,
War Department.

Attach.

EEMinskoff:iej
2/3/45

31 January 1945

APPENDIX "B"

FINANCIAL DIRECTIVE

1. You will regulate and control currency circulation within your zone in accordance with the following provisions, and subject to any agreed policies of the Control Council.

a. United States forces and other Allied forces within your zone will use Allied Military marks and Reichsmark currency or coins in their possession. Allied Military marks and Reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will be interchangeable at the rate of 1 Allied Military mark for 1 Reichsmark. Reichskreditkassenscheine and other German military currency will not be legal tender in Germany.

b. You will receive separate instruction relative to the currency which you will use in the event that for any reason adequate supplies of Allied Military marks and Reichsmarks are not available.

c. You will not announce or establish in your zone, until receipt of further instructions, any general rate of exchange between the Reichsmark on one hand and the U.S. dollar and other currencies on the other, except that the rate of exchange to be used exclusively for pay of troops and military accounting purposes in your zone will be 10 marks to the dollar.

2. Subject to any agreed policies of the Control Council, you are authorized to take the following steps and to put into effect such further financial measures as you may deem necessary to accomplish the purposes of your occupation.

a. To permit or require the Reichsbank, the Rentenbank or any other bank or agency to issue bank notes and currency which will be legal tender; without such authorization no governmental or private bank or agency will be permitted to issue bank notes or currency.

b. To require the German authorities to make available Reichsmark currency or bank credits free of cost and in amounts sufficient to meet all the expenses of the forces of occupation, including the cost of Allied Military Government.

c. To prohibit, or to prescribe regulations regarding, transfers or other dealings in private or public securities or real estate or other property.

introduce satisfactory control, to remove Nazi and other undesirable personnel, and to issue instructions for the determination of accounts to be blocked under sub-paragraph 3d below.

e. To close stock exchanges, insurance companies, and similar financial institutions for such periods as you deem appropriate.

f. To establish a general or limited moratorium or moratoria only to the extent clearly necessary to carry out the objectives of Allied Military Government.

3. Subject to any agreed policies of the Control Council

a. You will prohibit the payment of military pensions or other emoluments, but this will not preclude the payment by the German authorities of compensation at the rate of military pensions therefor for physical disability acquired in the military service, limiting the recipient's ability to work.

b. You will prohibit the payment of pensions or other emoluments by reason of membership in or services to the former Nazi party or its affiliated organizations.

c. You will take such action as may be necessary to insure that all laws and practices relating to taxation or other fields of finance, which discriminate for or against any persons because of race, color, creed or political opinion, will be amended, suspended, or abrogated to the extent necessary to eliminate such discrimination. The German authorities will be held responsible for taking such measures in the field of taxation and other fields of public finance as will further the accomplishment of the objectives of Allied Military Government.

d. You will impound or block all gold, silver, currencies, securities accounts in financial institutions, credits, valuable papers, and all other assets falling within the following categories:

(1) Property owned or controlled directly or indirectly, in whole or in part, by any of the following:

(a) The German Reich, or any of the Lander, Gause or provinces, any Kreis, Municipality or other similar local subdivision; or any agency or instrumentality of any of them including all utilities, undertakings, public corporations or

monopolies under the control of any of the above;

- (b) Governments, nationals or residents of other nations, including those of territories occupied by them, at war with any of the United Nations at any time since 1 September 1931;
 - (c) The Nazi Party, all offices, departments, agencies and organizations forming part of it, attached to, or controlled by it; its officials, leading members and supporters;
 - (d) All organizations, clubs or other associations prohibited or dissolved by military government;
 - (e) Absentee owners, including United Nations and neutral governments or their nationals;
 - (g) Any institution dedicated to public worship, charity, education or the arts and sciences which has been used by the Nazi Party to further its interests or to cloak its activities.
 - (g) Persons placed under detention or other types of custody by you, and all other persons specified by military government by inclusion in lists or otherwise; and
- (2) Property which has been the subject of duress, wrongful acts of confiscation, disposition or spoliation, whether pursuant to legislation or ~~any~~ procedure purporting to follow forms of law or otherwise;
 - (3) Works of art or cultural material of value or importance, regardless of the ownership thereof.

You will take such action as will insure that any impounded or blocked assets will be dealt with only as permitted under licenses or other instructions which you may issue.

4. Subject to any agreed policies of the Control Council, you will prohibit, except as you may permit by regulation or license, all dealings in gold, silver, foreign exchange, and all foreign financial and foreign trade transactions of any kind. You will not, however, until receipt of further instructions, authorize any outlay of German foreign exchange assets upon

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imports, including those from neutral countries, and will not authorize payment in Germany's foreign exchange for any other purposes, except where clearly and urgently needed to further the agreed objectives of the Allied Military Government. In imposing the controls herein described

a. You will reduce to the possession and control of custodians or agencies designated by you all German foreign exchange assets of every kind and description;

b. You will establish effective controls with respect to all foreign exchange transactions, including

- (1) Transactions as to property between persons inside Germany and persons outside Germany;
- (2) Transactions involving obligations owed by or to become due from any person in Germany to any person outside Germany; and
- (3) Transactions involving the importation into or exportation from Germany of any foreign exchange asset or other form of property.

5. It is not anticipated that you will make credits available to the Reichsbank or any other bank, or to any public or private institution. If in your opinion such action becomes essential, you may take such emergency action as you may deem proper and in any event you will report the facts to the Control Council.

6. In addition to the provisions of Article 8a of Appendix A, you will eliminate other undesirable personnel and influences from the Reich Ministry of Finance and from all public and private financial institutions, agencies and organizations.

7. You will maintain such accounts and records as may be necessary to reflect the financial operations of the military government in your zone and you will provide the Control Council with such information as it may require, including information in connection with the use of currency by your forces, any governmental settlements, occupation costs, and other expenditures arising out of operations or activities involving participation of your forces.

25 FEB 7 1945

My dear Mr. Grew:

This is with reference to the letter of January 18 from Mr. Stettinius concerning the relations of the Legation in Stockholm with Marcus Wallenberg and the Enskilda Bank. I assume from the letter that the proposed cable attached to our letter of January 8th has, or will be transmitted.

Mr. Stettinius, in his letter of January 18th, requested that he be furnished with the information upon which we based our feeling concerning Mr. Wallenberg and the Enskilda Bank. On December 7, 1944, a memorandum on this subject was sent to your Department, attention of Mr. Covey T. Oliver. There is enclosed herewith a further memorandum entitled "A Summary of Some Information with Respect to the Wallenbergs and the Enskilda Bank."

I would appreciate your forwarding to me a copy of the cable sent to the Legation in Stockholm on this matter.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Hon. Joseph C. Grew,
Acting Secretary of State,
Washington 25, D. C.

RBS:LCA:msu
2/7/45

A Summary of Some Information with Respect to the Wallenbergs and
the Enskilda Bank

- I As late as 1943, Enskilda Bank made substantial loans to the German-controlled Norsk-Hydro (the central figure in the old nitrogen cartel) without receiving any collateral, relying on the strength of the German control over other Norwegian industries to obtain repayment.
- II Jacob Wallenberg recently indicated that he was willing to sell to the Germans a Swedish plant in Hamburg for gold, provided the price was high enough to compensate for possible future complications from the Allies.
- III Enskilda Bank was the cloak for the German interest in American Bosch. This stock has been vested by the APC despite the fact that Marcus Wallenberg testified that acquisition of the controlling block of the American Bosch stock was a bona fide purchase.
- IV Enskilda Bank participated in a scheme with the Swiss Bank Corporation to conceal the German Schering interests in Schering, New Jersey. These interests have since been vested by the APC.
- V Enskilda Bank acted for German interests in their attempt to conceal the ownership of the stock of Thorer and Hollender, Inc., New York City, wholesale dealers in skins. The stock of Thorer and Hollender, Inc. has been vested by the APC.
- VI Enskilda Bank was the record owner as of May 1940 of 20 percent of the stock of the German-controlled Dutch bank, N. V. Hollandsche Koopmansbank.
- VII The following facts should be considered in evaluating the impression held in some circles that Marcus Wallenberg is strongly pro-Allied:
 - A. While Marcus Wallenberg was apparently sympathetic with the Allied cause, Jacob Wallenberg, his brother and partner in the Enskilda Bank, was known to be sympathetic to and working with the Germans.
 - B. Jacob Wallenberg was the author of the Swedish-German Trading Agreement.

- C. Jacob Wallenberg is a member of the Permanent Joint Swedish-German Trading Commission and Marcus Wallenberg is a member of the Joint Standing Commission created by the Anglo-Swedish Trading Agreement.
- D. Marcus Wallenberg came to the United States in 1940 and attempted to repurchase on behalf of German interests an American-held block of German securities.

VIII Enskilda Bank has been repeatedly connected with large black market operations in various foreign currencies, including dollars reported to have been dumped by the Germans.

THE SECRETARY OF STATE
WASHINGTON

January 18, 1945.

SECRET

Dear Henry:

Referring to your letter of January 8th enclosing the copy of a proposed cable to the American Legation in Stockholm on the subject of the Legation's relations with Marcus Wallenberg, head of Enskildabank, I have taken steps to have the views expressed in your proposed cable conveyed to our Legation in Stockholm.

It might be useful for us to have sometime the information on which you base your feeling about Wallenberg and the Enskildabank for guidance in our future relations with them.

Sincerely yours,



The Honorable

Henry Morgenthau,

Secretary of the Treasury.

FEB 7 1945

My dear Harold:

I am glad to receive your letter of January 31, 1945, regarding the Philippines.

I feel that a Foreign Funds Control program will be necessary in the Philippines as part of our economic warfare program for the Far East. The Treasury is, therefore, prepared to undertake, with the cooperation of the High Commissioner's office, the planning and the administration of such a program for the Philippines.

It would be within the authority of the Secretary of the Treasury to extend Foreign Funds Control to include the accounts of enemy collaborators. Such freezing measures, of course, would be merely one aspect of any anti-collaborationist program which, it is assumed, the responsible American and Commonwealth authorities will wish to adopt.

Since the execution of a Foreign Funds Control program will require personnel experience in this field, I am prepared to designate some personnel of my Department to go to the Philippines in the capacity of U. S. Treasury representatives. If you agree, please advise me as soon as possible as to the likely date when such Treasury personnel would depart for the Philippines.

These Treasury representatives would be instructed to be of all possible assistance to the High Commissioner or his principal representative in the Philippines and to consult with him on all matters of policy. I know that, on your side, such Treasury personnel would receive the full cooperation of the High Commissioner's office needed for the adequate performance of their duties.

In connection with our planning of a Foreign Funds Control program for the Philippines, it will be necessary

- 2 -

for the Treasury to have more detailed information regarding the current situation in the Philippines. We would be happy to receive any information which your Department may have which would be of assistance to us.

I wish to call your attention once more to the basic questions of financial and monetary planning for the Philippines, which, as far as this Department is concerned, awaits directives from you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of the Interior.



THE SECRETARY OF THE INTERIOR
WASHINGTON 25, D. C.

JAN 31 1945

My dear Henry:

Thank you for your letter of January 19, and for the enclosures. We have similar records which indicate that many members of the pre-war Philippine Government collaborated with the enemy. Under General MacArthur's proclamation of December 29, 1944, all enemy collaborators are to be removed from positions of political and economic influence, interned for the duration of the war, and thereafter turned over to civil authority. I am informed that this procedure is in substantial compliance with the instructions issued to General MacArthur by the Joint Chiefs of Staff.

I am taking immediate advantage of your kind offer of continued assistance. In the latter half of 1941, personnel of your Department attached to the High Commissioner's office in Manila froze the Philippine accounts of many individuals and companies resident in the Philippines. When civil authority is reestablished over the Philippines I assume that these accounts should be released or should continue to be frozen by your authority. Similarly, it appears probable that there-upon other accounts (e.g., those of enemy collaborators) might be frozen only through exercise of the authority and the procedures of the Secretary of the Treasury. I should appreciate your advice as to the validity of the foregoing assumptions. If you conclude that foreign funds should be controlled in the Philippines during the immediate post-war period, it would seem necessary that Treasury personnel should be organized again to operate in connection with the High Commissioner's office.

Sincerely yours,

Harold L. Ickes

Secretary of the Interior.

Hon. Henry Morgenthau, Jr.,

Secretary of the Treasury.



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Treasury Department
Division of Monetary Research

Date. Feb. 7, 1945 19

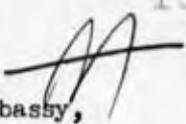
To: Secretary Morgenthau

You will want to read this
letter.

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2

Strictly Confidential


c/o American Embassy,
Chungking.

January 16, 1945

Letter 1

Dear Mr. White,

In the first place I should like to congratulate you on your appointment as Assistant Secretary of the Treasury, an appointment which is a source of great gratification to me as one who has been associated with you in the Treasury for 8 years.

I arrived in Chungking on Saturday after an arduous journey protracted by too many weather delays en route; the breaks were against me throughout beginning from New York. Right from the start we were held up in New York for four days, and we were dogged by bad weather conditions all the way.

I saw Hurley and Wedermeyer on the day of my arrival. Hurley was very pleased with the Secretary's letter to him and with the Secretary's letter to Chou which I told him he could use in any way he wanted to in accordance with the Secretary's instructions. Hurley gave me the following resume of Kuomintang-Communist Party negotiations. Hurley flew up to Yen-an in November and got the Communists to agree on five points as the basis for a settlement of the present impasse. Hurley then returned to Chungking with Chou En-lai, whereupon the Generalissimo came out with a counter-proposal of 3 points. (The Generalissimo was obviously stalling, as he kept Chou waiting a week before he saw him, the interview lasting for half an hour; this item appeared in an excellent series of articles in the Calcutta Statesman which I am trying to get for you by the able English journalist Gelder who interviewed both the Generalissimo and Chou in Chungking; Gelder informed me in Calcutta that the Generalissimo was shifty, evasive and sullen throughout Gelder's interview with him.) Hurley then went to work on the Generalissimo to get the Generalissimo to agree to the five

points on which he had already obtained the Communists' assent. The Generalissimo was finally worn down but put up a stiff fight against the proposed title of "Coalition Government" for the contemplated reorganized Central Government. After this point had been cleared up, the Generalissimo withdrew the consent he had previously given to proposal that the Communist armies should serve under the direction of an American Commander, which of course was the critical and basic issue. Whereupon negotiations broke down. Chou En-lai returned to Yen-an after a stay in Chungking in which Central Government officials had made very little effort to see him. And there matters rest. Hurley thought that the Secretary's letter to Chou might be a most convenient instrument for breaking through the impasse and even suggested that it might be a good idea for me to fly up to Yen-an in the near future specially to deliver the message and any message Hurley might care to send. I told Hurley that I was entirely in Hurley's hands on this matter and would be glad to accept any instructions. He said he would think the thing over and let me know fairly soon. (For more data concerning Hurley and present political developments in China see below.)

Wedermeier was most friendly and cooperative. He informed me that he had entrusted all financial matters concerning the Army to a Colonel Olmstead, who was at present in Kunming but who was due in Chungking in the next week or ten days. I expect to get the Army's data on expenditures from October to December and estimated expenditures for January in the next day or two but should hesitate to make any specific recommendations until I have seen Col. Olmstead and have had a couple of more days with which to familiarize myself with the economic picture as a whole. Wedermeyer informed me that he had

- 3 -

moved quite a number of the non-operational members of his staff to Kunming, that during the Japanese advance on Kweiyang he had seriously thought of moving his whole headquarters, lock, stock, and barrel there but that he had finally decided against it. He sees the Generalissimo every day and has already had a couple of sharp tussles with the Chinese Army authorities in his endeavors to get action. He has two very great assets, the first being that he is not only a very able soldier but also a pretty good diplomat; the second is that if it comes to it he can push the Generalissimo pretty hard, as the Generalissimo had better not try to get a second American general recalled if he wishes to retain American friendship.

On Monday I saw K. K. Kwok and O. K. Yui and also some Bank of China people.

○ O. K. Yui who has not the celebrated Chinese capacity for concealing one's feelings was obviously very excited, and the reason for his excitement was clearly not because he loves me - though of course we are good friends. He apparently rushed over to T. V.'s with the letters I had brought him, for an hour later he phoned me up and said T. V. was anxious to see me as soon as possible and that he, O. K. Yui, would lend me a car to take me out to T.V.'s for lunch the next day. (T.V. lives way out in the country and in the present state of transportation in Chungking with a long "road block" on the main road due to the need of repairs, it is impossible to get to T.V.'s without a car.) O. K. and I had a brief talk and we promised to get together in the next day or two to bring each other up to date. He is obviously very friendly and wishes to be cooperative. From what I have been able to gather in the short time I have been here, he is a hard and conscientious worker, but is too

- 4 -

much the Generalissimo's yesman. His tie-ups with the Political Science group also influence his activities. It seems to be taken for granted in Chungking financial circles that he will not remain Minister of Finance for long. The commonest rumor - repeated for whatever it is worth - is that T.V. will again become Minister of Finance and that O. K. will become either Minister of Foreign Affairs, Secretary General of the Executive Yuan, or Mayor of Chungking.

There is no doubt that T. V. is keeping his finger in the financial pie. Hurley told me that T. V. had already tried to obtain the Ministership of Finance and recapture the chairmanship of the Board of Directors of the Bank of China but that the Generalissimo had not allowed it. T. V. is studying the proposed plan to vest Chinese private foreign exchange assets abroad, which in existing circumstances would mean nothing more than their transfer from one gang to another. He has also kept intact the core of his men in the Bank of China, control of which he is determined to regain as it is his financial base. I am told by the Embassy people that T. V. has been following both the Generalissimo's instructions and his own natural inclinations in the negotiations with the Communists, namely to stall and put the settlement of basic issues off for as long as possible. T. V. was very affable when I saw him. He began by painting a black financial picture and talking of the need for doing something to arrest the rate of decline. This kind of talk coming from a Chinese to an American means only one thing - Gimme. I took up the cue and equally obliquely indicated that the present financial situation was such that only palliative measures could be applied until China's isolation is broken; the attitude I took, namely of friendly cooperation but of no commitments and of

- 5 -

raising no false expectations about further financial assistance (though of course nothing explicit was said on this by either of us) will I am sure meet with your approval as it is in line with the Treasury's policy since the Generalissimo asked for a billion dollar loan. I, of course, told T. V. I was there to cooperate in any way I could and he assured me everything would be done to give me as clear and detailed a picture as possible. What Hurley told me about T. V. confirmed the correctness of my response, as apparently T. V. has been making very large requests for civilian Lend-Lease which Hurley has bluntly turned down. Hurley says T. V. is out for T.V. and has been approaching us as Uncle Sugar with only one request - I want some more.

I attended an Embassy meeting yesterday where Hurley gave a talk on American policy toward China. His main theme - apart from quotations from the Declaration of Independence, the Gettysburg Address, and the Atlantic Charter - was that his directive was to prevent a breakdown of the Chungking Government. He had already indicated as much to me in private. He said that within the framework of his directive he would do as much as possible to persuade the Central Government to make the political concessions to the Communists necessary for the establishment of unity. But he could not and would not depart from his main directive. He is obviously doing his best, but it is a question on which I should like to reserve judgment for a few more days until I have heard all the different points of view whether he is taking his directive too much au pied de la lettre. There is no doubt as to the general soundness of his directive both from the point of view of our immediate war interests and of our long-run Far Eastern interests. The question is whether there is much point in telling the Generalissimo as Hurley does that the Generalissimo

- 6 -

should try to go down in Chinese history as the Jefferson of China (he cannot be the Washington, Sun Yat-sen already did that) and that he should introduce democracy in China. The Generalissimo can as much understand democracy as I can the latest refinements in quantum mechanics. It is something entirely outside his universe of discourse. Power and dividing power he can understand, but democracy is beyond his scope. In this connection I should like to mention a story I heard about Cairo; after the Conference the President said that the Generalissimo was the first real Oriental he had met, which puts the case in a nutshell in a slightly different way. As far as the directive is concerned, there is much to be said for the view that the only way to save the Central Government is by the establishment of unity. And the Generalissimo seems to be the kind of man unfortunately who won't budge unless he has his back to the wall and a gun pointed right at his stomach. Give him any room for manoeuvre, and he will wriggle and squirm out of any predicament he finds himself. He has to be saved from himself and it is a question whether our blowing alternately hot and cold is the right procedure with such a man.

I found Hurley most reasonable and amenable in our discussion of the gold question. He has a keen eye for the American taxpayers' interest and is not likely to encourage any wasteful subsidies to the Chinese.

At the present moment there is a complete lull in land operations in the China Theater proper. Intelligent expectation is that the Japanese will resume activities in March or April, that they will first take that section of the Canton-Hengyang railroad around Kukong, and that they will then start an offensive on Kunming. It is the consensus of opinion that they won't bother with Chungking. For one thing, as Gelder says, the maintenance of the Chungking Government in its present form is worth at least 10 divisions to

- 7 -

them, and for another, if they take Kunming, Chungking is in their pocket anyhow. And finally and not least it is Kunming which is the chief air base in China, and which is the Burma Road roadhead.

Summing up. The United States suffered a serious and China a disastrous defeat in Stilwell's recall, from which China has very far from recovered. The extreme pessimists say that China will not recover from this defeat. Be that as it may, there have been some slight improvements on the surface since but not in any fundamental respect. There has been a little more cooperation from the Chinese side both in the military and economic spheres. The Chinese Army authorities in Chungking are a little more amenable though there is still some friction; thus when Ho Ying-chin was demoted, he was sent to Kunming with three U. S. Army officers attached to his staff. He had two of them recalled right away and the third is shaming at the bit begging to be recalled. There has been no improvement in the internal political situation, and the Communists and the Kuomintang are still as far apart as ever. The Generalissimo has no intention of sharing his political power with anyone. Witness his recent appointment of General Yu Fei-peng as Minister of Communications. Yu was in charge of the Burma Road before its capture by the Japanese and his name stank right through China. His one claim to the post is that he is through and through the Generalissimo's man. The Government of Yunnan- for interested reasons - has already protested his appointment. The Communist attitude is to expect nothing from the Kuomintang. Relations with Russia have if anything deteriorated as a result of:

- 8 -

- (a) The appointment of General Wu as Governor of Sinkiang. Soon after he assumed office in Tihva, a book was published with a contribution by him fiercely denouncing Russian policy toward China. The consequence is that the Russian diplomatic representation in Sinkiang is barely on speaking terms with the Chinese authorities.
- (b) A Mohamedan revolt in the N.W. corner of Sinkiang which the Chinese say was formented and instigated by the Russians. This is always a good alibi for incompetent government. Actually, the revolt seems to be following the classical Sinkiang pattern. (There is a Chinese saying that there has to be one minor blood-letting in Sinkiang every thirty years and one major one every sixty years; ^{recently} progress seems to have/expressed itself by an increase in the frequency of blood-lettings.)

The economic and financial situation continues to deteriorate apace. The Chinese WPB is still in the planning and co-ordinating stage. As Nelson's assistant Coonley said yesterday, some progress has been made from an administrative point of view, but it has not yet expressed itself in any significant - even for China - increase in production. The Generalissimo is banking on time and a miracle to save him. America has become more realistic in its dealings with China, which is undoubtedly some net gain. But there is still a tendency to blow hot and cold.

The above of course is a summary of preliminary impressions, subject to revisions in the light of further and more detailed information. The Embassy relies heavily on the Treasury for its economic reporting and there are many

- 9 -

gaps to be filled in in this field. This can only be done by good hard legwork, and it will take a couple of days before I can dash off anything satisfactory, but I am giving it my first priority now that my most important courtesy calls have been completed.

With kindest regards and best wishes for the New Year to your wife, your daughters and yourself,

Yours sincerely,

(signed) Sol Adler

MS
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
agency. (SECRET-0)

February 7, 1945

7 p.m.

AMEMBASSY,

LONDON

945

Shipment of clothing in parcels from Sweden to Bergen-
Belsen as proposed Stockholm's 173, January 30 to London,
repeated to Department as Stockholm's 364, has our approval in
principle, FROM DEPARTMENT AND FEA FOR EWD, provided Intercess
can give reasonable assurances that parcels will reach addressees
and that satisfactory information regarding receipt of clothing
parcels authorized in November 1944 (REEMBE 9817, November 10)
has been received. We question advisability of including
Theresienstadt in view of increasing difficulties in connection
with internal transportation Germany and proximity of that camp
to eastern zone military operations. However, if Intercess can
assure delivery, we would offer no objection to shipments in
controlled amounts to this camp. If Theresienstadt eliminated,
amount of clothing authorized for shipment should be reduced
proportionately. If MEN agrees, inform Stockholm repeating to
Washington.

GREW
Acting
(EDK)

740.00115 EN/1-3045
SWP:EDK:EHJ 2-3-45
Approved by Miss Campbell FEA

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 WE AGREE WE SHOULD HAVE CONSULTED YOU CONCERNING
CONSISTOIRE GRANT HOWEVER OVERSIGHT ATTRIBUTABLE PARTIALLY
TO FACT THAT FUNDS IN NATURE OF LOAN OF INDEFINITE MATURITY.
HAVE ASSURANCE MEISS WILL COOPERATE FULLY AND LINDER WILL
EXPLAIN IN DETAIL. UNQUOTE

11:45 a.m.
February 7, 1945

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 JEWISH ARTISTS GROUP HERE APPEALED FOR AID BEHALF
35 JEWISH ARTISTS FRANCE. PLEASE CONSULT ALFRED ABERDAN
14 PASSAGE VICTOR MARCHAND PARIS 13 SECRETARY WHO FAMILIAR
NEEDS ARTISTS GROUPS. ASSUME THEY RECEIVING FULLEST POSSIBLE
AID. ARTISTS HERE PREPARED SEND THROUGH JDC ARTISTS MATERIALS
ENABLE GROUP BEGIN WORK. UNQUOTE

1:30 p.m.
February 7, 1945

CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM, FROM WAR REFUGEE BOARD.

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

QUOTE SOMMERSTEIN REQUESTS YOU CABLE HIM IMMEDIATELY ROUTE AND
DESTINATION EACH TRANSPORT IN ORDER ASSURE QUICK DELIVERY. ADVISE
WHETHER YOU PLANNING ADDITIONAL SHIPMENTS TO HIM FROM TEHERAN AND
CONTENTS. WE PURCHASING THROUGH UNRRA FACILITIES SIXTY THOUSAND
DOLLARS MEDICAL SUPPLIES FOR RUMANIA BULGARIA WHICH PRESENTLY CAN
BE SHIPPED ONLY VIA ALEXANDRIA. MAILING YOU LIST SUPPLIES.
REGARDING YOUR PURCHASES FROM MIDDLE EAST SUPPLY CENTER UNRRA
ADVISES US THEY CANNOT GUARANTEE REPLACEMENT EITHER FOR MEDICAL
SUPPLIES OR COTTON YARNS. OUR FIFTY THOUSAND DOLLAR APPROPRIATION
FOR MEDICAL SUPPLIES ORIGINALLY INTENDED FOR POLAND AND NOT FOR
RUMANIA AND BULGARIA BUT REALIZE NEEDS THESE COUNTRIES FAR
GREATER THAN WE CAN MEET. STOCKHOLM ABLE SHIP MEDICAL SUPPLIES
POLAND QUICKLY VIA LENINGRAD AND WE AUTHORIZING PURCHASES TWENTY-
FIVE THOUSAND DOLLARS. WE HAVE NOT YET RECEIVED CLEARANCE FOR
PASSMAN VISIT RUMANIA. IF PASSMAN PREPARED STATION FISHZORN
PERMANENTLY BUCHAREST WE CAN REOPEN MATTER WITH ALLIED CONTROL COM-
MISSION ON THIS BASIS PLEASE ADVISE. SUGGEST PASSMAN APPLY FOR
BULGARIAN VISA AND ADVISE US RESULT. UNQUOTE

4:00 p.m.
February 7, 1945

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

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

QUOTE REMITTING SALY MAYER \$500,000 FIRST HALF FEBRUARY. UNQUOTE

THIS IS WRB LISBON CABLE NO. 136

1:30 p.m.
February 7, 1945

CABLE TO AMERICAN LEGATION, LISBON, FROM WAR REFUGEE BOARD

Please deliver following message to Harold Trobe from M. A.

Leavitt of American Jewish Joint Distribution Committee:

QUOTE SUBJECT SCHWARTZ APPROVAL WE PREPARED APPROPRIATE TWENTY-FIVE THOUSAND DOLLARS FOR MEDICAL SUPPLIES TO BE SHIPPED SOMMERSTEIN LUMLIN FROM STOCKHOLM. INSTRUCT GOTTFARB ACCORDINGLY. ASSUME YOU INSTRUCTING GOTTFARB PROCEED PURCHASE SHIPMENT FOOD CLOTHING MENTIONED YOUR 152. ADVISE COSTS. REGARDING MEDICAL SUPPLIES FOR CZECHOSLOVAKIA MAGNES CABLES PASSMAN ARRANGING PURCHASE SUPPLIES FOR ACCOUNT CZECHOSLOVAKIAN GOVERNMENT THEREFORE PLEASE CLEAR WITH SCHWARTZ AND PASSMAN BEFORE AUTHORIZING PURCHASES STOCKHOLM. UNQUOTE

THIS IS WRB LISBON CABLE NO. 137.

4:00 p.m.
February 7, 1945

DEPARTMENT
OF
STATE

OUTGOING
TELEGRAM

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

DEPARTMENT OF STATE
DIVISION OF
1945 FEB 9 PM 1 04
COMMUNICATIONS
AND RECORDS
(LIAISON)

LER
Distribution of true
reading only by special
arrangement. (SECRET W)

February 7, 1945

5 p.m.

AMLEGATION

STOCKHOLM
224

The cable below is WRB 305.

Please deliver paraphrase of following message to Rabbi
Wilhelm Wolbe, 11 Giefsgotten, Stockholm, from Vaad Hahatzala
Emergency Committee:

QUOTE To decrease danger of persecution of refugee
rabbinical scholars in Shanghai while in Shanghai and to improve
their chances of being granted exit permits by Japanese authori-
ties and eventual transit facilities via Russia, please intercede
with Swedish government to grant them Swedish passports along the
lines of the generous policy adopted by Sweden in connection with
Jews in Budapest. By doing this, Swedish government will help
preserve lives of principal survivors of great religious tradi-
tion of Judaism. UNQUOTE

-2- #224, February 7, 5 p.m., to Stockholm

To Minister Johnson and Olsen from Department and WRB:

Above matter refers to Department's 100 of January 18 and Legation's 128 of January 11.

It appears that Vaad Hahatsala contemplates evacuation of rabbinical group from Shanghai by one of the following methods:

First--exchange against suitable contingent of Japanese civilians in a Western Hemisphere country other than the United States; or Second--overland evacuation via USSR to neutral territory, pending arrangements for permanent destination, without quid pro quo for Japan. The two methods should be kept entirely separate.

First method involves negotiation via Vatican and complicated shipping and technical arrangements. Regarding second method, according to the Vatican, there is no indication of Japanese consent to unilateral removal. In addition, there is serious doubt whether transit via Russia is feasible, since Soviet authorities will probably regard persons concerned as Russians or Polish citizens. In the circumstances, Rabbin are anxious to safeguard position of Shanghai rabbinical scholars by Swedish passports which might protect them either on the spot or in transit.

GREW
(Acting)
(GREW)

WRB:BNV:RD
2/7/45

HCE

EE

BAS-1884
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated February 7, 1945

Rec'd 11:42 a.m.

Secretary of State,

Washington.

463, February 7, 11 a.m.

THIS IS OUR NO. 122 FOR WAR REFUGEE BOARD.

Evensen and Traanaal report received covering Norwegian operations for December. Approximately 325,000 kroner were expended during month. Through legitimate licensing channels 1,350 packages were sent into Norway containing 18,000 kg. of foodstuffs, 2,700 kg. of clothing and 470 pairs of shoes. Through underground channels an additional 10,000 kg. of foodstuffs were sent into Norway and 300 pairs of shoes.

Rescue operations are continuing and in the first three weeks of December over 600 refugees were transported to Sweden through facilities financed in part by American labor relief. There are now six vessels engaged in evacuation by sea routes.

The Norwegian labor group is now virtually without funds and Olsen has loaned them \$50,000 of funds held by him for other purposes. This will presumably be repaid by \$50,000 scheduled to be transferred to them in February which will again leave them without funds. Since the group is presently engaged in operations which will require \$50,000 monthly please advise urgently whether this program can be financed or whether it will be necessary to curtail operations.

JOHNSON

EB

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

DEPARTMENT OF STATE
FEB 8 1945
DC/L
LIAISON OFFICE

RP-1945
Distribution of true
reasing only by special
arrangement. (SECRET W)

Stockholm

Dated February 7, 1945

Rec'd 3:15 p.m.

Secretary of State

Washington

470, February 7, 3 p.m.

Paraphrase of message for Stephen Wise and
Nathan Goldman of World Jewish Congress from
Chief Rabbi Ehrenpreis follows. This is our No.
123 for War Refugee Board.

Reference your cables of January 16 and 26.
We have been unable to verify correctness of rumors.
Swedish Foreign Office is investigating suitable
form of intervention but notwithstanding its
eagerness to help considers prospects extremely
dark. It believes that public protests or other
similar steps will only aggravate the situation.
Well informed individuals are opposed to ideas
of protective passports for persons in Theresien-
stadt and believe that only helpful step would
be inter-Allied warning of immediate (repeat
immediate) reprisals against Germans. We are
continuing every effort to lend assistance and will
keep you informed.

JOHNSON

DU

MF-83
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm
Dated February 7, 1945
Rec'd 11:55 p.m.

Secretary of State
Washington

483, February 7, 9 p.m.

SECRET

I have personally discussed briefly with Foreign
Minister Gunther and several times at length with Von
Post substance Department's 106, January 19, 8 p.m.
(WRB 293). Official Swedish reaction entirely favor-
able but both Gunther and Post skeptical that Germans
would be in any way amenable to Swedish suggestions in
this matter. Full memorandum of our views was trans-
mitted by Foreign Office to Swedish Minister Richert
at Berlin who has replied that in his opinion approach
by Sweden alone to German Government under present con-
ditions would have completely negative results. Richert
also reported German authorities entertaining no requests
by Swedes or others to visit these Jewish concentration
camps. Foreign Office then on February 3 sent instruc-
tions to Swedish Ministers Berlin and Bern to take up
secretly with Swiss Government and Vatican through

Papal Nuncio

- 2 - #483, February 7, 9 p.m., from Stockholm

Papal Nuncio at Berlin suggestion that Sweden, Switzerland and Vatican make joint approach in this matter to German authorities pointing out deep concern aroused by statements attributed to Goebbels in DAS REICH on January 21 indicating lives of Jews in camps in extreme danger and pointing out disastrous reactions on German reputation which would result if they come to harm. No reply received yet from Swedish Minister Bern but Richert reports Papal Nuncio considers such approach not only useless but might under present conditions produce effect contrary to its intentions. Same opinion expressed by Swiss Minister Berlin.

Swedish Government keenly aware of dangers and all their implications. I was assured by Post that they are examining every possibility for useful action. Fact that Swedish Government has made these exploratory suggestions to Vatican and Swiss Government should be kept secret and given no publicity.

There exists bare possibility Intercross might be able to take some action. Richert expressed opinion it is only possible body which could be employed.

JOHNSON

WMB

CABLE TO AMERICAN LEGATION, BERN, FOR MCCLELLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Saly Mayer, St. Call, from
M. A. Leavitt, American Jewish Joint Distribution Committee:

QUOTE PLEASE CONTACT MCCLELLAND REGARDING ARRANGING MAINTENANCE
FOR RACHEL FULDAUER CHILDREN STOP ADVISE WHETHER CHILDREN HAVE
CLOSE RELATIVES AND WHERE RESIDENT UNQUOTE

THIS IS WRB BERN CABLE NO. 393.

3:30 p.m.
February 7, 1945

PERSONAL FOR KATZKI, ANKARA, FROM O'DWYER, WAR REFUGEE BOARD

Urgent that you return to Washington immediately. Please advise date of departure.

THIS IS WRB ANKARA CABLE NO. 142.

4:00 p.m.
February 7, 1945

AA

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow via Army
TO: Secretary of State, Washington
DATED: February 7, 1945
NUMBER: 352

SECRET

The following is for Murphy.

With regard to conditions in Russian occupied Silesia, the information available is confined to scant details from press material. The February 4 issue of PRAVDA publishes a report from its Upper Silesia special correspondent describing return of population to Silesian metropolis and repatriation of liberated Soviet citizens to Russia. While the Germans wear white arm bands and fly white flags in token of surrender, the Poles residing there are flying red and white flags. Like a number of other articles which refer to the German civilian population, this article stresses Russian contempt of German behavior and the servility of the Germans toward the Russians.

It is reported that the huge Hermann Goering Werke metallurgical factory between Hindenberg and Gleiwitz is operating and is in complete running order. Factory chimneys are smoking and order is being restored, despite the heavy fighting which took place in these regions and around Beuphten.

A similar article is published in the February 3 issue of Moscow news stating that everything was captured intact, because of Soviet tank forces encirclement strategy attacking

Upper Silesian

-2-

Upper Silesian industrial areas from the rear. Capture was made of full enterprises in complete operation with telephone exchanges and power stations functioning and with locomotives on the sidings under steam. It is stated that much of the civilian population remained, due to conflicting orders with respect to evacuation from German officials.

With regard to the treatment given managerial staffs or the extent to which German personnel is being utilized in this enterprise, there is no information at hand. It may be assumed that technical experts followed behind the troops closely in order to take over management of industrial enterprise, judging from practices followed in liberated industrial regions in Russia. However it is likely that German laborers are being utilized extensively, since there has hardly been time to send in non-German labor forces.

Writers, recently returned from Poland, declare that beginnings toward setting up of Polish Civil Administration in the occupied German areas east of the Oder, have already been made. Polish delegates have already been despatched to Oppeln, according to information which Polish officials gave these writers.

KENNAN

DC/L:MEM:MEM

2/12/45

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL No. 44

Information received up to 10 a.m., 7th February, 1945.

NAVAL

1. ENEMY ATTACK ON SHIPPING.
6th. A 5222 ton ship in coastal convoy sunk by U-boat off Isle of Wight.
A 9240 ton U.S. ship in coastal convoy sunk by midget U-boat off Ramsgate.

MILITARY

2. WESTERN FRONT.
Southern Sector: Confirmed that on 5th Colmar Pocket split in two, though thought that only few Germans cut off. Western half of pocket much reduced in size during 5th and 6th by capture of Guebweiler, Munster and many other places. Small Allied advances also made on Northern Flank of Eastern half of pocket, and on 5th road and railway between Neuf Breisach and Breisach cut.

Central Sector: Third U.S. Army made advances of up to 1½ miles towards Prum, while further north 1st U.S. Army advanced up to two miles towards Schleiden and Dams on Roer and Erft Rivers.

3. EASTERN FRONT.
Russians forced Oder on front of 50 miles between Breslau and Oppeln and captured 6 important places west of river.

AIR

4. WESTERN FRONT.
6th. 1310 escorted U.S. heavies (7 missing or outstanding) attacked mainly on Pathfinder technique 16 railway centres or other targets including Chemitz (796 tons), Magdeburg (649 tons) and Gotha (193 tons).
Medium bombers 352 attacked supply dumps and defended villages in Cologne-Treves area (432 tons), railway bridge Deventer and fuel stores Emmerich (123 tons).
1542 fighters and fighter bombers (8 missing) operated over all sectors. 230 railway vehicles and 190 M.T. destroyed. Railway lines cut in 84 places.
83 Spitfires attacked rocket sites and communications Holland.

5. MEDITERRANEAN.
5th. 733 escorted U.S. heavies (4 missing) attacked mainly by Pathfinder technique oil storage area Regensburg (1003 tons) and 5 railway targets (299 tons).
356 tactical aircraft attacked communications on Brenner Route.

HOME SECURITY

6. ROCKETS.
One further incident early 6th now reported.
7th. 6 incidents reported.

MEMORANDUM

February 8, 1945.

There was a meeting today in the Senate Banking and Currency Committee room at which there were present Senators Wagner and Tobey; Congressmen Wolcott and Spence; Mr. Beaman, Legislative Counsel of the House, Mr. Perley, his assistant; Mr. Murphy, Legislative Counsel of the Senate; Messrs. Acheson and Ferguson of the State Department; and Messrs. O'Connell, Luxford, Bernstein, and Brenner of the Treasury Department.

The Congressmen had been furnished copies of the draft and Mr. Luxford explained to them the effect of its various provisions. The following decisions were made.

1. The President's message will be sent down to Congress on Monday, February 12, which will be the next meeting of the Congress.
2. The bill will be introduced in the Senate by Senators Wagner and Tobey, jointly, Thursday, February 15. The bill will be introduced in the House by Congressman Spence on the same day. Congressman Wolcott will not join in the introduction as he feels he can be more effective if he pretends to be neutral.
3. Hearings will be held in the House first, and it is expected that they will be called for the end of February. When the House has finished with the legislation the Senate will take it up.
4. The financing method which will be in the bill when introduced authorizes the Secretary of the Treasury to pay the subscriptions with the stabilization fund and by using as a public-debt transaction the proceeds of securities sold under the Second Liberty Bond Act. If there is serious objection to this proposal at any time it will be withdrawn and an authorization for an appropriation will be substituted.

WAX

Military Ordinariate

UNITED STATES OF AMERICA
 462 MADISON AVENUE
 NEW YORK 22, N. Y.
 TELEPHONE ELDERADO 5-3457

VERY REVEREND
 MSGR. JAMES H. GRIFFITHS, S.T.D.
 CHANCELLOR
 —
 REVEREND
 JAMES B. NASH, S.T.L.
 VICE-CHANCELLOR
 —
 REVEREND
 JOSEPH J. TENNANT, D.D.
 —
 REVEREND
 FRANCIS E. MORIARTY, C.S.S.R., J.C.D.
 ASSISTANT CHANCELLORS

MOST REVEREND
 FRANCIS J. SPELLMAN, D.D.
 MILITARY VICAR
 —
 MOST REVEREND
 JOHN F. O'HARA, C.S.C., D.D.
 —
 MOST REVEREND
 WILLIAM T. MCCARTY, C.S.S.R., D.D.
 MILITARY DELEGATES

February 8, 1945

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

My dear Mr. Secretary:

I am grateful for your assurance that all public appeals for the sale of War Bonds will always be kept on a high level. I was sure that this was your own wish, so I had no hesitancy about bringing to your attention a violation of good taste.

With assurances of respect and esteem, I am,

Yours very sincerely

+ John F. O'Hara, C.S.C.

Treasury Department
Division of Monetary Research 137 ✓

Date February 8, 1945

To: Secretary Morgenthau

You might be interested in this
information in view of your contemplated
trip to Mexico.

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

~~168~~

DATE Jan. 27, 1945

TO Secretary Morgenthau

FROM Mr. White

Subject: Mexican Gold Shipments

You may have occasion to know about two gold shipments involving the Bank of Mexico with which the Treasury has been concerned.

1. Last year, to replenish our gold holdings in New York, we gave the Bank of Mexico \$113 million of gold at the Denver mint in exchange for an equal amount the Bank of Mexico had in New York. Later, the Bank of Mexico asked to have the gold shipped from Denver to Mexico City. Because of the cooperative attitude of the Bank of Mexico, arrangements were made with the Post Office to send the gold to the Mexican border by mail. The total cost, including insurance, was less than \$70,000. The same shipment by express would have cost nearly \$250,000. In this way, we saved Mexico \$180,000.

2. Now the Bank of Mexico wants to send \$10 million in gold by mail from Mexico to New York. The Federal is reluctant to use the post-office facilities and has asked the Treasury's view. We have informed the Federal that Treasuries and Central Banks should be permitted to ship gold the cheapest way. Arrangements are now being made to have the gold carried by mail to New York. The cost of doing it by mail is \$10,000, the cost by express is in excess of \$25,000. Mexico will save more than \$15,000 on this gold shipment to the United States.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.



OFFICE OF THE
EXECUTIVE DIRECTOR

FEB 8 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 January 22 to 27, 1945.

Very truly yours,

A handwritten signature in cursive script, appearing to read "William O'Dwyer".

William O'Dwyer
Executive Director

The Honorable,
The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the Week of January 22 to 27, 1945

SITUATION OF JEWS IN GERMAN-CONTROLLED AREAS

Conditions in Concentration Camps

In connection with the reply of German authorities to the Irish Government, asserting that the rumor of their intention to exterminate the Jews in Auschwitz and Birkenau is pure invention without any basis, Representative McClelland pointed to a press dispatch from Berlin last October stating that officials there declared that reports circulated by Polish circles in London that the Germans "had carried out mass executions at Auschwitz and Birkenau concentration camps were devoid of any foundation as were similar reports circulated recently regarding the Pruszkow camp." Our request to McClelland that a communication be transmitted to the Germans with all possible speed to inform them that their statement to the Irish has been noted and that the United States Government accordingly expects that Jews and other survivors in German camps will be kept alive has been made the subject of an urgent note delivered to the Swiss Federal Political Department.

Representative McClelland advised us that he has been unable to obtain any reliable confirmation of reports to the effect that general orders to kill all internees who cannot be evacuated before Allied advances have gone out to SS officers in control of Jewish camps. From an analysis of considerable fragmentary information assembled over a period of several months regarding the course of Nazi policy toward Jewish deportees, and from recent statements of two intelligent Jewish women who reached Switzerland late in December, McClelland indicated his belief that it is reasonable to conclude that the Nazis have abandoned extermination of Jews as a general policy. This appears to be particularly true insofar as the physically able are concerned, although there is still a tendency toward small-scale exterminations of elderly people and children. The two Jewish women, who had been deported from Drancy late in July and were inmates at Auschwitz for the three-month period from August through October 1944, reported that, while they were not able to observe movements in the men's camps, convoys of from 3,000 to 6,000 Jewish women were brought to Auschwitz from Warsaw, Radom, Lodz, and Kielce, and then transferred to Germany as labor during the early fall of 1944, in an apparent effort

- 2 -

on the part of the Germans to prevent their capture in the event of a Russian advance. The two women were included with some 200 other Hungarian and 300 French and Dutch Jewish women who were transferred from Auschwitz to a work camp in Weisskirchen, near Kratzay, Sudetenland, on October 31. Further indication of this movement of Jewish deportees into Germany as labor is a similar transfer of 3,500 Hungarian and Slovak women from Auschwitz to Bergen Belsen in late September 1944, referred to in a recent report. Apparently the whole Upper Silesian industrial region of Katowice, Poland, and Beuthen and Gleiwitz, Germany, is honeycombed with work camps of Jews deported from occupied or formerly occupied countries, and the camp at Weisskirchen is part of another complex of Jewish work camps administered from the concentration camp at Grossrosen, near Breslau. It is expected that the present rapid Russian advance will reveal whether the SS exterminates Jewish internees whom they cannot evacuate.

Concerning conditions in the camp at Auschwitz while they were there, the two women reported that no indiscriminate shooting of internees occurred. They observed little wanton brutality in the "selection" of the ill for extermination and even some slight inclination on the part of the camp authorities to allow them to recover. As in all such camps, the mortality rate is high, due primarily to under-nourishment, unhygienic conditions, and, especially, to exposure for lack of sufficient clothing.

From Representative Mann we learned that a private organization in London received information from its representative in Switzerland to the effect that Theresienstadt is being transformed into an extermination camp. An eyewitness was said to have reported that 200 to 250 Jews per day are dying at Theresienstadt and that a crematorium has been erected there at a place called Nakrete. A broadcast from Moscow attributed to a former member of the Czechoslovak Parliament a statement that the Germans are converting Theresienstadt into an extermination camp along the lines of Majdanek. A British newspaper of January 21 carried a brief news item from the Associated Press stating that the American Seventh Army discovered "Nazi gas chambers containing the bodies of 6,000 people of Alsace" at the entrance to Natzweille.

These reports were relayed to Representative McClelland, who cabled in reply that, as requested, he had made them the basis of an urgent appeal to the International Red Cross to do all in its power to investigate their accuracy and to

- 3 -

secure permission to visit Theresienstadt again as soon as possible. He also contacted the Swiss representative of the private organization in London and found that his information was principally to the effect that the Nazis have transferred a great many people from Theresienstadt into Germany proper since about last October, ostensibly as labor, but that he had received no information that the Germans were transforming the camp into an extermination center. The number of persons involved in these transfers was not known, nor was the fate of the many elderly people unfit for work who must have been left behind. However, the customary postcards dated the end of November which reached Geneva this week from Theresienstadt contained no indication that the situation in the camp has changed so far as treatment is concerned.

According to information furnished to us by Representative McClelland incident to our request that the International Red Cross be urged to arrange to have an Intercross Delegate stationed in or sent on an extended visit to Bergen Belsen, Intercross has on its own initiative during the past three months filed two formal applications with German authorities seeking permission to visit this camp. The last flat refusal of the Germans to give the Committee the desired authorization was in early December. It was McClelland's understanding that Intercross has not relaxed its efforts to this end, and he informed us that, aside from its formal applications, several "ad hoc" attempts have been made by Intercross to visit the camp for the purpose of exercising closer control over the arrival and distribution of relief shipments. He indicated that he would nevertheless convey to Intercross the Board's views on this matter.

Proposed Warning by United Nations

A number of urgent requests have been received by the Board from private organizations in this country for the issuance of a United Nations warning to the German Government and the German people against further exterminations and other forms of persecution of Jews in Germany and German-occupied territory. Believing that action along this line at the present stage of the war might have a marked psychological effect, drafts of an appropriate warning were prepared and submitted to the Secretary of State for consideration in the event that the issuance of such a warning were considered feasible.

COOPERATION OF SWISS GOVERNMENT

In response to our request for information regarding the possibilities for a continued flow of refugees from Nazi persecution to be admitted into Switzerland without limit as to number, we were informed by Representative McClelland that in the course of several months of close contact with various Swiss Government officials and agencies concerning admission of refugees, he had observed no lack of willingness on the part of the Swiss to grant temporary asylum to large numbers of such persons. He pointed out that, on the contrary, the Swiss have themselves been active in efforts to expedite and organize evacuations of refugees from Axis territory and have repeatedly interceded with the Germans for this purpose, as in the case of the plan to evacuate more than 12,000 Jews from Budapest. Nearly 10,000 French refugee children from the Mulhouse region were recently received in Switzerland. McClelland added that entry of the second convoy of evacuees from Bergen Belsen in early December caused the Swiss Federal Police some disquiet, but he felt it understandable that the Swiss should have been somewhat disturbed for military and internal security reasons over the unannounced arrival of more than 1,300 unknown persons from Germany.

In this connection, Representative McClelland stated that our assurances with respect to the maintenance and evacuation of refugees admitted to Switzerland have been repeatedly conveyed to the Swiss, who have not as yet elected to utilize our offers of maintenance. However, he reported further, they took occasion during recent discussions regarding rescue operations to indicate informally their concern over the difficulties encountered in their efforts to import into Switzerland certain foodstuffs purchased for general Swiss consumption.

RELIEF PARCELS

It appears that, with the rapid deterioration of the internal rail transportation system in Germany, the Germans are becoming increasingly less inclined to make freight cars available to the International Red Cross for parcels services into Germany. According to the American Red Cross representative in Geneva, it is possible for officials to apply the terms of the Geneva Convention to induce the Germans to supply transportation for prisoner-of-war parcels, but no such leverage can be exerted in the case of shipments to

- 5 -

unassimilated persons, for whom parcel distributions are only tolerated by the Nazis. On the other hand, with the spread of internal disorganization in Germany and the concomitant breakdown of transportation, there seems to be a developing independence and openness to valuable local working arrangements among camp commanders and isolated SS groups. The situation with respect to accessibility to the International Red Cross is reported to be developing most favorably in all of the camps in the Vienna area, particularly the Jewish camps. Willingness to collaborate in relief activities is being indicated by the head of the SS group in charge of the camps there and by the German SS officer who is specifically in charge of all Hungarian Jewish deportees in Austria. As a further example of this trend, a delegate working out of Intercross headquarters at Uffing, near Munich, recently was admitted to the hitherto unvisited and unknown camp of Landsberg-am-Lech, in Eastern Bavaria, where there are about 15,000 internees, of whom eighty per cent are Jewish deportees. The delegate reported that the commander of the camp was unusually accommodating and that if he had had any means of transportation or a supply of parcels available at his headquarters, he would have encountered no difficulty in making direct personal delivery of them to this camp. The same circumstances were said to apply to the camp at Dachau, also near Munich.

These circumstances, indicating the transportation difficulties incident to shipping Board parcels and the otherwise promising possibilities in this field, were outlined in a cable from Representative McClelland this week in which he recommended that the Board give serious consideration to endeavoring to obtain a number of five to seven-ton trucks. He expressed the conviction that if four or five such vehicles could be made available to him to be lent to the International Red Cross Division of Special Relief for use in delivering Board parcels to accessible camps, a great deal of good work could be accomplished, particularly in the Vienna area. He pointed out that the far superior control possibilities as to the safe reception of parcels by intended beneficiaries represent a further important advantage in truck deliveries, as contrasted with the uncertain controls obtainable with shipments made via German railroads, when it is frequently difficult to trace freight cars which may be held up on sidings for weeks and even months without the knowledge of Intercross, as recently occurred when cars carrying parcels from Gothenburg were detained near Lübeck. It was thought that trucks might possibly be rented, purchased, or otherwise acquired in Switzerland, although the Swiss army is apparently very reluctant to allow such equipment to leave the country; tires

and fuel supplies probably would have to be provided from the outside in the event that trucks could be acquired. The urgency of action along the lines recommended was indicated in McClelland's estimate that the time still available for this invaluable work is, conservatively, not more than four or five months.

EVACUATIONS THROUGH TURKEY

According to a summary sent to us by Representative Katzki, a total of 6,527 persons passed through Turkey in transit to Palestine during the year 1944. This number is exclusive of 282 persons from Holland who were exchanged for German nationals in July. The number of children and youths up to 18 years of age included was 1,737, representing approximately 1,000 orphans repatriated from Transnistria, 327 children accompanied by their parents, and approximately 410 children emigrating without their parents. Of the total, 163 came from Hungary, 539 from Greece, 1,392 from Bulgaria, and 4,433 from Rumania, a large proportion of the latter being Polish, Slovakian, Ruthenian, and Hungarian refugees who had succeeded in escaping to Rumania. Ten groups arrived by sea from Constanza, the other refugees from Bulgaria and Rumania traveling by railroad. All of the refugees from Greece escaped by sea.

LATIN-AMERICAN PASSPORTS

We cabled to our Embassy in Quito information which we received indicating that imminent danger threatens 147 persons who are interned at Bergen Belsen and who hold passports issued in the name of Ecuador, the validity of which has expired or is near expiration. The Embassy was asked to transmit to Ecuadoran officials the urgent request of this Government that, to avoid a tragic loss of life, the protective power of Ecuador be notified that the validity of the passports in question has been extended and that the individuals involved are to be accorded protection.

A dispatch from our Embassy in Santiago brought information received by the Embassy from the Foreign Office to the effect that instructions have been cabled to the Chilean Legation in Bern to request the Swiss Government to inform the German Government that the United States has been empowered to negotiate exchanges of claimants to Chilean nationality for German nationals in this hemisphere. In this connection, the Foreign Office pointed out that the Government of Chile reserves the right to authorize or deny entry of the individuals involved to Chile.

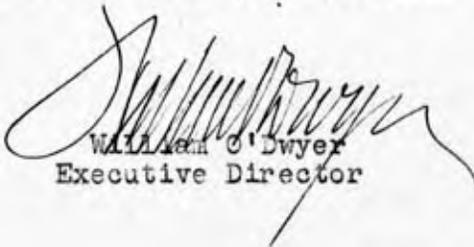
- 7 -

UNITED STATES VISAS FOR PERSONS IN ENEMY TERRITORY

The Swiss Foreign Office advised our Legation in Bern that lists of names of persons qualifying for the benefits of the Board's special visa program and last known to be living in Hungary were communicated to the Hungarian Foreign Office by Swiss representatives, and that the Hungarians made no response to the Swiss with respect to such lists. It was the view of Swiss representative in Budapest that, since the persons in question are no longer at the addresses given for them and are probably in hiding, investigations by Hungarian authorities could have only unfavorable results. Accordingly, the Swiss representative proposed that future such lists not be communicated to Hungarian authorities but be retained at the Swiss Legation, where everything possible will be done to aid them if the persons listed call there. Our Legation reported that it is requesting the Swiss Foreign Office to have the Swiss Legation in Berlin classify these people, some of whom have without doubt been moved to Germany, as exchangeable, in accordance with the procedure recently established. The Board's approval of this action was cabled to the Legation.

RESIGNATION OF EXECUTIVE DIRECTOR--APPOINTMENT OF SUCCESSOR

As a result of new duties recently assigned to him as Assistant to the Secretary of the Treasury, Mr. Pehle resigned as Executive Director of the Board on January 27. Brigadier-General William O'Dwyer was appointed as the new Executive Director to succeed him.



William O'Dwyer
Executive Director

ALH-221
Distribution of
this reading only by
special arrangement.
'SECRET W)

London
Dated February 8, 1945
Rec'd 12:25 p.m.

Secretary of State
Washington

1358, February 8, 4 p.m.

Foreign Office states that no copy of report on concentration camps in Holland and Belgium issued by Twenty-first British Army group is available in London (REDEPTEL 177, January 8, midnight WRB). Foreign Office is asking for copies from British Army authorities in Belgium. Foreign Office states that American Embassy Brussels was on distribution list for this report.

WINANT

BB

Miss Chauncey (for the Sec'y), Akzin, Cohn, Drury, DuBois, Gaston, Hodel, McCormack, O'Dwyer, Files

DD-654

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

Marseille

Dated February 8, 1945

Rec'd 2:47 p.m., 9th

Secretary of State

Washington

82, February 8, 11 a.m.

FROM LAFOON

All persons in telegrams 43, 44 of February 3; 45, 46, 47 of February 4; 55, 62, 63 of February 5; 75 and 76 of February 7 are on GRIPSHOLM proceeding to New York with the exception of the persons listed below who were transferred to ALESSANDRA February 6.

(13) Diakantenis, Emanuel; (269) Hirsch, Frits; (314) Hirschel, Frieda; (392) Segall, Jesse; (426) Jacolik, John; (474) Alvarez, Isidre; (508) Pelek, Stanislaw; (529) Kepczynski, Sigismund; (530) Kepczynski, Bronislawa and son Teddy; (551) Lewinsehn, Abraham; (368) Hirschel, David; (376) Murtaugh, Edward; (460) Redzyninski, George; No numbers for the following: De Blamentleit, Reber; Eastham, Viola; Willner, Edmund; Winselberg, Samuel.

Suggest that WRB and UNRRA may wish to maintain some form of control over mail and activities of above.

L'HEUREUX

WMB

Miss Chaunoy (for the Sec'y), Akain, Cohn, Drury, DuBois, Gaston, Hedel, McCormack, O'Dwyer, Files

JMM-534

PLAIN

Paris

Dated February 8, 1945

Rec'd 8:17 a.m., 9th.

Secretary of State

Washington

581, eighth.

FOR MOSES LEAVITT AMERICAN JOINT DISTRIBUTION
COMMITTEE FROM JOSEPH SCHWARTZ.

"View urgent need funds Belgium and present difficulties transfer would suggest you apply immediately Treasury licence deposit Chase Bank New York equivalent five million Belgian francs disposal Banque des Reports et Depots eleven rue des Colonnes Brussels. Chase Bank should notify Banque des Reports et Depots by cable that dollars have been deposited thereupon they will make available to our committee Brussels up to five million Belgian francs. Suggest you also notify Alfred Goldschmidt president association Dada aux Israelites Victimes de La Guerre seven rue Raucheret Brussels that deposit has been made. Please advise urgently".

CAFFERY

NSB

CABLE TO AMERICAN LEGATION, STOCKHOLM, FOR OLSEN, FROM WAR REFUGEE BOARD.

Please deliver following message to Mr. Fritz Hollander, Congress Committee, Postbox 7306, Stockholm, from Dr. Arieh Tartakower, of the World Jewish Congress:

QUOTE Kindly have foodparcels forwarded following Bergen-Belsen inmates: Amster, Marion; Druyf, Abraham Lehman, Margaretha (nee Schelvis), Arnoldabraham, Milly (nee van Embden); Heideman, Siegfried, Martha; Levenbach, Henriette-louise, Martinemile, Clara, Emilcarla, MarianneEva; Menko, Sig. Emmarosa; Presseisen, MoritzHeinrich, Flora, JoshuaSimon, Solomon, ErnestLeopold (Aufenthaltslager Bar. 11); Stern, Siegmund, Selma, Mirjam, Toni; Swaap, Samuel, Margarete; Willi, Wolf, Mehrgut. UNQUOTE

THIS IS WRB STOCKHOLM CABLE NO. 309.

12:15 p.m.
February 8, 1945

CABLE TO HUDDLE AND MCCLELLAND, BERN, FROM DEPARTMENT AND WAR REFUGEE BOARD

Today's New York Times reports the arrival in Switzerland of 1200 refugees from Theresienstadt and suggests that other substantial movements are to follow. Consideration has been given here to possibility that in view of present conditions of increasing overcrowding in Germany resulting from the flow of refugees into Germany from the east, the German authorities may, as a result of this pressure, present increasing numbers of refugees at the Swiss border for admission. It is assumed that, if such arrivals take place in an orderly manner and not in too great numbers at one time, the Swiss Government may be willing to accept them. If, however, the flow becomes substantial, Switzerland may request both supplies and assistance in removing from Switzerland corresponding numbers of refugees already there. Kindly advise whether in your judgment the foregoing developments appear to be an imminent possibility and if so, consider the wisdom of discussing the situation with Currie.

THIS IS WRB BERN CABLE NO. 394.

2:30 p.m.
February 8, 1945

DSH
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arrangement. (SECRET)

February 8, 1945

1 ;.n.

AMLEGATION

BERN
608
FOR HUDDLE OR MCCLELLAND FROM WAR REFUGEE BOARD

Vaad Bahataala Emergency Committee has advised Board thatt Sternbuch has reported by cable from Bern dated February 7 that twelve hundred (repeat twelve h hundred) refugees have just arrived in Switzerland from the concentration camp at Theresienstadt. Kindly cenfirm and report any known circumstances surrounding arrival of group.

OREW
(Acting)
(GLN)
ACTING

LFR-188
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern

Dated February 8, 1945

Rec'd 10:38 a.m.

Secretary of State

Washington.

869, February 8, 10 a.m.

FOR WRB FROM MCCLELLAND.

On January 25 Legation sent a note to Federal Political Department asking if Government of Switzerland would be willing to renew its approaches to German Government with view to obtaining release and evacuation from former Austrian territory to Switzerland of 12,000 or more Jewish deportees from Hungary. Swiss were asked to take this initiative since evacuation of approximately 12,000 Jews holding Palestine certificates and Swedish protective documents from Budapest to which both German and Hungarian authorities had previously agreed had proved impossible due to military developments.

A copy of this note was forwarded to WRB via pouch on January 27.

Under date of February 3 we received following reply from Federal Political Department, Division of Foreign Affairs: "Political Department thanks Legation for its communication of which it has taken note with the greatest interest.

In the spirit of Switzerland's humanitarian traditions the department is devoting to this question attention it deserves. In agreement therefore with Swiss Legation at Berlin it will carefully examine what representations could be undertaken in order to attain goal envisaged by American authorities." End of Political Department's note.

HUDDLE

BB

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

DEPARTMENT OF STATE
DIVISION OF
1945 FEB 9 AM 10 30
COMMUNICATIONS
AND RECORDS
(LIAISON)

MES-312
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern

Dated February 8, 1945

Rec'd. 4:45 p.m.

Secretary of State

Washington.

885, February 8, 2 p.m.

FOR DEPARTMENT AND WRB:

Based on your 336, January 20, WRB's 378 a note was sent to Federal Political Department on January 25 indicating clearly that our Government would welcome an appeal by Government of Switzerland addressed to German Government in behalf of Jews remaining in Germany controlled areas.

Legation is now in receipt of an answer from the Swiss dated February 6 stating that "The federal authorities did not fail to contract without delay the Swiss Legation at Berlin with a view to examining the means of taking action along the desired lines." END OF SWISS ANSWER.

I had previously discussed this general question in the light of Department's 127, January 9 with Minister Stucki on January 15 as reported in Legation's 581, January 27.

HUDDLE

DU

AS-377
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern
Dated February 8, 1945
Rec'd 6:10 p.m.

Secretary of State,

Washington.
887, February 8, 4 p.m.

FOR DEPARTMENT AND WRB

On occasion of my talk with Minister Tuck
along lines of Department's 127, January 9 (WRB'S 356),
356), I left an aide memoire with him on the subject
(Legation's 581, January 27).

Legation has now received a written answer to
this aide memoire from Federal Political Department,
Division of Foreign Affairs, dated February 5 stating
with reference to protective value of frequent visits
by Swiss consular officials to places where Jews are
concentrated that this matter is being studied by
Swiss Legation at Berlin with a view to determining
lines along which action can most profitably be taken.

Swiss aide memoire goes on to state "it must be
emphasised, however, that the situation is not the
same as in Hungary for in Germany Swiss intercession
in favor of Jews has up to now only been countenanced
with respect to limited categories (as far as members
are concerned) of beneficiaries of immigration per-
mits for Palestine or the USA and of possessors of
protection documents of South American states
and that only insofar as such persons were being
considered for exchanges". End Swiss aide memoire.

HUDDLE

LMS

SECRET

OFTEL No. 45

Information received up to 10 a.m., 8th February, 1945.

NAVAL

1. NORTHERN WATERS. 7th. Several groups enemy aircraft attacked convoy from U.K. when 300 miles N.W. Trondheim, but failed penetrate screen and caused no damage. One enemy aircraft shot down by gun fire.

MILITARY

2. WESTERN FRONT.
Southern Sector: 1st French Army strengthened junction south Colmar, took Neuf Brisach and also western approach Brisach Bridge thus leaving enemy only one permanent bridge across Rhine this area.

Central Sector: First and Third U.S. Armies pushed steadily forward in face stubborn opposition and forward troops now $3\frac{1}{2}$ miles from Prum and under one mile from Schleiden.

3. EASTERN FRONT.
East Prussian Sector: Further progress made south Konigsberg.

Central Sector: Russians extended their hold Eastern bank River Oder, north and South Kustrin, while further south bridgehead across Oder southeast of Breslau enlarged.

4. ITALY. U.S. troops resumed attack of previous day south of Pianora but were held up by heavy mortar and machine gun fire. In Serchio Valley three enemy counter attacks against newly won positions were repulsed.

AIR

5. WESTERN FRONT. 7th. 75 Lancasters (1 missing) out of 100 despatched attacked synthetic oil plant Wanne-Eickel with unobserved results. SHAEF (Air); Bad weather entire front precluded operations.

Night 7th/8th. 1187 aircraft (12 missing) despatched: Goch 464, Cleve (S.E. of Nijmegen) 305. Bombing carried out below cloud, accurate at former, heavily concentrated latter. Ledbergen 188 (on Dortmund-Ems Canal) with delay action bombs while 30 laid sea mines and 200 gave bomber support and carried out other missions.

6. MEDITERRANEAN FRONT. 6th. 158 escorted Mitchells (1 missing) attacked rail targets Brenner Route, encountering 50 enemy fighters, 3 shot down and 4 damaged. 378 light and fighter bombers operated successfully against communications N.W. Italy end close support targets Bologna area.

7. BURMA AND SIAM. 5th. 45 Liberators bombed stores Madaya (17 miles N. of Mandalay) while 28 attacked main bridge Burma/Siam railway Kanchanaburi (80 miles N.W. Bangkok).

HOME SECURITY

8. To 7 a.m. 8th.
7th. Three incidents reported.
Night 7th/8th. Three incidents reported.

~~CONFIDENTIAL~~
~~WASHINGTON, D.C.~~

Kimlira,
Sarasota, Florida.

February 9th 1945.

To the Honorable
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Morgenthau:

I did not read the article to which you refer
in the Times Herald of Sunday, February 4th.

Of course, I am very sorry if it was inaccurate.

I have no copy of "Who's Who in America" here.

You seem to imply that a Wall Street lawyer
and investment banker could not be, like your father,
above approach or criticism.

Yours very truly,

Clarence Patterson



CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK 7. N.Y

February 9, 1945. g

Personal

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

My dear Henry:

I have your letter of February 7th, 1945. I am sorry you cannot see your way clear to comply with my request to have the Treasury Working Balance stated in round figures. As I wired you, the Stock Exchange and the Curb Exchange have signified their willingness to do so.

I am personally pained and grieved because only yesterday, following the announcement of the Curb and Stock Exchange, the dirty, filthy, nasty, thieving tinhorn gamblers were betting ten to one that "Henry would not do it". This is distressing because of some of the nasty implications which of course I know are not true.

Outside of this criminal element, I do not know really what difference the last six figures make to anyone in the whole United States. I could do no more than ask you.

I wish sometimes you could see the misery caused by these thieves,

Very truly yours,


Mayor

DEMOCRATIC NATIONAL COMMITTEE
MAYFLOWER HOTEL
WASHINGTON
ZONE 6

ROBERT E. HANNEGAN
CHAIRMAN

February 9, 1945

Personal & Confidential

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

Dear Mr. Secretary:

Mr. Joseph J. O'Connell talked
with me about proposed legislation in
support of the Bretton Woods Agreement.
I will be of assistance in every way I can.

Thank you for your kindness in
having kept me advised.

Very sincerely yours,

Robert E. Hannegan

P. S. I listened to your St. Louis
address over the radio -- it came
in excellently, was concise and
informative.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 9, 1945

TO Secretary Morgenthau

FROM Mr. White

FOR YOUR INFORMATION

You may be interested in the attached Press Research reports, prepared by David Loth, in strong support of the Bretton Woods proposals. These reports were prepared from material provided by the Treasury. They are syndicated to a group of liberal newspapers including the Chicago Sun.

I think Loth has done an excellent job on this.

Feb. 7, 1945.

(Note to Editors: Within the next ten days, Bretton Woods legislation will come up in Congress. The ABA this week opened fire on it. In making the issue clear to your readers, the views of local bankers might be added to the attached stories. We would also call your attention to our report, Vol. III, No. 15, sent to you on Nov. 13, in which the Bretton Woods program was discussed in detail.)

BRETTON WOODS TEST OF U.S. SINCERITY AND HOPE OF MORE GOODS FOR CONSUMERS

Special to The _____

WASHINGTON. — When Congress votes on the enabling legislation to carry out the Bretton Woods agreements, members will be voting for or against the return of cleansing tissues to the corner drug store, for more newsprint for U.S. papers, for the tin that goes into a can of tomatoes, for an almost endless list of things that make for the comfort of their constituents.

Without a realistic foreign loan and foreign trade policy, of which Bretton Woods is the first essential step, other nations will not be able to buy from us or sell to us in anything like the amount needed to maintain full production here.

Bretton Woods is the first step because it offers the only plan to which 44 United Nations would agree for stabilizing currencies. This is no technical exercise for diplomats and financiers. It is simple bread and butter to millions of Americans. Stripped of technical jargon, it is a device for doing internationally what our own Federal Reserve and banking laws do nationally—keep the value of money relatively stable. Under the Bretton Woods plan, a Frenchman who wants to buy an American refrigerator will know what the cost is going to be as accurately as will a Californian. That confidence is essential to expanding trade.

HOW THE PLAN WORKS

Norway, for example, is going to need a lot of rebuilding to replace what the Nazis looted or destroyed. Without long term credit, Norway must

either depreciate her currency or stop buying or both. The Bretton Woods plan offers her machinery for keeping her krone stable, acquiring dollars for constructive purposes and becoming a factor in world trade.

Under the plan she would be able to get up to \$12,500,000 for essential purchases here. Without the plan, she would probably have to adopt some such device as entering a sterling area bloc under the leadership of Britain and force her economy to buy and sell within that area, which would not include the U.S.

But assuming that she can get the credits, foreign trade experts believe that Norway, on the basis of past purchases and probable needs, would buy from the U.S.:

The cotton crop of 50,000 acres; the industrial machinery of 1,000 workers; the automobiles assembled by 1,200 men, and substantial quantities of gasoline, steel products, meat.

In return, the U.S. consumer would get:

Enough paper and pulp to supply all the Federal Government's war needs for a year with a year's supply for Life magazine left over; enough iron ore to build two dozen of our biggest battleships; about 10% of all our fish and fish oil imports.

PROBLEM IN ARITHMETIC

This may seem like small potatoes in a national production of \$200 billion. But for the whole result, we would have to multiply the case of Norway hundreds of times in hundreds of articles of commerce. For Norway, in proportion to her population, bulks about as large in world trade as do the metropolitan areas of Tampa, Fla., or Moline, Ill., or Ashland, Ky., in the national economy of the U.S.

A Treasury memorandum figures that the normal proportion of exports under postwar full production will provide 3,000,000 jobs in industry and 1,000,000 in agriculture. The Department of Agriculture estimates that the loss of foreign markets would force American farmers to retire 8 to 16 out of every 100 acres they cultivate.

The loss of such a tremendous market for industrial and agricultural products obviously would send the domestic market into a tailspin. Full employment would topple into a new depression like a row of dominoes when the player upsets the first piece in line.

INC
SEVENTEENTH STREET, NORTHWEST
WASHINGTON 6, D. C.
PHONE DISTRICT 4148

Feb. 8, 1945.

**PUBLIC APATHY ENDANGERS
BRETTON WOODS AGREEMENT**

Special to The _____

WASHINGTON. - American acceptance or rejection of economic isolationism is a battle which moves into Congress in the next few days with bills to carry out the Bretton Woods Agreements. The American people's unquestioned determination for a durable peace based on international collaboration swings in the balance.

The outlook is tough; the Congressional road down which Bretton Woods must pass holds many perils. This is true largely because the people have not been acquainted with what Bretton Woods means in bread and butter, life and limb terms. On this point the Congress is truly representative of the people. Only a handful of Representatives and Senators know what Bretton Woods is all about. And of course international monetary policy is a sore subject at best, hard to glamorize, difficult to simplify.

But Bretton Woods is the key to expanding post-war foreign trade. And 5,000,000 of the 60,000,000 goal in postwar jobs depend on foreign trade. These 5,000,000 jobs are the bread and butter terms of the question and make the agreements formulated last summer in a New Hampshire resort of direct interest to every worker, farmer and business man in the country.

KEY TO PEACE

To date, Bretton Woods has been left by default to the almost exclusive consideration of the experts. This has made easier the job of the opposition in Congress. Even the most simple and innocent of measures can run into Congressional trouble if public opinion and organized pressure have not jelled. Bretton Woods is not simple. Its defeat would be a symbolic victory for the isolationists, politically as well as economically, because a vital blow would

have been dealt to our entire foreign policy, boding ill for future measures such as Dumbarton Oaks.

This key fact has not escaped the isolationists. Robert Taft has jumped into the leadership of the opposition in the Senate. And his companion from Ohio, Frederick Smith, has assumed that role in the House. They are gathering forces from the advocates of high tariffs and from the silver bloc and can be counted on to make things hot for Bretton Woods until the last roll is called.

CRIPPLING AMENDMENTS SOUGHT

Their tactics will be to concentrate on crippling amendments which would draw support from forces which have reservations on certain phases. They know that to amend Bretton Woods is to kill it.

The success of these isolationist tactics will depend upon the degree to which public opinion and pressure become aroused during the consideration of Bretton Woods in committee and on the floor. One of the favorable factors on this score is that it was endorsed by the Congressionally-powerful Farm Bureau Federation at its convention in December. If the Farm Bureau stand is translated into positive lobbying activity it will exercise a decisive effect upon many Senators and Congressmen of both parties. Within the Senate Banking and Currency Committee, which will consider Bretton Woods, the Farm Bureau could be decisive in formulating the position of John Bankhead (D., Ala.) and Arthur Capper (R., Kan.).

Bretton Woods will be proposed as an economic agreement rather than a treaty, and will thus go before both Houses for a majority vote. Another favorable development—which should go far to wreck isolationist designs—is the plan to have the bi-partisan sponsorship of Robert Wagner (D., N.Y.) and Charles Tobey (R., N.H.) in the Senate, and Brent Spence (D., Ky.) and Jesse Wolcott (R., Mich.) in the House.

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Feb. 9, 1945.

**CLIQUE OF BANKERS vs. UNITED NATIONS
IS BILLING FOR BRETTON WOODS BATTLE**

Special to The _____

WASHINGTON. — The opposition to the Bretton Woods program is relying on its hope that the American people will not connect it in time with their postwar security and postwar jobs. For the forces that are fighting Bretton Woods have been beaten in Congress in recent years every time the public got really interested in the issue.

The opposition is composed of unconverted isolationists, the diehard adherents to a rigid gold standard, high tariff advocates, some of the silver bloc and the leading international bankers.

The attack is spear-headed by the bankers. Although some of their number, notably the Pennsylvania Bankers Association, have come out in favor of Bretton Woods, the American Bankers Association has delivered itself of a ponderous denunciation framed as a plan for perfecting the program.

A FINANCIER'S OX IS GORED

To most of the bankers of the country, Bretton Woods will mean more business through greater stability of international exchanges, just as the Federal Reserve System helped them by stabilizing the domestic money market. Bretton Woods is opposed, just as Federal Reserve was opposed, by big bankers who see their domination of a chosen field threatened.

Bretton Woods will remove control over international credit from the chiefs of the big New York banking fraternity. Furthermore it will cut into investment banking profits by preventing them from floating unsound foreign loans where the only loser is the American investor.

Under the Bretton Woods program, all loans will be "screened" and even

if the international bank does not guarantee it, there will be no market for bonds which the international bank does not approve. It will not approve loans for improvements which a foreign city or country cannot afford nor loans for unproductive purposes. The investment bankers in the past have made big profits out of these issues.

However, the bankers do not attack the plan openly on those grounds. If they did, they could not impose even upon their most ardent supporters in Congress. So they seek to beat Bretton Woods by the old process of "perfecting" by reservations. It worked in 1919 with the League of Nations. Why not again?

44 NATIONS vs. THE ABA

The American Bankers Association, therefore, moves to the attack with a statement— withheld until a few days before Congress gets the Bretton Woods legislation—saying that the International Bank for Reconstruction and Development must be joined to the Monetary Fund which is designed to stabilize currencies.

The Bretton Woods Conference of 44 United Nations considered this—it had been debated by experts for about two years before—and decided to separate the two parts of the program. The ABA in effect is asking the U.S. to say to 43 other sovereign states:

"Our best experts agreed to separate the bank and the fund. But a part of the American banking community wants them joined. Unless you 43 nations agree to their demand, the U.S. will not take part."

Goebbels himself would find it hard to find a device so sure to disrupt the unity of the United Nations. The issue before Congress is not a system whose perfection is guaranteed—that would be impossible—but the best system that the financial experts of the United Nations could agree upon. The vote will be a choice between a plan backed by that part of the business community engaged in foreign trade, by labor, by the big farm organizations, by most economists and a nullifying plan backed by little groups of special interest.

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Feb. 7, 1945.

A FOREIGN LOAN POLICY TO BUILD U.S. JOBS

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A FOREIGN LOAN POLICY TO BUILD U.S. JOBS

The first test of nations working together for a common goal has been the military effort of the United Nations. The second will be the economic effort they must make to rebuild the world and expand its capacity to supply its two billion people. The first is the indispensable ingredient in winning the war. The second will be a no less indispensable ingredient in winning the peace. It will determine whether or not the next generation of American youth has to wage another world war, whether or not the next generation will achieve full employment, whether or not the next generation will have a higher standard of living than the last. In this decision, the foreign loan policy of the U.S. will be vital because:

1. This country is the greatest single reservoir of capital needed for reconstruction and development.
2. The world will rightly consider this as the acid test of our desire to participate actively in world recovery.
3. A sound lending policy means stability for the foreign trade on which 10% of our people depend directly and on which the whole nation depends indirectly.
4. A sound lending policy will prevent some of the causes of war; an unsound policy can become a cause of war; the choice must be made because the country simply cannot abolish foreign loans—it is a creditor nation and cannot stop being one if it wants to.

That foreign loan policy is not the exclusive concern of bankers, economists and diplomats. It is the concern of the cotton farmer who needs a foreign market, the mechanic who needs a job, the business man who needs a market. It is the very intimate concern of the housewife who wants to buy cleansing tissues or disinfectant or a can of tomatoes, to the car owner who wants a new automobile after the war or even just a spare tire for the old jalopy, to the man in the street who looks forward to the day when his pockets will be full of matches that will light. To all these people—in short, to all the American people—the following factors involved in foreign credit policies are as real as breakfast.

1 / Creditor Nation Has Big Stake In Buying Power of Debtors

The first consideration in any foreign loan policy is the purpose at which it is directed. For the U.S., this purpose must be to maintain or at least to do its share in helping to maintain the stability of the nations with which it does business. We have just the same stake as does the local banker in the success of the farmers and businessmen whose obligations he holds or as does a company in the solvency of the firm's customers. The best informed estimates of our postwar foreign trade are that we will need to sell \$8 to \$10 billion worth of our products and services abroad in order to sustain full employment at home. No American can be indifferent

to the policies which govern such an important segment of our producing capacity.

The U.S. is in the position of a relatively untouched area watching the recovery of a principal market from disastrous fire and flood. When the Ohio River goes on a rampage, business men in Chicago and New York know that it pays them to extend some credit to ruined customers so that they can rebuild. Similarly, the U.S. will find that it pays to help war areas rebuild. The concern of the Chicago or New York businessman, and the concern of the U.S. is that the credit be used for constructive purposes.

2 / Credit Needs Soar Beyond Private Capacity

The difficulties of estimating the reconstruction needs of the world are enormous if the estimate is confined merely to the actual damage caused. They are complicated by the fact that most of the countries that have been severely bombed or across whose land contending armies have fought are making their plans for expansion as well as reconstruction. No more than the U.S. do they want to go back to the production they had before the war. So Central and Eastern Europe, for example, have not only to build their hydro-electric plants, railways and communication systems all over again from scratch; they want to make them bigger and better than ever.

The Committee on International Policy of the National Planning Association estimates that world requirements for reconstruction and development in the first postwar decade will amount to \$150 to \$200 billion. Of this \$40 to \$70 billion will be needed for European reconstruction alone. Up to \$130 billion will be needed for world economic development at a normal pace. Says the Committee:

"Perhaps half of the developmental capital needs will have to be met by the United States, if they are to be met at all. Non-industrial countries will find it difficult to accumulate capital at the expense of needed consumption and, apart from the aid which some European nations will extend to dependent areas, other sources of capital will be meager. In addition, a substantial portion, perhaps half, of the reconstruction capital which cannot be met from national resources or scraped together by belt-tightening methods will also be requested of the United States."

3 / Buying Power of Foreign Nations From Their Own Resources

At the end of September, 1944, foreign countries had more gold and dollar balances with which to buy from the U.S.—if they could use all their gold for this—than ever before. But it did not mean that they could get all they need from these sources. The figures:

Foreign Gold Reserves and Official Dollar Balances

Held at Close of World War I	\$5 billion
Held at End of 1920s	\$9-\$10 billion
Held in 1941	\$10 billion
Held at end of September, 1944	\$17 billion

However, of the \$17 billion total in 1944, some \$14 billion was in gold and \$3 billion in official dollar balances. The U.S. already has \$21 billion in

its gold reserve—50% more than all the rest of the world put together. Ernest Draper and Walter Gardner of the Federal Reserve Board staff comment:

"The only economic need of the country for gold today is for purposes of international settlement, and for this purpose we have a redundant supply. **An international balance of payments which would force this country to take more gold would be contrary to our interest** unless the gold came to us for a limited period only and we were presently able to turn it back for foreign goods that would raise our standard of living."

According to the National City Bank, combined gold and foreign exchange balances of Latin American central banks and governments are approaching \$2 billion, with the trend likely to continue until the end of the war, or until they can again make all the purchases they want here. The figures on the gold and dollar holdings of individual European countries are secret because of security regulations. However, the National Planning Association assumes that the only countries able to export capital after the war will be the U.S., Canada, Sweden, Switzerland and perhaps one or two others on a small scale. Great Britain, once the greatest of capital exporters, will be the country most in need of capital itself, particularly dollars. Most British overseas investments were liquidated to finance the war, and nations which have helped supply the British war effort will furthermore have accumulated more than \$8 billion in blocked sterling balances. This means \$8 billion which they can only use for purchases in Britain. Some British authorities have estimated that to maintain stability, their country will have to increase her postwar exports by 50% over the prewar level. This cannot happen at once. After World War I, it took England a full year to reconvert for export. Most Continental industries needed three years. The tempo of industrial construction has been speeded since then, but on the other hand the devastation has been much greater.

The supply of dollars in foreign countries has been augmented and will continue to be augmented by American troops abroad, and later still by the tourist boom which is confidently predicted. It was estimated, for example, that at one time American troops were spending \$200 million a year for goods and services in Australia. At the height of the North African campaign, Allied forces spent \$400 million a year in Egypt alone. India, China and perhaps France and England to some extent, have accumulated dollars in this way.

4 / Lend-Lease is Out As Postwar Credit System

President Roosevelt has announced that Lend-Lease will not be continued after the war. This put a stop to a good deal of discussion as to whether such a system would be workable or desirable in peace. The President's letter to Congress on Nov. 24, 1944, said:

"Lend-Lease and reverse lend-lease are a system of combined war supply. They should end with the war."

Six days later, Nov. 30, a joint statement by Foreign Economic Administrator Leo Crowley, Secretary of State Edward A. Stettinius Jr. and Secretary of the Treasury Henry Morgenthau Jr. indicated that between the defeat of Germany and the defeat of Japan, Lend-Lease would not be used to rebuild civilian economies. Their statement was a description of the general agreement reached for this second phase of Lend-Lease. It provides:

1. Lend-Lease aid to Britain will be cut by 43%.
2. Reconversion to civilian production is to proceed at an equal pace, so far as may be determined, in England and America.
3. Of the \$5.5 billion authorized for aid to Britain in the year after the defeat of Germany, \$2.7 billion will be munitions and \$2.8 billion non-munitions items, including about \$800 million of petroleum products for the Allied oil pool.
4. None of these items may be used by Britain for re-export or of fabrication for export, nor may the British in this period export goods which resemble items arriving under Lend-Lease.

Lend-Lease, however, does make itself felt in reconstruction in some valuable indirect ways. For example, some of the non-munitions items sent to England will be used to improve the diet and housing of British people who are working and fighting for victory. The Burma Road, the railroad across Iran to Russia, the road from Alice Springs to Darwin in Australia, the Burma-Yunnan railroad, port facilities in Murmansk and Archangel, factories in India, Africa, England and France were all built in whole or part with Lend-Lease materials and equipment. They will remain as solid benefit to postwar economy. However, specific requests from both England and Russia for certain heavy machine tools, presses and other industrial equipment have been rejected. The ground for refusal was that these items would be more useful for postwar plans than in promoting the war program. Lend-Lease has consistently refused requests for heavy capital goods that could not be delivered within three years.

One Lend-Lease clause gives some temporary credit after the war. It is provided in the agreements that at the end of the war, goods on order—that is, goods already in the pipe line so to speak—can be sent to their destination on credit terms. That, however, will not take care of much. The gap between Lend-Lease and the resumption of normal exchanges in a rebuilt world must be filled by other means.

5 / Credit Facilities Proposed To Aid World Recovery

Ample funds, perhaps more than ample, are available through the normal channels of private and public finance for short-term loans to any foreign nation or business that can use them. However, many of the trading countries will not be able to acquire foreign exchange for a long time, and the principal planning, therefore, is in connection with long-term credits. Three main lines proposed are:

1. **The Bretton Woods Plan**, which would seek to stabilize currencies through its Monetary Fund and widen the field for constructive lending through its International Bank for Reconstruction and Development. The Bank would extend longer credits at lower interest rates for reconstruction loans. It is designed to supplement rather than replace regular credit facilities.
2. **The Export-Import Bank**, which is administered and financed by the U.S. Government, will probably be expanded to help handle the financial needs of the United Nations and others. The American Bankers Association would expand the Bank's capital to \$2 billion from its present \$700 million. Most

non-banking experts and some bankers believe the figure should be \$3 billion. The Export-Import Bank already has the power to purchase, sell, negotiate and discount notes, drafts, bills of exchange, acceptances and other evidences of indebtedness; to accept bills or drafts drawn upon it, and to borrow and lend money. The Bank went into business in February, 1934. Up to June 1, 1943, a highly simplified statement of its operations would look like this:

Total commitments	\$1,143 million
Total disbursements ...	396 "
Amount repaid	205 "

The bulk of the commitments have been related to inter-American trade. Most of the loans have been for self-liquidating projects. Generally speaking, private funds have been used under the guarantee of the Export-Import Bank through regular banking facilities.

3. "Joint Enterprise" loans would offer an outlet for accumulated U.S. savings on an equity investment basis rather than a debt financing basis. Instead of simply lending money and forgetting about it until time for repayment comes (and perhaps goes by default, too), American capital would be invested in productive enterprises along with capital of the country in which the enterprise is located. American investors would get stocks instead of bonds and would participate equally with the borrowers in the risk and the profits or losses. Representatives of the Securities and Exchange Commission tried to insert such proposals in the Bretton Woods plan, but they were rejected. However, they could operate without being tied to Bretton Woods. SEC officials think they will provide the best outlet for a good part of the \$10.6 billion of liquid savings held by U.S. citizens in September, 1944, and the \$44.3 billion net working capital held by U.S. banks in June, 1944. The Economic Policy Commission of the American Bankers Association reported, Sept. 1, 1944:

"A much larger flow of American, British and other capital will go to all parts of the world if conditions are made attractive. American business is prepared to go with its capital to provide know-how as well as funds, and as fully as possible to work with the people of other countries. One method of financing that has been notably successful in certain instances is the joint ownership method, where an important share of the capital is raised locally."

6 / New Rules Needed to Make Foreign Loan Policy Work

Besides legislation to put the Bretton Woods Plan into effect and to raise the lending ability of the Export-Import Bank, some important changes in the law of the land are necessary. Also, of course, some changes in trade habits and trade and credit traditions. Chief of the items on the legislative agenda are:

1. Repeal of the Johnson Act. This bit of restrictive law-making takes its name from the California Senator and was highly applauded in its day as a safeguard for American investors. Passed in 1934, it provided that no country in default on its debts to the U.S. Government at that time could borrow money here. It sounded fine, but in practice all it did was send business away from our shores. Most of Europe was covered by the prohibition, and unless it is repealed none of the countries will be able to float

loans for reconstruction privately in the U.S. no matter how sound the investment might be. The Government was not bound by the Johnson Act, but in practice the Export-Import Bank conformed to the Johnson principle, and in 1939 agreed to, if it did not actually sponsor, a clause in its enabling act which prevents it from lending money to countries in default on World War I debts. The whole sorry mess of those debts was the chief reason for Lend-Lease and its recognition that in war credits are a weapon, as expendable as lives and a lot more beneficial to the country that expends them.

2. New Safeguards for Investors. The bad taste left in the mouths of Americans who bought foreign bonds in the lush 'Twenties will be a big obstacle to postwar credits unless something is done to protect those investors. SEC rules are the generally accepted answer, although some bankers might oppose them. Under the uncontrolled system, "investment" bankers sold German and Peruvian and other bonds at a very handsome profit, often persuading reluctant debtors to borrow. The bankers kept the profit; the people who bought the bonds absorbed the loss.

7 / Alternatives Menace To U.S. Prosperity

Failure of this country to adopt a workable foreign loan policy which would help restore its foreign customers would not cause them to drop out of the world economic picture. Some of them have already discussed tentative plans which do not contemplate American participation. All of these plans would reduce American foreign trade, American production and American jobs. Typical are:

1. The "Sterling Area" Plan, proposed in a series of articles in the London Economist, would build a trading wall around the British Empire and some of the other Western European countries along with their overseas dependencies. London would be the banker for the group, whose members occupy some 40% of the earth's land surface. They would force other nations seeking to trade with them to accept the exports of the home countries while disposing of their own products to these countries. London would issue currency without gold backing, which would simply be a token for purchases of goods within the sterling area under restrictions and limitations imposed by the borrowing nations. Britain and the other participating European traders could use their purchasing power and the very size of their debt to force nations to sell food and raw materials cheaply while buying manufactured goods at a high price. The system resembles closely that operated by Hjalmar Schacht in Germany, but a desperate Britain, unable to obtain dollars after the war and unable to unlock the enormous "blocked" sterling balances accumulated by other countries during the war, might be willing to try it. The result, however disastrous to Britain, would also ruin a lot of American exporters. Here is a sample of how it would work:

An American salesman of typewriters would visit Australia and interest a good many firms in his product. But the government of Australia, as part of the sterling area, would inform the would-be purchasers that they have a lot of money available in Paris and Brussels, but none in New York. There would be no dollars available to buy typewriters, so the purchasers would have to buy a French or Belgian make no matter how much they would prefer the American.

While such a proposal violates both the Atlantic Charter and the Master Lend-Lease Agreements, a breakdown in more intelligent trade policies might lead to it. The Federation of British Industries and the World Trade

Alliance have indicated approval of the sterling area plan. A memorandum on postwar economic policy by the Empire Economic Union, reported by the New York Times, Jan. 29, 1945, called for elimination of the most-favored-nation clause from British trade agreements. It also urged a conference to consider empire trade problems and the development of trading agreements among countries in "geographical or political units."

2. Reduced Standard of Living can achieve at great suffering the economic goal of reconstruction. The Russians did this in building up their gigantic industrial power. It is a policy of machinery instead of butter. That the example was not lost on France is indicated by remarks of Ernest Mercier, chairman of the French delegation to the International Business Conference in Rye, N.Y. He said on Nov. 16, 1944:

"French industry will be rebuilt by a lowering of the nation's standard of living 30 to 35 per cent. for ten or twelve years."

Carried out on a world-wide scale, this practice would mean an end to free enterprise in every country attempting it, and an end, too, to America's hopes for an expanding world economy with higher living standards and an increased market for American goods.

8 / The People's Stake In Foreign Loans

Foreign loans are going to be necessary, and especially in the immediate postwar period, to maintain the volume of exports without which full production cannot be kept up. Since we entered the war, average exports have been about \$15 billion a year, of which \$11.5 billion have been Lend-Lease. The last pre-war export figure—1939—was \$3.1 billion. Only by a realistic lending policy can the postwar exports come up to half or more of the wartime trade. A Treasury memorandum notes that if we reach an export goal of \$10 billion in the postwar decade, it means jobs for 3,000,000 in industry and 1,000,000 in agriculture. The return flow of, say, \$8 billion in goods and \$2 billion a year in foreign investments would raise our own standard of living by providing needed items which we do not produce ourselves.

Farmers Are Exporters The war has restored American agriculture's foreign market to a considerable extent. In 1940, farm exports amounted to \$516.6 million. Lend-Lease exports of agricultural products from July, 1943, to June, 1944, amounted to \$1.9 billion. While the market will not be kept for all these products, the importance of overseas trade to the farmer is indicated by these 1935-39 averages for acreage devoted to export:

Cotton	45%
Tobacco	30%
Rice,.....	15%

The Department of Agriculture estimates that if exports were cut off, the farmers of the U.S. would have to retire 25 to 50 million acres of crop land. The higher figure is almost 16% of the country's crop acreage. The end of exports would mean that on the average every 100-acre farm would lose the market for 8 to 16 acres.

Factory Workers As Foreign Traders

One in every ten workers in manufacturing industries works for export. Foreign countries in peace will want almost as much of America's industrial product as they do in war. In the year July, 1943-June, 1944 we exported \$6.8 billion worth of munitions. In addition there were \$2.9 billion of industrial materials and products. That share of the national product provided employment for an estimated 3,000,000 workers. They will have jobs after the war only if the foreign market for their work is maintained. As Philip Murray, CIO president, said in his Re-Employment Plan submitted to the CIO convention in November, 1944:

"The continued prosperity of Americans is directly tied to the prosperity of people of all other nations. In addition to a domestic program for full production in the U.S. there must be a vigorous, long-term program of international commerce."

Business Looks to Foreign Markets

Through the whole business community there is evident an eagerness to expand abroad. The productive capacity of the country has been expanded about 50%. Many businesses which were never interested in foreign trade before are now planning to use some of their increased production for sale abroad, according to Joseph A. Mack, director of the Bureau of Foreign and Domestic Commerce field service. Business, too, understands the necessary link between credit and trade. The 31st National Foreign Trade Convention said in its Final Declaration, Oct. 11, 1944:

"This Convention recognizes that it is in the interest of this country to extend sound credit in one form or another to assist other nations which are taking steps to rehabilitate their economies and monetary systems."

Robert H. Patchin, vice president of W.R. Grace Co. and the Grace Line, believes the notion that 10% of our economy is dependent on foreign trade is an underestimate. While that is the percentage of the total, he points out that key industries on which the whole American economy depends must export up to 50% of their output.

9 / Loan Policy a Part Of Broader Picture

Any foreign loan policy, of course, can be only a part of the wider question of general commercial policy. It must be integrated with lowered tariff and quota restrictions here and in the rest of the world, with the discouragement of restrictive cartels, with SEC safeguards on investment. Our own share in this program was summed up by Charles P. Taft, director of the State Department's wartime economic affairs division, when he said in San Francisco on Nov. 14, 1944:

"We are the world's creditor nation, and what we need is not the isolationism of a policy of no loans, but the development of the skills of a creditor nation."

During the period between the two world wars, the U.S. continued to behave like a debtor nation, exporting more than it imported. Those supposedly hard-boiled policies really meant that we were giving away, without even the pleasure that comes from acting like Santa Claus, a very big share of our produce. It is a creditor nation's privilege to import more than it exports, and thereby to use its strength not only for the development of other countries but for a better standard of living at home.

10 / Samples of Benefits From a Sound Loan Policy

Under a soundly financed system of foreign trade, bulwarked by stable monetary systems, the postwar overseas commerce of the U.S. would reach new heights for peacetime. Projecting the anticipated rise to the year 1950 and basing values on dollars of current (early 1945) worth, we could expect a balance sheet like this:

<u>Exports</u>	<u>Imports</u>
(All figures given in millions of dollars)	
Farm products	Food, beverages, etc.....
.....\$1,200	.....\$2,110
Machinery	Raw materials and semi-
..... 2,400	manufactures
Automobiles, etc. ....	..... 2,465
..... 1,440	Manufactures
Other Metals and Metal	..... 1,160
Manufactures	Balance for shipping
..... 1,220	services
Oil, textiles, paper,	..... 365
chemicals, etc.	Total
..... 2,040	.....\$6,100
Total	
.....\$8,300	

As a practical example of how the whole foreign loan policy will benefit the individual American citizen, this projection of figures may be applied to the case of a single country, Norway. Norway's industries have been ruined, her towns and farms looted, much of her shipping sunk. She will need help to become as good a customer of the U.S. and as good a supplier as she was before the war. Under the foreign loan policy proposed, this is what would happen:

1. Stabilization of Currencies

The first requisite is that the value of money be known. If a farmer in Kansas did not know what a dollar would be worth in Chicago, he would have a hard time deciding how he could afford a tractor. He must also have some confidence in what the krone is worth before he buys Norwegian fertilizer. The Norwegian must have stable currency to buy a tractor, too. The Monetary Fund proposed by the Bretton Woods plan is designed to do just that. It provides machinery by which Norway could acquire dollars without upsetting its own currency and also without upsetting ours.

2. Recovery of a Customer

Norway is going to need credit to rebuild and develop her resources. If the U.S. takes part in extending that credit, the sort of things Norway will be buying here will add greatly to the number of jobs available in Chicago, Schenectady, Detroit and Pittsburgh, as well as to the well-being of cotton and cattle farmers. Projecting her needs on the basis of her prewar purchases, she would be a customer for among other things:

The cotton crop of about 50,000 acres.
The industrial machinery produced by about 1,000 workers.
Automobiles, etc., that required the work of 1,200 men.

In return, the U.S. would get from Norway, also among other things:

As much paper and allied products as is used by the Federal Government in wartime with enough left over to supply a magazine like Life.
Enough iron ore to build 2 dozen of the biggest battleships afloat.
About 10% of all the fish products we would import in 1950.

Specifically that means more newsprint for American newspapers, the reappearance of cleansing tissues in the corner drugstore, more vitamins for the children. It means part of the continued market for American cotton, the jobs of workers not only in the factories directly engaged in manufacture for export but also in suppliers' plants.

11 / Bretton Woods Becomes Test of Sincerity

First of the measures of foreign loan policy to face the test of a Congressional battle is the Bretton Woods plan. It is fitting that this should be so, for the first step toward the objective is stabilization of currencies. None of the other countries have acted upon it, for they are waiting to see what the U.S. will do. They see it as an indication of how the country will go on other measures of world security and cooperation. The opposing forces within the country line up something like this:

For Bretton Woods

Businessmen engaged in foreign trade.
The CIO and other labor groups.
The three big farm organizations.
Pennsylvania Bankers Association.
Most professional economists.

Against Bretton Woods

The American Bankers Association.
The remnants of isolationism.
High tariff advocates.
Part of the silver bloc.
Worshippers of the gold standard.

(Organizations like the National Association of Manufacturers are neutral, explaining that their membership is too divided to take a stand.)

The tactics of the opposition were foreshadowed by the American Bankers Association. Waiting more than six months after the close of the Bretton Woods conference, it issued its proposed reservations on Feb. 4, 1945. Essentially it is a proposal to combine the Monetary Fund and the International Bank on the ground that the bank is sound and anyway the stabilization of currencies is a banking function. The obvious aim is to defeat a measure that the bankers dare not oppose openly by insisting on changes. It is the tactic adopted to defeat the League of Nations in 1919. It is phony because:

1. The bankers know it is impossible to reconvene the conference and try to get 43 other nations to agree to a change simply because a part of the U.S. financial community wants it.
2. The bankers know that the very point they raise was argued and debated for about two years. The conference, which represented the best international finance brains of the United Nations, gave consideration to the ABA argument and turned it down. International cooperation will not get far if every such group can nullify the decisions of the official representatives of the 44 nations.
3. Even many bankers agree that the safeguards set up in the Bretton Woods plan are ample to protect this country.

12 / Outcome in Congress Depends on Popular Support

As the lines of division begin to be apparent in Congress, the fate of Bretton Woods is in doubt. The issue, most observers think, was not made clear to the American people. They have tended to regard it as a technical financial matter. But once they know that it is the measure of their postwar

jobs and their share in preventing another war, their representatives in Congress are likely to hear from them. Admittedly, the chief danger is that amendments, such as that of the American Bankers Association, will be suffered to pass without adequate realization that to adopt them is to defeat the cornerstone of a realistic postwar foreign loan policy.

Bretton Woods will have non-partisan sponsorship--in the Senate by Robert Wagner (D., N.Y.) and Charles Tobey (R., N.H.) and in the House by Brent Spence (D., Ky.) and Jesse Wolcott (R., Mich.). But opposition comes from some influential men. In the Senate, it is led by Robert A. Taft (R., O.), who said on July 12, 1944:

"In my opinion, no agreement for an international monetary fund on the terms of the original joint statement of experts will be approved either by the Senate or the House."

The high tariff view has its loudest voice in Senator Hugh Butler (R., Neb.), who used on Aug. 8, 1944, a statement by Bronson Trevor as an expression of his thought:

"The fund and the bank have the power to completely nullify the effect of our tariff laws... the American standard of living is dependent upon the payment of high wages for labor, which is made possible by the protection of the tariff." The only trouble with this is the ample proof that technological efficiency and not tariffs protect the American standard of living.

The bankers who oppose Bretton Woods lost one of their best spokesmen in the November election. He was Representative Charles Dewey of Illinois, Assistant Secretary of the Treasury under Hoover and a former fiscal adviser to the Polish Government. On Aug. 14, 1944, he told the House:

"I have come to the conclusion that any possible benefits to the economy of the United States are far outweighed by the risks involved... we should maintain an intelligently selfish point of view."

Senator Arthur Vandenberg (R., Mich.) was thought to speak for the international bankers when on Sept. 21, 1944, he said he had not completed his studies of Bretton Woods but wanted financiers, even "that whipping boy called a Wall Street banker" to be "encouraged to give us the benefit of their constructive thought on this highly technical subject." Popular pressure could bring reservationists into line, including 21 Republican Congressmen who signed a letter to the New York Times on June 23, 1944, before the Bretton Woods conference met, expressing doubts of what they called the Morgenthau plan. Enough changes were made in the conference to enable these representatives to change their minds. Nineteen of them were re-elected. They are:

Charles Eaton (N.J.)	Clarence Hancock (N.Y.)
Walter Judd (Minn.)	Charles LaFollette (Ind.)
J. Roland Kinzer (Pa.)	John Vorys (Ohio)
Hal Holmes (Wash.)	Christian Herter (Mass.)
Harris Ellsworth (Ore.)	Clare Luce (Conn.)
Joseph C. Baldwin (N.Y.)	Carl Hinshaw (Cal.)
James Auchincloss (N.J.)	James Wadsworth (N.Y.)
Jay LeFevre (N.Y.)	Paul Cunningham (Ia.)
Frank Carlson (Kan.)	Edith Nourse Rogers (Mass.)
Thomas Jenkins (Ohio)	

#

MEMORANDUM FOR THE SECRETARY.

February 9, 1945.

Mail Report

Again there are more scattered comments on various subjects, not necessarily connected with the Treasury, than there are letters on bonds, taxes, and other Treasury business to summarize. The mail was down in quantity, and since there were no outstanding subjects or controversies, there also was no outstanding group of letters to abstract. Even the sharp debate on the Bretton Woods proposals has, so far, brought in only one postal card. It was extremely critical in tone.

Aside from two or three communications warmly praising the simplicity of the new tax forms, there was nothing unusual in the tax mail. Demands for tax refunds fell off.

Bond mail was also lighter, with very few inquiries about adjusted service bonds, and little comment on the Sixth Drive. The problem of delays in delivering bonds purchased by service men remained fairly static, with perhaps a dozen complaints. There were again several reports of difficulties with ordinary Power of Attorney forms not accepted by the Government when presented by wives of men who are overseas. Although this represents a fairly small group, when the situation arises, it is extremely irritating and it might develop into a real sore spot.

There are still occasional comments on the so-called Morgenthau plan, which are usually favorable, although now and then one is in bitter opposition.

Three donations of \$27, \$50 and \$225, while still fairly small, represented a distinct rise over last week's \$1 contribution.

J. G. Forbush

General Comments

Charles W. Davis, Detroit, Michigan. I am enclosing Disability Compensation check for \$50.00, "Payable to the Treasurer of the U. S. for War Effort". I am pleased to return this check to be used for the War Effort and will continue to do so whenever possible.

Roy A. Skinner, Dallas, Texas. You are to be commended for your splendid service in the Treasury Department for the past several years. Undoubtedly you have had the greatest tax-gathering burden placed upon you that has ever fallen to the lot of any Secretary of the Treasury. As you have found out the hard way, people are ready to howl when their pocket-books are touched. And how all of us have howled during recent years. Not justifiably, of course, considering the sad plight of the rest of the world. But through it all you have gone along gathering in the taxes and serving our nation in a superb manner. The writer is a white-collar worker -- just plain Mr. American citizen who is carrying his load -- and one who is in a position, if anyone is, to appreciate a job well done. So this is a letter of praise, one of encouragement. My hope is that your health may continue good to the end; that your energies and talents may be directed constantly toward the matter of providing the necessary funds to push our part in this great war to a speedier conclusion.

Senator Harry F. Byrd, transmits the following letter from Mrs. Mark Cooper, Rome, Georgia: " * * * This Surplus Reporter lists 30,241,838 dressings and face masks for sale as dust clothes, window wipers, machine wipers. The booklet does not say these are Red Cross dressings. Some are listed as being made by the Acme Product Company. * * * By strange coincidence, the Surgeons Face Masks have the same item numbers as the

item numbers used by the Red Cross for Surgeons Face Masks. * * * As Chairman of Rome, Georgia, Surgical Dressing Corps, I have contributed nearly 3,000 hours in two years to this work. You can guess I am wondering if these hours of volunteer service were necessary. As I see it, if a man is wounded, he cares very little what kind of bandage is used, so long as his wound is bandaged. If 330,241,838 sterilized bandages were available for use for our wounded, even if the doctors did not like the way they were made, or the type, or whatever was the trouble, why couldn't they be used anyway? * * * The Rome women who made the 941,880 Red Cross dressings we made in two years will be interested, too, as to why the Army is selling sterilized dressings for dust cloths. At the rate the dressings were made by hand in our local workrooms, it would have taken us over 65 years to make 330,241,838. And at the rate of hours I gave for the past two years, I would have to give at least 96,000 hours' volunteer service -- no pay, no time and a half for overtime, no strike, no nothing -- just dust cloths! You can well imagine how this booklet from the Treasury Department has completely disillusioned me. I am beginning to wonder if this country and the men and women who are at the top care whether our sons die; are the Washington bureaucrats sabotaging our sons? * * * "

Henry Weissfeld, Notary Public, Akron, Ohio. Having children overseas and being a heavy buyer of War Bonds, I am physically as well as morally greatly interested in the successful outcome of our war against the enemy. I am therefore asking you, Mr. Secretary, if newspaper columns such as the one enclosed herewith, written by Westbrook Pegler, appearing in the Akron Beacon Journal on February 1, 1945, is not stabbing me and you in the back, and thereby aiding the enemy? Is there any kind of law, despite our Constitutional guarantee of Freedom of the Press, which would put traitors, such as Pegler, where they belong during an all-out war? Especially do I take exception to his remarks where he refers to the "invalidation of paper dollars and War Bonds".

Henry Everets, APO 600, c/o Postmaster, New York City. I just got through reading in the December 4, 1944, issue of Time Magazine, under the heading of Surplus Property, that the Army decided to sell 22,000,000 flashlight batteries, for which it had paid $7\frac{1}{2}\text{¢}$ each, for 4¢ each. I am surprised to learn that the Army has the right to set the price for Surplus Property. I have always been of the opinion that the Army could requisition such supplies as they might need and could recommend the disposition of unnecessary supplies or equipment, but could not actually do the selling. Please advise as to which interpretation is correct.

Emilie N. T. Hall, Ithaca, New York. I have received a Treasury check for \$26.45, payable to Albert J. and Emilie N. Hall, in refund for surplus income tax paid in 1943, on the joint return made by my husband and myself. Mr. Hall is now somewhere in the Pacific area and I am unable to deposit the check because my banker tells me a special Power of Attorney, filed with the Federal Government is necessary for me to endorse the check in his name. Mr. Hall is an enlisted man and we have a son. Needless to say, I need the money. My banker tells me that he has had hundreds of cases similar to mine; that the only thing I can do is mail the check to Mr. Hall for endorsement and hope it will arrive back here safely. The Power of Attorney which I hold, and which is generally recognized, is not valid with the Government. * * * It would seem to me that if the regulation is unalterable, attorneys throughout the country should be notified of it so that when they are helping men to get their affairs in shape before leaving the country, they could prepare and file the Power of Attorney required by the Government. * * *

Milton R. Jacobs, Public Relations Officer, New York Council Jewish War Veterans of the United States, New York City. I wish to point out to you an article which appeared in the Sunday New York Times, Magazine, namely,

"The Germans Don't Know They're Beaten", by one Curt Riess. It is both timely and sensible. * * * What interests me though are the references to the so-called "Morgenthau Plan". * * * In my estimation this is the first instance in which I have encountered any decent or favorable comment or explanation of your plan. Since its announcement and the resultant furor which it aroused in the Press, I have been in complete agreement with your theory and attitude towards Germany. I regret that so many others have adopted so hostile an attitude. It is beyond me how anyone can, in the interests of moulding a better future civilization, promulgate a worthier or more practical plan. * * * History and the March of Events will one day prove the practicality and good sense of your plan, along with other constructive intents of the greatest Administration in the history of our country. * * *

Frank E. Schumm, Woodhaven, New York. As a law-abiding, bond-buying, voting, taxpaying, United States citizen and prospective draftee, this is my endorsement of the bankers' associations' plans to replace the Bretton Woods proposals. Contrary to the opinions of you British-first minded officials, I still believe that American security and financial stability should occupy top place in the thoughts of all United States citizens and officials. By the same token that you accuse the bankers' committees' opinions of not being representative of the conclusions of the officials of our 15,000 banks, do your opinions in the interests of foreign nations express the wishes of the majority of over 130,000,000 United States citizens?

Richard Rucier, Philadelphia, Pennsylvania. I am only a boy of thirteen, and I don't know much about the Government Departments, but I do know that you are doing a swell job as Secretary of the Treasury of the United States. You might not think the American people appreciate what you are doing, but I can assure you they do. Keep up your good work.

Favorable Comments on Bonds

L. P. Niessen, Chairman, Cutler-Hammer Labor-Management Sub-Committee, Milwaukee, Wisconsin. * * *
Recently the Company authorized an employees' bonus to the entire organization with factories here and on both Coasts and application offices throughout the country. Through the fine spirit of cooperation between Management, employees and several Unions in the Company -- all cooperating -- I am sure you will be glad to know that the entire employee bonus will be paid in War Bonds -- approximately \$400,000. This, of course, is in addition to the fact that better than 90% of all employees are on the War Bond payroll deduction plan subscribing in excess of 10% of their salaries -- to War Bonds. We are all naturally delighted with this bonus payment plan and thought you too would like to know about it.

Unfavorable Comments on Bonds

George M. Craig, President, Merchants National Bank, Port Arthur, Texas. I thought you might be interested in the number and amount of Government Bonds cashed by two Departments of this bank since you permitted banks to cash these bonds. The enclosed slip gives these figures for October, November, December, and January. If you were to return to your old system requiring banks to send these bonds to the Federal Reserve Bank to be cashed, and to permit banks to loan on these bonds, many now cashing their bonds would borrow on them and not cash them. If your Department were afraid the banks would increase their earnings by such loans, you are mistaken, as the laborers, who are the ones cashing these bonds, usually only want to borrow a few dollars to tide them over to the next payday, and the expense in making such small loans would be more than the revenue.

R. H. Ankeny, Apollo, Pennsylvania. I'm sales manager of stamps and bonds in our public schools here and have been ever since the start, and our sales have dropped off alarmingly since the O.P.A. pulled that thief act of declaring our sugar and food stamps null and void. People (parents) are stopping me on the streets and asking me whether I think that the Government is going to do the same with our bonds. One man says that he's going to dig a hole in the ground and put his money where he knows it's safe -- and strange as it may seem, he voted for the New Deal every time, and says, "Never again". * * * (Note: You'd better put the 7th Bond Drive off quite a while to allow time for people to cool off about food stamp losses -- stolen from under our noses.) * * * Now, Mr. Morgenthau, will you send me some kind of very official statement which I can hand to people who ask such questions as above stated? I'm answering them, "Your bonds are the best investment that you can make and should they become worthless, nothing else will be worth anything -- so keep on buying".

John Hagy, Drexel Hill, Pennsylvania. * * * We hear indirectly from people who we feel are loyal citizens of our country, especially several business associates, that there is a possibility of U. S. War Bonds, Series E, someday being deferred and the interest wiped out or postponed to a later date and what have you. * * * I often wonder why you, representing the Treasury Department, or someone has not come out and given the public the necessary assurance in order to stimulate the interest of these folks who are buying these bonds and redeeming them a few months after their purchase. It is my opinion that a great deal could be done to influence the purchasers of this particular Series to retain the bonds and build up their savings if there were more encouraging propaganda or the facts known that the U. S. Government is in back of this particular Series the same as our Government now is guaranteeing bank deposits up to \$5,000.00. Personally, I think this is absolutely needed, particularly at this time, unless the present Administration cannot take the responsibility of guaranteeing these payments at the maturity date. * * *

Mrs. Thos. Proctor, Auburn, Illinois. I am writing to you in regard to our son's bonds. While he was in New York he signed up for a \$50 Bond a month and all we have received is two -- one for July and one for August. There should be four more which we have not received. He has been across six months, or better. Now we are very anxious to know just what has happened to the other bonds. He asked about them in his last letter, which was written December 27, 1944. We will appreciate any information you can give us. * * *

An American -- Postmarked Brooklyn, New York. * * * Having a deep sense of patriotism, and knowing so many parents with sons in the service who honestly make a sacrifice to purchase War Bonds, in the hope it may help their boys a little, I feel something should be

done about the following condition: My sister is employed at Barton's Bonbonniere Candy Company. Practically all the employees of this firm have been purchasing War Bonds on the payroll plan. * * * Many of them have had bonds completely paid for as far back as October, but to date have not received same. Upon inquiring at the office for their bonds, the employees were advised that no bonds had been purchased as it was too much trouble for the firm to handle them and they had no time to be bothered any more. Furthermore, as soon as the firm's books were straightened out, the employees would be given back their money to do what they pleased with it. * * * For nearly five months these employees have thought their money was being used by the Government in the war effort, and also their bonds were accruing interest, only to find now the money has been lying dormant in the firm's office. * * *

F. Guy Hitt, First Vice President, Federal Reserve Bank of St. Louis. We believe you will be interested in an incident one of our Field Representatives reported to us concerning the cashing of Series E Bonds. * * * We quote from our representative's report as follows: " * * * A former foreman at the Dupont plant, located nearby, presented more than fifty series E bonds and asked that they be cashed. In discussing the reason for such actions, it was learned the man was under the impression that payment of such securities would probably be withheld until maturity, at which time all accumulated interest would be taken for taxes and in event of his death, they automatically became the property of the Government. After explaining the situation (our field man did the explaining), the request was withdrawn and he left with the bonds, apparently content to hold on to them. According to the officer, approximately 5,700 bonds were cashed during the quarter ending December 30, 1944." * * *

Favorable Comments on Taxation

S. B. Coleman, Lambert, Mississippi. I want to congratulate you and your staff for the work you did in getting out the forms for income tax reports for the year 1944. I believe that this is the best form I have ever seen yet, and especially Form 1040. In fact, you and your staff deserve lots of credit for the services that you have rendered in studying out the Revenue programs. If it is not asking too much of you, I would like to get the figures as to what the National debt was around the first of the year.

Robert Denniston, Staten Island, New York. I have just finished making out my income tax. Presumably this should be the time when I should damn the Secretary of the Treasury. On the contrary, may I congratulate you on the simplicity of the form and the way in which we now pay our taxes. Sure they are high, but no more than we should expect. I sincerely trust that no further changes will be necessary and again congratulate you upon a job well done.

Unfavorable Comments on Taxation

Joseph F. Spektor, Brooklyn, New York. I know that you are doing a good job and that you are a very busy man, but I must get this off my chest. It is now over one year since I've sent in my tax return, which I checked for a refund, which to me is a needed sum. May I inquire as to when I may receive this refund? Please forgive my impatience.

Treasury Department
Division of Monetary Research

240

Date.....19

To: Secretary Morgenthau

You may be interested in glancing
at the appended summary statement of
the French Program for Restitution of
Property Seized from Jews and Other
Minorities.

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

February 9, 1945

TO Mr. White

FROM Mrs. Baum *MB*

Subject: French Program for Restitution of Property Seized from Jews and Other Minorities

Hoffman's impression is that the French program for restitution of property seized from Jews and other minority groups has not made great progress and that the government, although working on the program in good faith, is not giving it high priority. His information, based on talks with the Director of the Blocus as well as other local sources, is as follows:

(1) Existing ordinances provide only for the return of property which has not been disposed of to third parties. This includes only an estimated 30 percent of the number of cases and a smaller percentage of the value of confiscated property. However, the Government intends to remove this limitation.

(2) The Government is committed to the principle that restitution will be made regardless of the good or bad faith of the purchaser.

(3) The slowness of restoring business properties has received much criticism and it is alleged that the Administrators of such property have been ruining the property and lining their own pockets during the two months period permitted for winding up their affairs. (These administrators have been organized and have been disseminating anti-Semitic propaganda. Two such societies have been dissolved and their records sequestered following Government investigations.)

(4) Restoration of houses and apartments to original owners has been equally slow. According to the Blocus present tenants of such property are to a large extent persons with high priority claims (for example, their homes were destroyed by the Nazis) and that in view of the housing shortage these people cannot be forcibly ejected.

(5) The Government's program is hampered by lack of records, the absence of persons familiar with what transpired during the Vichy regime, and by numerous practical difficulties. (An example of the latter is the heterogeneous collection of household furnishings and goods, including many standard items, recovered while en route to Germany.)

(Paris No. 55, January 9, 1945)

*Frank Coe:
Speak to me please
MB*

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

DMH-554

This telegram must be paraphrased before being communicated to any other than a Government agency. (SECRET O)

Chungking via Navy

Dated February 9, 1945

REC'D 9:43 a.m.

Secretary of State

Washington

198, February 9, 10 a.m.

TO SECRETARY OF TREASURY FROM ADLER

One. US army figures reveal gross (repeat gross) expenditure of CN dollars 9.1 billion for last quarter, 1944. According to preliminary data, net expenditures totalled CN dollars 7.8 billion after appropriate deductions for tax payments, goods and services paid for by US Army in CN dollars which goods and services it made available to Chinese Army, et cetera. Details of deductions en route to Washington by diplomatic pouch. (REURTEL 183 February 3)

Two. In view of reduction in airfield construction and increase in prices in last quarter of 1944 army estimates show actual goods and services received in that period were from one half to two thirds of those in previous quarter. On basis of payment for third quarter of 1944 their US dollar value should average roughly dollars ten million per month. This estimate

tentative

FOR SECURITY OF THE MESSAGE THIS TELEGRAM MUST BE TRANSMITTED BY DIPLOMATIC POUCH.

-2- #198, February 9, 10 a.m., from Chungking via Navy
tentative and we feel that settlement should be held
up until all data available.

Three. Army no rate expenditures are rising rapidly
in view of particularly swift advance in prices since
beginning of year. This fact should be kept in mind in
negotiations for settlement of next quarter of 1944.

Four. Am in constant contact with General
Wedemeyer and General Olmstead and we are in complete
agreement. Am keeping General Hurley fully informed.

HURLEY

RR

PLAIN

London

Dated February 9, 1945

Rec'd 12:05 pm.

Secretary of State,

Washington.

1411, Ninth

FOLLOWING FOR WRB FROM EMERSON IGC

"We have seen press reports that about 1,200 Jews have just arrived in Switzerland from Theresienstadt and that the party includes between 500 and 600 Jews of Dutch nationality. It is further reported that another party of 556 persons from Theresienstadt is expected immediately and that others may follow. We have cabled to the Swiss authorities asking for confirmation and also for information relating to exact numbers distribution by nationality number holding valid Palestine certificates and also plans if any in regard to the party. We will let you know any relevant information we receive and shall be glad if you will keep us similarly informed. We think it very desirable that there should be consultation and coordination regarding these groups between the War Refugee Board and ourselves for instance it may well be found that some of the Dutch Nationals even if they have protective documents for other countries will wish to return to Holland and it therefore seems essential that there should be a full inquiry into the antecedents and wishes of members of the groups before definite plans are made for their future. We also think it important that we should take the same line in our approaches to the Swiss Governments especially in view of the assurances^{in regard to} which have been several times given to the Swiss Government that they will be relieved of the cost of maintenance if they so desire and if the Swiss Government accepts this offer it would presumably be for the Intergovernmental Committee to secure the necessary funds.

"Since groups from places other than Theresienstadt have already entered and may enter Switzerland we have no doubt that you will agree that the same procedure of consultation and coordination should be followed in all such cases".

WINANT

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 PLEASE INVESTIGATE SITUATION RACHAEL BESSLEN, ROUTE
SALVETAT LACAUNE TARN AND EXTEND AID UP TO \$250 ACCORDANCE
GENERAL LICENSE 665456. MRS. BESSLEN COUSIN OF JOE WEINGARTEN
HOUSTON TEXAS. PLEASE SEND US FULL REPORT. UNQUOTE

2:30 p.m.
February 9, 1945

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

Please deliver following message to Noel Field, 24 Rue Laffitte,
Paris, from Dr. Charles R. Joy of Unitarian Service Committee:

QUOTE 9 ALL INFORMED FRIENDS ADVISE AGAINST JEW AS
SOLE POLISH MEMBER DELEGATION PLEASE SELECT ADDITIONAL
POLISH MEMBER. IF NECESSARY TO HASTEN ACTION RE SPANISH
REPUBLICANS POLISH MISSION AND OTHER PLANNING ADD ANOTHER
COMPETENT PERSON TO STAFF EXPECTED FUNDS WILL REIMBURSE YOU.
UNQUOTE

11:30 a.m.
February 9, 1945

CC-885

PLAIN

Paris

Dated February 9, 1945

Rec'd 8:30 a.m. 10th

Secretary of State,
Washington.

595, Ninth

FORMOSIS LEAVITT AMERICAN JOINT DISTRIBUTION
COMMITTEE FROM JOSEPH SCHWARTZ

"Your 5. Naturally we anxious fellow wishes reconstruction committee in setting up new credit cooperative but under existing conditions and view legal difficulties this may not be feasible in every respect. Expect to discuss matters thoroughly with Guy de Rothschild who will, we hope, elaborate on your cable. Meanwhile consider it most important Noel Arenovici proceed at least to London where he may be available for consultation regarding cooperative loan Kassar and related matters necessity for which becomes more obvious daily. Our present staff lacks technical knowledge this field and would benefit greatly from expert guidance. Please advise soonest."

CAFFERY

BB

Miss Chauncey (for the Sec'y), Aknin, Cohn, Drury, DuBois,
Gaston, Hodel, McCersack, O'Dwyer, Files

EX-888
No paraphrase
necessary. (SECRET)

Paris

Dated February 9, 1945

Rec'd 8:35 a.m., 10th

Secretary of State,
Washington.

598, February 9, 3 p.m.

FOR MOSES LEAVITT AMERICAN JOINT DISTRIBUTION
COMMITTEE FROM ARTHUR GREENLEIGHT

"For your own confidential information not to
be released under any circumstances until authorized
by State Department. Of these exchanged 141 enroute
Philippeville eleven hospitalized Switzerland. You
can obtain full information from Sidney Lafean State
Department representative when he arrives GRIPSHOLM".

CAPPERY

WEB

WCO-856

PLAIN

Paris

Dated February 9, 1945

Rec'd 3:33 a.m., 10th.

Secretary of State,
Washington.

607, Ninth.

FOR MOSES LEAVITT AMERICAN JOINT DISTRIBUTION
COMMITTEE FROM JOSEPH SCHWARTZ.

"For all inquiries concerning location of
relatives in Belgium address Association Daide aux
Israelites Victimes de la Guerre, Miss Borenstein,
Service de Recherches, 7 Rue Gaucheret, Brussels.
This is an efficient setup which will give satisfactory
service to you and to central location index. Working
on setup for France and will advise you shortly,
meanwhile address all inquiries to our office".

CAFFERY

WMB

NOI-855

PLAIN

Paris

Dated February 9, 1945

Rec'd 3:30 a.m., 10th.

Secretary of State,

Washington.

608, Ninth.

FOR ~~THE~~ MOSES LEAVITT AMERICAN JOINT DISTRIBUTION
COMMITTEE FROM JOSEPH SCHWARTZ.

"Please ask Chase Bank, New York, cable credit
Lyonnais Agence AG 2 Avenue de Messine, Paris, that
any two of following signatures are authorized for
withdrawal: Joseph J. Schwartz, Arthur Greenleigh,
Jules Jeffreykin, Maurice Brenner, Gasten Kahn. Also
ASK Chase Bank, New York, advise Chase Bank, Paris,
substitute Gasten Kahn for Laura Margolis as signature."

CAFFERY

RMB

DCG-891

PLAIN

Paris

Dated February 9, 1945

Rec'd 8:55 a.m. 10th.,

Secretary of State,
Washington.

609, Ninth

FOR MOSES, LEAVITT, AMERICAN JOINT DISTRIBUTION
COMMITTEE FROM JOSEPH SCHWARTZ.

"Have just returned from Belgium where situation most critical especially due fact committee has received no remittance from abroad since our first \$150,000 were authorized. As a result practically all relief payments were suspended during January causing hardship and suffering to thousands. In order to strengthen position of committee and to make it possible for them to try to secure local credits from banks and individuals have had to make definite commitments in writing up to end of April as follows: 9,000,000 francs for regular relief budget; 3,600,000 francs for maintenance approximately 2,500 children in private homes and institutions; 200,000 francs for maintenance here for aged and popular kitchens which giving one meal to 700 daily. Also

-2-#609, ninth, from Paris.

following one time grants: for establishing and equipping childrens homes for 3 to 400 children 1,500,000 francs; clothing for children 600,000 francs; special grant for passover 350,000 francs; grant for opening Talmud Torah 100,000 francs; grant for purchase of transportation for children homes 100,000 francs, total through April 15,450,000 francs or approximately \$362,000. If we allow \$50,000 a month from January through April plus the \$200,000 which we voted as one time grant we are well within our budget and have some \$40,000 left for additional grants which will be necessary to establish homes for at least 300 children more than already have been provided for. In addition to above would recommend urgently that reconstruction committee grant 4 to 5,000,000 francs for establishment of constructive loan organization similar to the one planned for France. Consider this most important and project has full support Van Zeeland and Captain Edward Warburg with whom discussed matter. Have also arranged with SHAEF for permission Laura Margolis come to Brussels as our permanent representative and her entry will be expedited as soon as she arrives in Paris which we hope will not be long delayed. For period after April believe that 50,000 a month will be most inadequate to cover needs Belgian community which now consists approximately

-3-#609, ninth, from Paris.

20,000 souls of whom no less than 7,000 require assistance and which must provide also for needs of well over 3,000 children. Furthermore in this population are included approximately 5,000 refugees from Germany and Austria who don't have a right to work and many of whom require assistance. Believe minimum requirements 5,000,000 Belgian francs monthly and will try receive contribution towards this budget from Intergovernmental Committee and other sources keeping you advised. Committee has never been fully reorganized and is working effectively despite all its financial difficulties. Following is composition new committee Alfred Goldschmitt, leading Belgian industrialist and person of high standing in the country president, Professor Fereiman, Professor Allard, Mademoiselle Nevejan, Monsieur Pels, Monsieur Derdman Paul Philippen and Israel Kubowitsky. Committee is called Association Tiede aux Israelites Victimes de la Guerre 7 Rue Gaucheret Brussels. Have also visited Holland and spoken with authorities there as well as with Jewish coordinating committee recently organized. Number of Jews in liberated Holland estimated variously between 1,200 and 2,000 and number in occupied Holland between 8 and 10,000. Dutch Government at present time providing relief to

-4-#609, ninth, from Paris.

entire population on equal basis and does not wish private agencies to supplement time being except with commodities which difficult obtain. Committee requires small budget of approximately \$2,000 monthly for organizational work but will require much larger sums in future since it is estimated that there are approximately 2,500 children, mostly parentless, scattered throughout country and living in non-Jewish institutions and homes. Believe it will be possible for Laura Margolis to handle both Belgium and Holland from Brussels since military authorities have indicated they will facilitate her movements. Brussels committee has borrowed from banks full amount \$150,000 which was authorized in October and view urgent need funds current operations would ask you remit earliest moment and if this not possible to arrange additional deposit with Belgian Embassy, Washington as well as with Chase Bank in accordance our previous cable. Please advise."

CAFFERY

BB

CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM, FROM WAR REFUGEE BOARD.

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

QUOTE WE COMPLETING ARRANGEMENTS COOPERATION UNRRA SHIPMENT
END FEBRUARY RUMANIA AND BULGARIA MEDICAMENTS COSTING \$60,000
TO HELP COMBAT EPIDEMIC NONSECTARIAN BASIS AREAS PREDOMINANTLY
JEWISH. AS EXPERIMENT WE INCLUDING ONE THOUSAND AMPULES PENICILIN
WHICH REQUIRES CONTINUOUS REFRIGERATION. PLEASE INVESTIGATE
POSSIBILITIES ARRANGING AIR TRANSPORT FROM ALEXANDRIA FOR PENICILIN
AND ADVISE. UNQUOTE

2:30 p.m.
February 9, 1945

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

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

QUOTE RELATIVES HERE GREATLY CONCERNED SITUATION I. ROTENBERG
CARE FAMILY KELLER SCHWARTZ RITTERGASSE 12 BASLE SWITZERLAND.
PLEASE INVESTIGATE AND ADVISE. UNQUOTE

THIS IS WRB LISBON CABLE NO. 138.

2:30 p.m.
February 9, 1945

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

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

QUOTE PLEASE NOTIFY SCHWARTZ WE COMPLETING ARRANGEMENTS
COOPERATION UNRRA SHIPMENT END FEBRUARY RUMANIA AND BULGARIA
MEDICAMENTS COSTING \$60,000 TO HELP COMBAT EPIDEMIC NONSECTARIAN
BASIS AREAS PREDOMINANTLY JEWISH. REQUEST FILDERMAN OBTAIN
NARCOTIC IMPORT LICENSE REQUIRED BY USA COMMISSIONER OF NARCOTICS
WHO WILL ACCEPT FOLLOWING STATEMENT INNERQUOTE RUMANIAN GOVERNMENT
WILL PERMIT NARCOTICS REQUESTED IN JDC PROGRAM END INNERQUOTE.
THIS STATEMENT SHOULD BE GIVEN TO AMERICAN MISSION BUCHAREST.
UNQUOTE

THIS IS WRB LISBON CABLE NO. 139.

3:00 p.m.
February 9, 1945

EK-512

Plain

Lisben

Undated

Rec'd 4:09 a.m., February 9,
1945

Secretary of State,
Washington.

283, Undated.

WRB 306. JDC 162. FOR LEAVITT FROM HAROLD TROBE

Saly Mayer advises recent official exchange from Bergen-
Belsen consisted approximately 900 persons, most of
whom Jewish. We hopeful obtain list near future
American Embassy here.

Nerweb

njf

PHI-598

PLAIN

Lisbon

Dated February 9, 1945

Rec'd 11:44 p.m.

Secretary of State,
Washington.

292, Ninth

WRB 307 JDC 163 FOR LEAVITT FROM HAROLD TROBE

Resnik cables "Projected Mosad emigration scheme from Greece involves movement of 1,000 of whom 900 children 100 escorts. Proposed that first group 300 ready early March on two small vessels. At this stage cost excessive approximately \$600 per passenger from Athens to Haifa. It is reported that certificates will be made available. We are asked to participate which I recommend. If you agree indicate basis on which we can participate. Payment can be made in Palestine". Advised Schwartz and Magnes.

NORWEB

RB

PEM-597

PLAIN

Lisbon

Dated February 9, 1945

Rec'd 11:40 p.m.

Secretary of State,
Washington.

293, Ninth

WRB 308 JCD 164 FOR LEAVITT FROM HAROLD TROBE

Passman Jerusalem advises "Teheran informs that
Hungarian Jews from labor corps regarded. War prisoners
in Russian camps are now being released if they join the
new Hungarian Army".

NORWEB

RB

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Representative, Bucharest
DATED: February 9, 1945
NUMBER: 61

SECRET

In order to combat typhus epidemics in Rumania and Bulgaria, The American Jewish Joint Distribution Committee has purchased sixty thousand dollars worth of medical supplies in the United States. Expectations are that a portion of these supplies will be shipped in the very near future. Of the total amount, three-quarters has been allotted to Rumania and Bulgaria will receive the balance. Consignees will be Maurice Marcus, Sofia, and William Hilderman, Bucharest. These supplies will be available for us without regard to religion or race. The foregoing message was repeated to Sofia as No. 30.

GREW
(Acting)

WFB:MDV:EO

DC/L:HAS:AN
2/14/45

DCG-702
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated February 9, 1945

Rec'd 4:37 p.m.

Secretary of State,
Washington.

498, February 9, 2 p.m.

THIS IS OUR NO. 124 FOR WRB.

General information concerning number of Jews in
Sweden is given below.

Department of Social Welfare has registered 5508
"German refugees." Refugees are registered by department
according to passport with which they arrive. It is safe
to assume, however, that these are all "stateless" since
German nationals are registered under "foreigners." Of
these 5508 "German refugees" it is estimated that about
2500 are Jewish.

The following may be considered a fairly accurate
estimate of total Jewish refugees in Sweden.

German stateless 2500, Czech 115, Polish 70, Norwegian
750, stateless from Norway 350, Danish 6,000, stateless from
Denmark 200, Finnish 8, stateless from Finland 123, total
Jewish refugees in Sweden 11,916.

Of the above total 50% live in and around Stockholm.

Swedish Jews.

There are approximately 6,500 Swedish Jews of
which about 4,500 belong to the community in Stockholm,
720 to the community in Goteborg, and 1,200 to the Malmo
community.

JOHNSON

WMB

BAS 848
Distribution of true
reading only by special
arrangement (SECRET W)

Stockholm
Date February 9, 1945
Rec'd 2:49 a.m. 10th.

Secretary of State,
Washington.

507, February 9, 7 p.m.

Secret

I was informed this p.m. by Von Post that reply has been received from Swedish Minister Berlin to instructions mentioned in my 483, February 7, 9 p.m. Swiss Government unwilling to make joint demarche with Vatican and Swedish Government to German Government on behalf of Jews in concentration camps but has instructed Swiss Minister Berlin to confer with Swedish Minister and examine possibilities presumably for independent action. Von Post said Swiss official reply in general was more encouraging than reaction of Papal Nuncio and Swiss Minister in Berlin. He also said a Swiss citizen Monsieur Musy succeeded in getting liberation of 1200 Jews from Theresienstadt through his private efforts and that these people now on way to Switzerland. Previous lot of 1500 said to have been freed as result of Musy's efforts already arrived in Switzerland. Foreign Office considers news of these releases through private efforts of significance and indicates possibility for release of others.

JOHNSON

KEC

Undated

Rec'd 4:10 a.m., February 9,
1945

Secretary of State,
Washington.

282, Undated.

WRB 305. JDC 161. FOR LEAVITT FROM HAROLD TROBE.

Your January 29th concerning \$10,000 for medicines
from Sweden. Do you wish \$10,000 drawn from \$36,000
transmitted December which Laura Margolis transferred
to Gottfarb upon departure according our 273.

NORWEB

MJF

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

Please deliver following message to Dr. Adolf Freudenberg, 41 Avenue de Champel, Geneva, from Dr. Leland Rox Robinson of American Christian Committee for Refugees:

QUOTE LICENSE JUST RECEIVED PERMITS PURCHASES ONLY IN SWITZERLAND AFTER APPROVAL AMERICAN MINISTER BERN FOOD MEDICINE CLOTHING FOR SHIPMENT FRANCE. USE \$3000 CABLED YOU TODAY SUCH PURCHASES ACTING ACCR AGENT SUPPORTING CIMADE FRENCH CHAPLAINCY SERVICE RELIEF PROGRAM REFUGEES IN FRANCE NON-FRENCH NATIONALITY. PLEASE NOTIFY BAROT BOEGNER DIRECTLY. HOPING CONTINUE SUPPORT THEIR WORK THROUGH YOU ALSO POSSIBLY OTHER REPRESENTATIVES FRANCE USING BOTH CHURCH NON-CHURCH FUNDS. WE REQUEST YOU CONTINUE CLEARING ALL REFUGEE WORK SUPPORTED FROM AMERICA WITH ACCR WHICH COLLABORATES CLOSELY AMERICAN WORLD COUNCIL SERVICE COMMISSION. UNQUOTE

THIS IS WRB BERN CABLE NO. 395.

11:30 a.m.
February 9, 1945

DSH
Distribution of true
reading only by special
arrangement. (SECRET W)

FEBRUARY 9, 1945

2 p.m.

~~ADMINISTRATION~~

BHMN
624

The following for Huddle and McClelland from Department and War Refugee Board is WRB 394.

Today's New York Times reports the arrival in Switzerland of 1200 refugees from Theresienstadt and suggests that other substantial movements are to follow. Consideration has been given here to possibility that in view of present conditions of increasing overcrowding in Germany resulting from the flow of refugees into Germany from the east, the German authorities may, as a result of this pressure, present increasing numbers of refugees at the Swiss border for admission. It is assumed that, if such arrivals take place in an orderly manner and not in too great numbers at one time, the Swiss Government may be willing to accept them. If, however, the flow becomes substantial, Switzerland may request both supplies and assistance in removing from Switzerland corresponding numbers of refugees already there. Kindly advise whether in your judgment the foregoing developments appear to be an imminent possibility and if so, consider the wisdom of discussing the situation with Currie.

GREW
(Acting)
(OLW)

WRB:MMV:KG
2/8/45

WE

CE

SWP

JMP-592
Distribution of true
reading only by special
arrangement. (SECRET-W)

Bern
Dated February 9, 1945
Rec'd noon

Secretary of State

Washington.

911, February 9, noon

WRB FROM MCCLELLAND

Department's 368, January 22 and Legation's 520,
January 25.

Legation has received following reply to its urgent
note of January 24 from Federal political department,
Division of Foreign Interests: "Pertinent portions
of the Legation note verbale of January 24 concerning
the fate of Jews interned in camps in Upper Silesia
were brought to attention of German Foreign Office on
January 27.

In the message containing this information, the
Swiss Legation at Berlin adds that, according to in-
formation supplied by persons who had witnessed these
events, an attempt was made to evacuate the internees
from Auschwitz on foot under deplorable conditions.

It has not been possible to obtain further in-
formation concerning this exodus." End of Swiss answer.

-2-, #911, February 9, noon, from Bern

Fact that greater part of internees remaining in Auschwitz at moment of Russian advance were evacuated on foot has been confirmed to me from other sources. Reports (unconfirmed) here in Switzerland have it that only 2 to 3000 souls were found in Auschwitz at time of Russian occupation.

HUDDLE

WMB

ASB-593

PLAIN

Bern

Dated February 9, 1945

Rec'd 11:51 a.m.

Secretary of State,

Washington

US URGENT

913, Ninth

FOR DEPARTMENT AND WRB FROM MCCLELLAND

With regard Musy affair following is translation of article which appeared number of Swiss morning papers February 8: "Mr. Musy arranges liberation of Jewish internees in Germany first convoy 1,200 civilians coming from concentration camp Theresienstadt arrived Wednesday 11:45 a.m. at Kreuzlingen. It is thanks to efforts former Federal Councillor Musy acting on request of European executive Council of Union Orthodox Rabbis of United States at Montreux and of world organization of Agudas Israel that these civilians were liberated by Germany. Other transports will follow which will all be sent from Switzerland abroad as soon as transportation possibilities exist. (This release was submitted to press by Sternbuch and Musy).

Official communique Federal Department Justice and Police communicates with respect this question 'Transport arrived morning February 7 from Constance and was sent to St. Gall. It is composed of 1,210 persons including 58 children under 12 years. Health these refugees seems generally good. There are only few slightly ill persons among them. They will all be housed temporarily at St. Gall for medical inspection and disinfection. They will then be placed in quarantine camps in other parts of country'.

M. de Steiger President of Confederation supplies press with following details 'Tuesday afternoon Mr. Musy former Federal Councillor visited President of Confederation and informed him he had personally obtained from M. Himmler liberation of these civilians. It is not excluded that liberation of other contingents may be obtained by Switzerland and that transports can take place from week to week.

Mr. Musy

Mr. Musy acted privately at request of Jewish organizations so that no Swiss authority would be involved in eventuality these representations had failed. Swiss authorities only knew Musy was attempting secure liberation of two Vaudois named Graf and a woman also from Canton Vaud named Mayor whose case was particularly grave of seven other persons who were also included this transport. Among the refugees are 5 to 600 Dutch Jews and others of various nationalities. Preparations for reception this convoy had to be made in great haste but all went off well.

There is expected tonight at Kreuzlingen another transport of 540 French people coming from Germany and whose liberation and repatriation were also made possible by Musy's negotiations.

President of Confederation emphasized in conclusion importance of humanitarian work also accomplished in this field by Switzerland".

BILL WRB.

HUDDLE

RB

Bern

Dated February 9, 1945

Rec'd 7:14 a.m. 10th

Secretary of State,

Washington.

916, Ninth

FOR MRB FROM MCCLELLAND

In accordance Department's 344, January 20, kindly delivery following to Hachum Goldmann World Jewish Congress from Riegner: "Rumanian section world congress reports that following liberation new regions Eastern and Central Europe they intend send together with other Jewish organization team under leadership Dr. Ernest Marton to Poland, Czechoslovakia and Hungary to investigate and aid deported or interned Jews with cooperation Interross. View certain actions falling under congresses special competence and congresses prestige they ask your financial contribution and propose congress obtain for them through Interross one million Swiss francs for this purpose. Without cooperation of and contribution from congress execution whole plan problematic we believe you should generously support this project as Rumania is besides Sweden only place from which practical action and investigation liberated eastern countries possible. Activities Rumanian section developing satisfactorily they work in six permanent commissions and two special commissions for securing requested material on Nazi atrocities and for refugees. Their ordinary budget covered by themselves but need your financial support for extraordinary tasks especially for those requested by you. They propose you delegate permanently two members of presidium to Interross to carry out this work and initial credit of one hundred thousand Swiss francs they also still awaiting answer re your contribution to social assistance in Rumania which until now is carried out only by the giant.

-2-#916, Ninth from Bern

In this respect unlimited needs and possibilities. Concerning situation Budapest Roumanian section communicates that information still contradictory they believe one hundred thousand Jews still there of whom twentyfive thousand children and equal number elderly people over sixty.

Awaiting your urgent reply to all above questions as receiving daily appeals from Bucharest." 4020.

HUDDLE

WSB

EDW-701
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern
Dated February 9, 1945
Rec'd 4:27 p.m.

Secretary of State,
Washington.

917, February 9, 3 p.m.

WRB FROM MCCLELLAND.

For reply to Department's 608, February 8, kindly
see Legation's 881, February 8.

General police division has agreed to supply
Legation with a list of these 1210 refugees as soon
as possible which will be about February 14 or 15.
Findings will naturally be communicated to Board.

HUDDLE

WTD

ALB-877

PLAIN

Bern

Dated February 9, 1945

Rec'd 7:09 a.m., 10th

Secretary of State

Washington

921, Ninth

FOR WRB FROM MCCLELLAND

Kindly deliver following from Aron Syngalowski Geneva to David Iyovitch American Ort Federation, 212 5th Avenue, New York.

"Among 69 Ort instructors working Switzerland only four mechanics radio technicians escaped from France; four agriculturists and eight other instructors survived there. We are at present training sixteen teachers here for later service in liberated countries in following trades agriculture mechanics carpentry tailoring and dairy specialists.

There is enough work in France and Belgium. Difficulties in way of repatriation are not economic but administrative and political France appears to offer first realistic possibility through declaration made to me by French Reconstruction Minister concerning building workers. We are accordingly beginning train such workers among refugees. Minister empowered me declare that such trained workers with Ort certificates will be unquestionably accepted. It is equally important similar possibilities be opened for vocational training stateless to emigrate to Soviet Russia. Regards." 2295

HUDDLE

RR

PARAPHRASE OF TELEGRAM RECEIVED

275

FROM: American Embassy, Moscow via War
TO: Secretary of State, Washington
DATED: February 9, 1945
Number: 378

CONFIDENTIAL

With reference to Department's message No. 134 of January 22 and Embassy's cable No. 238 of January 26, the following information was given the NEW YORK TIMES Moscow correspondent when he requested the Polish Press Agency recently for information which it had with regard to the Oswiecim death camp which the Soviet Army has recently liberated.

There were Czech, Yugoslav, Dutch, French and Belgian nationals among the approximately 4,000 prisoners who were liberated from the camp. Due to suffering, overwork and hunger survivors were exhausted. Steps were taken immediately by the Government of Poland to alleviate the condition of those who were nationals of the United Nations. Two shipments of the more urgently needed supplies were sent by the Provisional Government on February 7th for these liberated individuals, despite the shortage in Poland of necessary goods. Flour, fats, meal, soap and medicines comprised the shipments.

KENMAN

DC/L:OPW:MEM
2/10/45

Miss Chauncey (for the Sec'y), Akcin, Cohn, Drury, DuBois, Gaston, Hedel, McCormack, O'Dwyer, Files

NOT TO BE RE-TRANSMITTED

SECRET

COPY NO. 4

OPTEL No. 46

Information received up to 10 a.m., 9th February, 1945.

MILITARY

1. WESTERN FRONT.

Southern Sector: German bridgehead in Colmar area west of Rhine further compressed and now 9 miles by 5. Some French forces pressed forward eastwards to Rhine-Rhone Canal which crossed at several points while others making quick progress both north and south in corridor between Rhine and this Canal. In Vosges organised resistance broken and only isolated enemy detachments remain.

Central Sector: 3rd U.S. Army launched series of attacks across rivers Our and Sure at several places between Echternach and area north Prum. Due swollen waters crossings difficult but number secured and gains up to 3 miles made various points. 1st U.S. Army pressed closer Roer dams and according unconfirmed reports captured Schmidt.

Northern Sector: 8th. In area S.E. Nijmegen between rivers Waal and Maas U.K. and Canadian troops after very heavy initial bombardment by aircraft and artillery launched attack on considerable scale at 10:30. Early reports indicate satisfactory progress.

2. EASTERN FRONT.

Northern Sector: Further progress made westwards in area 15 miles south Koenigsberg. Germans report fierce Russian attacks Elbin and to N.W. of city.

North Central Sector: South and S.E. Stargard good progress made on broad front northwestwards towards Stettin. Germans report small Russian bridgeheads west of Oder between Kustrin and Oder Bend over Frankfurt being hotly contested; they also claim to have counter attacked successfully near Steinau and Glogau.

South Central Sector: Fighting continued in Russian bridgehead over Oder area S.E. of Breslau while slight progress made S.W. Cracow.

3. BURMA.

Coastal Sector: Leading troops now 1 mile Ramree town.

Central Sector: Our forces now 6 miles from Irrawaddy opposite Singu (35 miles north Yenangyaung). No opposition met.

AIR

4. WESTERN FRONT.

Night 7th/8th. Reference OPTEL 45. Tonnage dropped Goch (477), and Cleve (1,396).

8th. Lancasters dropped fifteen 12,000 lb. bombs E-boat pens IJmuiden where direct hits believed obtained. 429 medium bombers dropped 687 tons defended positions and communication centres Dutch/German border area and attacked village N.W. Cleve mainly with unobserved results. 1007 fighters (11 missing) flew armed reconnaissances. Northern sector scoring 10,0,1 while 968 aircraft operated similarly Central sector dropping 509 tons. 129 locomotives, 1709 railway wagons, 67 AFV, and 342 M.T. were destroyed or damaged. 39 Fighter Command aircraft successfully attacked rocket sites Hague area and Wellington (Coastal Command) attacked 4 E-boats off IJmuiden claiming one sunk.

5. BURMA. 6th. 219 fighters effectively attacked enemy positions and dumps coastal and central sectors. 125 medium and fighter bombers attacked A.A. positions and supplies Lashio (102 tons) obtaining direct hits.

HOME SECURITY

6. ROCKETS.

8th. 7 incidents reported.

Night 8th/9th. Three incidents reported.

Regraded Unclassified