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February 16, 1945  
9:30 a.m.

GROUP

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

H.M.JR: Mrs. Doyle was just telling me about the case of Mr. Barker, a White House guard who died and left fifteen children. She was getting up a collection for one hundred dollars.

MR. GASTON: He used to be a guard on the Treasury force. He is now a White House policeman. He was a great big florid fellow.

H.M.JR: The interesting this is, they don't seem to know that there are enough people to take care of that thing. And suppose they collect fifty dollars or a hundred dollars, that isn't going to solve that problem.

MR. BELL: It is going to be a little help immediately.

H.M.JR: And then when it is gone, what are they going to do?

H.M.JR: The next time you send a letter out, check whatever the organizations are that take care of cases like that such as Treasury Welfare. Get up something like that rather than all these high-pressure sales things to buy more bonds.

MR. McDONALD: All right.

H.M.JR: Strictly in the room here, I got a letter from Mr. Grew saying that he has transmitted a memo concerning the activities of the Wallenberg brothers, and there is a cable being transmitted to Stockholm. I am going to get a copy of that letter later on.

Then, also strictly in the room, they politely turned me down on sending somebody to the Argentine to study assets. They say, "The following officers are devoting or can devote all or part of their time on matters concerning the control and analysis of Axis assets in Argentina: Daniel V. Ryan, David C. Berger, Colin Woodfall, Charles Windham, Francis K. Jovin, Chandler L. Daniels, William K. Leonhart, and Butler of FEA."

(Secretary hands Mr. White letter from Mr. Grew, dated February 13, 1945.)

*not attached*

MR. WHITE: What we will do is get up a letter to State asking what we would like specifically, and then maybe supply--

H.M.JR: And put a time limit on it. Make it like the questions we were asked in St. Louis.

MR. PEHLE: They have a lot of gall. We have been through all this before. They told us once before that--

MR. WHITE: We will fix the letter which will indicate the excellent assistance we have gotten in the past.

H.M.JR: Just send the letter, that is all.

MR. WHITE: They did favor your request. I don't know--you got a cable this morning. You will get it. Winant came back and said he would be delighted to have the Treasury represented on the Economic Advisory Commission, and he would be delighted to have Taylor.

H.M.JR: The cable didn't go through my desk.

MR. WHITE: It came in late last night.

H.M.JR: To you?

MR. WHITE: To my Division, because I got a copy. You couldn't have gotten it, Mr. Secretary, even under the best circumstances. It just came in last night.

H.M.JR: It should have come in here.

MR. WHITE: Do you read the cables?

H.M.JR: Sure, I read these two before I came in.

(The Secretary holds a telephone conversation with Miss Chauncey.)

H.M.JR: Will you look into it?

MR. McDONALD: Yes, sir.

MR. GASTON: They go to Dietrich in the first instance?

H.M.JR: I didn't find out.

MR. WHITE: Not unless they are routine. If they are routine, they go to Dietrich, but the highly confidential ones go to the Secretary; they are addressed to him. Most cables come into my Division. They have the original and duplicates. The original still goes to the Secretary, but

sometimes it does not go to the Secretary, depending upon the importance. The rest are distributed among those who have a special interest.

H.M.JR: Take a cable like that--when would I see it?

MR. WHITE: I saw a carbon copy last night. I don't know whether we got the original. That may make some difference, depending upon whom it is addressed to. I had it in the folder to send to you this morning. If it were something which I thought would have required approval on your part or action was important, I would have seen that you got a copy last night, but since it was only information that would please you, I thought it might wait twenty-four hours.

H.M.JR: In other words, if it was pleasing information it could wait. Well, I still don't think it would do any harm to check up.

(Secretary leaves the conference temporarily.)

H.M.JR: Where is Mr. Mellon's cuspidor?

MR. GASTON: I think they made a flag stand out of it. (Laughter)

MR. McDONALD: I have three letters, Mr. Secretary, I thought you would want to sign appointing Frank Coe, Mr. Veatch, and Mr. Feltus. Mr. Veatch and Mr. Feltus--

MR. WHITE: Will you hold Mr. Veatch up, Mr. Secretary?

MR. McDONALD: They are effective today. We thought we would put Mr. Coe in Sullivan's space if it is agreeable to you, sir.

H.M.JR: Coe? You will never get him out of there if you put him in.

MR. WHITE: You never got me out of the other office.

H.M.JR: I never tried to.

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MR. WHITE: If you tried to get Coe out--

H.M.JR: If you put Coe in, make him sign a letter that it is on a twenty-four hour basis.

MR. McDONALD: All right. (Laughter) With Mr. White as a witness.

H.M.JR: Is that office next to White's?

MR. WHITE: That was the office I was supposed to take. Coe was supposed to take my office, I presume, and in view of the fact that I prefer my office, I thought you would let me keep it. He is not getting anything; there is no new change.

H.M.JR: No, Coe has yet to prove that he is worthy of Mr. White's position, the one he had before.

MR. WHITE: I don't think it makes a great deal of difference on that.

H.M.JR: What are you going to say about that? I mean, he has yet to prove that he is worthy of the same position you held. What are you going to say about that?

MR. WHITE: It is awfully hard for me to answer that.

H.M.JR: I tell you, seriously it is on a twenty-four hour basis.

(Mr. McDonald hands Secretary letter to Mr. Feltus, dated February 16, 1945, which the Secretary signs.)

H.M.JR: I thought Mr. Feltus was to go in at nine thousand.

MR. LUXFORD: Fifteen days from the appointment.

MR. McDONALD: This is the first one; there will be another one.

This is on Veatch. (Hands Secretary letter addressed to Mr. Veatch.)

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MR. WHITE: He had better be put in another one to begin with, because it is hard to move a man from a big office to another office.

MR. LUXFORD: I thought you wanted to hold up on Veatch.

MR. WHITE: Veatch is to be held up.

H.M.JR: When is Coe coming?

MR. WHITE: Monday morning.

MR. McDONALD: He can report today as far as all of our clearance is concerned.

MR. WHITE: He can't get away. He is coming in for a few hours.

H.M.JR: I can't give him that office permanently.

MR. WHITE: We will make some arrangement. I will talk to Coe.

H.M.JR: I mean definitely not, Harry.

MR. WHITE: If he wants to take it temporarily, it is all right.

H.M.JR: It is definitely on a twenty-four hour basis.

MR. McDONALD: He was told, Mr. White, we would make it effective today. I didn't get any other instructions, so that is the way we prepared it.

H.M.JR: He will have the office on a twenty-four hour basis.

MR. McDONALD: This is a deferment for a plate printer down at the Bureau of Engraving and Printing.

H.M.JR: If you want to stop inflation, this is one way, not to defer these fellows; stop it at the source.

MR. McDONALD: He is under thirty, and he has been deferred once before.

H.M.JR: Stop printing the money; that would stop inflation, stop it at the source.

MR. PEHLE: Did we stop printing big bills, Mr. Secretary?

H.M.JR: No, they decided it was a good angle to catch the fellow with the big bills.

MR. PEHLE: I thought maybe if we would stop putting the darn things out--

MR. GASTON: Mr. McDonald, were you going to bring up that matter of seventy-three hundred people from thirty to thirty-eight whom some of the draft boards are starting to reclassify now?

MR. McDONALD: No, I hadn't planned to this morning because we hadn't discussed it thoroughly. I thought we might get together.

H.M.JR: I discussed it with Ted yesterday. Well, I can wait.

MR. O'CONNELL: I noticed in the paper this morning Hershey's report indicating that there were two hundred and sixty-three thousand people in the Government service who were what he called deferred in the draft, and that probably will have some repercussions on the Hill.

H.M.JR: How many?

MR. O'CONNELL: Two hundred and sixty-three thousand, twice as much as a year ago.

MR. PEHLE: The War Department and Navy Department--

MR. O'CONNELL: If you take the Army, Navy, and Post Office out, there is only a drop in the bucket left, but it is the other five percent that are going to get hit.

MR. PEHLE: The publicity is very misleading.

MR. GASTON: Our problem is this, Mr. Secretary: We have about seventy-three hundred people against whom this Form 42 was set, occupational classification, and that occupational classification presumes in most cases that they will not be called from thirty to thirty-eight years old mostly. Under the new measure some of the draft boards are beginning to reclassify those people against whom that Form 42 outstands. The question is, when we get one of those cases and we think it is a person we ought to hold, should we bring it to you, or should we--

H.M.JR: In the first instance I would like to have it.

MR. GASTON: In the first instance you would like to see some of the people.

MR. McDONALD: We may have quite a number; that is why we wondered if it would be necessary for you to be in on all of them.

MR. GASTON: Then we can establish some lines of decision.

MR. McDONALD: Do you want to discuss 4-F's from eighteen to thirty, whether we should send this routine Form 42?

MR. GASTON: I had better talk that over with you first, unless you want to present it. I am not familiar enough with it.

MR. McDONALD: We will wait on that, sir.

H.M.JR: What else?

MR. McDONALD: The Procurement Division has had for some time a vacancy, the top post, the regional director for New York City. For that reason Mr. Pehle has recommended the transfer of Mr. Frank L. Seymour, whom you

previously approved. Mr. Seymour was a major and went up to a colonel later. He was in the Army for three years. He has been Regional Director at large for Procurement. Mr. Pehle would like to have your general clearance on that since he is going to New York City.

MR. PEHLE: One reason we are very vulnerable in New York is, the man who is acting as regional director doesn't feel he is capable of holding the job. Secondly, I am afraid Mr. Hannegan is going to step in and make some political appointment.

H.M.JR: Isn't this major the man Charlie Bell hemmed and hawed about?

MR. PEHLE: Your memory is quite correct. He was a colonel.

H.M.JR: He wasn't born a colonel.

MR. PEHLE: No, he was allowed to leave the Army when the Army thought the war was over last fall. The Army is very anxious to have him back as a colonel.

H.M.JR: Charlie didn't think he was so hot.

MR. PEHLE: Charlie felt his record was not next to God's, which, of course, it isn't, but he is the best man we can find for the job, and I think we are doing the right thing to put him in there.

MR. McDONALD: He had several positions as city manager.

MR. PEHLE: We checked him very thoroughly. He made a good impression on several regional offices, and he has been to our office here. He may not work out, but I think he will.

H.M.JR: What is he, a colonel, now?

MR. PEHLE: No, he is in civilian clothes. He is out of the Army.

H.M.JR: How old a man is he?

MR. PEHLE: A man of about forty-eight.

MR. McDONALD: Forty-eight, sir.

MR. O'CONNELL: May I ask a general question?

H.M.JR: He is all right with me.

MR. O'CONNELL: In making transfers to jobs as important as regional director, do you make any note as to what part of the country a man is from? Would you have a man in New York who was from the region, or would you have an outsider?

MR. PEHLE: I would prefer to have one from outside if possible.

MR. O'CONNELL: I was reminded of that because we are going to hire some people on a lower level than the regional counsel, attorneys in regional offices, and there are two entirely different schools of thought. When I was with PWA we had forty-eight State offices, and particularly in the South it was necessary to take people in the top jobs who were from the States. If you sent a fellow from New York to be in charge of the regional office in Atlanta or Birmingham it was apt to cause a great deal of trouble. Now, when we decentralized the Bureau of Internal Revenue, this only applied to the divisional counsel. We adopted an entirely opposite approach. It is a little easier to have an opposite approach when you have only regional rather than State offices, but in decentralizing the Bureau we followed the policy of never sending a man as divisional counsel into the State from which he came. If he came from San Francisco, he couldn't go to San Francisco, and same applied to New York. I would throw it out. As to what a better policy would be--

H.M.JR: It was very nice to have had that before the war when you could pick and choose.

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MR. PEHLE: It is one of the elements, but it can't be your one rule.

H.M.JR: I have put in a rule that no income tax agent could examine the same return more than one year.

MR. PEHLE: He couldn't?

H.M.JR: But we can't enforce it. I mean, the same one inspected J. P. Morgan's return for four years running.

MR. O'CONNELL: I would be entirely happy so long as I was sure we didn't have a rule to hire a man from New York to work in New York.

MR. PEHLE: You can't have such a rule now.

H.M.JR: Listen, the rule is, get the best man you can, irrespective of where he comes from.

MR. GASTON: You perhaps recall that letter we had from the--

H.M.JR: Fordham University?

MR. O'CONNELL: Thank you. That will be a help.  
(Laughter)

MR. GASTON: You probably recall the letter we had from Vice President Truman protesting that we had a man from California as regional director out in Kansas City, and saying we had better send him back where he came from. As a matter of fact, he wasn't from California. Truman was mistaken. He was from Kentucky and formerly lived in--

H.M.JR: What the heck are you going to do? I mean, if Procurement is run on a non-patronage basis, which it is, you have got--

MR. GASTON: I hope. I wrote a letter to Hannegan to that general effect the other day. I will see what happens.

H.M.JR: I was just enlarging on your letter. (Laughter)

MR. PEHLE: It is terribly important that it stay that way.

H.M.JR: I think with the shortage of help you fellows have to face it on the Hill.

MR. GASTON: My own feeling is that the preference is for a man who is not acquainted in the community. That would be my idea of the preference.

MR. PEHLE: You have got to weigh that against everything else.

MR. O'CONNELL: I have a little different view. I don't think it has anything to do with patronage, but it seems without interfering with your operations you can in most cases find the people that you want certainly, and possibly, except when you get to the very top guys, you can find people who would be adequate to do the job without bringing carpetbaggers into States like Mississippi and Alabama.

MR. WHITE: You brought an excellent case; anybody with judgment wouldn't want a New York man in Mississippi. I don't think that same thing applies to the Middle West or--

MR. PEHLE: In Chicago I would rather have a lawyer from outside of Chicago.

MR. O'CONNELL: Where is Missouri? This is Middle West.

MR. WHITE: That was a question of patronage.

MR. O'CONNELL: They are all mixed up together.

MR. GASTON: You had better have a Republican from Nebraska or Colorado in Minnesota rather than a Republican from Minneapolis placed in Minnesota.

H.M.JR: And I wouldn't send a Republican from Maryland as an investigator down in Bob Doughton's district the way we did on alcohol tax, either.

MR. PEHLE: I wouldn't have the slightest idea what Colonel Seymour's politics are.

MR. O'CONNELL: I wasn't thinking of politics so much. In regions involving six or seven States you shouldn't have that difficulty.

H.M.JR: May I remark that every case has to be treated on its merits. We are all in the Government now, and we have got to use horse sense. I have got into all kinds of trouble with Bob Doughton, and you just have to use horse sense.

MR. GASTON: He isn't the only one.

MR. PEHLE: In Atlanta they have a Southerner who doesn't do business exactly like the boys in New York, but when he comes up to testify before Senator Stewart's Committee, Stewart practically asks him to sit in the Chairman's chair because they are on such a friendly basis. He has a southern accent and handles himself very well.

MR. BLOUGH: The important thing is, he shouldn't have too many influential business friends in the area in which he is going to operate.

MR. PEHLE: You can't always avoid that, either.

H.M.JR: Listen, fellows, you are all very nice. I am giving you complete freedom, so if you boys go wrong, it is your own responsibility. (Laughter) Now, let's get on with the next one.

MR. McDONALD: The next one, Mr. Secretary, is a recommendation to send Elynor Roth to Cairo, Egypt, the recommendation coming from Monetary Research. She is a stenographer at eighteen hundred and would replace Florence Wilson who was at Cairo and was transferred to Athens, Greece.

H.M.JR: How old is Elynor?

MR. McDONALD: Twenty-four.

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H.M.JR: I wouldn't send her. Get me somebody else.

MR. WHITE: You say you wouldn't send her?

H.M.JR: No.

MR. WHITE: Because she is twenty-four? She is starting pretty late in life for a girl that is supposed to know the facts of life at twenty-four. I don't know the girl.

H.M.JR: It has to be somebody over thirty.

MR. WHITE: On general principles you assume a woman of twenty-four or twenty-five is not capable?

H.M.JR: I have been all through this. McDonald doesn't know it, but Charlie Bell does. You had somebody else you wanted to get rid of.

MR. O'CONNELL: Rid of!

H.M.JR: And I stopped that one.

MR. O'CONNELL: I didn't want that girl to go for an entirely different reason. I was grateful to you for stopping it. She was over thirty, anyway.

MR. BLOUGH: Joe was on your side at that time.

MR. O'CONNELL: Age had nothing to do with it.

H.M.JR: I am sorry, she will have to be over thirty.

MR. WHITE: That is a little unlike you to make a ruling of that kind.

MR. PEHLE: Is that a general ruling? I know of other people who are waiting for foreign assignments, and if they think they have to wait until they are thirty--

H.M.JR: How old do they have to be in the Red Cross?

MR. BELL: Twenty-four.

MR. PEHLE: I hope our rules are better than some Red Cross rules.

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MR. WHITE: There are many women of twenty-four you can trust better than women of thirty. I think it depends on the individual woman.

MR. McDONALD: The older they get, the more difficult they may become.

MR. PEHLE: I don't think he is very sure of his position.

MR. McDONALD: I will hold that one.

H.M.JR: What else?

MR. McDONALD: The other day I mentioned the matter of veteran training. Today I am back on another angle of people on military service, lack of uniformity in our bureaus with respect to granting leave to wives who want to join their husbands who are on furlough, and so forth. Now, it is our feeling that the bureaus should not be too tough on that. They should not limit the wife's time with her husband. Sixty days has been a rather general rule in some of the bureaus, but if necessary, in order to assist in the recuperation period, maybe she should be permitted to stay as much as six months on leave without pay.

H.M.JR: That is where the husband has been incapacitated?

MR. McDONALD: Maybe not that, but just back from overseas for a couple of years.

H.M.JR: I would be just as generous as you think is practical. What did you say, six months?

MR. McDONALD: I think it could even go as long as a year in some cases.

MR. PEHLE: You mean you hold the job open? Is that the real issue?

MR. McDONALD: That is about the only one, and you set up additional--

H.M.JR: Discuss it with Mrs. Doyle. I would like her advice on that.

MR. McDONALD: All right, sir. That is all, sir.

H.M.JR: On these things that affect women, I wish you would use Mrs. Doyle more. I don't think she is used enough.

MR. McDONALD: The Personnel Division has been in on this. Whether or not they consulted her, I don't know.

MR. WHITE: You might throw your twenty-four or over problem to her, too.

H.M.JR: Well, we'll set a chapter for those.

MR. LUXFORD: Mr. Secretary, you remember you were thinking in terms of having a meeting of the national organizations here on the 20th.

H.M.JR: Yes.

MR. LUXFORD: After consulting with State on the matter, there have been some changes in the procedure which are very desirable changes which would require a later date on that. We are working at this time on a later date. I take it March 1 is outside of your plans.

H.M.JR: Inside.

MR. LUXFORD: All right, inside.

H.M.JR: Will you tell Fitz about it when you go out?

MR. LUXFORD: Yes.

MR. WHITE: One of the resolutions which were being proposed at the Mexican conference was, and I'll just read the important phrase, "to seek early action by their governments with a view to bringing into operation the International Monetary Fund, the International Bank for Reconstruction and Development, and the Food and Agriculture Organization of the United Nations." That was proposed, and the Inter-Departmental Committee passed it. It was later changed to something quite different. There was no mention of the

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two organizations, and it was much worded down. I mention this by way of interest. Those who represented us there objected, and the committee restored the original phraseology. We ascertained upon whose decision this change was made, and it was made by Nelson Rockefeller.

H.M.JR: I am afraid I don't get the significance of it.

MR. WHITE: Well, why should Rockefeller have wanted to change to eliminate reference to the International Monetary Fund and the International Bank and make it "to facilitate the development of economic resources by stabilization of currencies and the provision of adequate financing...?"

H.M.JR: Why don't you call him up and ask him? You know him well enough.

MR. WHITE: We changed it back, I thought you might be interested in knowing.

H.M.JR: Why don't you call him back and ask him why the hell he did it.

MR. WHITE: No. Maybe I'll find out some day.

H.M.JR: What else?

MR. WHITE: You remember we talked about the necessity of permitting the liberated areas to obtain as much raw materials and goods as they possibly could from Germany after the defeat of Germany in order to help them to rebuild themselves. There has been drafted with the Treasury a cable relating to exports from Germany to go to SHAEF, and we were able to get our view completely across, and the cable now is very satisfactory. I'd like to send it, forward it as it is.

H.M.JR: All right.

MR. WHITE: There are a number of resolutions which are being proposed at the International Conference at Mexico.

We are going over them. We are interested in just a few of them, but we are making such changes as are desirable from our point of view. You noticed this morning's reports on the bill as presented. Times had a very good report.

MR. LUXFORD: I think your letter did some good.

H.M.JR: I have had no answer from that letter.

MR. GASTON: What letter?

H.M.JR: My letter to Sulzberger.

MR. GASTON: Oh, no answer?

MR. WHITE: That is the best news article on that that the Times has ever given us--the best news, comment, and statement of it.

MR. LUXFORD: There was one phrase in there that said that it was or might be assumed from the timing of the Bretton Woods legislation with the Yalta conference announcement that Bretton Woods had been discussed, and that might be a tipoff on the Times changing around, because they mentioned it right in the article.

MR. GAMBLE: I think even better than the New York Times is the Chicago Tribune story. The Tribune does a swell story on it. That is the only honest story I have seen in the Tribune having anything to do with the Administration in three years.

H.M.JR: This is out at St. Louis.

MR. GAMBLE: Yes.

H.M.JR: It is interesting, isn't it?

MR. GAMBLE: It was very interesting.

H.M.JR: A.P., huh? And they do just the opposite.

They put my story first and the New York Bankers' second.

MR. GAMBLE: A very small story, and if you read the story through, it is a very factual story.

H.M.JR: That's little--eight hundred words.

MR. GAMBLE: That's right.

MR. GASTON: One factor there, Ted, is that the Chicago Tribune covers the Mississippi Valley. They make a point of leading with anything that has its origin in the Mississippi Valley.

H.M.JR: I'll read that afterward.

MR. WHITE: You know Clayton and I are going up to talk to the Senators this afternoon--the Freshman Senators.

MR. LUXFORD: Clayton? Good.

H.M.JR: Joe?

MR. DuBOIS: I have nothing.

MR. HAAS: I have nothing important. I am going to see the War Production people this afternoon. They came through when I was out of town.

H.M.JR: I see.

MR. PEHLE: There is a matter coming up on patents on Russian refineries under Lend Lease that is going to cause some trouble, and you ought to know about it at this point. When that refinery equipment was furnished to the Russians the agreement made with the owners of the patents was that they would get royalties for the first eighteen months after production started. The royalty rates were fairly low, about half of what they normally would be. Now, it looks as though those refineries will go into production long after the war in Germany stops, because they haven't

gone into production yet, and extensions are being sent over there. So Lend Lease is concerned about our making payments covering royalties on Russian oil production after the war, and they are trying to get the owners to shift that around, so that they will look to the Russians at a much earlier period for the future royalties. The Russians say they will pay future royalties but haven't entered any contract to do it.

Oscar Cox suggested we go to the owners of the patents and try to get them to agree that we would pay royalties on a monthly basis as long as the war with Germany continues with an option to continue paying them for the extent of the war with Japan. Obviously involved is whether Russia would be in that war. That is wholly unsatisfactory to the owners of the patents, and we are going to have to work out some sort of compromise. I don't know what that would be.

Mr. O'Connell told Senator Myers and Senator Guffey about the Philadelphia thing, and Senator Myers promptly announced what we thought would happen, so it is out, and I'll send through a letter replying to Hannegan.

H.M.JR: Oh?

MR. PEHLE: On opening of the Philadelphia office.

The other matter, which is the one I asked to see you about with Mr. O'Connell and Mr. McDonald is a rather complicated, nasty, personnel matter over in Procurement which I'd like to have you know about at least and get some views from us. Could we stay behind for a few minutes to discuss it? It wouldn't take very long, but I'd like you to know about it.

H.M.JR: I wanted to take advantage of these other fellows to do some Bretton Woods stuff. Is there any reason-you couldn't discuss it now?

MR. PEHLE: I'll go along with it.

MR. O'CONNELL: There is no reason why it couldn't be

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discussed here except that it is complicated and would take the time of the entire group.

H.M.JR: I'll tell you what let's do. I want the Bretton Woods people to stay behind. You stay a minute and I'll come back to you. It won't take too long. I'll excuse those people.

MR. PEHLE: That's all I have.

MR. BLOUGH: Yesterday I went through the Processing Unit in New York that puts the income tax returns and the employers' withholding receipts and other documents together and then schedules the refunds on the individual income tax. I suppose you have heard about that unit a good deal. They have got about twenty-five hundred people there. I may want to mention tomorrow at our meeting one or two things about it, but the matter of interest on race relations you may be interested in there.

It is clerical work, and they recruit locally. They have about twenty-five hundred people in two shifts, and about two thirds of them are colored, and the man who is running the unit says they get along just fine, that they are a very much higher type in ability than the colored help in this neighborhood, and he attributes it to the New York Schools and New York education, and that the local white and colored get along very well, and in many cases even go out and eat together.

The only trouble they have had has been from a few people in the South who have moved into New York and then got jobs there. It is in the field, Mr. Secretary, and they have recruited locally, and they have been obliged to discharge two or three of them, because they were fomenting trouble, but on the whole it is working out very well.

H.M.JR: That's good.

MR. BLOUGH: That's all I have.

H.M.JR: Ted?

MR. GAMBLE: In addition to this story, Mr. Secretary, the Chicago Journal of Commerce gave very good treatment to the St. Louis affair.

H.M.JR: You are collecting that stuff?

MR. GAMBLE: We are collecting all of that.

H.M.JR: I spoke to your people last night and told them how pleased I was at the publicity, and particularly on the radio. It is amazingly good.

MR. GAMBLE: They are doing the same kind of a job on the Sunday operation.

H.M.JR: I'm kind of worried, though. I want to see what the script is. The only thing they have told me is so far it's Miss Lillie and myself. Otherwise I haven't heard anything.

MR. GAMBLE: I got a report on that.

H.M.JR: That's putting the carrot before the donkey.

MR. GAMBLE: I haven't seen the script.

MR. GASTON: You are speaking about--

MR. WHITE: I wasn't sure from what you said who was the carrot and who was the donkey.

H.M.JR: I was referring to myself as the donkey.

MR. GAMBLE: I expect Levy had his finger in that. He will be in today.

H.M.JR: I'd love to see it. I want Gaston to see it.

MR. GASTON: I asked Tom Lane yesterday afternoon about it, and he said they would have a draft this morning.

H.M.JR: I've been up against those people before, and at the last minute they say you can't change it. Just a little Benjamin Franklin is what I get.

MR. GAMBLE: I saw the rough outline of the suggestions. It was very good. I don't know how far they have gone along with it. I have not seen the script.

MR. GASTON: They were to have a draft in today.

MR. LUXFORD: Can't I get a peek at it, too, and see if we can't get a plug in there?

H.M.JR: White wants to call out, "Extra! Extra! Bretton Woods for sale!"

MR. WHITE: "Buy your lots in Bretton Woods!"

MR. GAMBLE: We had about two hundred payroll people from the Middle West yesterday in Chicago, and in addition we tried something new. We brought in representatives from the fifty largest firms in Illinois, so they would get at the same time our payroll people got it, the idea of stepping the E Bond goal up and extending the period, and the reaction was very good. We had people from Chrysler and General Electric, General Motors, Bell Telephone, and big companies that employ thousands of people, and we got a very enthusiastic reaction to this suggested four billion dollar goal in Chicago.

That is all I have this morning.

MR. O'CONNELL: If we are going to discuss Bretton Woods, I haven't anything except to mention that I sent you a memo yesterday on the Chase Bank which I assume you got. You spoke to me on the phone yesterday morning about the Chase Bank case.

H.M.JR: Oh, yes. I got that.

MR. O'CONNELL: Herbert and Irey and Nunan and I had a short talk and I sent you a memo on that, too. Maybe

Herbert has.

MR. GASTON: I think you've had the whole story on that. One thing--are you through, Joe?

MR. O'CONNELL: Yes.

MR. GASTON: One thing I had was the decision of the Circuit Court of Appeals in New York on the Ginsberg case. You perhaps remember the FBI arrested one of our revenue agents named Ginsberg.

H.M.JR: I don't remember too well.

MR. GASTON: And they subsequently raided his apartment and found seventy-nine thousand dollars there and picked up that and various other pieces of evidence. The Circuit Court of Appeals has just decided that it was an unconstitutional and illegal raid and nullified practically all evidence of the FBI on that case. We had been preparing to give to the District Attorney, at his request, a list of other cases that Ginsberg had worked on. Now, since this case has blown up, as our men suspected it would, we probably won't want to give them any list of individual cases. We would prefer to work it up ourselves.

H.M.JR: How about my writing a friendly letter to the Attorney General saying that in the future if he would let us develop our own cases, maybe they wouldn't be thrown out of court. (Laughter)

MR. GASTON: That's the way we feel. Jim McGranery had called up Joe yesterday, and we invited him to come over here.

MR. O'CONNELL: The last time we wrote to the Attorney General was in answer to a letter from the Attorney General asking for some tax information. The Attorney General wrote you in May, after an exchange of letters on the general question of the right of the FBI to investigate our revenue agents. It was discussed, but without much success. On May 20 the Attorney General wrote you--this was after the Ginsberg case had been broken, while they were trying to

complete the case--and asked for tax returns referring to the Ginsberg matter in connection with official investigation of the FBI, and you wrote back recalling that earlier you had had some correspondence with them, and in May you suggested he come over and have lunch, and he replied he was too busy. That was when the Montgomery Ward thing was up. You said you would be glad to discuss the matter, but pending such a discussion, you did not propose to comply with the tax request he asked for in the Ginsberg case.

H.M.JR: You think over what I said.

MR. O'CONNELL: We are going to see McGranery. I suggested we have him come over. We have the FBI and the Department of Justice in a very uncomfortable position. It is a question of how much you want to do about it.

H.M.JR: Follow up that correspondence. Think about it.

MR. O'CONNELL: They haven't lost the case finally yet. The only qualms I would have about telling them anything of that sort is if they lose it and can possibly say it was because, in part because we did not give them complete cooperation after the fellow had been indicted. We might be a little vulnerable, but we might be able to make a deal in which they would completely agree with our general position at the price of some slight cooperation in the Ginsberg case, but that's up to Mr. Ginsberg.

MR. GASTON: This is the second case I know of where the FBI has messed up an attempt to convict a revenue agent. In the other case we took the thing over and convicted the man, and in this case it looks like the same thing is going to happen.

MR. O'CONNELL: This case has not been tried.

H.M.JR: I am going to have to stop now.

MR. BELL: I forgot to tell you next Wednesday there will be a debt hearing, and I assume you don't want to go.

H.M.JR: What's this? Are you familiar with this?

MR. O'CONNELL: Not too familiar, but Mr. Pehle has the facts. Am I right, John?

MR. PEHLE: I am sure I have the facts.

H.M.JR: I can't take the time now.

MR. PEHLE: We can wait until later.

H.M.JR: Does it have to be done today?

MR. PEHLE: It can wait until tomorrow.

H.M.JR: I want to do this, if it doesn't have to be done today--

MR. PEHLE: We'll wait until tomorrow.

H.M.JR: I can--you feel I ought to know about it?

MR. PEHLE: Yes.

MR. O'CONNELL: You will hear about it from some quarter, anyway, and I think you ought to get the facts, because I think you can't--

H.M.JR: Is there some mystery about it?

MR. PEHLE: No. We have a difficult personnel case.

H.M.JR: Who is the person?

MR. PEHLE: **Altiere.** He is causing trouble all over the Hill and going up to all sorts of members of Congress spreading a lot of stuff about Procurement Division, and his case is now pending at Civil Service Commission.

MR. O'CONNELL: They had recommended his discharge, and he is now--

MR. PEHLE: We told them we discharged him once, and then he appealed.

H.M.JR: Altiere? I never heard of him.

MR. PEHLE: I know.

MR. O'CONNELL: There is no reason why you would have, but when I said you will, it is a by-product of--

H.M.JR: Did you know about the case?

MR. O'CONNELL: Yes. John has talked to me about it in the last couple days.

H.M.JR: Ten-thirty tomorrow--and you better familiarize yourself in the meantime.

MR. McDonald: I will.

MR. BLOUGH: You have a tax meeting at nine-thirty still?

H.M.JR: I had forgotten about that. You are down for thirty minutes.

MR. BLOUGH: I guess we can do it in thirty minutes, but please don't cut it to fifteen.

H.M.JR: All right.

Now, I want Bell, and Luxford, and White, and Gamble, and Mr. O'Connell and Mr. Gaston to stay on Bretton Woods.

February 16, 1945  
10:15 a.m.

BRETTON WOODS

Present: Mr. D. W. Bell  
Mr. Gaston  
Mr. O'Connell  
Mr. White  
Mr. Gamble  
Mr. Luxford  
Mr. Feltus

H.M.JR: What happened last night, Harry? Did you continue the discussion after you left my room?

MR. WHITE: Oh, yes.

H.M.JR: I want to pick up the threads.

MR. WHITE: We discussed a number of persons. There was unanimous agreement that it would not be desirable to have the small Middle West banker head up the organization. It would be better to have some outstanding businessman, though the banker could well be on a committee.

(Mr. Feltus enters the conference.)

MR. WHITE: The definite recommendation which we ended up with was Mr. Feltus was going to speak to you about calling a meeting this morning with Mr. McConnell and Mr.--

H.M.JR: Mr. Feltus is here; he can speak for himself and it will save time.

MR. FELTUS: Mr. Clayton, Mr. Acheson, and Mr. McConnell would sit down with me and discuss ways and means of getting two people who would be effective.

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H.M.JR: You don't know whether Mr. McConnell is for this?

MR. FELTUS: I don't know Mr. McConnell. That was somebody else's suggestion.

MR. WHITE: I had assumed he would be.

MR. O'CONNELL: Why would you assume he would be for it? I am not sure.

MR. GASTON: You would have to sound out McConnell first.

MR. WHITE: The reason we wanted Dean Acheson was we wanted wherever it was possible to relate this thing with Dumbarton Oaks, and with the Yalta Conference, and Clayton has indicated he is for it and would know a lot of businessmen. I thought McConnell--it never occurred to me he would be--

MR. O'CONNELL: You would have to talk to him, because he has got a lot of interests in New York, and he is friendly with a great many people whose interests may be different from ours, and I want to be sure he will play ball with us.

H.M.JR: What I was thinking about during the night was this: The only difference is whether I could get hold of Acheson and Clayton and Vinson, and maybe Eccles for lunch either tomorrow or Monday and put this thing up to that group.

MR. FELTUS: That is a good idea.

H.M.JR: See? I mean, the members of the delegation, not the Congressional members, but the rest, and if we did it Monday, Brown would be here, you see.

MR. GASTON: I think it is desirable also that you have a talk yourself with Bernie Baruch and see if we couldn't get his help.

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H.M.JR: This is all very sweet. These people come along with this stuff now. I can't humanly do it. I wanted to do this thing; I wanted to invite businessmen up to Bretton Woods and have them go on the radio and explain the thing. I can't do this thing and have it all dumped on me. I just can't do it, that is all. The time to have done this thing was last summer, or a year ago.

MR. GASTON: If Baruch were with us, he could be a lot of help. He is too big for anybody else around here.

H.M.JR: This hindsight just gripes me unbelievably.

MR. BELL: Can you include Clayton in that, too?

H.M.JR: It is perfectly obvious you would have to have a business group, and the time to have consulted them was as we went along, and there is a human limit to what I can do. I can't be speaking all over the country and at the same time hanging on the telephone.

Now, I have the ABA for lunch Tuesday. I am free Monday. I could have the American delegates who are in town on Monday for lunch and put this up to them and let some of them help me. I mean, this isn't directed at you, Mr. Gaston.

MR. BELL: And have Clayton in addition to the American delegates. He isn't an American delegate. What is he?

MR. O'CONNELL: No, he was asked, and he didn't--

H.M.JR: I could invite Clayton. Crowley is a delegate.

MR. LUXFORD: Without Congressional delegates?

H.M.JR: No Congressional delegates.

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MR. FELTUS: May I suggest that you keep it as small as possible because you want these people to be fairly intimate in their recommendations?

H.M.JR: They all know. The delegates are Mr. Brown, Mr. Vinson, Mr. Acheson, Mr. Crowley, and Mr. Eccles.

MR. FELTUS: Yes.

H.M.JR: See?

MR. FELTUS: Can you trust all of those implicitly?

H.M.JR: How long have you been around Washington?

MR. FELTUS: I was going to suggest that you leave out Eccles.

H.M.JR: You can't do it.

MR. FELTUS: If you have an intimate luncheon not as delegates, but on an individual basis--

MR. GASTON: I think the only hope of keeping Marriner steady is to include him.

H.M.JR: I agree with you. I feel, like Herbert, that the way to keep Marriner steady is to keep him on the inside.

MR. FELTUS: What I am afraid of is that somebody in that group may say this is not the way to do it, and they will begin to find a new way and we will have to start all over again. This may not be the only way, but we have so little time, and we have to do something.

H.M.JR: We will start with the delegates. Do you want Mr. Brown there?

MR. FELTUS: I think he should be there.

H.M.JR: Do you want Mr. Acheson there, and Crowley?

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MR. FELTUS: That I can't say.

MR. LUXFORD: Crowley has helped on the Hill.

H.M.JR: He will be very helpful.

MR. FELTUS: Is he behind this thing?

H.M.JR: Like all these fellows, if you have them in it is like talking about--if you leave them out, you don't know what damage they will do; if you invite them in, they may be of help.

MR. BELL: Vinson--

H.M.JR: Vinson is certainly helpful on the Hill.

MR. GASTON Will Clayton?

H.M.JR: And you have got Eccles. Now, we have got to depend upon Eccles and the Federal Reserve Bank Presidents. He is terribly important. I don't want to leave Eccles out no matter what Brown says, and I wouldn't take Brown one hundred percent on that, either.

MR. LUXFORD: They don't like each other very well.

MR. WHITE: I don't think you should leave Eccles out.

H.M.JR: Crowley, Vinson, Eccles, Clayton--

MR. FELTUS: May I make another suggestion?

H.M.JR: Please.

MR. FELTUS: As much as is possible you ought to try to restrict their discussions to this point of organizing the businessmen's committee, because those brains will start wandering all over the lot.

H.M.JR: I will be delighted to let you present the case.

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MR. FELTUS: I don't know about that.

H.M.JR: What? I think you should. I could do it Saturday. I will do it Monday, because I don't think you can get them together on such short notice.

MR. FELTUS: I think it will be splendid if we can get them.

MR. WHITE: I think that should be done. The quicker, the better. If you can get them Saturday, it should be Saturday. Every day counts.

H.M.JR: We can have it Saturday. I don't care.

MR. BELL: It is all right, I think.

H.M.JR: Herbert?

MR. GASTON: Monday is better than Saturday.

H.M.JR: I don't think you can get them together.

MR. BELL: Brown will be here tomorrow and will be here until Sunday, won't he?

H.M.JR: What?

MR. O'CONNELL: I would say Monday without any effort. You will have trouble getting more than three or four of those fellows.

MR. WHITE: Do you want to get Miss Newcomer down to give her a little moral support? She is working on the women's front.

H.M.JR: That is an excellent idea.

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MR. FELTUS: That would make Brown sore. I forgot to tell you that yesterday. He brought that up and said you weren't to invite Miss Newcomer to the conference, and they thought it was utterly ridiculous to bring a woman into this thing.

MR. LUXFORD: She won't come, anyway. I think she is out on the West Coast.

MR. WHITE: She stands very high among women's organizations; I don't understand why, but she does, and she is bringing them along.

MR. GASTON: He is a misogynist.

H.M.JR: Who in the room wants to come? Who in the room should come besides Feltus?

MR. WHITE: It is my opinion nobody should be here but Mr. Feltus.

H.M.JR: You are a delegate.

MR. WHITE: I wouldn't have anything to do; Feltus has it.

H.M.JR: No, no, no, you are a delegate.

MR. WHITE: It is unimportant either way to me.

H.M.JR: I think there should be White, Bell, and Gaston.

MR. FELTUS: Someone may bring up some technical question.

H.M.JR: Oh, Joe O'Connell.

MR. O'CONNELL: If the purpose is the Businessmen's Committee I wouldn't contribute anything. If you follow the agreement today that Mr. Feltus is hopeful of, I wouldn't be of any use in getting up people, that is all, but I will always come if you want me to.

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MR. BELL: If you want to keep it small, Mr. Secretary, you can cut me out.

H.M.JR: Let's leave it as it is. It is going to be on the organization of the businessmen's group.

MR. O'CONNELL: Well, that isn't of any particular interest to me.

H.M.JR: All right. I would like Gamble there.

MR. WHITE: You want Ted there?

H.M.JR: Yes, I would like Gamble.

MR. GAMBLE: I think it would be a mistake for me to be there. You know how I feel about helping on Bretton Woods. I am delighted to do everything I can, but I wonder whether you want to bring up the relation of war bonds to Bretton Woods.

MR. GASTON: The only one it would affect would be Ned Brown. I don't believe it would occur to anybody else.

MR. GAMBLE: I just mentioned it. I am not sensitive about it.

H.M.JR: If you are worried, say so. Are you worried about your organization?

MR. GAMBLE: No, no, no.

H.M.JR: Anybody want to raise it now?

MR. GAMBLE: No. As a matter of fact, we had a very interesting discussion. I would like to stay behind a minute and tell you about it. It was on the St. Louis meeting with our people. I have a suggestion or two from the people.

H.M.JR: That is just the point. If they begin talking of different people, you can say, "I can get that person."

MR. GAMBLE: This delegation might get John Stevenson, who I think is one of the best men in the country, to head up this organization. That is just my own personal opinion.

H.M.JR: He is an excellent person.

MR. FELTUS: He is always very close to Brown.

MR. GAMBLE: We have checked him out a little bit. He would be fine if enough pressure were put on him.

H.M.JR: If Wilson Brown doesn't like it--I think you have overlooked a couple of things. Well, I just wanted to keep this thing rolling, and I think you have done that. I am available, and if something comes up on Bretton Woods, let me know.

MR. O'CONNELL: Have you a couple more minutes to spend on Bretton Woods? Generally, I thought we ought to mention that the legislation having been introduced, the question immediately arises as to how much we should push the hearings, or whether, as has been suggested, we should attempt to slow down the process a little bit. I am personally very much opposed to the latter for a couple of reasons. The other day--and this is a little collateral--the Colmer Committee on post-war problems in the House scheduled hearings on foreign trade, but with some emphasis on Bretton Woods, for the 28th of this month. Harry got an invitation to go down--Goldenweiser, Burgess, and--

MR. WHITE: And John Williams.

MR. O'CONNELL: I knew Burgess and Hemingway, so Harry told me, and I went to see Spence. The message had just gone down the day before.

Spence was quite agitated about it and didn't know what to do, and I took him to Sam Rayburn, and he has undertaken to see Colmer and ask him to lay off any hearings involving Bretton Woods in view of the fact that the Banking and Currency Committee is about to take up the same subject. That is the legislative committee. That is a little by-product that would indicate that the longer we wait with

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the Committee, the more we are apt to get mixed up with a lot of other things, including OPA legislation, and Export-Import Bank, and other things that come before the Banking and Currency Committee. It seems that if we could agree whether from some points of view there will be enough of a fire built under it from the public standpoint or not--there are considerations that would make it desirable if the committee would be prepared to hold hearings starting a week from next Monday or Tuesday; we ought to be prepared to go ahead at that time, too, the 1st of March, because the longer you wait--there is no way of knowing. If the war is over and they start OPA hearings they move six weeks after hearings if the war with Germany is over.

MR. GASTON: You are one hundred percent right.

MR. O'CONNELL: There may be no issue at the moment.

MR. WHITE: The gains outweigh the losses, I think.

MR. LUXFORD: The more recent reason for that is the fact that they are tying Bretton Woods up to the Crimean Conference--we can ride that tide a little bit further, I believe.

MR. BELL: Isn't the George Bill likely to be committed today?

MR. O'CONNELL: I don't think so.

MR. BELL: Don't you? I saw some Congressmen last night and they thought it had been licked.

MR. O'CONNELL: That is the same Bill, the 192.

February 16, 1945  
2:00 p.m.

BRETTON WOODS

- Present: Mr. Gaston
- Mr. O'Connell
- Mr. White
- Mr. Luxford
- Mr. Feltus
- Mrs. McHugh

H.M.JR: Harry, I know you have to leave in ten minutes so I will talk very fast. What I am going to say is you will have to protect me, because I have never had any man--where does Feltus keep himself?

MR. LUXFORD: He has an office on the fourth floor.

H.M.JR: Get him a little closer.

MR. LUXFORD: I would like to have him a little closer, too.

H.M.JR: Give him Sullivan's office. Anyway, you have got to protect me; Vandenberg is very frank, saying, "You can't count on me at all--"

MR. LUXFORD: Who is that?

H.M.JR: Arthur Vandenberg--"for lunch. And I will tell you why. I tried to follow this thing for a couple of months," he said, "and it is just too damned complicated. It is a terrible thing to say, but I am busy and we have divided this thing up under Republican organization, and this is Taft's bomb. Chances are that I most likely will not take the trouble to learn it, and it will just involve Taft. I will be very frank with you. Bob Wagner never was any good, and he isn't worth a damn. The thing you have got to do is get some Democrat who knows this thing

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who is not going to ask you where Barkley stands. But get some Democrat that really knows this thing and who will make the fight. Otherwise, you are sunk." He repeated that Wagner never was any damned good. And in going over people he was just marvelous.

He said the best bet we have is Murdock. "When you lose Maloney you lose somebody," but when you lose this other Democratic Senator from Michigan--he said Maloney was a terrific loss. "The only bet is, you have got to get somebody who really knows this." He went over a whole list. I didn't realize we have got two Democrats and one Republican.

MR. O'CONNELL: We are not concerned.

H.M.JR: You go over that list.

He said, "We had a meeting this morning, and we fellows are sore as hell. What right have you got to educate a lot of young Senators up here, and worst of all, convince them? It is unheard of, outrageous! We professionals object. We don't like it. Why," he said, "having a lot of Republicans sit down with Democrats and sit down with enemies! The worst of it is, you are making headway." That is his line, but he said the fact that we had it in the House would help a lot. He said, "This is one piece of legislation where for the first time you may be able to sway somebody on the Floor." He said, "We are going to go to school on the Floor, and normally you can't sway anybody, but maybe you can."

MR. O'CONNELL: You mean on the Floor of the Senate?

H.M.JR: On the Floor of the Senate, and, therefore, it is terribly important that you have some one Democrat who really knows this thing.

MR. LUXFORD: Pepper will, but--

H.M.JR: He was in on it.

MR. GASTON: Vandenberg is terribly dumb on financial matters, mathematics, and social security. He has made the most ridiculous statements on that.

H.M.JR: A man couldn't be more honest than he was, and he said, "This is Taft's bomb."

I said, "What about Charles Taft? He is with us." Well, maybe that is the reason Robert is against us.

He said, "Robert considers himself the anchor of the family and Charles Taft the dreamer. But," he said, "Taft is going to be your trouble. Frankly, you are skating on very thin ice. It is too bad that Dumbarton Oaks didn't come first." But he said, "You are on very, very thin ice." You have got to protect me.

"The thing that bothers me," he said, "and it is very easy to encourage the thing, is that someone comes up on UNRRA, somebody else for Lend-Lease and wants this, and somebody else wants that," and they sit back and say, "My God, how much does this all add up to?" And then you begin to worry.

Now, it sounded an awfully lot like Bernie Baruch. And to do all this--he said, "It is very easy to encourage that kind of thing. I can sit back and it would be very easy for me to worry about that." For some reason he is awfully sore at the Russians. It seems that the "Worker" is running a series of articles against him. I don't know, but he is down on Uncle Joe, and he thinks that that whole Polish business over there was very bad. I didn't want to get in on the discussion, but the net result is this, I think, that we have got to get enough people in both the House and the Senate who know this thing and get on the Floor and talk, and my God, when you look over that list--I left it downstairs--of that Senate Banking and Currency Committee, it is terrible! You have three silver Senators, and if we did nothing else but get them and try to sell them what we have done on silver, but--

MR. WHITE: You have got a chance to go to the silver Senators right away, any time you like, on an

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important matter. India is asking for two hundred million ounces of silver.

H.M.JR: We had better do it when we have something they like.

MR. WHITE: They should like this. He said, "India will have to buy two hundred million ounces of silver in the next several years to pay you back.

MR. GASTON: That old book isn't good. It isn't up to date.

MR. O'CONNELL: This doesn't change.

H.M.JR: This is all right, but you see--

MR. O'CONNELL: Is Fulbright on it?

H.M.JR: No. You have got Wagner, Glass, Barkley, Bankhead, Maloney, Radcliffe--Radcliffe would help.

MR. WHITE: Radcliffe might be--

H.M.JR: Clark of Idaho is sick.

MR. GASTON: He was defeated and is out, Clark is.

H.M.JR: Abe Murdock of Utah is the one he said, but Maybank is no good. Scrugham, McClellan of Arkansas--

MR. GASTON: Scrugham is sick, I think.

H.M.JR: And he said Butler of Nebraska. Do you know where he stands? He referred to Arthur South-American-Business Capper--just what Taft wants. Buck is married to a Dupont, so you know what to expect. And Hawkes of New Jersey would do what New York bankers tell him to. That is the way he talked.

MR. O'CONNELL: That is very realistic.

MR. WHITE: Everything he said is true.

MR. GASTON: It is more than Bretton Woods; it is the whole line which Vandenberg himself shares, the isolationist line of being down on Russia--

H.M.JR: ...and enlarging Germany, and so forth.

How much time have you, Harry?

MR. O'CONNELL: It isn't entirely isolationism.

MR. WHITE: Did he think it was wrong to see freshmen Senators?

H.M.JR: No, no, he was amused. He said "Everybody-- the Republicans are sore," but the reason is we made headway. We have been successful. And he said, "Why, this can't go on, sitting down with Democrats. It is unheard of!" And then he said, "And convincing them!" That is what burns them up. They will get some of the other fellows down, I am sure, after a while. They know what is going on. I am sure you are on the right track. The other thing is, you take a fellow, and what you have got to do is this: Any time you want to go--wherever you go, you want to go now. You had better go.

MR. WHITE: Yes. I have another minute.

H.M.JR: I want to start on another thought.

MR. WHITE: All right. The New York State Bankers' report is of a different caliber than the ABA, a much more effective report, a much better job, and a much more difficult one to contend with. It is equally wrong, but they make a much better presentation of their case than the ABA report does.

(Mr. White leaves the conference.)

MR. GASTON: We had better think of some Republican Senators, too, and one of them is Joe Ball of Minnesota.

MR. LUXFORD: They tell me Ball doesn't swing any way with the Republicans now.

H.M.JR: Any time anybody makes this suggestion, it's a vote.

MR. GASTON: He can swing people on the merits.

(Mr. Feltus enters the conference.)

MR. GASTON: I mean on the merits he can swing people.

H.M.JR: You tell him what I have been saying in the last fifteen minutes.

Vandenberg has been very confidential, and we have to keep his confidence. What I want you people to do is this: These small bankers, whatever they call themselves, would come through, see. You take, for instance, Maybank of South Carolina. I don't know how much influence this group has down there, but let's say for example they have some. And if Maybank heard from that chain, of which WEBMN is head of, I don't know what we can do. There are twenty-two banks in that chain, and you might get Maybank's vote.

Now, the point is, I am more interested--I will let you worry about your committee, you see. You take our State Chairman for South Carolina. I can't think of his name. He happens to be Baruch's lawyer, and he is the War Bond Chairman. Now, there would be a fellow to go after. He has more influence than just South Carolina, too. Make a note of it, the State Chairman for South Carolina, see, for War Bonds. He could influence a couple of States around here, and I am very much interested in this small banker group, because, after all, they are the people who are going to put Wallace across, the liberals. He didn't go to big business. He is going to do it in spite of it, and I am going to let Feltus work with big business groups, and I am going to concentrate on the other until--

MR. FELTUS: I think you ought to have both. It is--

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H.M.JR: You keep pecking away, and I will give you all the help I can.

MR. FELTUS: All right.

H.M.JR: I will give you all the help I can.

MR. FELTUS: Incidentally, I might take exception to your statement about Wallace. If he wins, he is going to win an awfully weak victory. Remember, he is not getting the lending agencies.

MR. GASTON: They never were really in Commerce; they were added to Commerce so Jesse Jones could keep them, and for no other purpose. He is getting what Commerce always was.

MR. FELTUS: His battle originally was predicated on the whole thing.

MR. GASTON: Yes.

H.M.JR: Well, anyway, I will get--I just want to get over what this man said, and sometime before I go home I want to have another talk with you before you go west.

MR. LUXFORD: All right.

H.M.JR: You have this thing straight? DuBois is not around; he is in the armed services.

MR. LUXFORD: DuBois called Harry today.

H.M.JR: I am not sure he did.

MR. LUXFORD: Wasn't that DuBois who called this morning?

MR. FELTUS: That is who it was supposed to be.

H.M.JR: It isn't this man who is in this letter that called Harry. Harry wasn't sure.

MR. FELTUS: He said, "This is Ben DuBois." He called from Minnesota.

H.M.JR: He is in uniform somewhere.

MR. FELTUS: He called from Minnesota.

MR. GASTON: That is where his home is.

H.M.JR: But the fact that they are having it in St. Louis--what is the name of the other man--the two men I gave you?

MR. LUXFORD: Galloway, or something like that.

MR. FELTUS: I don't remember, but I have it. Would you like me to get it?

H.M.JR: No, but the point is, this other man--

MR. FELTUS: Gregory.

H.M.JR: ...was the acting head of the Independent Bank while DuBois was in the armed service.

MR. FELTUS: DuBois was mentioned. Gregory said he would be there; there would be five people there.

MR. GASTON: My recollection of DuBois is that he is Executive Secretary of the Independent Bankers, and probably Gregory is President. I have an indistinct recollection.

H.M.JR: DuBois is head of it.

MR. FELTUS: That can be a very powerful thing.

H.M.JR: I think we can, especially through the Northwest and South. Now, another fellow--I don't know

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if he is there, but it is the fellow Ted Gamble mentioned, the new Senator from--

MR. LUXFORD: ... Oregon, Wayne Morse.

H.M.JR: Sure.

MR. GASTON: Yes, yes. He is here, but there is another instance of a man who personally carried some weight.

H.M.JR: Yes. So I am going to see you later on. I just wanted to get this over to White before he went up on the Hill.

MR. O'CONNELL:- There was one thing indicated to me that I mentioned to these people before, and that is that in the meeting Monday or any meetings you have to discuss strategy and such things, don't count on Wolcott because he is very apt to be put--

H.M.JR: We are not asking him.

MR. O'CONNELL: I know, but I am making the general observation that you ought not count on him to know anything that can be used against you on the Floor, because I am sure, however honest he might try to be, if it gets to be a party issue, Joe Martin will have more weight.

H.M.JR: He asked where Wolcott stands, and I told him he hadn't made up his mind. And I told him that every time I see him I get the same answer, so he said, "He has yet to make up his mind."

Now, again, if you can get a bunch of bankers together in Michigan, it might be enough to swing Wolcott in line. I say, you have got twelve hundred banks. Where are they? Spot the country and make a map, and then find out what Congressmen and Senators come from where--where there are the most dots on the map.

MR. FELTUS: I am all for that. The only question we had was the one Mr. Gaston raised yesterday, that this

John, whatever his name was, was not the person to do that.

MR. GASTON: My point was simply this: If it got--we made it appear to the public that we are using the Independent Bankers Association and this fellow Von Windegger as an answer to the American Bankers Association--that is no good.

H.M.JR: John Von Windegger or whatever his name is--we will call him Von--is head of the peace organization in St. Louis.

MR. GASTON: I don't know as that helps us any. I would like to know what kind of an organization it is. A peace organization might be a pro-German organization.

MR. LUXFORD: I think you can put in on the Board of Trustees sponsors--

H.M.JR: We have got to stop. If you go, please call up Chester Davis and let him guide you there.

MR. LUXFORD: Yes, Mr. Secretary. We were not thinking--we discussed bringing the Federal in, but we decided not to because the Independent Bankers may not love the Federal any more than--

H.M.JR: Get Chester. Call him up. Tell him you are coming to his territory. He is one hundred percent with us. Tell him what you are going to do, and talk very frankly with Chester Davis. Don't forget he was editor of a very small State agricultural paper in Montana, and there is where he started.

MR. LUXFORD: All right.

H.M.JR: He comes from rural America.

MR. LUXFORD: Good.

H.M.JR: And you tell him--call him up on the phone today and say that you are coming, and say, "Look, Chester,

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I would like you to advise me; I don't want to make any mistakes. I want you to know that I am coming there, and you know best how much active part you want to take."

MR. LUXFORD: Sure.

H.M.JR: "But I would like your guidance." I don't want to go into his territory without his guidance.

MR. FELTUS: Can I say one other thing? You closed up this morning before I got the chance. I still think you ought to have some delay in order to get these things going.

MR. GASTON: The wagon is in a mud hole, and when you get it to moving, don't stop.

H.M.JR: Good. That goes for a fight, too.

February 16, 1945  
4:00 p.m.

Re: BRETTON WOODS

Present: Mr. Luxford

MR. LUXFORD: I talked to Chester Davis, and he was for it. He said, "You are getting wonderful publicity on Bretton Woods in the St. Louis Globe Democrat."

H.M.JR: Which is a Republican paper.

MR. LUXFORD: They came out with a two column editorial, full length, today in which they said it is Bretton Woods, or put up or shut up, and supports you all the way.

H.M.JR: Listen, Luxford, I got you alone, see, and for God's sake, listen to a man that has been moderately successful around this town and everybody shooting and snipping at him. I don't need Mr. Feltus coming here to tell me how to run my business.

MR. LUXFORD: Sure.

H.M.JR: I am not going to throw a damp cloth on it. Let him try to organize the business group. I am saying this to you rather than him because you can't--Goddammit, you can't run the Treasury the way it has been run for eleven years and the way you fellows have conducted yourselves the last two years, and suddenly have these fellows come in and--I don't expect you to answer. I am not saying this to Feltus. Let him go ahead and see what he can do. What I am saying to you--you haven't a map of the United States here--when you get out there, get him alone. That's why I want to talk to you, and what I am trying to say, and I have got to be positive, I want you to do what I am asking you to do.

MR. LUXFORD: All right.

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H.M.JR: I started with Davis. In each of these States find out from him who he knows might be helpful to us.

MR. LUXFORD: He is not going to be there, Mr. Secretary. He is going to be in Washington.

H.M.JR: I'll get him. Then do the same thing with the Independent Bankers. I don't care what Ned says. I had to go three months before I could get a president of the National Bank who believed in Mr. Roosevelt, and when this little fellow of the Plaza Bank came up and said, "I want to help," I say he is a windfall from heaven.

MR. LUXFORD: Sure.

H.M.JR: And there are going to be very few of these fellows who will want to help, and I don't agree with Herbert Gaston when he says you can't use this fellow. I don't care whether you have an organization now. What I am interested in more than ever since my conversation with Vandenberg is I want the two Senators from Alabama and the two Senators from Florida, and I want their Congressmen, and if these independent bankers have somebody, the thing is to find out what city Congressman X is from and what is his bank, and then can these fellows go in there, see?

MR. LUXFORD: Yes.

H.M.JR: And not only that, but get it down if necessary, to what can PAC do in a given community. Now you take for instance this: There are several things on the Democratic side; the thing we have never used, and I am going to help you on that, we have never thrown in our Commissioners of Internal Revenue and Collectors of Customs on political--

MR. LUXFORD: That's right.

H.M.JR: And I am going to throw them on this thing, only on the Democratic side, and I am going to start that through Herbert Gaston, through Nunan, see, on the Democratic side. This is just changing a little bit. It seemed very important, how Joe Martin feels in relation to this. Okay. What if the bank in Joe Martin's town is in just by chance?

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Maybe that is one of these small independent banks, and if this fellow got excited and gave Joe--my, that will have more influence than anything in the world. I know what I am talking about.

MR. LUXFORD: That's right.

H.M.JR: We have got to work from the grass roots, and I don't believe these big names can do us any kind of good.

MR. LUXFORD: That's right.

H.M.JR: He hasn't got so many. He has Kentucky, so we certainly can't do any more harm than build a fire under Barkley, and he has Arkansas and Louisiana and parts of Tennessee. He hasn't got as much as I thought he had. There is the Federal Reserve System. You can take the thing, but all I want to get over to you, Luxford, is this: It gets down to the bank in the community of the Congressmen in the House and Senate. Now, I was amazed. I went to Florence, Arizona, a little bit of a town, but that is where the Senator from Arizona comes from.

MR. LUXFORD: That's right.

H.M.JR: And they had a little paper, and that newspaper was for Bretton Woods, and that bank in Florence was convinced. It is more than taking them to the Carlton for lunch, and I have seen it again and again, and when you go to see these people have that in mind. What can they do, but if they will get down on a community basis and go to work on a community basis and get the banks lined up where the Senators and Congressmen's home towns are, that is what I want. Isn't that horse sense?

MR. LUXFORD: There is no question about it, Mr. Secretary.

H.M.JR: And getting a statement from them--well, one day in the papers and then it is forgotten. But if they work in their communities--and the thing is this may be an opportunity for a lifetime for them to help the Treasury with independent bankers organizations to double their membership.

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MR. LUXFORD: That's right. If they are on the right side of this and ABA is on the wrong side--

H.M.JR: And I am not beyond willing to help you, and if they want to if they have something, Mr. Morgenthau will do this. I will listen because I have nothing to lose tying up with a group like that. If it is overnight, maybe we can double their membership.

MR. LUXFORD: I have got it.

H.M.JR: And where they should spend their money, not the way Feltus says taking half pages, but let's extend the membership by putting some fellows on the roll who thoroughly understand this thing, and canvassing, and I am repeating myself, the towns that these fellows live in.

MR. LUXFORD: I agree fully with that. In all fairness, Mr. Secretary, what Feltus is suggesting is exactly what you are suggesting. He says it is gravy if we can get the others.

H.M.JR: But he doesn't do anything along these lines. Let him go along on this committee, and you go along.

MR. LUXFORD: That's what I want to do. I am not going to ride that committee. That's his job.

H.M.JR: Anything he gets on that committee is velvet.

MR. LUXFORD: He looks at it that way, too, Mr. Secretary.

H.M.JR: I don't want you to go without getting my thoughts over on this thing.

MR. LUXFORD: I am glad you gave them, because I can use them.

H.M.JR: I have the biggest volunteer organization in the world working for me, so I know how to organize.

MR. LUXFORD: That's right.

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H.M.JR: I organized the Farm Credit from scratch, and I know how to do these things, and if he can do the other, he can't do it with the Treasury. I don't believe it, but I am not going to say that to him.

MR. LUXFORD: It's gravy if we get it.

H.M.JR: But I don't want you to leave town without hearing directly from me.

MR. LUXFORD: I think they will like to hear it, too.

H.M.JR: We are wasting an awful lot of time. When do you leave?

MR. LUXFORD: By plane tomorrow night at six o'clock.

February 16, 1945

MEMORANDUM FOR THE FILES

(For the Secretary's Information)

re: Independent Bankers Association Meeting

I spoke to Chester Davis of the St. Louis Federal and explained to him about our meeting on Sunday with the Independent Bankers Association representatives. He was heartily in favor of the whole thing and said that he felt there was a good chance of working up their support and that if we got it it might be an effective answer to the ABA. He said that Gregory, in particular, was a smart, hard-hitting young banker who is extremely articulate and could carry a lot of weight.

Chester Davis also asked that I tell you that you are getting a wonderful Press in St. Louis on Bretton Woods. He said that only this morning the St. Louis Globe Democrat carried a double column editorial on Bretton Woods which was heartily in favor of the Agreements and ended up with the statement that, bluntly, the United States must put up or shut up on international cooperation and that the Congress had a responsibility for rendering speedy action on Bretton Woods or the United States could be appropriately accused of hypocrisy. He said this was particularly significant because the St. Louis Globe Democrat was the one paper in St. Louis that had not been supporting Bretton Woods. He is sending you a copy of the editorial.

ABK

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February 16, 1945  
5:02 p.m.

Henry A.  
Wallace: Yes, Henry.

HMJr: Well, I hear there are only two fellows against  
you.

W: (Laughs)

HMJr: That's wonderful. I know Lemke -- hello?

W: Yeah.

HMJr: I think it's wonderful.

W: Oh, things are working out....

HMJr: I ....

W: In some ways the things are working out miracu-  
lously.

HMJr: It was un -- I mean, frankly, I didn't think  
that they would work as good as that.

W: Yeah.

HMJr: Did you?

W: No, I didn't.

HMJr: No. Well, I'm delighted.

W: No, I'm really very, very happy. I -- Sam Rayburn  
worked like a Trojan, they say.

HMJr: Yes.

W: Sam Rayburn and John McCormack both worked very  
hard.

HMJr: I think it's wonderful. I just called up to say  
how pleased I was.

W: It's just ....

HMJr: Yeah. Well ....

W: It's just ....

HMJr: Well, now, the next thing is: you sit back and wait until the Senate acts on the ....

W: That will be March first.

HMJr: There'll be nothing in between, huh?

W: No, nothing in between.

HMJr: I see. Well, that's fine.

W: So they -- I'll see you Tuesday morning?

HMJr: Right. All right.

W: Well, it's awfully nice of you to call, Henry.

HMJr: All right. Thank you.

W: Thank you.

HMJr: Good bye.

February 16, 1945  
5:05 p.m.

HMJr: I was disturbed. I hadn't heard from that ....

Ted  
Gamble: About the script?

HMJr: Gulf Oil, yes.

G: Yes.

HMJr: I now hear it's coming in tomorrow morning.

G: At nine o'clock in the morning.

HMJr: I see.

G: And I had assumed that you had heard that from Herbert because ....

HMJr: Yes.

G: .... Tom had reported it to him.

HMJr: Well, I ....

G: Now, Levy is up there, Mr. Secretary, and it's my understanding that he is writing your part with them.

HMJr: Well ....

G: So it ....

HMJr: .... am I going to see my part tomorrow?

G: Tomorrow morning at nine o'clock.

HMJr: Did you get that letter I sent you from Broekman?

G: Yes, I did -- well, I don't know as I got the letter -- I had another letter from Broekman, but I didn't get your letter from him.

HMJr: Well, I sent mine over to you, in which he says Levy told him that it was me who wanted to get rid of him. Of course ....

G: David Broekman?

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HMJr:            Yep.

G:                Oh, well, I -- I don't know anything about ....

HMJr:            Well, you'll get it. But he writes me a letter -- he said, "David Levy has informed me that it's your wish that I should be -- be gotten rid of."

G:                Well, he has no basis for that.

HMJr:            Well, when you get it, and ....

G:                I'll get Levy's story, and I'll give it to you.

HMJr:            Will you?

G:                Yes, sir.

HMJr:            Yeah, I was -- I was upset.

G:                Yes. Well, you had a right to be. If anybody said anything like that, even if it were true.

HMJr:            Well, I mean, we talked about the thing ....

G:                Yes.

HMJr:            .... but, my God, I -- I remember saying something that -- oh, I asked what band or something did that -- oh, that new five-minute song -- you know?

G:                Yes.

HMJr:            And they said, "Lynn Murray", and I said, "Well, sometime," I said, "it would be good to have Lynn Murray. I think we've had Broekman a long time."

G:                Yes.

HMJr:            But ....

G:                Well, I agree with you on Broekman.

HMJr:            But that isn't tell....

G:                But that shouldn't be passed along.

HMJr: Why, no.

G: No, he hasn't -- as a matter of fact, we've paid ....

HMJr: That doesn't sound like Levy.

G: No. He may have slipped though; he may have said something ....

HMJr: Well, you look into it.

G: I'll find out about it.

HMJr: Are you going to look over this script yourself?

G: Yes, sir, and then get it over to you.

HMJr: Right.

G: All right, sir.

HMJr: Thank you.

G: Right.

February 16, 1945  
5:12 p.m.

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HMJr: Hello.

Operator: Speaker Rayburn.

HMJr: Hello.

Sam  
Rayburn: Yes, Henry.

HMJr: Sam, I just wanted to offer you my congratulations on the masterly way you handled that Wallace matter.

R: Well, this is the toughest one I've been up against, Henry.

HMJr: Well, when you ....

R: No, they just fought everything. Everybody said, "Oh, I'm not going to vote for Wallace." Well, I said, "By God, you're voting to take something away from him." But they wanted to send -- they -- they were mad, also, about the Senate passing the buck to them.

HMJr: About the Senate?

R: Yeah, about the Senate passing the buck, and not going on ....

HMJr: Oh.

R: .... and doing their duty, they said, and so forth. But we got through, after all of it, in pretty good shape.

HMJr: Well, you only missed by two votes. I mean Lemke and one other fellow, I saw.

R: That's right.

HMJr: I don't see how you got it. I think it was wonderful.

R: Well, it was pretty good work. It had to be -- they nearly lifted up the roof the other day. We just had to pull them loose, and keep on pulling them loose, and pulling them loose, and then come back again and jumping on them before they could do anything.

HMJr: Well, I take my hat off to you.

R: Well, bless your heart, Henry, and I sure thank you.

HMJr: Right.

R: Right.

HMJr: Bye.

February 16, 1945

MEMORANDUM FOR THE SECRETARY'S FILES

General O'Dwyer and Miss Hodel of the War Refugee Board met with Secretary Morgenthau at 3:30 p.m. on February 15, 1945, for the purpose of discussing the problems set forth in the attached memorandum from the Executive Director to the three War Refugee Board members.

General O'Dwyer explained to the Secretary that, as a result of the rapid advance of the Allied armies, particularly the Russian armies on the eastern front, a serious situation has developed inside Germany pointing up that the plight of 300,000 to 500,000 Jews remaining under Nazi control is more critical than ever. General O'Dwyer explained that, in view of the shortage of food supplies, the critical housing situation and the general deterioration of communications and transportation inside Germany, the Germans are not in a position to give any care whatsoever to the Jews and other unassimilated deportees remaining under their control. Their first consideration is for fellow Germans, prisoners of war and foreign slave-labor. In addition, General O'Dwyer mentioned the indications now being received from various sources to the effect that German officials appear to be growing indifferent to the fate of the Jews and that in some cases they even seem willing to let the Jews survive, die or get out of Germany as long as no burden is placed upon Germany itself. General O'Dwyer pointed out that the Jews remaining in Germany thus face certain death from starvation and exposure unless something is done at once to bring them assistance.

General O'Dwyer indicated that there were two means by which assistance could be brought to these people: (1) by bringing them relief through International Red Cross facilities inside enemy territory; and (2) by escape to Switzerland from which country they would have to be evacuated to Allied territory. With respect to the first method, the General explained that the situation called for the provision of large amounts of supplies and trucks to the International Red Cross; that the supplies should be made available from army stocks in Europe; and that these stocks could be replenished by supplies provided and paid for by private American organizations. The Secretary at this point raised the question of funds for such supplies and it was explained that the JDC is in a position to provide \$5,000,000 to \$7,000,000 for the program. General O'Dwyer stated that it had been estimated that \$125,000 per day would be needed for an adequate program.

With respect to the problem of evacuating refugees from Switzerland who might succeed in escaping to that country from German territory, the General mentioned that he had discussed with Assistant Secretary of War McCloy the possibility of having made available an army camp in France where the refugees could be housed until the conclusion of hostilities in Europe. Secretary Morgenthau mentioned that it might be possible in cooperation with the French to arrange for certain private property in France to be turned over for refugee housing. General O'Dwyer also mentioned that he had been discussing with Governor Lehman the problem of making available UNRRA camps in Italy and North Africa for such refugee needs.

The Secretary stated that he would like to have an opportunity to study the memorandum and requested a further conference with Miss Hodel on February 16th at 10:30 a.m.

Secretary Morgenthau discussed with Miss Hodel at 10:30 a.m., February 16, 1945, the proposals set forth in the memorandum which General O'Dwyer left with the Secretary the day before. Secretary Morgenthau stated that he was convinced that the Board faced a very critical situation at this stage of the war and that the proposals made by General O'Dwyer warranted most serious consideration. He pointed out that the primary obstacles to the proposed plan of action would be of a military nature. The Secretary added that it was his view that the problem was so difficult and so important that a meeting of the War Refugee Board was warranted and he asked that such a meeting be called at the convenience of Secretary Stimson and Acting Secretary Grew some time Monday, Tuesday or Wednesday of next week.

In connection with the details of the memorandum and, in particular, the problem of supplies to be made available for the feeding and care of the Jews, Secretary Morgenthau stated that it might be possible to obtain the necessary supplies for such a program from Switzerland under a promise on the part of this Government to replenish such supplies after the war. He mentioned in this connection that the Swiss manufactured trucks and should have available sufficient numbers for the use of the International Red Cross for the distribution of relief supplies. At a later stage, perhaps three months, after the cessation of hostilities in Europe, this Government could replenish the Swiss from army and other stocks available in Europe. Secretary Morgenthau also stated that it would be very wise to have before the Board meeting a firm commitment from the JDC to provide as much money as possible for the program. Miss Hodel advised the Secretary that such a commitment undoubtedly could be obtained, since

the matter had already been discussed by General O'Dwyer and Miss Hodel with Mr. Baerwald and other officials of the JDC who had indicated their willingness to finance such a program up to several million dollars.

Miss Hodel then advised the Secretary of the action which had been taken with respect to the application of the Vaad Hahatzala to remit 4,000,000 Swiss francs to Isaac Sternbuch, the Swiss representative of the Union of Orthodox Rabbis who has been dealing with Musy, the individual responsible for the recent arrival of 1210 Jews in Switzerland. It was explained that, in view of the information received from McClelland that this money would be paid by Sternbuch to Musy for Himmler or Schellenberg, the State Department insisted that McClelland first obtain Musy's agreement to the deposit of the money into a blocked account in the joint names of Musy and McClelland, no payment to be made from such account without the prior express approval of this Government.

Miss Hodel then raised with the Secretary the question of the trip which General O'Dwyer is planning to take abroad. She explained that General O'Dwyer planned to go to Switzerland where the principal work of the War Refugee Board can now be done. She advised the Secretary that General O'Dwyer had sent a cable to Sir Herbert Emerson of the Intergovernmental Committee telling him that he would be in London soon for consultation on matters of mutual interest. The Secretary was also advised that General O'Dwyer planned to have Miss Hodel accompany him on this trip and that Herbert Katzki was being recalled from Turkey for work in the Washington office of the Board.

*Rose Hodel*

February 16, 1945

MEMORANDUM FOR THE SECRETARY'S FILES:

At 3:30 p.m., February 16, 1945, Secretary Morgenthau met with Dr. Israel Goldstein of the American Jewish Conference who explained that Dr. Stephen Wise and Dr. Nahum Goldmann of the World Jewish Congress who had planned to be present were unavoidably delayed. Miss Hodel of the War Refugee Board also was present.

Dr. Goldstein outlined to the Secretary the present possibilities for rescue of large numbers of Jews from disintegrating Germany. He pleaded that the situation called for extraordinary action if large-scale rescue were to be undertaken to save the Jews remaining in Nazi-controlled areas from annihilation. Dr. Goldstein urged that a high official of the United States Government go to Switzerland immediately to undertake the action necessary to save these people and that such official be provided with adequate funds to finance the operations.

The Secretary explained to Dr. Goldstein that the Board was deeply concerned over the new situation developing in Germany with respect to the fate of the Jews, that the Board is now working on plans and possible courses of action designed to save as many of these people as possible, and that the matter was of such urgency that he had arranged for a meeting of the Board members early next week. He also explained that General O'Dwyer was planning to undertake a trip to Switzerland and that he would be accompanied by Miss Hodel. On the question of funds, the Secretary assured Dr. Goldstein that he was convinced that sufficient private funds would be available for the rescue and relief work yet to be done. He stated that the main obstacle was not money but military considerations.

At this point Dr. Wise and Dr. Goldmann joined the meeting and the Secretary summarized to them the foregoing points which he had made to Dr. Goldstein. Dr. Goldmann raised the problem of clearances with the British and Russians before action could be taken by this Government and the Secretary advised Dr. Goldmann that the first and most important problem was to get clear-cut decisions by this Government.

*Russell Hodel*

EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE February 16, 1945

TO : Secretary Morgenthau

FROM : Miss Hodel

In connection with your meeting this afternoon with Dr. Stephen Wise and Dr. Nahum Goldman, you might be interested in the following excerpts from a letter General C'Dwyer received today from Dr. Goldmann:

"From various reports coming to us from Switzerland, it appears to us that there are new opportunities for rescuing Jews from German-occupied countries. The release of 1200 internees from Theresienstadt who were brought by train all the way to the Swiss border is an indication of the possibilities. The disintegration of the Nazi Reich has created conditions where possibilities of rescue are opening up in a degree which did not hitherto exist. If this is true, coupled with the fact that this may be the last period of time in which large-scale rescue can be undertaken, and in the light of the danger that at the last moment before the Nazi collapse, they may annihilate the remaining Jews under their heels, as was done in Lodz and elsewhere, it seems to us that some extraordinary action must be undertaken in order to utilize whatever possibilities exist.

"One of the difficulties in rescue activities in the past was due to the delay because there was lack of authority to act. We think that the time has come when someone with full authority to act, someone of high standing, empowered by the United States government, provided with the necessary funds, should proceed to Switzerland immediately to explore the possibilities on the spot and take the necessary action on his own responsibility. It would be ideal if you, yourself, would be prepared to undertake this, accompanied, if necessary, by one or two experts. It would be a high humanitarian mission, and may be a way for the War Refugee Board and the American government to achieve something substantial in the way of rescue and of saving thousands of Jews who may be exterminated as millions of others have been.

"I hope that you and the members of the War Refugee Board will consider this suggestion and find a way of acting on it."

General O'Dwyer asked me to bring this to your attention.

*J. Hodel*

FEB 15 1945

MEMORANDUM TO: Secretary Stettinius  
Secretary Morgenthau  
Secretary Stimson

I wish to call your personal attention to the following urgent and new phase of activity with which the War Refugee Board is faced today and I submit to you for your approval, as the members of the Board and in your respective capacities as Secretaries of State, Treasury and War, a plan of action which I believe is absolutely necessary if the Board is to fulfill the task for which it was created. The failure of this Government to act as recommended below would, in my opinion, amount to outright bad faith on our part in the light of the assurances heretofore given and publicized to the world (including the people under Nazi control) that this Government will do everything in its power to rescue the victims of enemy oppression in imminent danger of death and otherwise to afford such victims all possible relief and assistance. We have emphasized to the world that we want these innocent human beings to live, we have urged the neutral countries to accept all those who may reach their borders and we have stated time and again that we would arrange for the maintenance of those refugees who escaped from German-held territory and that we would find havens of temporary refuge for them.

Today we face the following situations:

1. The rapid advance on Germany by the Allied Armies from the West and the East has resulted in a concentration in the ever smaller area still held by Germany of German refugees from the Eastern and Western provinces and from Berlin, of prisoners of war, of civilian internees, of foreign slave-labor, and of Jewish and other deportees. Reserves of food, fuel, medicaments and clothing in this diminishing area are small and growing less. Housing has become extremely critical. Even concentration camps now used for Jews and other deportees may soon be needed to house German refugees. Means of communication are rapidly deteriorating. Whatever care the Germans can now give to the human mass within the

area under their control is therefore necessarily directed in the first place toward the needs of their fellow-Germans, in the second place, toward prisoners of war and civilian internees protected by international law, and, in the third place, toward foreign slave-labor drawn from the populations of neighboring countries whose friendship Germany is trying to gain at this late hour.

2. In the circumstances, no care can or will be given to the Jews under German control. With the military crisis at hand, the value of Jews as industrial manpower for long-range production is quickly vanishing, and there are no other reasons, from a German point of view, to take care of Jews.

3. Recent reports to the Board from Switzerland, Sweden and Ireland indicate that German officials in many places are stopping the mass-extirmination of Jews not needed for labor. Instead, a growing attitude of indifference to the fate of the Jews is appearing and certain German officials now seem to be willing to let these Jews die, survive, or get out of Germany, as long as these courses do not place a burden on German economy.

4. This means that the surviving remnant of 300,000 to 500,000 Jews estimated to be in German-held territory is condemned to certain death from starvation and exposure unless prompt measures are taken to supply these people within enemy territory with food and other necessities or unless they are able to reach safety in Switzerland.

In view of the foregoing tragic and urgent situation, I respectfully recommend for your approval that this Government take the following steps now. Time is very short.

1. Request and authorize the International Red Cross to organize, by whatever means at its disposal, the distribution of food and other necessities to Jewish and other unassimilated internees throughout German territory.

2. Place at the disposal of the International Red Cross food, medical and other relief supplies, as well as trucks, tires and fuel needed for their distribution, from available stocks now in Europe (military or otherwise); these stocks to be replenished by supplies shipped at a later date from the United States and paid for by private American funds.

3. Request and authorize the International Red Cross to permit and encourage the evacuation of internees from enemy territory to Switzerland on the return trips of the relief delivery trucks.
4. Assure the Swiss Government, in order to induce the acceptance into Switzerland of all refugees who reach her border, that (a) additional food and other supplies will be sent to Switzerland for refugees' needs and (b) speedy measures will be taken to evacuate such refugees from Switzerland to Allied territory where they will be subjected to thorough security screening. The need for these speedy measures is pointed up by the urgent requests we have received from the Swiss Government for the evacuation from Switzerland of the two recently arrived groups of 1672 and 1210 refugees, and for the additional groups expected to arrive weekly in the near future.

To ensure against the infiltration of spies and war criminals, the Swiss should be requested to intern all newly arriving refugees pending their evacuation to Allied territory.

5. Issue appropriate instructions to SHANF and AFHQ to arrange for the speedy evacuation from Switzerland to Marseilles of all refugees who cannot be cared for in Switzerland and for their onward transportation to Philippeville or some other UNRRA camp.
6. Make available to UNRRA adequate supplies for the maintenance of large numbers of refugees in these camps.
7. Request UNRRA to prepare the camps with necessary personnel, etc., for the reception and maintenance of large numbers of refugees.

(Signed) William O'Dwyer

William O'Dwyer  
Executive Director

APPROVED:

Secretary of State

Secretary of the Treasury

Secretary of War

BAFH:hd 2/15/45

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

71 ✓

TREASURY DEPARTMENT

WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

**Stabilization**

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE 2-14117

February 16, 1945

Arthur Hays Sulzberger  
Publisher New York Times  
New York, New York

I was very much pleased by fine news treatment and display on Bretton Woods legislation today's Times. Hope you will compliment ~~for~~ the men concerned. *Kind Regards-*

HENRY MORGENTHAU, JR.

EG:aja *MS*

72  
February 16, 1945

Dear Arthur:

I received a letter today from Mrs. Lang, and I am very much disturbed to hear that you have been laid up since the 2nd of January. If I had known you were ill, I would not have addressed my letter of February 10th to you.

Mrs. Lang gives me the good news that she heard from you today, and that you are feeling better for the first time. I hope this means that you are on the road to recovery and will soon be in vigorous health again.

Sincerely yours,

(Signed) Henry

Mr. Arthur Hays Sulzberger,  
Jupiter Island Club,  
Hobe Sound, Florida.

MS 9

February 18, 1945

Dear Arthur:

I received a letter today from Mrs. Lang, and I am very much disturbed to hear that you have been laid up since the 2nd of January. If I had known you were ill, I would not have addressed my letter of February 10th to you.

Mrs. Lang gives me the good news that she heard from you today, and that you are feeling better for the first time. I hope this means that you are on the road to recovery and will soon be in vigorous health again.

Sincerely yours,

(Signed) Henry

Mr. Arthur Hays Sulzberger,  
Jupiter Island Club,  
Hobe Sound, Florida.

*MS*



THE SECRETARY OF THE TREASURY  
WASHINGTON

February 16, 1945

Dear Arthur:

I received a letter today from Mrs. Lang, and I am very much disturbed to hear that you have been laid up since the 2nd of January. If I had known you were ill, I would not have addressed my letter of February 10th to you.

Mrs. Lang gives me the good news that she heard from you today, and that you are feeling better for the first time. I hope ~~that~~ this means that you are on the road to recovering your health, and that you will be back on the job soon. *y*

Sincerely yours,

*And will soon be in vigorous health again.*

*Hays*  
Mr. Arthur Sulzberger,  
Jupiter Island Club,  
Hobe Sound, Florida.



The New York Times  
Times Square

ARTHUR HAYS SULZBERGER  
PUBLISHER

February 14, 1945

Dear Mr. Morgenthau:

Your letter of February 10th to Mr. Sulzberger has been received during his absence. An operation was performed on his right hand on January second which turned out to be much more serious and tedious than was expected and resulted in his being laid up and out of things for over a month. He has now been ordered south in the hope that sunshine and sea water would hasten the healing process.

I read your letter to him over the telephone, however, and he asks if you will be good enough to let me know whether you were misquoted by the Associated Press, or whether your objection is to the deductions drawn from your statement in The New York Times editorial.

Mr. Sulzberger said he would dictate a reply to your letter as soon as he was fully informed in the matter.

Very truly yours,

*William Keller Lang*  
Secretary to Mr. Sulzberger

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

75 ✓  
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 16, 1945

TO Secretary Morgenthau

FROM Randolph Feltus

I thought the attached editorial from the Philadelphia Bulletin (February 14, 1945) might be of interest to you, in light of your trip to Philadelphia this week-end.

Robert McLean is the publisher. You might want to telephone him to thank him when you are in Philadelphia.

The Bulletin has about the largest circulation of any evening newspaper in the country. In January it was 673,914. An interesting fact is that the paper seldom supports Administration measures. It is violently against Wallace, I believe.

R.F.

Attachment

### A World Economy

**P**RESIDENT ROOSEVELT'S appeal for Congressional approval of the Bretton Woods financial proposals is based on the economic needs of a Europe which is being liberated. Freedom from Nazi tyranny has been accompanied in every land from which the Germans have been expelled by intense privations.

Neither Congress nor the United Nations can immediately end these shortages in liberated countries. But the President wants from Congress an assurance to these peoples that the United States is willing to use its great financial resources in long range plans to re-establish prosperity in Europe.

Temporary suffering can be borne if it is known that permanent help is on the way.

The United States can no more shirk its economic responsibilities to the rest of the world than it can cut its political ties. As the world's greatest creditor nation we can refuse sound loans to debtor countries only at the cost of wrecking democratic economies in the outside world. This would be a penny-wise pound-foolish policy.

World security organization needs for its functioning a healthy economic atmosphere. Much depends on the answer of Congress to the President's appeal.

2/16/45 ✓  
77

# BRETTON WOODS PROPOSALS

8

*Report of the*

COMMITTEE ON INTERNATIONAL  
MONETARY MATTERS

*of the*

NEW YORK STATE BANKERS  
ASSOCIATION



Published by  
NEW YORK STATE BANKERS ASSOCIATION  
33 Liberty Street, New York 5, New York

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Association.

OFFICE  
SECRETARY OF TREASURY  
9:57

1945 FEB 15 PM 3 30

## BRETTON WOODS PROPOSALS

2

*Report of the*

COMMITTEE ON INTERNATIONAL  
MONETARY MATTERS

*of the*

NEW YORK STATE BANKERS  
ASSOCIATION

February 8, 1945.

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## RESOLUTION

The Executive Committee of the New York State Bankers Association adopted the following resolution at a special meeting on Tuesday, July 18, 1944:

“RESOLVED that the President of the New York State Bankers Association be directed to appoint a Committee which shall be known as the ‘New York State Bankers Association Committee on International Monetary Matters’; that the President of this Association shall select the men for membership on this Committee; that the functions of this Committee shall be to undertake a study of such recommendations and reports as may be made as a result of the International Monetary Conference now being held in this country and to give expression of its views in such form and at such time as it deems appropriate; that this Committee may request the President of this Association to appoint additional members from time to time to this Committee; that this Committee shall regard its powers and duties as not restricted with respect to its activities but rather regard its powers as completely general so that it may function freely and in such manner as in the course of developments it seems desirable; and that this Committee shall, in due course, submit to the President of this Association an estimate of its money requirements to meet expenses, whereupon the President shall take steps looking toward the providing of such needed funds.”



## INTRODUCTION

In accordance with the terms of the resolution pursuant to which it was constituted, the Committee has spent months in the study and analysis of the proposals drafted by the United Nations Monetary and Financial Conference at Bretton Woods in July 1944. The Chairman went to Washington to confer with officials of the U. S. Treasury, the Board of Governors of the Federal Reserve System, and others, and arranged for a number of experts to meet with the Committee. Among them were the following:

Mr. Edward E. Brown, Chairman, First National Bank of Chicago.

Congressman Jesse P. Wolcott.

Dr. Emilio G. Collado, Chief, Division of Financial and Monetary Affairs, Department of State.

Dr. E. M. Bernstein, Assistant Director of Monetary Research, Treasury Department.

Mr. Ansel F. Luxford, Assistant General Counsel, Treasury Department.

Dr. E. A. Goldenweiser, Director of Division of Research and Statistics, Board of Governors of Federal Reserve System.

Dr. Walter R. Gardner, Chief, International Section, Division of Research and Statistics, Board of Governors of Federal Reserve System.

Dr. John H. Williams, Vice-President, Federal Reserve Bank of New York.

Dr. Harry D. White of the Treasury Department was also invited to confer with the Committee, but the pressure of public business prevented his appearance. With the exception of Dr. Williams all of these gentlemen had attended the Bretton Woods Conference, either as delegates or as experts. The Committee desires to

acknowledge its obligation to them. Their assistance has enabled the Committee to arrive at a better understanding of the proceedings of the Conference than would otherwise have been possible.

The Bretton Woods Conference was the culmination of some two years' work by the experts of the American and British Treasuries. Two stabilization plans were made public at about the same time in April 1943. One was the Clearing Union proposed by Lord Keynes of the British Treasury and the other was the International Stabilization Fund proposed by Dr. Harry White of the U. S. Treasury. While there were many similarities between the two plans, there were also substantial differences. After much consultation and discussion between these experts and those of other countries, a compromise plan was announced on April 21, 1944, in the form of a Joint Statement of Principles by the Monetary Experts of the United and Associated Nations. On the basis of that statement the Bretton Woods Conference was called and was attended by the delegates of 44 countries.

The President of the United States instructed the American delegation to adhere to the statement of principles in their deliberations. In a letter to Secretary Morgenthau, Chairman of the American delegation, the President said:

"In formulating a definite proposal for an International Monetary Fund, both you and the other delegates will be expected to adhere to the joint statement of principles of an International Monetary Fund announced April 21, 1944. You, as head of the delegation, are authorized, however, after consultation with the other delegates to agree to modifications which, in your opinion, are essential to the effectuation of an agreement and provided that such modifications do not fundamentally alter the principles set forth in the joint statement.

"You will apply the same principles in your discussions and negotiations with respect to the proposed Bank for Reconstruction and Development, except that you will be governed by the principles agreed upon by the American Technical Committee."

The Conference formulated two projects: an International Monetary Fund and an International Bank for Reconstruction and Development. The President made it plain in his letter of instructions that the proposals would "not be binding either morally or legally on the governments represented," but would be referred to the respective governments for adoption or rejection. Several delegations made certain reservations limiting their acquiescence in the Articles of Agreement as drawn up. So far as is known, no nation has made any commitment regarding the proposals since the Conference. The question of their adoption, therefore, is now before each of the United Nations for consideration, free of any legal or moral commitment.

The Conference recognized that the instrumentalities proposed, particularly the International Monetary Fund, cannot function successfully except as part of a broader political and economic postwar program which incorporates other essential elements of world stability. In his closing address Secretary Morgenthau, as President of the Conference, said that the agreement was "but one step, of course, in the broad program of international action necessary for the shaping of a free future." In the recognition and furtherance of this broader program the Conference made the following recommendations to the participating governments:

"Whereas, in Article I of the Articles of Agreement of the International Monetary Fund it is stated that one of the principal purposes of the Fund is to facilitate the expansion and balanced

growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy;

*"Whereas, it is recognized that the complete attainment of this and other purposes and objectives stated in the Agreement cannot be achieved through the instrumentality of the Fund alone;<sup>1</sup> therefore*

"The United Nations Monetary and Financial Conference recommends:

"To the participating Governments that, in addition to implementing the specific monetary and financial measures which were the subject of this Conference, *they seek, with a view to creating in the field of international economic relations conditions necessary for the attainment of the purposes of the Fund<sup>1</sup>* and of the broader primary objectives of economic policy, to reach agreement as soon as possible on ways and means whereby they may best:

"(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

<sup>1</sup> Italics ours.

employment and progressively rising standards of living."<sup>1</sup>

The American and British Treasuries are to be commended for their foresight in initiating at an early stage these efforts to secure monetary and financial cooperation. They have stimulated world-wide study and discussion of these and other economic problems. The fact that the experts of the various nations met together, discussed their mutual problems, and agreed upon specific proposals, was a major accomplishment in itself and no doubt led to a better understanding of one another's problems.

#### THE COMMITTEE'S APPROACH

The United States has become potentially a great creditor nation and has not only the privilege, but also the duty, to discharge this responsibility wisely. In order to meet the obligations of leadership it should define its aims and direct the constructive force of its credit power toward them. This would mean the co-ordination of lending activities and the development of a consistent policy to guide all credits, loans, and investments abroad. Unless this is done there is danger that gifts may be confused with loans, unsound practices may be prolonged, and world recovery retarded, thereby so weakening the economic strength of the United States as to render it impotent to fulfill its responsibilities.

The American people are thus vitally interested in the role that the United States will play in international affairs in the postwar period and should be fully informed as to the nature of these particular proposals. Whatever differences of opinion may exist as to methods, there can be no difference as to the necessity for discussion and cooperation in international trade and in monetary and financial matters. We

<sup>1</sup> Final Act of the United Nations Monetary and Financial Conference.

are mindful that the political and economic interests of the United States are bound to those of the rest of the world. We welcome the discussion of any measures designed to bring about enlightened international cooperation in the economic field, because we believe that our own country and all friendly nations will prosper through such cooperation. For that reason we have attempted in this report to point out as clearly as possible the problems involved, the nature of the remedies proposed, and their implications.

The stated purposes of the Bretton Woods proposals are of such importance, and their effects, if adopted, would be so far-reaching, that we should have been remiss in our duty had we not approached our task with the determination to bring to it our best efforts. Because of their importance the proposals should not be accepted or rejected on general or superficial grounds. They should not be rejected if they are likely to accomplish their high aims. They should not be accepted if careful consideration leads to the conclusion that they are less likely to further than to jeopardize those objectives.

It is in this spirit and with the fullest appreciation of the great amount of thought and effort represented by the proposals that we approached our study of them, recognizing our duty to conclude whether the instrumentalities to be created would attain their objectives and overcome the obstacles to international economic stability.

#### THE PROBLEM OF STABILITY

The Bretton Woods proposals must be considered against the background of the postwar period. The war has disrupted political institutions, trading practices, and monetary systems; it will leave the world in disorder, in dire need of reconstruction and stability.

No monetary plan of itself can remedy basic maladjustments. Monetary stability results from the sta-

bility of political and economic conditions. International exchange rates were comparatively stable prior to the First World War only because of the relative stability of basic conditions.

International peace and security are a primary prerequisite for monetary stability. Political fears and uncertainties not only hamper the free flow of trade and credits across international boundaries, but stimulate flights of capital and create serious disturbances to the orderly flow of international payments. It was largely because of these fears and uncertainties that monetary stability could not be maintained in the interwar period. Unless peace and security can be restored among the nations, no monetary system or stabilization plan can work. In order of logical sequence, the objectives of Dumbarton Oaks precede those of Bretton Woods.

Another prerequisite for monetary stability is political and economic order within the individual countries. Unless sound principles govern the internal policies of the individual member countries, including the United States, no currency stabilization plans can succeed. Internal stability is a goal that each individual country must reach for itself. It cannot be imposed from without. Neither can its lack within a country be offset very long by foreign credits or managed currencies.

International commerce, moreover, must move freely if world economic and financial stability is to be attained. Apart from movements of capital, the principal cause of the lack of balance in international payments is the lack of balance in trade. Even before the war, international trade was greatly hampered by high tariffs, restricted trading areas, quotas, export and other subsidies, import monopolies, bilateral agreements, and other controls. The removal of such obstacles and the restoration of a system of multilateral exchanges of goods and services is one of the major

problems of the reconstruction period. Uncertainties as to the settlement of war debts and Lend-Lease should also be eliminated.

The principal United Nations have already made commitments looking toward the removal of trade barriers in the Atlantic Charter and in the Lend-Lease Agreements. The fourth clause of the Atlantic Charter reads as follows:

"They will endeavor, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity."

This declaration was made originally by President Roosevelt and Prime Minister Churchill but has since been adhered to by 34 other United Nations.

In Article VII of the Mutual Aid Agreement between the United States and the United Kingdom, as in similar agreements with other United Nations, it is provided that in the final determination of benefits:

". . . the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods . . . to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers. . . ."

The establishment of machinery for carrying out the substance of these commitments should be one of the first items on the agenda for international postwar reconstruction.

#### THE BRITISH SITUATION

Great Britain faces critical economic and financial problems in the postwar period, and Britain is the key to the economic recovery of much of the rest of the world. The British situation constitutes one of the chief postwar monetary problems. The economic systems of many other countries are so closely tied to Britain that their own policies depend upon the course that she follows. The nature of the solution of these problems and the extent to which that will make possible full British cooperation in sound world trade practices must be known before intelligent action can be taken with respect to an adequate solution of the world's monetary problems.<sup>1</sup>

#### INTERNATIONAL MONETARY FUND

We present an analysis of the International Monetary Fund in Part II of this report, beginning on page 25. Therefore, we shall give here only a brief review of its provisions and their implications.

##### Purposes

The purposes of the Fund are to promote international monetary cooperation, to facilitate the expansion and balanced growth of international trade, to promote exchange stability, to eliminate foreign exchange restrictions on trade and service transactions,

<sup>1</sup> See Part II, pp. 39-42.

and to reduce disequilibrium in international balances of payments.<sup>1</sup> These purposes are, of course, deserving of unqualified approval. But as stated in the recommendations of the Conference quoted on pages 3-5 above, what is needed is the correction of basic maladjustments; and until these have been remedied, we believe that the expedients proposed by the Fund will tend to obscure these underlying problems and render them more difficult to solve in the end.

#### Organization and Management

The Plan provides for a Fund of \$8,800 million to be contributed by the member nations according to their quotas, as agreed upon by the Conference. The United States is assigned a quota of \$2,750 million, the United Kingdom \$1,300 million, Russia \$1,200 million, China \$550 million, and France \$450 million. Actually the Fund will not consist of dollars, but of gold and 44 different currencies and promissory notes. The gold to be contributed by a member will be 25 per cent of its quota or 10 per cent of its holdings of gold and dollar balances, whichever is smaller.<sup>2</sup>

The currencies contributed to the Fund will be of varying degrees of quality. The dollar is the only one that today finds universal acceptance in world trade. Presumably, the demand of member countries for foreign exchange will be concentrated on dollars.<sup>3</sup>

The Fund is to deal only with the treasuries, central banks, or other fiscal agencies of member countries, and not with individuals or private concerns. Loans are to be made, not to finance specific transactions, but to cover a member's passive balance of payments on current account. A member's borrowings may not exceed 25 per cent of its quota in any one year, or a maximum of 100 per cent of its quota plus its gold contribution.

<sup>1</sup> See Part II, p. 25.

<sup>2</sup> See Part II, p. 26.

<sup>3</sup> See Part II, p. 27.

These and other limitations, however, may be waived by the Fund.<sup>1</sup>

The Fund provides machinery for consultation and collaboration on international monetary matters. The Fund and its members must agree to initial parity rates, but experience alone will determine how realistic these rates are in relation to basic economic conditions. A procedure is established for exchange rate changes up to 10 per cent at each member's discretion and such further changes as may be agreed to be necessary, but no change is to be made except to correct a "fundamental disequilibrium." The Plan does not define the meaning of this term. But it provides that such change shall not be rejected on account of the "domestic social or political policies" of a member. Members agree not to impose new exchange restrictions, except under certain unusual circumstances, and to work toward the gradual removal of existing controls on trade and service transactions.<sup>2</sup>

The Fund will be managed by a Board of Governors, one from each member nation, and by twelve or more Executive Directors. Voting power is based on quotas, but will vary according to amounts loaned or borrowed. Initial voting power of the five largest members would be: United States 28 per cent, Great Britain 13½ per cent, Russia 12½ per cent, China 5.8 per cent, and France 4.8 per cent.<sup>3</sup>

#### Functions

The primary function of the Fund is to lend the currencies of its members in order to facilitate international payments and promote exchange stabilization. It is through its credit facilities that the Fund is expected to exercise its influence on member nations and induce them to cooperate in monetary policies. It is intended that the Fund will remedy any temporary

<sup>1</sup> See Part II, p. 27.

<sup>2</sup> See Part II, p. 28.

<sup>3</sup> See Part II, pp. 28-29.

shortage of international monetary reserves that may occur and enable members to maintain greater currency stability.<sup>1</sup>

Rules are laid down governing the making of loans, but, in effect, any member in good standing seems to have a virtual right to borrow if it has an adverse balance of payments. Countries rich in monetary reserves may borrow as well as the needy.<sup>2</sup> The Fund may refuse to lend to a member country that has used the proceeds of previous borrowings contrary to the purposes of the Fund, but in view of the breadth of the purposes that limitation might prove to mean very little. As a practical matter, considering the broad purposes of the Fund, it would be difficult to refuse loans to members, especially during the period of transition when, by implication at least, members will have the benefit of any reasonable doubt.<sup>3</sup>

We believe that any system of credit extension that expressly or implicitly confers on a borrower the right to a loan, or the right to expect a loan, is unsound. Some proponents of the Plan have compared its credit arrangements to the lines of credit created by banks in favor of their clients. They are very different, however, from private commercial lines of credit established by lenders and not borrowers, fixed not merely with regard to borrowers' needs but also with regard to their credit worthiness, and granted under appropriate agreements respecting the terms of the loans.

In Part II we point out in some detail why we believe there is no general scarcity of international monetary reserves,<sup>4</sup> and why the Fund is not suited to the problems of the transition period.<sup>5</sup> We also indicate in that part of the report<sup>6</sup> why we think the safeguards against the misuse of the Fund's resources

<sup>1</sup> See Part II, pp. 29-32.

<sup>2</sup> See Part II, pp. 38-39.

<sup>3</sup> See Part II, pp. 32-37.

<sup>4</sup> See Part II, pp. 29-32.

<sup>5</sup> See Part II, pp. 32-34.

<sup>6</sup> See Part II, pp. 34-39.

are inadequate and why the Fund's resources would probably be dissipated without any material accomplishments, instead of being concentrated where the need is greatest. We point out further the danger of perpetuating international disequilibria through excessive credits.<sup>1</sup>

The Fund is intended to serve as a kind of thermostat for regulating fluctuations in exchange pressures of normal range. But a thermostat well adjusted for the regulation of normal fluctuations will not only be useless, but will be wrecked, if plunged into an atmosphere in which violent, abnormal variations are going on. The short-run balances of normal international trade with which the Fund is expressly intended to deal will not be a problem until greater political and economic stability has been achieved. Setting up the Fund at an early date has the disadvantage that it will lead many persons to think that greater progress has been made than is actually the case.

#### Scarce Currencies

It is generally assumed that the currency most in demand and, therefore, most likely to become scarce, will be the dollar. Apparently the experts when drafting the "scarce currency" clause had the dollar in mind. Under that clause, if a scarcity of dollars occurs, the Fund may request the United States to lend the Fund additional dollars. While the making of such loans would be optional with the United States, refusal might be difficult.<sup>2</sup>

Should the Fund declare that a scarcity of any currency exists, any member, after consultation with the Fund, may impose temporary restrictions on operations in that currency.

#### Exchange Controls

We need not enlarge upon the throttling effect of exchange controls on international trade. Exchange

<sup>1</sup> See Part II, pp. 51-53.

<sup>2</sup> See Part II, pp. 42-45.

controls on current transactions, particularly controls by which different rates are charged for different purposes, are among the worst of the barriers to trade. The Plan recognizes the fact that many countries will find it necessary to maintain exchange controls during the reconstruction period while political and economic order is being restored, although their gradual removal is stated to be one of the prime objectives of the Fund.<sup>1</sup>

Article VIII provides that no member shall impose exchange restrictions without the approval of the Fund, with certain exceptions, but other articles strongly imply exchange supervision or control if they are to be carried out properly. One of these is the provision authorizing permanent controls over capital transfers. It is difficult to see how international capital movements can be regulated without very comprehensive exchange restrictions that would ultimately extend to current transactions. The would-be remitter of capital funds does not earmark them as such. He disguises them thoroughly and well. The member government would find itself pressed to extend its supervision in progressive steps to cover all transactions in order to attain the single objective.

The provisions regarding scarce currencies, the repurchase provisions, and the provision stipulating that the resources of the Fund may not be used in a manner contrary to the purposes of the Fund, strongly imply the maintenance of permanent machinery for exchange supervision. These points, as well as the matter of exchange controls in the transition period, are dealt with on pages 42-48 of Part II.

The Monetary Fund has no power to remove trade controls and restrictions or to require the removal of trade barriers as a condition for the use of its funds. Therefore, trade controls could be used to offset the removal of exchange controls.

<sup>1</sup> See Part II, pp. 46-48.

#### Lack of Agreement on Operating Principles

What the considered view of the United Nations with regard to the Bretton Woods proposals may be is as yet unknown. It is apparent, however, that on a number of points the proposals are not being understood in Great Britain in the same way as in the United States, and are not being presented to the public in the same light by advocates of the Plan. For example, there is a wide difference in attitudes toward flexible exchange rates which could lead to serious controversies over the Fund's powers and activities.<sup>1</sup> There are also strong differences of opinion regarding the continuance of special trading and exchange practices under the Fund, such as bilateral agreements for balancing sales with purchases or the establishment of restricted trading areas.<sup>2</sup>

#### INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

We present an analysis of the proposed Bank in Part II of this report, beginning on page 54, and shall therefore review here only briefly the main outlines of the plan.

#### Organization

The organization of the Bank follows the same general lines as that of the Fund. In addition to the Board of Governors and Executive Directors, however, the Bank will have an Advisory Council and also loan committees with definite responsibilities and authority.

Its authorized capital is \$10,000 million, of which \$9,100 million has been allocated to the 44 nations represented at Bretton Woods. The United States' subscription will be \$3,100 million. Twenty per cent of the subscribed capital, \$1,800 million, is to be placed at the

<sup>1</sup> See Part II, pp. 48-51.

<sup>2</sup> See Part II, p. 47.

call of the Bank, in local currencies and to a minor extent in gold, to be used for direct loans. The balance will be subject to call only when required to meet the Bank's obligations arising out of guarantees or direct loans made from borrowed funds, and must be paid either in gold, in dollars, or in the currency required to discharge the obligations of the Bank.<sup>1</sup>

#### Functions

The International Bank is designed to stimulate investment of long-term capital for productive purposes.<sup>2</sup> It may make direct loans from its own or from borrowed funds, and it may also guarantee private loans. Its concern is with long-term loans.

The Bank's main function is to guarantee private loans,<sup>3</sup> but the Plan seeks to avoid the mistakes and losses associated with private foreign loans after the last war by restricting loans to specific wealth-producing projects and by supervising the application of the proceeds. Private investors are protected by the guarantee of the Bank to which the member governments are jointly and severally liable to the extent of their subscribed capital. This guarantee will permit lower interest rates and reduce the financial burden to the borrower. It is hoped that by bringing into this insurance pool all governments eligible to borrow or benefit by the loans, a high sense of responsibility in honoring international engagements will be fostered. If international credit standards can be raised, the borrower as well as the lender will be interested in discouraging improvident loans.

The Bank could function under the conditions of the transition period, and help bring order into the field of foreign capital loans. It could make funds available for necessary reconstruction and develop-

<sup>1</sup> See Part II, p. 55.

<sup>2</sup> See Part II, p. 54.

<sup>3</sup> See Part II, pp. 50-59.

ment under the supervision of a competent international body that should exercise restraint on irresponsible borrowing and lending. It could build up a justified confidence in foreign investment, thereby stimulating a sustained flow of long-term international capital on sound lines, which is so essential to world economic rehabilitation.

Therefore, we find much to recommend in the structure and functions of the proposed Bank, accepting, as we do, the premise that it is to the interest of this country to help finance postwar reconstruction in devastated areas and to increase the purchasing power of undeveloped countries. We believe that in view of the limits on its permissible commitments and under competent management, the Bank should help to stimulate private lending on terms that minimize the private lender's risk and the borrower's cost. We believe also that the Bank can perform this great service without undue risk to the member nations.

#### Influence on Monetary Policies

We believe that the Bank should encourage and coordinate efforts toward international monetary cooperation. It should encourage the adoption of common monetary policies necessary for its successful operation. In connection with its guarantees and loans, for example, the Bank should require some agreement as to initial parity rates and should require consultation before changes in parity rates are made. Furthermore, subscribers to the Bank should agree to remove exchange controls and trade barriers as soon as feasible. The statistical data required from member nations by the Fund could be made available to the Bank. Finally, through the Bank there could be carried on the consultation and collaboration so necessary in dealing with problems facing the world. These are all desirable features of the Fund, the substance of which can be easily incorporated in the Bank Plan.

We also believe that when the economic outlook is clearer than it is today, the stabilization of currencies might be assisted along simple and practical lines through enlargement of the functions of the Bank.<sup>1</sup>

### CONCLUSIONS

The purposes of the Monetary Fund are desirable, but we doubt whether they would be realized by the adoption of the Monetary Plan. We cannot escape the conclusion that the Fund is not a suitable instrumentality for dealing with the tasks that lie immediately ahead in hastening the favorable environment necessary for monetary stability. Until substantial progress has been made in dealing with fundamentals, real monetary stability cannot be attained.

The immediate task is to restore political and economic order to the world. International peace and security, internal stability in each country, and the removal of international trade barriers are the basic problems that demand attention. The establishment of the Fund prior to the restoration of favorable underlying conditions would not result in the achievement of economic stability or the elimination of exchange controls. On the contrary, we believe the Fund would tend to perpetuate exchange controls and other restrictions on the free movement of trade. There are implications of permanent exchange controls running throughout the Fund in spite of the fact that one of its proclaimed purposes is to eliminate them.

We doubt whether the safeguards are adequate to insure the sound use of the Fund's resources. The system of credits based upon quotas seems unrealistic and impractical. Neither will the Fund be able to concentrate its resources effectively in the places where the need is greatest.

<sup>1</sup> See Part II, pp. 59-60.

We believe that within a few years, as the result of financing the continuation of unstable conditions that it is intended to remedy, the Fund might become unable to function effectively if the trade balance were to run strongly in favor of the United States and the supply of dollars in the Fund were to become scarce.

Another doubt as to the feasibility of the Fund arises from the lack of agreement on the interpretation of its provisions. Opinions are far apart as to the degree of elasticity of parity rates that ought to be allowed. The basic differences arise in part from the great uncertainties of the transition period, and reinforce our conclusion that the adoption of the Fund at this time would be unwise.

We are convinced that the divergence of conditions in the various countries is so great that the stabilization of each currency must be treated as an individual problem. We do not think it is possible to develop a workable formula that can be applied to all cases. Too much depends upon the will and the efforts of the individual country for the over-all approach to achieve the success anticipated by the authors of the Monetary Plan.

The Committee believes that the International Bank, as outlined in the Bretton Woods proposal, could play an important role in postwar reconstruction. Through its selective lending for specific constructive purposes, the Bank would not only serve a long-range end, but its facilities could be brought to bear immediately on the problems of basic economic reconstruction.

We believe also that international cooperation in monetary matters can be facilitated by the Bank without establishing the particular type of credit facilities provided by the Fund. Some stabilization loans may be necessary, but they should be provided on the merits of each individual case, and only after a country demon-

strates its will and ability to put its own house in order. With the return of favorable conditions, currency stabilization would be greatly simplified and could be assisted through a relatively simple stabilization mechanism under the auspices of the Bank.

The greatest single contribution that the United States can make to world stability is to maintain the integrity of the American dollar. This can be done only by the maintenance of the fixed value of the dollar in terms of gold and the attainment as soon as practicable of a sound national budget and other sound internal policies. The adoption of a trade policy greatly reducing restrictions on United States imports would also contribute to world stability.

#### RECOMMENDATIONS

We recommend for consideration the following:

(1) That action on the proposal for the International Monetary Fund should be postponed until basic conditions have become sufficiently stable to provide a reasonable chance of its attaining its objectives.

(2) That the International Bank for Reconstruction and Development be accepted with whatever changes may be desirable. For example, it will be necessary to eliminate all ties between the Bank and the Fund. Any friendly nation that desires to do so should be permitted to subscribe to the capital of the Bank. In addition there are certain features of the Fund designed to encourage international monetary cooperation that, in modified form, could be transferred to the Bank. These include the facilities for consultation among the nations on monetary and financial matters. At the time applications for membership are made to the Bank, moreover, the following covenants should be made:

(a) An understanding between the Bank and its members on initial parity rates so that members may know the amounts of local currencies necessary to meet their capital subscriptions.

(b) Agreements from members to make rate changes only after consultation with the Bank, and specifically to avoid competitive rate changes.

(c) Agreements from members to remove exchange controls and trade barriers as the varying conditions of the different nations permit.

(d) Agreements from members to supply statistical data similar to those provided for in the Monetary Plan.

(3) That further study and consultation be undertaken to determine how the International Bank might appropriately assume limited stabilization functions, i.e., how and when stabilization loans might be granted, whether this would require additional capital funds for the Bank, and how such funds might be provided.

(4) That, in accordance with the recent recommendation to committees of the House of Representatives by Assistant Secretary of State Dean Acheson and Mr. Warren Lee Pierson, President of the Export-Import Bank, the Johnson Act be repealed, as is essential before the International Bank can operate effectively; and that the First World War debts and the Lend-Lease obligations be promptly and equitably disposed of in such a way that they will not present an obstacle to balanced trade relations and international monetary stability.

(5) That, although stabilization of the pound is primarily a British problem, the United States should be ready to cooperate with Britain, if invited to do so, in any study she may undertake to reach a solution of her reconstruction problems.

(6) That steps be taken to carry out the recommendations of the Bretton Woods Conference that the participating governments seek to reach agreement as soon as possible on ways and means to reduce obstacles to international trade.

## PART II

## INTERNATIONAL MONETARY FUND

### Purposes

The Plan states that the Fund shall be guided in all its decisions by the following purposes as set forth in Article I:

- (i) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.
- (ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.
- (iii) To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.
- (iv) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
- (v) To give confidence to members by making the Fund's resources available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
- (vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

### Quotas and Contributions

In order to carry out the above objectives the Plan provides for an international credit pool of \$8,800 million, called the Fund, to be contributed by the 44 participating nations according to their quotas.<sup>1</sup> The quotas not only measure contributions, but also determine voting power in the management of the Fund's affairs and the extent to which the Fund's credit facilities may be used. These quotas were determined by mutual agreement at the Conference, based in part on certain economic factors, such as gold holdings and the volume of foreign trade. The quotas agreed upon range from \$2,750 million for the United States down to \$500,000 each for Liberia and Panama. The quota of each country is shown in Appendix A.<sup>2</sup> Quotas may be revised from time to time, but changes require a four-fifths vote and no member's quota may be changed without its consent.

Subscriptions to the Fund by member countries are to be made partly in currency (or limited amounts of obligations under certain conditions) and partly in gold; the gold to be 25 per cent of each country's quota or 10 per cent of its holdings of gold and U. S. dollars, whichever is smaller. The gold contributed will be placed in designated depositories. Currency contributions will be made by setting up credits to the Fund on the books of the central banks or other designated agencies.<sup>3</sup> The United States would contribute about \$700 million of gold. The remainder of its subscription would be set up on the books of some fiscal agency as a credit to the Fund, or the Fund could accept from the U. S. Treasury a part of the \$2,000 million in the form of non-negotiable non-interest bearing notes, or similar obligations.

<sup>1</sup> Article III.

<sup>2</sup> See p. 61.

<sup>3</sup> Article XIII, Section 2.

### Borrowing Facilities

The Fund is clearly a credit mechanism.<sup>1</sup> A member country would "purchase" foreign currencies from the Fund with its own currency. This in effect would be a loan and we call it such in this report, although it would have no definite maturity and would involve no obligation to pay in the currency borrowed.

A member country may borrow other members' currencies from the Fund up to 25 per cent of its quota in any one year, and up to a maximum of 100 per cent of its quota plus the amount of its gold contribution. Britain, for example, could borrow from the Fund its quota of \$1,300 million, Russia \$1,200 million, China \$550 million, etc., plus, in each case, the amount of its gold contribution. These limitations on borrowing may be waived by the Fund at its discretion, and on terms that safeguard its interests, especially in the case of members with a record of avoiding large or continuous use of the Fund's resources.

While the quotas of the members aggregate \$8,800 million, this total gives an exaggerated impression as to the lending facilities of the Fund. If countries with half the quotas were borrowers the maximum net loans<sup>2</sup> that the Fund could have outstanding at any one time could not exceed the quotas of the other members, or \$4,400 million. Since most of the countries will be potential borrowers, however, the demand is certain to concentrate upon the currencies of a few countries with active trade balances, chiefly the United States and Canada. It is possible that 75 per cent or more of the net loans to borrowing countries will come from the contribution of the United States.

### Parity Rates and Exchange Restrictions

The par value of the currency of each member is to be expressed in terms of gold or in terms of the U. S.

<sup>1</sup> Article V.

<sup>2</sup> The term "net loans" is used to designate the amount of loans to a borrowing country in excess of its gold contribution.

dollar of the present weight and fineness,<sup>1</sup> and is to be based on the rates of exchange prevailing on the sixtieth day before the agreement goes into effect, if satisfactory to both the Fund and the member. If either objects they must agree upon another rate, but if no agreement can be reached the country is deemed to have withdrawn from the Fund. There are certain exceptions to the above procedure for countries that were occupied.<sup>2</sup>

Provisions are made for changing rates to correct fundamental disequilibria.<sup>3</sup> After consultation with the Fund, a member country may change the parity rate of its currency as much as 10 per cent from the rate originally agreed upon, but the consent of the Fund is not necessary. Additional changes, whether upward or downward, require the approval of the Fund, but the Fund must concur if it is satisfied that the change is necessary to correct a "fundamental disequilibrium" and it shall not object because of the social or political policies of the member requesting the change.

Exchange regulations and restrictions may be maintained in the transition period, but member nations are to withdraw restrictions on trade and service transactions as soon as conditions permit.<sup>4</sup> The Fund may make representations to member nations regarding restrictions, and any member still maintaining such restrictions five years after the agreement goes into effect must consult with the Fund as to their further retention.

#### Management

All powers of the Fund are to be vested in a Board of Governors, one governor and one alternate from each member country.<sup>5</sup> The Board may delegate its powers,

<sup>1</sup> Article IV, Section 1.

<sup>2</sup> Article XX, Section 4.

<sup>3</sup> Article IV, Section 5.

<sup>4</sup> Article XIV.

<sup>5</sup> Article XII.

with certain exceptions, to twelve or more Executive Directors who would be responsible for the general operations of the Fund. Five directors would be appointed by the five members having the largest quotas and seven by other members. The Executive Directors would appoint a Managing Director who would be Chairman of the Executive Directors and chief operating officer of the Fund. The principal office of the Fund would be located in the United States.

The voting power of the member countries is related to their quotas, each member having 250 votes, plus one additional vote for each \$100,000 of its quota. The total number of votes would be 99,000, of which the United States would have about 28 per cent, the United Kingdom about 13½ per cent, and Russia about 12½ per cent. There is also provision that in important matters relating to loans a country's voting power increases on a sliding scale as the loans of its currency increase, with a corresponding decrease in the vote of borrowing countries. It is estimated that under this sliding-scale arrangement the maximum vote of the United States might reach nearly 35 per cent of the total. Decisions will be made by a majority of the votes cast, with certain specific exceptions. For example, a change in quotas requires a four-fifths vote, which gives the United States a veto power.<sup>1</sup>

#### International Monetary Reserves

The Fund is intended to supplement the existing supply of international monetary reserves (gold and convertible currencies) and to meet any deficiencies that may occur. The funds to be made available by the proposed Plan would supplement the existing supply of gold and foreign exchange as a means of settling short-term or temporary adverse balances in international payments.

<sup>1</sup> Article III, Section 2.

The need for the Fund, however, can be appraised properly only against a background of the facts regarding existing international monetary reserves. There has never been a time when countries outside the United States had such large reserves of gold and foreign exchange. These reserves have grown rapidly in recent years because of the large war expenditures of the United States all over the world. The United States has paid cash for imports of strategic and other materials; it has built naval and air bases abroad; it has loaned funds to foreign countries to stimulate the output of goods; and it has paid out billions of dollars in maintaining its forces abroad.

In 1919, at the end of the First World War, the gold and short-term dollar balances held by foreign countries aggregated only about \$5,000 million, or one-quarter of the amount they now hold. At the end of 1944 they aggregated over \$20,000 million.<sup>1</sup> In the two years during which the monetary plans have been under discussion, 1943 and 1944, these foreign holdings have increased by more than \$5,000 million. If the war should continue for another year, foreign reserves of gold and dollar balances may rise another \$2,000 million.

These monetary reserves are not evenly distributed among foreign countries; neither are they distributed according to needs. However, they are widely distributed, which indicates no general shortage of reserves. It is estimated, for example, that the various Latin American countries had about \$3,500 million of gold and dollar balances at the end of 1944. France, Belgium, and Holland have been able to keep substantial gold holdings: France \$2,000 million, Belgium over \$700 million, and Holland \$500 million. Neutral countries like Sweden, Switzerland, and Spain have substantially increased their holdings. Portugal has

<sup>1</sup> The estimate includes short-term U. S. securities owned, and covers neutral countries, such as Sweden and Switzerland, which were not represented at Bretton Woods.

accumulated nearly \$600 million of gold and exchange reserves since 1939. Turkey and Iran have likewise greatly increased their holdings. China also has accumulated substantial dollar balances.

Only one-fourth of the countries represented at Bretton Woods have gold and dollar resources amounting to less than their quotas. Over half of them have gold and dollar resources equal to more than twice their quotas.

In addition to gold and dollar balances many countries have accumulated large sterling balances in London that are now blocked. These blocked balances create a major exchange problem for Great Britain. Doubtless a few of the continental European countries, especially some of those in eastern and southeastern Europe, may have little or no gold or foreign-exchange reserves, but they are the exception rather than the rule. Britain's position is unique. She may have substantial reserves at the end of the war, but her needs will be much greater, as we point out in a later section.

The gold contributed to the Fund by foreign countries would come out of their present holdings and, therefore, would not be a net addition to their existing reserves. The contribution of the United States, and perhaps that of Canada, would be a net addition to the gold and dollar balances available to borrowing countries. This addition, however, would probably not equal more than 15 per cent of their existing holdings. This is little more than one-half the increase that has occurred in foreign holdings of gold and dollar balances since the end of 1942, shortly before the stabilization plans were first announced.

The maldistribution of existing reserves is the result in part of fundamental maladjustments that cannot be remedied by supplying more reserves or redistributing those already in existence. As long as under-

lying conditions are out of balance, international monetary reserves will tend to accumulate in some countries and flow away from others no matter how many times they may be redistributed. This illustrates the need for restoring stability of fundamental conditions.

#### Transition Period

The purpose of the International Monetary Fund is to supply to member countries the working balances of foreign exchange necessary to meet temporary changes in their international balances of payments. It seems designed to operate under conditions of essential stability in international affairs, in which international payments are out of balance only temporarily.

It is obvious, however, that no such condition of approximate stability will prevail in the immediate postwar period. Stabilization loans can be successful when the underlying conditions are right. When these basic conditions are not right, however, past experience indicates that such loans do not accomplish their purpose.

The provisions of the Monetary Plan state that "the Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war."<sup>1</sup> Yet there are no precise definitions of these terms and no specific provisions in the Plan to give assurance that in actual operation the Fund will not be used for relief or reconstruction or to liquidate debts. The general authorization is that the Fund may be used to finance an adverse balance of payments, but all types of international transactions go into making up an adverse balance of payments. The difficulty of excluding imports for reconstruction purposes would be almost insuperable.

<sup>1</sup> Article XIV, Section 1.

There is good reason to believe that many of the countries represented at Bretton Woods actually contemplate using the Fund for purchasing machinery and equipment or building factories or for other capital purposes. Some of them have made no secret of their intentions. Edward E. Brown, one of the United States delegates at Bretton Woods, said in a recent article: "It may be admitted that a country with a complete system of state trade, such as Russia, does not require credit for strictly stabilization purposes and that Russia will probably use up her quota in the first few years of the Fund's existence to pay for imported capital goods necessary for her economic reconstruction."<sup>1</sup>

A recent study of international currency experience published by the League of Nations says, "Experience has shown that credit facilities granted for the general purpose of currency stabilization may in fact prove an unsuitable and wasteful method of capital supply or relief."<sup>2</sup>

Regardless of conditions in the transition period, the proponents of the Fund contend that it should be put into effect as soon as possible in order that the United Nations may begin immediately to work toward a common monetary policy. Unless general agreement can be reached today, both as to objectives and measures for attaining these objectives, it is argued, various countries and blocs will get started in the wrong direction and it will be harder later to secure the adoption of a common monetary policy. There is merit in this viewpoint. General agreement among the countries to eliminate exchange controls, discriminatory practices, and competitive depreciation is highly desirable.

It ought to be possible to accomplish these objectives, however, without setting up a system of credits that is unsuited to the transition period and in the

<sup>1</sup> Edward E. Brown, "The International Monetary Fund: A Consideration of Certain Objections," *The Journal of Business of the University of Chicago*, October 1944, p. 202.

<sup>2</sup> League of Nations, "International Currency Experience," Princeton University Press, 1944, p. 219.

long run may retard real progress toward international cooperation and stabilization. For those nations that have the will to work toward stabilization, a method of international cooperation can be found. Those that lack the will or the ability to put their houses in order and work toward stability cannot be led to stability by an offer of easy credits.

Simply setting up an organization and securing commitments regarding future actions will not achieve the desired results if the times and conditions are not propitious, or if individual countries later feel that their self-interest lies in a different direction.

#### Safeguards

The safeguards against the abuse of the borrowing privilege do not seem sufficient to insure the sound use of the Fund's resources. The credits are automatic to the extent that the Plan creates the presumption that a member is entitled to borrow to meet an adverse balance of payments on current account.<sup>1</sup> It sets up a credit for each member that may be drawn upon unless revoked by positive action of the management. There are certain conditions and requirements, of course, that a member is expected to observe, such as furnishing information required, relating its currency to gold at a rate satisfactory to the Fund, contributing its quota, avoiding discriminatory currency practices, changing the par value of its currency only to correct a "fundamental disequilibrium," and preventing large inflows or outflows of capital.<sup>2</sup>

Aside from these conditions and requirements the only guides established for the making of loans are the general purposes of the Fund. The Fund may limit and, after some delay, deny loans to any member "using the resources of the Fund in a manner contrary to the purposes of the Fund."<sup>3</sup> This is apparently considered

<sup>1</sup> Article V, Section 3.

<sup>2</sup> Article VIII, Sections 3 and 5; Article IV; Article VI, Section 1.

<sup>3</sup> Article V, Section 5.

the principal safeguard in the Plan, but it could be applied only after members have misused funds already borrowed. There is another provision, however, that is apparently intended to give the Fund power to refuse initial loans if it thinks the proceeds would be misused. That provision reads as follows:

"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 this Agreement or prejudicial to the Fund or the members."<sup>1</sup>

These provisions seem to leave to the management a large element of discretion. The general credit formula that creates a presumption in favor of loans, however, would greatly limit its discretion. Members are encouraged to believe that they have a right to credits, and that a debit balance of payments is sufficient reason for securing a loan. The Plan imposes no specific requirements as to internal conditions before credits are granted, and makes no suggestion regarding internal corrective measures to be taken by countries borrowing from the Fund.

The burden of proof is on the Fund to show that a country is using the Fund's resources contrary to its purposes, and we have already seen that these purposes are so broad that they could justify almost any transaction. The credit rights of a small country might be denied under the above provision, but to apply the same standards to a major country would jeopardize the harmonious functioning of the entire Plan. Since loans are not made for specific purposes, but to cover adverse balances of payments, the task of determining whether borrowed funds are misused would be difficult, espe-

<sup>1</sup> Article XX, Section 4(i).

cially when it means keeping track of the policies and economic activities of possibly thirty or forty countries. The Fund cannot test loans against particular transactions, but would have to consider general trends and policies. A country may be pursuing policies and creating conditions that require credits to maintain the desired level of employment and the stability of its currency. Loans might only postpone the real remedies, but it would be exceedingly difficult to prove that this was contrary to the purposes of the Fund.

The management of the Fund, with its cumbersome system of voting and its sensitiveness to political considerations, would find it particularly difficult to deny a member its right to borrow. The spirit of the Plan seems to be to give the borrower the benefit of the doubt, at least during the transition period. Some countries might draw on their credits as fast as the Plan permits, and others, unable to check the outflow, would be encouraged to get their share before the Fund was exhausted. Furthermore, even the representatives of the creditor countries might be inclined to follow a generous policy for the purpose of promoting economic expansion and prosperity.

The system of credits based on the quotas of member countries is unrealistic and impractical as a basis for operations. The quotas of member countries have little relation to their actual or potential credit needs or to their credit-worthiness. The usual tests of quality are not applied because of the nature of the loans and the objectives. The probability of repayment is apparently secondary to the accomplishments anticipated. In fact the borrower makes no specific promise to pay in the currency borrowed, but gives to the Fund its own currency, which is simply a claim on the goods and services it has to sell. The loans have been referred to as "impersonal credits." The borrower does not feel obligated to any particular country, and the creditor is not in a position to demand repayment.

If dollars and the currencies of a few other creditor countries are exhausted and gold contributions are expended, the remaining assets would consist of a miscellany of weak currencies. These currencies would always be available to the creditor countries, but under prevailing conditions they are not interconvertible with other currencies and are not good in international trade. Repayment would depend upon whether borrowers can later develop active balances of payments or lenders will take the goods the borrowers have to sell; but in practice the volume and sources of imports are determined by the preferences of individual buyers, and not by the commitments made in inter-governmental agreements.

The progressive interest rates imposed are intended to act as a deterrent against excessive borrowing.<sup>1</sup> These charges progress not only with time, but also according to amounts borrowed in relation to quotas. The rates start very low, however, and progress slowly. On borrowings up to the amount of the borrower's gold contribution, there is a service charge ( $\frac{3}{4}$  of 1 per cent) but no interest charge. All borrowings above that amount, i. e., "net borrowings," pay both the initial service charge and an annual progressive interest charge. In the fifth year after net borrowings begin, however, the average rate paid by the borrower will be only  $2\frac{1}{2}$  per cent, assuming that the borrowing country has exercised its full borrowing rights and has exhausted its quota in four years. In the eighth year the average rate would be only 4 per cent, and in the tenth year, 5 per cent. These are certainly not penalty rates and would not exert any particular restraint on borrowing.

The repurchase provisions designed to limit the use of the Fund's resources by countries with large or growing monetary reserves are intended as another safeguard. These are discussed in the following section and in the subsequent section on scarce currencies.

<sup>1</sup> Article V, Section 8.

### Distribution of Fund's Resources

Under the terms of the Plan, members with large international monetary reserves of their own, as well as those with inadequate reserves, could borrow from the Fund. The borrowing privilege is available to any member with an adverse current balance of payments provided the loan proceeds are used in accordance with the purposes of the Fund. The resources of the Fund can be drawn upon in installments on a time schedule by the exchange-rich as well as by the exchange-poor countries. The Fund may waive the limitations upon the amount and purposes of loans in favor of countries that show a willingness to pledge collateral and have a record of avoiding large and continuous borrowing, but the countries poor in exchange reserves may have the most difficulty in meeting these requirements.

The effectiveness of the Fund would be materially impaired if its resources were widely used by countries with large exchange reserves of their own. The experts at Bretton Woods recognized this and inserted the "repurchase provisions" in the Plan to limit the use of the Fund's resources by the exchange-rich countries.<sup>1</sup> Under these provisions the countries with international monetary reserves<sup>2</sup> in excess of their quotas are required, at the end of each year, to repay one-half of their borrowings during the year, plus one-half of any increase, or minus one-half of any decrease, in their own reserves. This would have the effect of forcing such members to cover at least one-half of their passive balances with their own reserves. Therefore, they cannot borrow their full annual allowance (25 per cent of quota) unless their passive balance is twice as large as this or more. No matter how ample a country's own monetary reserves may be, however, it could draw

<sup>1</sup> Article V, Section 7.

<sup>2</sup> Article XIX provides that, in addition to official holdings of gold and convertible currencies, monetary reserves may include, at the discretion of the Fund, the holdings of banks to the extent that they are substantially in excess of working balances. Other private holdings are not to be included.

down its full quota in eight years, provided its own reserves did not increase.

The danger of dissipation of resources during the earlier transition years is reduced by the fact that the Fund probably would not be ready to start operating before the first half of 1946. The Plan would probably not be put into effect much in advance of its December 31, 1945 deadline,<sup>1</sup> and it would take several months thereafter to get organized and begin operations. During the first year of operations, any member which had contributed its full 25 per cent in gold would at best be able to draw out the equivalent, so that during that year it would receive no net aid at all unless the Fund waived the borrowing limits. A member with monetary reserves in excess of its quota could do this only if at the same time it were drawing at least equally upon its own monetary reserves. If it drew exclusively upon the Fund, leaving its own resources untouched, it would have to repay half of its borrowings at the end of the year, which would reduce its net draft upon the Fund to 12½ per cent. At that rate it would receive no net assistance until some time in 1948.

A member with exchange reserves less than its quota would be somewhat more favorably situated, since it would not have to make any repayments at the end of the year and would have to make a much smaller gold contribution. Needy countries, therefore, would receive real support sooner than others, which is desirable.

### The British Stabilization Problem

In peacetime a large proportion of all international transactions has been carried on in terms of pounds and dollars. If these two international currencies are stable, active trade can be carried on everywhere in the world because the contracts are made in terms of dollars or pounds. The maintenance of stable relations between these two currencies is one of the

<sup>1</sup> Article XX.

most important postwar monetary problems. When the British international economic problem can be solved, the stabilization of other currencies will be simplified.

There are two factors that make Britain's postwar problem difficult. One is the large accumulation of foreign short-term balances in Britain, and the second is the large passive balance of trade expected to prevail for several years after the war.

Lord Keynes stated a few months ago that blocked sterling balances would probably aggregate \$12,000 million by the end of 1944. Doubtless there will be a further increase in 1945. In addition to this accumulation of a large short-term foreign debt, Britain has sold over \$4,000 million of her foreign investments.<sup>1</sup> This situation has been created by Britain's extraordinary war activities.

It is clear that Britain's import needs will be large and insistent. The problem of feeding her people, rebuilding her homes, and reconstructing her industries will require large amounts of foreign products. Britain's import needs are not very elastic. Consisting mostly of foodstuffs and essential raw materials, they are things that she must have. On the other hand, her exports are far more elastic. They consist largely of manufactured goods and are subject to much wider fluctuations than her imports. At the same time, Britain's income from foreign investments, shipping, insurance, and other such items has been substantially reduced. Just how large Britain's adverse balance of payments will be it is impossible to say, but probably three or four billion dollars or possibly even more in a period of a few years.

The amount that Britain could borrow from the Fund in the first few years of reconstruction would be very small in comparison with her needs. Although she may

<sup>1</sup> British White Paper, November, 1944, "Statistics Relating to the War Effort of the United Kingdom," p. 40.

benefit indirectly from purchases of her goods by foreign countries who have access to the Fund's resources, the advocates of the Plan themselves do not maintain that it will solve Britain's stabilization problem. They concede that other means will have to be found for dealing with that problem.

The Fund is also ill adapted to meet the problems of other major nations, but for different reasons. Russia is apparently to be permitted to use the Fund without conforming to its terms regarding rate changes, exchange controls, or the use of the funds borrowed.<sup>1</sup> Unlike England, France has not incurred heavy war debts payable abroad. The fact is, of course, that France has substantial gold reserves and her primary need will be for reconstruction loans.

Since the Fund is either not adapted to the problems of these major powers, or would do little toward solving their stabilization problems, the presumption arises that it would provide a code of behavior chiefly for the smaller nations. The assumption seems to be that the world's exchange difficulties originate largely with the smaller countries and spread to the larger ones. We are convinced, however, that this is a mistaken assumption. There has probably never been a time when some of the smaller countries were not having exchange difficulties, but these difficulties do not have catastrophic effects if the major powers keep their own houses in order. The currencies of the smaller nations may have been the first to show the effects of unstable underlying conditions, but it was the policies of the larger nations in the inter-war period that were primarily responsible for the major monetary troubles that ensued. The troubles with the pound and the dollar and the franc were not due to difficulties in the

<sup>1</sup> Under Russia's system of state trading, imports, exports, and the exchange rate are completely controlled by the Government. Article IV, Section 5(e) of the Plan would permit Russia to change the par value of her currency without the concurrence of the Fund. As pointed out on page 33 above, Russia does not need stabilization credits, but it is generally anticipated that she will use the resources of the Fund for reconstruction purposes.

smaller countries. On the contrary, the pound's difficulties, the devaluation of the dollar, and the many changes in the value of the franc had wide repercussions on the smaller countries.

#### Scarce Currencies

For several years after the war, an abnormally large foreign demand for American goods may be expected. The foreign trade of the United States will of necessity be one-sided, with the result that the Fund's supply of dollars will gradually decline and its holdings of other currencies gradually increase.

When the Fund's holdings of any particular currency run low and it cannot replenish the supply, it must declare the currency "scarce," and thereafter ration whatever supply is available in accordance with the needs of the members.<sup>1</sup> The declaration that a currency is scarce acts as authorization to any member to impose exchange controls and use them to discriminate against payments for exports of the country whose currency is scarce to the extent necessary to limit the demand for the scarce currency to the supply available to the other countries. This provision takes priority over all existing commercial agreements that forbid trade and exchange discriminations against the United States. Article VII, Section 5, of the Plan reads: "Members agree not to invoke the obligations of any engagements entered into with other members prior to this Agreement in such a manner as will prevent the operation of the provisions of this Article." This means that such protection against discrimination as the Hull Trade Agreements may have given the United States would be lost if the dollar became scarce, as it might.

If dollars are scarce not only in the Fund, but also in members' own reserves, the Fund's shortage must be regarded as due to general conditions. It would

<sup>1</sup> Article VII.

reflect discredit upon the Fund only insofar as one believes that it is the latter's task to guide its members toward the adoption of policies that would lead to a better balance in international payments. There is a danger, however, that the Fund may be depleted of dollars more quickly than the over-all situation warrants.

The borrowing power of the other 43 countries would equal their total quotas, \$6,050 million, plus an amount equal to the gold they may contribute, perhaps about \$1,000 million. The demand for exchange from these countries will be concentrated heavily upon U. S. dollars. The American commitment (including gold), however, is only \$2,750 million. The gold contributed by other countries could be converted into dollars, but there would still remain a net potential demand of \$6,050 million against the American contribution of about \$2,750 million. It is not anticipated that all the other members will be borrowers of dollars, but if those with half the quotas should borrow U. S. currency, a shortage of dollars in the Fund might develop long before other countries have reached the maximum limit of their borrowing powers.

The experts at Bretton Woods tried to provide for the replenishment of dollars by the "repurchase provisions," to which we have already referred. The purpose of these provisions is to attract gold and dollars into the Fund, to force countries with large reserves to repay one-half of their borrowings, and to force countries whose reserves are rising to repay part or all of their indebtedness. In this way the loans to the stronger borrowers will be repaid, in part at least.

In addition to these repurchase provisions, the Plan provides that any member desiring to obtain the currency of another member for gold shall acquire it by sale of gold to the Fund, provided it can do so with equal advantage. A member country may also repay in gold any part of its borrowings from the Fund. There

is also a provision for recapturing the currency of one country accumulated by another as a result of dealings with a third country,<sup>1</sup> such as a payment of dollars to Brazil by Venezuela.

These provisions, however, cannot prevent the Fund from running short of dollars in the long run if the United States balance of payments remains too long in disequilibrium. The repurchase provisions seem to apply only in part to dollars that might accumulate in the hands of private holders. It is a question whether the drainage of dollars into private hands might not be greater than that into official holdings. Certainly the former would be more difficult to recapture even if there were more complete provisions for that purpose. It would require very elaborate machinery for the constant policing of international transactions not only during the transition period, but permanently.

Another provision designed to prevent the rapid exhaustion of convertible currencies in the Fund is that the Fund's resources may not be used to meet a large or sustained outflow of capital.<sup>2</sup> "Reasonable" amounts of capital transfers are permitted, however. The difficulty of controlling capital transfers is discussed below in the section on exchange controls.

If the repurchase clauses and other provisions should prove inadequate to keep the Fund on an even keel and a dollar shortage is threatened, the Fund may, with the consent of the United States, borrow dollars either from American sources or abroad.<sup>3</sup> An important policy decision will face the United States at that point. Shall additional dollars be loaned to the Fund in order to keep it going and thereby maintain this stimulant to American export trade, or shall the United States refuse such loans and let the Fund declare dollars scarce, thereby sanctioning discriminatory exchange controls against its exports?

<sup>1</sup> Article V, Section 1(b)(ii).

<sup>2</sup> Article VI.

<sup>3</sup> Article VII, Section 2.

The extent of the potential obligations or commitments of the United States under the Fund should be weighed in advance with the greatest of care. If there is substantial doubt that the Fund will stay in balance in the long run, it would be foolhardy for this country to expose itself to heavy moral pressure to put up more and more dollars.

One interpretation of the Plan is that it imposes on the creditor country the obligation to buy more goods or lend more funds abroad in order to prevent its currency from becoming scarce. Lord Keynes, for example, in explaining this feature of the experts' plan before the House of Lords, said that the United States undertakes to supply dollars sufficient to prevent the draining of reserves out of the rest of the world, or failing that, "to release other countries from any obligation to take its exports, or, if taken, to pay for them. I cannot imagine that this sanction would ever be allowed to come into effect. If by no other means, than by lending, the creditor country will always have to find a way to square the account on imperative grounds of its own self-interest."

Dr. Harry White says the Fund might find that the principal cause of the difficulty was excessive imports by borrowing countries, and would require corrective measures. He says further: "The Fund might find that the causes of the scarcity were high trade barriers in the country whose currency was scarce, or a failure to undertake adequate international investment, and it would propose appropriate remedies."<sup>2</sup> Presumably, the "appropriate remedies" in the case of scarce dollars would be to suggest that the United States reduce its tariff or other trade barriers and make larger investments abroad.

<sup>1</sup> Address before the House of Lords, May 23, 1944.

<sup>2</sup> H. D. White, "The Monetary Fund: Some Criticisms Examined," *Foreign Affairs*, January 1945, p. 204.

### Exchange Controls

One of the objectives of the Plan is the elimination of foreign exchange restrictions that hamper the growth of world trade. During the transition period, however, members may keep the restrictions that they already have and adapt them to changing circumstances.<sup>1</sup> Those members whose territories have been occupied by the enemy may impose additional restrictions where necessary. Members may also impose restrictions on exchange operations in a currency declared scarce by the Fund. They may exercise control over capital transfers and are expected to prevent large or sustained outflows of capital.

Except in the case of capital transfers and scarce currencies, members are expected to withdraw restrictions as soon as they are satisfied that they can settle their balances of payments without restrictions and without undue use of the resources of the Fund. Five years after the Fund begins operation, any member retaining restrictions is to consult the Fund as to their further retention. Furthermore, the Fund may in "exceptional circumstances" make representations to any member that conditions are favorable for the withdrawal of restrictions. If, after such representations, a member persists in maintaining restrictions inconsistent with the purposes of the Fund, such member may be denied access to the resources of the Fund.

It is not clear what the authors of the Plan meant by the term "exceptional circumstances." Presumably, they wanted to make it possible for the Fund to require member countries to remove exchange restrictions before the end of five years if conditions clearly indicate that they can do so. The term "exceptional circumstances," however, is very broad and puts a heavy burden of proof on the Fund. The benefit of any doubt goes to the member imposing restrictions. Once re-

<sup>1</sup> Article XIV.

strictions are removed they cannot be reimposed without the approval of the Fund. Therefore, members may be reluctant to remove controls.

While the general objective of the Plan is the gradual elimination of exchange controls over trade and service transactions, the powers of the Fund are in the nature of the case limited and not very specific. The possibilities of disagreements are great. In a letter to *The Times* (London) of August 24, 1944, Lord Keynes said there was nothing in the Bretton Woods Plan to prevent "our requiring a country from which we import to take in return a stipulated quantity of our exports. . . . Equally there is nothing to prevent other countries from requiring us to take their imports as a condition of receiving our exports." To us, however, such an arrangement would seem to be not only contrary to the spirit of the Monetary Plan but also in direct violation of the provision which states that "no member shall, without the approval of the Fund, impose restrictions on the making of payments and transfers for current international transactions." It is apparent that there has been no meeting of minds on this issue.

The fact that the Fund is supposed to operate in the transition period and to make loans to member countries before exchange controls are removed makes it difficult for the Fund to insist on their removal later without a substantial amount of friction and perhaps ill feeling. Postwar recovery may not proceed in all countries according to anticipations. Many special problems and difficulties will arise in some of the countries and exchange controls may be like certain types of emergency legislation that are never removed for fear the emergency will return. The Plan recognizes this possibility and says: ". . . the Fund shall recognize that the postwar transitional period will be one of change and adjustment and in making decisions on

<sup>1</sup> Article VIII, Section 2.

requests occasioned thereby which are presented by any member it shall give the member the benefit of any reasonable doubt."<sup>1</sup> Edward E. Brown says: "It must be admitted that the teeth given the Fund to enforce the withdrawal of restrictions on current payments now in effect are weak."<sup>2</sup>

To exercise adequate control over capital transfers would necessitate supervision over all international transactions, including the registration of all gold and foreign exchange holdings of members and their nationals. The same is true, in a measure, of the repurchase provisions and the provision that the resources of the Fund may not be used in a manner contrary to the purposes of the Fund. Instead of resulting in the elimination of exchange controls, the effective enforcement of these provisions would require permanent machinery for exchange supervision.

#### Flexibility of Parity Rates

Lack of agreement on fundamental principles raises doubt as to the feasibility of the Plan. The British want, at the moment at least, freedom of action in rate changes while the United States wants stability. The Plan is presented in the United States as a measure for stabilizing exchange rates, but in Britain it is presented as a device that contemplates flexibility of rates. In America it is looked upon as consistent with the gold standard, but in British official circles it is considered the opposite of the gold standard. The British Chancellor of the Exchequer has emphasized repeatedly that the Plan would not mean the restoration of the gold standard. Lord Keynes goes further and calls it the precise opposite of the gold standard:

"For instead of maintaining the principle that the internal value of a national currency should conform to a prescribed *de jure* external value, it

<sup>1</sup> Article XIV, Section 5.

<sup>2</sup> *Op. cit.*, p. 206.

provides that its external value should be altered if necessary so as to conform to whatever *de facto* internal value results from domestic policies, which themselves shall be immune from criticism by the Fund. Indeed, it is made the duty of the Fund to approve changes which will have this effect. That is why I say that these proposals are the exact opposite of the gold standard."<sup>3</sup>

What Lord Keynes means when he says that it is the opposite of the gold standard is that a member nation will no longer commit itself to make adjustments in domestic policies in order to restore equilibrium in international payments and to maintain a fixed parity rate. On the contrary, exchange rates may be changed to remedy disequilibria, even though caused by domestic policies. In fact, the Plan provides specifically that the Fund shall not object to a proposed change in rates "because of the domestic social or political policies of the member proposing the change."<sup>2</sup> The term "domestic social or political policies" is broad enough to include any domestic policy. Economics is a social science and no doubt there are those who contend that most economic policies are included under social policies. Frequently they are also political. Deficit financing to relieve unemployment, for example, is both a social and a political policy. Dr. Harry White says that the Fund cannot be placed in the position of judging the domestic social or political policies of its members. "It could not forbid countries to undertake social security programs or other social measures on the ground that such measures may jeopardize a given parity."<sup>3</sup> Currency debasement usually comes from internal causes and with this provision in the Plan any management of the Fund that sought to achieve stability would operate under a serious handicap.

<sup>1</sup> Address before the House of Lords, May 23, 1944.

<sup>2</sup> Article IV, Section 5(f).

<sup>3</sup> *Op. cit.*, p. 200.

This provision of the Plan seems to warrant the interpretation given by some that the usual procedure for correcting disequilibria would be by changing exchange rates. If followed closely, such a policy would be a complete departure from the principle of international stabilization. It would seem more like a plan for giving approval and respectability to rate changes.

It is not clear what proportion of the British public holds this extreme view. The British experts must appreciate the necessity for essential stability in the pound sterling if Britain is to continue to play a major role in international trade and finance. The Fund, however, will certainly give aid and comfort to those in any member country who would tend to rely on changes in currency values and on credits rather than on making needed internal economic readjustments.

In discussing these provisions regarding rate changes, Edward E. Brown says: "While the Fund might hesitate to object to a change which, after discussion, it believed unwarranted but which was still insisted upon by a great power, there is no reason to believe it would so hesitate in the case of a small country." If the Fund follows this policy generally of making the small nations toe the mark while the major powers are treated more leniently, it is not likely to promote good will and harmony among nations.

We assume that the United States intends to maintain the present fixed ratio between the dollar and gold. The dollar under such circumstances will be the one stable currency around which others might adjust themselves or fluctuate as the case may be. To what extent America's interests will be affected by these provisions sanctioning rate changes cannot be foreseen at this time. No doubt some flexibility in rates is essential in the transition period, but the United States places

<sup>1</sup> *Op. cit.*, p. 204.

great emphasis on stability and would probably give its approval to rate changes only in rare cases.<sup>1</sup>

It is clear that there is a wide basic difference in national attitudes on this matter of flexible exchange rates. This could lead to serious controversies over the interpretation of the Fund's powers and activities. As long as this controversy remains unsettled, it is difficult to see how a workable long-run stabilization measure can be agreed upon. There are too many doubts and uncertainties as to both Britain's future and our own for us to secure full agreement on these matters at the present time.

#### Reliance on Credits to Stimulate International Trade

One of the major purposes of the Plan is to stimulate international trade and general prosperity. The stimulation of trade and investment, it is contended, will work toward the balancing of international payments at a level of activity which increases employment and living standards in all countries. In the early part of this report we quoted from the official Plan the six purposes of the Monetary Fund. The second of those purposes reads as follows:

"To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the develop-

<sup>1</sup> John H. Williams says: "I have always favored liberal provisions about exchange rates, but on the understanding that they are to be the rare resort and not the 'usual method' of adjustment. I suspect that many of the experts, including the British, have a not greatly dissimilar view. They want their governments to have autonomy in exchange rates but not to use it much. Thus the Fund, they hope, would evolve gradually under wise management into an effective instrument of policy. But there remains the fundamental fact that national attitudes are very far apart, so much so that in efforts to get their plan adopted the experts have to engage in what comes dangerously close to double talk." "International Monetary Plans: After Bretton Woods," *Foreign Affairs*, October, 1944, pp. 52-53.

ment of the productive resources of all members as primary objectives of economic policy."

Apparently the experts feel that stabilization can be accomplished through impersonal credits which would stimulate trade expansion and create prosperity and full employment in the member countries. Instead of allowing trade to determine the amount of credit required they would stimulate trade by a credit policy. Stability through expansion is the term sometimes used to express this viewpoint. Instead of restricting their purchases and living within their means, the debtor countries would be provided with more buying power, and the balance would be created by expansion in the creditor countries.

The theory of expansion through credits was apparently a major feature of the original Keynes Plan which provided for a Clearing Union that would establish overdraft facilities for member countries. The Union would have settled balances between debtor countries simply by debiting one and crediting the other. The aggregate quotas were made large enough, some \$30,000 million, so that the Union could not only take care of the needs of the transition period, but could also be a strong stimulant to world trade. The Monetary Fund as agreed upon at Bretton Woods is less inflationary than the Clearing Union because the volume of credits available is smaller. However, trade expansion by the use of credit apparently still is a basic part of the thinking back of the Fund.<sup>1</sup>

The Fund proposal is a part of a broad program for foreign lending. In addition to the Fund, with a United States contribution of \$2,750 million, and the

<sup>1</sup> It is of interest in this connection that one of the reservations made by the Australian delegation was that the purposes of the Fund "... place too little emphasis on the promotion and maintenance of high levels of employment, and too much emphasis on the promotion of exchange stability. . . ."

proposed International Bank with a subscribed capital of \$9,100 million, it is also proposed to expand the lending facilities of the Export-Import Bank several billion dollars. These facilities would be in addition to Lend-Lease, to commercial banking facilities, which can finance current international trade to the extent of several billion dollars annually, and to other private lending agencies that may engage in long-term foreign loans.

Ultimately United States loans abroad can be paid back only in goods and services. This country must recognize the fact that in the long run it must buy from foreign countries as much as it sells to them. The more it sells to them on credit today, the more they must repay it later in goods and services. The United States can accept gold for some of its exports, but the amount of gold other nations are willing to part with, as well as the amount that the United States can advantageously receive, is limited. Loans and credits are essential at times, but this country cannot finance a large export balance indefinitely and expect to be repaid.

The great exodus of dollars now contemplated through existing and proposed agencies, when considered in connection with the \$20,000 million of gold and dollar balances held abroad, might impose a severe strain on the economy of this country and add substantially to inflationary influences. There is also the danger that the United States may overstimulate trade for a few years, as it did in the 1920's, and then experience a collapse of the boom. A great expansion would doubtless be followed by a severe decline, regardless of any plans or intentions to the contrary. There is little in past experience with artificial stimulation through credit expansion that justifies high hopes for permanent benefits from such a policy. A sound and orderly growth of trade, without excessive stimulation, would be more lasting.

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

The International Bank is a more practical proposal than the International Monetary Fund. The organization and purposes of the Bank are soundly conceived, and it is well designed to meet postwar needs. It would operate selectively on the basis of indicated needs, rather than on the basis of quotas, and would have more flexibility than the Fund. There are a number of safeguards designed to insure that the funds borrowed will be used for constructive purposes.

### Purposes

The Bank is intended to promote international lending of private long-term capital. Its purpose is to help in the restoration of economies destroyed or disrupted by the war, in the reconversion of productive facilities to peacetime needs, and in the development of productive facilities and resources of less developed countries.<sup>1</sup> This would be done by the Bank through direct loans from its own resources or from borrowed funds, and by guaranteeing loans made by private investors.<sup>2</sup> In the long run, the Bank would be expected to promote the balanced growth of international trade and help to maintain equilibrium in the balances of payments of member countries.

### Capital and Management

The agreement provides for an authorized capital of \$10,000 million, of which \$9,100 million is expected to be subscribed by the 44 nations represented at Bretton Woods. The principal allotments are \$3,175 million for the United States, \$1,300 million for the United Kingdom, \$1,200 million for Russia, \$600 million for China, and \$450 million for France. The smallest allot-

<sup>1</sup> Article I.

<sup>2</sup> Article IV.

ment is \$200,000 for Panama. The subscription allotted to each country is shown in Appendix B.<sup>1</sup>

Not all the subscribed capital would be payable at once.<sup>2</sup> Only 20 per cent could be called for use by the Bank in making direct loans. Initially, 2 per cent of the full subscription would be payable in gold or U. S. dollars. The other 18 per cent, when called, would be payable by each member in its own currency. The remaining 80 per cent of subscribed capital would be considered a guarantee fund and would be called only as needed to cover losses incurred by the Bank on guaranteed loans or on loans made by the Bank out of borrowed funds. On the basis of the original membership of 44 nations the Bank would thus have \$1,820 million for direct loans and \$7,280 million subject to call to meet losses on the Bank's borrowings and guarantees.

When calls are made to meet these liabilities, a member may pay in gold, in U. S. dollars, or in the currency in which the Bank's obligation is to be met.<sup>3</sup> Member countries would be jointly and severally liable on the guarantees, but each country's liability would be limited to the amount of its subscription.<sup>4</sup>

The Bank would be managed by a Board of Governors, one Governor and one alternate from each member nation, and by twelve Executive Directors, of whom the five countries with the largest subscribed capital would appoint one each. The other seven would be elected by the Governors of the other countries. The Board of Governors may delegate to the Executive Directors all except certain specified powers. The Executive Directors would select a President to be chief of the operating staff of the Bank. The principal office of the Bank would be located in the United States.

<sup>1</sup> See p. 62.

<sup>2</sup> Article II, Section 5.

<sup>3</sup> Article II, Section 7.

<sup>4</sup> Article IV, Section 7.

Each member nation would have 250 votes plus one vote for every \$100,000 of its capital subscription. The United States would have about 31 per cent of the total votes, although its allotment would be 35 per cent of the subscribed capital. Decisions would be made by majority vote, except where otherwise specified.<sup>1</sup>

Members of the Bank must also be members of the International Monetary Fund.<sup>2</sup> Those who accept membership in the Bank before December 31, 1945, will be original members. After that, other members of the Fund may be accepted to membership in the Bank on such terms and conditions as the Bank may prescribe.

#### Loans and Guarantees

The Bank may facilitate foreign loans in three ways:<sup>3</sup>

1. By making or participating in direct loans out of its own funds. (20 per cent of its subscribed capital is available for this purpose.)
2. By making or participating in direct loans out of borrowed funds.
3. By guaranteeing in whole or in part loans made by private investors.

Total outstanding guarantees, participations and direct loans by the Bank shall not exceed 100 per cent of its unimpaired subscribed capital, surplus and reserves. The Bank's facilities would be available only for the benefit of member countries. The Bank may make, participate in or guarantee loans to any member or any political subdivision thereof, or to any business, industrial or agricultural enterprise in the territories of a member. The Bank would deal with members

<sup>1</sup> Article V.

<sup>2</sup> Article II, Section 1(a).

<sup>3</sup> Article IV.

only through their treasuries, stabilization funds, central banks, or other similar fiscal agencies. Loans to political subdivisions or private enterprises, therefore, would be made only through these agencies.<sup>1</sup>

Direct loans by the Bank from the capital subscriptions paid in currency cannot be made without the approval of the country whose currency is being loaned. This means that each country has a right to pass upon the projects to be financed with its currency. Payments to the Bank on these loans, both principal and interest, must also be made in the currencies lent, unless the borrower chooses to pay in gold or the Bank and the country whose currency was loaned agree to payment being made in another member currency.

The Bank may borrow funds to make direct loans, but only with the approval of the member in whose markets the funds are raised and of the member in whose currency the loan is denominated. After the funds are raised, however, the Bank has full authority over the use to which they are put. Payments due in any one currency on loans made from borrowed funds, however, may not be in excess of the Bank's liability on borrowings payable in that currency. On loans made out of borrowed funds the Plan provides that the Bank shall charge a commission on the outstanding portion of the loan. During the first ten years of the Bank's operation the commission shall be between 1 and 1½ per cent per annum, but after that period the rate may be changed.

The Bank may guarantee a loan only with the approval of the member in whose markets the funds are raised, and also the member in whose currency the loan is denominated. Once approval is given, however, the borrower may use the proceeds to purchase goods in any member country. The Bank must receive suitable compensation in the form of a commission for its risk

<sup>1</sup> Article III.

in guaranteeing a loan. For the first ten years the commission charged on guarantees shall be between 1 and 1½ per cent per annum, payable on amounts outstanding. The commissions received from guaranteed loans, as well as those from direct loans, are to be set aside as a special reserve to meet the Bank's liabilities in case of default by borrowers.

#### Conditions on Which Bank May Make or Guarantee Loans

The following is an impressive list of conditions and safeguards imposed upon both direct loans and guaranteed loans:<sup>1</sup>

1. When the member in whose territory the project is located is not itself the borrower, the loan must be guaranteed by the member or its central bank, or some comparable agency.
2. The Bank must be satisfied that the borrower is unable to secure the loan elsewhere under "reasonable" conditions.
3. A competent committee must have submitted a written report recommending the project after a careful study of the merits of the proposal.
4. The rate of interest and other charges must be reasonable and the schedule for repayments appropriate to the project.
5. Due regard must be given to the prospects that the borrower will be able to make repayment.
6. Except in special circumstances, loans made or guaranteed must be for specific projects of reconstruction or development.

The Bank must take steps to see that the proceeds of a loan are used only for the purposes for which it is granted. Furthermore, the borrower would be permitted to draw on the proceeds of a loan made by the Bank only to meet expenses in connection with the project as they are actually incurred. The Bank, how-

<sup>1</sup> Article III, Section 4.

ever, cannot require that loans made or guaranteed be spent in any particular member country.

#### Value of Bank's Guarantee

The International Bank is chiefly designed to encourage private international lending. Its principal function would be to guarantee loans made by private investors rather than to make loans itself. There are sound reasons why international lending should come from private sources. In the postwar period, however, private lenders will be reluctant to assume all the risks involved and will need special encouragement.

#### The Bank and Currency Stabilization

Although the International Monetary Fund appears impractical, it has certain desirable features designed to encourage and coordinate efforts toward international monetary cooperation that, in substance, could be transferred to the Bank. In its lending operations the Bank will have a vital interest in exchange controls and in the stabilization of exchange rates. It will need to take steps for removing exchange controls that are not necessary and for preventing discriminatory rates of all kinds. The Bank could provide facilities for consultation and collaboration so necessary in dealing with international monetary and financial problems.

The following are suggested changes and additions to the Articles of Agreement for the International Bank:

(1) In order to sever all ties between the Bank and the Fund it will be necessary to revise Section 1 of Article II, which makes membership in the Bank conditional upon membership in the Fund, and to eliminate Section 3 of Article VI, which provides that when a country ceases to be a member of the Fund it automatically loses membership in the Bank.

(2) The provisions of the Fund (Article XX, Section 4) for determining initial parity rates could be in-

incorporated in the Bank Plan. This procedure would require a member and the Bank to agree on the rate. It is clearly necessary to agree upon initial rates when a part of the capital subscription is paid in local currencies.

(3) Provisions designed to restrain rate changes as much as possible should be added. Some flexibility in rates may be necessary during the transition period, but variations can be reduced to a minimum if consultation and approval are required before rate changes are made. The Bank Plan already recognizes its interest in the problem by providing for the maintenance of the value of its currency holdings in case of rate changes.<sup>1</sup> The Bank is obviously interested in a wider sense in maintaining stable rates.

(4) A provision looking toward agreement as to the removal of exchange controls on both current account and capital transactions as soon as possible could be incorporated in the Articles of Agreement for the Bank. The obstacles that exchange controls would impose on the Bank's operations are clear. The Bank could adopt the Fund procedure for the removal of exchange controls, and at the same time avoid the tendency toward additional controls contained in the Fund mechanism.

(5) Provisions requiring members of the Bank to avoid discriminatory currency arrangements and multiple currency practices should also be incorporated in the Articles of Agreement. Such practices would clearly impair the efficiency of the Bank's operations.

(6) The statistical information regarding trade, international investments, monetary reserves, etc., that is provided for in the Fund Plan,<sup>2</sup> should be supplied to the Bank. These data would be essential to the Bank if it becomes the center of international monetary consultations.

<sup>1</sup> Article II, Section 9.

<sup>2</sup> Article VIII, Section 5.

## APPENDIX A

### QUOTAS FOR INTERNATIONAL MONETARY FUND FOR COUNTRIES REPRESENTED AT THE CONFERENCE

(In millions of United States dollars)

Australia .....	200	Iran .....	25
Belgium .....	225	Iraq .....	8
Bolivia .....	10	Liberia .....	.5
Brazil .....	150	Luxembourg .....	10
Canada .....	300	Mexico .....	90
Chile .....	50	Netherlands .....	275
China .....	550	New Zealand .....	50
Colombia .....	50	Nicaragua .....	2
Costa Rica .....	5	Norway .....	50
Cuba .....	50	Panama .....	.5
Czechoslovakia .....	125	Paraguay .....	2
Denmark .....	(1)	Peru .....	25
Dominican Republic .....	5	Philippine Commonwealth .....	15
Ecuador .....	5	Poland .....	125
Egypt .....	45	Union of South Africa .....	100
El Salvador .....	2.5	Union of Soviet Socialist Republics .....	1,200
Ethiopia .....	6	United Kingdom .....	1,300
France .....	450	United States .....	2,750
Greece .....	40	Uruguay .....	15
Guatemala .....	5	Venezuela .....	15
Haiti .....	5	Yugoslavia .....	60
Honduras .....	2.5		
Iceland .....	1	Total .....	8,800
India .....	400		

(1) The quota of Denmark shall be determined by the Fund after the Danish Government has declared its readiness to sign this Agreement but before signature takes place.

APPENDIX B

SUBSCRIPTIONS TO THE INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT ALLOCATED TO  
COUNTRIES REPRESENTED AT THE CONFERENCE

(Millions of Dollars)

Australia .....	200	India .....	400
Belgium .....	225	Iran .....	24
Bolivia .....	7	Iraq .....	6
Brazil .....	105	Liberia .....	.5
Canada .....	325	Luxembourg .....	10
Chile .....	35	Mexico .....	65
China .....	600	Netherlands .....	275
Colombia .....	35	New Zealand .....	50
Costa Rica .....	2	Nicaragua .....	.8
Cuba .....	35	Norway .....	50
Czechoslovakia .....	125	Panama .....	.2
Denmark .....	( <sup>1</sup> )	Paraguay .....	.8
Dominican Republic	2	Peru .....	17.5
Ecuador .....	3.2	Philippine Common- wealth .....	15
Egypt .....	40	Poland .....	125
El Salvador .....	1	Union of South Africa .....	100
Ethiopia .....	3	Union of Soviet Socialist Republics	1,200
France .....	450	United Kingdom .....	1,300
Greece .....	25	United States .....	3,175
Guatemala .....	2	Uruguay .....	10.5
Haiti .....	2	Venezuela .....	10.5
Honduras .....	1	Yugoslavia .....	40
Iceland .....	1		
		Total .....	9,100

(<sup>1</sup>)The subscription of Denmark shall be determined by the Bank after Denmark accepts membership in accordance with these Articles of Agreement.

HEADQUARTERS  
ARMY GROUND FORCES  
OFFICE OF THE COMMANDING GENERAL  
ARMY WAR COLLEGE  
WASHINGTON, D. C.

16 February 1945

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

My dear Mr. Morgenthau:

I thoroughly appreciate your letter of February 7th in which you outline the reaction of the public and the War Finance Chairmen to the "Here's Your Infantry" demonstration units in the states visited by these units during the Sixth War Loan Drive.

I shall be only too happy to cooperate in the forthcoming Seventh War Loan and necessary action has been initiated.

Sincerely,

*J. W. Stilwell,*

JOSEPH W. STILWELL,  
General, U.S.A.,  
Commanding.



FEB 7 1945

My dear General Stilwell:

The Army Ground Forces demonstration units, "Here's Your Infantry", which we were privileged to schedule in the Sixth War Loan proved to be the outstanding national promotion of the Drive. I do not think that we have ever received more spontaneous reports in praise of a single promotional operation. In evaluating results our War Finance Chairmen in the states visited were enthusiastic in crediting the exhibition with increasing the sale of War Bonds, reducing the number of redemptions and stimulating worker morale. Our state offices were enabled to reach and exceed their community and state War Bond quotas and in every case the return of a unit for the next drive was requested.

"Here's Your Infantry" made a most powerful appeal to the public to back up the Infantry by buying Bonds and staying on the job. We feel that it would be of inestimable assistance to the Treasury program to repeat the operation on a broader scale in the Seventh Loan and suggest that twenty-four units could be scheduled to cover every state in the country.

The dates of the Seventh Loan have not yet been definitely established but it is probable that the opening will be around the middle of May. We should greatly appreciate your favorable consideration of our proposal at an early date so that we may take every possible advantage of a coast to coast tour of the Infantry show by developing a national press and promotion program as far in advance as possible.

Sincerely,

(Signed) H. Morgenthau, Jr.

General Joseph W. Stilwell  
Commanding General  
Headquarters Army Ground Forces  
Army War College  
Washington, D. C.

SCO:vgb

2-7-45 Regaded Unclassified

February 16, 1945

Dear Mr. Trammell:

Through my participation in the "America United" broadcast of the American Federation of Labor, last Sunday, I came into very pleasant contact with your organization.

The technical arrangements were exceedingly well handled in order to enable me to take part in this broadcast from my farm near Poughkeepsie, New York, and I am deeply grateful for all the time and effort which your representatives bestowed upon them.

Above all, I am impressed with the fact that in presenting this series of programs to millions of American workers, the National Broadcasting Company is performing a vital public service.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

*HMT*  
Mr. Niles Trammell,  
President, National Broadcasting  
Company, Incorporated,  
R.C.A. Building, Radio City,  
New York 20, New York.

*MJG*

FEB 16 1945

Dear Mr. Green:

I want you to know that I greatly valued the opportunity given me last Sunday by the American Federation of Labor to take part in its "America United" broadcast, in a discussion of the subject "Paying For The War." It was a vitally important subject, on which I was glad to give your great radio audience as full information as possible. The discussion which followed was extremely interesting.

The Federation renders fine service to the American people by conducting such broadcasts-- giving them many points of view on important national problems. It is good to find a great national organization like yours working on such broad constructive educational lines.

Please accept my sincere thanks for letting me have a part in this program.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William Green,  
President,  
American Federation of Labor,  
Massachusetts Avenue at 9th Street, N.W.  
Washington, D. C.

Typed 2/16/45

JLH:HB

72  
FEB 16 1945

Dear Mr. Pearl:

I understand that it was at your suggestion that I was invited by President Green of the American Federation of Labor to take part in the "America United" radio program last Sunday; and I want to convey to you my sincere thanks.

I was much pleased to take part in this program. It gave the Treasury Department an opportunity to present to a large section of the American people an important phase of the national war effort. In my opinion this "America United" program is a very fine piece of public relations work on the part of the Federation and I know this is very largely due to your able guidance.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Philip Pearl,  
American Federation of Labor,  
Massachusetts Avenue at 9th Street, N.W.  
Washington, D. C.

Typed 2/16/45

JLH:HM:HB

February 16, 1945

Ted Gamble.

Secretary Morgenthau.

When you arrange for a program for me, like in St. Louis, or on the Gulf program or any other time I go on the air through your office, I wish you would automatically write letters for me to the sponsor thanking him. In the case of St. Louis, I'd like to write to Mr. Woodruff a letter, and anybody connected with Blue Network that had anything to do with it. Please see that this is made automatic from now on. Thank you.

MEMORANDUM FOR THE SECRETARY.

February 16, 1945.

Mail Report

In this week's mail, which was a little heavier than in recent weeks, the only new subject was the Baby Bonds which are beginning to mature this year. Holders of these bonds asked advice as to how the funds which they will receive can be reinvested, while nonholders gave advice as to how the Government can best handle their redemption and reissue. Other mail concerning bonds contained the usual routine questions about ownership, 16 complaints from families of service men whose bonds have not been received, 4 bonds for redemption, and also a number of promotional ideas for the Seventh Drive.

As a means of increasing income tax payments, as well as of controlling inflation and curbing black markets, several writers suggested that bills of large denominations be called by the Treasury. Also a number of correspondents, some of them parents of service men, protested the liberal exemptions granted wives of service men, especially those who are themselves earning good salaries. This week there were 8 requests for tax refunds.

News of proposed increases in the salaries of Congressmen brought a few objections, and, as usual, O.P.A. regulations provoked a number of complaints along with threats to buy no more bonds. The five donations received this week ranged from \$3.35 to \$6,100.00.

*S. E. Forbush*  
*by Kay Pearson*

General Comments

Harry C. Boehme, Topanga, California. I am returning herewith to the U. S. Treasury the sum of \$3.35, accrued interest on several War Bonds which circumstances forced me to cash. After much consideration I am not able to escape the conviction that in view of the number of fine human lives that have been sacrificed in waging this war, it is wrong to take increase on any monetary substance of mine which I may choose to lend my Government. \* \* \*

Senator Charles O. Andrews -- Florida -- forwards the following letter he has received from Attorney Hugh Akerman, Orlando, Florida. " \* \* \* Mrs. Janet M. Reed died testate a resident of Orange County on the 13th of June 1943. Her daughter, Annie J. Reed, was executrix and sole legatee and devisee under the will. She qualified on June 30, 1943. On June 1st 1943 there was due Mrs. Janet M. Reed the sum of \$187.50 from the Treasury on account of certain defense bonds. She had been receiving a check in this amount for semi-annual interest on each December 1st and June 1st. She never received the check due June 1, 1943. After the executrix qualified we wrote the Treasury Department in July of 1943 asking them why the check had not been sent. They replied that it had been sent on June 1st, the check being numbered 168770 over symbol 651. The Treasury Department also stated that it had been sent to the Post Office Box 2445, Orlando, Florida. This was an error, since the Department had been instructed to send it to the Post Office Box 2448. We wrote the Treasury Department to send a duplicate. They, of course, wrote back making numerous requirements, one of which was to the effect that we must procure evidence from the owners of Box 2445 that they did not receive the check. This we did. Then we were referred from Washington to Chicago, then from Chicago back to Washington. Finally after about six months' correspondence

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we were informed on May 22, 1944, that the check was cashed June 11, 1943. This was two days before Mrs. Reed died. It was impossible for Mrs. Reed to have cashed it since she had been in a coma for several weeks prior to her death. We discovered that the endorsement on the check was a forgery, and that the check had been cashed through the First National Bank at Orlando, having evidently been stolen from the mail. I reported the matter to the Treasury Department and to the Post Office Department, inasmuch as I thought the Treasury Department would probably be interested to know that one of its checks had been forged (you will note that it took them approximately one year after we first reported the check was missing to find out that it had been cashed), and that the Post Office Department would be interested to know that the check had been stolen from the mails. Subsequent to that time a Post Office Inspector and a Secret Service man called upon me and got the facts. The Treasury Department then in June of 1944 called upon the First National Bank at Orlando to make the check good. This was done. Although the Government was refunded its money approximately seven months ago, they have never issued a duplicate check, and apparently ignore all correspondence.

\* \* \* "

Senator Tom Connally sends the following letter he has received from W. R. Cousins, Jr., House of Representatives, State of Texas, Austin, Texas: "I have just received a letter from the Treasury Department in Fort Worth. They informed me that a discharged veteran cannot bid on surplus commodities. They informed me that in order to buy these commodities you have to go to an authorized dealer and let him make his full profit, which forces the veteran to pay the full retail price. Now Senator, lots of boys are coming back from the war and want to go in business for themselves. Many of them understood that they would be given preference in buying trucks and other surplus commodities. When they

investigate, they find that even though they received the necessary recommendations from the A.A.A. or the O.D.T. that they have got to turn this letter of recommendation over to a dealer and let the dealer go to the auction and buy the truck. Of course none of them know just how much profit the dealer makes and this ignorance breeds misinformation. A Lieutenant out of San Antonio told me that a truck sold for about \$300.00 at the auction sale and when he tried to buy it the dealer in San Antonio wanted \$900.00 for it. The fact that I am just out of the Army causes them to come to me on it. Up to this time I have not taken names or secured specific information because I thought that a veteran would not be forced to go through a dealer in buying a vehicle like this, but the Treasury Department in Fort Worth informs me that it is otherwise. \* \* \*

Favorable Comments on Bonds

Clinton Jones, Cashier, Bank of Farmington, Farmington, Kentucky. A little country bank -- away out here in the sticks -- may not be supposed to write to the Secretary of the Treasury, but will pen a few lines anyway. This is a good farming section and the farmers are prosperous. The banks in West Kentucky are flush with deposits. I have been in this little bank since April 1918 -- have weathered the booms and depressions thus far. We are patriotic and want the good old United States to stay strong in every way. I suggest to the nervous individuals that the credit of the United States is good. When they ask me how can the big debt be paid, I tell them that all nations more or less stay in debt to some extent, and that the United States will take care of its credit by re-borrowing, like a man renewing his note at the bank, and that we ALL can content ourselves with high Federal taxes, but that Federal expenditures will be reduced when the big war is all settled. \* \* \* It does appear now that for the next War Loan, when the individuals get through buying, that a  $1\frac{1}{4}\%$  coupon to run for about 27 months would be more economical to the Government than a higher rate would be. It would also save a lot of bookkeeping on the certificates of deposit and would bring in a lot of money, maybe enough to finish the war. I will quit now before I talk too much. Best regards to you and your associates.

M.S.T. - Port Washington, Long Island, New York. \* \* \* Papers state there is another Bond Drive planned for May or June. Why not make it late June to lap over into July (say until the 4th) long enough to allow some of us little people a chance to turn money now in Savings Banks into War Bonds without losing six months' interest. Even the extra  $\frac{1}{2}\%$  would not make up for the loss which we can ill afford. \* \* \*

Unfavorable Comments on Bonds

J. Dale Wallace, Lawyer, Lincoln, Arkansas. \* \* \*  
For your information, Dr. John L. Bean is the owner of Bonds, Series E, in the sum of \$1,175.00, maturity value. These are U. S. Savings Bonds. Dr. Bean gave these bonds to his daughter, Mrs. Edna Frances Rodgers, and wanted them re-issued in her name. When we took the matter up with the Federal Reserve Bank, they refused to re-issue them in her name only; they requested him to execute Form PD 1787, requesting the re-issuing of the bonds in the name of Mrs. Edna Frances Rodgers, as co-owner. This Form was properly executed and certified to before W. T. Shannon, Cashier of the Bank of Lincoln. I had a letter back from Mr. Behrens, Chief of the Re-issue Division of the Federal Reserve Bank of St. Louis, enclosing another blank Form of the same kind as had been executed and certified to, wanting the work all done over again. This is not only a waste of time but is irritating, and it seems like Mr. Behrens, or someone connected with the Federal Reserve Bank, does not understand his business, or is deliberately causing delays. \* \* \*

Mrs. Marie E. Schuchart, New York City. \* \* \* In the first few "Drives" when I saw the amount of campaign matter lying about, that nobody wanted or needed, I felt that the managers in charge, not knowing the requirement, were feeling their way about, and that as campaigns progressed, waste would be eliminated. But during the 6th War Loan, seeing thousands of circular letters, dozens and dozens of huge cardboard placards, where only one was needed, scores of pamphlets, just lying around in offices, waiting for the trash collector, or someone kind enough to take it to the paper salvage, it is quite evident that the people to whom you entrust this vital advertising work just don't care, or don't know. Multiply this condition by

the number of communities throughout the country and you have a most staggering wastage. \* \* \* Actually, what we need, Mr. Morgenthau, are order books, a few placards -- one poster for stores, because every man, woman and child knows when a "Drive" is on.

Mrs. E. B. Newman, Cheverly, Maryland. I have a number of Savings Bonds of 1937 which I find it imperative to cash in order to pay the outrageous income tax I find myself assessed to pay. The rental property which gave me a living substance, and from which I was able to save enough to buy U. S. Bonds from time to time, to my own satisfaction, although I deplored and still do, the purposes on which such funds have been squandered by the Roosevelt Administration; it was necessary for me to sell these modest rental properties, as by the atrocious rent law I could not obtain sufficient rent to pay for the wreckage and other ravages committed by the foreign trash the Roosevelt Administration brought into Washington and environs. I am therefore sending in these 8 bonds to get enough to pay the income taxes I now have to pay on the small profits obtained. The table on these 1937 bonds (April 7) call for \$23.00 for each \$25 and I will appreciate it if you will inform me if I am right. Thanking you and regretting my inability to buy more bonds to furnish travelogues for the Roosevelt family, dogs, and brides, I am, Respectfully, Mrs. E. B. Newman.

J. R. Lucas, New Castle, Pennsylvania. Don't you think it is about time for an investigation into the petty larceny chiseling that has been going on in the payroll deductions for War Bonds that has been going on ever since its inception. During the last war the investors that could not hold the bonds got gypped. I was one and I know. This time I have been gypped on an average of better than ten days a month by having

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bonds dated for maturity thirty days later than when paid for. I have talked with men in different industries in Pennsylvania, also friends working in Ohio, and say without fear of contradiction that it is a racket. Under the circumstances, how do you expect a person to have any faith in the bonds or the Government either, for that matter, when these errors (?) continue month after month.

Unfavorable Comments on Taxation

D. K. Swartwout, Jr., President, The Swartwout Company, Cleveland, Ohio. In addressing this letter to the Secretary of the Treasury, I do not, of course, expect that it will ever come to his attention. \* \* \* I will give you only the high spots of the problem, without detailed references and figures. If my letter catches the interest of anyone, and that person is moved by a desire to be helpful, it will only take a little while to give him the rest of the particulars. In the first part of 1944, we were assessed excise taxes on fan ventilators which we had built during the preceding two or more years. We protested that we did not believe that our product properly came under the definition of the tax law. Nevertheless, demand was made that we pay the amount before the first of July, 1944, or incur a penalty. The total amount was around \$22,000 and we paid it before the first of July. During June, while the Cleveland Office of Internal Revenue was demanding payment "or else", they had in their own office a letter from the Internal Revenue Department at Washington, stating that the assessment had been in error, and enclosing the forms to obtain a refund in full. That letter came to our attention from the Cleveland office after we had paid our \$22,000. We made our claim for refund as instructed. Since that time we have been subjected to examination after examination. \* \* \* Affidavits have been furnished. But today, eight months after the collection was incorrectly made from us, and eight months after Washington told us to hurry up and get a refund, we still do not have anything whatever, except a record of having our claim passed on from one division to another. \* \* \* Can you blame us for becoming convinced that the people in Washington do not care one iota whether justice is rendered or not; that they are interested only in money when it is coming in, and are perfectly willing

to let the taxpayer sweat blood when the money should be going the other way? When you demand money from us, you get it, or we pay the consequences; when we ask money from you, which you yourselves say we ought to have and was wrongly collected from us, we just get kicked around for month after month. \* \* \*

Congressman Earl C. Michener -- Michigan. On January 27 I addressed a letter to the Bureau of Internal Revenue concerning the handling of the claim of Foote & Jenks, Jackson, Michigan, for drawing back of tax on alcohol used in the manufacture of nonbeverage products during the period July - December 1944. On February 3, Mr. George J. Schoeneman, Acting Commissioner of Internal Revenue, replied to my letter in which he said, "It is believed that the matter will be satisfactorily adjusted and that future checks will be delivered to the claimant as expeditiously as circumstances will permit". My constituent is not in a position financially to pay unnecessary interest on money to which he is entitled. In this case the withholding of \$24,174.00 by the Bureau for 112 days caused Foote & Jenks money in bank interest. Is it not possible to expedite these payments, or will it require the introducing of a new bill in Congress? May I have an immediate reply because my constituents are naturally very anxious?

Senator Hiram W. Johnson -- California. Objections are reaching me from constituents to the action of the Internal Revenue Service in sending out demand notices for unpaid balance of 1943 income tax due and payable on March 15, 1945. To quote one of my constituents on this subject, it is felt "the attitude of the Treasury Department in sending out a demand notice on an account which is not delinquent until March 15th is going just a little too far". I bring the above-expressed views to your attention for such consideration as they apparently merit.

Henry L. Mackey, Baltimore, Maryland. I am enclosing copies of correspondence I have written to the Collector of Internal Revenue at Baltimore, Maryland, in an effort to recover excess income tax for 1943. I received a form letter in reply to my letter of September 3, but have received no reply to my letter of January 23. I think it is a shame when a citizen of the United States writes a Government Agency and cannot receive a reply. I was discharged from the Army November 10, after serving 19 months. Is that what I served for? Is that what the other millions are fighting and dying for? Please advise me the proper steps to take in order to get the above-mentioned refund, or at least some satisfactory evidence that my application has been received.

Ina McCurdy, Oak Park, Illinois. Why should corporations be allowed to waste tons of news print on advertising things which are not available, and then deduct the expense from their income tax? In the first place, advertising is very uneconomical, and in the second, there is a great waste of paper. And who pays the bill? We smaller taxpayers. \* \* \*

February 16, 1945

My dear Mr. Hannegan:

I have your letter of February 12, 1945 with which you enclosed a copy of the letter received from Senator Myers of Pennsylvania urging the establishment at Philadelphia of a Regional Office of the Treasury Procurement Division.

For your information we have for some time been surveying the possibility of opening such an office in Philadelphia, covering the State of Pennsylvania which is now included in the New York District, and certain other states. We have decided to open a Regional Office in Philadelphia, provided we can obtain adequate space to meet our needs.

Senator Myers has been advised of the foregoing. We are withholding any public announcement by the Treasury Department with respect to this matter until we see whether adequate space can be obtained.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Robert E. Hannegan,  
Chairman,  
Democratic National Committee,  
Mayflower Hotel,  
Washington 6, D. C.

JWPehle:lhh 2-15-45

DEMOCRATIC NATIONAL COMMITTEE

MAYFLOWER HOTEL

WASHINGTON

ZONE 6

ROBERT E. HANNEGAN  
CHAIRMAN

February 12, 1945

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

My dear Mr. Secretary:

I enclose copy of letter  
received from Senator Francis J. Myers  
of Pennsylvania and I hope it will be  
possible for you to give favorable con-  
sideration to his request, urging the  
establishment of a Regional Office of  
Treasury-Procurement (Surplus Property)  
for the State of Pennsylvania, and that  
it be located in Philadelphia.

With kind personal regards,

Sincerely yours,

*Robert E. Hannegan*

Enclosure

Francis J. Myers  
Pennsylvania

C O P Y

UNITED STATES SENATE

Washington, D. C.

February 9, 1945

Hon. Robert Hannegan  
Chairman  
Democratic National Committee  
Mayflower Hotel  
Washington, D. C.

Dear Bob:

The Chamber of Commerce and Board of Trade of Philadelphia recently came to Washington to urge the establishment of a Regional Office of Treasury-Procurement (Surplus Property) for the State of Pennsylvania, and recommended that such an office be located in Philadelphia. They conferred with Mr. John W. Pehle, the Assistant to the Secretary of the Treasury, and presented to him briefs and other data to prove their case.

At present, Pennsylvania, New York and New Jersey are in one region with offices in New York and because of Pennsylvania's tremendous amount of industrial production and the fact that large quantities of surplus property will undoubtedly be disposed of in the area of Pennsylvania, these businessmen felt that it should not be necessary for us to go to New York.

There are approximately eleven other Regional Offices already established and I think that Mr. Pehle was impressed with their argument. The matter is now under consideration and in due time Mr. Pehle will make his recommendation to the Secretary of the Treasury. He was most helpful and courteous and I am confident he will give our request careful attention and study.

Sincerely yours,

/s/ Francis J. Myers  
Francis J. Myers

FJM/h



TREASURY DEPARTMENT  
WASHINGTON 25



February 16, 1945

To: Secretary Morgenthau

From: J. W. Pehle

The following is a summary of significant developments in the Surplus Property and Procurement offices for the week ending February 3, 1945:

Surplus Property:

Total disposals for the month of January amounted to \$13,264,703.12. In terms of reported cost to the Government, our inventory balance as of January 31 was \$78,182,539.20.

As a result of open discussions following a formal talk before 200 men in the Army Industrial College, we are now re-examining the procedures which we follow in disposing of scrap material.

We have suspended temporarily all sales of tires deemed repairable for civilian use, as the Army has commenced withdrawing such tires from surplus stock.

The shortage of tires is indicated by the increasing number of automotive vehicles, including construction equipment, which is being declared without tires. The disposal of such vehicles is a very difficult problem.

- 2 -

At a spot sale held at Salina, Kansas, 742 items of construction and agricultural equipment were sold to 110 bidders for \$329,209. The sale was attended by 1200 individuals, representing 233 regular dealers. The successful bidders came from 32 different states.

Inspection of a large quantity of amyl nitrate ampoules, declared surplus to our Kansas City office, disclosed that, due to decomposition, they had become unfit for use. The Food and Drug Administration has ordered the entire quantity destroyed.

A large quantity of absorbent cotton declared surplus to our San Francisco office was discovered on inspection to have been misbranded as sterilized and as meeting United States Pharmacopoeia standards. The Food and Drug Administration has been asked to advise us of the action to be taken.

The Army has withdrawn all surplus pajamas and dressing robes.

226 motors were sold to 27 different dealers.

A study is being made of possible methods of cooperation between the Office of Surplus Property and the Stores Branch of the Office of Procurement, whereby the needs of the latter may be met to the extent possible out of surplus property. Paper is being considered as the test commodity.

246 surplus typewriters, which were considered too old for economical repair and use by Federal agencies, are being offered for sale in the Surplus Reporter.

After the Washington Regional Office had opened bids on a large quantity of shovels, and after the highest bidder was informally advised of that fact, UNRRA requested that the shovels be set aside for it. After the most careful consideration, it was decided to award the shovels to the highest bidder and to advise UNRRA that its request for the merchandise was not timely.

- 3 -

Over 1,000 cases of abandoned brandy have been turned over to the Navy Department.

It has been agreed with the Reconstruction Finance Corporation that the latter will handle the disposal of gun cameras. This decision was reached since such cameras are made for photography from the air and may properly be considered aircraft equipment.

Several regional offices will conduct spot sales during the coming month, which should result in the disposition of more than 3,000 pieces of construction and farm equipment involving approximately \$1,000,000 in value.

Procurement:

Total purchases for the week amounted to \$19,012,144.07, including \$18,600,000 for Lend-Lease (schedule attached) and \$412,144.07 for regular purchases.

Unusual requisitions for the week included 3,600,000 multi-wall five ply bags for use by our Army in Australia to carry flour, sugar and salt; 30 complete oxygen plants, valued at \$1,391,040 for the Soviet Army and Navy; 16 portable steel buildings for military purposes in Russia; 1,000,000 pairs of shoes for liberated areas; and 24 veterinary surgical units for UNRRA for use in Poland and Czechoslovakia.

Unusual purchases for the week included 1,100,000 part wool men's trousers, costing about \$2.00 each; and 28,500,000 feet of 1/4 inch gypsum wallboard. The latter is urgently needed in the devastated regions of Normandy and Brittany for repair and reconstruction.

Total Lend-Lease carloadings for the week were 3,881 cars.

- 4 -

A general embargo covering a four day period, beginning February 3, will somewhat curtail movement of Lend-Lease goods. An exemption has been granted on the movement of tires and tubes and other items where certification of necessity is furnished.

Precaution is being taken in all storage areas to protect Treasury property from possible anticipated floods this Spring.

The Liberated Areas group has compiled instructions to be used by the National Committee in connection with the clothing collection sponsored by UNRRA. These instructions will tie in with those being prepared for submission to our field offices. As in the past, the Treasury Procurement will arrange for transportation, storing and baling of all material for which funds have been allocated in the amount of \$15,000,000.

The Price Adjustment Board disposed of one 1942 case, five 1943 cases, and one 1944 case. Excessive profits amounting to \$230,000 were recovered.

In view of the critical shortage of transportation facilities, all petroleum products contracts will be considered jointly by Procurement Division, Office of Defense Transportation and the Petroleum Administration for War with a view to securing contracts involving least use of tank cars and transport trucks.

#### Administration:

The Finance Division has called the attention of the Foreign Economic Administration to past due invoices held by this office for approximately a year or more. These invoices represent contracts for materials to be shipped to various foreign governments on a cash reimbursable basis, and amount to approximately \$800,000. FEA has promised to contact the foreign governments involved and request the transfer of

- 5 -

sufficient amounts to cover these obligations.

Statistics have been collated on the quantity and costs of coal purchased by the Fuel Yard during 1944.

A summary of estimates for 1946 has been prepared, showing differences in may-years, total salary, and total other obligations as compared with fiscal year 1945.

A handwritten signature in black ink, appearing to read "J. Paul", is located on the right side of the page.

**LEND-LEASE**  
**TREASURY DEPARTMENT, PROCUREMENT DIVISION**  
**STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND**  
**DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS**  
**AS OF FEBRUARY 3, 1945**  
(In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous &amp; Undistributed</u>
Allocations	\$5956.1 (5929.1)	\$2628.0 (2628.0)	\$2457.4 (2457.4)	\$172.8 (165.9)	\$17.4 (17.4)	\$680.5 (660.4)
Requisitions in Purchase	\$ 159.0 ( 165.5)	\$ 29.5 ( 32.4)	\$ 21.5 ( 18.8)	\$ .5 ( 1.0)	- -	\$107.5 (113.3)
Requisitions not Cleared by W.P.B.	\$ 109.6 ( 90.5)	\$ 20.9 ( 15.9)	\$ 44.3 ( 48.6)	\$ .7 ( .7)	- -	\$ 43.7 ( 25.3)
Obligations (Purchases)	\$4610.6 (4592.0)	\$2075.7 (2071.9)	\$2007.6 (1998.8)	\$104.0 (103.5)	\$16.3 (16.3)	\$407.0 (401.5)
Deliveries to Foreign Governments at U. S. Ports*	\$2911.7 (2880.8)	\$1597.9 (1594.0)	\$1230.1 (1203.3)	\$ 26.4 ( 26.4)	- -	\$ 57.3 ( 57.1)

\*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of January 27, 1945.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 16, 1945

TO Secretary Morgenthau

FROM Randolph Feltus

*MF*

In reply to your inquiry about the International Latex Corporation, I submit the following:

The corporation is headed by Mr. Abe Spanel, a liberal business man who is said to be something of a genius in rubber chemistry. Spanel is a vigorous supporter of the President's policies, although he has tendencies toward being politically erratic at times, I am told. He has been sponsoring a novel kind of newspaper advertising for about two years, taking an extremely liberal position on current topics. He also committed himself by becoming a member of the National Citizens Political Action Committee during the recent election campaign.

I know Spanel personally and can easily get his assistance in our campaign, but he is a little too far to the left, I believe, to be used effectively at this early date. I think it would be wise for me to get in touch with him and get the preparatory steps started for one or more of his advertisements to appear at a strategic time after the hearings have been completed and before the bill is voted on.

*R.F.*

Wallace and Private Business

THE RECORD

Wallace's Statements in the Hearings Before the Senate Committee on Commerce, January 24 and 25, 1945

Cut Government Spending

When the war is over, the more quickly private enterprise gets back into peacetime production and sells its goods to peacetime markets here and abroad, the more quickly will the level of Government war-time expenditures be reduced. No country needs deficit spending when private enterprise, either through its own efforts or in cooperation with government, is able to maintain full employment. Let us hope that the best thought of both business and government can be focused on this problem which lies at the heart of our American democracy and our American way of life.\*\*\*

Capitalism throughout the world, and even in our own country, has often been the object of derision. Not its inherent faults but its misuse has been the underlying reason for this attitude. Considered in its essentials, however, capitalism can be the most efficient system of organizing production and distribution on principles of freedom and equal opportunity yet devised by man. It should not, as many radical reformers have suggested, be uprooted. It should be modernized and made to work. Indeed, it must be made to work if we are to maintain the foundations of those things which we believe to be the essentials of American society. The chief trouble with capitalism has been the perversion of its instruments and their misdirection by small, powerful, privileged groups for purposes they were never intended to achieve.

The system of free enterprise is based upon the willingness of the businessman to accept risk. As technology grew, as our economy expanded, and as large-scale production came to dominate the economic process, the individual found it impossible to under-

# The New York Times.

FEB 15 1945

take such huge ventures alone. To fill this need, the corporation had the soundest reasons for ~~coming into being~~. Every new corporation enabled numbers of men to pool their resources and to carry out a venture beyond the means of any one of them.\*\*\*

## Corporations Helped Us Grow

Risk taking was an essential of the free economy. Because a corporation limited the liability of the individual and spread the possible losses, it was destined to become the principal means of attracting venture capital. It encouraged the businessman and the investor to assume the risk of developing new industries. As an elastic, flexible association of risk takers, the corporation was ideally fitted to bring forth new goods and services and to create going concerns. Without the use of the corporate form, the emergence of the railroad, the telegraph and telephone, the automobile and the radio, the large-scale distribution of electric power, to say the least, would have been delayed. Viewed from this perspective, the developments of the nineteenth and twentieth centuries have proved the social and economic importance of the corporation.

It is clear that the corporation and the patent system were major factors contributing to the growth of modern America. The patent system gave to the little man with the big idea an unparalleled opportunity to utilize his creative imagination and to risk his limited resources in a game where the rewards of success were great and where his own gain served the general welfare.\*\*\*

## Reconstruction Needs Business

The rebuilding of a war-torn world, the development of new trade routes and new markets, and the endless stream of discoveries which flow from our laboratories will be new frontiers. To the hardy, to the venturesome—in short, to the American businessman with the pioneering spirit—the chance for reward and the promise of useful and fruitful action for the release of those energies which have characterized him are an open road. There will be the greatest need for co-operation between business, labor,

# The New York Times.

FEB 15 1945

agriculture and Government. There will be obstacles. There will be discord and disappointments. But none of these hurdles is so great that it cannot be surmounted if American business lives up to its responsibilities.

*Primarily, the task of reemployment is the responsibility of businessmen.* It is a responsibility which they can meet only if enterprise is free to develop and extend the new lines of industry as well as the presently existing enormous plant capacity\*\*\*we must encourage private capital to go back to work. That is the sound way, and the only sound way, to get the increase in business activity and national income which will increase Government revenues, decrease Government expenditures, and achieve the balanced Budget which all of us so earnestly desire. The Nation needs more business, and that should be our first goal.

*Presented AS A PUBLIC SERVICE by*  
**INTERNATIONAL LATEX CORPORATION**  
**PLAYTEX PARK ★ DOVER, DELAWARE**  
PAID ADVERTISEMENT . . . BUY MORE WAR BONDS

4416  
○

Fultus -  
in Later 3'

FEB 16 1945

Dear Will:

Thank you for your kind letter of February 12 on the subject of the French lend-lease negotiations. I would like you to know that it was very pleasant indeed to work with you and that I look forward to a friendly and cooperative association with you on the great and difficult problems in international economics and finance which lie ahead of us.

With best wishes,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. William L. Clayton,  
Room 302-A, State Department,  
Washington, D. C.

NO: 2/16/45



DEPARTMENT OF STATE  
WASHINGTON

February 12, 1945

My dear Mr. Secretary:

Following the negotiations of your office and mine concerning Lend-Lease proposals to the French, full agreement has been reached among the various Departments concerned upon the principles and the documents. The documents were transmitted to Mr. Monnet today. I shall, of course, advise you just as soon as there are any further developments.

A copy of each of the documents has already been delivered to Mr. L. C. Aarons on your behalf.

I am certainly most grateful for the major part that you played in bringing this difficult matter to a satisfactory conclusion.

With kindest regards,

Sincerely yours,

For the Acting Secretary of State:

William L. Clayton,  
Assistant Secretary

The Honorable  
Henry Morgenthau, Jr.,  
Secretary of the Treasury.



February 16, 1945.

Dear Jake:

Thank you for your letter of February 12, which transmitted a copy of an address by the President of the Boston Federal Reserve Bank on the postwar treatment of Germany. I am looking forward to reading this and appreciate your bringing it to my attention.

With cordial personal regards,

Sincerely,

(Signed) Henry

Dr. Jacob Viner,  
Department of Economics,  
The University of Chicago,  
Chicago 37, Illinois.

KP/dbs

February 16, 1945

My dear Mr. Yost:

I have received your letter of February 13th with which you transmitted several documents in connection with Philippine financial and banking matters. Thank you very much for forwarding these to me.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Charles W. Yost,  
Executive Secretary,  
Executive Staff Committees,  
Department of State,  
Washington, D.C.



DEPARTMENT OF STATE  
WASHINGTON

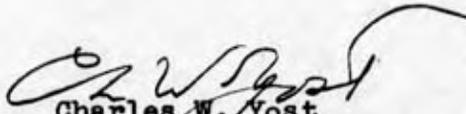
CONFIDENTIAL

February 13, 1945

My dear Mr. Secretary:

In accordance with your request I am transmitting herewith a memorandum prepared for me by Mr. Lockhart, Chief of the Department's Division of Philippine Affairs, setting forth the information known to him concerning the Chase Bank's arrangement with Mr. Osmeña, together with certain other information concerning Philippine financial and banking matters which may be of interest to you. There are also enclosed copies of memoranda of conversation between Mr. Lockhart and representatives of the Chase Bank and between Mr. Lockhart and the Second Secretary of the British Embassy.

Sincerely yours,

  
Charles W. Yost  
Executive Secretary  
Executive Staff Committees

Enclosures:

Memorandum of  
Mr. Lockhart,  
February 13, 1945,  
with attachments.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

DEPARTMENT OF STATE  
DIVISION  
OFFICE OF PHILIPPINE AFFAIRS

February 13, 1945

ESC  
Mr. Yost:

Referring to our conversation this morning, there is attached a copy of a memorandum, under date of February 7, 1945, of a conversation with Mr. Schumacher of the Chase National Bank of New York and two representatives of the Bank who are being sent to the Philippines in connection with an agreement entered into by the Chase National Bank and Mr. Osmeña, President of the Commonwealth Government. The memorandum explains itself. The Department does not have a copy of the agreement and was not kept currently informed during its negotiation. It is my understanding that Messrs. Ballantyne and Lamneck expect to leave for Manila sometime during this week.

There is also attached a memorandum, under date of February 7, 1945, of a conversation between myself and Mr. F. C. Everson, Second Secretary of the British Embassy, on the subject of the desire of the Hong Kong and Shanghai Banking Corporation and the Chartered Bank of India and Australia to send four representatives each to the Philippines for the purpose of reopening those two banks. As soon as the Department is furnished with the letter from the British Embassy on this subject the matter will be taken up with the War Department for the purpose of ascertaining General MacArthur's views on the subject.

I may add that Mr. C. F. Thomas of the National City Bank came to see me on February 10 and stated that he would be leaving on February 14 for Manila to be attached on behalf of the War Department to the staff of General MacArthur as an adviser on financial affairs. It is my understanding that Mr. Thomas' primary duties will be of an advisory character in connection with the War Department's <sup>1</sup>directive which is now in the hands of General MacArthur and is being administered by him.

Recent developments make it very clear that there is a strong desire on the part of banking institutions to reopen in the Philippines as quickly as possible and that the Commonwealth Government will play an important role in restoring the banking system and getting an approved currency in circulation again. Business people

also are

also are inquiring as to when banking facilities may again be available to them in connection with the resumption of American-Philippine trade. It is my understanding that the National City Bank is preparing to send to the Philippines as soon as it is possible for it to do so three or four experienced banking officials with a view to reopening the National City branch in Manila. These officials have already been selected and will proceed as soon as General MacArthur gives his consent and facilities can be arranged through the War Department for travel. In the meantime we are anxiously awaiting word from General MacArthur that American civilian officials can again function in the Philippines, at which time the Consul General and his staff will be promptly dispatched to Manila.

*Frank P. Lockhart*  
 Frank P. Lockhart

PI:FPL:JAD

DEPARTMENT OF STATE

*Memorandum of Conversation*  
DIVISION OF PHILIPPINE AFFAIRS

February 7, 1945

DATE:

SUBJECT:

Appointment of Representatives of Chase National Bank to Reorganize Philippine Banking and Currency System.

PARTICIPANTS:

Mr. Alfred E. Schumacher, Vice President, Chase National Bank, New York City.  
Mr. Donald L. Ballantyne, Second Vice President, Chase National Bank, New York.  
Mr. William J. Lamneck, Chase National Bank, New York.  
Mr. Frank P. Lockhart, PI.

COPIES TO:

Confidential

... 1-1403

Mr. Alfred E. Schumacher, accompanied by the gentlemen above named, came to see me this afternoon regarding their proceeding to Manila at an early date in connection with the reorganization of the Philippine banking and currency system under the auspices of the Commonwealth Government of the Philippines. Mr. Schumacher stated that an agreement had been entered into between the Chase National Bank and Mr. Osmeña, President of the Commonwealth Government of the Philippines, under which representatives of the Chase National Bank would proceed to Manila for the purposes named above.

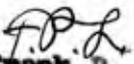
It was stated that Mr. Ballantyne, who was formerly manager of the Chase National Bank of Hong Kong, and Mr. Lamneck, who was formerly assistant manager of the Chase Bank in Shanghai, would proceed to Manila next week at the instance of Mr. Osmeña; that Mr. Osmeña had telegraphed to Colonel Evans in the War Department asking him to arrange priorities for these two gentlemen to leave for Manila some time next week and enter upon their duties; that the two gentlemen in question had already applied for passports and were making other preparations in connection with their approaching departure.

Mr. Schumacher

Mr. Schumacher said that the negotiations between the bank and Mr. Osmeña for the services named in the first paragraph had been under way for some time and that he had acted on behalf of the Chase National Bank; that, roughly, the plan contemplates the organization of a "Banking Division of the National Treasury of the Philippine Islands" with a working capital of ₱20,000,000, plus US\$5,000,000, the latter to be used principally in exchange transactions until the financial situation in the Philippines has become stabilized. Mr. Schumacher said that it was planned to close all of the Philippine Government banks and for the time being concentrate all banking business in the proposed new "Banking Division". He said that the foreign banks, such as the National City Bank of New York, the Hong Kong and Shanghai Bank, and the Chartered Bank of India and Australia, would be permitted to reopen but that the reopening might be deferred until the new "Banking Division" could make some headway towards straightening out the currency situation in the Philippines. He said that the new institution would be authorized to carry on practically all kinds of banking business but that there was no idea whatsoever of excluding private corporations from doing such business as soon as that could possibly be arranged. Mr. Schumacher did not go into details as to the organization and administration of the "Banking Division" (as he called it) but it was obvious that the plan is for the Commonwealth Government to get as strong a hold on the banking situation in Manila as it could in the early period of rehabilitation.

I asked Mr. Schumacher why the Chase National Bank had been chosen for this work, having in mind the fact that the National City Bank already had a branch in Manila and the Chase Bank had not maintained a branch there and he said that the selection of the Chase National Bank was due to the fact that that bank was the depository of the Commonwealth Government in New York.

I suggested to Mr. Schumacher that he inform Mr. Hester of the Interior Department of the plans set forth herein and he said that he intended to take Messrs. Ballantyne and Lanneck to see Mr. Hester this afternoon.

  
Frank P. Lockhart

DEPARTMENT OF STATE

*Memorandum of Conversation*  
DIVISION OF PHILIPPINE AFFAIRS

DATE: February 7, 1945

SUBJECT: Sending to Manila of Representatives of the Hong Kong and Shanghai Banking Corporation and of the Chartered Bank of India and Australia.

PARTICIPANTS: Mr. F. C. Everson, Second Secretary of the British Embassy.

Mr. Frank P. Lockhart, PI

COPIES TO:

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\* \* \* 1-1493

Mr. F. C. Everson, Second Secretary of the British Embassy, came to see me this afternoon and stated that it is the desire of the above mentioned British banks to send four representatives each to Manila as soon as it may be possible to do so to reopen the two banks. Mr. Everson said that he had been informed that the National City Bank would be sending representatives shortly and that it was the wish of his Government that representatives of the two British banks named herein could also proceed at or about the same time. He said that the British representatives were still in England and that it would be necessary for them to come to this country by surface transportation and that consequently they could not leave this country for Manila until three or four weeks hence. I told Mr. Everson that if the British Embassy would write a letter to the Department setting forth the desires of the British Government in this matter it would be taken up with the appropriate authorities with a view to seeing what could be done to meet their wishes.

*F. P. L.*  
Frank P. Lockhart

PI:FPL:JAD

FEDERAL RESERVE BANK  
OF NEW YORK

February 16, 1945

CONFIDENTIAL

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

I am enclosing our compilation for the week ended February 7, 1945, analyzing dollar payments and receipts in official British, French, Canadian, and Australian accounts at the Federal Reserve Bank of New York.

Very truly yours,

/s/ H. L. Sanford

H. L. Sanford,  
Assistant Vice President.

The Honorable Henry Morgenthau, Jr.  
Secretary of the Treasury,  
Washington, 25, D.C.

Enclosures 2

COPY

113

TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY

February 17, 1945

CONFIDENTIAL

Received this dated from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended February 7, 1945, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

*Emb*

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS  
(In Millions of Dollars)

Strictly Confidential  
Week Ended February 7, 1945

PERIOD	BANK OF ENGLAND ( BRITISH GOVERNMENT )						BANK OF FRANCE (CAISSE CENTRAL) (h)						
	D E B I T S			C R E D I T S			Net Incr.(+) or Decr.(-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)			
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold (b)					Securities (Official) (b)	Transfers from Official Australian Account (c)	Other Credits (c)
War Years (g)													
First	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3 (f)	1,095.3 (f)	+ 299.0
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
Fifth	1,197.7	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
<u>1944</u>													
September	151.0	19.9	50.4	80.7	56.5	-	-	1.0	55.5	- 94.5	-	-	-
October	127.9	21.0	7.4	99.5	54.7	-	-	1.0	53.7	- 73.2	-	-	-
November	74.2	45.4	2.9	25.9	92.1	-	-	1.0	91.1	+ 17.9	-	-	-
December	80.4	21.9	-	58.5	91.6	-	-	-	91.6	+ 11.2	56.7	6.5	- 50.2
<u>1945</u>													
January													
February													
March													
April													
May													
June													
July													
August													
<u>Week Ended</u>													
January 17, 1945	22.3	17.5	-	4.8	14.0	-	-	-	14.0	- 8.3	16.0	3.9	- 12.1
January 24, 1945	6.0	2.5	-	3.5	7.9	-	-	-	7.9	+ 1.9	0.8	0.7	- 0.1
January 31, 1945	43.2	38.9	-	4.3	10.1	-	-	-	10.1	- 33.1	-	0.2	+ 0.2
February 7, 1945	12.5	7.8	0.4	4.3	6.9	-	-	-	6.9 (1)	- 5.6	0.4	0.2	- 0.2

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940) \$19.6 million  
 England (through June 19, 1940) \$27.6 million  
 England (through June 20, 1940 to March 12, 1941) \$54.9 million  
 England (since March 12, 1941) 22.0 million

See attached sheet for footnotes.

Reports and Analysis Division

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (i) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Transactions for account of Caisse Central de La France D'Outre-Mer included for first time in week ended December 6, 1944.
- (i) Includes \$ 4.9 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.

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

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS			CREDITS					Net Incr. (+) or Decr. (-) in \$mils (e)	DEBITS			CREDITS			
	Total	Transfers to Official British A/C	Others	Total	Proceeds of Gold Sales	Transfers from Official British A/C	Other	Total		Transfers to Official British A/C	Others	Total	Proceeds of Gold Sales	Other	Net Incr. (+) or Decr. (-) in \$mils (e)	
War Years (a)	Debits		Debits	Credits		For Own A/C	For French A/C	Other Credits		Debits		Debits	Credits			
First	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1 + 4.9	
Second	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3 + 9.0	
Third	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0 - 5.0	
Fourth	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4 + 3.4	
Fifth	849.3	1.0	848.3	958.5	38.1	61.4	-	899.0	+ 283.3	298.6	253.0	45.6	287.7	-	287.7 - 10.9	
1944																
September	74.5	0.1	74.4	91.8	-	50.4	-	41.4	+ 17.3	5.8	1.0	4.8	7.3	-	7.3 + 1.5	
October	77.1	-	77.1	84.2	-	7.4	-	76.8	+ 60.1	20.5	1.0	19.5	21.0	-	21.0 + 0.5	
November	38.8	-	38.8	53.7	-	2.9	-	50.8	+ 14.9	3.4	1.0	2.4	5.8	-	5.8 + 2.4	
December	71.5	0.7	70.8	32.7	-	-	-	32.7	- 8.8	1.1	-	3.1	19.5	-	19.5 + 16.5	
1945																
January																
February																
March																
April																
May																
June																
July																
August																
Week Ended																
January 17, 1945	16.7	-	16.7	21.7	10.0	-	-	11.7	+ 5.0	0.3	-	0.3	0.6	-	0.6 + 0.3	
January 24, 1945	2.7	-	2.7	2.9	-	-	-	2.9	+ 0.2	22.2	-	22.1	0.9	-	0.9 - 21.2	
January 31, 1945	8.3	-	8.3	7.6	-	-	-	7.6	- 0.7	0.1	-	0.1	0.3	-	0.3 + 0.2	
February 7, 1945	1.0(c)	-	1.0	16.5(a)	-	0.4	-	16.1(d)	+ 15.5	0.6	-	0.6	3.6	-	3.6 + 3.0	

Average Weekly expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war	16.1 million.
Sixth year of war (through February 7, 1945)	7.8 million.

- (a) For monthly breakdowns see tabulations prior to: April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (c) Does not reflect transactions in short term U. S. securities.
- (d) Includes \$ 8.7 million deposited by War Supplies, Ltd. and \$ 7.3 million received from New York accounts of Canadian chartered banks.

DEPARTMENT OF STATE

OUTGOING TELEGRAM

DIVISION OF CENTRAL SERVICES TELEGRAPH SECTION

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

February 16, 1945

1945 FEB 19 AM 10 06

COMMUNICATIONS AND RECORDS (EMBAISON)

AMEMBASSY,

CHUNGKING, (CHINA).

262

FOR ADLER FROM THE SECRETARY OF THE TREASURY

Foreign Economic Administration in Washington has informed us that the export of gold to China from the National Resources Commission stocks in New York is essential to the continuation of tin production.

Please send comments thereon immediately after discussion with Ambassador Hurley, Head of the FEA Mission, and other persons concerned.

GREW (Acting) (GL)

For security reasons the text of this message must be closely guarded.

FNA:PMoG:rmk

2/15/45

MF-684

PLAIN

Lieben

Dated February 16, 1945

Rec'd 7:20 a.m., 17th

Secretary of State

Washington

361, Sixteenth.

WRD 325 FOR HIAS 425 LAFAYETTE STREET NEW YORK  
FROM DAVID SCHWEITZER HICEM.

Inform relatives USA following people in Nice well  
asking financial help:

(West End?)

Isaac Arditti 645 West Avenue New York brother  
Albert Arditti wife Regina children David Franca care  
of Bendasset 51 Rue de la Buffa.

Samuel Hirsch 17 East 96 street Apt. 6 D New York  
niece Marie Arndses two children mother Rosa Lourie 7  
Francois Grosse Blvd. Marie deported.

Bernhard Leinden 570 West 189 Street New York  
brother Gustav Glueck son Walter 16 Bis Rue Clemenceau  
wife Lola deported.

Jacques Diner 895 West End Avenue New York father  
Abram sister Renee Dora Dynner 57 Rue de la Buffa mother  
Esther deported.

Max Ludvig 102 West 109 Street New York brother  
Herman Lutwak 24 Marechal Foch Erna Michael 211 Central  
Park West New York uncle Alfred B. Cohn wife Renee son  
Marti 5 Francois Aune.

Salomon Himmelsblau 40 West 72 Street New York cousin  
Arthur Discher Liberty Hotel.

Alfred Fischer Astor Hotel New York wife Angela  
Fischer 24 Impassanero.

Madelaine Rotner Ansonia Hotel 2107 Broadway New  
York cousin Joseph Madine Dubrowitch 136 Gassetta Blvd.

Philip Berne Kinstadt 22 East 21 Street New York  
niece Bettina Tomaschaf brother Leo Masch 49 Victoire  
Ave.

Kenneth Rosenthal care of Kahn 46 Ft. Washington Avenue New York father Richard Rosenthal care of Vera Bornstein 6 rue Italia desire emigrate.

Siegfried Stempel 385 Ft Washington Ave. New York mother Regina Stempel husband Israel daughter Elly care of CIAS 15 Victoire Ave.

Max Gutmann 505 Fifth Aven. New York uncle Herman Votensowsky 6 Francois Aune.

Herman Sibert 65 West 68 Street New York cousin Adolph Sibert 54 Bellevue Ave.

Julius Boninger 62-65 Saunders St. Forest Hills New York cousin Herbert Getschalk 2 rue Alexis.

Mossa Fruchtman 450 West End Avenue New York.

Leon Betty Masch Alexandre Marie Lindenbaum 251 Central Park West New York.

Catherine Camille Stransky 6 Crenstadt Max Meris care of Giblin 182-14 Midland Parkway Jamaica Estates Long Island New York.

Dora Fraund son Sig 6 Francis Gross Blvd. husband Tulen departed.

Cecilia Bouserg 555 Lafayette Ave. Buffalo niece Lucie Lichtenstein 43 Clement Rossal.

Alfred Gerson 5107 18 Avenue Brooklyn; Frits Fanny Gerson 11 bis Ave. Desfleurs.

Sigmund Erber 1694 42 Street Brooklyn.

Elsa Fischer 43 Rellini Rose Leviten 3110 4 Street Apt. 4 13 Brighton Beach Brooklyn.

Chaja Friedlin 12 Dalpasse Veronica Goldschmied Rettschild 318 Reckingham Road Los Angeles and Gottlieb Filip care of Veronica Goldschmied Rettschild Anny Goldschmied 10 Marechal Joffre husband Ervin departed.

Helen Toder 1256 East 13 Street Brooklyn sisters Rosa Schneider Genia Schwents Felia and Elise Bedenstein brother-in-law Samsen Schwents 20 Dante Jeremiah Schneider departed.

Eugene Davis 1171 Sterling Place Brooklyn nephew Nicolas Danes Davidevits 4 Alfred Vigny.

Elsa Birnehals

Elsa Birnholz 945 Washington Ave. Brooklyn brother  
Henrich Scharf Richelieu Hotel.

Rosa Friedman 1410 Avenue S. Brooklyn brother Max  
Marcovici care of Nerve 2 Barrali.

Ann Bender 1550 Ocean Parkway Brooklyn sister Sara  
Braunfeld 101 Gambetta Blvd.

Regina Scher 1188 Sterling Place Brooklyn sisters  
Paula Sara Reinkraut care of Erna Garter 25 Castellana  
Ave. husband Sigi deported.

Isaak Weinstein 2109 85 Street Brooklyn sister  
Regina Stempel husband Israel daughter Elly care of CIAS  
15 Victoire Ave.

Maurice Inowita Pipe Supply Balesfield St. Bakersfield  
Colorado brother Anon Frinowitch wife Anna 51 Arson  
three sons prisoners in Germany.

Adolph Machri box 265 Fort Ladendarle Florida.

Isaac Macht Rochambeau Hotel.

Isa Sossin Waterbury Connecticut nephew Ber Rogowsky  
5 Mayerbeer.

Greenbaum 2291 West Euclid Detroit Michigan.

Bernard Wechsel 2 ter Spitalieri.

George Pinax 1400 Otis Building 10 South LaSalle  
St. Chicago uncle Nicolas Tourbe 37 Francois Grosse  
Blvd.

Eugen Hallward 239 2 Broad St. Statesville N. C.

Anita Blumensteck care of Vogel 11 Bis Gambetta  
Blvd.

Samuel Dickstein Chairman Committee Emigration  
Naturalization House Representatives Washington cousin  
Alexandre Dyckstein 7 Russie brother Boris deported.

Vladislav Bestermann Polish Embassy Washington  
uncle Maurice Orbach 10 Chateaufeur Ave.

Samuel Baydust 226 West Butter St. Norfolk Virginia.

Macha Elecheraitz 5 Mayerbeer Ernst Wurapinger  
care of Dr. Hamsurger 1207 Entaw Place Baltimore.

Alice Springer

Alice Springer 24 Hotel Postes St. Mart Kurt departed.

Richard Tyrald 347 West 55 Street New York brother Joseph Abramonic Monte Carlo Place Monte Carlo.

Jacques Schnabel 140-05 Ash Ave. Flushing New York sister Frieda Schnabel Villa Midbleu Estephe Blvd. Ville Franche.

David Dohnsky 164 Bath Ave. Breoklyn brother-in-law Siegmund Ehrlich Cents Alpes Maritims.

Max Feuer 522 South Washington Avenue Columbus Ohio sister Feige Helson Villa Therese Beaulieuurner husband David daughter Hermine brother-in-law Karl Helson departed.

Referring our letter January three inform Philipp Sanft 12 East 87 Street New York all relatives researched healthy Rumanis.

Inform Kurt Caminer San Antonio Texas cousins Steinback Viterbo Aurelia son asking help and clothes by Parcel Post Teramo 34 Via Baladimi.

Your letter December 7 Edna Kahn Walf one Place Dumarche St. Catherine Paris request American Sponge and Chassis Company New York send monthly financial help and relatives file new affidavits when possible.

CROCKER

Note: Above message received without any punctuation. NPL

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 OSE ADVISES US MEXICO GRANTING ONE HUNDRED VISAS FOR  
CHILDREN FRANCE AND OSE PARIS WAS ASKED SELECT CHILDREN. WE  
ADVISED OSE HERE THAT QUESTION OF EMIGRATION OF CHILDREN FROM  
FRANCE MUST BE DETERMINED BY JEWISH COMMUNITY FRANCE IN  
COOPERATION WITH AGENCIES SUCH AS OSE JEWISH AGENCY JDC AND  
OTHERS. BELIEVE THIS IS SERIOUS PROBLEM WHICH MUST BE FULLY  
DISCUSSED IN ORDER THAT UNILATERAL DECISIONS THIS CHARACTER  
SHOULD NOT BE TAKEN. OUR POSITION WE CONCERNED ONLY WITH  
WELFARE OF CHILDREN AND WE READY ABIDE BY JUDGMENT OF ORGANIZED  
JEWISH COMMUNITY OF COUNTRY. IF COMMUNITY APPROVES OSE MEXICAN  
PROJECT NATURALLY WE PREPARED COOPERATE FULLEST EXTENT. UNQUOTE

3:00 p.m.  
February 16, 1945

CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM, FROM WAR REFUGEE BOARD.

Please deliver following message to Joseph Guzik, c/o Abram Wertheim, Jewish Agency, from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE RADIO LUBLIN POLAND ANNOUNCED DAVID GUZIK ALIVE.  
WE REQUESTING CONFIRMATION AND WILL ADVISE. UNQUOTE

3:00 p.m.  
February 16, 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 FURTHER YOUR 148 UNDER LICENSE 678642 RESNIK AUTHORIZED  
TRANSFER LIRA EQUIVALENT \$10,000 TO ALBANIA. UNQUOTE

THIS IS WRB LISBON CABLE NO. 142.

2:00 p.m.  
February 16, 1945

CORRECTION

CC

PLAIN

February 16, 1945

In telegram #335, February 14th from Lisbon, page two, last two lines should read "This group calls for our immediate assistance as their etc."

Page 3, lines 4 and 5 should read "Food should be sent immediately from U. S. or purchases local European markets etc."

DIVISION OF CENTRAL SERVICES

WFB

JFL-664

PLAIN

Lisbon

Dated February 16, 1945

Rec'd 4:30 p.m.

Secretary of State

Washington

356, Sixteenth

NRB 324 JDC 178.

FOR LEAVITT FROM TROBE

Resnik advises American relief for Italy shipping  
25,000 pounds matsoth and meal by means of their shipping  
facilities. Please get details concerning shipment  
so he can be ready to receive it.

CROCKER

MFH

MES-660

PLAIN

Lisbon

Dated February 16, 1945

Rec'd 4:46 p.m.

Secretary of State  
Washington.

357, Sixteenth

WRB 323 JDC 177 FOR LEAVITT FROM TROBE

Further our 171 Gottfarb reports Congress parcels to Theresienstadt started again February 13th and still going Bergenbelsen in all 500 per day. Expects Congress license finishing about 6 weeks when he will be ready step in our behalf. Negotiations started and proceeding well. We advised him use \$20,000 for medicines food clothing Poland from \$36,000 sent Margolis December. Suggest you replace funds soonest so he will have funds start parcels.

CROCKER

DU

Miss Chauncey (for the Sec'y), Akin, Cohn, DuBois, Gaston,  
Hodal, Hutchison, McCormack, O'Dwyer, Files

JVL-663

PLAIN

Lisbon

Dated February 16, 1945

Rec'd 4:35 p.m.

Secretary of State

Washington

358, Sixteenth

WRB 322 JDC 176 FOR LEAVITT FROM HAROLD TROBE.

Your 140.

Saly advises he recently gave Dutch committee Swiss francs 100,000 permitting them purchase approximately 10,000 parcels. Also Saly regularly in touch with Dutch representative and rendering all possible assistance. Saly shipping parcels through intercross to all camps and taking maximum number parcels procurable this source.

CROCKER

DU

CABLE TO AMLEGATION, BERN, SWITZERLAND, FOR MCCLELLAND, FROM DEPARTMENT AND  
WAR REFUGEE BOARD

The Vaad Hahatzala Emergency Committee has approached the Board here informing us that Sternbuch has funds for and is in a position to purchase 10,000 kilos of flour in Switzerland for conversion to Matzos and consignment to Intercross for distribution to the unassimilated interness Bergen Belsen of Jewish persuasion. It is our understanding that in order to make this purchase Swiss authorities require assurances that a corresponding amount of flour will be available for import. The Department, War Refugee Board, and FEA support this request and hope that Blockade authorities will interpose no objections. Please consult David Gordon, Chief, Blockade Division, FEA, member of Currie mission in Switzerland, with a view to making this transaction possible.

THIS IS WRB BERN CABLE NO. 406.

9:35 a.m.  
February 16, 1945

Born

Dated February 16, 1945

Rec'd 9:02 p.m.

**Secretary of State,**

Washington.

1043, Sixteenth

WRB FROM MCCLELLAND.

Please deliver following to Mahan Goldmann,  
World Jewish Congress from Riegner:

"Intercross received following wire from their delegate Bucharest: 'Sandor Speter bearing ICRC identity certificate number 1634 dated October 7, 1944 signed by Born, ICRC Budapest delegate arrived from Budapest stating that Born was still in occupied part of city. Speter declared that great many Jews had been saved by ICRC action, delegation having issued some 35,000 identity certificates eighty percent of whose bearers thus protected were able escape harm. According Speter there remained in Budapest as of October 15, 1944 about 100,000 Jews and it is hoped about 30,000 others who fled to environs of city will later be found. 50,000 had previously been sent to Germany as labor, another 50,000 disappeared after December 1, 1944 as result of well-known happenings. 20,000 perished from illness and hunger. Thanks to ICRC action 28 hospitals still functioned in Budapest. Ghetto liberated January 1, 1945 but unfortunately hundreds of old people and children are dying for lack of food and medical attention. ICRC relief organization assisted by Joint Committee are taking immediate steps to assist and have arranged to move food stocked by Joint in Hungary to city. Situation remains grave, however, and demands large-scale relief action. Please inform Joint, UNRRA, World Jewish Congress and other organizations requesting funds and relief for Jewish and other victims.' Signed Kolb, ICRC delegate, Bucharest.

This information not for publication." 3585

HARRISON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATED: February 16, 1945  
NUMBER: 1056

SECRET

From McClelland for the attention of the Department and WRB.

Reference is made herein to the Legation's cable of January 27, No. 581.

In regard to possible protective and relief action for all categories of unassimilated persons in Germany, particularly those termed Schutzhaftlinge (SH), I have recently received the following extremely confidential information.

A member of ICRC's Berlin delegation, Dr. Schirmer, who was previously very active in Budapest and Vienna, submitted to ICRC on January 24, a confidential memorandum which in effect was as follows: Schirmer and a colleague were put in touch with Obersturmbannführer Dr. Berndorf Chef Des Sicherheitsdienstes und Abwehr Fuer die Schutzhaftling, whose office was located at Zimmerstrasse 19 Berlin, by a certain SS General Lieutenant Mueller. Following preliminary conversations with Schirmer, characterized as cordial, Berndorf took them to headquarters of Nazi concentration camp system at Oranienburg. Further conversations were held there with Oberguppenführer Glueck (also a General Lieutenant in Waffen SS) director of all concentration camps. Standartenführer Dr. Lohing head medical officer of concentration camps, and Glueck's adjutant Obersturmbannführer Hoess. Explaining that Dachau near Munich was to become central assembly and clearing camp for all SH, these SS men seemed most willing to discuss ways and means of added ICRC relief to concentration camp inmates. Apparently, the transfer of large numbers of SH was already under way from East and north. In Dachau, where central administration including questions of food and transport would be located, there was to be a system of smaller subsidiary camps radiating from that point. Truck transportation facilities for distribution of relief parcels were offered to ICRC by the SS, and they explained that, as far as control was concerned, men of confidence of various national groups would be stationed at Dachau, and that the ICRC could maintain contact with these men. Since the SH were being continually transferred around now and parcels would doubtless never catch up with them, the SS felt it inadvisable to continue addressing parcels to individuals. Parcels of the ICRC

could be distributed to the following national groups: French, Dutch, Belgians, Greeks, Norwegians and Danes (for the moment, Poles, Czechs, Slavs and Serbs to be excluded). Although Reichsfuehrer Himmler was now willing to permit such a relief program, that he could not issue blanket permission for ICRC delegates to visit all concentration camps was explained to Schirmer by the SS.

It is most significant that, in spite of this rather important hitch, Himmler will now apparently officially permit relief for concentration camps even if only to certain categories of SH, since hitherto Berlin has categorically refused such permission and only in a small number of camps was the reception of ICRC parcels by internees tolerated. No doubt refusal to grant blanket visiting permission is motivated by the fact that an increasingly large number of SH are being worked in war factories at present.

However, quite aside from the extent of external relief program it will be practically possible to launch, this seems to me a unique opportunity which should not be neglected for the ICRC to drive an opening wedge into the Nazi concentration camp system. Although I would hesitate to put pressure on Bueckhardt and ICRC to inaugurate a large relief program which might indirectly benefit the war effort of the Germans, it is my feeling that ICRC should immediately follow up this lead by dispatch of a special mission of their most capable men to Germany, and if possible that this mission be headed by Bueckhardt. An invaluable opportunity to get more personnel into Germany, whose presence might well save the lives of thousands of men and women as the Nazi system collapses, might be afforded by this situation.

On February 11 I was informed by Nordling, the Swedish Consul General in Paris, whose forceful intercession with the German military commander in Paris resulted in the release of some four thousand political prisoners, whom the German Commander had orders to execute if they could not be evacuated at that time, that in December he had addressed a personal letter to Himmler requesting better treatment for all concentration camp inmates along the Geneva Convention lines. Even though he received no direct answer to his letter, Nordling learned through most reliable channels that on receipt of his letter Himmler had ordered the German Red Cross to study and report immediately on the possibility of improving the lot of Schutzhaftlinge. The maintenance of contact with Nordling was delegated to a German industrialist named Lehrer, long a resident in France and possessing direct contact with high Nazi officials by Himmler. It is Nordling's belief that January SS overtures to ICRC men in Berlin are at least partly due to his representation and that Himmler is definitely interested in facilitating relief to SH, for reasons which are open to considerable speculation.

On February

On February 10 and 13, Nordling, in the interest of exploiting this situation, conferred at length with Burckhardt of ICRC and attempted to persuade Burckhardt to take action since he, Nordling, felt that his going along to Germany as a Swedish Consul General or as a private individual would not carry the necessary weight and that it was quite obvious that this job should be undertaken by ICRC.

In the face of evidence of mounting confusion within Germany and the resulting increased accessibility of individual German officials to psychological pressure as they became more isolated by military events and hence more independent, I feel, in view of the foregoing that ICRC should not neglect such an opportunity. As soon as possible I am consequently handing Burckhardt a letter from the Minister urging him to take action in line with my communication to Burckhardt based on Department's cable of January 9, No. 127 (WRB No. 356) and as soon as possible the result will be reported.

HARRISON

DC/L  
2-19-45

SECRET

OPTEL No. 54

Information received up to 10 a.m., 16th February, 1945:

GENERAL

1. MEDITERRANEAN, 11th. Enemy raiding party in rubber boats landed Mentone, three were killed and one taken prisoner.  
Night 13th/14th. Coastal forces destroyed three heavily armed vessels off East Coast Istria.
2. ANTI-SUBMARINE OPERATIONS, 9th. One of H.M. Submarines made promising attack on U-boat N.W. Bergen.
3. ENEMY ATTACK ON SHIPPING. A 8129 Norwegian tanker and a 7200 ton U.S. ship in convoy westbound from White Sea were torpedoed by U-boat off Kola Inlet and have been taken in tow.

MILITARY

4. WESTERN FRONT.  
Central Sector: 3rd U.S. Army advancing on 8 mile front made 1 to 3 miles north and west Echternach and forward elements now reported having reached lower waters of River Prum, 5 miles north of Echternach.  
Northern Sector: British and Canadian troops made further progress on flanks of attack S.E. from Nijmegen but held up by strong opposition in centre. On right, advancing on 5 mile front, up to 2 miles have been made and Kessel captured in heavy fighting, while on left southern bank of Rhine now held as far east as opposite Emmerich. Level of River Roer falling and has dropped 10" during last 24 hours.
5. EASTERN FRONT.  
Northern Sector: Chejnice and Tuchols on frontier between Prussia and Polish corridor captured.  
South Central Sector: Following towns N.W. Breslau have been taken: Grunberg, Sommerfeld and Serau.  
Southern Sector: Liquidation of dispersed enemy groups which broke out from western part Budapest being completed and during 14th 6,650 prisoners, including 3 Generals, claimed as captured.

AIR

6. WESTERN FRONT.  
Night 14th/15th. 1308 aircraft (23 missing) despatched: Chemnitz 716 (2104 tons), Oil refinery Rositz 232 (833 tons), Berlin 45, Sea mining 54 and diversionary sweep 95, while bomber support and other targets accounted for 166.  
15th. Main targets for 1137 U.S. heavy bombers (11 missing, outstanding) were Cottbus (951 tons), Synthetic oil plant Magdeburg (803 tons), Dresden (413 tons). Bombing was carried out through cloud and enemy air negligible.  
Weather conditions prevented operations northern sector of front. Over Central and Southern sectors medium bombers 202 successfully attacked four railway targets Western Germany while 930 fighter bombers and fighters (2 missing) made operational sorties.
7. MEDITERRANEAN FRONT.  
Night 12th/13th. Strategic bombers attacked railway centre Verona (186 tons).  
13th. 750 U.S. heavy bombers (8 missing) dropped total 1357 tons as follows: Ordnance and goods depots Vienna (670 tons), railway centres Vienna (92 tons), Marburg (243 tons), Graz (137 tons), Zagreb (108 tons) and other targets (107 tons).  
802 tactical aircraft (4 missing) attacked communications and other targets in North Italy, while 78 aircraft attacked targets Yugoslavia and guns Milo.

SECURITY (Up to 7 a.m. 16th)

4. ROCKETS.  
15th. Four incidents reported.  
Night 15th/16th. No incidents reported.

February 17, 1945  
9:30 a.m.

Re: TAXES

Present: Mr. Blough  
          Mr. O'Connell  
          Mr. Gaston

MR. BLOUGH: We will make it so interesting, he will keep us here for a whole hour.

H.M.JR: The floor is yours. Wipe it up.

MR. BLOUGH: Well, I will. You wanted to have the events of the week summarized, and it seems to me that might be a good place to start. I hoped to go on a little from there, if possible.

The Joint Committee met on Tuesday, and again on Wednesday. They went over it, or they had read to them part four of our joint reports covering the summary of suggestions which we had received in the course of last summer and fall from business and agriculture and labor interests. They got a little impatient at the repetition which was involved in reading different plans, but on the whole, the meeting went quite successfully. Only one issue came up that I think you might want to be informed about, and that is that there was a little flare-up on the subject of advertising. The extremely luxuriant brochures and calendars, and things like that, that some of the profitable companies are getting out this year have come to their attention; likewise, other heavy advertising expenses.

Senator Walsh made a little speech on the unfortunate character of a lot of this, or the unfortunate use of paper and other valuable resources, which are involved. I don't think War Bond advertising came up in the discussion, but advertising in general did, and then Knutson made a speech against the International Latex Corporation which does this advertising by quoting from left wing or liberal or other sources.

H.M.JR: I asked who they were and who this fellow is, and I just got a memo here, "In reply to your inquiry about the International Latex, I submit the following facts--" isn't that funny? I was curious.

MR. O'CONNELL: Isn't that the fellow who wrote the article in this week's Collier's?

H.M.JR: Spanel.

MR. O'CONNELL: There is an article in this week's Collier's or Saturday Evening Post. I haven't read it.

MR. GASTON: The funny part of it is there are at least one dozen conspicuous conservative concerns that have political advertising, and he is the only left wing in the bunch. Warner and Swasey, some of their stuff is outrageous and nearly all their advertising is collected political advertising.

MR. BLOUGH: The curious thing about this particular case was that the advertisement to which Knutson took exception was a quotation from Wallace's statement before the Senate Committee in which Wallace was praising private capitalism and the desirability of having free enterprise, and so forth. If it had been a statement attributed to Henry Ford, it would have been magnificently conservative.

MR. GASTON: Don't you see it is illegal for Wallace to try to demonstrate that he is conservative. It's outrageous!

MR. O'CONNELL: I doubt if the Secretary knows the background of International Latex but the fact is last year the Bureau received a letter from Bob Doughton asking whether or not the practice of International Latex reprinting editorials from PM and articles by Willkie and Wallace and liberal articles in general, whether or not expenditure for advertising, reprinting those over the name of the company was a legitimate advertising expense, and the Bureau wrote back and said no.

H.M.JR: That was not--

MR. O'CONNELL: That was not legitimate advertising expenses.

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H.M.JR: And then what happened?

MR. O'CONNELL: One thing was the company then wrote to Doughton and told him they would disallow it. They sent a letter to the Agent in Charge up in Delaware, someplace near where this company is, and sent him a copy of their letter to Mr. Doughton.

MR. BLOUGH: Which amounted to instructions to disallow.

MR. O'CONNELL: And the Revenue Agent disallowed it. Subsequent to that the company sent a telegram to you which I referred over to the Bureau and it was answered out of the Commissioner's office saying that that was of course not the fact; that we always look at those things objectively, and if it was to be disallowed, they would be given an adequate opportunity to have a hearing, and so on and so forth, six months after the decision was made. The decision was made the day after Bob Doughton wrote the letter.

MR. BLOUGH: The record is not good.

MR. O'CONNELL: Perfectly terrible. I don't know how I happened to have it called to my attention.

H.M.JR: Was it disallowed?

MR. O'CONNELL: It was at that time disallowed, and since then I had a meeting with the people at the Bureau and we have reversed the decision, and the amount disallowed on that basis was reversed, so it is being allowed now.

H.M.JR: I didn't know it.

MR. O'CONNELL: The company had been in the habit of spending one hundred thousand dollars a year for advertising before the war. The actual amount of money expended in these years for this type of advertising was five and six thousand dollars a year, not a lavish amount of money. Their amounts for institutional advertising as compared to what General Motors and other big companies were doing, was just a drop in the bucket.

(Mrs. McHugh enters the conference temporarily.)

MR. O'CONNELL: That was the only case I could find-- a disallowed case for advertising.

H.M.JR: Who was that over there?

MR. O'CONNELL: Someone down the line in the Bureau. Tom Mooney signed the letter.

MR. GASTON: Somebody up on the Hill speaks and they run to cover.

MR. BLOUGH: Norman Cann handled the situation pretty well there the other day, pointing out that you have great difficulty in distinguishing what is perfectly clear advertising, and what is purely political advertising that isn't to be allowed. "But you have Montgomery Ward," Knutson said. "That was entirely proper. After all, they had to make their position known to the public, but Wallace, why, you could read that in the hearings any time you wanted to." But Cann pointed out you can disallow this stuff, but then the Tax Court will reverse you on it.

MR. GASTON: You haven't any line of defense except the amount of money spent in relation to their business.

MR. BLOUGH: Even that the court disallowed.

MR. GASTON: You have to allow that a man can make a mistake that may actually hurt his business, but you have to allow that he has a certain amount of judgment. He can make a mistake.

MR. BLOUGH: Moving on to another point--

H.M.JR: This is a very interesting one.

MR. BLOUGH: I don't mean to rush away from it, but I think--the Joint Committee is meeting next Tuesday and we will probably finish up this presentation of other peoples' tax suggestions, and then give them something on the British and Canadian progress to date on post war tax planning, which isn't very much, but which indicates some interest in

accelerated depreciation and in reconversion expenses, and so forth. We are also going to quote a paragraph or two from the White paper on the employment policy, which is somewhat similar to the Murray Bill, you might say. They have a White paper over there on employment policy.

H.M.JR: In England?

MR. BLOUGH: Yes. Now, another matter which has become of some interest, and which might be brought to your attention from other sources, and perhaps it has already, is the proposal that Eccles has made for special capital gains tax.

H.M.JR: Will you give it to my outer office. Mark what I said about taxes in my annual reports and I'll take it home and read it.

MR. O'CONNELL: It is pretty good.

H.M.JR: I would like to read what it is; they may ask me in Philadelphia, see?

MR. BLOUGH: I think you can stand on it all right.

MR. O'CONNELL: Maybe now that he knows it exists.

MR. BLOUGH: Listen, we tried to write what he would say if he had said it, so I hope we succeeded.

H.M.JR: Well, as long as I got a good press it's all right, but if I got a bad press, God help me!

MR. BLOUGH: We know.

MR. O'CONNELL: It's always the right one.

H.M.JR: Anyway, I want to take it with me.

MR. BLOUGH: Eccles has made a long story short, or a short story long. Vinson, I think, sent a memo to Eccles saying, "Are you worried about the rise in capital values in farm land and real estate and stocks, and how about a

substantially increased credit control program to meet the situation?" Eccles held that a while and sent a memo back to the effect that we are very much worried about the rise in capital values, and corrected the whole financing program and this, and the other thing, farm land boom, stock market boom, and urban and real estate boom, and it is very dangerous, but we don't think credit control is the way to handle it. But we ought to have a special tax on capital gains on assets purchased after say, January 1, 1945, so that if I would go out and buy a farm and then resell it within two or three years, I would have to pay a ninety percent or eighty percent tax on the profit on the sale of the farm; and that memo came back to Vinson's Advisory Committee, or whatever it's called, on which Mr. Bell sits in your place, and the Committee discussed it on one occasion. Then Dan brought it back here and we wrote a little memo, and then he took me over to the next meeting and they discussed it some more.

MR. GASTON: We had meetings on it.

MR. BLOUGH: Here in the Treasury? It is now resting with this little Inter-Departmental Tax Committee of four or five people from the technical level, and we are working on it there. I think by and large we will have to say that while it would do good if you could put it in by Executive Order and apply it in a somewhat flexible manner, that under the circumstances it probably would do more harm than good.

(Discussion continued off the record.)

MR. BLOUGH: On this special capital gains tax proposition, I think we all feel there is a danger of a speculative market developing in capital assets, but it is not as serious as the Eccles memo would indicate, and the proposal he makes to curb it is probably of dubious value in accomplishing the result, but it is still under study for further developments to be reported.

MR. O'CONNELL: Isn't the question more harmful than good in getting your Executive Order point across if you make the proposal seriously and spend six months debating it in the House and Senate? In the interim it will probably do more harm than good and you will probably not get it anyway.

M.M.JR: It will attract attention if they are so worried and people will say, "We better go out and buy a piece of land."

MR. GASTON: That's what most of us thought about it.

MR. BLOUGH: It comes to this: In order to get it through Congress you have to scare the wits out of Congress. In order to do that you will scare the wits out of the public; in that process you will scare the wits out of the public and you will undo what you are trying to do.

I thought you might be interested in this refund of individual income taxes. I mentioned yesterday that I looked over the unit in New York where they are processing the returns. What they are doing now is aside from about a million seven hundred thousand returns. The larger kind come in here to Washington for work. Every return in the country now goes to this New York office from the Collectors' offices, and all of the withholding receipts which the employers have, representing the employee's withholding tax and the wages paid and dividends paid, they all go to New York also, and there they are associated together, and the other documents are clipped to the return and then they figure if there is a refund due. If there is, they schedule the return for refund, turn it back to the Collector's office, and the refund is paid, and if additional tax is due, they indicate that additional tax is due and turn it over to the Collector for treatment. It is, in many ways, a great improvement over previous treatment, and I think we will increase the amount of collections substantially. But in the process the refund of course becomes quite slow, and that is what happened this last year.

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They had personnel difficulties and they had all the difficulties of starting a new operation, and instead of getting it done in October or November, you finally had to take this drastic treatment of say make the refund without associating the returns with these other documents. Now they feel that they can do the job definitely and certainly by November of this year.

H.M.JR: Oh.

MR. BLOUGH: Forty-four refunds payable after March 15th.

MR. O'CONNELL: Of this year?

MR. BLOUGH: There are two points in this connection.

H.M.JR: I am listening closely.

MR. BLOUGH: One is whether November for the last refund is good enough or whether this, even at the risk of a mistake, somewhat rapid process will have to be developed, and that is now under discussion, and I hope it will be soon enough, but I am not sure that it is.

MR. GASTON: I don't think it is going to be good enough.

H.M.JR: I don't either.

MR. BLOUGH: That's for this year.

H.M.JR: I don't either.

MR. BLOUGH: And I am very much concerned about it because you can get away with that one year perhaps on the grounds it is a new thing and you haven't worked it out, but year after year, that is not good.

MR. GASTON: We are not in the same situation we were a few years ago as to income taxes. We are making such heavy demands on everybody that we have to be awfully careful that we don't start a general revolt against the whole system of income taxes.

MR. BLOUGH: I think that's right. So what we are making is a little study of whether something can be done.

H.M.JR: I am with Herbert.

MR. O'CONNELL: When we agreed on the stepping up of it last year we thought at that time that at least we would not have to decide what to do or could not decide to maybe continue in that drastic way--we put in at least until after the 15th of March.

H.M.JR: Is there any reason it can't be done--break this thing up--instead of having it in the New York office have it in San Francisco or the West Coast?

MR. GASTON: I think the whole system has to be changed.

MR. O'CONNELL: There is a very good reason for doing it all in one place.

MR. BLOUGH: The reason for having it in one place is General Motors sent all their employees' returns in all parts of the country in one batch. They all came in together and they have to sort them out. This belongs to California, this to Chicago, and so forth.

MR. O'CONNELL: You have any number of employees whose returns have to be associated with withholding receipts from different sections of the country, whereas one employee may have worked in three or four different districts.

MR. BLOUGH: Herbert Wood, who is retiring shortly, did want to set up a trial run down in Georgia.

MR. O'CONNELL: Or Florida, both.

MR. BLOUGH: In which he was going to try to regionalize it and use mechanical equipment, but he wasn't able to get the equipment. Something of that kind will have to be done.

H.M.JR: That's what I said.

MR. BLOUGH: I think a lot of the work could be regionalized. I think the sorting of all these returns, and so forth, may have to be done on a national basis.

H.M.JR: You've brought it to my attention so let's move on.

MR. GASTON: Sometime the Secretary would be interested in how the English handle it.

MR. BLOUGH: I wanted to bring up this: As soon as unemployment begins to develop in this country, any system that waits until the end of the year before making the refunds will not be acceptable, and we have to figure out a method of making a refund to a man who is unemployed during the year.

H.M.JR: I understand right in the locality, Herbert.

MR. GASTON: Roy has the whole thing. He talked it over pretty thoroughly with a couple of Englishmen.

H.M.JR: McGill brought that back.

MR. GASTON: This is new stuff.

H.M.JR: Don't let's do it, unless you have other stuff.

MR. BLOUGH: I am getting along to the end.

H.M.JR: Then tell me how the English do it.

MR. BLOUGH: I thought this was important. The English handle it on an accumulative basis from week to week. They have withholding tables built up in such a way that in effect what they do is compute the man's tax to this date for the year and then they subtract what he has paid thus far and the balance is what they withhold from him each week. It's a bit cumbersome and I don't think our people would like it, but nevertheless that's the way they do it. If a man is unemployed, he has a negative tax, in effect he gets a refund.

MR. GASTON: What if he has been under withholding for thirty weeks and then loses his job?

MR. BLOUGH: It shows that he has had withholding from the one hundred or fifty pounds or one hundred pounds of tax and then loses his job in the middle of the year. The personal exemptions are going to eliminate a lot of that tax, so he will have a refund coming. So they make a computation and pay out that refund during the year.

H.M.JR: The thing we have never done is have some very valuable business engineers--

MR. BLOUGH: We have consulted business engineers on this.

H.M.JR: On that thing?

MR. BLOUGH: Yes, but I think we simply must devise a way of doing it during the year.

H.M.JR: How about bringing them in--some business engineers?

MR. BLOUGH: We, of course, will have to do that, but it seems to me the thing to do now is not to wait until this problem arises but to be working on it this year and trying to work out some system.

MR. GASTON: The trouble is business engineers are not quite good enough. We go a little beyond them.

H.M.JR: Some of them are awfully good.

MR. BLOUGH: We have used the best machine equipment people there are, IBM and Remington Rand equipment people, who work out systems of this kind.

H.M.JR: You don't use Underwood Elliott & Fisher.

MR. BLOUGH: Their equipment is less adaptable to this type of thing than some of the other. We have had men from AT & T who are very experienced men in this field, and we certainly will have to use more of them, but the approach has got to be, it seems to me, that it is the policy of the Treasury that we must devise a system for giving refunds during the year. What we really need, in a sense, is the belief that we will have your support for that, and we will go ahead and tell the Bureau that we ought to start working on plans for that.

H.M.JR: You have my approval, and I am going to keep after you now that you brought it to my attention.

MR. GASTON: In lower brackets ordinary working people-- most of the salaried people were collecting more currently than the man's whole tax liability. With a system like that, it seems to me we have to devise some method whereby we will not be overpaid at any time.

MR. BLOUGH: The British have an interesting plan. In that you almost get the idea that nearly every government employee in Great Britain has a checkbook to write checks on the government. We are pretty strict about our disbursing, but they have their employment offices that issue unemployment compensation checks used for the purpose of issuing these refunds, and, of course, we with our State Unemployment system are quite in the same position to do that.

Well, I don't know if you are--moving to another point-- I don't know whether you are interested in what happens to the Railroad Retirement Report or not.

H.M.JR: Just take a minute or two.

MR. BLOUGH: It comes down to this: The questions are first, do we go along with Railroad Retirement in wanting bigger and broader benefits, when Social Security, of course, doesn't have them, and in raising the pay roll taxes up to fourteen and one-half percent for the present and fifteen and one-half percent for the future. Now, we won't get a

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unanimous agreement in the Treasury because some people don't like the idea of the higher benefits in Railroad Retirement. Other people don't like the pay roll tax, and the full reserve, but we can't get everybody to take the same position.

H.M.JR: What happened on that? White wanted what's his name to have a day in Court.

MR. BLOUGH: He came in and talked to White and came up and talked to us, and as a matter of fact, this little Inter-Departmental group was there and he talked with them. Bernstein was there, and I think Bernstein's position was Railroad Retirement ought to be willing to postpone action on this until Social Security--

MR. O'CONNELL: Which was essential to our suggestion.

MR. BLOUGH: Which was the letter that came in here that Harry wanted held up.

H.M.JR: What happened to that letter?

MR. BLOUGH: It hasn't been sent.

H.M.JR: Who does it go to?

MR. BLOUGH: The committee.

MR. GASTON: Roy has a much better letter.

H.M.JR: I have to rely on you people. It's all right for White to get in on this?

MR. BLOUGH: It isn't only White; it's Dan versus White. Well, Dan likes the idea that we don't like Railroad Retirement getting way up here above Social Security, but Dan doesn't-- he's a little hesitant about condemning pay roll taxes and the full reserve system, but he will go along.

MR. GASTON: Except to point out inconsistency. I think this letter as you wrote it Roy, represents the views of this whole group that Dan called in this morning.

H.M.JR: Who is this letter going to?

MR. BLOUGH: Through the Bureau of the Budget to the Committee.

H.M.JR: Hurry!

MR. BLOUGH: Yes, it is pretty late now.

H.M.JR: It seems like a fairly important subject. Could I do it by Tuesday?

MR. BLOUGH: I think so. We haven't had any hurry-up call for it.

H.M.JR: I'll give you nine forty-five Tuesday.

MR. BLOUGH: Between now and then we will get the issue all squared away so you can have the minimum of trouble. We will try to get all the issues very nicely squared away.

H.M.JR: Will you see the people and notify them out there? I think I better stop now, but we will do it again Tuesday. This is very useful to me. I am going to do it at least once a week.

MR. BLOUGH: That would certainly please me.

H.M.JR: Who's seeing McDonald with me?

MR. O'CONNELL: John Pehle and I were.

H.M.JR: What's this McConnell at ten-thirty?

MR. GASTON: He is just coming in to see you. You were going to talk to him about Bretton Woods. Have you seen him since he was sick?

H.M.JR: I don't know. I'll see him anyway.

February 17, 1945  
10:30 a.m.

PROCUREMENT - PERSONNEL - BRETTON WOODS

Present: Mr. O'Connell  
Mr. White  
Mr. Pehle  
Mr. McDonald  
Mr. Feltus

MR. PEHLE: Well, we have an employee in Procurement, Altieri, of Italian decent. He has been in the Government ten years, and in Procurement about a year and a half. It took the Procurement Division about a year to request his investigation. He gets fifty-six hundred dollars a year. The first preliminary report on his investigation came through last October, and it was quite bad. It showed he had deliberately falsified his education by saying he had attended two colleges, one of which turned out to be a prep school, and the other, Columbia, turned out to be a tutor named Columbia Grazziano. Civil Service was notified, I think, of this.

H.M.JR: May I interrupt? How did he happen to come in Treasury?

MR. PEHLE: He had been working in the Housing Procurement Division which was taking on people. As far as I know, he came down to look for a job.

H.M.JR: Nobody sponsored him?

MR. PEHLE: Civil Service notified us that he had falsified his educational requirements, and they ordered us to fire him. He was given the right to appeal from that by Civil Service automatically, and he hired Leo Rover, an ex-U. S. Attorney to appeal, and that is now pending in Civil Service. He has been handling the disposition of NYA property, selling the buildings and confirming title in municipalities to various hands with almost no supervision.

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He was under Olrich, but obviously he wasn't interested in this phase of work, and he should have been under somebody lower than Olrich, but he pretty well went on without any supervision whatsoever.

About the time I got down there a case came up involving Congressman Taber. It was also about the time our appropriation came up, and I was anxious that we handle it directly. The first thing we knew this fellow got in touch with Taber and had lunch with him. I was afraid the thing was getting out of hand, but I went into the case myself, and it was all right. Then he asked to see me because I put him under Mr. Widmann down there. I guess he didn't want to work under Mr. Widmann. He didn't have confidence in him, and they didn't get along.

I ran into this thing then for the first time about falsifying his education.

H.M.JR: Will you just wait? When you have a thing like that, isn't the normal procedure to suspend the man?

MR. McDONALD: Of course.

MR. PEHLE: He should have been suspended or fired.

MR. McDONALD: That was the opportunity to fire him at that time.

H.M.JR: But subject to the appeal he could have been suspended?

MR. PEHLE: He could have been for thirty days.

MR. McDONALD: Yes, sir, but the proper thing would have been to fire him. Don't you think so?

MR. PEHLE: He could have been suspended until October. It hadn't been finally disposed of.

MR. McDONALD: He could have been suspended indefinitely, pending his appeal.

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MR. PEHLE: What we could have done was insist that Civil Service act on the appeal and suspend him. The appeal is pending.

H.M.JR: Just to get it clear, supposing you brought this case in new today, this was just found out, and you told me this man has appealed. What shall I do? Couldn't I suspend him pending the appeal?

MR. McDONALD: We could, sir.

H.M.JR: It is being settled? This was last October? Or could I have fired him?

MR. McDONALD: You could have fired him on the basis of the letter we had from the Civil Service Commission.

MR. PEHLE: But Civil Service might have reordered reinstatement pending appeal.

MR. McDONALD: To answer your question so you won't have the wrong impression at some future date, if a man is a veteran and we do not have a letter from the Commission saying to fire him, we cannot suspend him for more than thirty days unless he is guilty of some crime.

H.M.JR: If he is a veteran.

MR. McDONALD: Did you know the Scrugham Law passed the 1st of July?

MR. PEHLE: He asked to see me because he didn't want to work under this man, and then we ran into the educational thing. He lied to me then about it, so I said, "You had better find another job. If you want to resign, I will tell the Civil Service Commission we are not interested in what they are doing any further."

He said he would not resign, but he would try to find another job. Immediately following that conversation, which on the surface was pleasant, we began to get repercussions from all over the Hill. Congressmen called me, and one of them called Dan Bell. Compton White's secretary called Ted Wilson and wanted to know whether Witmann was exempted

from the draft, why he wasn't in the Army, and why another man wasn't in the Army. They called up and wanted to know who my parents were in a very abusive way. That was Compton White's Secretary. He is a Congressman from Idaho, a silver Congressman.

MR. O'CONNELL: He was ranking man on Andy Somers' Committee.

H.M.JR: I know now.

MR. McDONALD: We have a letter from Compton White now asking about people who are deferred in the Treasury, and we are trying to get an appropriate reply on that.

MR. PEHLE: That probably is a direct result of Mr. Altieri's case. As we dug into it, what he has been doing for a year is in connection with this NYA property which involves a lot of Congressional mail and calls. Whenever a Congressman was interested in a case he would go down and see the Congressman; he would talk to the Congressman and say, "I will take care of this for you." That is the way I piece it together. He would give the impression he was doing the Congressman a lot of favors. He has contacts all over the Capitol. Then about that time we had our hearing on the appropriations, which was a very successful hearing, I felt, and Schoeneman felt, and everyone did. Taber was very friendly to us, really. And then two days ago I got a letter from Taber asking on every Procurement employee who gets three thousand or more his birthplace and date, his education, his experience, his salary for the last ten years, his draft status, and so forth, which I felt was another repercussion from Mr. Altieri.

About that time also we got a letter from Congressman Cochran of Missouri.

H.M.JR: A-1--

MR. PEHLE: ...t-i-e-r-e. There used to be an I on the end, but he has changed it to an E.

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We got a letter from Congressman Cochran of Missouri saying some information had come to his possession about this NYA property of Auburn, New York, that we had confirmed title in the City of Auburn which was one Mr. Taber was interested in.

He didn't mention Mr. Taber, but said he understands a municipality sold property and it ought to be investigated. So I went down to see Mr. Cochran and had Elmer Ireys-- you know, he is a very close friend of Elmer's--call him first. I had a very satisfactory general talk with him two days ago and asked how he happened to write this letter, and if Mr. Altieri had anything to do with it, and he said yes.

He said Altieri had come into his office January 21 and said he came in response to a call Cochran had made to the Treasury, but Cochran hadn't made any call to the Treasury. He said it must have been a mistake, "But while I am here you ought to dig into this thing about Auburn, New York." That was a transaction Altieri had handled himself, Mr. Secretary. He said, "It is in John Taber's district. You ought to look into it."

So I told Cochran what the story was on this man and the kind of reply we are making to the letter, and he said that was perfectly satisfactory, to forget about it on this file. I asked him if I could tell Taber this story, and he said I could.

So I spent forty-five minutes yesterday with John Taber and explained what was going on. I had a very good session, and as far as I can tell with Taber, I think he is all right, but this thing is going to cause us continual trouble over on the Hill. He will go from Congressman to Congressman and say, "There are a bunch of young punks in Procurement discriminating against war veterans." He will take up a lot of things, and there may be some things that won't be too good because, as you know, everything hasn't been lilly white as far as handling everything with perfection goes. The thing is pending with Civil Service.

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I brought Dan Bell up-to-date on this yesterday, and he agreed, if you were agreeable, to call Mitchell of Civil Service and make an appointment for me to go down and see Mitchell, lay the whole thing in front of Civil Service, and tell Civil Service they ought to fire this guy; on the appeal say he is to be fired and separated from Federal Service. We have other things on it that I haven't gone into, but if Civil Service approves this man's reinstatement by any chance, then they must be getting Congressional pressure, too.

H.M.JR: Who is to call Mitchell?

MR. PEHLE: Dan said he would, and would arrange for me to go down there, but I wanted you to know the story because it is a nasty one. It has caused me an awful lot of trouble already, and will cause me a lot in the future.

MR. O'CONNELL: We don't know how many Congressmen he is responsible to. John got a call from Mills of Arkansas who is on Ways and Means; we know of Cochran and Compton White, and Taber, and he may have forty.

H.M.JR: Act on it today.

MR. PEHLE: I think so, too. But I wanted you to know about it because it is pretty messy.

H.M.JR: Do you want to take up something?

MR. McDONALD: I have two or three things.

(Mr. O'Connell and Mr. McDonald leave the conference.)

MR. PEHLE: This is on Morris Rosenthal (hands Secretary memo on plea of insurance companies for preferential rate on bond purchases, and practices of Salary Stabilization Unit in New York of refusing to grant increase in salaries).

H.M.JR: Morris stopped in to see me yesterday; I thought you would be interested in that. We are not going to do that.

MR. PEHLE: Did they press us to do it? Stafford was with that small-businessmen-for-Roosevelt group that came in your office, and he told Morris he hoped the Treasury wasn't going to let it--

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H.M.JR: This isn't going to be any kind of settlement.

MR. PEHLE: The New York concern mentioned in the second one is Rosenthal's own concern, but he is not raising that with regard to his concern; he is just afraid this sort of thing will happen all the time.

H.M.JR: I will tell you what I can do. Why don't I just send this thing to Joe O'Connell?

MR. PEHLE: That is what I thought.

H.M.JR: Tell him to have a look at it.

MR. PEHLE: When I get things like that I thought I would pass them to you in that form. I didn't want to be in a position--Altschul mentioned to DuBois that there are two people on the Inter-Governmental Committee job he thought would be better than Finletter. One was President Hopkins of Dartmouth, and the other Bartley Crum, who was Willkie's campaign manager on the West Coast. I don't know either of them.

H.M.JR: I don't, either.

MR. PEHLE: Do you want me to mention them to start, or not?

H.M.JR: Well, you are not handling this.

MR. PEHLE: I have been handling contacts with State on it.

H.M.JR: I am so mixed up now.

MR. PEHLE: I know.

H.M.JR: I can't jump around like this. I don't know what they are doing.

MR. PEHLE: I know what they are doing.

H.M.JR: I can't do this just like this. I can't jump from this business to that business. I mean, I don't know what Miss Hodel is doing. I just don't know.

MR. PEHLE: I know, and I am not--this is something DuBois brought to me and wanted me to mention to State, and I didn't want to mention it to State without your knowing it.

H.M.JR: I think on anything like that I am working with General O'Dwyer. It ought to come up through him, if you don't mind.

MR. PEHLE: I don't mind at all.

H.M.JR: And tell DuBois, will you please?

MR. PEHLE: Incidentally, Miss Hodel is doing a very good job. You can rely on her on this stuff.

H.M.JR: I am heavily--

MR. PEHLE: I agree it is much better that way.

H.M.JR: Tell it to Joe, too.

(Mr. Pehle leaves the conference, and Mr. McDonald enters.)

H.M.JR: Now, you go ahead with your stuff.

MR. McDONALD: I thought you might like to sign a Treasury Department order bringing Mr. White up to date and showing his responsibility for Monetary Research and Foreign Funds, but I didn't know whether you had any other organization changes in mind. For that reason I didn't want to bring it up in the staff meeting. You told him to be away today.

H.M.JR: I don't know whether he is or not. I don't know what has happened to Foreign Funds. He must have talked to Mrs. McHugh. Does that go under Coe?

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MR. McDONALD: Not the way we had it before, but maybe that is because Mr. White was still an Assistant to the Secretary.

H.M.JR: Does Foreign Funds go under Coe? He must have spoken with Mrs. McHugh.

MR. McDONALD: I discussed it with her briefly. That is why I didn't bring it up at staff, because I thought there might be some questions.

H.M.JR: He is coming in. I wonder what else you have.

MR. McDONALD: I probably should have presented one for Feltus at nine thousand the same time we presented one for eight thousand. This isn't effective for a few days.

(Secretary signs letter addressed to Mr. Feltus, dated February 17, 1945.)

MR. McDONALD: You asked me to look into telegrams. A great majority come into the cable room in Monetary Research. The girl in there distributes all of them to assistant directors in Monetary Research who determine how important they are, and if they are important enough for Mr. White to see, they go to him, and he makes a decision on whether they come to you or not.

Again there may be some rearrangement in view of the fact that Mr. Coe is in the picture.

H.M.JR: I think you ought to sit down and give some thought to this. This whole business ought to be turned over--I will tell him so--he should turn over all of his responsibility as to directing Monetary Research, and he will be free of this detail work.

MR. McDONALD: That seems to make very good sense.

H.M.JR: What else do you have?

MR. McDONALD: You may recall that about three years ago we had an employees' handbook which we made available

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to all employees coming into the Treasury, and you signed a letter to this effect at that time, sir. We have in mind a revised handbook for all employees, and this is a proposed letter which I thought you might like to hold on to and read at your leisure, but they are about ready to go on it. (Hands Secretary handbook entitled "Information for Employees," and proposed letter to new employees.)

H.M.JR: "Therefore, it is only if each and every one of you, no matter what your job is--" would you say, "puts forth your own individual--"?

MR. McDONALD: What do we have, sir?

H.M.JR: You just say, "No matter what your job is--"

MR. McDONALD: Thank you, sir.

H.M.JR: "...puts forth your individual best effort toward carrying out your duties with a full measure of conscientiousness and loyalty, that we shall be able to say--" fix that sentence up a little; it is a little too long. That whole paragraph is one sentence. I think it could be broken into two sentences. Otherwise, it is all right. But that there--simplify that a little bit, you see. Just break it up. You don't need to send it back to me; let it go.

MR. McDONALD: We will want you to sign it so they can take a picture of it and have your signature appear.

Do you know about Bernard Leroy who is proposed to be brought in to work on the Bretton Woods program with Feltus?

H.M.JR: No.

MR. McDONALD: Do you object to having another eight-thousand dollar man? It is O.K. with Luxford and Feltus. I assumed you would want to give them as much support as possible on the Bretton Woods program.

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H.M.JR: I want to know who he is. White didn't tell me.

MR. McDONALD: I don't think he knows too much about it.

(Mr. White enters the conference.)

H.M.JR: Harry, here is this: I wanted to talk to you about it. I don't know what you think, but my thought on it was we ought to get the most out of this, and I think you ought to turn over the work--your responsibility that you had as head of Monetary--lock, stock, and barrel to Frank Coe and make Frank Coe responsible to you.

MR. WHITE: I am turning over all work to him, all responsibility. That would be all right with me. See how it works out. I am very anxious that he attend staff meetings.

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

MR. WHITE: Oh, no.

H.M.JR: No orders on those. But I mean, the point that isn't clear in his mind is that--take for instance, Foreign Funds. Does Foreign Funds report to Frank Coe?

MR. WHITE: Well, do you want them to report to Frank Coe?

H.M.JR: I think that everything you did should be turned over to Frank Coe, and let Frank Coe report to you.

MR. WHITE: Well, that is the way I intended to work it, in fact, the Foreign Funds angle. That means that Orvis Schmidt would report to him. I would prefer that if that is all right with you.

H.M.JR: That is the way I think it should be.

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MR. WHITE: Yes. Orvis, Frank, and I could work that out so it would be all right.

H.M.JR: You are in favor of that, aren't you?

MR. McDONALD: There is only one objection, as I see it, and that is as Assistant to the Secretary you had another division reporting to you. Now you will have another division having another division reporting to you, you see?

H.M.JR: I wouldn't worry about that.

MR. WHITE: With Orvis Schmidt--

H.M.JR: You mean two separate divisions?

MR. McDONALD: Yes, sir. Heretofore Foreign Funds reported through the General Counsel, and later Assistant to the Secretary, and this would--

MR. WHITE: There is another way of working that out realistically.

H.M.JR: Why don't you sleep on it over the week end?

MR. WHITE: This is what I had thought, that if any Foreign Funds matters that come to me--I would tell Orvis Schmidt very quickly about them because he has worked under Frank before, and say I want Frank's initials on it if it is of any significance. Otherwise--

H.M.JR: Leave them as two separate divisions.

MR. McDONALD: That is what this contemplates.

H.M.JR: Does that contemplate that? Let me sign it. I will let White take it and discuss it with you so it will keep moving. (Signs letter addressed to Mr. White) Foreign Funds and Monetary Research Division both responsible to White.

MR. McDONALD: I didn't want another hiatus developed; remember in Shaeffer's case we didn't have a connecting link.

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H.M.JR: That is right.

MR. WHITE: Wouldn't there be an order going out indicating that he is the chief and indicating some of his duties?

H.M.JR: Whose?

MR. WHITE: Frank's.

MR. McDONALD: I have already mentioned that to Dillon, told him to clear it with your office.

MR. WHITE: So people in Treasury would know.

H.M.JR: I will tell him on the phone.

Now, what is this other thing?

MR. McDONALD: I am through.

MR. WHITE: May I ask what fifty-two or fifty-six is?

MR. McDONALD: They are underneath; that is to clarify the record.

H.M.JR: Who is this man they want to appoint?

MR. McDONALD: Bernard Leroy. Luxford has been in on it more, he and Feltus.

MR. WHITE: As Feltus' Assistant? I have never met him. It is wholly a matter of Bretton Woods campaign.

(Secretary holds a telephone conversation with Mr. Robert Dillon.)

February 17, 1945  
11:01 a.m.

HMJr: .... get out some publicity on our appointing Frank Coe ....

Robert Dillon: Frank ....

HMJr: .... to head up Monetary ....

D: Yeah.

HMJr: See?

D: Yeah.

HMJr: Get it out for Monday morning.

D: All right, sir. I'll do that.

HMJr: Please. Hello?

D: Yes.

HMJr: Have it initialed by White before you give it out.

D: Yes, sir.

HMJr: And Coe.

D: Frank Coe, yes.

HMJr: Let Frank Coe and White initial whatever you draw up.

D: Yes. All right.

HMJr: And McDonald.

D: And Mc -- and Paul McDonald.

HMJr: Yeah, Paul McDonald, White and Frank Coe -- let all three of them initial it.

D: All right, sir.

HMJr: Thank you.

D: Right.

MR. McDONALD: My main point on Leroy is to find out whether you have any objection to appointing another eight thousand dollar man, because we are still in the process of getting Civil Service to approve him. He has worked with the Senate Investigating Committee, Pepper's,

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I believe, and he was for some years with Philadelphia newspapers.

MR. WHITE: You can't put any limit at all if the man is good. I don't know--

MR. McDONALD: Feltus thinks he is.

MR. WHITE: We have got to have as many as there are.

MR. McDONALD: I don't want to take too much of your time.

H.M.JR: What has he done?

MR. McDONALD: He was with Stern and his newspaper in Philadelphia for, I believe, twelve or thirteen years, from '29 to '42, I think, and with the Pepper Investigating Committee.

(Mr. Luxford and Mr. Feltus enter the conference.)

H.M.JR: We were talking about Leroy.

MR. FELTUS: Yes.

MR. McDONALD: I just wanted to get general clearance on that.

H.M.JR: Who is he?

MR. FELTUS: He has been my assistant on my last two jobs, in the Senate and with the Henry Kaiser Committee. He is a very able and trustworthy young man. Before he came into the Government he was circulation manager of the Philadelphia Record under David Stern, who knows him quite well.

H.M.JR: But you vouch for him?

MR. FELTUS: I vouch for him one hundred percent.

H.M.JR: Is he working for us now?

MR. FELTUS: He came this morning on a loan basis until some arrangement is made.

H.M.JR: That is all you have got?

MR. McDONALD: Yes.

I understand you were asking about these chairs. We had to order them, and we expect them next week. We ordered them from New York.

H.M.JR: Like that?

MR. McDONALD: They will be blue. I don't know whether it is the right shade, but they are the best thing--the only thing we could get.

H.M.JR: What type of chair?

MR. McDONALD: Like this, except blue.

H.M.JR: I hope it isn't baby blue.

MR. McDONALD: Thanks very much for your time.

H.M.JR: All right.

(Mr. McDonald leaves the conference.)

MR. LUXFORD: I have a couple of things here. One is the Kiwanis Club of New York has sent you a wire inviting you to address the Kiwanis Club luncheon on Bretton Woods agreements, and they have suggested three days, preferably March 7. The others are the 21st or the 18th. They said Attorney General Biddle has just talked to them--

H.M.JR: It is too late now, but I am making talks next week. I don't think that is a very good auspices.

MR. WHITE: Kiwanis?

MR. LUXFORD: New York City? If you do not want to take it, perhaps Mr. Bell would take it.

H.M.JR: Well, I am not in a very good humor this morning for that stuff. I mean, I am not going to go and talk to the Kiwanis. The whole trouble around here is

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they got me jumping all over, and there is no consecutive plan on my speaking. I want to plan. I mean, Sunday night I am talking on Benjamin Franklin and Beatrice Lillie, and if that makes sense, I would like to know how, and Wednesday night on Red Army Day, and there is no plan. I am dissipating whatever usefulness I have got.

Now, I want to talk on Bretton Woods, but I would much rather do it like in St. Louis, say; that is the place to go and talk there.

MR. LUXFORD: This could be made into the same kind of deal.

H.M.JR: I don't want to go to New York.

MR. LUXFORD: Is it all right to raise it with Mr. Bell to see if he would go up there?

H.M.JR: That is all right. I don't think he ought to go, either. I have a thought on this speaking.

MR. LUXFORD: Yes.

H.M.JR: There is an organization called Southwestern something--it is Texas--Southeastern Gulf Association of either four or five governors, Arkansas, Texas, Alabama, Louisiana, Florida. I think it is either five or six. They have got an excellent organization, see, and I was sponsored. They wanted to open the 5th War Loan in Texas. Will Clayton could tell us about this organization. What I was thinking was that if this Southeastern Gulf Association would sponsor a meeting early in April or late in March, and Will Clayton would help us, you see, and approve the idea, I think that would be awfully good support for the Treasury, because either five or six States are involved.

MR. LUXFORD: That is right.

H.M.JR: What do you think, Feltus?

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MR. FELTUS: Very good. I don't think it includes--

MR. WHITE: It seems to make sense to me. If you want to take four areas, could we have something in the South and Northwest, or something in the West? Nobody big has handled San Francisco, and they have been urging us. If you can get the West Coast--Oregon--

H.M.JR: What you ought to do in March, you see, is to work up a kind of schedule. Let's say this will be in New Orleans, Houston or some place. Then you could go on and maybe do one in Los Angeles or San Francisco or Seattle.

MR. FELTUS: You would like to work up an ideal itinerary of places we would want to hit?

H.M.JR: Where we get some votes.

MR. LUXFORD: Starting about March 19.

MR. FELTUS: How much speaking do you think you can comfortably handle, Mr. Secretary?

H.M.JR: Well, I am going to get back here on the 19th. I wouldn't want to start out much before. I want to be here.

MR. WHITE: You want to come back here first instead of making this trip both ways. Why couldn't you take it, maybe, on your way home?

H.M.JR: There are too many other things around here. Let me just think about this. You are going to be with us tomorrow, aren't you?

MR. FELTUS: Yes.

H.M.JR: Are you going up to New York tonight?

MR. FELTUS: I will come back to Philadelphia by noon tomorrow.

H.M.JR: You think about it and let me think about it. But instead of hounding me just because you get an invitation, let's fix up an ideal schedule.

MR. FELTUS: All right. Now, when you do get invitations, I think if we could offer a substitute rather than a rebuff, it would help while this legislation is pending.

H.M.JR: You boys will have to think it over because I am not going to worry about it this morning.

MR. LUXFORD: You remember we were getting--

H.M.JR: I think you are right.

MR. LUXFORD: We are getting Americans United to change the date to the 28th, and Ernest Hopkins has now wired in and asked whether we could have members of the Treasury staff available for discussion on the 28th, and I am going to prepare a reply for your signature saying O.K. if it is agreeable to you.

H.M.JR: How do you send wires out over my signature?

MR. LUXFORD: We send them to you; give them to Mrs. McHugh.

H.M.JR: The 28th?

MR. LUXFORD: Yes. This just says, "If members of your staff are available for discussion on the 28th--"

MR. WHITE: Discussion with whom, the committee?

MR. LUXFORD: The Americans United is sponsoring all these organizations.

MR. WHITE: Oh, that discussion.

H.M.JR: Bretton Woods organization meeting the 28th at ten o'clock.

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MR. LUXFORD: This is confirming the wire, but not at ten; they are saying the afternoon, now. If we could just leave the time open until--they called me this morning from New York and wanted to know the time, too, so we had better give them a definite time.

H.M.JR: You wanted the afternoon?

MR. LUXFORD: Why don't you call him back and say whether you want the afternoon or morning.

H.M.JR: I will give you the option of either ten in the morning or three in the afternoon.

MR. LUXFORD: We have someone working on the Detroit speech, but I want to be sure that you wouldn't prefer to have Barth do that Detroit speech.

H.M.JR: I think the way to do it is give us the basis of the thing, and I will see if we can get Barth to do it.

MR. LUXFORD: Good.

MR. WHITE: Is that Red Army speech done?

H.M.JR: It will be in the morning.

MR. WHITE: It is done?

H.M.JR: No, but it will be done Monday morning.

MR. WHITE: Did I tell you that Maitland Wilson is going to be there, too, the British Field Marshall? We have received an acceptance from him, and there is going to be a very important American general, but they are not going to tell the name because he is not in the country.

H.M.JR: Did they tell you I was going to wear a business suit? They called up and asked if I wouldn't wear a tuxedo with all the brass hats, and I told them no.

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MR. FELTUS: You are absolutely right.

H.M.JR: Are you going to be there tomorrow?

MR. WHITE: I hadn't thought about it. When is it? I have to be in New York. Beardsley Ruml called me; he has called three times. He has tried his best, and he has asked me to come up Thursday and see if I can't help him write the report in preparation for Friday, when their committee is meeting. They are having--

H.M.JR: Why don't you go Wednesday afternoon?

MR. WHITE: This is Thursday night, isn't it?

H.M.JR: No.

MR. WHITE: I thought it was February 22, Mr. Secretary.

H.M.JR: Thursday, I don't know the date.

MR. WHITE: I have to be in New York, anyhow. I am having dinner at five o'clock, so I will be free.

H.M.JR: You are responsible for my being there. Do you want to get a seat, or do you want me to take it?

MR. WHITE: I will get a seat.

MR. LUXFORD: If he can't deliver a seat after--

MR. WHITE: I will get a seat.

H.M.JR: All right.

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February 17, 1945  
12:43 p.m.

HMJr: Hello.  
Operator: Mr. Cox.  
HMJr: Hello.  
Operator: Go ahead.  
Oscar  
Cox: Hello.  
HMJr: Yes, Oscar.  
C: Cliff Mack and his people have been doing a good job on this Procurement thing.  
HMJr: Yeah.  
C: And we have now, as you know, from the French supply thing, have got a very critical situation, and also a good deal of criticism. And I wondered if sometime, at your convenience, you could have a chat with him about putting more steam -- he's put a lot on already -- on the requisitions which they have got on the French contract, to see if they can move along a little faster.  
HMJr: On the French?  
C: Yeah.  
HMJr: Have you talked to John Pehle about it?  
C: No, I haven't. Shall I?  
HMJr: I wish you would call John direct.  
C: All right. That will be fine.  
HMJr: You know him.  
C: Sure.  
HMJr: Give John a call.  
C: Will do.  
HMJr: And if you don't get results, call ....

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C: Oh, I'm sure I will.  
HMJr: I think so.  
C: Thanks.  
HMJr: Thank you.

February 17, 1945

Mr. Luxford.

Secretary Morgenthau.

This morning I listened to Wills at 7:45. He is a commentator on W.M.A.L. He devoted most of the time to UNRRA, rather critically. I know that Wills has a big listening audience here in Washington, and I'd like to suggest that somebody contact him and take the time to explain Bretton Woods to him, and see if he can't give us some of his time next week on the air.

*Finished*

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2/17/45

PHILADELPHIA

SUNDAY, FEBRUARY 18

Washington to Philadelphia - 125 miles - 45 minutes - Mustin Field

Reservations at Barclay Hotel

(The Barclay Hotel, the Warwick Hotel and the Racquette Club are all within two blocks of each other, and this area is about 10 to 15 minutes drive from the University.)

12:45 p.m. Press Conference - Barclay Hotel - English Room (2nd floor)

1:00 McLean-Stodghill Lunch - Barclay Hotel - 2nd floor (Room adjoining English Room) - Approximately 15 people  
(Mr. McLean is President of the Associated Press and publisher of the Philadelphia Bulletin)

4:00 Rehearsal with Lt. Levy - Barclay Hotel

4:45 ? Note: In event newsreel coverage is obtained, we will have them set up in Irvine Auditorium for shooting before rehearsal.

5:00 Dress Rehearsal - Irvine Auditorium (University of Penna.)

6:00 Gulf Oil Company Reception - Mr. Garrett, Vice President, Racquette Club

6:30 Dinner - J. David Stern (Warwick Hotel - approximately 35 people) - You will be free by 8:30

10:30 "We, The People" Broadcast from Irvine Auditorium (CBS)  
A-Bond Redemptions

\*\*\*\*\*

NEW YORK

THURSDAY, FEBRUARY 22

Washington to New York - 222 miles - 1 hr. 15 minutes - LaGuardia Field

Reservations at Waldorf Astoria

National Council of American Soviet Friendship  
Waldorf Astoria

7:00 Reception - Astor Room

7:30 Dinner - Grand Ball Room

10:15 - 10:30 Red Army Day Broadcast from Waldorf Astoria (Mutual)

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STANDARD FORM No. 14 A  
APPROVED BY THE PRESIDENT  
MARCH 10, 1925

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

MAJOR ROBERT McLEAN  
FILBERT AND JUNIPER STREETS,  
PHILADELPHIA, PENNSYLVANIA

LOOKING FORWARD TO HAVING LUNCH WITH YOU AT THE BARCLAY  
AROUND ONE O'CLOCK SUNDAY KIND REGARDS

HENRY MORGENTHAU JR

131

TREASURY DEPARTMENT

WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

**Official**

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE

2-14117

FEBRUARY 17, 1945

ROBERT McLEAN  
FILBERT AND JUNIPER STREETS  
PHILADELPHIA 5

February 15, 1945.

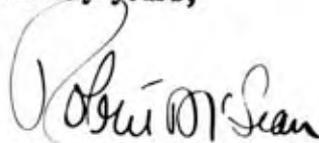
Dear Mr. Secretary:

I was delighted to learn of your visit to Philadelphia and of your cordial reaction to my suggestion of a luncheon at which some of our staff and a few of our more thoughtful citizens might meet you.

It is my understanding that you are planning to come to Philadelphia on Sunday morning, arriving shortly after twelve o'clock. If convenient we could have luncheon around one o'clock at The Barclay, 18th & Rittenhouse Square. We will have accommodations for you if you care to come directly from the train.

Looking forward with interest,

Cordially yours,



Honorable Henry Morgenthau  
Secretary of the Treasury  
Washington, District of Columbia

*First Draft - 133*

*We The People - 2/17/45*

SUNDAY, FEBRUARY 18, 1945

WE THE PEOPLE SPEAK

ROUGH DRAFT

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WE THE PEOPLE  
GULF OIL COMPANY  
GULF OIL  
(FANFARE)

SUNDAY, FEBRUARY 18, 1945 134  
10:30 -- 11:00 P.M.

BOULTON

The Gulf Oil Companies and your neighborhood good Gulf Dealer present WE THE PEOPLE.

(THEME)

BOULTON

Good evening, everyone. This is Milo Boulton welcoming you to a special broadcast of WE THE PEOPLE which GULF OIL is privileged to present. Tonight gathered here in Philadelphia at the University of Pennsylvania's Irvine Auditorium are typical representatives of we the people - from all walks of life, and of many nationalities - but all people who love liberty and honor freedom. And they are here with one common purpose--to honor a man who was a living symbol of liberty and freedom - Philadelphia's most celebrated citizen, Benjamin Franklin. Among our guests tonight are Major General Kenneth B. Wolfe, first commander of our famed B-29 super-fortresses, a gallant American soldier who was once a member of the Hitler Youth. And at our GULF OIL microphone to make her first radio report to the American people and to sing a song you'll never forget is that famous British comedienne, Beatrice Lillie. Here in Philadelphia to bring you Beatrice Lillie, and the real experiences of WE THE PEOPLE's other guests is one of the great leaders of war-time America, the Secretary of the Treasury. (MUSIC OUT)  
WE THE PEOPLE is proud to present your host for tonight - Mr. Henry Morgenthau, Jr.

(APPLAUSE)

MORGENTHAU ..

Thank you. And the thanks of the Treasury Department to the GULF OIL COMPANIES for making this special broadcast possible. Tonight in the midst of this global war for freedom we pause to remember another great struggle for freedom when in her infancy America threw off the shackles of oppression. For it was right here in Philadelphia that the Declaration of Independence was drawn up. And that Benjamin Franklin, who helped fight and win America's battle for freedom, lived.

(SNEAK MUSIC) When I come to Philadelphia I never fail to think of Franklin's first arrival here, a picture you all remember - as a 17-year-old ragamuffin who'd run away from Boston to seek his fortune, Franklin walked up Market Street with a loaf of bread under each arm and eating another. He blushed when a young girl laughed at his ridiculous appearance. And that young girl later became his wife. It's a marvel to recall that from that simple beginning Franklin became a man venerated in all the countries of the western world - a scholar, a wit, a pioneer, a diplomat, an inventor, a man who could fashion a new stove or a new commonwealth, organize a post office or an international alliance - in other words a true American. But when Franklin, at the age of 79, finally returned to Philadelphia after being minister to France, how different was this arrival from his first! Cannons announced his landing, bells rang out, and as Franklin wrote to a friend, "The affectionate welcome I met with from my fellow citizens of Philadelphia was far beyond my expectation." Well, tonight you're going to meet some of Franklin's fellow citizens, but of another generation. They're right here beside me now. First I'd like you to meet a Philadelphia mother, Mrs. Daniel Whealin.

MORGENTHAU ...

Mrs. Whealin, I understand you have nine children, and four boys in service.

WHEALIN ...

Yes, Mr. Morgenthau. I wish you had been here last week. They were all home together for the first time in three years.

MORGENTHAU ...

That must have been a wonderful occasion.

WHEALIN ...

It was, and I was in such a whirl, I'm not quite out of it yet. So many young people dropped in, and I sat up late every night, and I cooked roast beef, and roast lamb, and roast chicken - and on top of everything else, we had a wedding.

MORGENTHAU ...

Which boy got married?

WHEALIN ...

The one we didn't know was coming home - Richard. He'd been in the Mediterranean. Daniel had been 27 months in the South Pacific and Raymond 2½ years in Ireland - they and Bill were home, and in walked Richard! He said, "Mom, Jean and I are gonna get married in 4 days - can you take it?" Well, Jean had had everything ready, even the bridesmaids, for about a year! So it was a lovely church wedding. Dan was best man, Ray and Bill ushers, and their sister Gertrude a bridesmaid. Richard had a week with his bride, and now he's gone. All the boys are gone again, but it was wonderful to have them home together.

MORGENTHAU ...

Well, Mrs. Whealin, I hope it won't be too long before they're all home again - this time for good. Now here's a Navy boy - a former Seabee - James Day. Where did you see action, James?

DAY ...

At Guadalcanal. I was there a little over a year. After I lost my left arm, I was sent here to the Philadelphia Naval Hospital. I'm still living here, as a convalescent, but I'm working part-time in Cramp shipyard. Captain Tunstall there, a veteran himself, is in charge of helping other veterans find the right job. He's helped me a lot.

MORGENTHAU ...

What was your job before the war?

DAY ...

Shipfitter. Of course, even when I get my artificial arm, I can't do that sort of work any more. But Capt. Tunstall got me another job. It means a lot to feel I'm getting my feet on the ground again.

MORGENTHAU ...

I know it must, James. And with your record, you can't help but succeed. The ~~problems~~ problems our veterans face today are the same as those of the patriots of 1776. Benjamin Franklin realized those problems - in one year he gave his entire year's salary, as Postmaster General, to the relief of wounded soldiers. He also founded Philadelphia's first hospital. But the 76 year old gentleman sitting here with me now can tell me more about Franklin than I can tell him. For his grandmother was Benjamin Franklin's daughter Sarah. I want you to meet him - Mr. Franklin Bache. I'm correct, am I not, Mr. Bache, in thinking your grandmother's name was Sarah Franklin?

BACHE ...

Yes that's right. She used to hold me on her knee and tell me about the wonderful stories her father Ben Franklin used to tell her.

MORGENTHAU ...

He must have been a great personality, Mr. Bache.

BACHE ...

And practical, Mr. Morgenthau - extremely practical. When his daughter Sarah married Richard Bache, Franklin advised him to open a store. And he told his daughter, "If you can keep the store for him, you can be as serviceable to him as your mother was to me". He added, "For your encouragement, I can assure you there is scarce a wealthy merchant in your town who did not have as little to go on, when a beginner, as Mr. Bache."

MORGENTHAU ...

Well, since I have the job of raising money to fight this war, I'm deeply impressed by the fact that Franklin gave Congress 3000 pounds of his own hard-earned money for the Revolution. Not only that, but he went to France and raised a lot more money. I wish he were alive today - he could give me some tips.

BACHE ...

I don't think you need to worry, Mr. Morgenthau. Everybody's buying bonds - even my young grandson is interested. He wants to meet you. Michael - this is Mr. Morgenthau.

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MORGENTHAU ...

How do you do, Michael.

MICHAEL ...

How do you do, Mr. Morgenthau.

MORGENTHAU ...

How old are you, Michael?

MICHAEL ...

Five years old.

MORGENTHAU ...

Do you go to school?

MICHAEL ...

No, but I will next year.

MORGENTHAU ...

Well Michael, when I heard you were coming to the broadcast, I brought something for you. It's a little bank. You know, children all over America have started Benjamin Franklin Thrift Clubs to save money for war stamps. Next year when you go to school, you'll probably join a club like that and then you'll have your bank all ready.

MICHAEL ...

Thank you very much, Mr. Morgenthau.

MORGENTHAU ...

Thank you for coming Michael, and you too, Mr. Bache. Now coming up to our microphone is a Philadelphia father, Mr. John Murray.

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MORGENTHAU ... (CON'T)

Mr. Murray, I understand you had seven sons join the service.

MURRAY ...

That's right, Mr. Morgenthau. Jack, Jim, Stanley, Tom, Wally, Francis and Harvey.

MORGENTHAU ...

Have all of them been overseas?

MURRAY ...

All but Francis - or Bim as we call him. And he's going over any day - he's been training to fly in those B-29 Superfortresses. Jack went over first with the Navy 3 years ago to the South Pacific. He's in this country now. Then Jim went - mother and I haven't seen him for 2 years - he's with an anti-aircraft unit in Italy. Then Stanley went - to Italy. Stanley was a Captain in the 339th Infantry. He was killed at Cassino. Wally is a Marine; Tom went over with the AAF, to France and so did Harvey.

MORGENTHAU ...

Well, there's no question about it - the Murrays are one of Philadelphia's first fighting families. And you were in the last war, weren't you Mr. Murray?

MURRAY ...

Yes, Mr. Morgenthau, with the 45th Engineers at the Meuse and Argonne. When this war broke out, I quit my job as a bank guard, to get into more essential work. I'm a \_\_\_\_\_ at Sun Shipbuilding. Three of my boys worked there before they went overseas - so you see I'm sort of taking their place while they're away.

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MORGENTHAU ...

Well they can be proud of you, Mr. Murray. Now here's another Philadelphia war worker - and I guess he's the oldest Philadelphian we have here tonight - Mr. Albert McIntyre. You don't mind telling your age, do you Mr. McIntyre?

MCINTYRE ...

Certainly not. I'm 78 and been working for 58 years for the same company - A.C.F. Brill Motors - I've been there through 3 wars - Spanish American, World War and this one. I was going to quit a while back, but then the Japs bombed Pearl Harbor. Mr. Morgenthau I haven't missed a single day of work since then. Or even been late once.

MORGENTHAU ...

Mr. McIntyre, that's a record to be proud of.

MCINTYRE ...

Well, Mr. Secretary, I'm not going to be outdone by Benjamin Franklin. You know when he was 79 years old he was elected President of Pennsylvania and I feel something the way he did when he said "I find myself harnessed again into the service of my country folks another year. They engrossed the prime of my life; they have eaten my flesh; and seem resolved now to pick my bones."

(CURTAIN ...)

(MUSIC & UNDER)

MORGENTHAU...

In a letter to a friend, Benjamin Franklin once said: "Our country offers to strangers a good climate, fertile soil, wholesome air, free governments, wise laws, liberty, a good people to live among, and a hearty welcome." Nobody knows better than our next guest how much meaning that remark of Franklin's has to those foreign-born who want to become a part of our American life. For this gentleman beside me now has brought citizenship to tens of thousands of prospective Americans. He is Dr. Henry B. Hazard of Philadelphia, special representative of the Immigration and Naturalization Service, and he's been called the 'champion circuit rider of the age'. Dr. Hazard, how did you get that name?

HAZARD...

I expect it's because I travel the by-ways of the world to spread a gospel, Mr. Secretary. Only the gospel isn't religion -- it's patriotism. My job is to cover the fighting fronts and take citizenship to the aliens fighting with our armies who want to become Americans. In 1942 I covered the European Theatre. I've just returned from an eleven month trip through the Pacific.

MORGENTHAU...

Dr. Hazard, I think WE THE PEOPLE imagine a naturalization officer as comfortably ensconced behind a desk far behind the front lines examining applicants for citizenship.

DR. HAZARD...

That's not the way it works, Mr. Secretary. For instance, in the Pacific at Maffin Bay I worked within 300 yards of the actual fighting. The commanding general was directing the battle just a hundred feet away from me. The noise of the guns was so terrific it was difficult for me to hear the responses of the applicants. Men would come in from patrol or combat duty -- I'd question them and their witnesses -- and if their papers were in order, I'd give them the oath and they would go back into combat as citizens of the United States.

MORGENTHAU...

How many new citizens from the Armed Forces overseas have you sworn in?

HAZARD...

Sixty-five hundred -- that includes women, too. And they were representatives of all nations -- Greeks, Italians, Canadians, Filipinos -- and there was one big Senegalese who'd served with the American forces in World War One. And I've taken citizenship to men on shipboard. I remember one sailor who said he'd been trying to become a citizen for twenty years, but he never was in port long enough to establish residence. He was pretty pleased about this new naturalization law we have for servicemen that allow them to become citizens without having ever lived in the United States.

MORGENTHAU...

Dr. Hazard, how did you get around out there in the Pacific, and how did you know where there were men stationed who wanted to become citizens?

We radioed ahead from island to island to ascertain that, Mr. Secretary, and then I'd hitch-hike by plane to my destination. Once we even had to flag down a bomber. I believe that was when we were heading for Bougainville. That was one of the most impressive ceremonies I conducted. It was held on the air field. There were five hundred applicants who took the oath of allegiance. The band played, and the commanding generals shook hands with each new citizen. While a few hundred feet away, on the next airstrip, giant B-twenty-nines were taking off on a mission.

MORCENTHAU...

Did you go every place where there were applicants?

HAZARD...

Every place. Even to little Christmas Island where there was only one man who awaited the oath. I remember that scene well. He was standing on the airstrip waiting for me when our plane came down. The pilot told me he could stop only long enough to refuel. He told me to make it snappy unless I wanted to be stranded there until another plane came along -- perhaps in a few weeks. I administered the oath standing in the doorway of the plane, and as I finished the last words the door slammed and we roared away...and left the soldier standing there, tears of joy streaming down his face at the privilege of becoming a citizen. And, Mr. Secretary, I want to report that this man's deep emotion was typical of all those I naturalized on the fighting fronts. They are men who, never having seen America, appreciate our form of government, wise laws and good people. They're willing to give their lives in the service of our country. They're the kind of people Ben Franklin would have given a hearty welcome to.

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MORGENTHAU ...

You have just heard how some of our fighting men are becoming citizens at the front lines. But our next guest is a 21 year old fighting man who became a citizen 9 years. He is Private First Class Henry Jahn. I see you're wearing the Purple Heart with two oak leaf clusters and The Silver Star. Tell us how you got the Silver Star, Henry?

JAHN ...

Well, Mr. Secretary, I got the Silver Star for knocking out two machine gun nests in Germany. And right now I'm lucky enough to be on a 90 day furlough because of being wounded twice and because my commanding officer gave me a good record.

MORGENTHAU ...

Henry, I'm sure WE THE PEOPLE will be as interested as I was to hear about your life before you came to this country.

JAHN ...

Well, nine years ago I was a full-fledged member of the Hitler Youth in the Thuringen district of Germany. I was only 12 years old at the time, and it was easy for me to believe the Nazi theory of a super race, drummed into our heads day after day. We were told America was a decadent democracy. We were not allowed to question anything our leaders ordered. They did not give us a chance to think for ourselves.

MORGENTHAU ...

Benjamin Franklin, in his wisdom, warned against just such tyranny. He said, without freedom of thought, there could be no wisdom. But Henry, how did you reconcile the Nazi doctrine to American principles of liberty when you arrived here?

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JAHN ...

Mr. Secretary, when I first arrived, it was hard to get rid of the ideas that had been pounded into my head for six years. I was surprised at my father's friendship with his Jewish neighbors. In Germany that was "verboten". When I first came to America, I told my father he'd get into trouble if he didn't hang out the American flag every day. He laughed and laughed. "America is a free country", he said.

MORGENTHAU ...

What was the first thing your father did when you arrived, Henry?

JAHN ...

He took me to the top of the Empire State Building in New York. It was a clear day and my father and I looked out North, East, West and South. Then he said: "Americans are a great people. They build cities like this across the country. But even greater than that, son, they are a free people -- (MUSIC SNEAK) -- free to worship as they please, make their own friends, to think their own thoughts." Just from talking to my father and hearing and seeing how Americans lived, I became convinced particularly after living in Germany that there was only one country for me -- the United States.

(MUSIC TO FINISH)

(MUSIC & UNDER)

MORGENTHAU ...

A few hundred years ago when Philadelphia was in its infancy, the hub of the city was the corner of 2nd and Market. A court house stood on that corner, and 100 paces from there, Christ Church, its 80 foot tower casting a shadow across the heart of the city. From here, all distances were measured - it was 7 miles to Darby - 10 miles to Germantown. And you had only to walk a few blocks to be "out in the country". It was at the corner of 2nd and Market the townsfolk gathered each day ... to read the daily proclamation of the King - to talk over tariffs with friends - to watch the stage thunder past on its way to New York. Sundays brought a good many of those people to Christ Church - Betsy Ross, General Washington. And often with them came Benjamin Franklin. "Fear God", said Franklin, "and your enemies will fear you." And of Franklin, his good friend Abigail Adams, wife of the President, said "Patriotism shines in its full lustre in his face. It blends with every virtue of a true Christian; for a true patriot must be a religious man. It was on the grounds of this Christ Church that Franklin is buried. Today that church still stands, it's bells still pealing. Right now I'd like you to meet the sexton of that church. He's Mr. Harvey Mertz and he's waiting to speak to you from Christ Church.

(SWITCH TO CHRIST CHURCH)

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MERTZ ...

Thank you Mr. Morgenthau. I'm standing on a platform half way up the tower of Christ Church. Benjamin Franklin helped to build this tower to house our bells. For 31 years I've rung those bells, and for 161 years before me other sextons have rung them. Back in 1754 they were brought to this Church from England in the brig "Myrtilla" by Captain Buden. And during the British occupation they were taken away and hidden to keep them from being melted down for amunition by the British, but they were restored in time to peal forth the Declaration of Independence. Right now, on this Sunday evening, I'd like the bells of Christ Church to ring out for WE THE PEOPLE all over the country. I'm going to play a hymn that's a favorite here at Christ Church - "Abide With Me".

(BELLS PEAL) (35 seconds)

(SWITCH TO IRVINE HALL)

(MUSIC AND UNDER)

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MORGENTHAU...

In 1783, Benjamin Franklin saw Paris's first balloon ascension. A skeptical Frenchman remarked to him, "What good is a balloon!" Franklin replied, "You might as well ask, what good is a new-born baby?" With far-reaching vision, he realized he had seen a world-shaking experiment. And later he wrote.....

VOICE....

This discovery may give a new turn to human affairs. Convincing sovereigns of the folly of wars may be one effect... Where is the prince who can afford so to cover his country with troops for its defense as that ten thousand men descending from the clouds might not do a deal of mischief before a force could be brought to repel them?

(MUSIC HITS AND UNDER)

MORGENTHAU...

It is amazing to think that that prophecy was made at a time when no one had dreamed of war from the air. And only in the last 30 years has air war developed...culminating last June in the greatest bomber of all time...the B-29 Superfortress. WE THE PEOPLE's next guest was in command of the B-29's in China last June when they made their first raid over Japan. He is Major General Kenneth B. Wolfe. And right now he's at a microphone in Dayton, Ohio, headquarters for the Air Service Technical Command -- of which he's now Chief of Engineering and Procurement. General Wolfe, I believe it was two years ago this month that you were officially put in charge of the B-29 project.

GENERAL WOLFE...

That's right, Mr. Secretary. And last May, I took the first B-29's to China. But I think all of you remember the date...June 15th, 1944. The headlines read..."New Superforts blast Yawata on the Japanese mainland!" Since then, you've followed the B-29's brilliant achievements. Only three days ago, superforts bombed Japan's Nagoya aircraft plant. They didn't lose a single plane, and made a heavy dent in the enemy's ability to intercept the great Navy carrier strike of three days ago. And during and after that nine-hour strike B-29's harrassed the enemy. America has a right to be proud of the B-29...and of the little-known man most responsible for her design and engineering work. He's Edward Curtis Wells, Chief Engineer of Boeing Aircraft. Right now it's my pleasure to reveal to the people of America that Ed Wells is the winner of the Fawcett Aviation Award for 1944. This award is presented every year by the Fawcett Publications to the person making the greatest scientific contribution to aviation. With it goes a handsome trophy and a check for one thousand dollars. Right now, Mr. Wells is with Secretary Morgenthau at WE THE PEOPLE'S Philadelphia microphone. Ed -- I wish I could be there to shake your hand personally. But I'll do that later. Meantime -- my heartiest congratulations..

WELLS...

Thank you, General Wolfe. And my thanks also to Fawcett Publications.

MORGENTHAU...

Mr. Wells -- Will you tell us something of how the B-29 came into being?

WELLS...

Well, the father of the B-29 was the Boeing Flying Fortress. And that plane was born when the Army invited aircraft plants to enter a competition for multi-engine ships. My boss, Claire Egtvedt, recalled that a Navy man had told him no airplane could ever carry the knockout blow that a battleship could. Claire said, "I'd like to prove he's wrong! And build a battleship of the sky!" I was assigned to this project -- called Project 299. It happened I was just about to get married. The wedding was Saturday, I took Sunday and Monday off, then my bride didn't see much of me for a month.

MORGENTHAU...

Mr. Wells -- you're a true scientist. And Project 299 was the first Flying Fortress?

WELLS...

Yes. In 1935 she set a world's record from Dayton to Seattle. But then a terrible thing happened. A pilot took off in her with the controls carelessly locked. As I stood on the edge of the field, I saw old 299 climb, stall, and crash. I was horrified. Not only was 299 lost, but the lives of two men, one of them, my friend, Les Tower. It seemed too great a price to pay for progress.

MORGENTHAU...

But later you went ahead to develop an even greater plane -- the B-29.

WELLS...

Yes -- it was our answer to a bomber that could operate in the stratosphere. And the B-29 will be the super-luxury cruiser of the postwar world.

MORGENTHAU...

And as a military weapon, let us hope the B-29 will help to fulfill Franklin's prediction -- convincing sovereigns of the folly of wars.  
(MUSIC TO FINISH) (SEGUE)

MORGENTHAU...

On a famous bust of Benjamin Franklin made during his lifetime, there is this inscription: "He snatched the thunderbolt from heaven, the sceptre from tyrants." When Franklin saw it, he wrote to a friend: "Notwithstanding my experiments with electricity, the thunderbolt continues to fall under our noses; and as for the tyrant, there are a million of us still engaged in snatching away his sceptre." Franklin's words were surely prophetic. Today there are millions of liberty-loving Americans snatching at the sceptres of the tyrants in Germany and Japan. Tonight -- some of these Americans from Franklin's Philadelphia are here beside me. Here is Lieutenant Joseph McCabe, who has just returned from the Phillipines.

MCCABE...

I was a patrol plane commander with the Black Cat Squadron in the South Pacific. We did our best to give Hirohito's sceptre a kicking around....but it couldn't begin to compare to what my Navy buddies handed him two days ago.

MORGENTHAU...

Well, Lieutenant McCabe -- the Black Cats ran up some record themselves, didn't they?

MCCABE...

I guess we did, sir. We sank more than a hundred thousand tons of Jap ships. You see, sir, we concentrate on night shipping attacks, and our specialty is flying just about fifty to a hundred feet above the ocean for long distances. One night, off Leyte, fog had completely obscured the moon. Suddenly, the moon broke through the fog, and we found ourselves heading straight for the mast of a Jap merchant ship. We swung away just in time, but we dropped a bomb dead center on the ship and sank her.

MORGENTHAU...

Well, ladies and gentlemen -- that's one of the many heroes Philadelphia has produced. Now I want you to meet another.....Captain Lawrence Malméd. Let's hear your story, Captain.

MALMED...

When I was in France, Mr. Secretary, my uncle wrote me that he'd give \$5 to every man in my company who killed or captured a German. When the fireworks really started for us, the number of Germans killed or captured ran into the thousands. The men in my company voted unanimously to let my uncle off....but he sent us \$250 anyway. I got 250 jerries myself....and at five bucks a head -- that would have been quite a profit. But -- well, I wasn't thinking of the money....it was really a labor of love.

MORGENTHAU...

You know, Captain, it sounds to me as if you put Franklin's famous maxim into practice: "A penny saved is a penny earned". Now, we're going to hear from a young man who is studying at the institution founded by Benjamin Franklin. During the War, the University of Pennsylvania is giving many Navy veterans refresher courses under the V-7 program. Here is 21-year-old Radio technician first class John J. Hoefer. John -- will you tell us where you served?

I was aboard the destroyer H. L. Edwards during the actions at Saipan, Tinian, Palau and the second battle of the Philippines -- right after our landing on Leyte. That second battle of the Philippines was something I'll never forget. We were waiting in the Surigao Straits for the Jap fleet to show up. They did -- at night -- and our destroyers on both sides of the straits took turns at making runs at the Jap battleships and cruisers. Just as we made our run and released our torpedoes at a battleship, the American heavy ships opened up and we just got out of there in time.

MORGENTHAU...

I'm glad it was in time, John. And now I'd like you to meet two members of our armed forces who grew up together in a Philadelphia suburb -- Lieutenant Carleton Rouh, of the Marine Corps, and pretty Lieut. Phyllis Rowand of the Army Nurse Corps. Lt. Rowand.

ROWAND...

Mr. Secretary, Carleton was my beau all through school until April, 1941, when I volunteered as an Army nurse, and I was sent overseas.

ROUH...

I remember when I got Phyllis's telegram saying she was being shipped overseas. I was taking my boot training in the Marines. I tried to reach her in New York but I missed. The next thing I knew, I got a letter from her postmarked Balboa. The letter was two pages long but the censor only left about four words in it.

ROWAND...

But I sent you another letter as soon as I reached Brisbane, Australia.

ROUH...

That's right. But it didn't catch up to me until I reached New Zealand. I got it just before we shipped to invade Guadalcanal. But that was a lucky invasion for me personally.

ROWAND...

It really was, Mr. Secretary. You see, Carl crawled almost up to the Jap lines to rescue a wounded buddy of his, under heavy fire all the way. He dragged him back to safety and then went after another one. But this time, a Jap machinegunned him. But for being so courageous, Carl was commissioned a Lieutenant.

ROUH!!!

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I didn't mean it was lucky for that, Phyllis. What I had in mind was that because of my wounds they shipped me back to Australia where I hoped I could see you. It took a whole year, but finally I met you in Brisbane. Do you remember?

ROWAND...

I sure do. You were only a corporal before you were commissioned for Guadalcanal, and we had to meet on the sly. But things got better when that commission came through.

MORGENTHAU...

Why's that, Lieutenant Rowand?

ROWAND...

You see, Mr. Secretary, we got married in Brisbane.

MORGENTHAU...

Well, that's just **fine**. But tell me, how did you both manage to get back to Philadelphia together?

ROWAND...

I was sent back to Fort Dix after 35 months in Australia and New Guinea. Carl now is convalescing at the Philadelphia Naval Hospital. You see, last September, he was wounded by a Jap on Peleliu. As some of his men tried to help him off with his belt, another Jap tossed a grenade right in the middle of them. Carl instinctively fell on the grenade and saved the lives of three of his men but it tore him up so badly, they had to send him here -- it's sort of a delayed honeymoon for us.

MORGENTHAU...

Well, congratulations to you, Lieutenant Rouh -- because I've heard that you've been recommended to receive the Congressional Medal of Honor. And great happiness to you both on your belated honeymoon.

(MUSIC - CURTAIN)

MORGENTHAU ..

○ If Benjamin Franklin were privileged to introduce our next guest I believe he might repeat something he once said: "Of all the enviable things England has, I envy it most its people". Tonight, our esteemed guest from England is making her first national radio broadcast since her arrival a few months ago. WE THE PEOPLE welcomes Miss Beatrice Lillie.

(APPLAUSE & WHISTLES)

MISS LILLIE ...

Thank you, Mr. Secretary. You know, I feel very much at home as your guest on this program tonight. That audience reception brings a great feeling of nostalgia to me. Of course, I mean the woo-woo and the (SHE WHISTLES)

MORGENTHAU ..

○ That means you are well acquainted with our servicemen and their traditional form of greeting. Miss Lillie, WE THE PEOPLE are most eager to hear of your war experiences. I remember reading of your tour through Africa.

MISS LILLIE ..

Yes, Mr. Morgenthau, I traveled all over Africa wherever there were troops. I remember particularly Tunis. I slept in the bed that the Nazi general, Von Arnheim, had occupied. Not bad considering our wonderful troops had rid Tunis of the Nazis but I soon discovered they hadn't got rid of all the pests. Over the bed was one of those nettings to keep the mosquitoes off. The only trouble was the mosquitoes always get under the net first. So I slept on top. And, Mr. Secretary, it was in Africa I had my first introduction to your American G.I.'s. One day as I was leaving the theatre an American soldier came up to me and said, "Miss Lillie, are you just entertaining the British?" I said, "Naturally not. Why do you ask?" With that typical Yankee come-on he said, "Well we like you too, and there's no room for us in the theatre".

I told him immediately that our troupe would do a special performance for the American boys that afternoon. His face broke into a grin and he said, "Now you're buzzin', cousin."

MORGENTHAU ..

Miss Lillie, after D-Day did you get over to the continent?

MISS LILLIE ..

Oh yes! I'll never forget your magnificent General Eisenhower. We'd had a very full day - our troupe had done a hospital in the morning, and battleship in the afternoon, and two performances at command posts in the evening. Later, after a supper General Eisenhower gave us, he stood up and said that he felt that we had done enough for one day and that he wouldn't ask us to perform again. He would entertain us - and believe it or not, Mr. Secretary, he did. General Eisenhower played the piano. And rather good, too!

MORGENTHAU ..

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○ In your entertaining of the men of both nations, Miss Lillie, have you noticed any difference between Americans and the British?

MISS LILLIE ..

We say in England, "It's not Jerries' bombs that have changed London; it's American slang". Now when I dance with a Tommy he may come up to me and say, "What's cookin", good lookin' - lets jive!" An American approaches rather formally and asks, "Good evening. May I have this waltz?" You can see, they're all brothers under the lingo. And your American soldiers are really wonderful. In England they seem to be always first on the spot after a raid .. doing their best to help our Civilian Defense people in rescue work.

MORGEN THAU ..

○ Miss Lillie, have you been close to the front?

MISS LILLIE ..

Mr. Morgenthau - England is the front.

MORGENTHAU ..

Of course you're right, and we in America have never ceased to admire the heroic spirit of the British people throughout these long years of war. Miss Lillie, I understand you arrived in the United States on a ship carrying a number of American wounded,

MISS LILLIE ..

Yes and they were always looking for an opportunity to forget their wounds and their worries. I must say they kept me rather busy. If I should go on deck for a bit of fresh air, the men would think of some excuse to get me down to the ward rooms again. For instance, one days one of your lads said, "We've got a bet on with the men in the next bay. If you're over 35, we've lost." I said, "Well sonny, you've lost". You know, Mr, Morgenthau, hospital tours have always been the most difficult for me. I always think I shan't say the right thing, but somehow it always comes off all right. I usually sing them my number about the three little fishes. That seems to be a favorite with both the Tommies and the American G.I.'s.

MR. MORGENTHAU ..

I know WE THE PEOPLE are eager to hear you sing that song. And so now ladies and gentlemen, Miss Beatrice Lillie brings you her original verson of her famous song.

(MISS LILLIE .. SONG)

MORGENTHAU...

Remember this little jingle: "Early to bed, early to rise, makes a man healthy, wealthy and wise". Probably no American is better known for his wise sayings than Benjamin Franklin. "A word to the Wise is enough.." "A small leak will sink a great ship..." "God helps them that help themselves..." With all his wise sayings, none of them more aptly applies to WE THE PEOPLE'S next three guests than "Get what you can, and what you get hold." For when the government put on sale the first baby bonds that were issued ten years ago, they were among the many who bought them. Tonight I'd like you to meet three of these people. The first is Mr. Harold S. Daniels. Mr. Daniels, what do you do here in Philadelphia?

DANIELS...

I'm with the War Manpower Commission, Mr. Secretary, out at the Philadelphia Naval Hospital.

MORGENTHAU...

How many of those bonds did you buy in 1935, Mr. Daniels?

DANIELS...

Two of them. And I've been buying bonds ever since. You see, I was in the last war. My son and son-in-law are in this war. I know what war is like -- and I also know that buying bonds will help -- and I can't think of a better way of spending my money.

MORGENTHAU...

I'm sure if Franklin were here today, Mr. Daniels, he'd be the first to agree with you, for if he saw how tremendously war bonds are helping win the war, he'd repeat what he said many years ago -- "The proper use of money is all the advantage there is in having it.

DANIELS...

Mr. Secretary, I'd like you to meet Gretchen Fuges.

MORGENTHAU...

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Hello Gretchen.

FUGES...

How do you do, Mr. Secretary.

MORGENTHAU...

How old are you Gretchen?

FUGES...

I'm eleven, sir.

MORGENTHAU...

Well, Gretchen, you must have been just one year old when the bonds came out. How did you get yours?

FUGES...

It was a birthday present for my first birthday. The bond and me sort of grew up together.

MORGENTHAU...

Well in just a few weeks, Gretchen, that bond will mature and you will have twenty-five dollars. What do you think you will do with all that money?

FUGES...

I want to hold it and just look at it for awhile, Mr. Morgenthau. But I asked my mother if I could have twelve dollars and a half to add to it -- I'm going to buy another war bond. Then when I'm twenty I'll have 50 dollars. Now here's a man I want you to meet, Mr. Morgenthau. He buys bonds too. His name's Mr. Damiani. But I call him Mike.

DAMIANI...

○ Hello, Mr. Secretary.

MORGENTHAU...

I'm glad to meet you, Mr. Damiani. We're glad to have you with us tonight on WE THE PEOPLE. How old are you now, Mr. Damiani?

DAMIANI...

I'm 80, Mr. Secretary.

MORGENTHAU...

Well tell me, what made you start buying bonds in 1935?

DAMIANI...

○ When I first came over from Italy, I worked in Gimbel's here in Philadelphia. I was a tailor, and every day at lunch time I used to go over to the post office. The men that worked there told me about the bonds. I was then 70 years old and I thought that soon I'd be getting to be an old man and I should have some security. So I bought some of the bonds. That was ten years ago, and I'm still buying bonds for my old age. And I've got every one I bought too. No use in buying 'em if you don't hold on to them. I'll be all set if a rainy day comes along.

MORGENTHAU...

○ Yes, it's good to be prepared for that rainy day, Mr. Damiani. Franklin said, "Save while you may; no morning sun lasts the whole day". And I think no one will disagree with that. You have just met three of the many people who saved their money by investing it in their government during peacetime. That peace and security that all of us enjoy and love has been threatened -- right at this minute, men are dying on distant battlefronts in the fight to protect our way of life -- what smaller effort can we make than buying bonds to help shorten that struggle. There's no safer way to save money, for the people know, just like these three people here, that the government makes good its promise to pay back the money invested in bonds. Many years ago, Benjamin Franklin said something which is even more true today than when he said it almost 200 years ago.

○ (MUSIC SNEAK) At that time America was in the middle of her first war for freedom when Franklin said, "We should not imagine ourselves already in peace. The other powers are not yet agreed, and war may still continue longer than we expect...our people certainly ought to do more for themselves. It is absurd, pretending to be lovers of liberty while we grudge paying for the defense of it."

(BOULTON: WE THE PEOPLE SPEAK)

(MUSIC: THEME UP AND DOWN)

BOULTON ...

Next week at this same time the GULF OIL COMPANIES and your neighborhood GOOD GULF DEALERS will bring you another exciting program ... of real people with real experiences. And with them Oscar Bradley's music .. so remember .. listen in at this same time when THE GULF OIL COMPANIES ... and your neighborhood GOOD GULF DEALERS ... present .. WE THE PEOPLE.

Music for WE THE PEOPLE is by Oscar Bradley. This is Milo Boulton speaking for the GULF OIL COMPANIES saying goodbye until next Sunday night when WE THE PEOPLE SPEAK!

(MUSIC THEME UP TO FILL)

This is CBS, THE COLUMBIA BROADCASTING SYSTEM.

WAR DEPARTMENT  
OFFICE OF THE CHIEF OF STAFF  
WASHINGTON

*M*

February 17, 1945

Dear Mr. Secretary:

I am enclosing the information you requested for use in your address before a Soviet patriotic group in New York next week. The War Department has no objection to the release of any of this material and I hope that it will meet your needs.

Sincerely yours,

*H. M. Pasco*

H. M. PASCO  
Lt. Colonel, GSC  
Acting Sec., Gen. Staff

The Honorable  
The Secretary of the Treasury

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America's great appreciation for the stirring achievements of the Red Military Forces has been expressed on a number of occasions by the award of military decorations to individual members of the Red Forces. Most recently, at the conclusion of the Yalta Conference, President Roosevelt presented Marshal Stalin with decorations awarded by the United States to eight outstanding Soviet officers. Among those honored was Marshal Aleksandr Vasilevski, who received the Legion of Merit in the degree of Chief Commander for services he rendered as Chief of the Red Army General Staff. Marshal Aleksandr Novikov was awarded this same decoration for services he performed as Chief of the Red Army Air Forces. General Aleksandr Repin and five other officers whose wholehearted efforts contributed materially to the success of United States strategic air operations from Soviet bases also were awarded decorations.

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The sudden German onslaught in June 1941 forced the Red Armies to accept a defensive role while they gathered their strength. Fighting desperately the Reds slowly retreated, trading territory for time, until the German Armies were on the banks of the Volga and threatening the vital oil regions of the Caspian. Never once during this grueling period did Russia intimate that they might give up the struggle. By their scorched earth policy they denied the Germans everything but the bare ground as they doggedly retired applying dynamite and torch to factory and farm. This tenacious defense of their homeland regardless of the mounting personnel and material losses seriously disrupted the Germans' intention of disposing of Russia in a short campaign and then throwing her might against her lone remaining enemy, the British Empire. In November 1942 they recoiled against the Germans at Stalingrad inflicting on them their first big defeat of this war. Since assuming the initiative the Soviet forces have never relinquished it. In repeated offensives the Germans were steadily pushed back until Soviet soil had been freed of the invader and the Nazi satellite states of Finland, Roumania and Bulgaria had been defeated. The gigantic struggle forced the Germans to maintain over 200 divisions in Russia during this period. One can conjecture what the consequences might have been could these troops have been available to reinforce Rommel at El Alamein, Von Arnim in Tunisia or Kesselring in Italy. Had some of these divisions, or those which preceded them to Russian Prison camps, been available to Von Runstedt, our landings in France might not yet have been made.

Now in 1945, in close harmony with our efforts in western Europe, the Russians have struck another powerful blow. In a massive offensive

extending from the Baltic Sea to the Carpathian Mountains, they have completed the liberation of Poland, have overrun East Prussia, Silesia and Slovakia. The loss of this area totalling some 68,000 square miles is a serious economic blow to Germany. It included much of the German eastern industrial facilities, and all of the natural petroleum regions which remained under their control after the loss of Roumania. The Russian thrust is now threatening Berlin, the capital and the hub of all railroad and other communication facilities.

Enclosures

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- ① (1) Secy's St. Louis Speech 2/14/45
- (2) "Labor - U.S.A." Congress of Industrial Organizations Speech 1/27/45

FEB 17 1945

Dear Mr. Cook:

Thank you for sending me the Evening Standard and for offering me the hospitality of your columns in the future.

You may be interested in the enclosed texts of two recent statements I have made on Bretton Woods.

Very truly yours,

(Signed) H. Morgenthau, Jr.  
Secretary of the Treasury.

Mr. F. G. Alletson Cook,  
The Evening Standard,  
229 West 43d Street,  
New York 18, New York.

Enclosures.

AFL:ehb 2/16/45

*[Handwritten initials]*

**The Evening Standard**  
**LONDON**

*L. G. Cook*

229 WEST 43D STREET  
NEW YORK 18, N. Y.  
LACKAWANNA 4-1000  
MURRAY HILL 8-1223

AMERICAN CORRESPONDENT  
F. G. ALLETSON COOK

NEW YORK CITY  
WASHINGTON, D. C.  
LOS ANGELES

February 6, 1945

The Rt Hon Henry Morgenthau  
Secretary to the Treasury  
The Treasury Department  
WASHINGTON D C

Dear Mr Secretary:

I have much pleasure in enclosing herewith a copy of The Evening Standard which has just arrived from London in which we published excerpts from your recent article on Bretton Woods appearing in the magazine Foreign Affairs.

I am told that the article aroused considerable interest in London and was widely read. You will note that with it the paper ran an article by Mr Robert Boothby M.P. refuting some of the views you had expressed. Should it be your wish to make public your views on Mr Boothby's contribution we should, of course, be glad to give them the fullest publicity.

In any event, my paper wishes me to state that we are most grateful for the opportunity to print this article and to offer you the hospitality of our columns if at any time you have any message which you would like to send to the British public.

I am, Sir,

Very truly yours,

*F. G. Alletson Cook*  
F.G. Alletson Cook

FGAC:dmt  
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## Where do we go from Bretton Woods?

# CREDIT

**THE** United Nations won a great, if unheralded, victory at the Bretton Woods monetary and financial conference.

For they took the first, most difficult and most vital step towards putting into effect the sort of international economic programme which will be necessary for preserving the peace and creating favourable conditions for world prosperity.

It was only the first step, because the articles of agreement for the establishment of the International monetary fund and the International Bank for reconstruction and development still have to be ratified by each of the participants.

So far as the action to be taken by the United States is concerned, I have sufficient faith in the common sense of the American people to believe that they have learned the painful lesson that the best way to guard our national interests is through effective international co-operation.

**MY** optimism is partly based on my belief that the Bretton Woods proposals will be discussed on an objective basis and that such differences of opinion as may emerge will not follow party lines. As America goes so goes the World, may be an exaggeration, but a tremendous responsibility rests on the U.S. Government and people in connection with the ratification of these proposals.

For our action will, rightly or wrongly, be interpreted as a sure and infallible index of our intentions with respect to the shape of things to come.

The fate of the Versailles Treaty adds to the significance of the course America adopts on the Bretton Woods proposals. As President Roosevelt has pointed out, the Allied leaders are acquainted with our constitutional processes as they affect our dealings with foreign powers.

**WE** in America must always keep in mind that other nations are anxiously asking whether the United States has the desire and ability to co-operate effectively in establishing world peace. If we fail to ratify the Bretton Woods agreements they will be convinced that the American people either do not desire or do not know how to achieve co-operation.

They would then have little alternative but to seek a solution for their pressing political and economic problems on the old familiar lines, which would inexorably involve playing the old game of power politics with even greater intensity.

And power politics would be as disastrous to prosperity as to peace. The institution of an international security organisation on the lines agreed on at

Dumbarton Oaks constitutes a history-making accomplishment, of which we may well be proud.

**HERE** is an organisation which has teeth in it. But it is our duty to keep to a minimum the tensions to which the organisation will be subjected. International monetary and financial co-operation is indispensable for the maintenance of political stability.

Therefore a programme, of which Bretton Woods is the first step, must accompany the programme for political and military security towards which the United Nations are moving.

Bretton Woods is the model in the economic sphere of what Dumbarton Oaks is in the political. They reinforce and supplement each other. Political and economic security from aggression are indivisible, and a sound programme for peace must achieve both.

**TAKE**, for example, the question of the relative international economic position of the United States and England, to which so much attention has been devoted in discussions of post-war trade possibilities.

England was formerly a creditor nation and has now become a debtor. Previously she was able to turn her unfavourable trade balance into a favourable, or at least a compensated balance of payments, by receipts of interest and dividends on foreign investments and by receipts for



*Ratification or rejection of the Bretton Woods financial agreements will be one of the first matters to be discussed by the 79th United States Congress now assembling in Washington. In this exclusive article*

**Mr. Henry MORGENTHAU,**

Secretary of the U.S. Treasury,

who headed the American delegation to the Bretton Woods Conference, discusses the importance to international co-operation and Anglo-American relations of the Congressional decision.

current banking insurance and shipping services.

After the war she will have to expand her exports. Otherwise she will have to curtail her imports, which would lower her living standards and sharply curtail world trade.

**THE** United States has become a creditor country with the prospect of increasing exports, provided her customers are in a position to find dollars to pay for the goods and services they want from her.

The measures for co-operation on monetary and investment problems to meet the needs of the United States and England must obviously be flexible in character and broad in scope. This is one of the outstanding accomplishments of Bretton Woods.

I believe that the interests of the United States and Great Britain are not irreconcilable, that the world is large enough to provide an expanding market for the exports of both.

At Bretton Woods, countries

in very different stages of economic evolution joined in working out common instruments of policy. China and India are predominantly agrarian countries with low levels of industrialisation and low living standards. Naturally they desire to raise both.

The United States and England are countries with high levels, which they just as naturally desire to maintain, and, if possible, raise.

Unless some framework which will make the desires of both sets of countries compatible is established, economic and monetary conflicts will certainly ensue.

The United States is as indubitably a capitalist country as Russia is a Socialist one. Yet both agree, not only on the desirability of promoting monetary stability and international investment, but on the means required to realise these ends—because it is to the advantage of each to do so.

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## —AND THE DEBIT

By Robert BOOTHBY, M.P.

**IT** was American Big Business, not the United Nations, which won the great victory at Bretton Woods. For that agreement was a victory for gold over goods. And practically all the gold of the world is at present buried in the vaults of American banks.

If the House of Commons accepted Mr. Morgenthau's advice and ratified the Bretton Woods agreement, it would deliver this country, bound hand and foot, to the money power represented by the vested interests of international finance.

**IT** would prevent us from ever making any attempt at carrying out an internal expansionist policy designed to achieve full employment.

It would deprive us of all the weapons with which we could protect ourselves from the consequences of an American depression.

It would prevent us from developing the sterling area into a regional group of nations with similar economic interests and objectives, and a complementary trade—which is our greatest hope for the future.

It would, in the long run,

bring ruin to our agriculture, and last, but not least, would subject us permanently to the economic domination of the United States; for the whole bias of the agreement is in favour of the creditor, against the debtor nation.

**MR. MORGENTHAU** gives the game away when he says he wants to increase his exports "provided his customers are in a position to find dollars to pay for them." We don't want to have to find dollars—which, under the Bretton Woods agreement, means finding gold. Still less do we want to borrow them. We want to pay for our imports with goods of our own.

Bretton Woods does nothing to help us to do this.

Always it is the same old story—this insane American passion for "exports." As if any advantage can be derived from building up an export surplus except the problematical power to exploit foreign countries by purchasing their fixed assets. The main purpose of trade is not to get goods out of your own

country at all and any cost. It is the mutually advantageous exchange of goods. If you cannot do this, it is far better to make, and consume, the stuff at home.

"Here is an organisation," says Mr. Morgenthau, with enthusiasm, "which has teeth in it." It has indeed. Nasty sharp teeth, which can bite. Under the Final Act of Bretton Woods, if we don't do what we are told by an international authority situated in the United States, we can't have penal charges imposed on us, for the payment of which we shall have—somehow—to "find the dollars." We may even be blockaded by our own Dominions!

I am all for co-operation between Great Britain and the U.S.A. But not at this price.

**ONE** final point. The present British Government has no mandate from the electors to jeopardise the economic future of this country by putting us back on a gold standard, and attempting to resurrect the economic system which was one of the main causes of



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

*Action*DATE  
February 17, 1945TO Secretary Morgenthau  
FROM Randolph Feltus

When I was in New York the other day, I discussed the general idea of promoting Bretton Woods with Jo Davidson, the sculptor, and Miss Dorner, President and Executive Secretary, respectively, of the Independent Voters Committee of the Arts, Sciences, and Professions. This you may remember as the very active Jo Davidson Committee which worked for the re-election of the President. They have reorganized on a nonpartisan basis to work for liberal measures.

Naturally they are willing to go all out for Bretton Woods. They told me that they had already been working with the State Department on Dunbarton Oaks, and that they were planning a Madison Square Garden rally on the subject. They said they had already received approval from Secretary Stettinius on the proposal that he speak at such a rally along with other dignitaries. The date had not been definitely set, but was tentatively planned for sometime after the Dunbarton Oaks legislation comes before the Senate.

I made tentative arrangements with them to merge the Bretton Woods idea with the Dunbarton Oaks program whenever possible, and in this connection persuaded them to move up their rally to a time which would help the Bretton Woods legislation. We tentatively agreed that such a program should include as speakers Secretary Stettinius and you, as well as certain Congressmen and Senators who are interested in both proposals. In addition there would be businessmen and labor people among the speakers.

I told them there was a possibility of there being a powerful businessmen's committee for Bretton Woods, and they agreed to share the sponsorship of the rally with such a group.

I was called yesterday by Miss Dorner, and she asked whether March 20 would be a good date for the rally. It seems that this is the only available time when the Garden is not booked.

I made no definite commitments at all, but I would recommend the following action:

- (1) That you authorize me to accept the place on the program for you, subject to later confirmation in writing, provided this date is also acceptable to the State Department. *OK.*
- (2) That you authorize me to discuss the matter with Mr. MacLeish at the State Department and get their agreement to have Mr. Stettinius appear on the joint program. *OK.*

I think this type of event is very valuable because it carries with it national publicity. In this particular instance, it would have the effect of developing an emotional response to the Bretton Woods proposals, and also would tie them inextricably to Dunbarton Oaks. This is very important because Dunbarton Oaks has a larger following than Bretton Woods, and the State Department people, I am sure, will recognize that the success of their program will depend to a great extent upon the successful acceptance of Bretton Woods by the Congress. The rally would include pageantry and musical effects which would be very stirring. It would all be on a highly dignified plane.

If you agree to the idea in principle but cannot make that date, please let me know what dates would be satisfactory to you, bearing in mind that the best time would be during the hearings or after the hearings but far enough in advance of the vote to allow time for public response.

I am sending a copy of this memorandum to Mr. Gaston and Mr. Luxford.

*R.F.*

February 17, 1945

MEMORANDUM

To: Secretary Morgenthau  
From: Mr. Gaston

Subject: Counterfeit Bank of England Notes

The clipping attached on which you asked me to report has the heading "Britons Foil Nazis' Bank Note Forgery" and the INS despatch which it heads tells of success by the Bank of England in detecting counterfeit Bank of England notes with which it is said "Shrewd German agents are even now flooding neutral countries."

A very troublesome series of counterfeits of Bank of England notes of denominations of 5, 10, 20, 50, and 100 pounds have been circulating in Europe since the summer of 1942. There was mention of them in State Department despatches and Chief Wilson at my request wrote to Scotland Yard for detailed information. Sir Norman Kendal, Chief of the Criminal Investigations Division, replied by letter received August 20 enclosing a report from Chief Inspector J. H. Smith. The memorandum said that the first specimen of a very dangerous forgery of a Bank of England note in the 10 pound denomination was brought in to the Bank of England in September 1942 and was given the designation "B.B." Notes of this same type continued to turn up in Switzerland, Spain, and Portugal. The Swiss Bank reported in December that they had received from "a neighboring country" a parcel of 6,000 10-pound and 5,000 5-pound notes. They sent samples to the Bank of England for inspection and they were found to be of the "B.B." type. The Banque Nationale Suisse asked for means of identification. The substance of the reply from the Bank of England was that the forgery could only be detected by analysis of the paper and this was quite difficult although they gave some information for guidance. In November 1942 the Bank

of England received what they regarded as reliable information indicating that these forgeries were done in Prague for the German government under the direction of a Frenchman named Lucien Petit, alleged to have been released from a Paris prison in 1940 by the Germans. The Bank of England attempted to make some estimates of the amount of this particular forgery in circulation. They noted that 65 different "ciphers" or class designations had been used and on the assumption that the forgers printed the same number of notes of each cipher as the Bank of England does, a total circulation of 6½ million notes would have been represented. This seems to me quite speculative. I think about all they know is that a very large number were put out. Just about the time we received this information from London, Wood, one of Harry White's men, returned from Lisbon and brought with him a 5 pound note which he had been told was a forgery. We sent the note to New York and it was presented to the Chase National Bank and to the Perera Company, 10 Broadway, dealers in foreign currencies. Both of these institutions thought the note was genuine and they were willing to accept it. I wasn't satisfied with this report and had the Bureau of Engraving and Printing make an examination in comparison with a genuine note which we were able to buy. The laboratory examination in the Bureau of Engraving and Printing resulted in substantially different analyses both for the paper and the ink in the two notes. Shortly thereafter we sent Sid Kennedy, former chief of the London bureau, to England, France and Switzerland to survey the counterfeit situation and appraise the need for Treasury enforcement officers in Europe and he took the 5 pound note from Portugal with him. The Bank of England found it to be one of the "B.E." counterfeits as we had suspected.

It may be that the British have found an easy way of detecting these counterfeits but I doubt it very much. There is very little superficial difference

and we were able to demonstrate differences only by careful chemical and physical analysis as noted above. Tellers in two institutions in New York accustomed to handling British currency were not able to recognize the counterfeit.

British currency is poorly protected. They rely mainly on paper quality and the changing of symbols on the face of the notes. We have been watching very closely through all available channels for any good counterfeits of our currency to appear which might represent the work of the German government. We haven't found any such instances. This is probably due to several circumstances. One, American currency isn't as well known in Europe as British and therefore couldn't be circulated as easily. Two, United States currency is much more difficult to counterfeit in a deceptive way. Three, our foreign fund control restrictions have made even genuine United States currency a hard commodity to move. The few specimens of counterfeits of American currency which have turned up in Europe since the war started have generally been old European counterfeits which we recognized. A new one, however, did pop up last Fall in Barcelona. Something over 100,000 dollars worth of them were made but apparently none got into circulation and the man believed to be responsible, one Rafael Abello, is under arrest in Barcelona. He put out two denominations, a counterfeit \$50 and a counterfeit \$100. They are photo-engraved, are on very poor paper and shouldn't deceive a child.

I am very much surprised that more menacing counterfeits of U. S. currency have not appeared. We sent two Secret Service men to North Africa in 1943 and Kennedy to Europe last year and both expeditions brought back entirely reassuring reports. I think our representatives abroad, Treasury as well as State Department, are now well schooled to keep their eyes open and not to be greatly deceived by rumors.

*WWS*

Mr. Gaston Phares

Look into

this -

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## The Washington Post

FEB 15 1945

### War Sidelights

## Britons Foil Nazis' Bank Note Forgery

London, Feb. 15 (INS).—An all-out effort on the part of Germany to debase English currency has been foiled by the "back room boys" of the Bank of England.

Shrewd German agents are even now flooding neutral countries with forged Bank of England notes.

Germany is believed to be employing as its forgers a gang of men who were arrested and jailed in the Reich in 1926 for the forgery of English and other notes.

The technical skill of the German forgers, however, didn't fool the chemists and analysts of the Bank of England. There was no difficulty in tracing the flood of forged notes back to Germany.

A certain method of dealing with the problem quickly evolved. Scores of women, who have had only three months' special training, are the first to detect any forgery. These women are incredibly quick, and few suspect notes go undetected through their hands.

## ASSISTANT SECRETARY OF THE TREASURY

February 20, 1945

Secretary Morgenthau:

This has been on my desk for a couple of days but I haven't had a chance to look it over.

H.D.W.

A handwritten signature in dark ink, consisting of several overlapping loops and a long diagonal stroke extending upwards and to the right.

February 17, 1945

MEMORANDUM FOR THE FILES

Subject: French Lend-Lease Negotiations February 6 - February 8.

In a meeting in Secretary Morgenthau's office February 6, Oscar Cox presented a 3(C) agreement in connection with the French lend-lease program. During the discussion, changes were proposed by Secretary Morgenthau which were adopted and incorporated in the documents given to Monnet on February 8.

The principal differences between the 3(C) agreement then presented by Cox and the agreement which was handed to Monnet were as follows:

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| <ol style="list-style-type: none"> <li>1. The Cox proposal provided for a 10 percent down payment on Schedule II items.</li> <li>2. Cox proposal provided for a 30 year credit on the Schedule I items and on the unpaid balance of Schedule II items, payments to commence one year after the last transfer of articles listed in the agreement.</li> <li>3. Under the Cox proposal the annual installments were only one percent of the unpaid balance for the first ten years, two percent for the next four years, and increasing percentages up to 6 percent for the last four years.</li> <li>4. The Cox proposal did not stress the right to reexamine the program after V-E Day. It merely contained a provision that delivery of articles may be withheld by the United States whenever the President determines that such action is "necessary in the national interest."</li> </ol> | <ol style="list-style-type: none"> <li>1. The final draft provided for a 20 percent down payment on Schedule II items.</li> <li>2. The final draft provided that payments would commence on July 1, 1946, and that payments must be completed within 30 years after the execution of the agreement. With respect to Schedule II items the first payment becomes due on July 1, 1945.</li> <li>3. Under the final draft the payments are to be made in equal annual installments.</li> <li>4. The final draft contained the same provision concerning withholding delivery except that the word "necessary" was deleted. However, the final draft also had attached to it a memorandum making it clear that the United States reserves a broad power to cancel or revoke procurement programs or contracts, that the program will be reviewed particularly at V-E Day, and that deliveries will be subject to economic and financial factors which affect our national interest.</li> </ol> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- 2 -

5. The Cox proposal contained no provision relating to payments for Plan A supplies.
5. The memorandum attached to the final proposal stated definitely that the French will be expected to pay for Plan A supplies as long as they are furnished to France, and also for supplies transferred to France under the Crowley-Monnet exchange of notes.

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE Feb. 17, 1945

TO Secretary Morgenthau

FROM Mr. White

Subject: Chase and National City provide financial advisers for Philippines.

1. President Osmena of the Commonwealth Government has invited a Mr. Donald E. Bellantyne, presently Second Vice President of the Chase National Bank, and a Mr. William J. Lamneck, presently Assistant Manager of the Chase National Bank, to come out to the Philippines to act as banking adviser and assistant banking adviser, respectively, to himself. The War Department has sanctioned the departure of these two men and they expect to be in the Philippines in a few weeks. These two men are to organize a Banking Division of the Philippine Treasury which is to carry on all banking functions in the Philippines until such time as arrangements can be made for the re-establishment of a national bank in the Philippines.
2. Chase National Bank is also very active in advising the present Commonwealth Minister of Finance, Mr. Hernandez, who is in Washington. The Chase people stress that they are merely acting as advisers and with no benefit to themselves, but at the same time they have gotten the Commonwealth authorities to appoint them the sole and exclusive correspondent in New York for the proposed Banking Division and have gone so far as to propose that all remittances to the Philippines from the United States be funneled through Chase National in New York.
3. National City Bank has also been active in attempting to re-establish its position in the Philippines. Mr. Charles Thomas, formerly Assistant Manager of the Shanghai branch of National City Bank, expects to leave very shortly for the Philippines to act as financial adviser to General MacArthur. Mr. Thomas was appointed by the War Department and we were never consulted. Mr. Thomas has indicated in conversation with others as well as myself that he is very

- 2 -

much concerned about his ability to deal with the many difficult problems which will undoubtedly arise which will involve expert knowledge of government policy and practices.

4. Moreover, National City wishes to reopen its branch in the Philippines as quickly as possible and expects to return to the Philippines in a matter of weeks.
5. Thus, the situation might well arise that there will be in the Philippines, private American civilian advisers to the Philippine Commonwealth and to General MacArthur and a branch of the National City Bank operating before any of the U. S. governmental civilian agencies, including the Treasury, are allowed to go in.

February 17, 1945

My dear Mr. Yost:

I wish to acknowledge receipt of your letter of February 16th. I was particularly interested in the review of the Russian press from February 4th to the 10th, and I would like to receive similar reports regularly.

The cable from London in regard to the World Trade Union Conference also was very interesting.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Charles W. Yost,  
Executive Secretary,  
Executive Staff Committees,  
Department of State,  
Washington, D.C.



DEPARTMENT OF STATE  
WASHINGTON

2577  
*Jeston*  
*White* 236  
*Harris - Lott*  
*Luxford*

CONFIDENTIAL

February 15, 1945

My dear Mr. Secretary:

I am enclosing a paraphrase of the telegram from Moscow which I showed you last Tuesday on pages 2 and 3 of which are set forth certain aspects of Soviet policy in occupied Germany as reflected in the Soviet press. I am also transmitting a copy of a telegram from London setting forth in some detail the views of the British and Soviet trade union leaders in regard to the treatment of Germany, as brought out during the recent sessions of the World Trade Union Conference, and a copy of another telegram from London quoting an interesting article from the "Economist" on the French economic situation, in which Mr. Reams tells me you have an especial interest.

Sincerely yours,

*Charles W. Yost*  
Charles W. Yost  
Executive Secretary

Executive Staff Committees

Enclosures:

1. Paraphrase of telegram  
no. 398 from Moscow,  
February 12, 1945.
2. Copy of telegram  
no. 1483 from London,  
February 10, 1945.
3. Copy of telegram  
no. 1539 from London,  
February 13, 1945.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow via Army  
TO: Secretary of State, Washington  
DATED: February 12, 1945  
NUMBER: 398

## CONFIDENTIAL

For the week of February 4 to 10 inclusive, highlights of the Soviet press were as follows. The press gave full and prominent coverage to the new developments in the life of the Russian Orthodox Church. There appeared in most of the major Soviet newspapers, including the official Communist party organ, PRAVDA, accounts of the election of the Patriarch and the proceedings of the Church Council. Among the published materials, outstanding importance was attached to the messages from the eastern Patriarchs and other visiting Orthodox church dignitaries who attended the Council to the peoples of the world and those from the Church Council to the Christians of the whole world. The latter blesses the war against Germany and in the name of Christianity appeals for stern punishment of the war instigators of Germany. The former message protests against present attempts, especially those on the part of the Vatican, to shield Germany from responsibility for her crimes and to secure pardon for the German leaders. These appeals, taken in conjunction with the current campaign of violent attacks upon the Vatican and its councils of mercy toward the defeated, may be interpreted as a bold move on the Soviet Government's part to enlist, in support of

-2-

support of its position concerning Germany, large forces of world Christianity.

A preliminary communique on the work of the Big Three conference was prominently published. Thus far comment has been restricted to IZVESTIYA's cautious statement that groundlessness of German hopes for rift among the Allies is shown by this report.

In spite of slowing down of Soviet offensive, war news continued to bulk large in the press. In connection with forcing of Oder on Silesian sector, there appeared optimistic editorials. The press maintained pressure for more decisive action on the front in the west. Crowley's statement explaining role played by American supplies in the present Soviet offensive and specifying, in number of units, the supplies furnished, (this contrasts with the usual practice of publishing dollar values), was published in the press. There began to emerge aspects of Soviet policy in occupied Germany. It was asserted by RED STAR that the Soviet Government will take possession of all material objects of value won from the Germans and that the Soviets will turn captured German war plants to their own use. With regard to relations with the German civilian population Red Army men were told by RED STAR that all Germans are to be considered enemies and that they are all guilty in degree. However, they were strongly cautioned to exercise restraint in their actions.

German problem discussion revolved around the necessity of frustrating German plans for the third world war. Advocates  
of leniency

of leniency toward defeated Germany - those who oppose reparations reduction of German territory, complete military and economic disarmament, resettlement of German minorities in adjacent nations, et cetera, were violently condemned for aiding German leaders in implementation of plans to restore or preserve the military power of Germany. Individuals and various groups, ranging from journalists such as Dorothy Thompson and business circles represented by the National Association of Manufacturers to the German social democratic emigrants in America and England, were classified in this issue as Hitler's advocates. These individuals or groups were accused of being motivated either by selfish financial interests or by the wish to preserve a strong Germany to counterbalance the rising prestige and power of the Soviet Union in the European Continent. In addition, the theme of German preparations for a new world war supplied fuel for additional lengthy attacks upon the Governments of Sweden, Switzerland, Spain and to a lesser extent Portugal and Argentina, all of which are accused of collaboration with the Germans in arrangements to set up postwar centers of fascist activity in their countries.

War criminals' punishment in the already-defeated nations continued to be an outstanding subject for discussion. Favorable comment was given to the statement of Under Secretary Grew on American determination to bring war criminals to justice. Certain elements in the London War Crimes Commission were criticized in **WAR AND THE WORKING CLASS** for lack of resoluteness in dealing

-4-

in dealing with the question of war criminals punishment. The outcome of the Sofia trials were reviewed with great satisfaction, and the example of Bulgaria was favorably contrasted with those of Rumania and Finland.

The beginning proceedings of the London Trade Union conference were given coverage in detail. Kuznetsov's speech, reiterating official views of Soviet as to the tasks of the national and international labor movements, was published in full text. An editorial was carried in TRUD on conference which called upon the international labor movement to exert all its pressure against advocates of a lenient peace for Germany and which defended the Soviet-sponsored inclusion of world political problems on the agenda.

A change of a radical nature in the policies and composition of the Government of Rumania was foreshadowed by events in Rumania. Declaration made by National Democratic front of its intention to form a new Rumanian Government under comprehensive program which follows the Moscow-sponsored line for the countries of Eastern Europe in all particulars, was featured by the Press. Reports of a growing crisis, with mass demonstrations demanding Democratic Front government, followed this. Statement made by the Rumanian Deputy Minister for Internal Affairs, who strongly criticized the Government for its failure to purge the Rumanian legionnaires, was played up by the press, which laid upon reactionary elements in the National

Peasant

-5-

Peasant party responsibility for this failure. The Rumanian Confederation of Labor, newly created, has supported the movement to replace the present government. Publication by the Government of Rumania of list of 65 chief war criminals was reported by the press, but it adopted the line that too much time had been required for this action and that only a government of National Democratic front could purge fascist elements still at large in Rumania and prosecute war criminals efficiently.

The announcement that the Soviet Red Cross has sent to the people of liberated Poland shipments of medical instruments and medicines was the highlight of the Polish coverage. Attention was paid to organizational activities of the provisional government in territories newly freed. Decision of the Czech Government to recognize the provisional Polish regime was commented on approvingly by the press.

Report was made by the press with reference to Finland that Tanner has been released from his duties as deputy to Finnish Sejm; this affords evidence that the Soviet campaign toward this goal has been successful. Along previous lines, coverage of Yugoslav Government crisis continued. The press cited the statement made by the executive committee of the Croatian Peasant Party as being in support of the Tito-Subasic agreement and as criticizing the forces of Yugoslav reaction with which

with which the head of the Croatian Peasant Party was identified, Dr. Machek. Publication of British press comment criticizing the position taken by the Government of Greece in trials of ELAS representatives interrupted the factual coverage of the Greek situation.

The keen interest of the Soviets in French affairs and approval of the trend in general were indicated by the coverage of the speech of De Gaulle in detail and of statements made by the French Resistance Council. An extremely favorable review of activities of the French labor movement under the leadership of C.G.T. was carried in WAR AND THE WORKING CLASS. With evident satisfaction the press reported the resignation of the Pierlot Cabinet and the crisis in the Belgian Government. Concerning Italy, further expression was given in the press to the Soviet feeling that measures being taken to remove Fascists factions in Italian public life are inadequate.

Long articles dwelling upon the strategic results of American successes in the Philippines and giving details of the victory followed the initial prominent report of the American entrance into Manila. The internal political situation in Japan was the subject of a four-column article in PRAVDA. The efforts of Koiso government to deal with growing economic and military burdens of a war "in which Japan will not be victorious" and to reconcile different elements in Japanese society were analyzed

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-7-

analyzed in this article. Emphasis was laid on the steady worsening of morale of Japan in face of American air attacks and successive military reverses.

An interest in Latin American affairs and in the stand which separate Latin American nations adopted on world issues continued to be shown in the press. Particular note was taken of reports of Fascist agents' subversive operations in South and Central American nations and veiled criticism was made of the State Department for not bringing enough pressure to bear on the governments of Latin American nations to cause these Axis operations to be stopped. Sharp criticism was made of the alleged propaganda activities of the Vatican in Latin America. Ecuador's declaration of war on Japan and Paraguay's declaration of war on Axis nations were reported in press.

KENNAN

DC/L:mem

2/15/45

## INCOMING TELEGRAM

EAS-1095

PLAIN

London

Dated February 10, 1945

Rec'd 9:45 p.m.

Secretary of State,  
Washington.

1483, tenth

1. World Trade Union Conference Friday February 9 proceedings. Standing orders committee reported back it was unable to devise solution to polish seamen representation issue which was likely to receive the general support of the conference. In view of this S.O. Committee recommended that no additional invitations be sent to any organization. S.O. Committee also asked this recommendation be accepted without discussion which would only be harmful to World Trade Union unity and give the press a chance to comment on divisions in the conference.

2. Citrine opened discussion of agenda item 2, "Trade Union attitude to peace settlement," with long statement of TUC position. Five copies of full text transmitted Department in Embassy despatch No. 20948.

3. Citrine's speech was intended to provide a framework for discussion and most points were raised in form of question to be examined by conference: The peace settlement had three main aspects: (A) How is Germany to be dealt with? (B) How is peace to be organized? And (C) How is reparation to be made? There is general agreement, Citrine said, that peace settlement must secure complete liquidation of Fascism and Nazism and lay foundations of a durable peace. More specifically there is wide measure of agreement on the following prerequisites of the peace settlement?

(A) Unconditional surrender

(B) German

-2- #1483, Tenth, from London

(B) German war leaders and war criminals must be brought to justice and every man or woman who played active part in atrocities must be tried and punished

(C) Germany must make restitution of all stolen property

(D) Germany must make "reparation to the extent of all that is humanly possible in services, goods and money; and this obligation must be met even though it involves the continuance of Allied control over the entire German economy for many years and perhaps for generations."

(E) Germany must be wholly disarmed by dissolving general staff, disbanding her forces, closing down war factories, dismantling all establishments engaged in war production and prohibiting manufacture or use of aircraft.

(F) Germany must be demilitarized by closing all staff colleges or agencies of military instruction, prohibiting wearing of uniform by any kind of league, club, organization or association and "by such necessary changes in the political, economic, social and territorial structure of the German Reich as will destroy the foundation of the German military system"

(G) Germany must be democratized by reestablishing freedom of political and cultural associations, freedom of press and assembly and Free Trade Unions

(H) German youth must be reeducated

(I) "Germany thus transformed must be reintegrated ultimately with the European community and with the new world order"

4. Citrine: Labor's task in relation to occupation of Germany must reckon with possibility that there may be no formal armistice which can be examined and discussed. Terms and conditions may be "applied practically by Allied military authorities in the course of the actual occupation. Further, the Allies may find no democratic government can be formed immediately "in which we can repose trust and from which we can expect cooperation in the stern and rigorous measures that must be taken." Allied military authorities may for a considerable period of time have to assume responsibility for the political administration of Germany.

The

-3- #1483, Tenth, from London

The practical problem of the World Trade Union Conference is how to associate the Trade Union movement with the developing stages of the occupation when political and social questions of far-reaching import will arise. "It seems necessary therefore that the Trade Unions must be associated in a consultative and advisory capacity, with the administration, military and civil, concerned with the occupation of Germany, as during that occupation the short term program of peace will be put into execution."

5. Citrine then raised questions relating to the permanent demilitarization as distinct from the disarming of Germany. Should Germany be deprived of certain industrial districts in which her war potential was concentrated? Should these districts be placed under international control or be formed into separate states or annexed? If annexed, are the German workers also to be annexed? Alternatively, can peace be secured without territorial changes or fundamental alterations in her economy? The need to break up the Junker estates in order to destroy one of the main war-making elements in Germany was plain enough but should Germany heavy industry be dismantled to destroy her war-making power? If so, how would Germany live, what was to prevent her sinking to a slave level, how would she make reparation? If certain border districts of Germany are annexed to other countries along with their workers what will be their terms of employment? If Trade Union standards are observed would they not be in favored positions compared with workers left in Germany. Alternatively, if these workers are moved what is to prevent them sinking to the level of slave labor? Is an international inspectorate and control needed to guard against this?

6. Citrine suggested that "an alteration of the position of Prussia" might be needed to radically reduce Germany's war-making power. The Rhineland and Danube might be placed under control of an international public corporation resembling TVA. Other areas would also need to be examined.

7. Citrine then suggested that Trade Unions had to establish relations with the permanent world organization taking shape in the Dumbarton Oaks plan particularly it must be "closely associated" with the economic and social council.

8. Dealing with reparations, Citrine called attention to the difficult economic problems connected with the payment of reparations; and questioned whether reparations

should

-4- #1483, Tenth, from London

should be exacted by unilateral claims and action or collective claims and action. Reparations could be extracted by three principal methods:

"(A) By the expropriation of its external assets, whether state-owned or the holdings of its nationals

"(B) By the building up in the debtor country of exportable surpluses on the basis of a strictly rationed and price-controlled internal economy which will keep the standard of life of the people in that country at a fixed level. The effect of this will be that all increases in production and expansion of credit of the debtor country will be claimable and payable on reparations account.

"(C) By the rendering of services to the creditor country by the people of the debtor countries"

9. The TUC was also prepared to support the principle of reparation labor but "it seems necessary, however, that arrangements shall be made to safeguard the conditions under which German labor shall be so employed. We cannot contemplate, as Trade Unionists, whatever our nationality that labor of any kind shall be degraded to the level of slavery. There will be an obligation upon the Trade Unions in the countries where German labor is used for these reconstruction purposes to see that it is not exploited or forced to carry on under inhuman conditions. This will require the establishment too of some form of international authority to supervise with the national authorities the life and labor of the German workers thus employed. Would it be within the competence of the ILO to exercise such responsibilities of international supervision. That would have the advantage of associating the workers' Movement which is represented in the constitution of the ILO with these responsibilities of supervision. But in any case, will it not be necessary for the International Trade Union Movement itself to establish consultative and advisory machinery in connection with the international authority set up for the purposes of supervision."

10. Citrine ended his speech by saying that ultimately the TUC hoped to see Germany back into the fellowship of nations. But the German nation and workers, including the Free Trade Union movement which he hoped would be reestablished, must reckon with the fact that they had wronged the people of other countries and they must face

the

-5- #1483, Tenth, from London

the consequences. How Germany treated its reparation obligation and its readiness to work for and its willingness to cooperate in the payment of reparation would be the test of Germany's desire to play her part in a peaceful world and would determine our future relations with her.

11. Following Citrine's speech, Madame Beliaeva of Russia associated herself with the need for a hard peace, but Russia's main speech was made by Tarasov. He called for complete liquidation of Fascism, restoration of democracy and economic rehabilitation of devastated countries, and then asked conference to approve the measures proposed by the Big Three in respect to an international security organization. Following are other main points in his speech, text of which not yet circulated:

(A) Prolonged Allied military administration of Germany

(B) Severe punishment for war criminals

(C) Annulment of Nazi laws, liquidation of Nazi organization, and confiscation of Nazi funds and property

(D) Liquidation of German munitions industry, transfer of all war material to Allies, and transfer of German industry to rebuild devastated countries

(E) Payment of reparations out of Germany's own resource and by German manpower

(F) Reconstruction of Germany's educational system, removal of all Nazi instructors and teachers, and liquidation of Nazi literature, films and press.

Repeated to Moscow as 43 and Paris as 74.

WINANT

WMB

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM

249  
DIVISION OF  
CENTRAL SERVICES  
TELEGRAPH SECTION

MG-1659

PLAIN

London

Dated February 13, 1945

Rec'd 3:40 p.m.

Secretary of State

Washington

1539, Thirteenth

For the past two weeks the press has expressed the concern of the British people about the economic distress of France. (For the latest expressions along these lines see the Embassy's telegrams 1258, February 5th, 1468, February 10 and 1492 and 1495, February 12th)

The February 10th issue of the ECONOMIST carries these feelings further in an article entitled "Economic Entente". After referring to the bad economic situation in France the article states: "it is becoming increasingly apparent that the immediate and proximate responsibility for this rests more fully on Great Britain than was at first realised. It is true that the only store of plenty among the United Nations is in America whose resources vastly exceed those of this still beleaguered island. But America is on the other side of the Atlantic. Ships are again the great bottleneck and the U-boats are once again on the prowl. In grimly literal truth Britain and France are in

-2-1539, Thirteenth, from London

are in the same boat. To an extent that may be large or small the two countries are competitors for the same ships. This being so can it possibly be held that while the maintenance of a certain standard of civil consumption in Great Britain is a military necessity there are no standards below which France can be allowed to fall without danger to the structure and purposes of the grand alliance?"

The article then asks if the British import program is so rigorously reduced to rockbottom that some help for France could not be made available from stocks of imported foodstuffs and raw materials in Great Britain which are known to be quite sizeable. "To draw upon them while the worst of the war might yet be to come would obviously have been foolish and has always been sternly resisted. But are they quite so vital today that a small dividend could not be paid out of them? As for transport which underlies so much else it is no doubt impossible to spare any locomotives or rolling stock. But the British Army in Great Britain would not seem to the lay observer to be so desperately short of motor transport that a few thousand lorries could not be collected for France. What is needed is the pressure of an urgent imperative which has hitherto been lacking. It is the sort of job at which Lord Beaverbrook excels and which he might well find to

his taste.

-3-1539, Thirteenth, from London

his taste. Whatever can be done should be done quickly and done generously and gracefully. And where nothing can be done a full and frank explanation of the reasons should be given since it should never be forgotten that the aim to be pursued is twofold, moral as well as material. The effort should be directed towards France in the first place but the needs of Belgium are only one degree less acute and Holland will before long have needs more intense than either of the other two!

Mr Richard Law tomorrow will make a detailed statement in the House of Commons regarding Great Britain's help to France in her transport problems since the liberation.

WINANT

BB

February 17, 1945

Dear Bill:

Thank you for your letter of February 15th. I am very glad to have the report from your Berne representative in continuation of the one of February 13th, which you had previously sent me, and shall read it with interest.

Yours sincerely,

(Signed) Henry

Colonel William J. Donovan,  
Director, Office of Strategic  
Services,  
Washington, D. C.

OFFICE OF STRATEGIC SERVICES  
WASHINGTON, D. C.

15 February 1945

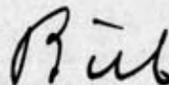
**RESTRICTED**

Honorable Henry Morgenthau, Jr.  
Secretary of the Treasury  
Treasury Department

Dear Henry:

You will probably be interested in the enclosed radiotelephone report, <sup>(not attached)</sup> from the Berne representative of OSS, which is a continuation of the message of 13 February, setting out the remainder of the article in the Basle Nationalzeitung concerning the German post-defeat maquis.

Sincerely yours,



William J. Donovan  
Director

Enclosure.

UNCLASSIFIED

From: London

Dated: Feb. 17, 1945

Recd.: February 26, 6 p.m.

SECRETARY OF STATE

WASHINGTON

A-159, February 17, 1945.

The Director of the Intergovernmental Committee on Refugees has transmitted to the Embassy in a letter dated February 16, 1945, a memorandum proposing the operational expenditure of \$200,000 in Spain and Portugal for the eight-month period May 1 - December 31, 1945. The Director requests that the proposal be brought to the attention of the United States Government for its consideration and agreement (paragraph VIII of the Financial Regulations of the Committee) in order that the proposal may be submitted to the Executive Committee. The Director has taken similar action vis-a-vis the British Government.

The sum of \$200,000 is included in the budget for 1945 of \$2,000,000 for operational expenditure (Embassy's telegram No. 1143 of December 26 and Embassy's despatch No. 20343 of January 12). The Department is respectfully requested to inform the Embassy by telegram as to its decision with respect to the foregoing proposal. The Department's attention is again respectfully invited to the fact that it has not yet

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indicated whether the United States Government will underwrite operational expenditures of the Intergovernmental Committee on Refugees for 1945, which expenditures will include those for Spain and Portugal mentioned above as well as those for France and Belgium for the first six months of 1945.

The text of the Director's memorandum on the proposal for operational expenditure in Spain and Portugal is as follows:

"During the war, many thousands of persons have been given temporary asylum in Spain and Portugal. The majority were nationals of various countries who have been assisted by their own Governments, but there have also been some thousands of stateless persons who had to depend for assistance, partly on the Ambassadors of the United Kingdom and the United States of America, who have been indefatigable in protecting their interests, and partly on certain American voluntary organisations which have provided, not only the necessary funds, but also personal service of a high order. Most of the refugees have been evacuated from the Iberian Peninsula, but there remain about 2,500 persons who are either stateless, or have not the effective protection of any Government. Of this number approximately 2,000 clearly come within the mandate of the Intergovernmental Committee as being persons who have had to 'leave their countries of residence because of the danger to their lives or liberties on account of their race, religion or political beliefs'. About 1,200 of them are in Spain and about 800 in Portugal. Of the 2,000, about 70% are Jews, about 10% Catholics and the remainder are Protestants or without any religious affiliation. About 25% of the total are of Central or East European origin; there is a small group of anti-Fascist Italians who should be repatriable to Italy,

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and the remainder are of various national origins. The great majority have come to Spain and Portugal since 1939 as refugees from racial or religious persecution. None of those included in the 2,000 is of Spanish or Portuguese origin. Practically all of them are without any legal right of settled residence, or of employment.

"2. The voluntary organisations engaged in the assistance of the above persons are:

American Friends Service Committee  
American Jewish Joint Distribution  
Committee  
Brethren Service Committee  
Unitarian Service Committee  
War Relief Services of the National  
Catholic Welfare Conference

They have done excellent work in furthering the interests of the stateless, in the relief of distress and welfare, and in the transfer to other countries of some thousands of refugees. Since 1940 they have spent more than £1,000,000 on these activities, and their expenditure is still at the rate of £32,500 per annum approximately.

"The five organisations have now collectively approached the Intergovernmental Committee with the request that they should be relieved of the whole, or of a large part, of the financial burden which they are bearing. They state that they undertook this work when there was no international organisation equipped with the necessary funds, and when, owing to the occupation of the Axis of the greater part of Europe, there was comparatively little demand for their services elsewhere. They say, with reason, that the persons who are now left are for the most part non-sectarian, and that the solution of the problem depends very largely on the finding of new homes for them, a task which should be undertaken by an international organisation

rather than by voluntary organisations. They state that with the liberation of various countries the scope of their work has been greatly extended, and the demands on their resources very much enlarged. They therefore feel unable to continue the financial assistance which they have previously given. At the same time, they are ready to contribute the services of their staff, and to continue to assist those who do not come clearly within the mandate of the Committee.

"3. The request of the organisations deserves sympathetic consideration. Had they not assumed large financial responsibilities and given most valuable services, the Intergovernmental Committee, after re-organisation, would have had to undertake the work which they have been doing. At the same time, it would be contrary to the general policy of the Committee to relieve them entirely of their responsibility, since it is the aim of the Committee to encourage and to stimulate voluntary effort so far as possible. Nor should the Committee assume an indefinite liability. It may be found that despite every effort to find new homes for these persons, there will remain a certain number of individuals for whom nothing can be done in this respect, and who will remain a continuing charge on humanitarian assistance. Such cases will more properly be the responsibility of private organisations than of an international one.

"Bearing these considerations in mind, it is therefore proposed:

- (a) That the Intergovernmental Committee should assume responsibility for the maintenance, welfare and other expenses of the persons, approximately 2,000 in number, who clearly come within its mandate.
- (b) That this responsibility should be undertaken until the end of the current year, and

London/159

- 5 -

that the position should be reviewed about October next with reference to further arrangements.

(c) That the voluntary organisations concerned should continue to be responsible for those not clearly within the mandate of the Intergovernmental Committee, and that in addition they should contribute free the administrative and welfare services which they are now giving.

"4. On this basis the estimate of the monthly cost of the proposal is:

(i) Spain 1,200 persons at £18 per  
month - £21,600

(ii) Portugal 800 persons at £8 per  
month - £6,400

- £28,000 per month

It is proposed that the Committee should assume responsibility with effect from the 1st May, 1945. The estimate for the year 1945 would therefore be:

$£28,000 \times 8 = £224,000$

There should, however, be savings on this estimate. It may be hoped that permanent arrangements will be made for some persons before the end of the year, making them independent. It should also be possible, and this object will be kept definitely in view, to find some less expensive places of temporary asylum than Spain, where the cost of maintenance is very high. Allowing for these two factors, the estimate can be reduced to £200,000 up to the 31st December, 1945. I would ask approval for this sum which will be included within the budget estimate for 1945 of £2,000,000 for operational expenditure:

London/159

- 6 -

"5. It is not proposed that the Committee should set up its own relief organisation, but that it should use the voluntary organisations as agents. In Spain, the five organisations in question are already acting through a co-ordinated agency known as 'The Representation in Spain of American Relief Organisations'. The Committee would use this agency. Efforts will be made by arrangement with the voluntary organisations to secure a similar co-ordinated agency in Portugal. It is not proposed that the Committee should have its own resident representatives in Spain and Portugal, an arrangement which, indeed, might not be acceptable to the Governments of those countries. It is contemplated, however, that Mr. Beckelman, who has recently been appointed Assistant Director of the Committee, should visit Spain and Portugal as soon as the scheme is sanctioned, in order that he may get it into satisfactory operation, and that later he should visit the two countries at fairly regular intervals. Mr. Beckelman, who was in charge of the refugee camp at Fedhala in Morocco, has visited Spain and Portugal extensively in connection with that camp, and is well acquainted with the nature of the problem.

"6. It will be necessary to obtain the agreements of the Governments of Spain and Portugal to the participation of the Intergovernmental Committee in work in those countries. The necessary steps will be taken to secure this when the financial proposals have been approved by the Governments of the United Kingdom and the United States of America, and the scheme in general has been sanctioned by the Executive Committee."

WIMANT

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 CABLE SOONEST YOUR RECOMMENDATIONS FOR  
MARCH BUDGETARY GRANTS. NOEL ARNOVICI RECEIVED RE-ENTRY  
PERMIT PROCEEDING APPLY FOR BRITISH VISA CAN YOU EXPEDITE?  
UNQUOTE

2:30 p.m.  
February 17, 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 REFERENCE JACOBSON'S CABLE TO HICEM REGARDING WORLD  
JEWISH CONGRESS PROPOSAL INTERCROSS OPERATE WITH OUR FUNDS IN  
THEIR NAME IN SOUTHEASTERN EUROPE ASSUME YOU COMMUNICATING  
INTERCROSS GENEVA THIS NOT ACCEPTABLE TO US. NO REASON WHY  
JOINT CANNOT OPERATE IN ITS OWN NAME IN THESE COUNTRIES AND  
FILDERMAN SHOULD BE INSTRUCTED ACCORDINGLY. ALTHOUGH MAKING  
EVERY EFFORT SECURE ADMISSION OUR REPRESENTATIVE RUMANIA WE  
HAVE NOT YET OBTAINED CLEARANCE. UNQUOTE

2:30 p.m.  
February 17, 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 REFERENCE RESNIK'S CABLE PROJECTED EMIGRATION 900 CHILDREN 100 ADULTS FROM GREECE WE DISTURBED EXCESSIVE COST \$600 PER PASSAGE UNLESS EMIGRATION OF GROUP IS MATTER OF LIFE AND DEATH WE CANNOT AUTHORIZE SUCH EXCESSIVE COSTS EVEN BY PARTIAL PARTICIPATION ADVISE YOUR RECOMMENDATIONS. UNQUOTE

2:30 p.m.  
February 17, 1945

HF-1045  
This telegram must be pa  
paraphrased before being  
communicated to anyone  
other than a Government  
Agency. (RESTRICTED)

Rome  
Dated February 17, 1945  
Rec'd 5:10 p.m.

Secretary of State  
Washington

446, February 17, 10 a.m.

FOR LEAVITT, JDC NEW YORK, FROM RESNIK

One. Fully informed on Zelli incident which causing  
considerable uneasiness and unrest here. Incident  
likely to accelerate community elections which will  
probably result in Ottolenghi's replacement.

Considerable resentment being expressed toward  
Giuseppi Nathan, Commissioner for Union Communities  
liberated Italy.

Irresponsible action being suggested by outside  
influences which we trying to neutralize and hold  
in line. Our point of view is that local community  
must solve its problems which, in fact, it has since  
Zelli resigned from Rabbinate February first and the  
incident did not occur until February 13. Some of  
local general press deplore incident.

KIRK

JT

MES-1050

PLAIN

Rome

Dated February 17, 1945

Rcv'd. 5:10 p.m.

Secretary of State,  
Washington.

449, Seventeenth, 10 a.m.

FOR MAX PEARLMAN AMERICAN JOINT DISTRIBUTION  
COMMITTEE NEW YORK FROM RESNEK. NUMBER 2.

Alexander returning US on his return here in line  
with your recommendations our findings will not be on our  
staff. Please inform interested parties.

KIRK

MEM

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 FOLLOWING CABLED TO JOSEPH SCHWARTZ TODAY:  
INNERQUOTE REFERENCE RESNIK'S CABLE PROJECTED  
EMIGRATION 900 CHILDREN 100 ADULTS FROM GREECE WE  
DISTURBED EXCESSIVE COST \$600 PER PASSAGE UNLESS  
EMIGRATION OF GROUP IS MATTER OF LIFE AND DEATH WE  
CANNOT AUTHORIZE SUCH EXCESSIVE COSTS EVEN BY PARTIAL  
PARTICIPATION ADVISE YOUR RECOMMENDATIONS. END INNERQUOTE  
UNQUOTE

2:30 p.m.  
February 17, 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 ADVISE SCHWARTZ WE APPLYING FOR LICENSE REMIT \$10,000  
GOTTFARB FOR PURCHASE SWEDEN MEDICAL SUPPLIES FOR CZECHOSLOVAKIA.  
YOUR 161 YOU AUTHORIZED INSTRUCT GOTTFARB USE \$10,000 FROM BALANCE  
MARGOLIS LEFT FOR MEDICAL SUPPLIES POLAND. APPLIED LICENSE USE  
BALANCE \$16,000 FOR POLAND AND REMITTING ADDITIONAL \$9,000 TOTAL  
\$25,000 MAKING GRAND TOTAL \$35,000 MEDICAL SUPPLIES POLAND. UNQUOTE

THIS IS WRB LISBON CABLE NO. 143.

2:30 p.m.  
February 17, 1945

MES-1067  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

Lisbon  
Dated February 17, 1945  
Rec'd. 5:32 p.m.

Secretary of State

Washington.

373, February 17, 1 p.m.

THIS IS WRB 326. USC 416 FOR CHARLES JOY FROM

MARTHA SHARP

One-hundred Mexican visas urgently requested by American and British Embassies. This request is known to State Department and recommendation made that American transit visa procedure be simplified for Spanish cases. This action imperative to improve agency relationships. Essential that Delvaye press visas in Mexico and reach agreements jointly with both Ministry of Interior and Foreign Affairs of Mexican Government. Previous agreement Delvaye with Mexican Foreign Affairs never completed which reason that permission not received here. If impossible Delvaye go urgent that someone else go. Forty Bryan cases in prison and immediate action required in crisis.

CROCKER

WTD

PEM-996  
Distribution of true  
reading only by special  
arrangement. (SECRET-W)

Bern

Dated February 17, 1945

Rec'd 2:16 p.m.

268

Secretary of State,

Washington.

1057, February 17, 9 a.m.

FOR WRB FROM MCKELLAND. FOR ABRIET ARTAKOWER OF  
WORLD JEWISH CONGRESS FROM RIKONER

"Congress Geneva was not instrumental in release of  
1,200 people from Theresienstadt who recently arrived  
Switzerland. This was apparently organized by Agudists.  
Stockholm office intimates their negotiations were  
helpful in this question.

According information furnished by people in this  
group about 13,000 Jews remain Theresienstadt of whom  
10,000 old internees 3,000 newcomers. Of latter about  
2,000 Christians of Jewish descent and 'mischling' in-  
cluding some 600 Slovakian Jewish women who recently  
reached Theresienstadt from Serec under leadership  
Maidanileader Schoenhauser. In September apparently  
5,000 left Theresienstadt for labor in Reich. In Octo-  
ber 18,000 more departed ostensibly for same purpose.  
According testimony two persons escaped from Birkenau  
these 18,000 were first sent there and shortly afterwards  
transferred into Germany.

Of former members Theresienstadt 'aeltestenrat'  
Edelstein seems no longer to be alive; Eppstein is in  
concentration camp. Otto Zucker, Fritz Kahn, Stricker,  
Hannastainer and greater part old Zionists seem to have  
left with autumn transports. Aeltestenrat now under  
direction Marmelstein from Vienna Professor Cohen from  
Amsterdam Rabbi Friediger from Copenhagen former Czech  
Minister Weissner and Moritz Menschel. Rabbi Leo Baeck  
also still there. Conditions in Theresienstadt on whole  
hard people working 15 hours daily. Many old persons  
dying from malnutrition. Individual parcels from Sweden  
arrive satisfactorily. WRB will shortly have list of  
1200.

HARRISON

## PARAPHRASE OF TELEGRAM RECEIVED

**FROM:** American Embassy, Moscow via Army  
**TO:** Secretary of State, Washington  
**DATED:** February 17, 1945  
**NUMBER:** 451

CONFIDENTIAL

The following is for War Refugee Board's information.

You are again referred to my message No. 378, dated February 9, with regard to conditions at Oswiecim (German concentration camp). The Polish information service has given me a report from a Polish correspondent which says that the Germans began to evacuate prisoners from the camp on February 22 of last year. 160,000 persons were imprisoned at Oswiecim at that time, according to this report. Only 60,000 remained by January 1 of this year and the final liquidation began on January 18. Those persons unable to walk at that time were shot and only 6,000 remained there January 21. Only the Red Army's fast advance saved these. Women, Children and old men from Warsaw in addition to citizens of all European nations were included among the inmates. In addition there was a barracks for the mentally ill. The Germans murdered four million persons of twenty-eight nationalities at the camp, according to statements of prisoners there.

A space of more than fifty square kilometers was covered by the camp and a number of factories were built in the area. Gasoline and synthetic rubber factories as well as factories of the German Farben Industrie were among these. No wages were paid to prison labor and persons who became exhausted were cremated. There was set up at Oswiecim an experimental laboratory using prisoners. Experiments on artificial insemination were conducted by two German doctors, Schuman and Klambert. When these doctors were through with the persons used for experimentation, the persons were cremated.

A description of systems of torture used on prisoners was then given in the report.

The Red Army found only 4,500 prisoners in the Brzezinski camp which is a few kilometers from Oswiecim, according to the report. There were 900 men, 200 old women and 500 orphans deported from Warsaw following the uprising among this group. On January 21 a total of 983 women comprised the female population at Brzezinski. 29 Yugoslavs, 618 Jews, 20 French, 314 Russians, 2 Belgians, 29 Germans and 22 Italians were among these.

HARRIMAN

NOT TO BE RETRANSMITTED

COPY NO. 4

~~TOP~~ SECRET  
O. T. P.  
OPTEL NO. 55.

Information received up to 10 A.M. 17th Feb. 1945.

NAVAL

1. Norwegian Waters.

15th. H.M. Destroyers embarked 500 civilian residents of Soroy Island (West of North Cape) whom had been harassed by number small German Ships.

MILITARY

2. Western Front.

Northern Sector. British and Canadian troops continued make good progress: on right British troops within 1,000 yards Afferden, in centre within 4,000 yards Goch while on left Canadian troops now within 3,000 yards Calcar. Numerous small scale enemy counter attacks repeatedly beaten off with heavy loss to enemy.

3. Eastern Front.

Northern Sector. Further progress made North Torun where Jezfwo captured.

Central Sector. Breslau encircled and 200 localities occupied among which Hundsfeld and Wansen (4 miles N.E. and 20 miles S.E. of city).

4. Burma.

Central Sector. Allied bridgeheads over Irrawaddy enlarged.

Northern Sector. Chinese troops now within 5 miles Nantu and 4 miles Hsenwi (25 miles N.W. and 30 miles N.E. Lashi respectively).

AIR

5. Western Front.

16th. Escorted Lancasters of Bomber Command 95 attacked Wesel (418 tons) in clear weather where bombing well concentrated. Escorted U.S. Heavy Bombers 981 (missing 10, outstanding but believed safe 57) dropped 2442 tons on 12 targets N.W. Germany including oil plants at Nordstern (275 tons), Dortmund (462 tons), and Salzbergen (113 tons); railway centres at Rheine (249 tons), Osnabruck (398 tons), Hamm (534 tons), Munster (66 tons) and Wesel (169 tons). Results were mainly unobserved and no enemy aircraft seen. SHAEF (Air): Bombers 424 (missing 8) attacked communications, airfields, close support targets on whole front while Fighters and Fighter Bombers 2040 attacked communications destroying or damaging 204 locomotives, 1787 rail wagons, 392 MT, 67 AFV and cutting railways in

- 2 -

236 places.

6. Mediterranean.

13th/14th (night). Heavy Bombers 61 successfully bombed railway centre Graz (145 tons).

14th. Escorted heavies 625 (missing Bombers 3 and Fighters 3) dropped 721 tons on four oil refineries near Vienna with poor to fair results and 408 tons on six railway centres Austria and Yugoslavia where results mainly good. Medium and Fighter Bombers 309 (missing 2) effectively attacked communications and factories Brenner route and North Italy.

HOME SECURITY (up to 7 A.M. 17th).

7. Rockets.

16th. One incident reported.

16th/17th (night). Ten incidents reported.

2/18/45

PHILADELPHIA

SUNDAY, FEBRUARY 18

Washington to Philadelphia - 125 miles - 45 minutes - Mustin Field

Reservations at Barclay Hotel

(The Barclay Hotel, the Warwick Hotel and the Racquette Club are all within two blocks of each other, and this area is about 10 to 15 minutes drive from the University.)

- 12:45 p.m. Press Conference - Barclay Hotel - English Room (2nd floor)
- 1:00 McLean-Stodghill Lunch - Barclay Hotel - 2nd floor (Room adjoining English Room) - Approximately 15 people
- 4:00 Rehearsal with Lt. Levy - Barclay Hotel
- 4:45 ? <sup>5:00</sup> Dress Rehearsal - Irvine Auditorium (University of Penna.)  
 Note: In event newsreel coverage is obtained, we will have them set up in Irvine Auditorium for shooting either before or after rehearsal at your convenience.
- 6:00 Gulf Oil Company Reception - Mr. Garrett, Vice President Racquette Club
- 6:30 Dinner - J. David Stern (Warwick Hotel - approximately 35 people) - You will be free by 8:30
- 10:30 "We, The People" Broadcast from Irvine Auditorium (CBS)  
A-Bond Redemptions

\*\*\*\*\*

NEW YORK

THURSDAY, FEBRUARY 22

Washington to New York - 222 miles - 1 hr. 15 minutes - LaGuardia Field

Reservations at Waldorf Astoria

National Council of American Soviet Friendship  
Waldorf Astoria

- 7:00 Reception - Astor Room
- 7:30 Dinner - Grand Ball Room
- 10:15 - 10:30 Red Army Day Broadcast from Waldorf Astoria (Mutual)

\*\*\*\*\*

2/18/45

Reading copy of Secretary's broadcast  
on "We the People" program from Philadelphia,  
February 18.

SUNDAY, FEBRUARY 18, 1945

WE THE PEOPLE SPEAK

R O U T I N E

ACTS	PAGE NO.
1. DR. HENRY HAZARD	3
2. PFC. HENRY JAHN	5
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4. CHRIST CHURCH - HARVEY MERTZ	10
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7. BOND HOLDERS	18

WE THE PEOPLE  
GULF OIL COMPANY  
(FANFARE)

-1-

SUNDAY, FEBRUARY 18, 1945  
10:30 -- 11:00 P.M.

BOULTON

The Gulf Oil Companies and your neighborhood good Gulf Dealer  
present WE THE PEOPLE.

(THEME)

BOULTON

Good evening, everyone. This is Milo Boulton welcoming you to  
a special broadcast of WE THE PEOPLE which GULF OIL is privileged  
to present. Tonight gathered in Philadelphia at the University  
of Pennsylvania's Irvine Auditorium are people here with one  
common purpose -- to honor a man who was a living symbol of  
liberty - Philadelphia's most celebrated citizen, Benjamin  
Franklin.

~~\_\_\_\_\_~~  
At our GULF OIL microphone <sup>TONIGHT WILL BE</sup> that famous British comedienne,  
Beatrice Lillie. And here ~~\_\_\_\_\_~~ to bring you ~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~ WE THE PEOPLE's ~~\_\_\_\_\_~~ guests is one of the great  
leaders of wartime America, the Secretary of the Treasury. (MUSIC  
OUT) WE THE PEOPLE is proud to present your host for tonight -  
Mr. Henry Morgenthau, Jr.

APPLAUSE

MORGENTHAU...

Thank you. And the thanks of the Treasury Department to the Gulf Oil Companies for making this special broadcast possible. (SNEAK MUSIC) I'm very glad to be here in Philadelphia at the University of Pennsylvania which Franklin founded. I'm glad to be here because in a very few days we celebrate the tenth anniversary of savings Bonds....popularly called "Baby Bonds" when the program started in March of 1935. It was Benjamin Franklin who long ago said, "A penny saved is a penny earned" - which applies particularly to these Bonds. Franklin gave much other good advice about money, and to all of us he has become the legendary Father of Thrift. So, when WE THE PEOPLE invited me to participate, in this special program commemorating this tenth anniversary, it was altogether fitting that we broadcast from Franklin's own beloved Philadelphia, and that we meet some of Franklin's fellow citizens, but of another generation.

(over)

MORGENTHAU...

In a letter to a friend, Benjamin Franklin once said: "Our country offers to strangers a good climate, fertile soil, wise laws, liberty, a good people to live among, and a hearty welcome." Nobody knows better than our first guest how much meaning that remark has to those foreign-born who want to become a part of our American life. He is Dr. Henry B. Hazard of Philadelphia, special representative of the Immigration and Naturalization Service. Dr. Hazard.

HAZARD...

My job is to cover the fighting fronts and take citizenship to non citizens fighting with our armed forces who want to become citizens. In 1942 I covered the European Theatre. I've just returned from a 50,000 mile trip through the Pacific. For instance, at Maffin Bay I worked within 300 yards of the actual fighting.

  
I'd give the <sup>MEN</sup> the oath and they would go back into combat as citizens of the United States.

MORGENTHAU. .

How many new citizens from the Armed Forces overseas have you sworn in?

HAZARD

Mr. Morgenthau, sixty-five hundred -- that includes women, too.

MORGENTHAU

Did you go every place where there were applicants?

HAZARD...

Every place. Even to little Christmas Island where there was only one man who awaited the oath. [REDACTED] [REDACTED]. He was standing on the airstrip waiting for me. The pilot told me he could stop only long enough to refuel. [REDACTED]

[REDACTED]

So I administered the oath standing in the doorway of the plane, and as I finished the last words the door slammed and we roared away...and left the soldier standing there, tears of joy streaming down his face at the privilege of becoming a citizen. And, Mr. Secretary, I want to report that this man's deep emotion was typical of all those I naturalized on the fighting fronts. They are men who, appreciate our form of government, wise laws and good people. They're the kind of people Ben Franklin would have given a hearty welcome to.

(over)

MORGENTHAU . . .

I can understand that, Dr. Hazard, and Franklin would have welcomed our next guest. He's a 21 year old fighting man who became a citizen 9 years ago. He is wearing the Purple Heart with two oak leaf clusters, and The Silver Star, which was awarded him for knocking out two machine gun nests in Germany. Private First Class Henry Jahn.

JAHN ...

Nine years ago I was a full-fledged member of the Hitler Youth in the Thuringen district of Germany. I was 12 years old. It was easy for me <sup>THEN</sup> to believe the Nazi theory of a super race. ~~\_\_\_\_\_~~

MORGENTHAU . . .

Henry, how did you reconcile the Nazi doctrine to American principles of liberty when you arrived here?

JAHN:..

Mr. Secretary, ~~\_\_\_\_\_~~, it was hard to get rid of the ideas that had been pounded into my head for six years. I was surprised at my father's friendship with his Jewish neighbors. In Germany that was "verboten."

MORGENTHAU . . .

What was the first thing you ~~\_\_\_\_\_~~ did when you arrived, Henry?

JAHN...

*My father*  
He took me to the top of the Empire State Building where we could see all of New York. Then my father said: "Americans are a great people. They build cities like this across the country. But even greater than that, son, they are a free people -- (MUSIC SNEAK) -- free to worship as they please, make their own friends,

to think their own thoughts." Just from talking to my father and seeing how Americans lived, I became convinced particularly after living in Germany that there was only one country for me -- the United States.

(MUSIC TO FINISH)

(MUSIC AND UNDER)

MORGENTHAU...

In 1783, Benjamin Franklin saw Paris's first balloon ascension. With far-reaching vision, he realized he had seen a world-shaking experiment. And later he wrote....

VOICE....

This discovery may give a new turn to human affairs ... convincing sovereigns of the folly of wars. Ten thousand men descending from the clouds might do a deal of mischief before a force could be brought to repel them.

(MUSIC HITS AND UNDER)

MORGENTHAU...

It is amazing to think that out of that prophecy, made when no one had dreamed of war from the air, has come the B-29 Superfortress. WE THE PEOPLE's next guest was in command of the B-29's in China, when they made their first raid over Japan. He is Major General Kenneth B. Wolfe. And right now he's at a microphone in Dayton, Ohio, headquarters for the Air ~~Service~~ <sup>TECHNICAL</sup> ~~Service~~ <sup>SERVILE</sup> Command -- of which he's now, Chief of Engineering and Procurement. General Wolfe.

GENERAL WOLFE...

Thank you, Mr. Secretary. I think all of you remember the date of the B-29's first raid on Japan -- June 15th, 1944. Only three days ago, superforts bombed Japan's Nagoya aircraft plant, and made a heavy dent in the enemy's ability to intercept the great Navy carrier strike of the following day. ~~and~~

~~\_\_\_\_\_~~  
America has a right to be proud of the B-29...and of the little-known man most responsible for her design and engineering work. He's Edward Curtis Wells, Chief Engineer of Boeing Aircraft. ~~We at Wright Field~~

CAME  
A

~~\_\_\_\_\_~~  
to rely on Ed Wells for the answers to many of our questions. Right now it's my pleasure to reveal to the people of America that Ed Wells is the winner of the Fawcett Aviation Award for 1944. This award is presented every year by the Fawcett Publications to the person making the greatest scientific contribution to aviation. With it goes a handsome trophy and a check for one thousand dollars. Right now, Mr. Wells is with Secretary Morgenthau at WE THE PEOPLE's Philadelphia microphone. Ed -- I wish I could be there to shake your hand personally. But I'll do that later. Meantime -- my heartiest congratulations.

WELLS....

Thank you, General Wolfe. And my thanks also to Fawcett Publications. The honor really falls to the thousands of men and women at Boeing - and to men like General Wolfe who carried the superforts into action.

MORGENTHAU...

Mr. Wells -- Will you tell us something of how the B-29 came into being?

WELLS....

Well, Mr. Morgenthau, the father of the B-29 was the Boeing Flying Fortress. And that plane was born when the Army invited aircraft plants to enter a competition for multi-engine ships. In 1935 she set a world's record, flying from Seattle to Dayton, to enter the Army Air Corps' competitive trials. Conceived seven years before Pearl Harbor, the Flying Fortress more than any other plane, anticipated the global task of this war.

(over)

~~... and ... Not  
...  
... would be great a price to pay for~~

MORGENTHAU...

But later you went ahead to develop an even greater plane -the B-29.

WELLS...

Yes -- it was our answer to the need for a long range bomber that could operate in the substratosphere. When its war job is completed, the B-29 will be the super-luxury cruiser of the postwar world.

MORGENTHAU...

And as a military weapon, let us hope the B-29 will help to fulfill Franklin's prediction -- convincing sovereigns, like Hirohito, and dictators, like Hitler, of the folly of stirring up wars.

(MUSIC TO FINISH) (SEGUE)

(over)

MUSIC & UNDER

MORGENTHAU....

Two hundred years ago, when Philadelphia was in its infancy, the hub of the city was the corner of 2nd and Market. A court house stood on that corner, and 100 paces from there, Christ Church, its 80 foot tower casting a shadow across the heart of the city. Sundays brought a good many people to Christ Church - Betsy Ross, General Washington. And often with them came Benjamin Franklin. It was on the grounds of this Christ Church that Franklin was buried. Right now I'd like you to meet the sexton of that church. He's Mr. Harvey Mertz and he's waiting to speak to you direct from old Christ Church itself.

(SWITCH TO CHRIST CHURCH)

MERTZ ...

Thank you Mr. Morgenthau. I'm standing on a platform half way up the tower of Christ Church. Benjamin Franklin helped to build this tower to house our bells. For 31 years I've rung those bells, and for 161 years before me other sextons have rung them. Back in 1754 they were brought to this church from England. And during the British occupation they were taken away and hidden to keep them from being melted down for ammunition by the British, but they were restored in time to peal forth the Declaration of Independence. Right now, on this Sunday evening, I'd like the bells of Christ Church to ring out for WE THE PEOPLE all over the country.

(BELLS PEAL)

(SWITCH TO IRVINE HALL)

(ON CUE)

MORGENTHAU..

Thank you Harvey Mertz.

(MUSIC)

(MUSIC & UNDER)

MORGENTHAU...

On a famous bust of Benjamin Franklin made during his lifetime, there is this inscription: "He snatched the thunderbolt from heaven, the sceptre from tyrants." Today there are millions of fighting Americans snatching the sceptres from the tyrants in Germany and Japan. Here is Lieutenant Joseph McCabe, U.S. Naval Reserve, who has just returned from the Philippines.

MCCABE...

I was a patrol plane commander with the Black Cat Squadron in the South Pacific. The Black Cat<sup>sank</sup>/four hundred thousand tons of Jap ships. You see, sir, we concentrate on night shipping attacks. One night, off Leyte, fog had completely obscured the moon. Suddenly, the moon broke through the fog, and we found ourselves heading straight for the mast of a Jap merchant ship. We swung away just in time, but we dropped a bomb dead center on the ship and sank her.

MORGENTHAU...

Well, ladies and gentlemen -- that's one of the many heroes Philadelphia has produced. And now I'd like you to meet two members of our armed forces who grew up together in a Philadelphia suburb -- Lieutenant Carleton Rue, of the Marine Corps, and pretty Lieut. Phyllis Rowand of the Army Nurse Corps. Lt. Rowand.

HOWAND...

Mr. Secretary, Carleton was my beau all through school until April, 1941, when I volunteered as an Army nurse, and I was sent overseas.

RUE...

Yes, the next thing I knew, I got a letter from her from the Canal Zone. The letter was two pages long but the censor only left about four words in it.

ROWAND...

But I sent you another letter as soon as I reached Melbourne.

RUE...

That's right. I got it just before we were shipped to invade Guadalcanal.

[REDACTED]

*BUT A YEAR LATER, MR. MORGENTHAU, I MET*  
her in Melbourne. Do you remember, Phyllis?

ROWAND...

Do I remember? You see, Mr. Secretary, we got married in Melbourne.

**MORGENTHAU...**

And you got a honeymoon trip home to Philadelphia?

ROWAND...

Not exactly, I was sent back to Fort Dix after 35 months overseas. Carl <sup>Te</sup> [REDACTED] the Philadelphia Naval Hospital. You see, last September, he was wounded by a Jap on Peleliu. As some of his men tried to help him off with his belt, another Jap tossed a grenade right in the middle of them. Carl fell on the grenade and saved the lives of three of his men but it tore him up so badly, they had to send him here -- it's sort of a delayed honeymoon for us.

*(over)*

MORGENTHAU.

Well, congratulations to you, Lieutenant Rouh -- because I've heard that you've been recommended to receive a high honor. Great happiness to you both on your belated honeymoon.

(MUSIC - CURTAIN)

(over)

MORGENTHAU..

If Benjamin Franklin were privileged to introduce our next guest, I believe he might repeat something he once said: "Of all the enviable things England has, I envy it most its people." For our guest is one of England's best-loved people, known in the four corners of the world as a great entertainer, and to the fighting forces of the Allies as an ambassador of good cheer. Tonight she makes her first national radio broadcast, since her arrival in this country. Miss Beatrice Lillie.

(APPLAUSE)

MISS LILLIE...

Thank you, Mr. Secretary. That audience reception brings a great feeling of nostalgia to me. Of course, I mean the woo-woo and the (SHE WHISTLES)

MORGENTHAU..

Miss Lillie, we are most eager to hear of your war experiences.

MISS LILLIE...

Well, Mr. Morgenthau, I visited troops all over Africa. I remember particularly Tunis. I slept in the bed that the Nazi general, Von Arnheim, had occupied. Our troops had rid Tunis of the Nazis but I soon discovered they hadn't got rid of all the pests. Over the bed was one of those nettings to keep the mosquitoes off. But the mosquitoes always got under the net first. So I slept on top. It was in Africa I had my first introduction to your American G.I.'s. One day an American soldier came up to me and said, "Miss Lillie, are you just entertaining the British?" I said, "Naturally not. Why do

MISS LILLIE (CONTINUED)

you ask?" With that typical Yankee come-on he said, "Well we like you too, and there's no room for us in the theatre." I told him our troupe would do a special performance for them that afternoon. His face broke into a grin and he said, "Now you're buzzin', cousin."

MORGENTHAU.

Miss Lillie, after D-Day did you get over to the continent?

MISS LILLIE...

Oh yes! I'll never forget your magnificent General Eisenhower. We'd had a very full day -- four performances. Later, after a supper, General Eisenhower gave us, he said he felt we had done enough for one day and that now he would entertain us. And believe it or not, Mr. Secretary, he did. General Eisenhower played the piano. And rather good, too!

MORGENTHAU

Miss Lillie, I understand you arrived in the United States on a ship carrying a number of American wounded.

MISS LILLIE...

Yes, and I must say they kept me rather busy. If I should go on deck for a bit of fresh air, the men would think of some excuse to get me down to the hospital bays again. For instance, one day one of your lads said, "We've got a bet on with the men in the next bay. If you're over 35, we've lost." I said, "Well, sonny, you've lost." You know, Mr. Morgenthau, hospital tours have always been the most difficult for me. I always think I shan't say the right thing, but somehow it always comes off all right.

MORGENTHAU..

I'm sure it does. And, Miss Lillie, I want you to know how happy I am to meet you tonight and to hear your war experience.

My son <sup>ROBERT</sup> who is now <sup>IN THE PACIFIC</sup> ~~has~~ spoken often of you and your gallant young son <sup>ROBERT</sup> who was lost saving some of his companions...

Now I know all are looking forward to hearing you sing one of the songs that has lightened the hearts of so many thousand British Tommies and American G.I.'s.

(MISS LILLIE: SONG)

(APPLAUSE)

(MUSIC)

(over)

MORGENTHAU

It was just 10 years ago that the government put on sale the first Baby Bonds. These Bonds meant a great deal to me -- they had long been one of my favorite ideas. For to me they symbolized democratic finance at its best;--here was a Bond that the average American could buy, to help himself and help his government. I even hoped that someday, as many as 5 million Americans might invest in these Bonds. No one could have dreamt, at the time, that a day would soon come when these Baby Bonds would become Defense Bonds, and then War Bonds. That they would be one of our best means for financing our fight for survival, in a voluntary, democratic and non-inflationary manner. Yet, that is exactly what these Bonds are -- and instead of 5 million, over 85 million Americans have purchased them. Had we planned it for the events to follow, a better job could not have been done... Ben Franklin might have had ~~three~~ <sup>our next</sup> ~~three~~ <sup>three</sup> guests in mind when he said, "Get what you can, and what you get hold." For when the government put on sale the first Baby Bonds that were issued 10 years ago, they were among those who bought them. Tonight I'd like you to meet three of these people. The first is Mr. Harold S. Daniels. Mr. Daniels, what do you do here in Philadelphia?

PAUSE

DANIELS...

I'm with the War Manpower Commission, Mr. Secretary, out at the Philadelphia Naval Hospital.

MORGENTHAU...

How many of those Bonds did you buy in 1935, Mr. Daniels?

DANIELS...

Two of them. And I've been buying Bonds ever since. You see, I was in the last war. My son and son-in-law are in this war. I know what war is like -- and I also know that buying Bonds will help -- and I can't think of a better plan than this way of saving my money and having it work for freedom at the same time.

MORGENTHAU...

Neither could I. Back in 1935, thousands of farsighted Americans began to put their savings in Baby Bonds. That was the year, you'll remember, when Japan started the year off by repudiating the Washington Naval Treaty ... when Hitler's gangster government officially adopted the most dreaded symbol of our times, the swastika.

Those Baby Bonds have been doing double duty since 1935 - they've helped the Government, and helped their owners. "The proper use of money", as Ben Franklin declared, "is all the advantage there is in having it". Well, he'd certainly agree that you, Mr. Daniels, and thousands of others like yourself, have used your money well - and to the best advantage.

DANIELS...

Mr. Secretary, I'd like you to meet Gretchen Fuges.

(over)

MORGENTHAU...

Hello, Gretchen.

FUGES...

How do you do, Mr. Morgenthau.

MORGENTHAU...

How old are you, Gretchen?

FUGES...

I'm 11, sir.

MORGENTHAU...

Well, Gretchen, you must have been just one year old when the Bonds came out. How did you get yours?

FUGES...

It was a birthday present for my first birthday. The Bond and me sort of grew up together.

MORGENTHAU...

Well, in just a few weeks, Gretchen, that Bond will mature and you will <sup>RECEIVE</sup> ~~have~~ \$25. What do you think you'll do with all that money?

FUGES... ..

Why, I'm going to put it right back in War Bonds. Uncle Sam needs the money now more than ever - and, of course, we all ought to help.

MORGENTHAU

Congratulations, Gretchen. And here's something <sup>FOR ALL OF YOU</sup> to remember, too: your original \$18.75 Baby Bond has now grown to \$25.

And your \$25 during the next 10 years will grow to \$33.31.

That means, by 1955 your original \$18.75 will have increased by over 77 per cent. Just think of it, by over 77 per cent!

**AND THAT'S A LOT OF MONEY.**

FUGES...

IT'S SURE <sup>IS</sup> Mr. Secretary, ~~she really knew that~~ ~~she~~ ~~be sorry she hadn't bought me more.~~ Now here's a man I want you to meet, Mr. Morgenthau. He buys Bonds too. His name's Mr. Damiani.

DAMIANI...

Hello, Mr. Secretary.

MORGENTHAU..

I'm glad to meet you, Mr. Damiani. Would you mind telling us how old you are?

DAMIANI

I'm 80, Mr. Secretary.

MORGENTHAU..

Well, tell me, what made you start buying Bonds in 1935?

DAMIANI...

~~When I first came over from Italy, I worked in Gimbela here in Philadelphia.~~ I was a tailor, and every day at lunch time I used to go over to the post office. The men that worked there told me about the Bonds. I was then 70 years old and I thought that soon I'd be getting to be an old man and I should have some security. So I bought some of the Bonds. That was ten years ago - and I've kept on ever since. First it was Baby Bonds, then Defense Bonds, now War Bonds - and I've got every one I bought too. ~~Looking back now, I can see that buying those bonds was the smartest thing I ever did.~~ I'll be all set if a rainy day comes along.

(over)

MORGENTHAU

That's exactly what they're for, Mr. Damiani. They're helping to see the country through its stormiest days, and they'll be there to help people like yourself, should the need ever arise. These Bonds are for the young - they're for the old - they're for everybody.

Back in March, 1935, thousands of Americans invested 27 million dollars in Baby Bonds. In a few days now, those Bonds will mature - and these thousands of Americans will receive 36 million dollars - 4 dollars for every 3 they put in.



(MUSIC SNEAK)

Once before, when we were struggling for freedom, and trying to build a better world, Franklin said something that is as true today as it was then: "We should not imagine ourselves already in peace. War may still continue longer than we expect. Our people certainly ought to do more for themselves. It is absurd, pretending to be lovers of liberty while we grudge paying for the defense of it."

(End)

(BOULTON: WE THE PEOPLE SPEAK)

(MUSIC: THEME UP AND DOWN)

BOULTON

Our thanks to the University of Pennsylvania for their hospitality and to the Secretary of the Treasury, The Honorable Henry Morgenthau, Jr., for being with us tonight. Next week at this same time, the GULF OIL COMPANIES and your neighborhood GOOD GULF DEALERS will bring you another exciting program ... of real people with real experiences. And with them, Oscar Bradley's music .. so remember .. listen in at this same time when THE GULF OIL COMPANIES .. and your neighborhood GOOD GULF DEALERS ... present ... WE THE PEOPLE. Music for WE THE PEOPLE is by Oscar Bradley. This is Milo Boulton speaking for the GULF OIL COMPANIES saying goodbye until next Sunday night when WE THE PEOPLE SPEAK!

(MUSIC THEME UP TO FILL)

This is CBS, THE COLUMBIA BROADCASTING SYSTEM.

COLUMBIA BROADCASTING SYSTEM

WILLIAM L. SHIRER

Sunday, February 18, 1945  
5:45 - 6:00 P. M.

ANNOUNCER: (COMMERCIAL)

Now, Mr. Shirer:

SHIRER: Marshal Montgomery today sent a personal message to his troops plugging ahead against rather heavy German opposition toward the Rhine and the Ruhr. "The terrific successes of our Russian Allies," he said, "have brought victory in sight. We now have come to the last and final round. Now, for the knockout blow."

The troops of his 21st army group were certainly battling forward. Today they stormed through the outer defenses of Goch, a key German town between them and the Rhine. But it was obvious despite the bitter battle the Canadians and British were waging in the north and the two-mile plunge that the American Third Army made today into Germany's Rifel Mountains on a 28-mile front, that the Allied armies in the west were not quite ready yet for the knockout blow. In fact, some of the correspondents at the front are wondering whether once again the Allied Command has given the Germans enough of a breathing spell to reorganize their defenses.

Wes Gallagher of the AP cabled today from the Ninth Army that we missed a golden opportunity by not striking in the west when the German defenses were disorganized and drained in recent weeks to supply their Eastern Front. "Our failure to strike," he says "has enabled the Nazis to stabilize and reorganize their line. When the next Allied smash comes," he says, "the fighting is going to be much harder than it would have been a few weeks ago when confusion prevailed on the German side."

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You may have noticed that the military experts emphasize that the Russians in their present offensive have taken care not to allow the Germans to stabilize or even re-establish a continuous front in the east. That is one of the reasons they say, why the Soviet offensive continues to roll on.

The Red Army commanders hit one sector hard and then when the Germans weaken another sector in order to rush reinforcements to the first one, the Russians hit on the weakened German front. Of course, a good deal of the time it looks as though the Soviets were attacking on several fronts at once. Today, for instance, the dispatches speak of six great battles raging along the 800-mile Eastern Front. Indications were that Marshal Zhukov who paused some 35 miles due east of Berlin, had now brought up reinforcements and supplies and was ready for a big breakthrough to the capital itself. He's in a much better position to do so than when he reached the Oder River line between Kustrin and Frankfurt some two weeks ago. Then to have advanced on Berlin would have endangered his flanks for his salient was a narrow one. In the past fortnight he has obtained some elbow room to the north towards Stettin, and a good deal more room to the south where today the artillery of Marshal Konev's army was shelling the German strongholds of Cottbus and Guben which lie approximately 50 miles southeast of Berlin.

This undoubtedly is the sector to watch this week, for here the Russians are well west of the Oder River and between them and Berlin is no strong belt of fortresses such as face Marshal Zhukov along the Oder around Frankfurt and Kustrin. It's in this region, cabled Daniel DeLuce, AP correspondent in Moscow today, that Konev may be able to strike a mortal blow at the Nazis defense

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of central Germany.

In Italy, General Clark suggested yesterday that a German withdrawal might be imminent. This would explain why the Allied Air Force yesterday put more than 2000 planes in the air to blast among other things, German escape routes through the Alps. The rail line through the Brenner Pass was cut in 50 places.

If General Clark can prevent the Germans from withdrawing the bulk of their 25 divisions in Italy, he will certainly help both the Russians and General Eisenhower, for the Germans badly need these divisions on their Eastern and Western fronts.

It's obvious from the war news on both the Eastern and Western fronts that the next few weeks will be crucial ones in this war. But if you stop to think of it, it's also obvious that the next few weeks or months will also be crucial for the peace. And this is more true for America, for you and me, than for any other nation and people in the world. Why is this? A moment's reflection gives the answer.

It isn't much of a problem for Russia or for the Russians. What Stalin says back in Moscow about Dumbarton Oaks, about Yalta, will be the law. Mr. Churchill knows that if he proposes accepting the labors of the two conferences, the British Parliament will vote its approval overwhelmingly. Here in America it's different. Here our participation in the future peace can be decided by just 33 citizens who happen to sit in the United States Senate. Since some senators represent millions of voters in the populous states but others represent only a few thousand in the smaller states, you could get 33 small state senators who represented but a tiny minority of the American people. They could keep us out of the peace. But probably they wouldn't if the American people made up their minds. But have they?

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Have they given much thought to the problem of sacrificing—say, for peace - about a thousandth of what they've readily sacrificed for war?

Congressman George H. Mahon of Texas, made a rather startling speech on the subject in the Congress the other day. He said not more than 100,000 American citizens have ever readily studied the Dumbarton Oaks plan for world peace. He therefore figured that some 138,000,000 American citizens have never read nor seen these peace proposals. And just for good measure he calculated that there are probably 100,000,000 citizens who have never read the Atlantic Charter and the Fullbright and Connolly resolutions on world peace. And yet, the time for the American people to make up their minds is short.

How short I hadn't realized myself until yesterday. Yesterday I ran into a poet. He reminded me. Of course, in this country we don't take our poets very seriously. They're too impractical we think. This poet said, "do you realize the American people have only some 15 weeks to make up their minds about whether to participate in the peace?" I hadn't, and I asked him to explain. "Well," he said, "the United Nations conference opens in San Francisco April 25. It will last about a month, say, to May 25. It will draw up the final plan for the future world security organization. Then it will be up to the United States Senate, just 15 or so weeks from now."

Being a great believer in our American democracy, my poet friend thought that if the American people made up their minds to join or not to join the world organization which would have some chance of saving us from these infernal wars, that the Senate would

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pretty well reflect the people's views. Actually, of course, we Americans do stand at a great turning point in our history, just as the world does. For the world, Yalta and Dumbarton Oaks give an opportunity to abandon an age in which each nation grabs what it can, pursues exclusively its own selfish policies and ends by getting mixed up in a war and mass murder. In its place they offer an opportunity for the nations to act in concert to keep the peace and a little decency.

If, as our government and indeed both our political parties have indicated, we join this concert of nations, what does it mean to America? It means we've passed a great turning point in our foreign policy, it means that the long period when we coached from the sidelines, gave advice but were afraid to back it up, and thereby let the world slide into the <sup>mess</sup> ~~MESS~~ of war which inevitably pulled us in-- it means that period is over. It means we intend to help preserve the peace by helping to shape the kind of peace the world will have. Right now it means for us Americans two things specifically. It means we commit ourselves as Senator Vandenburg has urged, to join with our present Allies in using force if necessary, to keep Germany and Japan from again disturbing the peace. Second, it means we commit ourselves to the use of armed force in cooperation with other nations to keep the peace under the guidance of a world security organization in which we would be one of the principal nations. That is the essence of the problem we have to make up our minds on in the next 15 weeks.

But even before that, our representatives in Congress will be put to one test. The Bretton Woods proposals for an international monetary fund and a world bank are up for congressional approval. They were agreed to by 44 nations as one way to prevent

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international financial chaos which is one of the breeders of war. Naturally, the proposals don't suit everyone, here or abroad. Here at home some of our bankers are for the world bank but want Congress to eliminate the proposal for a monetary fund. The subject is much too technical for more of us. No doubt our bankers do have a point, but is not the most important point that now that 44 nations have agreed on the matter we should not torpedo this first chance to show that international cooperation is possible? For if we or any other nation torpedo what it doesn't like or what some of its private interests don't like, United action in this world will be impossible and a lasting peace will remain merely a dream between the wars.

This of course goes for all countries. One is not encouraged by the news from Paris today that General De Gaulle has refused to meet President Roosevelt. One can understand the general's resentment that he was not invited to the Crimea Conference, and there may even be something in the report that it was Mr. Roosevelt who did most to keep him out. But this is no time for Shavianistic sulking. Whatever wrongs we have done France, it might be remembered in Paris that we have also liberated her from the Germans and that we are anxious to help her regain her old strength and take her part as a major power again.

It will not be easy, one can see already, for the nations to work together in the new peace. But if they don't they know the alternative is war.

For the third straight day, American battleships, cruisers and destroyers, heavily bombarded Iwo Jima Island but there was no confirmation yet from our side that we had yet tried to land on the little island 750 miles south of Tokyo. Rugged and rocky, it's a hard island to take unless the defenders are sufficiently softened

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up, the job the navy is now doing. Also, the Japs probably have a full division on the island, some ten to fifteen thousand men. There was no farther word today from our carrier fleet whose planes bombed Tokyo Friday and Saturday. On Corregidor, American troops were battling the Japanese in the caves and tunnels of the island.

In case our West Coast listeners don't know it, the Japanese radio in a broadcast to Germany today, reported what it termed large-scale rocket bomb attacks against the American Pacific Coast. "Panic," said the Japanese, "has broken out on our West Coast."

And now John Cornell for Glider Brushless.

CORNELL:

(COMMERCIAL)

This is CBS, the COLUMBIA BROADCASTING SYSTEM.

Edph. trans/ J. C.

SECRETMODEL No. 56

Information received up to 10 a.m., 18th February, 1945.

NAVAL

1. NORTHERN WATERS. 17th. One of H.M. Corvettes escorting convoy from North Russia torpedoed and sunk by U-boat off Kola Inlet. There were 12 survivors. One of H.M. Sloops also torpedoed but being towed to port.
2. ENEMY ATTACKS ON SHIPPING. 17th. A 9551 ton tanker and a 7176 ton U.S. ship torpedoed in eastbound convoy off Gibraltar by U-boat. Another 7176 ton ship in convoy from North Russia torpedoed by U-boat off Kola Inlet.
3. ANTI-SUBMARINE OPERATIONS. 16th. Canadian Frigates of 9th Escort Group made promising attack off Kinnaird Head. 17th. Promising attack made by 10th Escort Group N.W. Shetlands, while two of H.M. ships sank U-boat off Kola Inlet and picked up one survivor.
4. EAST INDIES. 3rd. One of H.M. Submarines sank tug and two coasters off Sumatra.

MILITARY

5. WESTERN FRONT.  
Central Sector: 3rd U.S. Army advanced further half mile in Echternach area.  
Northern Sector: On right flank and centre of Allied salient S.E. Nijmegen British troops of 1st Canadian Army continued advance while on left troops 3rd Canadian Division made further advance S.E. from Cleve.
6. EASTERN FRONT.  
Northern Sector: Further progress made in East Prussia and North Torun while German attacks S.E. Stettin repulsed.  
Southern Sector: German attacks 40 miles N.W. Budapest on north bank Danube also repulsed.
7. BURMA.  
Coastal Sector Ramree Island now clear except few isolated pockets. Some 500 Japanese killed since Island invaded.

AIR

8. WESTERN FRONT. 17th. Weather restricted operations. 331 escorted Fortresses (3 bombers, 3 fighters outstanding) attacked railway centres Frankfurt (573 tons) and Giessen (97 tons) through cloud. 20 escorted Bomber Command aircraft (1 missing) attacked Wesel (48 tons) through cloud.  
30 medium bombers attacked railway bridge Mayen (52 tons) with unobserved results while 34 fighters and fighter bombers operated Central sector.  
17th/18th (night). Only 6 aircraft despatched which bombed shipbuilding yards Bremen without loss.
9. MEDITERRANEAN. 15th. 659 escorted heavy bombers (2 missing) dropped 1149 tons railway targets and 90 tons oil refinery Austria while heavy and medium bombers attacked oil refinery Fiume (197 tons), 18 medium bombers attacked ammunition dump Mantua, and fighters and fighter bombers (2 missing) communications North Italy, while 48 light and medium bombers operated against oil installations and railway centre Yugoslavia.
10. BURMA AND SIAM. 15th. 69 Liberators dropped 288 tons on critical targets South Mandalay and bridges Burma/Siam railway with good results.

AIR SECURITY (up to 7 a.m. 18th)

11. ROCKETS. 16th/16th/17th (night). Further 3 incidents reported. 17th/17th/18th (night). Six incidents reported.