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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25

OFFICE OF THE CHAIRMAN

February 23, 1945.

Dear Henry:

This is to thank you for your courtesy in sending me the transcript of the press conference that you and Mr. Blough held in connection with a capital gains tax on speculative transactions in real estate, the stock market, and other capital assets.

I read it over and thought you had handled it excellently, and I wanted you to know that I appreciated it.

Sincerely yours,

A handwritten signature in cursive script, which appears to read "Marriner", is written below the typed name.

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington 25, D. C.

FEDERAL RESERVE BANK OF ST. LOUIS

ST. LOUIS 2, MISSOURI

OFFICE OF
THE PRESIDENT

February 23, 1945

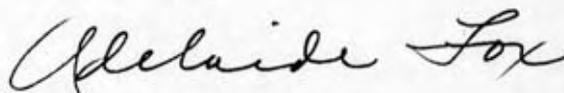
Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Treasury Department,
Washington, D. C.

Dear Mr. Secretary:

In the absence of Mr. Davis from the city,
we are taking the liberty of acknowledging receipt of
your letters of February 20 and 21.

You may be sure these letters will be
brought to Mr. Davis' attention promptly upon his
return about March 3.

Yours very truly,



Secretary to
Mr. Chester C. Davis.

MEMORANDUM FOR THE SECRETARY

February 23, 1944.

Mail Report

Though not very numerous, there were sufficient comments about recent public addresses and radio speeches to give the routine correspondence a lift. References to the radio program and to the St. Louis speech were usually favorable, but the contrary was true of the reaction to the announcement of the Washington Birthday address before the Council of American-Soviet Friendship. Opposition was centered in the Chicago area where the editorial, "An Insult", by Benjamin de Casseres, was published. Several clippings of the article were received here -- some anonymous, 2 or 3 accompanied by letters, and others with marginal notes endorsing its statements.

Official mail was somewhat heavier than it has been. In that dealing with taxes, 25 questions were asked about individual problems. There were 11 requests for refunds, and a few suggestions for increasing revenue. Of the 19 complaints about delays in receiving bonds, 14 came from families of service men now buying the bonds through the payroll deduction plan. There were a number of questions about Baby Bond redemption, and also quite a number about ~~Adjusted~~ Service Bonds. Rumors as to depreciation or loss on War Bonds were absent from the mail this week, and there were few mentions of excessive redemption from any given localities.

Miscellaneous mail was small, with an occasional favorable comment on the Morgenthau Plan, 1 favorable comment on the statement in regard to the Gould case, and 4 relatively small donations to the war effort.



Favorable Comment on the American-Soviet

Address

Ida B. Mayer, Chicago, Illinois. The enclosed newspaper clipping (de Casseres' editorial) has me very much disturbed. I hope very sincerely that you will show our American people and the Russian people what a great American you are, and that you and we American people are working together to make our glorious country even more glorious. I do not think there is a country in the world that can hold a candle to ours. And isn't it much more important, and a greater honor to help govern a country of free men than even to be head or chief ruler of a country in which the greater number of people are not free? Personally, I think most anyone can govern an enslaved country, but a person must "have what it takes" to govern, or help govern a free country. May God bless and guide you in your work.

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Unfavorable Comment on the American-Soviet
Address

Wilbur P. Harp, Chicago, Illinois. Remember you are a servant of the Great American People, and not of Russia. Don't forget this. I was born in one of the original thirteen colonies of our Great Country where my forefathers fought for the independence of our great nation, and we don't want any part of Russia or her Red Army Day Anniversary. George Washington was a great American, and if alive would not care to have his birthday associated with Russia or any Red Army Day.

John H. Williamson, Staten Island, New York. When I read in the papers that you were to address the National Council of American-Soviet Friendship on Washington's Birthday, I received the shock of my life. Everyone knows that this is a Communist organization, and the dinner is given on Washington's Birthday with you as chief speaker as a camouflage to boost Communism. It is unbelievable that a man in your high position would allow himself to be used for their purpose -- especially a man who is continually asking us to buy War Bonds. * * *

Comment on Address Delivered in St. Louis

Cyril Clemens, President, International Mark Twain Society, Webster Groves, Missouri. Congratulations on your St. Louis speech! If you could send a copy of it for our archives, we would be grateful. * * *

Mrs. G. E. Lincoln, St. Louis, Missouri. You have a very nice voice for a public servant, and you also made the New Deal money plans very plain, and, of course, they dovetail into Wallace's 60 million jobs. Our export and import trade has never been over 10% -- now you say our prosperity depends on it. That's quite a jump. Next you start the 12-year old New Deal merry-go-round -- we have to give Europe the money to buy from us; you use the word lend, but as they still owe us 5 billion from the last war, give is a more truthful word. * * * I gather that is where Wallace would be able to get his 60 million jobs. Our bankers' plan is safer because they have experience; the experience was the theme you used for the fourth term so you must think it a good thing. With all the highly educated men we have in America, a wiser plan should be found. * * *

Comment on "We, the People" Program

Robert McKnight, Detroit, Michigan. How much you sound like Quent Reynolds, my favorite radio personality! I've just heard your excellent "We, the People" broadcast.

Bill Feild, Dallas, Texas. You were excellent on the radio last night. Hidden talent -- what's gonna happen to Quentin Reynolds now! I couldn't tell which was which. Your old apple-loving admirer, Bill Feild.

George K. Arnold, Columbus, Ohio. Well, well, well! So now you believe B. Franklin was right? A penny saved is a penny earned. What happened to "spend and spend, tax and tax, elect and elect"? Hasn't been discarded, I'll bet. Do you believe in B.F.'s philosophy or was it just some more New Deal "campaign" oratory, which seems to believe that if the end justifies the means (for the New Deal)...o.k.

General Comments

The Adjutant General's office forwarded the following letter from E. C. Trout, Vice President & Cashier, The Citizens National Bank, Martinsburg, West Virginia, which had been addressed to the Secretary of War:

" * * * We have communicated with the Reserve Bank as to the proper endorsement of checks covering refund of income tax payments drawn as follows: 'Frank M. and Virginia L. Long', and they refer to a memorandum of the Treasury Department saying that the endorsing bank should furnish the Treasurer with a full description of the check involved, together with the service man's identification number and organization and the name and address of the dependent for whose benefit the check was negotiated. It further states that when this information reaches the Treasurer, he will communicate with the dependent and request that a Power of Attorney in favor of the endorsing bank be obtained from the service man as soon as possible and forwarded to the Treasury Department. From the standpoint of the banker and those instances where proper authority does not exist, obviously this is almost a nonworkable thing, and further, it does not state what liability the bank may have or when such liability would be cancelled in the event the requested Power of Attorney were not obtainable. Frankly, this means that in many instances we will have to protect ourselves by insisting that the wife literally comply with such red tape and I know from experience it does not leave a good impression with the service man's dependent. It does seem as if the Treasury Department would be willing to assume at least a business risk by drawing these checks payable to the parties jointly and with the further clause, 'Or either of them', a much better feeling would be created and unknown liability of banks eliminated. * * * "

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Maybelle Anderson, Miami, Florida. Enclosed you will find a one dollar bill which has been damaged. Please send me a new one -- note serial number.
P.S. Cheese rationed, mouse ate bill.

Mr. and Mrs. Hugh Slocum, Inglewood, California. We wish to express our whole-hearted appreciation of your plan to launch this country on an era of financial international cooperation by United States participation in 8 billion international stabilization fund and 9 billion reconstruction bank. We whole-heartedly hope you will be able to get this legislation passed.

C. Bartel, Washington, D. C. You can rest assured that 135 millions of Americans approve of your stand in the Gould case. I cannot understand why any person should be allowed to retain his citizenship that thinks America is not a fit place to live. Allow me to give my thanks for your stand.

Unfavorable Comments on Bonds

Muriel Johnson, Salina, Kansas. Saturday evening, February 17, 1945, a coast-to-coast Mutual Broadcast of Guy Lombardo's orchestra was heard here. It came from the Grill Room of Hotel Roosevelt in New York City and was a half-hour program. The announcer stated that the program was sponsored by the United States Treasury. Two brief War Bond advertisements were given during the half-hour, urging us to make "easy money" on our War Bonds. I do not feel that either the occupants of the Grill Room nor those listening to dance music over the radio could be at all inspired by any such program or announcement to buy more War Bonds. Any thinking individual hearing the broadcast immediately wonders if "Sponsored by the U. S. Treasury" means that our War Bond money is being used to put Lombardo on the air. Such a use would be regrettable and I would appreciate an answer on this.

S. H. Kreiger, Lemoyne, Pennsylvania. I have some U. S. War Bonds on which my name only appears; there is no co-owner or beneficiary shown. My wife has the mistaken idea that if I should die before she does, the Government would confiscate the bonds and she would get nothing although she is named as sole executrix and beneficiary in my will. It is surprising how widespread this belief prevails. Will you please write me a letter using no legal or technical words -- only plain English -- explaining how the bonds will be paid after my death. This is a source of continuous contention between us.

The following is quoted from a copy of a letter addressed to Captain R. D. Jarboe, Finance Department, Army Service Forces, Army War Bond Office, Chicago, Illinois, by Wm. R. Latham, Sr.:

"File No. SPEKA-G 201, Latham, William R. Jr.
Your circular letter stamped February 15, 1945, has been received. We note in the first paragraph of your letter that you have no authority to change addresses. The home address of this soldier is: DeQueen, Arkansas -- as it has been for the past 21 years. Note your letter is addressed to DeQueen, Arkansas, and you have the bond addressed McQueen, Arkansas. This, evidently, is a typographical error made in the Chicago Office. Now with reference to taking this matter up with the soldier and getting this small detail straightened out, it would take some sixty days to do this, and since this soldier is now on the front, we do not believe it wise to bother his Personnel Officer with this small detail, when all you have to do is draw a line through the address as shown by his Personnel Officer, and write either above or below, the correct address -- De-Queen, Arkansas, as above stated having been his address for 21 years. This soldier is due bonds for December 1944, January 1945, and the one for February 1945 is now about due. We can see no reason why these bonds cannot be issued on time for these soldiers usually ask about the number they have on hand, and all you can tell them is that the Government is behind three or four months on them. It seems to the writer that some provisions should be made to issue these bonds without having to get a list from the battlefields.

* * *

Unfavorable Comments on Taxation

Kindly send to Miss Adeline M. Koelble, 333 East 80th Street, New York, 21, New York, income tax Form No. 1040 and also instruction sheet. As yet I have not received form and I want to send my tax in as quickly as possible. * * * P.S. I have asked for Form 1040 at various banks and Post Offices and could not get any. I also wrote to the Collector of Internal Revenue and did not get any.

Senator Sheridan Downey transmits the following letter he has received from Ed. Elliott, Secretary, Retail Druggists Association, Long Beach, California:

"Government inspectors here are fining members of our Association who have reported all of their twenty percent luxury tax which they have collected. Their system is unreasonable. They list taxable items from our 1944 invoices, add thirty-three and a third percent and tax us twenty percent on that valuation. They arbitrarily estimate the same amount of taxable merchandise for 1942, 1943, and part of 1941, without considering inventories for these years. This is unfair. Competition by price cutters compels us to sell perfumes and toiletries for as low as ten percent above cost and some at cost, yet the inspectors say we must pay twenty percent on their valuations of thirty-three percent above cost. Every store inspected so far has been fined. The following fines have been assessed: \$480.00, \$1,000.00, \$1,900.00, \$2,600.00, \$1,450.00, \$1,500.00. We can't all be wrong -- certainly not intentionally."

Clarence W. Peele, Williamston, North Carolina.
I understood that income tax refunds were to be made in the same order that returns were filed. I filed

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my 1943 return in early February of last year, and I am yet looking for my greatly needed refund. On the other hand, several acquaintances of mine who waited for the March 15th deadline received their rebates early last fall. As a taxpayer, am I not entitled to an explanation for the delay?

ASSISTANT SECRETARY OF THE TREASURY

February 23, 1945

Secretary Morgenthau:

This is the speech by Burgess that you
asked for.

H.D.W.

TO:

Mr White 15

This is a pamphlet
of inaccuracies
and prejudices
which Burgess him-
self does not believe.
I notice that "public
men, college professors and
other experts" are "dema-
gogues" and must be
warned by "those of us ^{with}
experience ^{to} ~~know~~ ^{know} the truth." (p. 12) ~~MS~~

ADDRESS OF W. RANDOLPH BURGESS

President of the American Bankers
Association before the Canadian
Club, Montreal, February 19, 1945

Over a period of years I have spent many months in Canada, but I have never been here before when our two peoples were war partners, as they are today in this great struggle. I have welcomed the chance to visit Canadian friends at this time that I might experience at first hand the sense of full comradeship, - the feeling of unity in the struggle for a vital purpose. If we can capture and hold in our hearts this moment of comradeship and unity it may help us to work together better when the great impulse and objective have passed. We must do so for our own future, - and for the future of that way of life we call democracy. For you and we have a peculiar responsibility to democracy.

Your war achievement has earned our highest admiration. In the latest offensive your 1st Army has again led the way. Your war production is magnificent.

As Chairman of the New York State War Finance Committee for the Third and Fourth War Loans I constantly faced the comparison between our New York results with 14 million people and yours with 12 million. You led us a hot race in the thoroughness of your organization and coverage and the response of your people. Figures are hard to compare but I confess to a belief that you have rather consistently made a little better record than we have.

You have definitely surpassed our country in your willingness to tax yourselves. From the first year of war you have raised 44 per cent of your budget with taxes - we have raised 38 per cent. Since I

have no doubt you feel the pain, you are entitled to the credit. As to price control, with all proper qualifications and recognition that there is no good form of price control, I suspect you have done that better than we. You have had the political courage to make a gift to a war partner, - and call it a gift.

All of this you have done in the democratic way, - embarrassingly so sometimes.

No two countries in the world have so similar a concept and practice of democracy. - We both inherit Magna Carta and the succeeding development of the Common Law with its protection of the rights of the individual, - even though he may belong to a minority. That is the essence of democracy - the supreme worth of the individual life. Democracy places responsibility for man's growth upon his own shoulders. It gives the individual freedom of choice, personal integrity, and opportunity. The democratic state rests on and derives its strength from the free will of its citizens and limits compulsion to those few situations where obedience is essential for the good of all.

In passing can anyone cite a better example of democracy between nations than the British Commonwealth of Nations? There is no written constitution or agreement. It lives by loyalty, by mutual respect, and enlightened self-interest. These are the motives under which democracy succeeds or fails.

In the relations between your country and mine we have yet another sort of community of interest; it lies in a close kinship of democratic thinking and objective. In addition to our common heritage, we share a detachment from old world customs; our society is more fluid; the opportunity of the individual is greater. We have a chance to work out here on this continent new contributions to democracy - rooted upon

old and valued traditions but with an even freer air in which to grow.

That is our heritage and our opportunity which we share. How shall we nourish it and carry it forward, - and what price must we pay to do so? - For we can be sure that there is a price to pay.

First, let us think about our relations with other countries. Today we are paying a great price to preserve our democracy, - a price in human striving and suffering, and human life. We came dangerously near losing. There stood between us and humiliation only a few planes in British skies, only a few soldiers on Egypt's bloody sands, and a few ships in a strip of water about Australia.

We must never come as close again. That means first that we must go ahead now and do a complete clean-up; so that the lesson is well and thoroughly rubbed in. Then we must so organize ourselves in mind and heart and the machinery of life that we shall never again be so unready. It was our very unreadiness which tempted and gave courage and confidence to our enemies.

On one step in the program for peace all of us now are generally agreed, and that is the establishment of a world organization to enforce peace. The Dumbarton Oaks proposals are a start, and they were wisely put out for wide discussion before action was requested. At the three power Yalta Conference we took further strides toward making them effective. There are also suggestions for a world court, for an economic council, and an organization to deal with world trade. In the area of finance, plans are further advanced in the form of the Bretton Woods proposals.

On all these fronts action is necessary. The principal dangers as I see them are first that we shall attempt to make these instruments so elaborate, in an effort to anticipate all contingencies, that we

shall not get them working promptly, or they will break down from the weight of their machinery. I think Bretton Woods suffers from this weakness. Experience has demonstrated the difficulties of running international committees or commissions. They cover such a diversity of languages, interests, and even moralities. We must keep our plans just as simple and understandable as possible.

The second and more serious danger is that having set up an organization we may walk off and leave it to be run by civil servants and consider our job done. We in the United States, - in contrast of course to you in Canada, - place great reliance upon government machinery. Even a perfect set of international organizations will not work unless we stay on the job and make them work. Our task has just begun.

The strength of any organization to enforce peace will depend also on the military strength of its members. While we hope that the provision of means to settle disputes peacefully and the influence of a world organization will prevent war, we cannot be sure. In almost every generation there has been an aggressor who cared not for God or man, and we must be prepared to deal with that aggressor. In a day of V bombs, long range planes, and other new instruments of death we cannot again take a chance on arming after war starts.

To be prepared we must not only be strong ourselves but have strong friends. It is the fashion in our country to decry alliances and call them power politics. But a world organization will succeed only if a few principal powers get back of it and make it go. In nations, as with people, we shall have close friends and some less close. This is inevitable due to space, languages, history, and culture. Why pretend it is not so?

While there must be some firm commitments it would be unnecessary to attempt to define all these relations with precise treaties, just as a charter is not needed for the British Commonwealth of Nations. The important thing is that we should really understand each other through contact. We must go about it deliberately and vigorously, - and unlike signing a treaty we must never say - "Thank God - that's done." One of the most satisfying features of the Yalta Conference was its provision for continuing discussions.

In our relations with other countries, this then is what we must do to preserve our democracy from aggression: have international organization to keep the peace and organize economic relations, be strong ourselves, and have and hold strong friends.

Now let's think a little about the internal problem.

The bankers and business men in our two countries to-day are rightly concerned about such problems as how reconversion will be handled, or what's going to happen about taxes, or how badly we may be hurt by inflation. But there is one problem which is far more fundamental and more urgent. It is simply this: All of us give lip service to democracy. We say that we believe in the democratic way of life. Well, do we? How much do we honestly believe in it?

We have lost some of our democracy, and most of that is our own fault. We have taken too much for granted. We in the U.S. have assumed that our Constitution, our Bill of Rights, our Supreme Court, and our carefully cherished political traditions were all the safeguards our country needed, and we have at times forgotten the continuous vigilance needed in protecting individual rights.

It is characteristic of many subversive political changes that they come gradually and inconspicuously, here a little and there a little,

gaining control more and more without seeming at a given moment to be doing anything very alarming.

The intentional enemies of democracy, the avowed totalitarians, are few in number, but they are cold blooded, unscrupulous, and skillful; and they infiltrate idealistic groups. You and I, however, are mostly to blame when we advocate government controls to get special privileges. Selfish pressure groups are the principal enemies of democracy in our countries.

The war has hurried up the process of increasing the powers of government at the expense of freedom; for the war has made dictatorship attractive to many people. In a war a country must go totalitarian to some extent. So we have compulsion in raising an army, in fixing prices and wages, in levying taxes, - these are unavoidable.

For the moment, our whole objective is to carry through and win the war, but we must give sober thought to the direction in which we shall be moving when the war closes. The post-war problems will be complex and we are already committed in advance to many controls. In the United States both parties in the autumn election committed themselves to a floor under agricultural prices and that means controlling production. Certain of the inflation price controls, and certain types of rationing will continue at least for a time. National and international controls over the prices and production of some basic commodities are planned; also, controls over foreign exchange operations.

We are fairly well committed to the control of interest rates at low levels. There are likely to be other controls such as the continuance of control over consumer credit, and over security loans. We shall thus have increased regimentation of credit. There is strong pressure with us for government loans to small business.

Some of the new things I believe government will learn to do well and helpfully. We want to keep and improve our old age retirement system and unemployment insurance. We will keep controls over our security markets under the SEC. We shall have some forms of soil conservation.

Some things we can count on government to bungle pretty badly, as for example we have bungled the management of cotton prices and markets.

But the greatest question relates not to this or that specific control, but the overall effect of the accumulation of centralized power and its possible abuse. The danger is that unconsciously and by the force of circumstances we shall be influenced to accept the kind of government we don't really want. The larger the number of government employees the easier it is for a party to remain in power and begin to abuse its power. The more the economic life of a country is controlled by government the more freedom of life is restricted. It takes courage for example to criticize openly the official who has power to ruin your business; real freedom of speech is impaired.

Again, one of the great virtues of our economic life has been its fluidity and the sign of that is the freedom with which employees become employers, starting business for themselves. Do you realize how the opportunity is being impaired by big government? The new employer faces higher costs - as a result of wage floors, social security, and many reports and regulations. He has to hire at once an accountant and lawyer. To meet higher costs business is constantly introducing more machines - a larger investment of capital. This makes it harder for the small man to compete. Every added extension of government regulations hurts the small employer. Most small firms grow from plowing back earnings; present taxes slow down this growth. These handicaps cut off new enterprise, - make it easier to remain an employee. They are threats to

the strength and vitality of our democracy.

Well, what can we do about it? If we want democracy, our first duty is for each of us in whatever walk of life he is to do his own job better and lessen the excuse for the government to be called in to take over.

Second, we have got to stand guard on ourselves to see that we don't ask for the special privileges and protections that are an open invitation to government to step in and take charge. How can we bankers and business men plead for freedom for enterprise if we ourselves come running to government with all sorts of schemes to escape the obligations and risks which private enterprise entails? There are some bankers for example who want government to guarantee their loans. This is the sort of thing we must guard against and our American Bankers Association has steadily opposed it in principle.

Third, we must pay more attention to political questions and their relation to us. It will no longer do to send just anybody to the Congress or parliament. Their powers are too great. We must try to get more good people into legislative office and into the administration of government also. We ought to pay those people enough so that they can afford to give us good service.

Fourth, we must teach democracy. We can have sound democratic government only if we have voters who are emotionally alert to their responsibilities and who understand what they are voting about; and that does not happen automatically. At present in the United States, except for a few violent weeks of oratory preceding each election, almost the only people who really work on educating the voters are the left wing radicals. We need to work also, all the year through.

For example: We talk of Magna Carta and the Bill of Rights. How many voters have read them? You will remember that at the recent Worlds Fair in New York City, the United Kingdom Pavillion established a copy of the Magna Carta as its main exhibit down the center of the hall with the translation into modern English. All day long, month after month, American and foreign visitors crowded that hall, reading (most of them for the first time) those simple words which were the foundation of freedom. For many of us that exhibit stands out as the most significant contribution in the fair. Might it not be constructive if the Magna Carta were carefully studied in the upper grades of every school. In place of the traditional courses in 18th century English literature, why shouldn't our high school students study the great books and essays which have helped us formulate our democratic thinking?

In other professions we could do more towards public understanding of our countries' needs. Whenever intricate legislation is being considered by our law making bodies, for example, our lawyers might render a public service by saying to the rest of us "Fellow Voters - that bill, stripped of its legal verbiage, boiled down, and translated into simple everyday language, means that ---" How quickly our legislative bodies would hear from their constituents if some of those proposed bills were put into a form the people could understand!

Our leading banking associations in the United States have just done something of that sort in our report to the Congress on the Bretton Woods plan. What that report does is to give a simple analysis of the complicated proposals, show what they really involve, and state what the bankers believe is good in the plan, what is bad, and what might be done to improve the plan. Such activity we believe is a legitimate and necessary part of banking.

Finally, there is one form of public education in which we could all have a hand. We could make it the correct accepted practice to challenge our experts! Some of our public men, our college professors, and other experts are writing books and articles full of half truths and glittering generalities, and all too often get away with it. Ideas are still the most potent force in the world and I fear we are not giving them enough attention. Why should we blame the voters for following the leadership of demagogues when those of us with experience enough to know the truth are too busy or too cautious to challenge falsehood? If we are to have sound democratic government in our countries we must - all of us - accept responsibility for helping our voters and our law makers to judge whether what is told them is true or false.

The ferment of today about the future of our two countries is more wholesome than an unimaginative longing to return to normalcy. It is the ferment of progress. But it will boil over if it is not watched. The French revolution became the dictatorship of Napoleon.

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

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With the Compliments
of
The Honorable R. H. Brand

February 23, 1945.

Speech by the Hon. Robert H. Brand
to the Bond Club of New York at
New York, February 20, 1945.

"SOME BRITISH POST-WAR PROBLEMS"

I should like to say to start with that when I chose as the title of my speech "Some British Post-War Problems" I had in mind economic and financial and not political problems, and I meant the problems of the United Kingdom alone and not of any other part of the British Commonwealth. I say that because the relationship financially, for instance, between the United Kingdom and other parts of the British Commonwealth is not always clearly understood. I remember for instance after the last war reading a book devoted to an examination of the resources of the United Kingdom in relation to the British war debt. In this study the assets, national income, and so forth of Canada, Australia, and other parts of the British Empire were added to those of the United Kingdom in order to find the answer. When therefore I speak of the resources or the debts of the United Kingdom I am speaking of the resources available to and the debts due from the 47 million people who live in England, Scotland, Wales and Northern Ireland, and no one else. I have heard it said on occasions when the United Kingdom's external indebtedness is in question "Well anyhow you needn't bother about what you owe India or other parts of the Commonwealth, because you are all one concern and you can make them do what you like". Nothing of course could be more incorrect. We can only pay a debt due for example to India, Australia, Canada, or any of the Crown Colonies by the same means as we pay a debt due to any foreign nation or any other part of the world.

What I am considering, therefore, is the position of the United Kingdom alone. I do not intend to give you many figures. But I want to draw in large outline a picture of our position as it has been affected by the war, and there may be some advantage in painting with a broad brush. Let me begin by comparison between the five largest belligerents in this war - the United States, Russia, the United Kingdom, and Germany and Japan. The United States and Russia are both continents by themselves. They have immense resources, immense productive

power of their own, and have been able to rely almost entirely on those resources, though of course they have had also to secure certain essential imports from other countries, and though Russia has also received very large assistance in the way of munitions from you and also from us. Germany is not a great Continental power like the United States and Russia, but it is a considerably larger land power than the United Kingdom, and what it wanted from outside it has taken by force during the last four years from the vast territories which it has occupied. Japan has also followed Germany's example and lived on China and her rich conquests in the South West Pacific. What Germany and Japan have taken by force the United Kingdom has had to secure either by cash purchase, the cash being secured from the sale of investments or out of its current resources, by United States Lend Lease, by Canadian Mutual Aid, or by arrangements with other countries to accept our sterling obligations, that is in effect by borrowing. It is very easy to understand how with the smallness of our island and the relatively very large population living on it that we should necessarily end the war with very large obligations to other countries. Of all the great raw materials we have in abundance only coal. We have fought for 5½ years a great war on land and sea all over the world, and we set ourselves to produce and have produced immense quantities of munitions as well. In normal times we cannot make our living out of our own country alone. We had before the war to import annually nearly £ 1,000 millions (at pre-war prices) of imports from abroad. And therefore we had to have very large exports. During the first 18 months of the war, when France was at first fighting with us, and then when we were alone, we tried to go on making our living and to export to the utmost extent as well as to fight. Towards the end of 1940 for instance the British Government sent a mission to all the South American countries, on which I and others went, to try to increase our exports to that part of the world. But it was already obvious that difficulties of shipping, difficulties of getting the raw materials or the labour in England for exports, were too great. You may remember it was just about this time that my dear friend, Lord Lothian,

explained to the American public that our external resources were becoming exhausted. Then Lend Lease came to our rescue, and what with Lend Lease and later Canadian Mutual Aid, and the fact that we were able to purchase imports from many countries, not against exports, but against blocked sterling, we were relieved from so extreme a necessity as to fight as we have done and keep up our exports as well. Particularly because of Lend Lease we were able to divert many hundreds of thousands of extra men into the services or the munitions. In fact as a nation we, so to speak, "went off to the wars" and left our business to look after itself.

But the food, the raw materials, the ships, the munitions, which we have thus obtained from outside have not been the main cause of our great external indebtedness. That has been caused by our having had to finance the war, to put it briefly, from Gibraltar eastwards to Burma - just as apart from the European theatre of war, the war in the Pacific has been, apart from Chinese, Australian and New Zealand help - and no countries in the world have done more within the limits of their resources than they have - your burden, so our burden has been the Middle East, India and Burma, though it should not be overlooked that India herself has borne relatively to her resources a very great burden also, and though you have liberally aided us with Lend Lease munitions. So far as we are concerned, however, it is the external expenditure in North Africa, in Egypt, in Palestine, Iraq Iran, Abyssinia, and in India and Burma that accounts for a very large proportion of our external indebtedness. You may say it has been the height of imprudence to outrun the constable so far in this part of the world. But should we have stopped Rommel if we had not done so? Moreover there would have been no Burma campaign, and the position of India would have been very different from what it is and the Burma road would never have been opened. I believe, therefore, you will be satisfied that we were right in taking the course we did.

The total result of the war, so far as external finance is concerned is thus as follows: First the United Kingdom spent in this country out of its own and the sterling area's current

earnings of dollars up to March 31, 1943, plus dollars obtained from liquidating investments, about \$6 billions. Since then we have continued to spend large sums out of our current earnings. For instance the United Kingdom plus sterling area expenditure in the United States in 1944 is estimated at nearly \$1.3 billions. Secondly, we have spent in Canada all our earnings of dollars, and have found additional Canadian dollars by selling back to Canada sterling investments amounting to Canadian dollars 700 millions. Thirdly, in addition to having had to liquidate other large amounts of foreign investments (altogether including U.S. and Canadian investments we have sold \$4 billions) the United Kingdom has incurred liabilities to other countries which calculated in dollars amount to about \$12 billions, and of course we are still incurring liabilities particularly in the Middle East and India. I may add that we on our side have also done our best to assist our Allies. The Reciprocal Aid we have given to the United States up to the end of September 1944 amounts to over £ 700 millions (\$2.3 billions). In addition we have given Mutual Aid to our other Allies about £ 490 millions (\$1.96 billions). Since your national income is from four to five times as big as ours, you would have to multiply these figures four or five times to represent an equivalent strain on you. Anyone who cares to make this simple calculation for himself will see that the United Kingdom has also played its part in Mutual Aid.

The result is that almost every other country (leaving out of account North America) whether it be Portugal, Sweden, Switzerland, the South American countries, India, the Middle Eastern Countries, the Dominions, or the Colonies, such as East and West Africa, Ceylon and so on, will have improved its creditor position and in every case we shall be the debtor. As, with the exception of certain neutrals, they are almost all United Nations, even those who have not shared with us in the actual fighting will have the satisfaction of feeling that the debts we shall owe them will have enabled us to help to bring their cause to victory. This indebtedness, which unlike a commercial debt, has left behind it no productive asset, can clearly only be redeemed over a long period of time. You are all quite well aware of the great difference between an internal and

an external debt. In the case of an internal debt, the real sacrifice has been made at once. If, for instance, we build a locomotive in England, we have expended the labour and material at once. We have made the sacrifice represented by the total effort required. What remains is a debt within the community. It is all in the family. If we borrow money abroad to buy a locomotive abroad, we must expend labour, material and effort in future to repay our debt by exporting some material article of equal value. The burden remains for the future. In other words, it is out of future exports only that we can repay our debts.

The help we have had from outside has enabled us completely to distort our peace-time economy. The 47 million people in the United Kingdom have been mobilised for war to a point beyond which it would be impossible to go, and beyond perhaps what even Germany has been able to do. Out of 33 million men between 14 - 65 and women between 14 - 59, 22 million are in the services or in industrial employment. This is far higher than anything achieved in the last war. This concentration of effort is directly due to the fact that we were able to rely so greatly on outside assistance. We have abandoned, as I have already told you, most of our export trade, and in volume in 1943 our exports were only 29% of what they were in 1938. We have got to build our export business up again, and indeed greatly increase it, and till we do so we shall not be able to make both ends meet. Notwithstanding your huge war production, you have managed not only to keep up and increase your civilian consumption, but to keep up also to a far larger extent than in our case your pre-war commercial exports. This is certainly an outstanding feat, but, mobilised as we are, it is far beyond our capacity. Meanwhile, if the war stopped now, our exports would be only one-third of what they were in 1938. It is generally estimated indeed that in order to balance our external income and expenditure (excluding external debt service) we shall have to raise our exports to 150 percent in volume of the 1938 figure or five times the present figure. This is because we have lost invisible exports in the way of income from investments, shipping and so forth.

Our exports in 1938 and at 1938 prices and expressed in dollars amounted in value to \$1,880 millions, or if calculated in

present prices, that is at, say, 180 percent of 1938 prices to \$3,384 millions. An increase of another 50 percent in volume would in terms of money bring the figure to about \$5 billions. In 1944 they were over \$1 billion. It must be borne in mind however that this latter figure would in any event be very rapidly increased after the end of the war. The world is starved of goods and if we were able quickly to reconvert our war industry to produce them, we could no doubt in a short time secure a very great increase in exports. Thus a rapid reconversion of our export industries as soon as war conditions permit is of the greatest importance to us.

You will see, therefore, that both our main external problems join together in emphasizing our need for exports. We want them first in order to live; we want them then to repay our indebtedness. We shall no doubt make every attempt notwithstanding our urgent needs to reduce our imports to whatever extent they are not essential, since to pay our way and to be independent financially must be our very first aim. But in the main our imports represent essentials for life and industry, and it is questionable how we can compress them.

For an authoritative statement of how the British Government looks on these questions I cannot do better than quote to you a few sentences from a speech made by Sir John Anderson, the Chancellor of the Exchequer, in October last:

"Finally", Sir John Anderson said at the end of his speech, "I want to say a very brief word about our external financial position after the war. We shall emerge with heavy overseas obligations, but at the same time our credit throughout the world will stand very high. I hope I am not being unorthodox in suggesting, at such a gathering, that the basis of national credit is the character of the people, their courage, their determination and skill, and above all their productive efficiency. I do not think that anyone need be apprehensive about our possession of these real assets. Now that means that our financial indebtedness can be translated into physical terms of production. I tell you, and I speak under a sense of responsibility, that I believe we can see our way through. We can meet our obligations in a realistic way: that is by producing goods that other

countries will want. The process will take time, but it depends in the main, not upon skillful financial adjustments, but upon the willingness of our own people to recognize that, as they fought their way to freedom, so they can work their way to security and progressive improvement in all their material conditions. It depends also upon recognition by our creditors that they have a common interest with us and must collaborate. They must be reasonable and not seek to treat war debts on the footing of ordinary commercial obligations. Practically the whole of our external obligations incurred during the war are to our Allies and associates in the war. We have incurred a debt to them - but have they not also incurred some kind of a debt to us which they too can pay, by their confidence in us which has stood a much sterner test and by their practical co-operation with us?"

To this authoritative statement by Sir John Anderson I should like to add some general comments of my own. First of all I wish to stress that the significant and fundamental characteristic of the present age is the greatly increased possibilities of wealth production, which applies, or can be made to apply, to the whole world. In the great industrial countries the production of wealth, it is estimated, increases yearly by some 2% or 3%. In other words the production of a nation over 10 years should be up by 20% or 30%. This is the vital factor which, notwithstanding the war, should enable the standard of living to be gradually increased everywhere and with it, of course, given reasonable conditions, international trade. This is the first point to bear in mind.

In the second place you should remember here that our exports, while a vital element in our own problem, represent a very small proportion of our total national production and income, something between 2% and 3% now, I think, and normally about 10%. With increased wealth production we should have no difficulty at least in producing sufficient exports of the kind needed by the world, and I believe at the right price and of the right quality.

In the third place it is clear that, so far as the needs of our creditors are concerned, we shall have a market. They will not have to pay their own currency for them. They will use their sterling balances to buy them. But of course a debtor who hasn't

enough to eat and is out of work is not much of a debtor - we must therefore export enough to buy our essential imports first, in addition to what we can export to meet the needs of our creditors.

Fourthly we come down therefore to our ultimate problem, namely how we are to find a sale for what I may call our ordinary exports up to an amount 50 percent greater than in 1938. The first essential is, of course, our own efficiency, so that we can compete in quality and price with other nations. This is our own job. I have no doubt there is much to be done, particularly with certain great industries, for example, coal mining and cotton textiles. In the case of other great industries we are well able to compete. When put to the test in the war we have not failed to show the necessary efficiency and I have no doubt we shall succeed in future. The second and final essential is that there should be a good foreign market, indeed an expanding foreign market. We cannot by ourselves insure that such a market will exist. It depends on the rest of the world and how things go. If it were necessary to assume that international trade, namely the total trade of the world, cannot be increased beyond, say, the 1938 standard; if, in other words, the cake can get smaller perhaps, but can never get larger, then our task will undoubtedly be very difficult. For, ex hypothesi, if in such circumstances we increase our export trade by 50%, all others together must decrease theirs by the same amount.

But, as I have pointed out, there is absolutely no need for the size of the cake to be limited. There are endless unsatisfied wants in the world and also a capacity for increased production of wealth with which to satisfy them. Thus under favourable conditions total international trade ought greatly to increase. In that case our exports would increase and yours too and everybody else's. To put it shortly, the more we export, the more we buy from you and from others. Thus the more we export, the more you export. Exports are imports and vice versa. It depends on the end from which you look. We all grow rich or poor together, and foreign trade like internal trade is simply the mutually beneficial exchange of goods and services. Forgive me for these elementary remarks. We all know they are true, but we often forget them in practice. If foreign trade does greatly increase, our own problem becomes comparatively easy, provided we can surmount our immediate

post-war difficulties. For together with some other nations, particularly in Europe, who face the same sort of difficulties, we ought, with a push from our friends, to be able to float ourselves off on the rising tide. Thus the answer is that we can be prosperous and thus surmount our difficulties most easily if the rest of the world is prosperous and stable, and particularly if your country is prosperous and stable - and I would emphasize the word "stable" in both cases - and if then through free and multilateral trade we can greatly increase the international exchange of goods.

But undoubtedly a terrible war like the present one is not the best prelude to usher in a world of stability. There is above all the condition of Europe, the greatest producing and trading area of the world outside your own country, with its countries, devastated and impoverished, and some of them altogether without any means of their own quickly to restore their economies. And not only that, but with hatreds and divisions greatly deepened by the war. For us to make a beginning towards peace and stability requires some special measures of assistance towards this part of the world.

But beyond that we all know more or less what is needed to make things better. Every businessman, for instance, knows that a flourishing and stable international trade depends more on political security and peace than on anything else, and on confidence that there will be peace and that nations are settling down together. It will depend in the next place on financial and economic stability, particularly in currencies and exchanges. My memory as a banker goes back to the years before 1914, and when I think of those days I realise how very far we have travelled from those stable or apparently stable and happy days. When I tell my children, or other young people, that in those days there were no passports, except to Russia, they do not believe me. There had been no war involving all Europe for 100 years. There was absolute confidence in the great currencies of the world. Nobody thought anything could happen to dollars, sterling, francs or Reichsmarks. I am quite sure that many of the most distinguished bankers in London had not the faintest idea, in those days, what the "transfer" problem meant. We have got to get back to something equivalent in terms of political and monetary security to

those halcyon days. And, as you know, we are nowadays all setting our sights much higher even than that. For in those days we were certainly not without bad slumps and booms and unemployment. Now our economists have encouraged all our Governments to undertake to solve all unemployment, and to do away with slumps and booms. Let us hope that we shall be successful in this difficult task as well.

But whether we are talking of political security, exchange stability, or avoidance of booms and slumps, we must recognise that none of them can be reached without international co-operation. Peace is international. Currency diseases communicate themselves from one country to another. Nothing is more international than booms and slumps. The world is now so tightly woven together that international co-operation in these fields is absolutely necessary, and co-operation above all between the United States and the British Commonwealth and the sterling area. It seems to be absolutely natural, indeed inevitable, that our two great Commonwealths should co-operate in the closest degree, and beyond that should join in supporting world-wide co-operation. But when it comes to the world we have to go cautiously. Impractical idealists who long for some simple and immediate solution, for some sort of world Government, for something which decides everything and which will force rather than persuade the independent states of the world, are the most fatal guides. We are only at the beginning here of a long and immensely difficult road. Nevertheless we have to start upon it. There are risks in it, but they are nothing in my opinion to the risks we all shall run, if we each try to go our own way. That is what the hard-boiled realists who think they are hard-headed too, but who are certainly short-sighted, forget. It is for these reasons that we should welcome the efforts made at the Dumbarton Oaks and Bretton Woods Conferences.

I had burnt into my mind in the years after the last war the disasters which then happened to Europe, largely because the problems were not understood by the world's statesmen. I watched them from near at hand in the City of London. They were in my opinion a direct prelude to this war. It will be an act of major statesmanship to avoid them this time and of necessity the responsibility must largely devolve on your great country.

A discerning friend of mine who knows my country well said to me the other day that he included among the devastated countries the City of London and nothing in his view was more important to stability and international trade than to enable it once again efficiently to perform its world-wide functions. You will certainly not expect me to dissent from this view and I believe it will find sympathy and support in such an audience as this.

In addition to helping those devastated countries which, through no fault of their own, since they were not aggressors, are not in a position whatever their efforts, to restore themselves without help, another great responsibility - more important than anything else in view of your immense economic power - will be yours, and that is to maintain a high degree of prosperity and stability in this country. We on our side have the responsibility of assuring as far as we can prosperity in our country and maintaining and strengthening the sterling area as a very important element of stability in the world.

If all this can be done there would be good hope that we might in a reasonable measure of time achieve success in raising international trade to a much higher level and that in that case the problems of my country and of others who have suffered will be solved in the best manner possible. But no one can yet say whether all this will be done or whether the world will, in fact, find the political and economic security that is necessary for prosperity. If it does go astray and if there is less security and less progress in every direction, then our task will be a more difficult one.

What is certain is that whatever Government may be in power, the British Parliament will insist that no stone shall be left unturned to maintain the standard of living and the employment of the people, and we might then be forced to carve out such prosperity as we could achieve in a more limited fashion. Personally I draw confidence from a very simple thought, which I expressed a good many months ago, when I was speaking to the American Bankers' Association. There are in the United Kingdom 47 million willing buyers of the primary products and the raw materials which millions of sellers in other countries will want to sell. It cannot be that we should find it impossible either directly or indirectly to supply what they also want and so to

complete a mutually beneficial exchange, and moreover without injury to the world at large. But it remains that the best hope of the world is in a common and co-operative policy to be pursued at least by the United States and the British Commonwealth and the sterling area by means of which the difficulties of each country may be solved through the prosperity of all.

February 20, 1945.

Pages 39-44: Surplus Property
report dated January 23, 1945.
Placed in Book 811, pp. 397-397E.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

45 ✓
DATE February 23, 1945

TO Secretary Morgenthau
FROM Mr. Coe F.C. (For information)
Subject: Proposed Allied Economic Policy Towards Neutrals

- (1) The President has approved a statement by this Government of a proposed Allied economic policy towards the neutral countries. This policy contemplates the use of the economic levers at our disposal to gain the positive cooperation of the neutrals in furthering our war effort. The proposed policy is being discussed with the other major Allied governments, and if agreed to by them, will provide a firm basis for a strong Allied economic policy towards the neutrals.
- (2) The United States wants the active assistance of the neutrals in attaining the following objectives:
 - (a) The recovery of property looted by the enemy;
 - (b) the prevention of the secretion of flight capital and the disclosure of all Axis assets;
 - (c) the circumvention of German economic penetration or control of neutral economies;
 - (d) recognition of Allied authority over all enemy assets within the jurisdiction of the neutrals;
 - (e) assistance by neutrals in the relief and reconstruction of liberated areas.
- (3) To accomplish these objectives the following economic levers are presently available to the Allied governments:
 - (a) The navicert machinery for providing a direct control over all important neutral imports;

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- (b) the United Nations export and import controls and commodity allocating machinery;
- (c) exchange control and freezing regulations;
- (d) the direct control which we shall have over the trading and financial transactions of enemy countries.

give Mr Coe photostat of this page 3/2/45.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 23, 1945

TO Secretary Morgenthau

FROM Mr. Coe ^{F.C.}

Subject: Axel Wenner-Gren -- Action and Information.

The accompanying memorandum was prepared for your information jointly by Foreign Funds and Monetary Research. I think you will be particularly interested in the attachment, based upon an FBI report, which connects Wenner-Gren with Goering's finances.

There are two action matters which we would like to submit to you:

gm
1. Stettinius has asked Biddle to conduct a full-dress investigation of Wenner-Gren. Justice in turn has asked for our files.

Subject to your approval, we intend to help them, although we do not think that such an investigation is necessary in order to keep Wenner-Gren on the black list.

ms
2. Since we have never conducted a full-dress investigation of Wenner-Gren's finances and tie-ups, all of us concerned agree that Foreign Funds should make such an investigation of him and his U.S. companies. Are you in agreement with this recommendation?

There are some other angles of this about which I should like to speak with you briefly.

Memorandum Re Axel Wenner-Gren

A. Circumstances Surrounding Listing of Wenner-Gren.

1. State, in December, 1941, requested the Proclaimed List Committee to immediately list Wenner-Gren. No evidence was presented to the Committee as a basis for this request, as is the customary procedure. State based its recommendation on the fact that the President, Welles and Berle desired that the action be taken. A supplement of the Proclaimed List was published on January 14, 1942 to include Wenner-Gren's name.

2. State recommended that no restrictions be placed on the commercial activities of Wenner-Gren. On February 9, 1942, Mr. Berle, in a memorandum, stated in this connection that he saw "no particular reason to restrict commercial activities of the Wenner-Gren companies for the time being. The immediate objective was to put Wenner-Gren out of the general promoting business to make it perfectly plain that he was politically unacceptable in the United States. I should not think it necessary to go further at this time."

3. The Proclaimed List Committee has never been given further details with respect to Wenner-Gren's listing.

B. Fragmentary Information Available to Treasury with Respect to Wenner-Gren.

1. The War and Navy Departments have informed the State Department that they hoped the British Government would not permit Mr. Wenner-Gren to gain control of lands in the Bahamas in the vicinity of the American naval bases. (1939-40)

2. According to December 8, 1940 issue of the "Deutsche Allgemeine Zeitung" Wenner-Gren was reported to be organizing a German-controlled monopoly of all European timber resources.

3. General Leonard T. Gerow, Acting Assistant Chief of Staff on June 4, 1941, stated that "Axel Wenner-Gren is regarded with suspicion by American and British Intelligence agencies. It is known definitely that he is on intimate terms with high

German and Japanese officials."

4. A British Intelligence report on January 29, 1941, says, "Axel Wenner-Gren is also said to be attempting to form in America a cartel to control the wood trade, and this has been discussed with various persons who have got the impression that his real object is to cut off Britain's supply of wood."

5. Ambassador Messersmith, in a personal despatch from Mexico on March 1, 1943, made the following observations with respect to Wenner-Gren: "I had known of Mr. Wenner-Gren's close connection with the Nazi Government in Germany as early as 1933 there was no doubt that he had had this close connection with several of the highest officials of the Nazi Government including General Goering and that General Goering had said to me that Mr. Wenner-Gren would prove to be one of the most useful instruments of the Nazi Government.... It was notorious in Berlin at that time (1930-1934) that Wenner-Gren was 'playing' with these people. His association with high officials of the Nazi Government was well known and there was no endeavor to make any concealment thereof by these officials or by Wenner-Gren.... There is no doubt whatever that Wenner-Gren was convinced that the Nazi Government would be able to carry through the domination of at least Eastern and South-eastern Europe."

6. The F.B.I. has prepared a report (January 1945) on Wenner-Gren (see Attachment A) in which it is reported, among other things, that when Wenner-Gren left Sweden in 1940 for a South American country he brought with him personal funds of Herman Goering for which he successfully arranged a haven in Latin America.

C. Wenner-Gren's Efforts to be Removed from the Proclaimed List.

1. Wenner-Gren has been making continuous and strenuous efforts to be deleted from the Proclaimed List. At the outset, he intended to utilize his friendship with the late Maximino Camacho, brother of the President of Mexico, in an effort to enlist the support of our Embassy in Mexico City.

2. On June 18 and 24, 1942, Swedish Minister Boström approached Berle urging the deletion of Wenner-Gren.

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3. Since the latter part of 1942, Warren Grimes, a Washington attorney, has been retained by Wenner-Gren to represent him before the appropriate government agencies in connection with his deletion. Grimes is presently acting under a three-months Treasury license. Grimes has been extremely active on behalf of Wenner-Gren and has even appealed on several occasions to former Secretary of State Hull.

4. Robert Watson, a Washington attorney, has recently filed an application with the Treasury to permit him to represent Wenner-Gren in connection with the latter's application for a temporary visa to enter the United States.

5. The names of various prominent United States citizens have from time to time been linked with that of Wenner-Gren in connection with his various activities, particularly those relating to his efforts to be deleted from the List, including Edward J. Flynn, Ex-New York State Senator John R. Hastings, and Ben Smith, the notorious American financial speculator.

D. Present Government Position on Deletion of Wenner-Gren.

1. The F.B.I. is making an investigation, both here and in Mexico, regarding Wenner-Gren's efforts to be removed from the Proclaimed List.

2. The Proclaimed List Committee has not been presented with the question of deleting Wenner-Gren from the Proclaimed List.

3. The most recent information submitted to the Committee regarding Wenner-Gren involves a recommendation from our Embassy in Mexico that his name be retained on the Proclaimed List in the post-hostilities period.

E. Wenner-Gren's Empire.

1. Wenner-Gren's financial, industrial, and commercial empire is probably one of the most extensive in the world and is international in scope (see Attachment B). He is reputed to have assets totalling 50 million dollars in the United States. The extent and variety of Wenner-Gren's interests are shown in the fact that he has interests in companies engaged in the following activities: holding securities, patents, real estate; operating educational funds; promoting mining properties, patents; shipping; food packing; development of ore processes, airplane engines, patents, real estate; household appliances; munition

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manufacturing; wood pulp; transportation; and banking investment.

Among the principal components of this empire are the following:

Sweden. Electrolux A/B, manufactures refrigerators and other household appliances, with over twenty distributing companies throughout the world and manufacturing plants in Canada, France, England, and Germany.

Bofors, Ltd., the well-known manufacturers of Bofors anti-aircraft gun and other types of munitions. Bofors carried out armament research for defeated Germany after the last war, and is reputed to be currently directly tied up with German industrialists.

Svenska Cellulosa A/B, reportedly the largest manufacturer of wood pulp for newsprint in Sweden.

United States. Electrolux Inc., manufactures vacuum cleaners and other household appliances under patent rights granted by Electrolux A/B.

Servel, Inc., manufactures refrigerators.

Cellulosa Sales Co., subsidiary of Svenska Cellulosa, handles sales of wood pulp to the American market.

Mawen Motors Inc., engaged in the development of a special type airplane engine in which the Army and Navy are interested.

2. The Wenner-Gren companies in the United States operate under Treasury licenses. From time to time Foreign Funds Control has investigated these companies, and no violations of the freezing control have been found.

Attachment A

FBI Report On
Information Furnished by ELOF A. OSTMAN,
Former Personal Secretary to Axel Wenner-GrenMethod by which Wenner-Gren obtained Hermann Goering's Funds
For Secretion.

1. Some of Goering's funds were given to Hugo Wenner-Gren, brother of Axel, and were brought by him from Germany to Stockholm where they were deposited with Bertil Lilja. Lilja is a Swedish industrialist and one-time advisor to Wenner-Gren. Some of Goering's funds were brought personally to Stockholm by "aides" of Goering who also deposited them with Lilja. These funds in turn were deposited in the Wallenberg Bank of Stockholm, which handled Lilja's banking interests.

2. Other of Goering's funds were transferred to the Anglo-French Bank in London through the establishment of a credit by Bertil Lilja & Co. The President of the Bank at that time was Fred Szarvasy, a Hungarian who had become personally acquainted with Goering in the early 'twenties and who had been entrusted by Wenner-Gren with much of his banking business. Szarvasy is also reported to have acted as an intermediary in the transfer of certain of Goering's funds through remittances. (Source of the above: Georg af Trolle, Secretary to Wenner-Gren, 1933-38)

3. A portion of the funds were brought on board the "Southern Cross", Wenner-Gren's yacht, in 1938 as it was ready to leave Sweden for South America. The money was reportedly in American currency, British pounds, and Swedish crowns.

4. The remainder of the funds were brought on board the "Southern Cross" at Southampton, reportedly originating with the Anglo-French Bank in London. On the departure for South America of the Southern Cross, Wenner-Gren's yacht, in 1938 the ship's safe carried \$4,000,000 of Goering's funds in the form of American currency, British pounds, and Swedish crowns.

How Wenner-Gren Disposed of Goering's Funds.

1. After leaving Southampton, the "Southern Cross" proceeded to Rio de Janeiro, where Wenner-Gren delivered a portion of the funds to an "aide" of Foreign Minister Aranha, the money to be

- 2 -

invested by Aranha in various enterprises throughout Brazil, especially in mining interests. 50 percent of the profits from these enterprises were to go to Wenner-Gren and 50 percent to Goering.

2. At Buenos Aires, further funds were removed from the ship's safe and given to an unidentified person for delivery to Fritz Mandl, the money supposedly to be used in the manufacture of munitions. (Ostman reported that sometime between April 23, 1940, and June 19, 1940, Wenner-Gren received a letter from Mandl requesting additional funds).

3. At Callao, Peru, Wenner-Gren made investments in mining interests through Foreign Minister Prada (then also President of the Banco Central of Peru) and in certain industries in both Brazil, Argentina, and possibly Bolivia. All of the remaining funds in the ship's safe were removed at this time with the exception of enough to supply the "Southern Cross" on its return voyage to Nassau.

4. The foregoing is confirmed by Captain Hallstrom, Captain of the Southern Cross, who reported (on the basis of information received from the previous Captain) that Wenner-Gren had entertained Aranha in Rio, had stopped at Buenos Aires and Callao, and by that time had almost completely depleted the funds carried in the ship's safe.

FEB 23 1945

To: Mr. Collado**From: Mr. Coo**

**Will you please send the following cable to the
American Embassy, Chungking, China:**

FOR ADLER FROM THE SECRETARY OF THE TREASURY:

**We have assured Donald Nelson's new representatives,
Messrs. Kearney and Brooks, about to depart for Chungking,
that, as in the past, you will be available for consultation
with regard to questions of inflation and other financial
and monetary matters.**

CABLE TO AMERICAN EMBASSY, LONDON, FOR MANN FROM WAR REFUGEE BOARD

Please deliver the following very confidential message to
Dr. Schwartz and Commander Linder from M. A. Leavitt of American
Jewish Joint Distribution Committee:

QUOTE ASSUME LINDER DISCUSSED WITH YOU PROJECTED FEEDING
PROGRAM THROUGH INTERCROSS AMONG INTERNEES CONCENTRATION
AND LABOR CAMPS FOR WHICH SUBSTANTIAL FUNDS NOW AVAILABLE
IN SWITZERLAND MAY BE UTILIZED. GENERAL ODWYER PLANNING
PROCEED SWITZERLAND NEAR FUTURE AND SUGGEST THAT YOU GO
SWITZERLAND SOONEST POSSIBLE IN ORDER EXPLORE WITH MCCLEL-
LAND SALLY MAYER POSSIBILITY SECURING SUPPLIES TRUCKS AND
SO FORTH PRIOR HIS ARRIVAL. WE STRONGLY APPROVE YOUR
GOING, OUTLOOK ENCOURAGING FOR REAL PROGRAM ADVISE YOUR
PLANS. QUESTION OF LINDER PROCEEDING SWITZERLAND AWAITING
CLEARANCE. UNQUOTE

THIS IS WRB LONDON CABLE NO. 49.

3:15 p.m.
February 23, 1945

CABLE TO AMBASSADOR WINANT AND MANN FROM DEPARTMENT, FEA AND WRB

Reference Department's 6034, July 31, 9419, November 10, and your 6279, August 5, 10022 of November 16.

In view of the extreme urgency of extending additional aid to un-assimilated persons in enemy-controlled concentration camps and in view of recently received reports from Intercross that more widespread distribution can be effectuated under terms of Berle-Food agreement, the Department, FEA and WRB recommend the shipment from this country by the War Refugee Board of an additional 350 tons of foodstuffs for distribution by the International Red Cross. This recommendation is endorsed by the Department, FEA and WRB, and we jointly and urgently request that this matter be referred to the Relief Sub-Committee for Blockade authorization to proceed with this program at the earliest possible date.

THIS IS WRB LONDON CABLE NO. 50.

4:15 p.m.
February 23, 1945

ALH-769

PLAIN

London

Dated February 23, 1945

Rec'd 10:06 a.m.

Secretary of State

Washington

1863, Twenty-third

FOLLOWING FOR MOSES LEAVITT, JDC, NEW YORK, FROM
JOSEPH SCHWARTZ

"Wish advise unified relief agency in France already set up and beginning functioning March 1st. President Louis Ascher other members of committee include Guy de Rothschild, Marc Yarblum Schragar and others. Secretary General is Raymond Geissman and Director General Maurice Brenner who is on leave from us. Gaston Kahn has joined our staff as consultant on relief matters. Full list of board and officers being forwarded with further details. After consultation with Harold Linder we both believe inadvisable purchase French francs your end until you hear further from us."

WINANT

RR

RA-774

PLAIN

London

Dated February 23, 1945

Rec'd 10:18 a.m.

Secretary of State

Washington

1864, Twenty-third

FOLLOWING FOR MOSES LEAVITT, JDC, NEW YORK, FROM JOSEPH SCHWARTZ:

"Passman and Trobe now Istanbul. Bulgarian and Rumanian Legations both cabled for authorization to grant their visas and Ambassador Steinhardt has cabled to American representatives both countries asking their help. Hope you will support promptly and vigorously since Filderman insisting earliest possible arrival our representatives. Understand Herbert Katski returning Washington and would suggest you again explore possibility enlisting his services for behalf. Would appreciate knowing if possible approximate date General O'Dwyer's arrival Switzerland and if he proposes proceed via London.

After discussions with Harold Linder still feel Plaut should proceed France for assignment. If his plans are now completed for North Africa we shall try to arrange for his entry to France from there."

WINANT

RKP

MB-1056
Distribution of trans
reading only by special
arrangement. (SECRET W)

London
Dated February 23, 1945
Rec'd 11:03 p.m.

Secretary of State,

Washington.

1870, February 23, 2 p.m.

FOR DEPARTMENT AND WRB

In note dated February 21 Foreign Office
informed Embassy as follows: (REKRYTEL 66,
January 3, 12 p.m. and 308 January 13, 12 p.m.)

Particulars have now been received from British
Legation at Bern concerning the group of 1675 Jewish
refugees from Bergen-Belsen. British authorities
are naturally pleased at release of these refugees.
There are however considerable difficulties to British
agreement for immediate admission "of all or indeed any"
of the group into Palestine. Arrangements were made by
the British authorities when practically the whole of
Europe was occupied by the enemy whereby a large number
of European Jews were advised that certificates for
entry into Palestine would be issued to them should
they reach neutral territory. At the same time British
passport control officer at Istanbul was authorized to
issue Palestine visas automatically to any Jewish
refugee who reached Istanbul. This arrangement was
designed simply and solely to save from persecution
as many Jews as possible. A certain claim to immunity
from the worst forms of persecution was given them
by a document to the effect that they would be admitted
into Palestine. Consequently not such regard for the
"Absorptive capacity" of Palestine was held in giving
these assurances. It was ensured through the authorization
to the British passport control officer at Istanbul to
grant visas that no Jew who succeeded in reaching the
Turkish Frontier would be turned back. This position
was fully understood and accepted by the Jewish agency
for Palestine. The British had to take steps to provide
that Palestine immigration take place in a more orderly
manner now that conditions in Europe have changed and
the area of enemy action domination has shrunk.
Immigration to Palestine at the present time is on a
basis of a quota of 10300 Jewish immigrants. This quota

is to be filled

is to be filled as from October 1, 1944 at a rate not exceeding 1500 a month. The Jewish agency for Palestine has the initial choice of immigrants under this scheme. Consequently there must first be considered the admissibility of these refugees into Palestine under the present quota arrangements. However the British agree with the American authorities that the Swiss Government "who seem themselves to have taken the initiative on this point" should not be burdened any longer than is absolutely necessary with the presence of these refugees. The best solution therefore would seem to be their removal from Switzerland to some other place where temporary housing and care can be given them. From further correspondence through military channels British understand that the War Refugee Board intends for the present to do this and that steps are already underway on the part of SHAKF, AFHQ and UNRRA looking toward the removal of the whole group from Switzerland either to an UNRRA camp in Italy or to the UNRRA camp at Philippeville. It is very likely that some of these refugees will prove to be UNRRA'S responsibility under resolution Nos. 57 and 60 of the Montreal conference. UNRRA is authorized by these resolutions to carry operations for the care and repatriation or return of persons "who have been obliged to leave their country or place of origin or former residence or who have been deported therefrom by action of the enemy because of their race, religion or activities in favor of the United Nations". So far as the British are concerned this arrangement consequently fully acceptable. The Foreign Office assumes that the Inter-Governmental Committee is being kept fully informed of developments by the War Refugee Board since the IGC has special responsibilities with respect to Hungarian Jews who escaped from enemy hands under arrangements made last summer in connection with the so-called Horthy offer.

WINANT

CSB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: February 23, 1945
NUMBER: 1897

CONFIDENTIAL

The following is for FEA and the Department.

British approval to transfer of 5000 pounds to Sweden for food parcels for Jews in Theresienstadt and Bergenbelsen has been asked by Mr. Zalmanovits, Secretary General of the European Division of World Jewish Congress. Transfer of funds has been agreed to by British Treasury. MEN will inform the British Legation in Stockholm, unless you see objection, that it may approve shipments of food parcels provided (1) that parcels are sent through Swedish Red Cross IRC or YMCA and bear the labels of one of those organizations (2) that not more than 1000 three kilo parcels are despatched at one time and that additional shipments are not allowed unless following conditions are met: (A) IRC is notified of despatch of parcels and is requested to verify safe arrival whenever representatives visit camp (B) senders are notified by camp council of receipt of parcels and (C) receipts accompany each parcel; Legations to spot check returns.

We discussed foregoing with Surrey of Legation Stockholm when he was in London on way to Washington. Doubt was expressed by him whether condition (1) above would be met. You may want to discuss it with him further.

Early indication of your views would be appreciated by EMD.

WINANT

RMT-905
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Rome
Dated February 23, 1945
Rec'd 4 p.m.

Secretary of State,
Washington.

513, February 23, 5 p.m.

FOR AMERICAN JOINT DISTRIBUTION COMMITTEE, NEW YORK,
FROM RESNIK. 3

Group of physicians in Yugoslavia cabled American
Jewish Committee and our organization concerning typhus
epidemic in Yugoslavia requesting assistance in combating
epidemic. This matter fully known to American Typhus
Commission under General Fox and to us.

For your information AFHQ granted permission OBE
medical mission enter Yugoslavia. Jacobson will accompany.

KIRK

JT

DSH-978
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm
Dated February 23, 1945
Rec'd 8:00 p.m.

Secretary of State,
Washington.

SECRET

696, February 23, 9 p.m.

When I saw Von Post this afternoon he informed me that the Swedish Minister had made an approach without the support of the Swiss Minister or the Papal Nuncio in regard to the Jews who were the subject of my 507, February 9, 7 p.m. and related correspondence. These representations, in which it appears Kleist, who has close relations with Himmler, was concerned, has had result that according to Von Post Germans have consented to 2,000 Jews being removed from concentration camps in Germany to Sweden. I will endeavor to secure further details regarding these 2,000 and, if possible, the names of the camps from which they are to be taken.

JOHNSON

JT

MS
Distribution of true
reading only by special
arrangement. (SECRET W)

February 23, 1945

2 p.m.

AMLEGATION

BENH
804

The following for McClelland is WRB 417.

Reference your 1056 of February 16. Please
cable whether Schutzhaeftlinge include persons
actively engaged in labor for Germany and whether
the national groups to which ICRC parcels are to
be sent comprise or exclude Jews of the respective
nationalities.

CPJEW
(Acting)

LFO
Distribution of trus
reading only by special
arrangement. (SECRET V)

February 23, 1945
Midnight

ALLEGATION

BERN

BT9

The cable below to Harrison and McClelland from Department
and War Refugee Board is WRB 416.

The following is text of memorandum of Executive Director of
War Refugee Board which was unanimously approved at Board meeting
February 20th:

QUOTE Memorandum to: Secretary Stettinius
Secretary Horgenthau
Secretary Stimson

Our best information indicates that, while the enemy
has abandoned wholesale extermination of detainees, large numbers
of the physically unfit are now in imminent danger of death due
to starvation, exposure and deliberate neglect. The actual numbers
are unknown and are believed to be changing daily.

Food, medicines and clothing must be distributed to such
detainees at once if their lives are to be saved. They should be
removed, if possible, to safety in Switzerland without unnecessary
delay.

The International Red Cross is our only means of direct
contact with the camps. Operations can best be conducted from
Switzerland.

The War Refugee Board is requested to authorize its repre-
sentative to obtain the necessary cooperation of the International
Red Cross and the Swiss Government.

The War Refugee Board is further requested to approve that
the necessary food, medicines and transportation equipment be
made available to the International Red Cross by the Swiss Govern-
ment against our promise of repayment or replenishment after the
war. It is understood that private funds are available for the
necessary financing.

(Signed) William O'Dwyer
Executive Director

APPROVED: (Signed) Joseph C. Drew
Acting Secretary of State

(Signed) H. Hergenthan, Jr.
Secretary of the Treasury

(Signed) Henry L. Stimson
Secretary of War. UNQUOTE

You will note that the program approved envisages (1) furnishing food and other relief through the International Red Cross to physically unfit unassimilated detainees who are within enemy-controlled territory, and (2) their removal by the International Red Cross to safety in Switzerland as soon as possible.

The Executive Director of the Board plans to go to Switzerland in the near future in connection with the foregoing program. In the meantime, you are requested to do the following immediately:

1. Explore the availability in Switzerland of food and other relief supplies as well as transportation equipment. Please advise the Board and Department at once whether relief trucks are permitted to move from Switzerland to German-controlled areas and return to Switzerland for reloading of supplies.
2. Approach Interross with a view to obtaining their consent to deliver the relief supplies in enemy territory and to organize and effectuate the removal of detainees to Switzerland.
3. If currie kisten concurs please approach the Swiss Government for the purpose of obtaining its consent (a) to make available 50 Interross how the necessary supplies and equipment for the foregoing relief and evacuation program and (b) to admit all detainees who reach Swiss borders and house and maintain them under guard until we are able to arrange for their evacuation to Allied territory. You may assure the Swiss that this Government will arrange for the replenishment from the outside of all supplies made available by the Swiss for this purpose and compensation for use of equipment. Please report all developments to Department and Board.

CRIM
(Acting)
(DIX)

RMT-890
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern
Dated February 23, 1945
Rec'd 3:10 p.m.

Secretary of State,
Washington.

1181, February 23, 9 a.m.

FOR WRB FROM MCCLELLAND

In matter of ICRC using Luxembourg funds at my disposal in Switzerland for relief program behalf Luxembourg deportees in Germany, following is substance of ICRC's answer: (Department's 642, February 10; WRB's 397 and Legation's 588, January 27)

"Given relatively small number Luxembourg deportees in Germany accessible for relief supplies and mounting difficulties of transport situation on sum of 60000 francs would be more than adequate cover cost of relief program for them."

It might be of interest to donors to know that ICRC stated Belgian Government guaranteed several months ago to cover any ICRC expenditures involved in sending relief to Luxembourgers in Germany.

Kindly inform me if donors desire that I remit 60000 francs from 83334 I hold to ICRC.

HARRISON

WTD

EK-953
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern

Dated February 23, 1945

Rec'd 5:50 p.m.

Secretary of State,

Washington.

1194, February 23, 2 p.m.

FOR WRB FROM MCCLELLAND.

Grasset of SHAEF and Spofford of AFHQ Paris were sent following wire today. (Department's 769, February 20; WRB's 416).

"Whereas Swiss authorities would prefer evacuate 1672 Jewish refugees destined for Philippeville in one unit, they are willing move them in three or four smaller increments if shipping space for all 1672 at one time from French port of embarkation to North Africa is not available to Allied authorities. Kindly advise therefore how shipping arrangements are working out and Swiss will adapt evacuation these refugees accordingly. Swiss have offered supply trains if necessary".

I am informed by British Legation Bern that British Foreign Office London has agreed that this whole group should be removed from Switzerland as soon as possible to Philippeville where their claims to admissibility to Palestine can be properly investigated.

HARRISON

LMS

Dealy due to original message being garbled.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: February 23, 1945
NUMBER: 1201

CONFIDENTIAL

McClelland sends the following for the Department and HRB.
Reference is made herewith to Legation's cable of February 22,
no. 1159.

Burckhardt (B) of ICRC also informed me on February 20 that the Federal Council had very recently asked him to represent Switzerland in Paris as Minister to the French Provisional Government. Though he had emphasized exceedingly important duties that lay before him during coming critical weeks as ICRC President, his government was urging him to accept this new appointment to which the French Government had on February 18 indicated its agreement. It was stated by B that undoubtedly Professor Huber would return to Geneva at least temporarily as ICRC's President.

It was suggested by me that in view of importance and urgency of meeting Himmler in an attempt to expand and reinforce ICRC activity in Germany both as respect relief and protective measures perhaps it would be possible to postpone officially taking up his duties as Swiss Minister in Paris for a month or six weeks and keeping appointment secret in the meantime. He answered that the matter would be discussed by him with his Government.

At B's suggestion I took liberty on evening of February 20 of discussing the question informally with Verger French Charge d'Affaires at Bern who expressed the view that B's negotiating with Himmler in behalf of political detainees and civil detainees a great many of whom are French seemed of paramount importance now. It was stated by B that he would take the first opportunity to mention the matter informally to the Swiss.

News of B's appointment was published in the Swiss press on February 22. I am now informed by B that this was due to indiscretion of certain French journalists.

At once I got in touch with B who said that again he had sent word to Himmler reiterating his wish to see the latter. I was further informed by B that the Swiss Government had agreed to four weeks postponement in his going to Paris. Therefore, it is to be hoped that B will still be able to carry through his most important mission to Germany.

Developments shall be reported.

HARRISON

MFD-1098

PLAIN

Bern

Dated February 23, 1945

Rec'd 11:45 p.m.

Secretary of State,

Washington.

1204, Twenty-third.

WRB FROM MCCLELLAND

Please deliver following from Marjorie McClelland AFSC Geneva to American Friends Service Committee Philadelphia "Seventyseven with \$50,000 received January 27 following purchases now made through Croixmixte sixteen and half tons unsweetened condensed milk, twelve and half tons boxed cheese, one quarter fat, seven and half tons cherry, concentrate twelve tons biomalt, four and quarter tons ovomaltine.

Croixmixte proposes for another \$50,000 twelve tons ovomaltine six and one fifth tons esmalt product resembling ovomaltine balance probably in unsweetened condensed milk or boxed cheese one quarter fat although unable make binding promise. If you are interested please transfer money soonest.

Swiss friends anxious undertake relief project Normandy they to furnish personnel. Relief supplies will be supplies by Don Suisse. Ask contribution \$1,000 from AFSC toward project to pay expenses transportation maintenance staff three people for six months work could begin soon if money available" 2240.

HARRISON

RK/HTM

SECRETOPTEL No. 62

Information received up to 10 a.m., 23rd February, 1945.

NAVAL

1. HOME WATERS. 22nd. LST in convoy torpedoed and sunk by U-boat east of Ramsgate; 220 survivors landed from one of H.M. Canadian-manned Corvettes and cargo ship in another convoy torpedoed and sunk off Falmouth; 6 officers and 89 ratings landed. 2 midget U-boats sunk by M.Ls. in Scheldt approaches. 22nd/23rd. (Night). Groups of E-boats, probably mine laying active off S.E. Coast.
2. ENEMY ATTACKS ON SHIPPING. 22nd. A 1313 ton ship torpedoed and sunk in convoy off Falmouth by U-boat.
3. ANTI-SUBMARINE OPERATIONS. 22nd. Two of H.M. Minesweepers sank U-boat S.E. Cape St. Vincent; 4 officers and 37 ratings picked up.

MILITARY

4. WESTERN FRONT. Southern Sector: 7th U.S. Army advancing towards Saarbrücken is fighting in Forbach. Central Sector: East of Remich troops of U.S. 3rd Army advanced towards River Saar on wide front, while further north other U.S. troops occupied Saarburg and made further gains north Echternach and S.W. Prüm. Northern Sector: 1st Canadian Army meeting strong enemy opposition south and E. Goch.
5. EASTERN FRONT. Northern Sector: Several more places along Chojnice-Danzig railway captured. Central Sector: Advance of several miles made in direction Cottbus and 60 localities captured.
6. BURMA. Central Sector: 19th. Enemy in battalion strength attacked and overran our forward positions Seikpyu area (15 miles S.S.W. of main Nyaung bridgehead). Enemy has reinforced this area and our troops now withdrawn to form secure brigade box about 10 miles N.W. Seikpyu to counter threat to corps' right flank. Further north village of Saye (10 miles west Mandalay) captured and some 50 enemy killed. Northern Sector: Chinese troops made further progress towards Lashio and enemy withdrawal continues. Village 30 miles N.W. Lashio captured and leading troops second force 30 miles N.E. of town.

AIR

7. WESTERN FRONT. 21st/22nd (night). 1078 Bomber Command aircraft (39 missing) despatched: 373 Duisburg (1649 tons), 350 Worms (935 tons), 177 Mittelland Canal, Gravenhorst (811 tons), 77 Berlin and other operations 10x. First two attacks concentrated and photographs show canal completely unserviceable with banks broken many places. 22nd. 1372 S. heavy bombers (8 bombers missing and 15 fighters outstanding) dropped 3477 tons on 42 railway targets in North, Central and South Germany. Reports in main good, while escort destroyed 6 enemy aircraft in combat and 23 on ground. 191 escorted Lancasters (1 missing) attacked benzol plants Belsenkirchen (375 tons) and Osterfeld near Essen (329 tons), railway viaducts Bielefeld (96 tons) and Altenbeken near Paderborn (86 tons). Clear weather with haze experienced over all targets and bombing concentrated.

SHAEF (Air): 882 bombers (36 missing) dropped 1038 tons on 102 railway targets while fighters and fighter bombers 3290 (26 missing) operated all sectors destroying 138 locomotives, 1100 road and rail vehicles, cutting railways 338 places and inflicting enemy casualties in air combat 23,0,14. 112 Spitfires attacked rocket sites Hague area dropping 25 tons and causing large explosions. 22nd/23rd (Night). 155 aircraft despatched: Berlin 73, bomber support and other targets 82 without loss.
8. MEDITERRANEAN. 20th. 530 escorted heavies (3 missing) attacked two oil plants and one railway centre Vienna area (401 tons) and harbours Trieste (359 tons), Fiume (191 tons) and Pola (86 tons), while 204 aircraft (8 missing) attacked communications wide area Italy, Austria, Yugoslavia. Explosions caused at one oil plant and excellent results obtained Trieste.

20th/21st. (Night). 65 heavy bombers attacked railway centre Udine (203 tons) with good results.

21st. 542 escorted heavy bombers (13 missing) dropped 1030 tons railway centres Vienna using Pathfinder technique while aircraft 1008 (9 missing) successfully attacked communications and factories wide area destroying and damaging 300 road and rail vehicles.

9. MALAYA.
19th. 53 Super Fortresses attacked rail repair shops Kuala Lumpur (165 tons) with good results.

HOME SECURITY (Up to 7 a.m. 23rd)

10. ROCKETS.
22nd. Three incidents reported.
22nd/23rd (Night). Six incidents reported.

February 24, 1945
11:45 a.m.

HMJr: Hello. Hello.

Charles Merz: Hello.

HMJr: Mr. Merz.

M: Good morning.

HMJr: How are you?

M: How are you, sir?

HMJr: Mr. Merz, I attempted to answer your letter, but I thought I'd better do it in a telephone call.

M: Right.

HMJr: Because -- well, I thought I might say things on the telephone and give you a chance to answer me.

M: All right.

HMJr: Which I couldn't do in a letter.

M: Right.

HMJr: I don't know how serious you were in your letter, but I have an editorial before me, which most likely you don't -- but the part that I was trying to draw your attention to is this: it says, at the end, "But if Morgenthau is correctly quoted, he now tells us not only that the governments are going to restrict the foreign exchange market, but under the agreements are going to run them entirely." Of course, I didn't say that. "This -- this", then there's a next part -- "This means that no one would be allowed to make a single import or export or to use his dollars to make a trip abroad." Now, of course I didn't say anything like that, and the interpretation of it is what I objected to so strenuously.

M: Yes. Well, the same interpretation was placed on it by the Herald-Tribune, and by a lot of other people, and it seems to me that that certainly was the

HMJr: I didn't get

M: logical deduction to be drawn from that position.

HMJr: I didn't get that. I didn't get it any place but the Times.

M: Well, the -- Collins in the Tribune drew exactly the same deductions from it.

HMJr: Well, I -- I -- I didn't see it. Well, even if they did, that doesn't make it so. I mean, the point is that if this thing goes through, the Fund is simply an over-all guarantee, and the Guaranty Trust, or the Chase, or the National City Bank will simply be going ahead and doing business with their customers as they have before, with the Fund simply as a shock-absorber on the risk. And any interference with any individuals is just ridiculous.

M: Well, I don't see how you can get away from the position that either the thing is controlled or it isn't.

HMJr: Well, it isn't. There's no controller whatsoever. We've tried awfully hard to explain it to you people, but we haven't been able to. You've got a man up there -- I forget what his name is, who writes

M: (Name was inaudible).

HMJr: Who?

M: (Name was inaudible).

HMJr: Yeah. He just doesn't want to understand.

M: Well, I'm sorry you keep picking us out individually. There are a whole lot of other people

HMJr: No.

M: who got the same impression.

HMJr: Oh, no, not on -- I haven't seen any editorial that took this particular position that I was going to try to dictate whether a person could go abroad or whether he could

M: Well, that was

HMJr: or whether he could buy or sell foreign exchange.

M: That's where you end up, I think, if you're going to have the Government do it.

HMJr: Well, that's where you're a hundred percent wrong.

M: Well, I don't see how it could work out any other way.

HMJr: No, well, if you don't, why, you just don't understand it.

M: Well, I'm sorry.

HMJr: No, you don't, and it's terribly important, and a paper like the New York Times should, and certainly I can send you plenty of editorials from very good newspapers who do understand it. I mean

M: You dissent sharply from the whole position of the American Bankers Association, and so forth?

HMJr: Of course, I do.

M: Well

HMJr: And so do the experts of forty-three other nations.

M: Well, that takes us back over the whole question of how much freedom of choice there really was at Bretton Woods, and whether the thing wasn't already shaped within such rigid lines that you take it or leave it.

HMJr: Well, we tried -- we tried awfully hard and -- to explain this thing to the New York Times, and, as I say, but we don't seem to be very successful. The only thing that we have is that the news columns of the Times have been excellent. I mean, the way they

M: Well, the news columns, of course, never try to take an editorial position. They shouldn't.

HMJr: Well, that is theoretically correct.

M: We feel it's really correct.

HMJr: Well, I could show you plenty of instances where that wasn't correct, but anyway, I'm not getting anywhere. I didn't think that I would, and I suppose that he will go on writing just the way he has. It's unfortunate because I felt that the New York Times wanted to see -- you've supported the President on his foreign policy -- Bretton Woods is a part of it. It's the first piece of legislation

M: Yes, but we had already criticized the Bretton Woods agreement. We criticized the outline for it before it met, and we had urged another frame of reference, and we had -- we supported the President after the Bretton Woods agreement and despite it, rather than because of it.

HMJr: Well, if you feel as deeply as that, there isn't much use talking.

M: Well, I don't -- we certainly are -- have -- it seems to me, have been asking for the compromise. The agreement is -- the inflexibility, it seems to me to be in the Government's position. I don't see why the Bank thing isn't the best -- perhaps the only thing that's -- can be had and why it doesn't do the -- most of the job.

HMJr: Look, Mr. Merz, if we start amending this thing now -- if we start amending this thing now, it will give ample excuse to the other countries who have a similar interest -- corresponding interests to the small group in the -- this committee of the American Bankers, to work on their government not to change. I mean, if we start now to get forty-three countries -- every country to put through its particular pet amendment, it's perfectly obvious we'll have no agreement. We won't get anywhere.

M: Well, that's a tough spot. We recognize you're on it, but we're on it, too. That merely says -- of course, it doesn't really say, because you think the Fund is a good plan, too.

HMJr: Yeah.

M: But that sort of says that you've got to take something, even if we think it's bad, because it's the only thing we can get.

HMJr: No, what I -- what I am saying to you is this: that a paper like the New York Times -- the editorial page of the New York Times, I think, has got to weigh this: this is the first piece of United Nations legislation coming up before the Congress; if we keep pushing for amendments, are we going to get them? And if we do get them, do we get a Bretton Woods? See?

M: Yes.

HMJr: Now, it's perfectly -- I don't say this is a perfect instrument. The President doesn't say it's a perfect instrument, but it's the best that we could get. Now, you've got to weigh the thing. By the position the Times takes, are you going to add to the weight of a handful of New York bankers who are pressing for this -- that there should be no Fund, and that foreign exchange should be an adjunct of the banks. And what's going to be the net result, and what's going to be the effect on the Congress if the Bretton Woods proposal is defeated, and then Dumbarton Oaks, or whatever the next piece of legislation comes up, and with the strong isolationist group, how much encouragement is given to them. Now

M: I think that's a reasonable argument, but wouldn't you agree, on the other hand, that it is also a reasonable argument to say, "Look here, we've got half of this thing, which is the immediate half, which will do the real work, if we can get that through Congress without any big fight. It's a long beginning. Let's take that and do it."

HMJr: Yeah, but where I differ with you violently is that the banks cannot do the job without the Fund. They are two

M: The Fund doesn't even begin to operate until the -- the immediate problems are taken care of by the banks, it seems to me.

HMJr: No.

M: The Fund doesn't even begin to come into effect until after you've got over your immediate worries.

HMJr: Well

M: Isn't that so?

HMJr: No. I -- I don't -- gee, I wish I had a chance to -- because I've always had the highest respect for you, and for your intelligence -- I do wish I had a couple of hours to sit down with you on this thing.

M: Well, I'd like it, too.

HMJr: And

M: I don't think I have to assure you, especially after some of our experiences in the last campaign

HMJr: Yeah.

M: Well, you remember the attacks that were made on you personally.

HMJr: Yeah.

M: If there's anything, and I certainly don't have to assure you that there aren't any criticisms in this because we're not fond of you, as an individual

HMJr: Oh, no.

M: And we certainly don't have to argue that the Times has stuck its neck out on international issues a long way.

HMJr: No, I don't

M: Now, we get something here that we're genuinely concerned about, and the question is of what do you do about it in those circumstances. You just take it and say, "Well, this is all we can get." Or do you advise some kind of a compromise that you think is workable, and useful -- I don't know what you do in those circumstances. We certainly -- we are as international, I think, as any paper in the country.

HMJr: Well, that's the point. I -- I -- now, let me get this across to you. I, in no sense at any time, feel that this is personal against me. I'm too damn unimportant. See? But this whole thing is of world importance as to what we're going to try to do. You see? And I have never for a minute felt that the Times was taking this position because they didn't like me. See?

M: Well, I was sure you wouldn't think that. As I say, after the last campaign, when -- you remember the attack opened up on you by Dewey

HMJr: Yeah.

M: and so on. I mean, we

HMJr: No.

M: were glad to step in and do whatever we could.

HMJr: Well, I appreciate that, but the point that I begged and implored Randolph Burgess that they shouldn't do this; it was late in the day; and his position is: well, they have a responsibility and they want to lay it before the public. You see?

M: Well, we -- I would be glad to be in the same boat with Randolph Burgess. I mean, that's about where we stand.

HMJr: No.

M: It seems to me he's got merit of the argument as far as this particular issue is concerned.

HMJr: Well

M: We agree with you it's a tough baby -- to know what to do with your first international agreement. I wish to heavens there was another one coming up first.

HMJr: Well

M: But Burgess is certainly a reasonable, an intelligent and a well-posted fellow on these things.

HMJr: Well, this is the way I feel: I feel the Fund is right. I think we need the Fund. But I'll go this far: even if it was wrong, I think the thing of

- HMJr:
Cont'd. first importance is to get the Bretton Woods legislation passed.
- M: Well, now, that's where I would -- hello?
- HMJr: Yes.
- M: That's where I would go off, because there you can -- it seems to me, you can do more harm than good, if you get something that's a mistake started just because it happens to be the first....
- HMJr: Well
- M: thing. Suppose it was something we both disliked and agreed we disliked, like a jump of tariffs by a hundred percent or something.
- HMJr: Well, I think if I had a couple of hours with you and brought a couple of my boys along, I think we could sell this to you.
- M: (Laughs) Well, I see. I don't think you could sell it to me if you couldn't sell it to Randolph Burgess, because I stand about where he does on the thing. It seems to me he's reasonable, intelligent, well-informed and
- HMJr: Not on this.
- M: Well, that -- isn't that a little arbitrary judgment?
- HMJr: No. No, because I've been travelling all over the country speaking, and I've got -- I've been travelling steadily for two weeks, and I've been meeting with bankers all over the country. There's only about a half a dozen people in New York who wrote these two reports.
- M: Well, of course, it's not unnatural that the New York bankers would be especially -- more up on the thing, and more alert to a thing like this, and I'm not speaking condescendingly of other bankers, but here's the center of the international banking fraternity. What the foreign field means to a Cleveland banker, and I come from near Cleveland, is not a very great deal.

HMJr: Oh, you mean to say that Cleveland and Detroit are not interested in the export market?

M: No, but I think they are much more -- they don't know -- they haven't had the training in the thing that the New York bankers have. It seems to me these fellows are --

HMJr: What?

M: I don't see how you can suspect Burgess of an ulterior motive on a thing like this.

HMJr: Well, I again say, if your mind is open, I'd like to find a time, but if you say that what Burgess says is what you say, then there's no -- there isn't much use.

M: I wouldn't -- excuse me -- I wouldn't -- I do say that what -- on the basis of all the arguments I've seen and read and tried to study on the whole thing, and I've spent a lot of time on it, I come out where -- where Burgess does on the basis of the evidence thus far.

HMJr: Yeah.

M: I wouldn't -- of course, my mind is open at any time, except on advantages of Hitler, on any argument, but it seems to me that he's got the right position.

HMJr: Would it be any influence on you if I send you some editorials from some other good papers?

M: Yes, I see a lot of editorials because we have a very faithful service that clips those things and puts them

HMJr: Well, then you see them.

M: I've read a good deal. I haven't read -- it seems to me that most of the things I've read just say, "Well, this is -- this is the first international thing. We've been an isolationist country. We can't afford to slip back again. Here comes up the first test and it would be a woeful experience if the United States once more turned down something after it had been signed." Now that's a strong argument.

HMJr: Well, let me

M: It makes a great deal of difference with me, and it's a very troubling one, but it isn't necessarily on the merits, as you say, of the plan. You said if the plan had been any other plan and had been the first one adopted, you'd be for it. That's a strong argument, but I've never seen anything on the argument of the merits of the Fund and the necessity of the Fund as against the rest of the thing, that has persuaded me yet that in itself it's a good thing. I admit the argument -- I think you're dead right about the unhappy position of having something that the papers, especially like the Times which has plugged for reciprocal tariffs and quarantines, and everything else under the sun, now comes up with a first agreement on something that it has great doubts about. I don't know what our duty is in a certain sense, but it seems to me we -- it is to try and point out what mistakes we think there are and look for some salvage and compromise, and that's about what we've done.

HMJr: Well, let me -- I'll think this over. The trouble is that my time is so

M: Yes, you are very good to take this much

HMJr: No, no, no, no, no, this -- no, I don't mean this. No, I've got all the time, but I meant for me to come up to New York especially to see you. That's what I was trying to think about.

M: Well, next -- next time you're here, won't you?

HMJr: Well, the thing is

M: I'd come down to see you but Arthur is away.

HMJr: things are moving so fast. I just got a letter -- telegram from Arthur from New York this morning.

M: From New York?

HMJr: Yes.

M: Well, he's still in Florida.

HMJr: Oh, well, then he had his secretary

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M: Yes. Yes, I'm sure so because I talked with him there yesterday on the phone.

HMJr: Well

M: He'll be down there a couple more weeks, as a matter of fact.

HMJr: I'd love to have a couple of hours with you on this because I think I could convince you.

M: All right.

HMJr: But I'll see because it's very important, and we'll see where we're at.

M: All right. Fine.

HMJr: If I can find some time, and you're not always busy evenings are you?

M: No, not at all. I'd be -- I'd be glad to make it any evening no matter what I had on.

HMJr: Well, I'd like -- I'd like to have the satisfaction of having a couple of hours with you, and then if I can't convince you, at least I've made the effort.

M: Done and done.

HMJr: Okay.

M: Okay, thank you.

February 24, 1945
2:16 p.m.

Operator: All right with Isbey.

HMJr: All right.

Operator: Go ahead.

HMJr: Hello.

Frank Isbey: Hello, Mr. Secretary.

HMJr: Hello, Frank.

I: How are you?

HMJr: I'm fine.

I: That's good. We'll be glad to have you out here.

HMJr: Well, listen, Frank, I've taken on more than I thought.

I: Ah, ha, ha, ha. No.

HMJr: I'll tell you why.

I: Yes.

HMJr: This so and so of a Congressman

I: Yeah.

HMJr: Jesse Wolcott, we've just got a copy of his speech.

I: Oh.

HMJr: And he starts out in the beginning quoting a Congressman from Wisconsin what a swell guy I am. He seems to be afraid to say so himself.

I: Uh huh.

HMJr: And then gives forty different -- actually forty or more different objections that have been raised in regard to Bretton Woods.

I: Huh!

HMJr: I never would have gone out there in the first place if Wolcott hadn't said he was going to sponsor me and introduce me.

I: Yeah.

HMJr: And I thought, well, if Wolcott does it, it gives us a wonderful start.

I: Right.

HMJr: Instead of that, he gives me a knife in the back.

I: Huh.

HMJr: And

I: We can get busy. I was just checking up -- and whether I'll have enough time to get some of that changed -- I understand that he's going to be in here -- I can do it if I have three or four or five days, because I can reach for certain things. See?

HMJr: I don't think you can change this. I'll tell you why. He's given it out, you see?

I: Yeah.

HMJr: But the point -- the point is this: he's still -- what he says is this: -- he's very clever -- he says, "Of course, the Treasury can answer these." You see?

I: Yeah.

HMJr: And he still doesn't commit himself....

I: I see.

HMJr: one way or the other.

I: I see.

HMJr: So that

I: With the very short time -- with -- I'll see what I can do here -- can get him to change his mind.

HMJr: Well, you still have time to change his mind because he still refuses to say how he's going to vote.

I: Oh.

HMJr: So this thing is very clever. It lists these -- White is sitting here -- he says there's over sixty of these objections.

I: Huh!

HMJr: I didn't know there were that many good things for it.

I: (Laughs)

HMJr: And he -- but still leaves it open as to how he is voting. You see?

I: I see.

HMJr: So I'm not giving you an impossible task.

I: Yeah. Yeah. Well, I'm satisfied because of certain of my friends and the influence that they have in the District where he comes from.

HMJr: Yeah.

I: Louis Wilde isn't here, who supported us from the very start on the Port Huron Times Herald paper which is very important to him, and they're buddies. Louis Wilde is one of my closest personal friends and an outstanding supporter of our War Financing Program.

HMJr: Yeah.

I: His son is directing editor of the Grand Rapids paper where -- the opposite paper from Vandenberg's paper that he was connected with.

HMJr: Oh.

I: And he was our chairman for three drives in Kent County.

HMJr: I see.

I: And on top of that Charlie Latch who was with us right from the start is a banker from Lapeer, which is the other county which Wolcott comes from, and he

I:
Cont'd. was my chairman from the start and he is considered one of the finest men in that community. In fact, he has been a stalwart in introducing Wolcott in his different campaigns.

HMJr: Yeah.

I: Charlie is going to be at the speaker's table on Monday.

HMJr: Well

I: And it won't take very long to

HMJr: Well, here's the point

I: Yeah.

HMJr: They tell us that both A.F.of L. and C.I.O. are for this.

I: Yeah.

HMJr: And if their State chairmen -- of the State, I mean, could get in touch with their National organization, they'll find that they're all right. You see?

I: Yeah. Yeah.

HMJr: So they can get their orders or whatever they have to do.

I: Yeah. Well, John Gibson, who is president of C.I.O. is for you lock, stock and barrel.

HMJr: Well

I: And

HMJr: Do they have -- does the labor organization have any -- farm organization -- can they have any influence with either Wolcott or Vandenberg?

I: Oh, yes. Oh, yes.

HMJr: Well, now both the American Farm Bureau Federation and the other organization, whatever they call it

I: Yeah.

HMJr: That organization -- I don't know whether they have any

I: The State Grange?

HMJr: I don't know about the State Grange, but the other two are for it. You see?

I: They're for it?

HMJr: And again Vandenberg -- confidentially I had him down here for lunch by myself.

I: Yeah.

HMJr: And his -- he has not yet declared himself.

I: I see.

HMJr: See?

I: I see. Well, this is the place that he comes from.

HMJr: Yes.

I: And when you come here, I'll -- I'll tell you very shortly how we'll steam this thing out so that I'll put a steam roller behind this; that in this State there won't be any question about where he stands, if he wants to come back.

HMJr: Those two men -- if I could get those two men to publicly come out for Bretton Woods, this is in the bag. I can just

I: Well, I'll go to work on it.

HMJr: The whole thing

I: Now, I'll reach from a long way back, but

HMJr: Frank

I: we'll do it.

HMJr: Frank.

I: Yeah.

HMJr: The whole thing can be settled on Vandenberg and Wolcott.

I: Is that so?

HMJr: Absolutely.

I: Oh, well, then I'll show you how we'll do it.

HMJr: If those two men would publicly come out for this thing, it's in the bag. Now, from your standpoint as our Chairman

I: Yeah.

HMJr: if I take a licking on this thing

I: Yeah.

HMJr: from that group of bankers in New York

I: Yeah.

HMJr: it's going to hurt War Bonds like hell.

I: You ain't going to take any.

HMJr: See?

I: You're not going to take any.

HMJr: No, but it's going to hurt War Bonds.

I: There's more influence -- you'll see it when you come out here, with the people of this State of Michigan for good, and the fellow that you had to lunch knows, and you know, that I'm not interested in any politics.

HMJr: Yeah, but I'm telling

I: He knows I'm the only fellow in Michigan that can chase him out down there.

HMJr: Well, I'm just telling you that that's the situation.

I: Well, now, this is a nice way we can do this because with -- Louis Wilde will be back here within a week

HMJr: That's too long.

I: from California, and he would, in turn, take Wolcott under his wing.

HMJr: It's got to be done

I: Well, I can have him start it right tomorrow.

HMJr: But you see the bill is going in on the 7th.

I: Is this on the 7th of March?

HMJr: And everybody is working on Vandenberg and Wolcott. The pressure on them is terrific.

I: Is that so?

HMJr: Yes.

I: Oh, well, the pressure should come from here though.

HMJr: Yeah, but we -- we can't wait a week.

I: Oh, well, I mean, I'll start right away.

HMJr: Yeah, we can't

I: In fact, I'm laying my plans right now. I can get John Gibson and get the president of the A.F.of L. tomorrow.

HMJr: Well, I don't know how much -- you know your State better than anybody else.

I: Yeah. Yeah. But Port Huron -- the District Port Huron, that particular part of Wolcott's Congressional District is pretty strongly labor, because there's a lot of plants in there; Chrysler's Maryville plant, the big brass company, and all those. One is an A.F.of L. and the others are all C.I.O.

HMJr: Well, the principal thing of my speech that I'm saying -- it builds up to this

I: Yeah.

HMJr: and this is just for you -- that if this thing goes through, the State of Michigan can look forward to an export market of a million automobiles a year.

I: Yeah.

HMJr: And the most we ever exported was in '29, 700,000.

I: Well, that's just fine.

HMJr: And I'm putting it right down in that kind of language.

I: That's right.

HMJr: Anybody can understand that.

I: That's right. That's right.

HMJr: Well

I: And there are going to be a lot of fellows there that will want to hear that.

HMJr: and then I explain how.

I: Yeah.

HMJr: Now, the other thing is this -- the thing that's bothering Vandenberg.

I: Yeah.

HMJr: He also hasn't told the President yet whether he will go to San Francisco. See?

I: Yeah.

HMJr: On Dumbarton Oaks.

I: Yeah.

HMJr: He has not yet told the President. And the thing that's holding him back are the Poles in Michigan.

I: Uh huh.

HMJr: See?

I: Yeah.

HMJr: Now, I don't know who the big guy is there.

I: I do.

HMJr: But it's all mixed up with Catholicism, isn't it?

I: That's right. That's right.

HMJr: And I have done a great service to the Vatican here on their foreign exchange....

I: Yeah.

HMJr: over a period of two years.

I: Yeah.

HMJr: See?

I: Yeah.

HMJr: And they are very -- you know -- well, you were there -- didn't McCloy -- what's his name told me when you went there, the Pope talked all about me.

I: That's right.

HMJr: What?

I: That's right.

HMJr: Hell -- I beg your pardon

I: That's right.

HMJr: You were there.

I: That's right.

HMJr: Well, what's his name from Athens? You know.

I: Yeah, Peters.

HMJr: Peters says the Pope knew all about me.

I: That's right.

HMJr: What?

I: Yeah, you're right.

HMJr: Well

I: But they've got to know here.

HMJr: What's that?

I: They have to know it here.

HMJr: Yeah. Now, can you in any way line up the Poles, because if the Poles will simply tell Vandenberg, "This looks good to us"....

I: Yes.

HMJr: That, right now, is bothering Vandenberg more than anything else.

I: Well, now, let me tell you something.

HMJr: Yes.

I: Frank Januszewski is the owner and publisher of the Polish Daily News.

HMJr: Yes.

I: His right hand man is a fellow by the name of Swendsen. Swendson and I are very close personal friends, and so is Januszewski.

HMJr: You don't tell me.

I: Januszewski is the power. He's the fellow that's leading the fight on the present Curzon Line business

HMJr: Yeah.

I: in Poland.

I: And he, of course, has the church behind him.

HMJr: Sure.

I: Now, Frank is over in Chicago. I got a hold of Swendsen because I invited Frank to put him at the speaker's table at this luncheon. He is the power.

HMJr: Yes.

I: He -- Vandenberg came out here to Michigan to be the speaker at a banquet that paid tribute to him about four months ago.

HMJr: Oh.

I: The President, of course, takes ninety percent of the Polish votes here

HMJr: Yeah.

I: every election.

HMJr: Yeah.

I: But this question of Poland and Russia and the division there of Poland has been one that's just threw a red hot hammer into the fires.

HMJr: Yes.

I: Now, one of the other fellows that is in this picture is a fellow that's United States Marshall.

HMJr: Yeah.

I: And he is a leader in that particular group, too.

HMJr: Oh.

I: See? A very hot one.

HMJr: Yeah.

I: And I know right where we can put our hand in. Now, I've asked Frank -- he's over in Chicago -- and Swendsen's got a hold up, and Swendsen told me to call him at his house between six and nine o'clock.

HMJr: Yeah.

I: I've put Frank Januszewski in this breakfast that morning.

HMJr: Wonderful.

I: Now, there's a fellow that's a power, Frank Januszewski, comes out in his paper and if he goes for it, he'll flip it.

HMJr: Fine.

I: You see? And Vandenberg will go for it.

HMJr: Well, now, I'm going to get there, weather permitting, oh, fairly early Sunday night. See?

I: That's what I wish you'd do.

HMJr: And if you think over, I'll be talking to you again -- you'll be home between twelve and one tomorrow?

I: Yeah.

HMJr: I'll call you then, and I'll know then when I'm leaving.

I: Yeah.

HMJr: I'll call you myself.

I: That's right because it is very important with this nice meeting that I've got for the breakfast and if Frank's going to be there, and then I invited Jean Allman from Lansing, who is the Director of the Michigan Press Association, which is the other four hundred newspapers in the State, Weeklys, Dailies, everything. You see?

HMJr: Well, I didn't know whether you'd want to -- me to see one or two of them, maybe even Sunday night.

I: Yeah. Yeah. That's all right.

HMJr: See?

I: That's all right.

HMJr: This Polish thing will have more influence on Vandenberg than anything else.

I: Let me go to work on it. Sure it will because he can't -- he can't get elected without them.

HMJr: And if it's a question of seeing this Januszewski a little bit, you know, separately.

I: Yeah.

HMJr: And buttering him up -- I'd be glad to do that.

I: Yeah, that's right.

HMJr: See?

I: Yeah, that's right. He is one, and -- and there's the Polish Archbishop that is out there at Hamtramck, who comes under Archbishop Mooney

HMJr: Yeah.

I: which is the other influence. But Frank and he will see eye to eye.

HMJr: Well

I: I know every one of them.

HMJr: I'll go to the Archbishop if necessary, but I'd a little bit rather do

I: No, Frank is all you need.

HMJr: Well

I: He's the only one

HMJr: I'll most likely get out there fairly early so if there's somebody you think that -- you know.

I: Yeah.

HMJr: I'm not exaggerating when I say that as Michigan goes on this, so will the country.

I: Okay. If that's -- if it's that important, I've read Bretton Woods for the last three weeks inside and out, and I think I could debate the issue myself, and I'm for it lock, stock and barrel. And I think

I:
Cont'd.

if that's it, we'll go to work on it and I'll -- I'll have all the pressure coming in a subtle way that will, I'm sure, turn this thing the other way.

HMJr:

What

I:

The other thing I wanted to ask you, because I didn't know what was in Wolcott's speech, and I was going to call on him.

HMJr:

Yeah.

I:

He is going to be, as I understand from Alan Crowe, who is the head of the Economic Club -- he's going to be at the Book-Cadillac tomorrow evening. He's going to be in town here. Crowe, of course, under ordinary circumstances would take the two guests, yourself and the Congressman for breakfast the following morning. You see?

HMJr:

Yeah.

I:

And I said that we were going to have -- that if -- I wasn't sure when you would get in here, whether you would fly if the weather was good, or whether you might come on the train and I was hoping that you could fly because the trains are always an hour or two hours late.

HMJr:

What -- what

I:

On the whole these

HMJr:

What time is the breakfast?

I:

Beg pardon?

HMJr:

What time is the breakfast?

I:

Eight-thirty.

HMJr:

Well, I'm coming in tomorrow night by air.

I:

Well, then do that.

HMJr:

Now, I'll

I:

Then I can set this thing up and know for sure. Now, what do you think? I -- he said, "Well, when does the Secretary -- when can I bring the Congressman and the Secretary together?"

HMJr: Well, we can get together in the morning.

I: Get together in the morning?

HMJr: Sure.

I: You wouldn't want -- your thoughts are not to have him at that breakfast?

HMJr: Oh, yeah, I'd have him there.

I: Would you?

HMJr: Sure, I

I: The Congressman?

HMJr: Sure.

I: Well, I'm for that. Now, you're talking right.

HMJr: Sure.

I: That's what I'm for.

HMJr: Dan Bell was all upset because Randolph Burgess was going to testify on Debt Bill, see?

I: Yeah.

HMJr: And wanted to try to bring pressure to bear on him not to, and I said, "No, let him go up and talk."

I: Oh, now you're thinking, because I'm for that lock, stock and barrel.

HMJr: No, let him come to breakfast.

I: Sure.

HMJr: Give him the works.

I: Well, that's it, because he knows what influence I've got when I'm there sitting on the sidelines listening to the questions he's asking you.

HMJr: No, no, no, let him come to the breakfast.

I: Well, then that's fine. I'm going to invite him.

HMJr: Just make sure that he talks before I do.

I: That's right.

HMJr: That's all right.

I: That's right. Well, that will be fine.

HMJr: Yes.

I: Well, now, if you'll let me know, I'll go to work on this other right away.

HMJr: God bless you.

I: We've got the most powerful fellow in the Polish group.

HMJr: God bless you.

I: See? And you call me tomorrow.

HMJr: You bet. What's your home phone number?

I: Townsend.....

HMJr: How do you spell that?

I: T-o-w -- you know, the Townsend plan, \$35 every Thursday.

HMJr: Yeah.

I: 5-4141.

HMJr: Right.

I: Now, what time will it be? I'm going to church at noon and then I'm home around 12:30.

HMJr: I'll call you just a little bit before one.

I: That will be fine.

HMJr: I'll call you a little bit before one.

I: All right. Don't worry now.

HMJr: I'm not as long as you're

- 17 -

I: You're going to -- you know what this is going to be? This is the biggest attendance that the Economic Club has ever had.

HMJr: Yes.

I: The Book-Cadillac Ball Room that they usually pretty well fill is filled; the Italian Room which is the second largest room is filled, and they're into the Crystal Ball Room now, and so when they all have lunch, then they will move the tables immediately -- in five minutes -- out of the main ball room and pack them all in there.

HMJr: I wonder if they could get this Polish Bishop to come to the luncheon.

I: Well, I've invited -- I haven't seen their list, but I told them to put Archbishop Mooney on.

HMJr: Yeah. How is the Archbishop

I: I think that this would be a good idea.

HMJr: I'll leave it to you.

I: All right.

HMJr: But I can't overemphasize, this is -- you see, really if we get Vandenberg on this, then we get him on Dumbarton Oaks, too.

I: Yeah.

HMJr: And don't think that I'm not going to tell the President how you've helped.

I: Well, I do it for you.

HMJr: Well

I: You know that.

HMJr: he's our President and we're

I: I know it.

HMJr: still at war, and we haven't won the war yet.

I: That's right.

HMJr: We've still got to win it.

I: That's right.

HMJr: And these fellows -- these soldiers out there -- they want something better to come home to than what they've had before. This is the first concrete thing that has any -- means money in anybody's pocket and these fellows are playing politics with it.

I: I'll tell you something. (Laughs) I'm going to introduce Wolcott....

HMJr: Yeah.

I: too.

HMJr: You are?

I: Yeah.

HMJr: Well, it makes me sick

I: And I -- I can make an introduction from -- as an eye witness that would, not knowing what was in his address, that would absolutely kill anything that he would go against, unless it was of a very high purpose he was challenging.

HMJr: Well, Frank, it makes me sick to my stomach. These men, now, they're just playing politics. Vandenberg doesn't know whether it's a personal advantage to him or not to go to San Francisco. See?

I: Oh, it's a disgrace.

HMJr: See?

I: Blood are on these fellows hands.

HMJr: That's right.

I: You bet your life.

HMJr: Well, say a prayer -- say a prayer for me tomorrow.

I: I will. Now, you come as early as you can.

HMJr: I will.
I: I'll have things rolling.
HMJr: All right. I'm counting on you.
I: Don't worry.
HMJr: All right.
I: I'll do it right away.
HMJr: Fine.
I: Bye.

February 24, 1945
4:00 p.m.

Re: FINANCING

Present: Mr. D. W. Bell
Mr. Gamble

H.M.JR: What I want to say is this. It's going to be short because I am overtired now, and I know it, see? So I am afraid it is going to be a one-way conversation. I am not laying down the law by any means, but I have a suggestion.

This is what I was thinking about. This business of the bankers is bad business, see? I used the example with Ted over the telephone this morning that we fooled around with motion picture producers and thought they were the people who could give us the stars, and so forth, and then, through Ted, we woke up to the fact if we want to get anything out of the motion picture industry, to go to the box office.

Now, after all, the banks are custodians of other people's money, and they use other people's money to give them influence. Therefore, who are the people who are one step closer to the people than they are? Who are their customers? And their customers are people like big insurance companies, savings banks, corporations, and so forth. Therefore, I would like you people to give serious thought to saying to the insurance companies that I want them down. I am going to do this. I am going to rub it in a little. Let George Harrison come in and my friend, the former President of Metropolitan Life, Eckert.

MR. BELL: Eckert.

H.M.JR: Old man Eckert, and this S.O.B., the President of New York Life.

- 2 -

MR. GAMBLE: Harrison.

H.M.JR: No, no!

MR. BELL: George Harrison is President of the New York Life Insurance Company. The President of Equitable--

H.M.JR: Who wrote me a letter about Chase and Law Douglas, and I want them to do this weeping here and thinking of cutting long-term bonds from two and one-half down and graciously give in and give them a two and one-half but do what Bell suggests, give them a quota. In other words, if they had so much cash on hand, say, "All right, gentlemen, we will allow you one billion, two." But make it sweet to them, allow them to invest three months ahead. Just let me run through this thing, and in a very nice way I will get over my point to them that this is the time. They can't quote me.

We are looking for friends, and realize the insurance companies are, after all, really the keystone for peoples' savings. We are conservative here and don't want to shake down the foundations of the insurance company. And get the fellow from Hartford who is Secretary of the group. You know this fellow.

MR. BELL: Yes, I have forgotten his name. He used to be--Smith, George Willard Smith.

H.M.JR: He's in Boston.

MR. BELL: He came up through an insurance association.

H.M.JR: He's a very nice fellow.

MR. GAMBLE: Johnson?

H.M.JR: No. Get a half-dozen of these fellows from the Middle West and Northwest insurance companies. I want you to think this over, and we will graciously give into

the amount, so if they will need it, we will give them one billion, two, cash and enough so they can buy three months in advance. In other words, I think it is good business that these people who have, I don't know, fifty million accounts, are in my corner, see? Then we do the same thing for Mutual Savings Banks, and you talked something about Class A and Class B, I think. Which is under three million dollar accounts?

MR. BELL: Under three hundred thousand dollar accounts, government collateral, is what we call Class A.

H.M.JR: What size banks?

MR. BELL: Only very small banks, but that includes only those that have three hundred thousand dollars and under of war loan accounts in the Government.

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

MR. BELL: About six thousand out of ninety-five hundred.

H.M.JR: All right--those six thousand--let's give them something nice. Those six thousand--they are all small, aren't they?

MR. BELL: Yes, they are all small.

H.M.JR: Those aren't the boys making the money. They are having a hell-of-a-time putting two and two together.

- 4 -

MR. BELL: It is awfully hard to classify them.

H.M.JR: You have got them classified.

MR. BELL: Yes, but it is all based on their subscriptions to securities in the drive. Chase could become Class A if they only allow three hundred thousand.

H.M.JR: All right, Dan. I don't care whether it is three million or five million deposits or less, but I want to give some special treatment. Instead of saying every bank can have up to two hundred thousand dollars' worth of two percent bonds, I want to say that the small banks of such and such a size--describe them for me so there is some way they can have it. And I am not going to give Chase, with four million dollars, two hundred thousand of these, see. θ

MR. BELL: You can base that on deposits. Our last formula was ten percent of their savings deposits, or five hundred thousand, whichever was lower. That would permit a bank with five million dollars in savings accounts to come in and get five hundred thousand. Instead of applying it, it permitted Chase--if they have savings accounts--Chase doesn't.

H.M.JR: Manufacturers Trust does. I want to include good line banks up to five million.

MR. BELL: Take deposits as your formula. Any bank with five million dollars or less of deposits can have ten percent or more. That is it.

H.M.JR: You fix it. I want--if there are fifteen thousand national banks, I want to fix a formula to take care of about fourteen thousand five hundred of them.

MR. BELL: You will be amazed at the number of small banks in the country.

H.M.JR: And the rest of them--with the corporations I want to be fairly generous.

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MR. GAMBLE: They don't really care; they prefer the short one.

H.M.JR: If it is one and three-quarters--

MR. GAMBLE: They would just as soon have the certificate.

MR. BELL: Harvard money should go into that. If it is corporate trust funds, that will be different, but--

H.M.JR: Well, you get what I am thinking. When we come down to the banks, see, if we are going to do something-- I haven't had a chance, but I would give the so and so's seven-eighths.

MR. BELL: That is all. Certainly one and one-half is all they should have, seven-eighths and one and one-half.

H.M.JR: I wouldn't give them one and one-half.

MR. BELL: They would rather not have it.

MR. GAMBLE: They don't need it either.

H.M.JR: I would give them seven-eighths. The reason I am giving you until the 26th is I want you to think terribly hard how to carry this out. And if you tell me, "I would like to argue about it," that is your privilege. You can say, "If you want to do it, this is the way to do it," and let's argue about it afterwards. You have Monday to do it. And I want Gamble to have another look at it Monday and say, "That's all right; I can sell that. That's good," or, "It isn't good." But at least I don't want to walk in here Tuesday and be trying to find out how to do this thing, see? Let's have a plan to do it this way. Gamble can say "I can sell this," or, "I can't sell this," and I think you can.

MR. GAMBLE: We can adjust ourselves to meet any of these problems because it is a question of who--

H.M.JR: We can argue about it Tuesday whether it is good or bad. Is that fair?

MR. GAMBLE: Yes. I would like to add one thought. If this is, in effect, going to mean that which it would appear at the moment it is going to mean from just your earlier remarks, there is going to be a lowering of the pattern of rates, that they are going to be lowered, there might be a great public relations opportunity in it for you to kill two birds with one stone and not only say that every effort that you could make is going to be made to finance this war at the lowest possible cost, but at the same time you were aware of the problems facing many of the State institutions of America and we are going to try to have a program flexible enough to meet their problem, too. If there is a lowering of interest rates that is going to start with this move, the Secretary could do two things. He could beat anybody to the punch at the cost of maintenance.

H.M.JR: The time to do that is before I go on the Hill and they shoot a lot of questions at me. If we are going to do the insurance fellows, Dan, I want to do it Thursday, see?

MR. BELL: You want them all at once?

H.M.JR: Sure, a.m. I will have the War Bond people for lunch. I will put them down tentatively for eleven o'clock. I always used to have them, anyway.

MR. GAMBLE: I think it is a good thing to have them, Mr. Secretary. If you decide in the meantime you are not going to do this, tell them why you are putting out a two and one-quarter.

H.M.JR: It is two and one-half. I am talking with something like a council.

MR. GAMBLE: If you don't put out a two and one-half and you decide in the meantime not to do this, it would be a good thing to have the insurance people in and tell them why you are doing this, anyway.

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H.M.JR: But all I am asking you gentlemen to do is to show me how I can do this, you see, and then we will argue about it when we want to do it. All right?

MR. BELL: Yes.

MR. GAMBLE: Yes.

H.M.JR: That is all I have.

Do you want to talk about your appearance on the Hill?

MR. BELL: I want to talk about Eccles.

H.M.JR: That doesn't involve Mr. Gamble, does it?

MR. GAMBLE: Not especially.

H.M.JR: You and Dan have Monday to talk about it.

MR. BELL: I will have something Monday, Ted.

H.M.JR: I think interest rates could--

MR. GAMBLE: Do you want me to wait for you now, Dan?

MR. BELL: Yes, I will be only a minute.

(Mr. Gamble leaves the conference.)

MR. BELL: We had up to last night four billion seventy-five million of the notes which we are trying to refund, leaving three hundred seventy-six million out. We will get some more of them, but not so many more.

H.M.JR: Good.

MR. BELL: There have been discussions down in Harry White's place on the question of making these little Chinese gold discs, you know, which they were distributing over in China, and one of these Chinese news agencies put out a story that these things are going to be issued. The newspaperman is calling up. I would like to tell him this matter

has been under discussion in the Treasury but no decision has been made and we are not meeting these gold dollars.

H.M.JR: Between you and Harry it is all right with me.

MR. BELL: It is all right with Harry. I have been trying to clear Eccles. Every time he sees you he mentions the withholding bill. O'Connell, Delano, and I had a conference yesterday, and we have come to the conclusion that the best thing to do in this situation, with you about gone and not able to talk to Eccles about this bill, is to say to Mr. Eccles, "You go ahead and introduce your bill, but don't tell the Chairman and Spence, who probably will introduce it, that the Treasury approves it, because we will make our report on it in the regular course." And we will have to tell him we are in favor of the objectives but we think there ought to be a death sentence eventually.

H.M.JR: Yes.

MR. BELL: And that will be the nature of our report. He says all he wants is to get the benefit--the psychological benefit he gets with the bill laying in Congress--and if that is all he wants, that we will give it to them, and we can report when the time comes to report to the Committee. We won't commit ourselves now.

H.M.JR: That gets it off my desk.

MR. BELL: Yes. He will stop bothering you. I don't know if he will accept that.

February 24, 1945
4:20 p.m.

HMJr: I got a cable saying that General de Gaulle has approved the Lend-Lease.

Harry White: Oh, I see.

HMJr: I'm sending you a copy of the cable, but I wanted to

W: Fine.

HMJr: And tell everybody back in your shop how pleased I am with all the work and help they did on it.

W: Okay. You're not supposed to notify the other agencies? I suppose they got a cable.

HMJr: No. Now, wait a minute. I'll just look at the cable. Just a moment, please. "For State, F.E." It says, "For State"

W: Well, they'll get the same

HMJr: It doesn't even mention me.

W: Oh.

HMJr: This is my special service that I get out of Stettinius' office.

W: I see.

HMJr: It says, "For State and F.E.A."

W: From Caffery?

HMJr: From Caffery. I mean, you wouldn't even know that I was interested, but under Stettinius' orders I get all that stuff.

W: I see. Well, they'll be notified directly then.

HMJr: So we'll let Oscar Cox leak it to the papers.

W: Okay. (Laughs)

HMJr: Is that all right?

W: It will be the Mexican papers.
HMJr: What?
W: He's down in Mexico City.
HMJr: Oh.
W: Well, all right.
HMJr: Okay.

February 24, 1945
4:25 p.m.

HMJr: this memo I got from you about service men's wives who wish to spend time with their husbands on furlough.

Paul McDonald: Yes, sir.

HMJr: Could I do that over the phone with you?

M: Yes, sir.

HMJr: What's the question? I got this request that you wanted to see me.

M: You had suggested that Mrs. Doyle and I talk with you, Mr. Secretary.

HMJr: Well, I can't do it today.

M: That's all right, sir.

HMJr: But I don't want to hold you up.

M: You won't be holding us up. If you want to talk with us, I can tell you briefly what we had in mind.....

HMJr: Do that.

M: was to give the Bureaus the idea that we would have a liberal policy on the matter of permitting the wives of husbands who come home on furlough to be on leave without pay for periods beyond sixty days. In some instances it might run as far as a year.

HMJr: Is that so? Now, this is the wives of servicemen?

M: Yes, sir. Also, there may be girls who want to join the men who come back for the purpose of getting married, and related cases. Sometimes it would involve members of the family.

HMJr: How much -- how long a period does Mrs. Doyle recommend?

M: Well, she's willing to go as far as a year if necessary. They would be granted leave without

M:
Cont'd. pay in units of sixty days or less

HMJr: Well

M: which could be extended from time to time
 up to a maximum of one year.

HMJr: Well, why don't we do sixty days at a time, and
 then before it goes beyond six months, I think
 it ought to get a very careful review.

M: It would have a careful review, Mr. Secretary,
 each period -- each sixty day period.

HMJr: Well, that's all right. I tell you what I'd
 do though -- I'd make it ninety-day periods.
 Or would you rather not?

M: Well, sixty days is the standard, customary
 period.

HMJr: All right. I'd -- I'd go ahead.

M: All right, sir.

HMJr: And I'll leave it to you and Mrs. Doyle.

M: All right, sir.

HMJr: Thank you.

M: Thank you, sir.



THE SECRETARY OF THE TREASURY
WASHINGTON

FEB. 24, 1945

TO OFFICERS AND EMPLOYEES OF THE TREASURY DEPARTMENT:

The President, under date of February 15, 1945, issued the attached memorandum to all heads of departments, commissions, or agencies.

To assure success for the American Red Cross in its many services, during war and in the peace to come, the Government unit is being called upon to contribute \$1,161,000 as its share of the 1945 National Red Cross War Fund goal of \$200,000,000.

At this most critical time for our troops on all battle fronts I am confident that the appeal will be met wholeheartedly by the personnel of the Treasury Department.

I am designating March 10th as "Red Cross Day" for Treasury employees in the Washington area. I urge that we devote our combined efforts and cooperation to attainment of our goal on that day. I can think of no better way to help, serve and thank those who are fighting for us.

I have designated Mr. Preston Delano, Comptroller of the Currency, as Department Chairman, and I request that the heads of all bureaus and offices render him every possible assistance in promoting this most worthy undertaking.

W. M. Cuthbert



THE WHITE HOUSE
WASHINGTON

February 15, 1945

MEMORANDUM TO ALL HEADS OF DEPARTMENTS, COMMISSIONS, OR AGENCIES:

As our nation marshals its forces for the crucial phase of this war, the many services of the American Red Cross, at home and abroad, are of vital and increasing importance. This organization is ably fulfilling its obligation of service to our armed forces in the foxholes, at battle stations on the high seas, and in the air. Our continuing military operations overseas require an uninterrupted flow of parcels for prisoners of war, blood plasma for the wounded, service of many kinds to our fighting men, and emergency relief to distressed civilians. Here at home, Red Cross chapters are devoting increasing attention to returning servicemen and their families, to the recruitment of nurses for the Army and Navy, to the training of Nurse's Aides, and to disaster relief.

All of our people will want to cooperate in and support the 1945 Red Cross War Fund. Every city, village and county will have a part in its organization. Our Federal employees in large and small numbers are serving their country in every one of those communities. They especially will want to have a definite part in the work of the Red Cross. I desire, therefore, that you request all officials and employees of your department, both in Washington and in the field, to cooperate actively with their respective Red Cross chapters in plans for the organized solicitation of funds sufficient for the success of their own local campaign.

To provide effective leadership for the Federal and District employees within the Metropolitan Area of Washington, I have appointed Honorable Charles B. Henderson, Chairman of the Board of Directors, Reconstruction Finance Corporation, as Chairman of the Government Unit. You will work with him in all matters relating to the Metropolitan Area Campaign.

Here in America we can manifest something of our deep gratitude to the heroic dead and their families by our service to the living. Their supreme sacrifice summons our own full measure of devotion to the cause of freedom, justice, charity, and enduring peace. Our Red Cross in action is for us all a glorious example of this spirit of democracy which we, too, thus defend.

Franklin D. Roosevelt

Post Conf. Trips on
Fund & Bank - 118
Sec'y - St. Louis

FEB 24 1945

Dear Mr. DeKins:

I was very happy to receive your letter of February 17, and the transcript which you enclosed.

It was a distinct pleasure to be with you last week and participate in the excellent discussion that took place. I should like to say again that I was very much impressed by the intelligent questions which were asked and the opportunity which was given to us to present our views.

I am sorry that we did not have time to answer all of the questions and I hope that an opportunity to do so will present itself in the near future.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Scott R. DeKins
Assistant to the President
St. Louis Chamber of Commerce
St. Louis, Missouri

Mailed by Sec't. office -2/24/45
cc: Luxford, Brenner

RB:ec 2/21/45

DRP

RB

CHAMBER OF COMMERCE BLDG.
511 LOCUST STREETTELEPHONE
CHESTNUT 7565

ST. LOUIS CHAMBER OF COMMERCE

ST. LOUIS I, MISSOURI

February 17, 1945

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

Dear Mr. Morgenthau:

I promised to send you a transcript of the questions which were propounded at our dinner meeting the other evening and which you and Mr. White and Mr. Luxford answered.

You will find a copy enclosed together with a complete list of the questions, at least fifty of which time did not permit propounding.

May I take this opportunity to thank you for giving us the pleasure of arranging this dinner in your honor and also for your fine presentation of a most interesting subject and your graciousness in entering into a general discussion with our members who were in the audience.

Cordially yours,

Scott R. DeKins
Scott R. DeKins
Assistant to the President

SRD:am
Enclosure

QUESTIONS PROPOUNDED AT
DINNER IN HONOR OF HENRY MORGENTHAU, JR.
WEDNESDAY, FEBRUARY 14, 1945
GOLD ROOM, HOTEL JEFFERSON
7:00 P.M.

1. Who determines the amount drawn by any nation in need?
2. In case of a general world financial crisis will the fund be increased?
3. Before this war is over we shall have a national debt of over 300 billion dollars. How can this debt be paid without further currency inflation?
4. Will not America's sale of ten per cent of its products abroad necessitate purchasing of a similar amount of imports, and will that not have a disturbing effect on America's employment?
5. How would the international bank handle reparations from formerly belligerent nations?
6. Would reparation payments go into the international monetary fund?
7. What has happened to the U.N.R.R.A.? Has it been hamstrung by A.M.G.? Isn't A.M.G. performing a normal function of the Army and so an overlapping agency?
8. How will this international fund prevent the repetition of the monetary debacle in any nation such as developed in Germany and other nations after World War I.
9. In view of the Crimea Conference, will the world bank also loan to Germany and Japan for postwar rehabilitation? If so, can World War III be averted?
10. Would you care to elaborate upon the relation of the Bretton Woods Agreements to lasting peace?
11. Why does not the plan provide that the bank sell its debentures instead of marketing guaranteed obligations?
12. What relation is there between the quota allotted to each country and the amount it can buy from the fund?

13. Assuming that the objectives are desirable, why should there be two international financial institutions? Cannot one do the job simpler and easier?
14. Do you believe the required sixty-five per cent of nations would approve the agreements as of today?
15. If there are two institutions - a bank and a fund - where will the head offices be?
16. What is the future of gold in international finance?
17. How much is Bretton Woods going to cost the taxpayer?
18. What were the total foreign holdings of gold and dollars in 1940? How much have they increased or decreased since 1940?
19. If the fund is adopted, when will it go into operation?
20. What does the fund do to cure the basic cause of exchange rate instability -- namely, lack of balance in international payments?
21. The Secretary has been quoted as saying at a press conference that if the fund should be adopted the governments would run the foreign exchange markets. Is this not contrary to the stated purpose of the fund -- namely, the removal of exchange regulations? Will not complete exchange controls by the various governments be necessary to keep transactions within the limits of the agreed parities?
22. If a nation decides to devalue its currency, what can the stabilization fund do about it?
23. To what extent will Bretton Woods stimulate free trade?
24. Who are the principal opponents of the Bretton Woods agreements and what are their motives?
25. Should the cotton growers support the Bretton Woods agreements?
26. Why are the bankers opposed to the Bretton Woods agreements?

27. Can we as a creditor nation, and with our higher standard of living, afford to lend to poorer nations in order to enable them to raise their standards of living?
28. Is it contemplated that all of the member nations in the fund will adopt the gold standard? If not, what is the contemplated unit of exchange on which exchange rates will be stabilized?
29. What would be the principal work of the fund during the transition period?
30. What will prevent a nation not a signatory to the Bretton Woods agreements from adopting a currency policy similar to that of Germany before the war?
31. Are not the commercial banks able and willing to make all loans necessary to rehabilitate international trade?
32. How are we to combat this continuing inflationary trend?
33. Should the American Bankers Association refuse to recede from their recent position in opposition to the stabilization fund, will it be possible to adopt the plan anyway?
34. Do the unpaid war debts of the first World War have any effect on the financial status under this agreement?
35. If we continue to export the grain and other items you mentioned, what will we receive in return?
36. Will not expanding exports be similar to our ever-mounting public debt?
37. Won't the large foreign demand for American goods result in the dollars in the fund being exhausted very shortly, and we would be faced either with having discrimination against American goods or having to put in additional money?
38. Mr. Morgenthau stated that the eight billions of dollars which will constitute the capital of the world bank will be contributed in cash by member nations. In view of the fact that many of the contributing nations are insolvent, is it not a fact that the United States will end up, directly or indirectly, in putting up all or most of the money?

39. The Bretton Woods Fund Agreement does not definitely in any way restrict the purposes for which money may be borrowed from the Fund; why then should we, known as the richest nation in the world, contribute 2 3/4 billion dollars which may be dissipated by poorer nations without any condition that they first use the 7 billion of dollars worth of gold or United States dollars which they now have before they "borrow" our quota of 2 3/4 billion dollars -- and without any right of veto reserved to the United States?

DISCUSSION
on
BRETTON WOODS PROPOSALS

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Hon. Henry Morgenthau, Jr.,
Mr. Harry D. White,
Mr. Ancel F. Luxford.

Gold Room, Hotel Jefferson,
St. Louis, Missouri,
February 14, 1945.

DISCUSSION ON BRETTON WOODS PROPOSAL

Wednesday Evening, February 14, 1945

Participating, Chairman J. M. O. Monasterio, Hon. Henry Morgenthau, Jr., Mr. Harry D. White, and Mr. Ancel F. Luxford.

CHAIRMAN MONASTERIO: The Bretton Woods Agreement, as I said in my opening remarks is complex and highly technical by nature. The Secretary and his Associates have graciously consented to discuss this subject with us here tonight. I do not think I will be violating any rules of ethics when I ask you to let your hair down and let's have the questions.

Mr. Secretary, taking advantage of your offer, I have before me two questions already. Here is one of the questions that has been sent from the floor. "Assuming that the objectives of the Bretton Woods Agreement are desirable, why should there be two international financial institutions, the World Bank and the Stabilization Fund? Cannot one do the job simpler and easier?" Mr. Secretary.

HON. HENRY MORGENTHAU, JR.: Mr. Monasterio, I would like to, I cannot take my hair down here at all. (laughter) But, I used to tell my only daughter that every time she was naughty I lost a hair; she is a very good girl and had nothing to do with the fact.

This is the first time that I have ever attempted to answer questions, to such a big audience, and I hope you will bear with me and be charitable. But, I felt that in as much as the Chamber of Commerce were kind enough to organize the very fine meeting for us tonight, the least that we could do would be to make the effort to try to answer any questions that you might have on this very difficult and complicated question.

I am going to be quite frank, in my position as Secretary of the Treasury, my first job as I see it during the war is to raise the money, which, thanks to the splendid cooperation of the people we have met with good success so far. We have many activities in the Treasury and it is impossible for me to be an expert at all of them. I try to administer the Treasury as well as I know how. I look upon myself as an administrator and not as an expert in all the subjects. And, therefore, tonight, I will try to handle those questions which have to do with policy and when they become of a highly technical nature, I have with me two of my associates, Mr. Harry White, who is Assistant Secretary of the Treasury, and Mr. Luxford, Assistant to me, who is a lawyer, and between the three of us, and charity on your part, we will do the best that we can.

In view of the nature of the first question,

I am going to ask Mr. White to answer that, please.

MR. HARRY WHITE: The question, if I remember it correctly, was, why is it necessary to have two institutions to do the work which is necessary to be done in the post-war period, rather than one single institution?

The reason is that the nature of the work to be performed by each institution is very different. The bank is concerned with facilitating through its guarantee long term loans for reconstruction and development in foreign countries. It deals with specific projects like power developments and transportation systems, harbor developments, irrigation developments and et cetera, in which the terms of repayment involve twenty, thirty, possibly even forty years. The problem that they are concerned with, the decision whether or not to make any given loan, whether or not to guarantee any loan which is requested, is one that requires a special type of experience, training and interest. It is largely a banking phenomena.

The resources of the bank alone are in the neighborhood of \$9,000,000,000.00. That is a large bank. The requests for loans will be coming in from thirty, forty, fifty countries for various purposes. That is a large business. Each one represents a specialized problem. Each one requires a great deal of care in the decision. We feel that

it would tax the best abilities of a very able body, group of men experienced in banking affairs to operate a bank of that scope and of that responsibility.

The international monetary fund deals with an entirely different range of problems. Stabilization problems are concerned with the day-to-day and week-to-week operation of international balances of payments. The administrators of the fund would have to watch the monetary developments in each of some sixty countries. It would have to watch the balance of payments of each country, with each of its sixty neighbors. Some of you mathematicians can figure out what that means in terms of problems which you have to continually keep track of.

Stabilization operation, of which we in the Treasury have some familiarity, inasmuch as we have had a stabilization fund of \$2,000,000,000.00 for ten years, is a simple problem, a very simple problem compared to the kind of tasks that would confront an international stabilization operation.

Now, an international monetary fund of the character which is proposed would also require ability of a high order, experience of a specialized kind, and application of a persistent and thorough-going type, and it would require the full efforts of a very competent Board of Executive Directors.

That is the only reason why the two were kept apart. If the two were merged together, each having assets of approximately \$9,000,000,000.00, each tackling an entirely different type of problem, we feel that there would be much lost in the way of efficiency and in the way of judgment and in the way of wisdom of operation. We feel, therefore, that each is better served by a separate Board of Directors.

Both the Fund and the Bank provide, however, that there shall be the closest liason between them, the closest exchange of information. In fact, the Chairman of the Board of Directors of one is ipso facto on the Board of Directors of the other.

And so, in summary, the reason why two institutions is adopted is exclusively in the interest of efficiency and good administration. (Applause)

CHAIRMAN MONASTERIO: Thank you, Dr. White. Mr. Secretary, I want to say when I asked you to let your hair down, I didn't mean to reflect on you or Mayor Kaufmann. Here is another question, "Do you believe that the required sixty-five per cent of nations would approve the agreements as of today?" Mr. Secretary.

HON. HENRY MORGENTHAU, JR: Mr. White will answer that.

MR. WHITE: The Secretary insists on taking a

rest after his speech.

SECRETARY MORGENTHAU: Thank you, I know a good man when I have one.

MR. WHITE: From the discussions which we have had already with each of the forty-four nations, discussions which extended over a year and a half, and from the tenor of conversations which took place among the representatives at Bretton Woods after an agreement had been reached, we feel that should the United States Congress adopt the Bretton Woods proposals, there would be no question but what sixty-five per cent of the other countries would soon join. (Applause)

CHAIRMAN MONASTERIO: Here is another question, gentlemen, "What is the future of gold in international finance?"

MR. WHITE: One of the excellent features about the monetary fund is unfortunately something that is almost always overlooked, yet something that is very important, and I am glad this question was raised to bring it out.

You folks know how much gold we have. We have an awful lot of it. You folks also know that in the past and in the not too distant past, there was considerable concern in many quarters whether the gold that we have would always be valuable. You may know that the United States is one of the very few countries, it is the only large country, which is

committed by law and by its tradition to accept gold in unlimited quantities at a fixed price.

Now, one of the things which this monetary fund accomplishes is that all member countries will likewise agree to accept gold at a fixed price in unlimited quantities, so that the future of gold is virtually assured with the adoption of these monetary proposals. (Applause)

CHAIRMAN MONASTERIO: I find it a lot easier to ask questions than to answer them. "If there are two institutions, a bank and a fund, where will the head offices of both institutions be located?"

SECRETARY MORGENTHAU: Well, we are open to a couple of good offers. (laughter) (applause)

CHAIRMAN MONASTERIO: There is a question, asking, since we are talking about gold, "What is the position of the principal countries in the world today as to their gold holdings as compared with 1940?"

MR. WHITE: That is a factual question. Many of you doubtless know the answer. During the war there are a number of countries, particularly South America and the neutral countries, who have considerably increased their gold holdings. The reason is a very obvious one, that they have been selling goods to the countries engaged at war, but they cannot buy anything in return. They are virtually staved for goods and

as a result of that they are accumulating a gold balance which I fear will soon be expended after the war. A number of the countries who have been engaged in war have had their gold balances substantially reduced. They have been spending a substantial part of their gold in buying the implements of war, and there are some countries who have lost most of the gold that they had, and there are two countries that I might name that are going to lose all the gold they have. (Applause)

CHAIRMAN MONASTERIO: I have a very easy question now. Mr. Secretary, and Dr. White, I know you can answer this. "How much is Bretton Woods going to cost the taxpayers?" (laughter)

SECRETARY MORGENTHAU: You people evidently thought it a difficult one to answer, but it is, but I always feel the truth is the easiest thing. When I appeared before Congress urging various measures, I have always tried to paint the blackest picture. As the matter stands, with the transfer of the \$2,100,000,000.00 in the present stabilization fund, or approximately all of it, we would have to call, in the early stages, really not on the taxpayer at all. Just how successful this new proposal, novel proposal it has been called, will be, nobody can tell.

I would like you to feel that it will cost the taxpayer some money. I feel that I have always tried to paint

the picture from the gloomiest side, and then if things are a little bit better, why I can feel happy with you. When you start out on a new venture of this kind, nobody can tell what it will cost. But, on the other hand, if we do nothing, I can assure you the cost will be disastrous. (Applause)

CHAIRMAN MONASTERIO: Now, we are going to have to call on the reserves. I would like Mr. Luxford to answer this question, with the Secretary's permission. "If the fund is adopted, when will it go into operation?" Mr. Luxford.

MR. ANCEL F. LUXFORD: Under the Bretton Woods agreements, the fund can go into effect whenever sixty-five per cent of the countries have agreed to it. Now, the earliest possible date set under the fund agreement was May 31st of this year. It also provides that if the countries do not join by December 31st, or if enough countries do not join, then the fund will not go into effect, so the earliest date is May 31st of this year. (Applause)

CHAIRMAN MONASTERIO: "What does the fund do to cure the basic cause of exchange rate and stability, namely, the lack of balance in international payments?"

MR. WHITE: That question goes to the crux at one part of the operations of the international monetary fund. I am afraid I will have to take a few minutes longer than I would like to, if you will bear with me, to explain it, and the

reason why I think the time is justified is because that is one of the crucial aspects of the fund, and one of the important purposes for which the fund was devised, namely, to insure stability of exchange rates. You see, if you go back before the last war, and virtually all countries of the world were on a gold standard, then the rates of exchange were fixed. That meant, in short, as Secretary Magenthau pointed out in his speech, that foreign traders the world over, and people who engage in interantional finance, could conduct their business freely, without danger of severe loss through exchange restrictions and without danger of the imposition of the type of exchange restrictions which make it impossible for a man to withdraw his profits from a country or make it difficult for a trader to sell his goods abroad and make it virtually impossible for him to know what he will get inthe long run if he does sell his goods abroad, but during the last war, almost every country in the world went off the gold standard and when the countries went off the gold standard, after the war, a great many of them changed the value of their currency, a great many of them did not return to the gold standard, and their currency, to use a technical term, floated and fluctuations in exchange multiplied, making it very difficult for trade and finance to take place.

Now, a good many countries did return, eventually,

to the gold standard, and, again, the rates were fixed and again operations could take place, but, some of the countries found that the rates, their currency values which they adopted were such as to in their opinion encourage and promote unemployment, to encourage and promote deflation.

England was one of those countries, and England, as well as a number of other countries in recent years, looking back on that period, have said officially and unofficially in their various technical journals and on the floor of Parliament, "We will never return to the gold standard. We suffered seriously by adhering to the gold standard in the Twenties, and we never intend to permit that situation to return."

I mention England. There were a number of other countries who took similar positions. Today, the United States and one other are virtually the only two countries that might be said to be virtually on a gold standard. Now, then, we on the other hand looked at the thing very differently. We wanted stable rates of exchange. We recognized that you cannot have a high level of trade and international financial undertaking unless you have stability in exchange rates and we would very much like all the countries to return to the gold standard. But, they have no intention of doing so.

We witnessed developments in the Thirties. Most of you are familiar with them. When country after country

after country depreciated its currency, when country after country was forced to protect itself against that type of competitive depreciation of exchange, when country after country found as a consequence its trade cut in half and even to one-third, as a result of the type of economic warfare that followed the departure from the gold standard, and we said that must not happen again, that if we are to have full employment in this country, if we are to have the high level of trade that will make full employment possible, we cannot have that situation characterized by fluctuating exchange rates, by competitive exchange depreciation.

There you have the two opposite points of view. And so, the monetary fund was devised to bridge that gap and the monetary fund says that all the members that participated agree to keep their currency values fixed in terms of gold, just the way we do. But, if as sometimes happens in the history of almost every country, the basic economic conditions are such that the best alternative facing the country is to adjust its currency value to a new situation, which may develop, I say that occurs in the history of every country. It does not occur frequently, but it occurs once in a while and if that situation does arise, then the monetary fund with its forty odd members have agreed that that country will be permitted to alter its currency value to meet that basic disequilibrium and

to correct that basic disequilibrium, and so we have stability of exchange rates, but a stability which is very strong because it is not brittle.

The stability of exchange rates which we had when all countries were on the gold standard was brittle, and when enough pressure was brought to bear on it, it broke down with disastrous consequences. The stability this fund will introduce is characterized by flexibility; when the pressure on that country becomes too great, that country can continue, provided the fund approves, and when it does so it does not initiate the type of economic warfare it would have initiated in the absence of the fund, and so we can say that one of the important contributions this fund will make toward prosperity in world affairs is to assure a stability of foreign exchange rates and of currency values that the world has never experienced over a long period. (Applause)

CHAIRMAN MONASTERIO: The next question, "The Secretary has been quoted as saying at a press conference that if the fund should be adopted, the governments would run the foreign exchange markets. Is this not contrary to the stated purpose of the fund, namely, the removal of exchange restrictions? Will not complete exchange controls by the various governments be necessary to keep transactions within the limits of the agreed parities?"

SECRETARY MORGENTHAU: When we were up at Bretton Woods, one of the more important members of the Netherlands Delegation said to me, "Of course, we appreciate in the United States less than four per cent of the people are interested in the export and import trade, while in Holland there are forty per cent." Well, I wish he was here tonight and I think he would realize that about a hundred per cent are interested. I want to congratulate you on your very intelligent questions. I think you must all be in the import and export business.

I think I know the quotation that this particular question refers to. It was, I believe, an editorial in the New York Times, which interpreted my remarks at the only press conference at which I have discussed this, in which they claim, or interpreted, that I said that this would mean, even if the citizens of the United States wanted to go abroad, and they wanted to get some foreign exchange, they would have to go to the government to get it.

Well, of course, that is perfectly ridiculous. Both in the bank and in the fund, the fundamental idea is that the bank and the fund will be a cushion that will take the repercussions and that all of the business will filter through normal, private channels, existing channels. The matter of fact is there ought to be a great deal more business if the bank fund goes into existence, and the bank engages in inter-

national business with this exception, that the fluctuation we hope will be greatly reduced. (Applause)

CHAIRMAN MONASTERIO: Gentlemen, the next question is, "If a nation decides to devalue its currency, what can the stabilization fund do about it?"

MR. LUXFORD: As Mr. White has just explained to you, the purpose of the fund is to produce the maximum amount of stability in exchange rates. He also indicated to you that circumstances might arise under which a country should change the value of its currency.

Now, under those circumstances, the country under the fund agreement must consult with the fund and any action taken is only after consultation with the fund. Further than that, if the change is substantial, then the fund must approve the change in the exchange rate. There is an initial ten per cent which countries can change their rates after consultation with the fund. But, over the long haul, for all countries, it will require the fund's approval before a country may change its exchange rate. That means that when the fund agrees with the country, that it is desirable, then it will be permissible. Otherwise the country may not change its exchange rate, and, in the event a country should violate its obligation to the fund, the fund may take one of two steps or both. It may suspend the country from all access to the fund, giving

the country an opportunity to come in and be heard. If the country does not present a case which satisfies the fund, the fund may then compel that country to withdraw and lose all the benefits under the fund agreement and further than that, under the bank agreement, a country must also be a member of the fund, unless three-quarters of the countries agree otherwise.

Therefore, a country who flies in the face of the fund on an obligation of this character stands in a position of also losing its rights to access to the bank. (Applause)

CHAIRMAN MONASTERIO: "Can we as a creditor nation and with our higher standard of living afford to lend foreign nations in order to enable them to raise their standard of living?"

MR. WHITE: I would like to preface my remarks with an endorsement of what your chairman has said. I have been looking over literally scores of questions here. I am quite sincere when I say I have never seen so many intelligent and searching questions at any one large gathering. St. Louis has every reason to be proud of itself.

In response to the specific question, whether or not we can afford with our high standard of living to encourage loans to foreign countries in order to raise their standard of living, I think the answer to that is we cannot

afford not to. If we want to maintain our high standard of living we have got to have full employment and we cannot have full employment unless we have a high level of foreign trade. (Applause)

And, we cannot have a high level of foreign trade unless there is monetary order, unless there is monetary sanity, and unless there is a free flow of capital from the countries which have an over abundance of capital to those countries which are badly in need of capital for reconstruction and development. (Applause)

CHAIRMAN MONASTERIO: We have a very interesting question, next; your chairman tonight in private life has the honor and distinction of belonging to the banking fraternity, and tonight I am acting as toastmaster and chairman of the Foreign Trade Bureau of the Chamber of Commerce, so I read this question to you as an impartial judge.

The question is, "Why are the bankers opposed to the Bretton Woods Agreements?"

MR. WHITE: I wanted the Secretary to answer that and he wants me to answer it. Well, the first answer is, they are not opposed, to the Bretton Woods Agreement. Your illustrious Chairman of the Federal Reserve Bank of St. Louis, Mr. Chester Davis, is one of the ardent supporters of the Bretton Woods Proposal. Mr. Ned Brown, who is president of

the largest bank in the MiddleWest is one of the strong supporters of the Bretton Woods Proposals and there are scores of others I know personally, the Pennsylvania State Bankers have adopted a proposal in favor and there will be other similar proposals forthcoming, so that it would be quite erroneous to assume that even most of the bankers are opposed to the Bretton Woods Proposals.

There are, however, a number of influential bankers who favor the bank, but who do not favor the monetary fund. They would have the bank adopted, according to their published reports, and they would have it adopt some of the features of the fund, but they would have one institution. They -- I am afraid we are a little confused between what are banking operations and what are stabilization operations. I am reminded, if you will pardon me, in your capacity as bankers and think of you in your capacity as Chairman, of a story of a man who was walking down the street holding a rope halter before him, and a friend of his stopped him and said, "Joe, what have you got there?"

And, Joe looked at it in surprise, and says, "I dunno, I am a little confused. I don't know whether I found a halter or lost a horse." (laughter)

Now, the reason why there is some confusion is understandable on the part of the bankers. It is because

in their profession they are accustomed to looking at what they give out. They want to be sure that what they give or what they lend is adequately safeguarded and their eyes, as I say, are fastened on the particular project on which they lend money, and because of that concentration they have overlooked what we get in return for such assistance as we make possible.

Now, what the fund provides is a return for the aid we give which to us is infinitely more important than our participation. What we give is to help make available certain international resources; what we get is an abandonment through agreement of economic warfare. What we get is an agreement among the nations of the world that they will abide by reasonable trade policies, that they will not pursue the tactics which Germany and Japan practiced before the war. What we get is a virtual guarantee that in so far as appropriate commercial policy and in so far as the free flow of funds can contribute to a higher level of foreign trade, we are going to get a high level of foreign trade. That is what we get in return for what we give.

I think this is one of the few cases in which America has participated in international conferences in which what we get is infinitely greater than what we give.

(Applause)

CHAIRMAN MONASTERIO: I think the Secretary would like to add a word or two.

SECRETARY MORGENTHAU: Just so there can be no misunderstanding, that there seems to be growing up sort of a battle going on between the bankers and the Treasury, I would like to say that during the eleven years that I have been Secretary of the Treasury, I have had the wholehearted support and cooperation from the American Bankers, not only the national banks but the state banks. (Applause) And, I would like to say that during the financing of the war, we have called on the banks and they have always responded a hundred per cent.

Now, they are entitled, -- I say "they" -- a group representing an organization are entitled to present their viewpoint, if they feel it their responsibility. On the other hand, as spokesman of the Government, I am entitled to differ with them. But, this is not a serious difference, and as illustration, I want to say that next week a committee of the American Bankers are spending two days with me in the Treasury advising with me on the Seventh War Loan, so I am just taking this to squelsh once and for all this thing which is growing up that there is a serious difference. There isn't on my part, and I am sure that if there are any representatives here, I am sure that they bear me out.

I didn't want to pass this question without

having added this word to this audience. (Applause)

CHAIRMAN MONASTERIO: Thank you, Mr. Secretary. I feel much better. "Are not the commercial banks able and willing to make all loans necessary to rehabilitate international trade?"

MR. WHITE: I hope so. The bank and the fund were designed in such way as to operate only if the commercial banks and the private investors are not able to finance the necessary works. The underlying structure of both institutions are such that they do not come into play except where the normal resources are not adequate. Now, then, if you take the question of the bank, the need for capital abroad is tremendous. I need not remind you of the terrific destruction which has gone on in Europe and the conversion of peacetime industries to wartime uses, which require capital to reconvert, and the backlog of demand which for almost eight years has been piling up because foreign countries have not been able to get capital for their necessary development.

So, the total amount of capital needed in foreign countries is infinitely greater than ever has been known in history. They cannot provide it themselves. Much they can get only abroad and only from a very few countries. Many of the countries who need that capital, you can name the countries yourselves, I will not name them to avoid any compari-

son, many of those countries couldn't possibly borrow from private investors in this country any amount which would meet their needs, and the private investor in America is quite justified in not making such loans. The risk is much too great. Even if they were to make loans for some of them they would want a rate of interest which is commensurate with their concept of the risk, and that rate of interest would be nine and ten per cent, and the terms of loan would be ten and fifteen years, and the end result of such loans would be that the country would inevitably default. The surest way to get a country to default on its debts is to have an extremely high rate of interest and a short term of repayment.

Even if private investors were to make loans to some of these countries, it would be under conditions that were practically sure to default, and in some case, it is the judgment of most people in the investment banking business, or the people who follow these things, in no case do they believe that the private investors would make loans in adequate amounts to the variety of countries who need capital for reconstruction and development. That is where the bank comes in; where the borrower can borrow from the private investor as has always been done, and there are a number of countries who can and will go to the private market and make arrangements with underwriting companies in precisely the same way they have

always done; where they are able to do that the bank doesn't operate at all. The bank is delighted. The least business it has to do the more business private investors do, the better.

The bank only steps into the picture when the underwriter, representing the private investors, comes to the bank and says, "We would like to make this loan to such and such a country, but we cannot float it. The private investors won't buy a loan to that country. It is too risky."

Then, the bank will say, or rather the underwriting company will say to the bank, "Won't you guarantee this loan so as to protect the private investor?" At that point the bank will investigate the loan. If in its opinion it is a productive project, and if in its opinion the chances for repayment is reasonable, then the bank will say to the underwriter, "Yes, we will guarantee the loan."

At that point the loan is floated in exactly the same way loans are always floated, through private channels, through private underwriters in the same fashion, the only difference is it will bear a lower rate of interest, because the private investor no longer takes a risk. His loan is now guaranteed, not only by the United States Government as a member, but by some forty or fifty other governments, so that his risk is low, and, therefore, he is willing to undertake

it and in that way you will supply capital to the rest of the world.

Now, the fund operates, also, without in any way interfering with the private exchange operator. The fund operates only between governments and between Treasuries, at central banks and stabilization funds. So far as the private exchange dealer is concerned, he continues to buy and sell his exchange the same as before, with this very important difference. He no longer has to undertake the speculative risk of exchange which only interferes with legitimate business. (Applause)

CHAIRMAN MONASTERIO: The next question is, "Do the unpaid war debts of the first World War have any effect on the financial status under this agreement?"

MR. WHITE: The fund and the bank, as I said before, are designed to increase the level of world trade, so as to make it possible for us to have full employment. The fund in the bank deals with the future, not the past. The past debts may be matters of concern for other agencies or other legislation, but they are not incorporated here. The past debts have significance only in the sense that many of the loans that were made in the past -- I am not speaking of the governmental loans that arose out of the war but many of the private loans that were made in the past were made under

conditions which, were the bank to have been in existence with its powers that are incorporated in the agreement, those loans would not have been made. In other words, there is every expectation that the loans that would be made in the future will be made only for productive purposes, and will be made only under terms which would make it reasonable for the country to meet its payments when they fell due. (Applause)

CHAIRMAN MONASTERIO: "If we continue to export the grain and other items you mentioned, what will we receive in return? Will not the expanding exports be similar to our ever mounting public debt?" I assume they mean will not the expanding of exports be similar to increasing our public debt -- no connection with the World Bankers Stabilization Fund, I am sorry.

"Won't the large foreign demand for American goods result in the dollars in the fund being exhausted very shortly, and we would be faced either with having discrimination against American goods or having to put up additional cash?" Now, that is pertinent.

MR. WHITE: That is a good question. It is expected that during the early post-war years that the United States will be one of the few countries that will be able to supply certain categories of goods in great abundance, and it is expected that most countries will turn more to the United

States than to other countries for many of the imports that they need. It is, therefore, reasonable to expect that we will have what we technically call a favorable balance of payments during the early post-war years, certainly. That means that we will sell more than we buy in goods and services, which in turn would call for, of course, a payment to us of gold. And, many of the countries will pay for that difference in gold.

You remember in answer to one of the earlier questions I said there were a lot of countries that were piling up gold because they couldn't buy goods in the same way that a lot of us are piling up savings because -- not because we cannot buy it but because we don't wish to buy it. Now, then, in the post-war years, they will begin spending that gold and we will get a substantial part of it. And, under the fund, there are some countries that will not have the amount of gold and foreign exchange assets which are necessary and they will resort to the funds resources. That is precisely what the fund is for. The fund provides additional resources in the case of an emergency and the country is confronted with many types of emergencies. Sometimes it is a drouth that requires them to buy more goods abroad, or prevents them from selling goods abroad. Sometimes it is a depression; sometimes it is a war, and the war will create an emergency for many

countries, and in order to make it possible for them to regain economic stability so they can buy from us and eventually sell, they will have access to the resources of the fund and one of the currencies they will want to buy, one of them they will want to buy many, they will want to buy sterling and Canadian dollars and other currencies. One of the currencies will be dollars.

The fund has a limited amount of dollars, some two and a half billion plus a substantial amount of gold which various countries participate in. Now, as the dollars in the fund are reduced, the fund can replenish it by the sale of gold here in the same way that it has always happened, the same way it always will happen. If they still need dollars they may reach a point where the fund may say to the various countries, who want to buy dollars, the rate at which dollars are now flowing out of the fund and being replaced by other currencies is such that if it keeps on in six months or a year their dollars will be gone.

Now, then, the fund will have to make a decision. The decision may be that we will go to the United States government and we will ask the United States government, "Can we float a loan? Can we borrow money?" And, the United States government will have the authority, through its representative, to say, "NO," or "Yes," depending upon which is

called for under the circumstances. If, however, let us assume that the government says, "No, it is quite impossible." At that point there isn't a large amount of dollars in the fund; there is never a time when there is no dollars because there is a continuing in-flow of gold. I would have to go into more technicalities than I am sure you would stand for in order to explain that. You will just have to take my word for a moment, if you are interested you can read some of the booklets. There will be a continued inflow of gold from the repurchase of exchange. The dollars can never be all gone but they can be so scarce the fund would either have to ration them among the various countries or it would say to various countries, there is no more dollars in the fund; you will have to get your dollars in the way you always get your dollars and have been getting your dollars, through your exports, and if you haven't got enough dollars that way, then the thing for you to do is to buy goods in the other forty-five countries, not all your goods because obviously you will want to buy some of your goods in the United States, but if you haven't got enough foreign exchange to buy all your people want to buy, you will have to do the very thing which every country has been doing for twenty years. It is nothing new in this fund on that score.

What happens, when a South American country,

any one of them finds there is a shortage of dollars? It curtails its purchases from the United States. It has to do that. It has been doing that. There are various devices by which it can do it. We needn't go into that. But, the fund doesn't make any exchange in there. It merely postpones the time at which that takes place. If that takes place it encourages a redistribution under the scarce currency until which time the countries balance payments correct themselves, and the gold is flowing into the country more rapidly than it flows out. (Applause)

CHAIRMAN MONASTERIO: You know, Harry White lives and breathes Bretton Woods, of course, as you have noticed, and he made one statement, I cannot listen to all his answer because I am worried about the next question here, but he made one statement that even if we wanted to buy, we wouldn't. Anyway we don't want to as patriotic citizens, we don't want to buy anything. Mr. Secretary, you are worried about national finances. I am worried about my own finances; it is a little too close to March 15 to take it sitting down. Harry, I cannot afford to buy anything because I have to pay taxes on March 15.

Now, there is one here, "Mr. Morgenthau stated that eight billions of dollars which will constitute the capital of the world bank will be contributed in cash by member

nations. In view of the fact that many of the contributing nations are insolvent, is it not a fact, Mr. Secretary, (it is addressed to him personally apparently) that the United States will end up directly or indirectly in putting up all or most of the money?"

MR. WHITE: The Secretary is worn out, and if you realized the time he got us up in the morning in order to get the plane, you will sympathize with us. I slept on the plane.

It is a mistaken notion to think that the United States Government puts up eight billion dollars in the bank. The United States Government puts up nothing. It could put up, if it wanted to, some cash up to twenty per cent, but it doesn't have to. The provision is such that it can put up its non-interest bearing, non-transferable bond, which is another way of saying merely that an I.O.U. is given which bears no interest and has no real significance, but, the United States, as other participators in the fund, would be called upon to make a payment in the event that a country that had borrowed money defaulted on its payment. That is how we protect the bondholder. If a borrowing country defaults five years from now, ten, fifteen, twenty years from now, then the various countries that are members of the fund chip in and make the payment and, remember, we only have one-third of the responsi-

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bility. So that, if there is a ten million dollar default, five or ten years from now, we would be called upon to meet one-third, approximately one-third of that amount. Even that isn't true. We don't even have to pay out that amount then. Why? Because there is a charge to borrowers of from one to one and a half per cent a year, a charge which goes to the bank, not to the investor. The investor gets a reasonable rate of interest. There is an additional charge of one to one and a half per cent a year that goes to the bank. The bank keeps that as a reserve and accumulates that reserve, which cannot be touched except to meet defaults.

Now, then, we have estimated that if there are approximately from one-fifth to one-fourth, depending upon the time of default, defaults of all the loans that are made, that the bank would be able to meet those defaults out of this accumulated reserve, and various participating countries would not be called upon to meet the penalty. If defaults are greater, various countries will be called upon to pay out various sums from year to year.

It may happen that we will not be called upon to pay a red cent. It may happen, on the other hand, we will have to pay several million dollars. And it may happen more than ten to twenty years from now. Our obligation is up to three billion dollars. Nobody in his wildest dreams expects

to be called upon to pay that. We have examined the loans in the last twenty-five years and some awfully bad loans were made in the last twenty-five years, as some of you who may hold some loans know. It is estimated that if the defaults in the future are no greater than the defaults in the past, the accumulated reserve would be adequate.

There are several reasons to believe the defaults in this bank will be less. The risks are greatly diversified. In the second place, something that has never been true before, the bank would have a competent group of investigators in addition to the underwriter's investigators, who would have to determine the loan might be made for productive purposes. The constitution of the bank doesn't permit loans to be made for balancing budgets or for armament expenditures or for building fancy swimming pools, et cetera. It has to be made for productive enterprises, so there will be less risk on that account.

The third reason there will be less risk is because of a government guarantee of the loan, not our guarantee, but the borrowing governments guarantee, and they will hesitate a long time before defaulting on a productive loan of one government to forty-five other governments. If they did that, the credit of that country would be very, very poor.

So, for those reasons, which we have stated,

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when you ask how much do we have to put up, the answer is probably very little in the future, and almost nothing now. (Applause)

CHAIRMAN MONASTERIO: Ladies and gentlemen, we are going to have one more question, and I would like to read it to you now. "Would you care to elaborate upon the relation of the Bretton Woods Agreements to lasting peace."

SECRETARY MORGENTHAU: Mr. Chairman, I am glad to take this last question. The concept that we have in the Treasury, which was conceived at Bretton Woods, is that in order to have lasting peace we must have prosperity in this world. Now, as I said, in my formal talk, we all realize that the Bretton Woods Agreement is not a perfect instrument. You cannot sit down with representatives of forty-four nations, each one with a special problem, and come out with a perfect instrument. But, after almost two years of very conscientious hard work on the part of the experts of various subjects, this agreement was arrived at.

Now, this is the first time that a great country, the great country of Russia has agreed to take part in any economic agreement outside of its own domestic policy. In other words, the U.S.S.R. has agreed to live up to the agreements at Bretton Woods, provided that the other nations do likewise. And, if nothing else came out of Bretton Woods, I

think that this fact alone is of tremendous importance, because all of us have to recognize the great power in Russia, not only to wage war but the influence for world trade that it can have after this terrible war is over.

Now, we are going to build. The bill is going to be introduced in Congress Thursday, in the Senate by Senator Wagner for the Majority Leader in Banking and Currency, and by Senator Tobley the ranking Republican leader. In the House only one member can introduce it, so it will be introduced by the Chairman of Banking and Currency, Congressman Specks.

Of course, there will be many people who can find fault with the Bretton Woods Agreement, including myself. But, the eyes of the world are upon us, to take not only economically the leadership, but moral leadership in the world, but if we begin to say we don't like this and we don't like that and ask for amendments, it immediately opens the way for other countries to do likewise. And, the net result of it will be that we will have no bank and no fund.

Now, I know people say, well why can't we make amendments? Well, the answer is it is impractical at this time, just because the other forty-three nations are sitting back and waiting for us to take the leadership. And, there are groups in England and other countries corresponding to groups in this country who, I am sorry to say, would like to see this

new concept fail.

Now, we all pray and hope that the war in Europe is going to be over soon, and if it is, one of the first things that many of these ravished countries will want to do is to resume world trade. I know Mr. Benes, President of Czechoslovakia, told me two months ago, that three months after the war is over, his country will be prepared to enter the export market. Czechoslovakia, of all countries, will need the assistance of a world bank and a fund. And, I don't know anything on the economic front which is more important for lasting peace than to have the Congress of the United States to pass the monetary fund.

I want to thank this audience for its courtesy and attention, and for the opportunity that has been given my associates and myself to present to you our side of the Bretton Woods Agreement. Thank you and good night. (Applause)

. . . Adjournment. . .

February 24, 1945

Dear Dean:

Thank you very much for your letter of February 23rd with which you enclosed the editorial from the St. Louis Post-Dispatch.

We had an excellent meeting and I think the trip was well worth while.

Yours sincerely,

(Signed) Henry

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

ASSISTANT SECRETARY OF STATE
WASHINGTON

February 23, 1945.

Dear Henry:

I am sending you the editorial from the St. Louis Post-Dispatch which I mentioned to you the other day. I think you will be interested in reading it.

With warm regards.

Sincerely yours,

ACM

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

Editorial Page of ST. LOUIS POST-DISPATCH for Feb. 15, 1945

Mr. Morgenthau's Visit

Mr. Morgenthau did a good day's work in St. Louis Wednesday. At a series of meetings, culminating in a Chamber of Commerce dinner, the Secretary of the Treasury, his able Assistant Secretary, Harry White, and other members of the Treasury staff, explained the Bretton Woods proposals and answered many questions about them. Particularly fruitful was the question period after Mr. Morgenthau's radio address. The replies cleared up a good many misunderstandings and misconceptions about the nature of the proposed international bank and the proposed international monetary fund.

However complicated may be the technical aspects of the Bretton Woods proposals, their main objectives are easily grasped. The monetary fund is designed to promote the balanced growth of international trade by stabilizing all currencies in relation to each other. This will permit importers and exporters to make their business transactions with confidence. It will end the anarchy in monetary exchange that prevailed before the war, best dramatized by the fact that a score of different kinds of marks were employed by Hitler's Germany alone in the economic warfare that preceded the shooting war.

The international bank is designed to provide long-range productive investment to repair the ravages of war and to enable the nations of the world to regain their economic security. The bank does not supplant private banking. But in marginal cases where private banks cannot afford risks, the international bank would guarantee loans to rebuild factories, dams, power plants, transportation systems and other forms of wealth that have been damaged or destroyed in the war.

Bretton Woods is a vital complement to Dumbarton Oaks. A system of collective security by political arrangements among the nations of the world is, of course, fundamental. But unless the world achieves some measure of economic and financial security along with these political arrangements, they cannot endure. In a very real sense, Bretton Woods, since its aim is world prosperity—or to put it in simpler terms, jobs and bread and butter—goes closer to the heart of the world's problems than Dumbarton Oaks.

There are skeptics who say that the Bretton Woods proposals are faulty. Only recently a report was issued by the American Bankers' Association criticizing the proposals and suggesting amendments to them. The report comes rather late in the day. The bankers were given every opportunity to criticize the plan while it was being formulated, but they come now at the eleventh hour with suggestions which, if adopted, might well wreck the whole elaborate structure raised at Bretton Woods. Moreover, the report reveals an imperfect understanding of some vital aspects of the proposals.

No man is so wise that he can say with certainty that the monetary fund and the international bank will accomplish all they are designed to do. They enter new and experimental fields, and to that extent they represent a gamble. But the bigger gamble by far is to do nothing to prepare for the postwar world's economic and financial problems. We know it to be the bigger gamble by the economic and financial history of the world between the two big wars.

Congress is about to pass upon the Bretton Woods proposals, and we hope it does so with a broad, statesmanlike view. Upon its approval of them may depend the success of the Dumbarton Oaks proposals, for if the world cannot depend upon us for economic and financial co-operation, it is likely to distrust our offers of political co-operation.

2/24/45
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DETROIT TRIP

Sunday, February 25

Washington to Detroit
510 miles - 2 hours, 45 minutes
Romulus Army Air Field (19 miles Southwest of Detroit)

Reservations - Book Cadillac Hotel, Suite 2510, Telephone Number
CADILLAC 1451

Monday, February 26

8:30 a.m. - Breakfast with Frank Isbey and newspaper publishers
Book Cadillac Hotel - Founders Room (Fifth Floor)

11:15 a.m. - Press Conference, Book Cadillac (Little will arrange place)

11:30 a.m. - Reception - Detroit Economic Club
Book Cadillac - Normandy Room (Fourth Floor)

12:00 p.m. - Luncheon - Detroit Economic Club
Book Cadillac - Grand Ballroom (Fourth Floor)

1:30 p.m. - Broadcast - Blue Network

EMERGENCY RESERVATIONS

GOING

Sunday, February 25

5:10 p.m. - Leave Washington via Pennsylvania Railroad

Monday, February 26

8:15 a.m. - Arrive Detroit

RETURNING

Monday, February 26

5:20 p.m. - Leave Detroit via Pennsylvania Railroad

Tuesday, February 27

8:30 a.m. - Arrive Washington

2/24/45
Draft #2
final reading copy typed
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~~International monetary stabilization is a highly technical affair.~~

The world's money market has a language of its own that can be made to sound as incomprehensible as a tobacco auctioneer and as remote as Mars. But ~~the~~ ^{its} results in every business are as plain as red ink in the ledger and as close as next week's payroll. One reason is that ^{international} monetary stabilization has a good deal to do with the color of the ink, and with the payroll, too.

One man out of six in the automobile industry, for instance, used to depend for his job on foreign trade. Fourteen percent of the industry's sales were made abroad. That ratio can be maintained ~~only~~ after the war only if currencies have reasonable stability and if exchange restrictions are removed.

Last summer the best technical experts of 44 United Nations met at Bretton Woods ^{New Hampshire} to grapple with the problem of postwar money. They worked on the basis of a plan that had been evolved from preliminary discussions extending over two years. The result was agreement on a program which provides for a Fund to stabilize currencies and an International Bank to help finance reconstruction and development.

The program is the first of ~~what we all hope will be a long line~~ ^{a series of practical} ~~of United Nations blueprints~~ ^{measures} for putting the everyday business of the world back on its feet and headed for a sounder prosperity than it has ever known. It is a matter of peace and security ^{for the world,} as well as dollars and cents, for every businessman and worker, every farmer and professional man in ^{the United States} ~~this or any other country~~. To the people of Detroit it is particularly significant.

It means a foreign market for as much as a million cars a year and ~~as big a proportion of~~ ^{a goodly proportion of} your machinery, ~~other~~ metal products, chemicals, paints and dyes.

It means that if the foreign branch of a Detroit plant makes money, the ~~company~~ ^{company} can get ~~the money~~ ^{its profits} out in dollars instead of ~~harmonies~~.

~~It means that other Americans will have a greatly increased capacity to buy Detroit's goods, for they will be selling abroad, too.~~

Finally it means that you can carry out your plans for your community, meet your responsibilities to those who look to you to lead them in transforming Detroit from the world's mightiest war production center into an even bigger ~~factory~~ ^{producer} for peace.

That adds up to a lot of meaning, ~~and you are wondering if I can prove it.~~ Of course the Bretton Woods program by itself will not bring you all these blessings. It was not meant to. It is the first step in a series that must be taken by governments and by industry and by labor to set the wheels of world trade moving fast and freely. No, Bretton Woods won't do the job alone. But without Bretton Woods, you will never get a chance to do the job at all.

The first proof of this is the relation of Bretton Woods to Detroit's future foreign trade. The Monetary Fund sets up standards which, ~~under careful safeguards,~~ ^{will} prevent discrimination in foreign exchange practices and help member nations keep their currencies stable. ^{Under} ~~With~~ such exchange policies, an American salesman can go to Belgium and sell ^a thousand dollar car ^{when the exchange is for} ~~for~~ 40,000 francs without worrying about cancellations because sudden depreciation has put the ^{exchange value} ~~price~~ of that thousand dollars up to 60 or 80,000 francs and out of reach of most buyers.

Another advantage of the program is that it prevents blocked currencies, ~~clearing arrangements~~ and other ^{discriminatory} ~~such~~ restrictions on where a man can buy and sell. Without it, the representative of a Detroit automobile ~~a~~ company might line up a great many customers in, say, ~~Australia.~~ *the Netherlands.*

"But," they would tell him, "we can't get dollars under present exchange regulations. We can get francs and pounds but no dollars. We'd like American cars, but we'll have to take French or English."

This is no theoretical prediction. It has happened. In the decade before the war, exchange controls and bilateral agreements were aimed at this country and ^{lost us our} ~~cost us a~~ market. It was largely because of them that the sales of American cars/went from ^{710,000} ~~600,000~~ and trucks ^{710,000} ~~600,000~~ five years later. in 1929 to 65,000 in 1932 ^{but} ~~and~~ comeback only half way ~~in the course of~~

If you were an automobile manufacturer, this ^{experience} ~~recovery~~ only proved how badly you needed a Bretton Woods program. The combination of engineering skill, well paid workers and managerial organization enabled you to produce better cars cheaper than any other country.

Therefore in ~~a world~~ ^{of monetary order and stability, you} ~~if artificial trade barriers plus~~ would have kept at least as much of the market as you had in 1929. But, although ^{as many cars were made in the world in 1938 as in 1929,} ~~world production of cars in 1938 was about the same,~~ ^{America made} ~~only 76 per cent instead of 85 percent.~~ *made America's share went down from 85 percent to 76 percent.*

The greater part of our ~~a very big share of~~ loss was in countries with the most rigid exchange controls. They not only failed to resume buying after recovery; they actually bought less than in the depression. All the other countries in the world, ~~even those in which Detroit had established branch factories,~~ bought more. Here are some examples.

Belgium bought \$26 million worth of American cars in 1929,

dropped to \$7 million in 1932 and came back to \$21 million in 1937.) *(Sales of American-made*
~~Belgium had no U.S. factories. But England did, and yet sales of cars~~
England
 to ~~her~~ rose from the depression low of \$3 million to more than \$12
 million in 1937. Germany, *on the other hand,* ~~too, had branch plants of U.S. firms. She~~
 had bought \$19 million worth of cars in 1929 ~~and~~ *and* only a little over
 \$1 million in 1932. Exchange controls sent her purchases down even
 lower -- to only \$385,000 -- in 1937.

What that meant to Detroit in jobs and profits is a matter of
 painful memory. The United States automobile industry at the peak of
 the boom employed 471,000 workers. There were only 257,000, many of
 them at part time, on the depleted payrolls of 1932, but 505,000 were
 working in 1937. The 15 major producers showed a profit of more than
 a billion dollars in 1929. *By 1932 they had a net deficit of*
~~their combined earnings added up to a~~ *2*
~~\$132 million, deficit in 1932,~~ but five years later they were in the
 black to the tune of \$768 million.

Knowing as you do how much foreign trade contributed to these
 balance sheets, can you ^{*now*} doubt that you needed a Bretton Woods in the
 twenties and thirties?
 ^

figure? If you were the owner of a branch plant in Germany, you needed it
 even more. Because no matter how much money the branch made, it was
 held in Germany and in the end you lost both the plant and the blocked
 funds. Our proposed Monetary Fund prohibits blocking the profits
 of foreign investments.

The prosperity of the whole country depends just as much on
 foreign trade as does that of Detroit, although you Detroiters with
 your close ties to export and import businesses are probably more
 aware of the fact than most. As the nation's biggest sellers in the

Insert I

If ~~the~~ ^{the} ~~of~~ ^(of the United States) Congress ~~passes~~ the Bretton Woods
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~~from~~ ^{from} restrictive exchange controls
 and depreciating exchange rates.
^{In that event,} ~~then~~ the automobile industry can look
 forward to a ~~big~~ ^{steady} ~~range~~ export
 market of at least a million
 cars a year.

DOROTHY GREENLEE
 STENOGRAPHIC REPORTER
 ST. LOUIS, MO.

world market, you ^{also} know the importance of buying in that market. You have to be interested in a healthy economy abroad not only for the sake of selling ^{Michigan's} ~~your city's~~ products but to insure ^{a steady} ~~an ample~~ supply ^{at reasonable prices} of tin and rubber, chrome and shellac, ^{and} all the thousands of items that your industry needs to buy from other countries.

In peacetime, about 10 percent of our national production, about the same proportion of our jobs in industry and agriculture are ^{created} ~~provided~~ ^{directly} by foreign trade. A postwar economy of full production and ^{full} ~~employment~~ ^{employment, ~~which~~ will require} ^{at least} American exports of ~~about~~ \$10 billion, balanced ^{by} ~~by~~ imports of about eight and investments in other countries of about ~~two~~. In such an ~~EM~~ economy, the automobile industry would find little difficulty in selling a million cars a year abroad, if world trade is not hampered by restrictive exchange controls and depreciating exchange rates.

We can reach such a trade level only if both the producing and consuming powers of all countries are expanded, not merely restored. American investments abroad can contribute a great deal to the process if we can be sure they really are used to rebuild and to develop. American capital equipment, of which ^{Michigan} ~~Detroit~~ produces a big share, will be essential. With the development of these countries will come an increased demand for all ~~these~~ American durable goods -- cars, machinery, etc. ~~which are everywhere regarded as the real test of high living standards. These are the goods Detroit produces.~~

The International Bank for Reconstruction and Development provides a sound, conservative basis for extending foreign loans for productive purposes. The principal business of the bank will be to guarantee loans made by private investors ^{when} ~~which~~ such a guarantee is needed to

encourage worth-while ventures. But the Bank will also protect the investor from lending too much and the borrower from borrowing too much.

It may seem strange that anyone should object to this program. But there really is some opposition. The main point of open criticism is that the bank is fine but the monetary fund might not work, so the United States dare not try it. In effect these critics want the United States Government to go back to 43 other sovereign states and say that although all of our representatives agreed after mature deliberation that the plan is sound, a few interested people in this country think they know better and we should not go through with it.

They know quite well that it would be impossible to hold another conference to debate the second thoughts of a minority of one country out of 44, just because this minority thinks it might not work.

I wonder what sort of an audience I would be addressing in Detroit today if Ford and Winton and Olds had looked at the first gasoline buggies they built and turned back to bicycles saying:

"It might not work."

~~They were not so easily discouraged~~
 They were not so faint-hearted nor so easily discouraged. They went back and made it work. ~~So will we.~~

~~Let us~~
 have faith in America and Americans. I think we shall demonstrate again the capacity and the courage to solve the problems of a new day.

First original = not used.

*Retreat
2/24/45*

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The world's money market has a language of its own that can be made to sound as incomprehensible as a tobacco auctioneer and as remote as Mars. But its results in every business are as plain as red ink in the ledger and as close as next week's payroll. One reason is that international monetary stabilization has a good deal to do with the color of the ink, and with the payroll, too.

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- 2 -

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- 3 -

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Finally, it means that you can carry out your plans for your community, meet your responsibilities to those who look to you to lead them in transforming Detroit from the world's mightiest war production center into an even bigger producer for peace.

- 4 -

That adds up to a lot of meaning. Of course, the Bretton Woods program by itself will not bring you all these blessings. It was not meant to. It is the first step in a series that must be taken by governments and by industry and by labor to set the wheels of world trade moving fast and freely. No, Bretton Woods won't do the job alone. But without Bretton Woods, you will never get a chance to do the job at all.

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- 5 -

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If you were an automobile manufacturer, this experience only proved how badly you needed a Bretton Woods program.

- 7 -

The combination of engineering skill, well paid workers and managerial organization enabled you to produce better cars cheaper than any other country. Therefore, in a world of monetary order and stability, you would have kept at least as much of the market as you had in 1929. But, although as many cars were made in the world in 1938 as in 1929, America's share went down from 85 per cent to 76 per cent.

The greater part of our loss was in countries with the most rigid exchange controls. They not only failed to resume buying after recovery; they actually bought less than in the depression. All the other countries in the world bought more. Here are some examples.

- 8 -

Belgium bought \$26 million worth of American cars in 1929, dropped to \$7 million in 1932 and came back to \$21 million in 1937. Sales of American-made cars to England rose from the depression low of \$3 million to more than \$12 million in 1937. Germany, on the other hand, had bought \$19 million worth of cars in 1929 and only a little over \$1 million in 1932. Exchange controls sent her purchases down even lower - to only \$385,000 - in 1937.

What that meant to Detroit in jobs and profits is a matter of painful memory. The United States automobile industry at the peak of the boom employed 471,000 workers. There were only 257,000, many of them at part time, on the depleted payrolls of 1932, but 505,000 were working in 1937.

- 9 -

The 15 major producers showed a profit of more than a billion dollars in 1929. In 1932, they had a net deficit of \$132 million, but five years later they were in the black to the tune of \$768 million.

Knowing as you do how much foreign trade contributed to these balance sheets, can you now doubt that you needed a Bretton Woods in the twenties and thirties?

If you were the owner of a branch plant in Germany, you needed it even more. Because no matter how much money the branch made, it was held in Germany and in the end you lost both the plant and the blocked funds. Our proposed Monetary Fund prohibits blocking the profits of foreign investments.

The prosperity of the whole country depends just as much on foreign trade as does that of Detroit, although you Detroiters with your close ties to export and import businesses are probably more aware of the fact than most. As the nation's biggest sellers in the world market, you also know the importance of buying in that market. You have to be interested in a healthy economy abroad not only for the sake of selling Michigan's products but to insure a steady supply at reasonable prices of tin and rubber, chrome and shellac, and all the thousands of items that your industry needs to buy from other countries.

In peacetime, about 10 per cent of our national production, about the same proportion of our jobs in industry and agriculture are created directly by foreign trade.

A post-war economy of full production and full employment will require American exports of at least \$10 billion.

If the Congress of the United States passes the Bretton Woods legislation, world trade will be freed from restrictive exchange controls and depreciating exchange rates. In that event, the automobile industry can look forward to a steady export market of at least a million cars a year.

We can reach such a trade level only if both the producing and consuming powers of all countries are expanded, not merely restored. American investments abroad can contribute a great deal to the process if we can be sure they really are used to rebuild and to develop.

- 12 -

American capital equipment, of which Michigan produces a big share, will be essential. With the development of these countries will come an increased demand for all American durable goods - cars, machinery, etc.

The International Bank for Reconstruction and Development provides a sound, conservative basis for extending foreign loans for productive purposes. The principal business of the bank will be to guarantee loans made by private investors when such a guarantee is needed to encourage worth while ventures. But the Bank will also protect the investor from lending too much and the borrower from borrowing too much.

- 13 -

It may seem strange that any one should object to this program. But there really is some opposition. The main point of open criticism is that the bank is fine but the monetary fund might not work, so the United States dare not try it. In effect, these critics want the United States Government to go back to 43 other sovereign states and say that although all of our representatives agreed after mature deliberation that the plan is sound, a few interested people in this country think they know better and we should not go through with it.

They know quite well that it would be impossible to hold another conference to debate the second thoughts of a minority of one country out of 44, just because this minority thinks it might not work.

- 14 -

I wonder what sort of an audience I would be addressing in Detroit today if Ford and Winton and Olds had looked at the first gasoline buggies they built and turned back to bicycles saying:

"It might not work."

They were not so faint-hearted nor so easily discouraged. They went back and made it work.

Let us have faith in America and Americans. I think we shall demonstrate again the capacity and the courage to solve the problems of a new day.

2/24/45
(Detroit)

Copy from which
final reading copy
was typed

134

The world's money market has a language of its own that can be made to sound as incomprehensible as a tobacco auctioneer and as remote as Mars. But its results in every business are as plain as red ink in the ledger and as close as next week's payroll. One reason is that international monetary stabilization has a good deal to do with the color of the ink, and with the payroll, too.

One man out of ~~six~~^{seven} in the automobile industry, for instance, used to depend for his job on foreign trade. Fourteen per cent of the industry's sales were made abroad. That ratio can be maintained after the war only if currencies have reasonable stability and if exchange restrictions are removed.

- 2 -

Last summer the best technical experts of 44 United Nations met at Bretton Woods, New Hampshire, to grapple with the problem of postwar money. They worked on the basis of a plan that had been evolved from preliminary discussions extending over two years. The result was agreement on a program which provides for a Fund to stabilize currencies and an International Bank to help finance reconstruction and development.

The program is the first of a series of practical measures for putting the everyday business of the world back on its feet and headed for a sounder prosperity than it has ever known.

- 3 -

It is a matter of peace and security for the world, as well as dollars and cents for every businessman and worker, every farmer and professional man in the United States. To the people of Detroit, ~~it is particularly significant.~~

It means a foreign market for as much as a million cars a year, and a goodly proportion of your machinery, metal products, ^{and} chemicals, ~~paints and dyes.~~

It means that if the foreign branch of a Detroit plant makes money, the company can get its profits out in dollars instead of harmonicas.

Finally, it means that you can carry out your plans for your community, meet your responsibilities to those who look to you to lead them in transforming Detroit from the world's mightiest war production center into an even bigger producer for peace.

- 4 -

That adds up to a lot of meaning. Of course, the Bretton Woods program by itself will not bring you all these blessings. It was not meant to. It is the first step in a series that must be taken by governments and by industry and by labor to set the wheels of world trade moving fast and freely. No, Bretton Woods won't do the job alone. But without Bretton Woods, you will never get a chance to do the job at all.

The first proof of this is the relation of Bretton Woods to Detroit's future foreign trade. The Monetary Fund sets up standards which will prevent discrimination in foreign exchange practices and help member nations keep their currencies stable.

- 5 -

Under such exchange policies, an American salesman can go to Belgium and sell a thousand dollar car for 40,000 francs without worrying about cancellations because sudden depreciation has put the exchange value of that thousand dollars up to 60 or 80,000 francs and out of reach of most buyers.

Another advantage of the program is that it prevents blocked currencies and other discriminatory restrictions on where a man can buy and sell. Without it, the representative of a Detroit automobile company might line up a great many customers in, say the Netherlands.

- 6 -

"But," they would tell him, "we can't get dollars under present exchange regulations. We can get francs and pounds but no dollars. We'd like American cars, but we'll have to take French or English."

This is no theoretical prediction. It has happened. In the decade before the war, exchange controls and bilateral agreements were aimed at this country and lost us our market. It was largely because of them that the sales of American cars and trucks went from 700,000 in 1929 to ⁸/₅ 5,000 in 1932, but came back only half way five years later.

If you were an automobile manufacturer, this experience only proved how badly you needed a Bretton Woods program.

The combination of engineering skill, well paid workers and managerial organization enabled you to produce better cars cheaper than any other country. Therefore, in a world of monetary order and stability, you would have kept at least as much of the market as you had in 1929. But, although as many cars were made in the world in 1937 as in 1929, America's share went down from 85 per cent to 76 per cent.

The greater part of our loss was in countries ^{those} ~~where~~ ^{discriminated against us.} ~~with the most rigid exchange controls.~~ They not only failed to resume buying after recovery; they actually bought less than in the depression. All the other countries in the world bought more. Here are some examples.

Wanted

FROM: MR. GASTON'S OFFICE

Germany, on the other hand,
 used exchange controls against
 us. Purchases of American
 cars amounted to \$19 million
 in 1929, dropped to \$1 million
 in 1932 and in 1937, instead
 of rising as the depression
 waned, dropped to \$385,000.

TO:

WANTED

DOROTHY GREENLEE
 STENOGRAPHIC REPORTER
 ST. LOUIS, MO.

one and a half million
in 1932 and nearly 14
million in 1937.

Belgium bought \$26 million worth of American cars
in 1929, dropped to \$7 million in 1932 and came back
to \$21 million in 1937. Sales of American-made cars

to England rose from the depression low of \$3 million

to more than \$12 million in 1937. ~~Germany, on the~~

at ~~The '30's used exchange controls against us, she had~~
other hand, ~~she~~ bought \$19 million worth of cars in
1929 and only a little over \$1 million in 1932, ~~Exchange~~
~~controls sent her purchases down even lower to only~~
\$385,000. ~~to 1937~~

What that meant to Detroit in jobs and profits
is a matter of painful memory. The United States
automobile industry at the peak of the boom employed
471,000 workers. There were only 257,000, many
of them at part time, on the depleted payrolls of
1932, but 505,000 were working in 1937.

The 15 major producers showed a profit of more than a billion dollars in 1929. In 1932, they had a net deficit of \$132 million, but five years later they were in the black to the tune of \$768 million.

~~Knowing as you do how much foreign trade contributed to these balance sheets,~~ Can you now doubt that you needed a Bretton Woods in the twenties and thirties?

If you were the owner of a branch plant in Germany, you needed it even more. Because no matter how much money the branch made, ^{Germany} ~~it was held in~~ ~~Germany and to the end you lost both the plant and~~ ~~the~~ blocked funds. Our proposed Monetary Fund prohibits blocking the profits of foreign investments.

The prosperity of the whole country depends just as much on foreign trade as does that of Detroit, although you Detroiters with your close ties to export and import businesses are probably more aware of the fact than most. ~~As the nation's biggest sellers in the world market, you also know the importance of buying in that market. You have to be interested in a healthy economy abroad not only for the sake of selling Michigan's products but to insure a steady supply at reasonable prices of tin and rubber, chrome and shellac, and all the thousands of items that your industry needs to buy from other countries.~~

In peacetime, about 10 per cent of our national production ^{and} about the same proportion of our jobs in industry and agriculture are created directly by foreign trade.

A post-war economy of full production and full employment will require American exports of at least \$10 billion.

If the Congress of the United States passes the Bretton Woods legislation, world trade will be freed from restrictive exchange controls and depreciating exchange rates. In that event, the automobile industry can look forward to a steady export market of at least a million cars a year.

We can reach such a trade level only if both the producing and consuming powers of all countries are expanded, not merely restored ^{to their old ~~levels~~ levels} ~~American~~

~~investments abroad can contribute a great deal to the process if we can be sure they really are used to rebuild and to develop.~~

American capital equipment, of which Michigan produces a big share, will be essential. With the development of these countries will come an increased demand for all American durable goods - cars, machinery, etc.

The International Bank for Reconstruction and Development provides a sound, conservative basis for extending foreign loans for productive purposes. The principal business of the bank will be to guarantee loans made by private investors when such a guarantee is needed to encourage worth while ventures. But the Bank will also protect the investor from lending too much and the borrower from borrowing too much.

It may seem strange that any one should object to this program. But ~~there really is some opposition.~~ *some people do. Their whole argument boils down to the criticism that it* ~~The main point of open criticism is that the bank~~ *is fine but the monetary fund might not work.* ~~the United States dare not try it. In effect,~~

These critics want the United States Government to go back to 43 other sovereign states and say that although all of our representatives agreed after mature deliberation that the plan is sound, a few interested people in this country think they know better ~~and we should not go through with it.~~

They know quite well that it would be impossible to hold another conference ~~to debate the second~~ *because* ~~thoughts of~~ a minority of one country out of 44 *thanks* ~~just because this minority~~ *the plan* ~~thinks it~~ might not work.

- 14 -

I wonder what sort of an audience I would be addressing in Detroit today if Ford and Winton and Olds had looked at the first gasoline buggies they built and turned back to bicycles saying:

"It might not work."

They were not so faint-hearted nor so easily discouraged. They went back and made it work.

Let us have faith in America and Americans. I think we shall demonstrate again the capacity and the courage to solve the problems of a new day.

ff

(Memorandum to the Secretary: The following is submitted as a suggestion for possible use as a supplement to your speech after your time on the air has expired.)

- - - - -

Our friend Jesse Wolcott has reminded us that since he and I operated together as delegates to Bretton Woods last summer many questions about the agreements have been asked - and answered. He has been at pains to list a number of them in their various forms. Many of them you will regard as frivolous and many answer themselves. I know neither he nor any of you would have wished me to be distracted by them from what I regard as the essential meaning of the Bretton Woods program to American industry and to American workers.

If this Club should be sufficiently interested either Mr. White or I will be glad to deal with any queries or doubts that seem to you to be pertinent and sufficiently interesting. The Bretton Woods program is, I think we must all agree, important enough to deserve serious examination and debate.

We should not be surprised that so diligent and faithful a seeker of opinion as Mr. Wolcott should find as many as 68 questions or objections to a plan of this great scope.

- 2 -

When Hamilton, Madison and Jay wrote the Federalist papers they dealt with a greater number of objections than 68--and I believe it is now conceded that the Constitution of the United States, the document then under attack by the more timorous portion of our citizens, was a pretty good document, one that justified the risk of adventuring with it. Though it has been amended many times, it served for the time being as a pretty good basis of action.

While we don't claim to be either Hamiltons or Madisons, Mr. White and I would be glad to answer your questions in so far as your order of business and your time permit.

FEB 24 1945

Dear Mr. Daniels:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I can assure you that you and the other participants helped me to get over an important message to the people of our country, namely: that their government wants the people to hold their Bonds till maturity and that the people can be assured that the government will pay them off exactly and precisely as called for.

Again, many thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Harold S. Daniels
521 West Luray Street
Philadelphia, Pennsylvania

DL:jd



672
FEB 24 1945

Dear Mr. Damiani:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I can assure you that you and the other participants helped me to get over an important message to the people of our country, namely: that their government wants the people to hold their Bonds till maturity and that the people can be assured that the government will pay them off exactly and precisely as called for.

Again, many thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Michael Damiani
1531 South 13th Street
Philadelphia, Pennsylvania

RS

FEB 24 1945

Dear Miss Fuges:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I can assure you that you and the other participants helped me to get over an important message to the people of our country, namely: that their government wants the people to hold their Bonds till maturity and that the people can be assured that the government will pay them off exactly and precisely as called for.

Again many thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Miss Gretchen Fuges
1219 Harrison Street
Frankford
Philadelphia, Pennsylvania

WS

MS

274
FEB 24 1945

Dear Dr. Hazard:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I can assure you that you and the other participants helped me to get over an important message to the people of our country, namely: that their government wants the people to hold their Bonds till maturity and that the people can be assured that the government will pay them off exactly and precisely as called for.

Again many thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Dr. Henry Hazard
315 Mayfair Avenue
Philadelphia, Pennsylvania

274

FEB 24 1945

Dear Mr. Jahn:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I can assure you that you and the other participants helped me to get over an important message to the people of our country, namely: that their government wants the people to hold their Bonds till maturity and that the people can be assured that the government will pay them off exactly and precisely as called for.

Again many thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Pfc. Henry Jahn
145 West 169th Street
New York, New York

718

FEB 24 1945

Dear Miss Lillie:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I have been looking forward for some time to meeting you, and expressing my admiration for the splendid war work you have been doing for our fighting men of both your countries.

You were great, as usual, Sunday night and I know that you contributed much to getting over effectively the chief point we in the Treasury were anxious to drive home, which is that War Bond buyers can serve their country and themselves best by holding their Bonds until maturity.

Please accept my heartiest thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Miss Beatrice Lillie
Hampshire House
New York, New York

DL:jd

WJ



THE SECRETARY OF THE TREASURY
WASHINGTON

Dear Miss Lillie:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I have been looking forward for some time to meeting you, and expressing to you my ~~personal~~ admiration for the splendid war work you have rendered, not only for your own people, but also for the fighting forces of America.

Were great as usual, Sunday night
You did a grand job on the air, and I know that ~~by being one of the guests~~, you helped to create a favorable impression which contributed in making possible the one patriotic point we in the Treasury were anxious to drive home, namely, that this government wants its people to hold their Bonds till maturity, and that the people can be assured that the government will pay them off exactly and precisely as called for.

Again, many thanks.

Sincerely,

Miss Beatrice Lillie
Hampshire House
New York, New York

*from doing in our fighting men
of both your countries*

to getting over effectively

until

much chief

*Which is that
War Bond buyers
can serve their
country best by
holding*

*Please accept my heartiest
thanks.*



FEB 24 1945

Dear Lieutenant McCabe:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I can assure you that you and the other participants helped me to get over an important message to the people of our country, namely: that their government wants the people to hold their Bonds till maturity and that the people can be assured that the government will pay them off exactly and precisely as called for.

Again, many thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Lieutenant Joseph McCabe
4015 Green Street
Philadelphia, Pennsylvania

DL: jd

FEB 24 1945

Dear Mr. Mertz:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I can assure you that you and the other participants helped me to get over an important message to the people of our country, namely: that their government wants the people to hold their Bonds till maturity and that the people can be assured that the government will pay them off exactly and precisely as called for.

Again, many thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Harvey Mertz
209 North American Street
Philadelphia, Pennsylvania

DL:jd

FEB 24 1945

Dear Lieutenant and Mrs. Rouh:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I can assure you that you and the other participants helped me to get over an important message to the people of our country, namely: that their government wants the people to hold their Bonds till maturity and that the people can be assured that the government will pay them off exactly and precisely as called for.

Again many thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Lieutenant and Mrs. C. Rouh
Mabel and Carlton Avenues
Lindenwold, New Jersey



FEB 24 1945

Dear Mr. Wells:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I can assure you that you and the other participants helped me to get over an important message to the people of our country, namely: that their government wants the people to hold their Bonds till maturity and that the people can be assured that the government will pay them off exactly and precisely as called for.

Again many thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. E. G. Wells
Chief Engineer
Boeing Aircraft
Seattle, Washington

DL: jd



212
FEB 24 1945

Dear General Wolfe:

I want you to know how pleasant it was to participate with you on the "We the People" program of February 18.

I can assure you that you and the other participants helped me to get over an important message to the people of our country, namely: that their government wants the people to hold their Bonds till maturity and that the people can be assured that the government will pay them off exactly and precisely as called for.

Again, many thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Maj. General Kenneth B. Wolfe
Chief of Engineering and
Procurement Division
Headquarters Air Technical
Air Service Command
Wright Field
Dayton, Ohio

DL: jd

7/16

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

February 24, 1945

TO Secretary Morgenthau
FROM J. J. O'Connell, Jr.

Attached is a suggested form of letter prepared for your signature, answering Mr. Aldrich's letter of February 20, 1945.

Do you remember Mr. Parkinson's letter of January 13, 1944? A copy is attached, should your memory need refreshing.



Attachment

FEB 24 1945

Dear Mr. Aldrich:

I have your letter of February 20, 1945 advising me that Mr. Parkinson's letter to me dated January 18, 1944 was without your knowledge or approval.

I am frank to say that the possibility that the facts were otherwise had not occurred to me. Be that as it may, I am pleased to have such a frank statement from you in this matter, particularly in view of the tenor of Mr. Parkinson's letter, which, as you can well imagine, was disturbing to me.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Winthrop W. Aldrich,
Chairman Board of Directors,
The Chase National Bank,
Pine Street corner of Nassau,
New York 15, New York.

JJO'C:mv

JJO

O'Connell

The Chase National Bank

OF THE CITY OF NEW YORK

New York

February 20, 1945

WINTHROP W ALDRICH
CHAIRMAN BOARD OF DIRECTORS

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

Dear Mr. Morgenthau,

I have just been informed that there has been an impression on the part of Attorney General Biddle, as well as on the part of certain others in public office, that a letter to you dated January 13, 1944 (a copy of which was sent to Attorney General Biddle) from Mr. Thomas I. Parkinson, President of the Equitable Life Assurance Society of New York, was written by me or at my suggestion, direct or indirect. Believing that you also may share that impression, I am writing to correct it as promptly as possible.

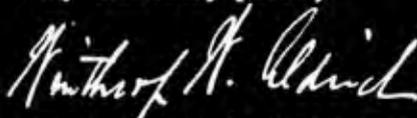
While Mr. Parkinson is one of the twenty-four directors of the Chase National Bank, he wrote this letter without consultation with anyone and entirely without my knowledge or approval, or the knowledge or approval of anyone in or connected with the Bank.

In order that the record may be entirely straight on this matter, I want further to tell you that Mr. Parkinson's observations as expressed in that letter were and are entirely his own.

I am sending a copy of this letter to Mr. Biddle, as well as to Mr. Parkinson.

With kind regards, I am

Very sincerely yours,



Chairman Board of Directors

6514

THE EQUITABLE LIFE ASSURANCE SOCIETY
OF THE UNITED STATES
393 SEVENTH AVENUE, NEW YORK (1)

THOMAS I. PARKINSON
PRESIDENT

January 13, 1944

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

Dear Mr. Secretary:

I am, as you know, much interested in your plans to finance your war requirements soundly and applaud your efforts to sell as many as possible of your necessary bond issues to the people and their savings institutions.

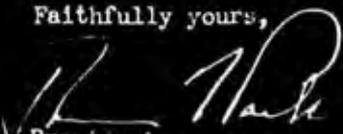
Realizing, as we all do, the importance of unity and application to the principal job in hand, you may, I think, realize the shock that some of us felt yesterday when the Chairman of the Board of the Chase Bank announced to his Board of Directors that the Department of Justice, under the leadership of Attorney General Biddle, had obtained, and I use the word obtained advisedly, an indictment of the Bank for an alleged violation of the Trading-With-The-Enemy Act. In normal times would be ridiculous to indict a bank for such a technicality. At the present time such action is bound, on the one hand, to disturb the unity of our people generally, and on the other to impair the enthusiasm of officers of financial institutions for cooperation with the Government and particularly the Treasury in the accomplishment of its difficult tasks. You cannot inspire men's enthusiasm by impugning their motives. I cannot believe that you and other important members of this Administration can be parties to such procedure on the part of the Attorney General.

This action, however much technically within the Attorney General's powers, indicates, particularly when added to his unnecessary and academic insistence on carrying to the Supreme Court of the United States at this particular moment in the country's history the question whether insurance is interstate commerce, that the Attorney General feels free not to heed the call which the President made so eloquently and patriotically a few days ago for unity and patriotism rather than the pursuit of narrow, selfish and political interests.

You who are responsible for the administration of the Federal Government cannot expect enthusiastic cooperation from me and men like me in the accomplishment of the great tasks confronting our country, if we are to be diverted from those tasks by the activities of individual members of the Administration such as those of the Attorney General which I have just mentioned. Enthusiasm under such circumstances is just impossible. If the Administration of the Federal Government cannot be in unity, how on earth can the rest of us unify effectively?

I am sending a copy of this letter to Mr. Biddle.

Faithfully yours,


President

FEB 24 1945

Dear Miss Perkins:

Your letter of February 13, 1945, refers to a conference on the status of home workers under the Social Security Act between the Department of Labor and the Treasury and to a later conference with officials of both departments, the Social Security Board, and the Department of Justice.

Although admittedly such a position was strongly advocated by some of those present, I do not believe that these conferences developed an opinion by those representing this Department that redrafting present regulations would aid "litigation designed to establish broad coverage of the Social Security Act." A tentative decision was reached at the last conference concerning the possible filing of a petition in the Supreme Court for reconsideration of its denial of certiorari in the Beard case, and a draft of such a petition is to be prepared for consideration by the Solicitor General.

Such proposed action, in my opinion, suggests that the existing regulations defining employment should not be amended at this time. Quite apart from this, however, I think I should tell you that the Department is not disposed to change its existing regulations in the absence of further legislation -- or, of course, an authoritative decision of the Supreme Court clarifying the law.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable
The Secretary of Labor
Washington 25, D. C.

CO:JJO'C:mv

DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

FEB 13 1945

The Honorable
The Secretary of the Treasury

My dear Mr. Secretary:

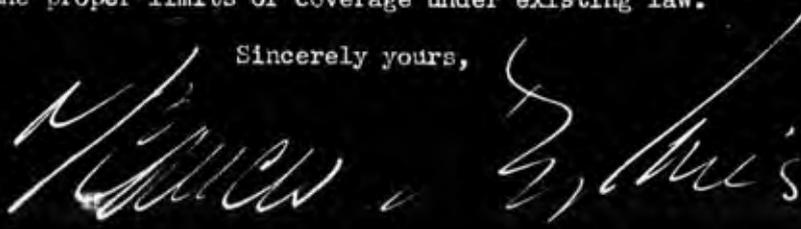
Pursuant to my letter of November 11, 1944 and your reply of December 6, 1944 a conference on the status of home-workers under the Social Security Act was held by officers of the Treasury and Labor Departments followed by a conference among the Solicitor General, the Assistant Attorney General in charge of the Tax Division, the Solicitor of Labor, the General Counsel of the Internal Revenue Bureau and the General Counsel of the Social Security Board.

These conferences have developed the fact that litigation designed to establish broad coverage of the Social Security Act would be aided by redrafting the present Regulations defining the term "employment" along the lines proposed by the Social Security Board. I recommend that such action be taken to accomplish fully the original purposes of federal social security legislation.

I believe that ample occasion for the revision of these regulations is furnished by the recent decisions of the Supreme Court and the Fourth Circuit Court of Appeals in National Labor Relations Board v. Hearst Publications, Inc., 322 U.S. 111 (1944) and United States v. The Vogue, Inc., 145 F(2d)609 (1944). These decisions appear to establish a reasonable basis for the view that the definition of "employment" in the Social Security Act is to be determined not simply by the common law rules relied on in the present Regulations but rather by consideration of the Congressional purpose in enacting the legislation.

I am also of the view that the expediency of legislation intended to extend the Social Security Act does not require postponement of administrative action which can be taken at this time to establish the proper limits of coverage under existing law.

Sincerely yours,

A large, handwritten signature in dark ink, appearing to read "Arthur M. Altmeyer". The signature is written in a cursive style and spans across the bottom of the page, under the typed name.

FEB 24 1945

Dear Mr. Secretary:

This will acknowledge your letter of February 20 concerning measures taken to allay the effect of the present rate of exchange for French francs on the morale of American troops in France.

As officials of the War Department have been informed, the Treasury Department has initiated discussions with the French authorities concerning the proposals mentioned in your letter. I understand that the problem is now being considered by the French Government in Paris and we expect within the next week to receive a report from the French authorities on their reaction to the proposals.

I will keep you informed of developments and we will then discuss with the representatives of the War Department and other interested U. S. agencies the next steps to be taken.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable,
The Secretary of War.

H:tg 2/24/45

WAR DEPARTMENT

WASHINGTON

FEB 20 1945

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

I refer to current interdepartmental discussions concerning the effects of the present rate of exchange for the French franc on morale of American troops in France and concerning the related problem of maintaining Franco-American goodwill. In this connection, the drastic effect of the exchange rate on the purchasing power of that part of the soldier's pay retained by him for local expenditure in France is a matter of primary interest and increasing concern to the War Department.

With regard to this subject, it is my understanding that agreement was reached during a meeting in your office on 31 January 1945, at which were present representatives of the State, Treasury and War Departments and the Foreign Economic Administration, to the effect that the U.S. Government will actively pursue negotiations with the French authorities to alleviate the above-mentioned situation. Such aid would include, among arrangements considered desirable and feasible, measures whereby the French authorities would furnish wholesale at cost to U.S. military post exchanges certain luxury and semi-luxury goods; whereby the French authorities would subsidize restaurants and recreational clubs for the exclusive use of U.S. military personnel and their guests, and the U.S. authorities would furnish food for such restaurants and clubs at reasonable prices; and whereby such arrangements would be incorporated in the prospective reverse lend-lease agreement for Metropolitan France.

It is assumed that the State and Treasury Departments will carry on negotiations with the French authorities to accomplish the foregoing arrangements including incorporation in the above-mentioned reverse lend-lease agreement of provisions to cover the expenses of these projects to the French.

I shall be glad to arrange for representatives of the War Department to meet further with those of other interested U.S. departments and agencies to work out the details of War Department participation in the above program.

Sincerely yours,

Henry L. Stimson

Secretary of War



FEB 24 1945

Dear Leo:

I am informed that requisitions for civilian supplies for France are beginning to come through in large volume. So far as I know, the Master Agreement and the accompanying documents have not been signed and are not in force, and I wonder under what specific payment arrangement these current requisitions are going through. Would you be kind enough to assure me that, in case the lend-lease negotiations do not come to a successful conclusion, there is a clear obligation on the part of the French to pay in cash for these supplies?

Sincerely yours,

(Signed) Henry

Mr. Leo T. Crowley,
Administrator,
Foreign Economic Administration,
Washington, D. C.

C
O
P

September 4, 1944

Dear Mr. Monnet:

It is vital in the joint interests of the United States and France as well as of the United Nations, that essential civilian supplies be procured as soon as is practicable for use in Metropolitan France.

We, therefore, propose that the French Committee of National Liberation advise the Foreign Economic Administration and the Director General of the United Nations Relief and Rehabilitation Administration of the vital civilian supplies which it will require for use in Metropolitan France.

The Foreign Economic Administration will undertake, within the limits of the strategic and supply situation, to procure essential civilian supplies, requested by the French Committee of National Liberation, in accordance with defined requirements programs, and hold them in its general stocks until delivery.

The Foreign Economic Administration may, whenever it determines that the necessities of war or liberation so require, make withdrawals from such stocks. To the extent that supplies procured by the Foreign Economic are not the subject of such emergency withdrawals but are received by the French Committee, payment therefor will be made in dollars, with the understanding, however, that all payments made or to be made for supplies received by the French Committee of National Liberation are to be subject to such arrangements for payment and for the receipt of reciprocal aid as may be finally determined upon in the pending lend-lease agreement, or any amendments thereof, between French and United States representatives with respect to supplies for Metropolitan France.

In order to facilitate payment for any supplies requested by the French Committee hereunder and subsequently received by the Committee from the Foreign Economic Administration, it is suggested that a special account be opened with the United States Treasury Department, as has already been done in the case of a number of other governments. Deposits may be made into this account from time to time by the French Committee and withdrawals therefrom may be effected by this Government for such supplies as are received by the French under the arrangements suggested herein.

Sincerely yours,

/s/

Leo T. Crowley
Administrator

Mr. Jean Monnet
French Supply Council
1763 R Street, N. W.
Washington, D. C.

Handwritten signature

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE February 24, 1945

TO Secretary Morgenthau
FROM Mr. Coe *P.C.*

1. State and FEA are proposing to offer as soon as possible a lend-lease arrangement to Belgium along the lines of the proposals now being negotiated with the French. State says that this arrangement is necessary for political reasons.

The technical discussions on the proposed Belgian arrangement have not yet been concluded. Within the next few days we shall give you a memorandum outlining this proposed arrangement.

2. State and FEA propose making a similar arrangement with the Netherlands in the near future.

3. There is also some discussion in these agencies of similar agreements with Poland, Czechoslovakia and Italy.

FEB 24 1945

Dear Mr. Crowley:

I have received your letter of February 6, 1945 regarding request of the Government of India for 208 million fine ounces of silver.

My first reaction to the Government of India's request was that it seemed unreasonably large in light of the substantial amounts of silver already lend-leased to India, but I haven't, as yet, formed any definitive opinion. We are now investigating further into the many aspects of the problem and have requested the representatives of the Government of India here to supply us with additional data necessary to make a decision.

I will, of course, discuss this matter with you before making a recommendation.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Leo T. Crowley,
Administrator,
Foreign Economic Administration,
Washington, D. C.

ISF/efs 2/22/45

PT 8 322v
Regraded Unclassified

FEB 6 - 1945

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

Dear Mr. Secretary:

~~The British Government has requested the United States Government to provide for the purchase of silver bullion for the purpose of financing the British war effort. The British War Materials Mission, on behalf of India, are requesting 200 million fine ounces of bar silver (at an estimated \$150,000,000). Under "end-use" appears the following statement:~~

150,000,000 ounces for coinage, 100,000,000 ounces for market sales. This material is to be transferred under special arrangements which provide for return at an agreed period after the termination of hostilities."

Inclusion of the above in the Sixth Lend-Lease Appropriation (for fiscal year 1945-46) does not constitute a commitment, but is necessary to provide funds against which requisitions may subsequently be charged. Such requisitions would not be approved without prior approval, as usual, of the Treasury Department.

The purpose of our inquiry at this time--as in the case of like inquiries of the War and Navy Departments and the War Production Board in respect of other commodities--is not to obtain approval, but some indication that the amount does not appear unreasonable from the point of view of need and U. S. supply. Such guidance as you may feel able to give (which will, of course, be regarded as confidential) will be of great assistance to this Administration in the preparation of its request for Congressional appropriation.

Sincerely yours,

WGriffiths:df

1-29-45

Area file 2719 T

Arthur Paul

Adm. file

cc: Mr. Bernstein, room 3449-Treasury

John Howard 1069 T

W. V. Griffin 2089 T

Lee T. Cawley

Administrator

Treasury Department 226 ✓
Division of Monetary Research

Date Feb. 24 1945

To: Secretary Morgenthau

From: Mr. Coe RC

Attached is a cable
from Currie expressing his
thanks for your congratu-
latory message.

HL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: February 22, 1945
NUMBER: 1163

SECRET

The following personal message from Currie for Secretary Morgenthau, Treasury Department.

I wish to express many thanks to you; also I hope that we can secure shortly a complete census of all foreign property, and decrees which prohibit dealing in foreign currencies also importation and exportation. I am not able to speak too highly of the work of Schmidt.

HARRISON

LCW

DC/L:LCW:CVT

2-22-45

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 24, 1945

TO Secretary Morgenthau
FROM Mr. Coe f.c.

Information

Subject: Swiss Newspaper Reaction to Freezing Decrees

The editorials cited in this telegram seem adverse. It is plain that the Swiss press is not very much on our side as far as this war is concerned.

DEPARTMENT
OF
STATE

Mr. Coe (1 - *Mr. Glavin*)
2 - *Mr. Delaney*)
INCOMING
TELEGRAM

DIVISION OF 229
CENTRAL SERVICES
TELEGRAPH SECTION

DEPARTMENT OF STATE
DIVISION OF

HW-1076

1945 FEB 18 AM 10 58

COMMUNICATIONS
AND RECORDS
(LIAISON)

PLAIN

Bern

Dated February 17, 1945

Rec'd 5:41 p.m.

Secretary of State

Washington

1073, Seventeenth

FOR DEPARTMENT OF STATE AND TREASURY

Legation's 1054, 16th.

Swiss Press February 16-17 comments as follows

negotiations Currie Mission Switzerland: NEUE ZUERCHER
NACHRICHTEN: It is not first time in course present
war that Swiss together with Allies have sought sat-
isfactory solutions nor that they failed find such
solutions. Switzerland already made in past consider-
able concessions within limits its indisputable policy
of neutrality. Swiss concessions made on large scale
but Allied reciprocal measures still remain unfulfilled
consequently comprehensible that Swiss public opinion
not exclusively interested in Allied desires but in
learning what Mr. Currie is bringing to Switzerland.

Broad circles

-2- 1073, Seventeenth from Bern

Broad circles among Swiss advance conjecture that difficulties Swiss transit result not so much of transportation difficulties as of Allied blockade policy and may even perhaps be explained by considerations of political nature. Of course, these are only conjectures and it is entirely in power of Allies to dissipate such fears on part of Swiss people.

SCHWEIZERISCHE HANDELSZEITUNG: Following Cordell Hull's message and subsequent military developments economic relations of neutrals Switzerland included underwent large scale revision. Deliveries to Germany were further reduced without any reciprocity on part of Allies. Result was terrifying drop in economic conditions. Attention of whole world particularly neutrals and small states to Bern negotiations shows significance latter to extend beyond relations between Switzerland and Allies. Present negotiations will prove whether Allies really capable understand Europe and effect its reconstruction.

VATERLAND: As regards reproaches concerning concealment Axis flight capital a certain degree of information according to reports will not be denied and possibility will be examined of separating purely

Swiss from

-3- 1073, Seventeenth from Bern

Swiss from other funds deposited United States through
Swiss mediation and blocked there in this case also
interests Switzerland will outweigh various other
considerations.

HARRISON

LRM

Feb. 24, 1945

Secretary Morgenthau
Mr. Coe

Subject: Swiss Newspaper Reaction to Freezing Decrees

The editorials cited in this telegram seem adverse. It is plain that the Swiss press is not very much on our side as far as this war is concerned.

FC:rl 2/24/45

FILE COPY

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

233

24 February 1945

RESTRICTED

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Treasury Department

Dear Henry:

I believe you will be interested in the enclosed radiotelephone message from the OSS Berne representative, which concerns (1) present political conditions in Germany, and (2) a summary of the situation in Germany by the Berlin correspondent of the Neue Zuercher Zeitung.

Sincerely yours,

William J. Donovan
Director

Enclosure.

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE 22 February 1945

#280

FROM Berne

PRIORITY

ROUTINE

TO

DEFERRED

DIRECTOR, OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

(FOR ACTION)

(FOR INFORMATION)

GPO 16-40068-1

RECEIVED IN PLAIN TEXT

RESTRICTED

GERMANY

Each time that Germany suffers a severe reverse, such as the break-through in France or the recent Russian break towards Berlin and Dresden, we are too apt to conclude that the end has come, only to be disappointed. The end is coming, but it will probably have to be fought out some weeks, possibly even some months longer.

The sensational stories in the press about disorder and disruption in Germany are partly correct, but also partly out of focus. There are hundreds of thousands of refugees streaming westward from the eastern part of Germany, communications are in a precarious condition, Berlin is largely a ruined city, food distribution is apparently breaking down to a serious extent in some of the heavily bombed-out cities, such as Berlin, and public food kitchens are more and more replacing household feeding in many cities. But, with all this, there are no signs yet of total military or internal collapse, and Germany may still have strength for a few limited counterblows yet if we let ourselves get caught unprepared.

Unless the Wehrmacht turns against the Party and SS, or unless there is a break in the ranks of the SS, a quick total collapse is unlikely. It is becoming daily more difficult for the Wehrmacht to do anything on its own initiative in the face of increasing SS control. Individual German generals here and there might decide the struggle is hopeless and even harmful for Germany and give in. Some weaker sisters might even appear in the ranks of the SS, but we cannot count with great assurance on either of these events' occurring. We must, therefore, reckon with the possibility of having to fight the last remnants of the German Army and SS into their mountain and forest retreats.

The situation, as viewed in Germany, is well presented by the Berlin correspondent of the Neue Zuercher Zeitung in a telegram of February 20. It should, of course, be taken into account that any report sent from Berlin must present in temperate language the extraordinary difficulties the Germans are facing and possibly also overstress somewhat their possibilities of restoring the strategic situation. Here is a summary of the correspondent's report.

RESTRICTED

Regraded Unclassified

OFFICE OF STRATEGIC SERVICES

235

-OFFICIAL DISPATCH

REF. No. 280

FROM Barne

TO DIRECTOR, OFFICE OF STRATEGIC SERVICES

RECEIVED

16-39201-1 GPO

~~RESTRICTED~~

(Beginning of summary) General Guderian did not rush to the assistance of the hard-pressed troops defending Lower Silesia, but left it to them to extricate themselves. The impression is gaining that he intends to hold back the reserves which he has been forming during the past few weeks for the so-called "operative counter-measures" to which the German strategy is committed. His front-line troops must defend themselves meanwhile as best they can. Everything else is subordinated to the operative counter-measures. Even serious losses of territory, as in Silesia are now taken without flinching, because a terrific counter-blow is planned which will not merely relieve the Eastern Front for a considerable time, but is expected to bring about a turning-point in certain respects. The blow is expected in the immediate future. It is hoped that at least a part of the lost territory will be regained, and that is necessary if the conduct of the war is not to be fatally weakened. The Upper Silesian industrial area is indispensable to Germany's armament, and the same thing can be said of the rich agricultural provinces of the East in connection with the food supply. The contour of the front affords ideal opportunities for strategic operations. The northern sector in particular actually invites a push to the South.

When the crisis on the Eastern Front reached its climax at the beginning of February, it seemed many times that the catastrophe would come very quickly. The military situation gave rise to the gravest apprehensions. Far and wide people lost faith that they could be saved. A wave of defeatism swept through the hinterland. All seemed lost. The people were more or less resigned to the inevitable. Panic reigned in the areas immediately threatened with invasion. Even Dr. Ley admits this in a recent article. Morale in Berlin was especially depressed on account of the stream of fugitives and alarming reports of a break-through of Russian tanks across the Oder. Now things have calmed down. The population has become accustomed to the new condition. There is a breathing spell. The population of Berlin takes particular note of the impressive measures taken for the defense of the capital and the reinforcement of the front everywhere. People are recovering from the shock and are regaining their courage.

Of course, the leading circles see farther than the ordinary citizen. They can measure the gravity of the great losses of territory since January 12. They can estimate the relationship of forces on the one side and the other, and they know that any repetition of the events that have occurred since the launching of the Russian offensive would infallibly mean the end. Feelings in the Wilhelmstrasse remain very curious. Dr. Goebbels writes that Germany is determined to have recourse to the most desperate means. The results of the Yalta Conference are not calculated to brighten the picture. Party circles in particular have never ceased, even in the most critical moments to speculate on disunity in the enemy camp,

~~RESTRICTED~~

[Handwritten scribble]

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow via Army
TO: Secretary of State, Washington
DATED: February 24, 1945
NUMBER: 543

SECRET

The Red Army day speech of Mr. Morgenthau was conspicuously published in the press of Moscow for February 24 in quotation; however his references to the role of Great Britain in Lend-Lease and to British heroism at Dunkirk were omitted. Although Mr. Morgenthau's paragraph regarding new understanding between the Russian and American peoples was quoted in full, the press coverage omitted also his statement with regard to use of American vehicles in Red Army operations.

HARRIMAN

LCW

DC/L:LCW:HEE

2/26/45

EDW-1294

PLAIN

Lisbon

Dated February 24, 1945

Rec'd 2:36 p.m.

Secretary of State,
Washington.

430, Twenty-four.

WRB 343, JDC 191.

FOR LEAVITT FROM HAROLD TROBE.

Further our 815. Gottfarb advises special rapid
Russian transit directly Czechoslovakia by aeroplane
may be granted. Please advise your decision soonest.

CROCKER

BB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: February 24, 1945
NUMBER: 1217

SECRET

The following message is from McClelland for WRB.

The nineteenth of February, I had occasion to discuss with Dr. Marti, Chief ICRC Delegate from Berlin the current situation in Germany of "Schutzhäftlinge" and Jewish deportees.

See Legation's 455 of the twenty second of January, 744 of the second of February and 1159 of the twenty second of February.

It seems that the Nazis are evacuating concentration camp inmates and regrouping them in two general areas: Between Hamburg and Luebeck (with headquarters located at concentration camp of Neuengamme near Hamburg) and Munich, with headquarters at Dachau camp. It is reported by Marti that conditions of frightful crowding already existing in Neuengamme and Dachau where concentratees, who are almost all in very poor physical condition from prolonged undernourishment and mistreatment, after days on foot arrive in state of utter exhaustion. As a result of evacuation measures a great many have already died. A most convincing case for urgent need of transportation equipment was given by Marti, stating that invaluable aid could be rendered to at least some thousands if a few trucks were on hand. Marti foresees no difficulty as regards permission to distribute relief parcels en spot in such assembly camps, in view of general willingness of SS officials to cooperate with ICRC repeatedly demonstrated since January and of general state of confusion.

For Hamburg region, parcels could come from WRB stocks at Goteborg where some 220 odd thousand of our parcels are stocked still. For Munich area, parcels could be trucked from Switzerland over this comparatively short distance. At this time we have 60,000 WRB parcels in Yulon unloaded from CARITAS II during January against which arrangement to borrow pending arrival these parcels in Switzerland could doubtless be made with ICRC.

As regards

As regards reception parcels, situation all Allied POWS is essentially same as that of civil detainees due to impossibility for ICRC secure adequate rail transport, although POWS are in better physical condition in general and less liable to die of starvation.

I take liberty of renewing my request that WRB either arrange place my disposal four or five trucks for ICRC or, if this is not practical, authorize me attempt secure them in Switzerland, in light of urgency of this critical situation. Before they would permit vehicles to leave Switzerland for utilization in Germany, the Swiss Army would doubtless request guarantee of replacement within reasonable time of at least tires, if not trucks themselves. From amounts granted ICRC for POW trucks, small supply of fuel and oil could be made available.

Recommend serious and prompt consideration of this request as there are only few weeks or at most months remaining in which to take effective measures. We are positive action of this nature would serve to implement activities by Swiss officials and ICRC requested in your late messages.

HARRISON

DC/L:KLG
2-26-45

SECRETOPTEL No. 63

Information received up to 10 A.L. 24th February 1945

1. NAVAL

Home Waters 23rd/24th. (Night) French Destroyer sunk by mine or torpedo N.W. CROMER: 120 survivors. About 60 missing. 23rd. U.S. Merchant Ship, straggler from Russian convoy torpedoed and sunk S.E. JAN MAYEN Island. 24th. Merchant ship in coastal convoy sunk by mine or torpedo of LANDSEND.

2. MILITARY

Western Front Central Sector: Third U.S. Army made general advances along whole front and established bridgeheads across River SAAR in face moderate opposition.

Northern Sector: At 0330 hours yesterday attack launched by 9th U.S. Army who have firmly established bridgeheads across River ROER on 10 mile front in areas JULICH and East LINNICH in face initially light resistance. First Canadian Army launched attack on 22nd when advance of about one mile made on narrow front.

Eastern Front Northern Sector: Further progress made in East PRUSSIA, S.W. KONIGSBERG while further West ARNSWALDE captured.

Central Sector: POZNAN captured while further progress made suburbs BRESLAU. Germans report repulse Russian attacks LATVIA and failure Russian attempts break through on RIVER NEISSE but admit some penetrations between CHOJNICE and RIVER VISTULA as result persistent Russian attacks.

Burma Coastal Sector: 19th/20th. (Night) Sharp attack against our RUYWA bridgehead (West of AN) repulsed after hand to hand fighting but heavy shelling continues this area.

Central Sector: Two attacks on bridgehead S.W. MYINLU repulsed while further north our troops advanced approximately nine miles east THABEIKKYIN bridgehead.

Northern Sector: Chinese troops captured railway station NANTU and now surrounding village where no contact with the enemy at present reported. Troops of second force have cut road six miles south HSENWI.

3. AIR OPERATIONS

Western Front 23rd. Bomber Command aircraft 455 (one missing) attacked ESSEN (1171 tons) and Benzol Plant GELSEN GELSENKIRCHEN (623 tons) but visibility poor. Escorted U.S. heavy bombers 1274 (one bomber and two fighters missing; outstanding but believed safe, 49 bombers and 93 fighters), attacked railway centres WURZBURG-CHALNITZ area (1385 tons). Results in first two areas unobserved but in third reported good to excellent while escort destroyed seven enemy aircraft in combat and 14 on the ground. SHAEF (Air) bombers 525 (two missing) dropped 735 tons communication targets while fighters and fighter bombers 2364 (16 missing) operated all sectors battle front destroying 90 locomotives 2400 rail and road vehicles 180 AFVs and inflicting enemy air casualties in combat 15:2:5/

Pacific 20th. Litchells 70, successfully attacked CHOSU (FORMOSE). 21st. Liberators dropped 357 tons enemy positions FORT STOTSENBURG (Near MANILA).

4. HOME SECURITY

Up to 7 A.L. 24th. Rockets. 22nd/23rd. Two additional incidents reported. 23rd. Eight incidents reported. 23rd/24th (Night). No incidents so far reported.

A B I L L

212
2/25/45-

To provide for the participation of the United States in the International Monetary Fund and in the International Bank for Reconstruction and Development.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

Short Title

Section 1. This Act may be cited as the "Bretton Woods Agreements act".

Acceptance of Membership

Sec. 2. The President is hereby authorized to accept membership for the United States in the International Monetary Fund (hereinafter referred to as the "Fund"), and in the International Bank for Reconstruction and Development (hereinafter referred to as the "Bank"), provided for by the Articles of Agreement of the Fund and the articles of agreement of the Bank as set forth in the Final Act of the United Nations Monetary and Financial Conference dated July 22, 1944, and deposited in the archives of the Department of State.

Appointment of Governors and Executive Directors

Sec. 3. The President, by and with the advice and consent of the Senate, shall appoint a governor of the Fund and an alternate, and a governor of the Bank and an alternate. The term of office of each shall be five years. The President, by and with the advice and consent of the Senate, shall appoint an executive director of the Fund and an executive director of the Bank, who shall also serve as provisional executive directors for the purposes of the respective Articles of Agreement. The term of office of each shall be two years, but they shall continue in office until their successors are appointed. Each executive director shall, with the approval of the President, appoint an alternate. Governors and their alternates shall be eligible to appointment either as executive directors or as their alternates. No person shall be entitled to receive any salary or other compensation

from the United States for services as a governor, executive director, or alternate.

Reports

Sec. 4. The President from time to time, but not less frequently than every six months, shall transmit to the Congress a report with respect to the participation of the United States in the Fund and the Bank.

Certain Acts Not to be Taken without Authorization

Sec. 5. Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States (a) request or consent to any change in the quota of the United States under Article III, Section 2, of the articles of agreement of the Fund; (b) propose or agree to any change in the par value of the United States dollar under Article IV, Section 5, or article XX, Section 4, of the articles of agreement of the Fund, or approve any general change in par values under Article IV, Section 7; (c) subscribe to additional shares of stock under Article II, Section 3, of the Articles of Agreement of the Bank; (d) accept any amendment under Article XVII of the articles of Agreement of the Fund or Article VIII of the Articles of Agreement of the Bank; (e) make any loan to the Fund or the Bank. Unless Congress by law authorizes such action, no governor or alternate appointed to represent the United States shall vote for an increase of capital stock of the Bank under Article II, Section 2, of the Articles of Agreement of the Bank.

Par Value of United States Dollar

Sec. 6. When the United States is requested by the Fund to communicate the par value of the United States dollar, such par value shall not be communicated as other than 15-5/21 grains of gold nine-tenths fine.

Depositories

Sec. 7. Any Federal Reserve bank which is requested to do so by the Fund or the Bank shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

Payment of Subscriptions

Sec. 8. (a) subsection (c) of section 10 of the Gold Reserve Act of 1934 (48 Stat. 341, U.S.C., 1940 ed., title 31, sec. 822a), as amended, is amended to read as follows:

"(c) The Secretary of the Treasury is directed to use \$1,800,000,000 of the fund established in this section to pay part of the subscription of the United States to the International Monetary Fund; and any repayment thereof shall be covered into the Treasury as a miscellaneous receipt."

(b) The Secretary of the Treasury is authorized to pay the balance of \$950,000,000 of the subscription of the United States to the Fund not provided for in subsection (a) and to pay the subscription of the United States to the Bank from time to time when payments are required to be made to the Bank. For the purpose of making these payments, the Secretary of the Treasury is authorized to use as a public-debt transaction not to exceed \$4,125,000,000 of the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purpose. Payment under this subsection of the subscription of the United States to the Fund or the Bank and repayments thereof shall be treated as public-debt transactions of the United States.