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3/23/45

Mr. Luxford

Secretary Morgenthau

I read with great surprise in today's New York Times that the Federal Reserve has come out with an Advisory Committee. Did they let us know about that in advance? Please give me a memo on it, and I want the memo just as soon as possible - which means a deadline of 12:00 today. If you are not there, when this comes to your office, please see that some one else answers it this morning.

See Luxford's memo of 3/23/45 -

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3/23/45

Mr. Fussell

Secretary Morgenthau

I was surprised to see in this morning's paper that some Treasury spokesman had given out quite a story on law enforcement, and I just wondered who it was, and I would like to know all the circumstances connected with it, please. I want to know whether it had your approval or whether somebody shot his mouth off. *Done*

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March 23, 1945

Luncheon Meeting in
Secretary's Dining Room
12:45, March 23, 1945

Present: Secretary Morgenthau
Mr. Suarez, Finance Minister of Mexico
Mr. Monteros
First Secretary of the Mexican Embassy
Mr. White

The Mexican Ambassador had raised the question the day before of a renewal of the Mexican-American stabilization loan which was expiring on June 30, 1945. Mr. Suarez had also inquired about what Secretary Morgenthau's attitude would be with respect to the ownership of the Pan American Trust Company of New York by the Bank of Mexico. Secretary Morgenthau had replied: give me a day to think it over and that he would have a reply at lunch the following day, since he was not going to be in town next week and the Minister was leaving in a day or two.

At luncheon the Secretary agreed to renew the stabilization arrangement. However, he thought it would be preferable to renew it for only one year in view of the Bretton Woods legislation.

With respect to the ownership of the Pan American Trust Company by the Bank of Mexico the Secretary showed Mr. Suarez and the others a copy of a memorandum which had been prepared for him by Mr. Coe indicating the undesirability of ownership by a foreign central bank of a bank in the United States. The Secretary asked Mr. Suarez whether it was very important to them. Mr. Suarez said that it was not and the Secretary replied that in his judgment it might be preferable in that event not to continue ownership of the bank by the Bank of Mexico. However, he suggested that the Mexican Embassy discuss the matter with Mr. D. Bell who handles matters relating to domestic banks. It was so arranged.

Mr. Suarez also mentioned that there was a possibility of holding a conference probably in Mexico City to carry out the provisions of the Bretton Woods Agreements, calling for further examination of the silver question. However, he indicated that plans were very tentative as yet.

SECRET

OPTEL No. 23

Information received up to 10 a.m., 22nd March, 1945.

NAVAL

1. NORTHERN WATERS. Convoy of 24 ships has arrived Russian ports. A sloop (5 officers and 55 ratings survivors) and one ship in the convoy was sunk, while another ship was torpedoed in approaches Murmansk. Several attacks on U-boats were carried out by escorts.
2. HOME WATERS. 21st/22nd (night). E-boats active off Lowestoft where coastal convoy unsuccessfully attacked.
3. ENEMY ATTACKS ON SHIPPING. In convoy off Murmansk a 7310 ton U.S. ship sunk and a 7176 ton U.S. ship torpedoed by U-boat. 21st. A 7176 ton U.S. ship in up channel convoy torpedoed by U-boat and beached off Plymouth and a 7194 ton U.S. ship in down channel convoy sunk by U-boat S.W. of the Lizard.

MILITARY

4. WESTERN FRONT. Southern Sector: Now confirmed that U.S. armour has reached Neustadt, Worms and Mainz. 7th and 3rd U.S. Armies made contact Homburg area and eliminated enemy pocket west of town. Mopping up of enemy remnants surrounded in pocket south of Moselle almost complete.
Central Sector: Remagen bridgehead now stretches from 2 miles north Andernach to River Sieg (opposite Bonn) which has been reached on wide front.

1. EASTERN FRONT. Russian forces now reported within 10 miles N.W. West and S.W. of Danzig.

AIR

2. WESTERN FRONT. 20th. Additional results received from SHAEF (Air) state further 1516 aircraft (8 missing) operated whole front destroying or damaging 2036 road and rail vehicles, and 94 locomotives while inflicting casualties on enemy aircraft on ground 50,9,113.
20th/21st (night). 659 aircraft despatched (13 missing) dropping 1659 tons oil plants Heide and Bohlen with good results while minor targets included Berlin, sea mining and other missions.
21st. 466 Bomber Command escorted bombers (5 missing) dropped 1384 tons in good weather on railway centres and bridges Rheine, Munster and Bremen, while 637 tons also dropped on oil refinery at latter town. 1403 escorted U.S. heavy bombers (9 bombers and 21 fighters outstanding) dropped 2904 tons on 11 airfields N.W. Germany, AFV works at Plauen and other targets with good results, while inflicting enemy casualties 12,1,1 in combat and 46,0,40 on ground. SHAEF (Air) bombers 642 (8 missing) dropped 1026 tons on communications Northern and Central Sectors while 2140 fighters (11 missing) operated same sectors destroying or damaging 163 AFVs, 68 locomotives, 3078 road and rail vehicles and inflicting enemy casualties 10,1,5. 20 escorted Mosquitoes (4 Mesquitos and 2 Mustangs missing) successfully attacked Gestapo Headquarters Copenhagen.

3. MEDITERRANEAN. 19th/20th (night). 73 heavy bombers (1 missing) dropped 224 tons railway centre Bruck (Austria).
20th. 780 heavy bombers (4 missing) dropped 1177 tons on two railway centres Austria, 243 tons on two oil refineries and 142 tons on other targets while 213 medium bombers (3 missing) and fighter bombers and fighters 1011 (8 missing) attacked communications and other targets North Italy with good results.

5. SIAM. 19th. 87 Liberators (2 missing) dropped 222 tons on railway yards and bridges area Jumbhorn (south Siam).

HOME SECURITY (Up to 7 a.m. 22nd)

9. FLYING BOMBS. 21st/22nd. (night) Three plotted and all destroyed. 22nd. So far one plotted and shot down.
10. ROCKETS. 21st. Three incidents reported. 21st/22nd (night). 11 incidents reported.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Mar. 23, 1945

TO Secretary Morgenthau
FROM Mr. Coe

Ownership of Pan American Trust (New York) by Bank of Mexico.

The Bank of Mexico, without consulting the New York Federal, has purchased controlling stock ownership of the Pan-American Trust Company, a deposit bank operating in New York City. The Bank of Mexico may offer some of the stock for sale to other Latin American central banks.

This ownership is almost without precedent. It might lead to difficult problems in the relations of the Pan-American Trust and the Bank of Mexico with the state and federal banking authorities. For example, the Bank of Mexico might be regarded as a holding company affiliate and become subject to examination and reporting. Furthermore, the supervising authorities are charged with the duty of examining the business of the local bank and passing upon the use and disposition of its resources and the competence of its management.

It would not be pleasant for the Federal or the New York authorities to have to take a critical attitude on the policies of the Bank of Mexico with respect to the operation and management of the Pan-American Trust Company. For this reason, the Federal Reserve Board has requested the State Department to make representations to the Mexican Government to have the transaction undone. The State Department has instructed Ambassador Messersmith to do this after a letter is delivered to the Bank of Mexico from the New York Federal suggesting a discussion of the question.

In our opinion, it would be preferable to terminate the present arrangement or to convert the Pan-American Trust Company into an agency of the Bank of Mexico not accepting local deposits.

Sec. refers this D Bell

Treasury Department
Division of Monetary Research 181

Date March 24, 1945

To: Mr. D. W. Bell

Secretary Morgenthau let Mr. Coe read this memorandum and asked Mr. Coe whether this matter was very important. Coe replied that it was not and the Secretary said in that event he was of the opinion it would be preferable to return the Pan American Trust to private hands and suggested that the Mexican Embassy get in touch with you before they make a final decision.

B.D.C.

Noted by Mr. Bell

MR. WHITE
Branch 2056 - Room 214-1/2

March 23, 1945
3:50 P.M.

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HMJr: Hello.
Operator: Mr. Grew.
HMJr: Hello.
Joseph Grew: Hello, Mr. Secretary.
HMJr: Speaking.
G: That proposed insertion did not come from the State Department.
HMJr: Oh.
G: Now I don't know who it came from unless it was Colonel Beettler who sat in on our conference yesterday. He might have sent it in. I don't know who else would have, but I don't know who did it.
HMJr: Well, this naturally can-
G: I don't think it fits, do you?
HMJr: I've just showed it to my Assistants here and they say O.K.
G: It doesn't do any harm, but it is so out of place with all the rest of it.
HMJr: Well, I --- you can use your own judgment. The President said put it in and it is all right with me.
G: All right.
HMJr: I mean -- the thing ---
G: We'll talk it over and see how we feel about it, if that's agreeable to you -- either way.
HMJr: It's agreeable either way.
G: All right, good. That's fine, thank you.
HMJr: Hello?
G: Just wanted you to know that it didn't come from us.

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HMJr: Well, it certainly didn't come from here.
G: No.
HMJr: You clear it with McCloy, will you?
G: I'll clear it with McCloy in any case.
HMJr: And when its through ---- could I have a photostat of the whole business?
G: A photostat of the whole thing?
HMJr: Yes.
G: I'll send it to you.
HMJr: Right.
G: All right. I think it has been a pretty successful day on the whole, don't you?
HMJr: Oh, very, very.
G: I'm wondering whether I ought to sign this paper for the State Department, or whether it is not necessary to have signatures on it.
HMJr: Well, I think it would be nice.
G: It would be appropriate, wouldn't it?
HMJr: I think it would, too.
G: All right, I'll put my name on it too, then.
HMJr: I think as Acting Secretary, I think you should sign it.
G: All right, good, I will do it. Thank you.
HMJr: All right.
G: Goodbye.

March 23, 1945
3:56 P.M.

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HMJr: Hello.
Operator: McCloy.
HMJr: Hello.
Mr. John McCloy: Hello.
HMJr: Well, the President signed it.
Mc: Oh, good.
HMJr: He changed one word which I can't remember -- which was unimportant. I did get into a little argument with the Under Secretary. He said that it was his understanding that all four area commanders had to be unanimous.
Mc: Yes.
HMJr: I said if that were so nobody had ever mentioned it to me.
Mc: Yes.
HMJr: The President said he had never heard it.
Mc: He did.
Mc: That was -- I don't know that it was ever written down anywhere, but I got the idea that that was the general idea, at Yalta --
HMJr: No, the President said he had never heard any such thing.
Mc: Yeah, yeah.
HMJr: He said if you waited for them to be unanimous, they would never agree.
Mc: Yeah.
HMJr: And then after he had signed the whole thing --
Mc: Yes.
HMJr: Grace Tully brought in a memorandum -- have you heard about it?
Mc: No.
HMJr: Well, Grace will be phoning you. Let me read it to you.

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Mc: Yes.
HMJr: And he said it did not come from State.
Mc: Yes.
HMJr: It did not come from Treasury.
Mc: Must have been F.E.A.
HMJr: (Laughs)
Mc: I don't know but what it was then.
HMJr: No, how would they know. Somebody had a copy of this thing.
Mc: Ahuh.
HMJr: "The following paragraph should be inserted to precede the paragraph commencing 'Controls may be imposed upon German economy.'
Mc: Yeah.
HMJr: Now that is at the top of Page 2.
Mc: Yes.
HMJr: Got your thing there?
Mc: No, I got --- Bob's got it.
HMJr: Who?
Mc: Bob Patterson's got it. He isn't here.
HMJr: This is the thing that it says.
Mc: Yeah.
HMJr: This is the thing with the new insert.
Mc: Yeah.
HMJr: "Germany's ruthless warfare and fanatical Nazi resistance...
Mc: Yeah.
HMJr: "...have destroyed German economy and have made

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HMJr:(cont) suffering and chaos inevitable.

Mo: Oh, yes, I know this.

HMJr: *The Germans cannot escape responsibility for what they have brought upon themselves.

Mo: Yeah, I got -- I know where that came from.

HMJr: Well?

Mo: That's not F.E.A.

HMJr: Where?

Mo: That was not F.E.A.

HMJr: Oh, they wouldn't --- somebody had a copy.

Mo: No, I'll tell you what -- how that was. John Boettiger called me up about an hour ago before, and he said, "Have you any objection to the inclusion of such a language as this if the President wants to put it in?" I said "No, I wouldn't have any objection if the President wanted to put it in."

HMJr: Do you think it strengthens it?

Mo: I think it's sort of pretty good, -- pretty good propaganda.

HMJr: Oh.

Mo: It's the thought that well, the blame is on you not on us if it doesn't go well.

HMJr: Well, it's all right with our boys. I told that -- The President thought it was O.K. He didn't know where it came from.

Mo: Yeah. That's where it came from.

HMJr: But it kind of scared me a little bit.

Mo: (Laughs) I know the answer to it -- It was put up to me as something the President was rather in favor of -- would I mind it? I guess it originated in John Boettiger's brain.

HMJr: Oh.

Mo: That's all right.

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HMJr: My boys don't think it will do any harm.

Mo: It won't do a bit of harm. I think it will do good.

HMJr: And if Grew calls you up, I kind of was noncommittal -- of course I was breathless, but if he calls you up maybe you can say O.K. The President has already approved it.

Mo: O.K. He signed it, did he?

HMJr: He signed it.

Mo: Yeah. All right, now, who is going to take care of the photostats?

HMJr: I asked Grew.

Mo: Ahuh. Well, that's best. That's that.

HMJr: That's that.

Mo: Was there any mention made of March 10th? Or did he say anything about it at all?

HMJr: Yeah.

Mo: He did?

HMJr: Yeah, he wrote it in.

Mo: He wrote what in?

HMJr: This supercedes March 10th.

Mo: Oh, he did.

HMJr: Yeah.

Mo: Well, that's all right.

HMJr: He wrote that in.

Mo: He did, and who's --- did anybody bring that up?

HMJr: Listen, I'll be plain -- you can't (laughs).

Mo: O.K. (Laughs)

HMJr: I wouldn't --- I wouldn't -- but please.

Mo: I got you. I got you.

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HMJr: I'm not telling --- but you could guess.
Mo: It's already written in.
HMJr: It's already in. Don't you like it?
Mo: I think that's fine.
HMJr: What?
Mo: I think that clears up the last vestige.
HMJr: It's in in his own handwriting, and in his own pen and ink.
Mo: Yeah. O.K. Well, ---
HMJr: He just wanted to know who the drinks were on and I said on me. He's very happy.
Mo: It's a very good job. Good progress, great thing, and the Treasury should be given credit for it.
HMJr: Well, we got good cooperation.
Mo: O.K.
HMJr: Well, anyway, I'm happier than I've been since March 10th. That was quite a setback.
Mo: That was like -- that was like that Argentine bulge.
HMJr: Yeah. Just exactly. Well, March 10th...
Mo: We've got to liquidate them.
HMJr: ...has been superseded. The President asked me how to spell it and I didn't know, and I thought while he was thinking about it, he might not write it in.
Mo: (Laughs) O.K.
HMJr: Well, you wanted that in, didn't you?
Mo: Oh, sure. I think it is clearer that way -- much clearer.

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HMJr: Well, I did it to help you out.
Mo: O. K. Thank you very much.
HMJr: Goodbye.

March 23, 1945
4:04 P.M.

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Operator: Mr. Clayton.
 HMJr: Hello.
 Mr. Will Clayton: Hello, Mr. Secretary.
 HMJr: Will, it's all in the bag.
 C: So Joe told me.
 HMJr: I'm very happy.
 C: Oh, I'm very happy about it. He told me about a memorandum though that somebody sent over there.
 HMJr: Yeah.
 C: It didn't come from us. I wonder where it came from.
 HMJr: No, well, it didn't come from us.
 C: It didn't.
 HMJr: But I'm perfectly -- I had time to read it -- I'm perfectly happy to have it in.
 C: You are?
 HMJr: And I'm afraid if we leave it out somebody might say well, the President said to put it in -- and then it casts a doubt.
 C: Oh, sure. It's not going to do any harm. We might as well put it in particularly under the circumstances.
 HMJr: I say it may cast a doubt on the whole document.
 C: That's right. Let's not have that happen.
 HMJr: As long as the President --- I wasn't in the room when he said yes, I came back --- but as long as he said yes, put it in, I would, otherwise there might be a doubt on the whole document.
 C: That's right. I think you are absolutely right. Now is it going to be rewritten, or did he just write that word "approved" in? Well, if it has this new paragraph, it will have to be rewritten, won't it?
 HMJr: Well, he signed the last thing. I don't see why

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HMJr:(cont) this just couldn't be pasted on.
 C: Perhaps so.
 HMJr: It's on White House stationery.
 C: I see.
 HMJr: Why can't that just be pasted on?
 C: Of course, that suits me fine.
 HMJr: Because it goes at the bottom of Page 1.
 C: That's right -- goes at the bottom of Page 1, so you can just paste it on there.
 HMJr: This could be stapled on the thing.
 C: Either that way ² or you could put it as 1A, and set it in between, but I expect the best way to do it is staple it on.
 HMJr: But what I'm fearful is that somebody might raise the question and reopen the whole thing all over again.
 C: I agree with you fully -- let's not run any risk of that.
 HMJr: Right.
 C: Well, now, you're going to have it photostated.
 HMJr: I haven't got the document. Grew's got it. I asked him to have it -- I think you had better follow thru.
 C: Fine. I'll do that right away.
 HMJr: Because we would all like copies if you don't mind sending three over here -- four, four, fourcopies.
 C: All right I'll attend to it right away.
 HMJr: I'd appreciate it.
 C: All right. Thank you.
 HMJr: I enjoyed working with you, and this is one of the most important meetings that I've ever participated in.

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C: Well, I think you are right, and I enjoyed working with you. I find that when you and I get together on these tough ones, we can generally iron them out.

HMJr: Yep.

C: Bye. I hope you will have a good rest on your trip.

HMJr: I think I will now.

C: (Laughs) Good.

HMJr: Bye.

C: Bye.

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.DEPARTMENT OF STATE
WASHINGTON

March 23, 1945

SECRET

My dear Mr. Secretary:

As I knew you desired to receive as soon as possible copies of the "Summary of the United States Initial Post Defeat Policy Relating to Germany", I had the "Summary" and the two covering memoranda of March 23, 1945 for the President photostated immediately and am enclosing four copies of each of these documents.

Sincerely yours,

Acting Secretary

Enclosures:
Four photostatic
copies.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

*copies to Sec + 194
White - 3/24/45.*

MEMORANDUM FOR THE PRESIDENT
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON
SECRET

March 23, 1945

MEMORANDUM FOR THE PRESIDENT

I am attaching for your approval a memorandum dealing with American policy for the treatment of Germany. It is my belief, and that of the others who attended yesterday's meeting with you, that it represents your views as brought out in our conversation. This memorandum was prepared jointly and has the approval of the State, Treasury and War Departments.

Charles E. Felt

Enclosure



THE WHITE HOUSE
WASHINGTON

Secret

March 23, 1945.

MEMORANDUM FOR THE PRESIDENT:

The attached paper entitled "Summary of United States Initial Post Defeat Policy Relating to Germany", dated March 22, 1945, is approved and supercedes a memorandum entitled "Draft Directive for Treatment of Germany" dated March 10, 1945, approval of which is hereby withdrawn.

FM

23 March 1945

The following is a summary of U.S. policy relating to Germany in the initial post-defeat period. As such it will be introduced into the European Advisory Commission, and will be used as the basis for directives to be issued to the U.S. Commanding General in Germany.

The authority of the Control Council to formulate policy with respect to matters affecting Germany as a whole shall be paramount, and its agreed policies shall be carried out in each zone by the zone commander. In the absence of such agreed policies, and in matters exclusively affecting his own zone, the zone commander will exercise his authority in accordance with directives received from his own government.

The administration of affairs in Germany should be directed toward the decentralization of the political structure and the development of local responsibility. The German economy shall also be decentralized, except that to the minimum extent required for carrying out the purposes set forth herein, the Control Council may permit or establish central control of (a) essential national public services such as railroads, communications and power; (b) finance and foreign affairs, and (c) production and distribution of essential commodities. There shall be equitable distribution of such commodities between the several zones.

Secret

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Germany's ruthless warfare and fanatical Nazi resistance have destroyed German economy and made chaos and suffering inevitable. The Germans cannot escape responsibility for what they have brought upon themselves.

Controls may be imposed upon the German economy only as may be necessary (a) to carry out programs of industrial disarmament and demilitarization, reparations, and of relief for liberated areas as prescribed by appropriate higher authority and (b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany, and essential to prevent starvation or such disease or civil unrest as would endanger the occupying forces. No action shall be taken, in execution of the reparations program or otherwise, which would tend to support basic living standards in Germany on a higher level than that existing in any one of the neighboring United Nations. All economic and financial international transactions, including exports and imports, shall be controlled with the aim of preventing Germany from developing a war potential and of achieving the other objectives named herein. The first charge on all approved exports for reparations or otherwise shall be a sum necessary to pay for imports. No extension of credit to Germany or Germans by any foreign person or government shall be permitted, except that the Control Council may in special emergencies grant such permission. Recurrent reparations should not, by their form or amount, require the rehabilitation or development of German heavy industry and

Secret

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should not foster the dependence of other countries upon the German economy.

In the imposition and maintenance of economic controls, German authorities will to the fullest extent practicable be ordered to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and for any breakdowns in those controls, will rest with themselves and their own authorities.

The Nazi party and its affiliated and supervised organizations and all Nazi public institutions shall be dissolved and their revival prevented. Nazi and militaristic activity or propaganda in any form shall be prevented.

There shall be established a coordinated system of control over German education designed completely to eliminate Nazi and militarist doctrines and to make possible the development of democratic ideas.

Nazi laws which provide the basis of the Hitler regime or which establish discriminations on grounds of race, creed or political opinion, shall be abolished.

All members of the Nazi party who have been more than nominal participants in its activities, and all other persons hostile to Allied purposes will be removed from public office and from positions of responsibility in private enterprise.

Secret

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War criminals and those who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes, shall be arrested, brought to trial and punished. Nazi leaders and influential Nazi supporters and any other persons dangerous to the occupation or its objectives, shall be arrested and interned.

A suitable program for the restitution of property looted by Germans shall be carried out promptly.

The German armed forces, including the General Staff, and all para-military organizations, shall be promptly demobilized and disbanded in such a manner as permanently to prevent their revival or reorganization.

The German war potential shall be destroyed. As part of the program to attain this objective, all implements of war and all specialized facilities for the production of armaments shall be seized or destroyed. The maintenance and production of all aircraft and implements of war shall be prevented.

*OK. + AP, super
ending entire of this...*

*Wm. E. French, Jr. Harry D. White
V. H. Kierulff William L. Clayton
H. F. French, Jr. Fred C. Coe Henry M. Munnich, Jr.*

March 23, 1945
4:51 P.M.

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HMJr: Hello.

Mr. Gehle: This is Fred Gehle.

HMJr: Good Afternoon.

G: How are you today?

HMJr: Fine.

G: You've got me steamed up and this is what I've done.

HMJr: Yes.

G: I'm arranging a dinner. We're putting forward this big dinner of ours on the opening of the Big Drive, and making it a pay-roll savings dinner.

HMJr: Yeah.

G: And, I want to send out some telegrams tonight, inviting about 1800 of our big business men, our top business leaders to a dinner at the Waldorf on April 9.

HMJr: Yes.

G: And I wondered if you could come over and speak at our dinner.

HMJr: I don't know that I'll be here, Mr. Gehle. I couldn't promise. I tell you, Ted Gamble will be here in about 5 minutes.

G: Yes.

HMJr: And I'll talk to him.

G: Fine.

HMJr: But you were talking about your business leaders, aren't there going to be any labor people there?

G: Yes, I'm going to bring -- the whole thing is payroll and I'm going to bring the labor leaders, the business leaders, and the workers -- the people who work in this thing for it -- who are our Treasury

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G:(cont) representatives. I think this is the best way we have of inspiring this payroll savings plan. You see, we are doing our work in the various directions now, but this ties it all together and it puts self-management -- makes self-management aware....

HMJr: Yeah.

G: ... that this is the most important thing they have to do.

HMJr: What?

G: It would put your blessing on our work.

HMJr: Well, I appreciate the compliment, and I'll be talking with Ted in a few minutes.

G: Fine.

HMJr: I think he's in town.

G: Fine. Then I'll wait till I hear from you and Ted.

HMJr: You'll hear one way or the other by tomorrow noon.

G: Fine, Mr. Secretary. That's plenty of time. Then I can get the wires out -- followed with letters. I've already engaged the Waldorf. We've got the room, and I know we can make it a great success.

HMJr: Well, I appreciate your thinking of me.

G: Well, I --- I appreciate --- I appreciate that you've got me going on this thing, and I want to make a great success of it. This is one way of making a start.

HMJr: If you don't mind my using your delicatessen story.

G: (Laughs). No, you can do anything with me you like if you promise to come over on the 9th.

HMJr: You know, I used it.

G: What's that?

HMJr: I used it -- that delicatessen story.

G: Did you?

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HMJr: It was in the Times.
G: No.
HMJr: It was in the Times today.
G: I'll have to -- I haven't had a chance to read my paper, I've been so busy.
HMJr: Yeah. I didn't mention your name, but I just said when it gets to delicatessen people buying bonds and speculating, it's time to call a halt.
G: (Laughs) Well, I'll have to tell my delicatessen man that he has become famous.
HMJr: You show it to him.
G: I'll do that.
HMJr: What I did tell them and they didn't put it in -- that he was a good delicatessen man, but he shouldn't speculate.
G: (Laughs). Very good, indeed.
HMJr: All right.
G: Well, all right. Now if the 9th isn't available to you, tell me, if you will, what day you wish -- you could make it. Because it means a lot to us to have you --- what I would like to say is, that you are going to have -- that you would like this opportunity to meet these New York business leaders to discuss the forthcoming Loan. I'm saying this is so vital that I want you to come.
HMJr: Aren't you worried that I may get too rough with them?
G: No. That is exactly what I want you to do.
HMJr: I see.
G: I want you to do that, because you've got to help me do a job.
HMJr: Right.
G: Now it's a job that we can do. I'm convinced that we can do this, but what I want is the inspiration of you coming and telling that you've got to help Fred Gehle.

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HMJr: Right.
G: (Laughs)
HMJr: Thank you very much.
G: Goodbye.
HMJr: Bye.

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March 23, 1945
4:45 p.m.

GROUP

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. O'Connell
Mr. C. S. Bell
Mr. Blough
Mr. Haas
Mr. Pehle
Mr. Luxford
Mr. DuBois
Mr. Coe
Mr. Fussell
Mr. Bartelt
Mrs. Klots

H.M.JR: This isn't working, this is just a meeting to tell you how pleased I am with what has happened.

MR. GASTON: Good.

H.M.JR: I don't know how many of you know, but very much in the room here, a directive was gotten out on the 10th of March which was completely at cross-purposes from everything that I stood for and I thought the President stood for with regard to Germany, and Mr. Stinson said he was tired and he wasn't going to do any more about the matter, so it fell entirely upon me. To make a long story short, we got the President to recall March 10, and he wholly accepted the one which was done here last night with White, Glasser, and DuBois working on it, and this morning with Will Clayton and people here with me, Coe, Will Clayton and Matthews, and General Hilldring and McCloy, and the President accepted it, and I think that it is the first step. It is a directive to General Eisenhower; it's the first step toward a kind of peace which I think will last. There was enough talk about reparations, and if we get Treasury policy accepted

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on reparations, why, I think that all the buffeting I have taken since Quebec will be repaid many times. But the fact that they have got this thing out and we got them to withdraw it and change it completely was a very satisfactory thing. The whole thing is unbelievable, I mean, when people are working against us behind the scenes and everything else. We have got a good tough document with decentralization responsibility on the Germans.

MR. GASTON: Yes.

H.M.JR: Let them stew in their own juice.

MR. GASTON: He initialled this and agreed to recall the other one, did he?

H.M.JR: Yes, but he said this supersedes the other. And now, what I started to say is, I would have had Dan Bell and Gaston in, but they kept it down themselves, I mean, to bringing one each. I brought two people in, and I didn't think that you would mind. I asked Coe to report to you what happened, but I thought four Treasury people would be too many. I had two besides myself, while each of the others only had one besides himself.

MR. GASTON: May we read that document sometime?

H.M.JR: I told Coe to give you a full report.

MR. GASTON: We haven't seen the document, and I would like very much to see it.

H.M.JR: Will you make it available?

MR. COE: Yes.

H.M.JR: I told him to give you everything. I guess he just hasn't had time.

MR. COE: I showed the document to Mr. Bell, but I didn't have it when I saw Mr. Gaston.

MR. D. W. BELL: I saw it.

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H.M.JR: Will you do that?

MR. COE: Yes.

H.M.JR: He had instructions to show you everything. I guess it was just circumstances.

MR. COE: No, I was trying to arrange to see Messrs. Bell and Gaston at the same time, and I dropped in to see Herbert ahead of time and talked to him.

H.M.JR: Well, you will get it.

MR. GASTON: Yes.

H.M.JR: But my instructions to Coe were--

MR. GASTON: It is entirely all right; I would just like to see it.

H.M.JR: It is fully understood you were to get a full report, both of you. Isn't that right, Frank?

MR. COE: That is right.

H.M.JR: But I wanted you to know what I am doing. I am bushed, and I am not particularly--Joe started to throw cold water, and I said, "Did you ever have a big Sunday dinner and did you take an aspirin afterwards?" he said he would wait a couple of hours. So I want to enjoy my day. If anybody has anything pleasant--as a matter of fact, if you have ever been to Pompeii--they have what they call a vomitory, a receptical outside.

MR. WHITE: It is an old Roman custom after a good banquet so they could eat all over again.

MR. LUXFORD: You don't have a hangover, either.

H.M.JR: I have been to Pompeii; I recommend it.

Now, has anybody got anything pleasant? I am almost afraid of White.

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MRS. KLOTZ: I don't know how pleasant this is, but you wanted that cleared today. (Hands Secretary letter from Mr. Grew, dated March 21, 1945.)

H.M.JR: I don't know what to do. I think the Under Secretary and three Assistant Secretaries had better stay behind, and I will ask them about this.

What else have I got?

MRS. KLOTZ: You have got that thing that is folded.

H.M.JR: You bring that to me tomorrow. You can't do this sort of thing beginning at twenty minutes of nine and all the motions that go into it and do anything else. Have you got anything that--

MR. C. S. BELL: Everything I have will keep.

H.M.JR: I am here tomorrow and have no outside appointments. I am here all day. Any exceptions or--

MR. C. S. BELL: I have one draft deferment.

H.M.JR: Let's have it. I think it is a great day for the Treasury that we have been able to win out on this thing. See? And I, not to sound too starry-eyed, think it is going to be a great thing for our grandchildren, too.

MR. C. S. BELL: This is typical of the type of cases you have been approving right along.

(Secretary signs draft deferment request for Mr. James F. McMenamin, Jr.)

MR. C. S. BELL: You might want to sign Bill Sherwood's letter promoting him from eight to nine thousand.

(Secretary signs letter addressed to Mr. William T. Sherwood, dated March 23, 1945.)

MR. C. S. BELL: I think that is warranted.

O.K., sir.

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H.M.JR: Dan?

MR. D. W. BELL: I have a call for the one and one-half percent Home Owners Loan bond that has to be out by April 1, and a letter to the Board.

H.M.JR: I read Sylvia Porter's weekly letter saying we were going to do this.

MR. D. W. BELL: You did?

H.M.JR: Yes. I read her letter and know what is going to happen. (Signs letter to Mr. J. Francis Moore, dated March 23, 1945.)

MR. D. W. BELL: She didn't ask me about it; I don't know now she got it.

H.M.JR: That is the call. (Signs memo entitled "Call for Redemption of One and One-half Percent Series M Bonds.")

She got up to leave, and left a little note behind just to let me know that she knows, "I hope you have a good vacation, Mr. Secretary." (Laughter)

MR. D. W. BELL: She keeps track of you.

H.M.JR: She knew everything but the place.

MR. D. W. BELL: This is an Executive Order which transfers Seaboard Airline securities to Judge Vinson, and he has agreed to it, or has agreed to--that is a letter to him that you wanted.

(Secretary signs letter to Judge Vinson to be dated March 24, 1945.)

MR. D. W. BELL: And there is a letter to the President. Attached to it is the Executive Order.

(Secretary signs letter to the President, to be dated March 24, 1945.)

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MR. D. W. BELL: I think you just initial the Executive Order, don't you?

H.M.JR: I am supposed to; that is what they have told me for the last eleven years. (Initials Executive Order amending Executive Order No. 8553 of September 6, 1940.)

Did you see the other one, Herbert, the March 10 one?

MR. GASTON: No, I haven't seen it.

H.M.JR: Show him the March 10 one, too. I wanted Bell and Mr. Gaston to have the whole story, please.

MR. COE: Yes.

H.M.JR: Mr. White?

MR. WHITE: There are two men we are hoping you will call up. One is Beardsley Ruml. You ought to call him up and thank him for that CED report first. He was on the telephone with me for at least three hours.

H.M.JR: I should thank him for that?

MR. WHITE: No, thank him for the objectives, his careful study of the situation and his constructive recommendation.

MR. LUXFORD: Thank him for the testimony he is going to give us. (Laughter)

MR. GASTON: Now you understand.

MR. LUXFORD: We might as well get to the point here.

H.M.JR: He sounds like a horse.

MR. WHITE: Then, Bill Green is sore, and we would like you to call him up because he said we don't need his help if we have CIO's help. He thinks you called up

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Murray and asked him to make the statement. But in any case, we need their statement. I know you don't like to do this, but if you could give him a ring, it would help us. We are having a little difficulty there.

H.M.JR: Have you used Lawrence Houghteling on this?

MR. WHITE: No.

MR. LUXFORD: He has been working on AF of L for a long time.

MR. WHITE: On this?

MR. LUXFORD: On Bretton Woods.

H.M.JR: Oh, Green personally?

MR. LUXFORD: Some of the men that work under Green. He told me about his problems.

MR. WHITE: Nobody but you can talk to Bill Green and get any help in this situation, Mr. Secretary. Those are the two calls.

H.M.JR: Whenever White is overtired, he treats me with apoplexy, and that's an indication that he is overtired. I would much rather have him fresh and sparkling and then I don't get the apoplexy, but I'll call him.

Now, do you want me to send some clippings up, too?

MR. LUXFORD: Sure, sure, the clippings. (Laughter)

H.M.JR: Is there anything else, Harry?

MR. WHITE: No, that's all.

H.M.JR: No clippings?

MR. LUXFORD: It wouldn't hurt to send them, you might as well.

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MR. WHITE: This is nothing new, but Senator Wagner is sensitive that he hasn't been asked by us to speak on the radio, but we said we had a spot for him and he said, "Why are you letting me know so late?" We said, "We just got that spot." Feitue said the real reason is that he is not a good speaker on the radio, so I told him.

MR. LUXFORD: Radio halitosis.

H.M.JR: Did you hear what he said, "Radio halitosis?" (Laughter)

MR. WHITE: He said, "You seem to find plenty of spots for Secretary Morgenthau."

I said, "That is different. Besides," I said, "We have got a wonderful spot in San Francisco. We don't know if the Secretary was going out there, but would you be glad to go?"

H.M.JR: I won't call Wagner; he is always hurt.

MRS. KLOTZ: He is an old maid.

MR. WHITE: I won't tell you the reply, but we are very eager to have somebody important go there. We can't turn them down, and we are urging Joe to go out before the Bar Association; the Chief Justice out there will be present. Joe can fly both ways, I hope. That is on the 10th or 12th. Letting him go will be very good.

H.M.JR: I think you will find that Joe would go.

MR. O'CONNELL: I will be glad to go. I only heard about it an hour or two ago, but it is a group of lawyers, the Bar Association people out there, and I could speak on Bretton Woods.

H.M.JR: I think it would be fine.

MR. O'CONNELL: I would like to go.

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H.M.JR: All right.

MR. WHITE: We can give him a couple more, maybe, on the way over and back.

MR. O'CONNELL: Stop off at Kansas City and--

H.M.JR: Luxford?

MR. LUXFORD: I have nothing, sir.

H.M.JR: No clippings.

MR. LUXFORD: Not so far.

H.M.JR: No parings? DuBois?

MR. WHITE: Did you see the slogan in one of the editorials, "Business is for Bretton Woods because Bretton Woods is for Business"? Did you see that one?

H.M.JR: I have heard it; I don't know where it is.

MR. WHITE: In one of the newspapers.

H.M.JR: Also, what is the thing, "Eventually why not now?" That is Pillsbury.

MR. WHITE: I remember that.

H.M.JR: Isn't that it?

MR. GASTON: General Mills, Washburn Crosby.

H.M.JR: DuBois?

MR. DuBOIS: I have nothing.

H.M.JR: Fussell, you have gotten all straightened out; you just carry out my order. I told them that--

MR. FUSSELL: We won't send out Minnesota, is that right, Mr. Secretary?

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H.M.JR: That is right.

MR. LUXFORD: Americans United will take care of that.

H.M.JR: They are very volatile; don't pay any attention to them. Tomorrow, they think, will be good. You just do what I asked you to.

Anything else?

MR. FUSSELL: No.

MR. BARTELT: Mr. Secretary, I am happy to report that the Postmaster General has instituted pay roll savings in first and second-class post offices.

MR. D. W. BELL: After four years.

MR. GASTON: Postmaster Cohan in Minneapolis told me they just got their orders to put it in there after he had been working for it so many years.

H.M.JR: Coe?

MR. COE: The French and British were in yesterday and wanted you to know that they have signed a complete financial agreement clearing up all previous ones. They have given us copies that we are analyzing.

H.M.JR: Talking on that, the thing you sent me, Haas is very interesting, and I think that if Fussell would pass it on, maybe, to FEA, all this criticism--not FEA, but Marvin Jones--

MR. HAAS: That is where I got it.

H.M.JR: Then never mind, but we gave one hundred million tons of meat to the Russian Army. The Russian Army said they couldn't stage their offensive unless they could get the meat. They got the meat, and then the offensive came afterwards; and with all these people beefing in this country, I think it would be helpful if--

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MR. WHITE: We should have given them two hundred million tons and they would have been in Berlin.

H.M.JR: All right, Eddie, that is all for you? Frank, that's all for you? John Pehle?

MR. PEHLE: You remember, you approved--

H.M.JR: Who put all that stuff in the report that you were a great guy and Olrich was a SOB?

MR. PEHLE: That is part of Olrich's publicity staff. We have more of it coming to you.

H.M.JR: You won't get any Munsingwear.

MR. PEHLE: I know it.

You remember, you agreed to the establishment of a regional office in Philadelphia. Last week we got a joint letter from Guffey and Myers ardently recommending their man for the job. The guy looks rather weak on paper, anyhow. We have worked out here with Charlie and Herbert to move the Boston man, Tompkins, to Philadelphia, and move a man here from Mack's shop up to run Boston. Guffey and Myers won't like that, but it is strong enough on paper so I don't think we will be--Brien McMahon was all excited because--

H.M.JR: Go ahead. This is right on that subject, a protest from Hannegan (indicating letter from Mr. Hannegan dated March 21, 1945).

These boys want Hannegan's help, and Hannegan wants us all to go to the Jefferson Day Dinner, and here he wants this. You had better look at that (hands letter to Mr. Gaston).

(Secretary holds a telephone conversation with Beardsley Ruml.)

March 23, 1945
5:06 P. M.

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HMJr: Hello.

Mr. Beardsley
Ruml: Hello.

HMJr: Henry Morgenthau, Jr. How are you?

R: Fine, thank you.

HMJr: I just wanted to tell you how delighted I was with the CED report.

R: Oh, I'm delighted. That's very nice.

HMJr: I think that it is the first constructive thing that has come out from a business group.

R: Well, I'm delighted.

HMJr: And, I know how hard you worked for it, and I just want to let you know that I personally appreciate what you have done.

R: Well, I can't hear you, Mr. Secretary, very well. Can you hear me?

HMJr: I'm over the Federal Reserve Line. Maybe you've got somebody there. I'm through a switchboard in the Federal Reserve.

R: Can you hear me?

HMJr: Yes.

R: Well, I wanted you to know this, that that job was very definitely a group job.

HMJr: A what?

R: A group job.

HMJr: A group job?

R: Yes, there were about five of us that worked very hard on it. No particular person, I think, did the whole thing.

HMJr: Well, I hear differently. I hear that you -- I'm not trying to throw a pun -- but threw your weight around.

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R: Well, what I did -- I sort of resembled the egg.
 H.M.Jr: Yeah.
 R: I collected the material, etc. But it was a very sincere, very honest job by about five fellows. The others all went along beautifully.
 H.M.Jr: Well, I just wanted to let you know that it's been most helpful, and I hope your results will follow it up. We got --
 R: You know, Ralph Flanders was chairman of the committee.
 H.M.Jr: We got --
 R: Have you talked to Ralph Flanders?
 H.M.Jr: I haven't yet.
 R: I think he would appreciate very much a call from you, and I think he would be very glad to help push it along.
 H.M.Jr: Well, I'll call Ralph Flanders tomorrow.
 R: He was chairman of the committee.
 H.M.Jr: I know.
 R: And if you feel you would be lost, I think it would be greatly appreciated.
 H.M.Jr: I'll call him in the morning.
 R: Thank you, sir.
 H.M.Jr: Ever so much obliged.
 R: Goodbye.

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MR. PERLE: We are all together on it; I just want you to know.

H.M.Jr: Say, we want help from Hannegan and he wants us to take tickets for the Jefferson Day Dinner on April 13th.

MR. GASTON: That's a middle plug.

H.M.Jr: And we want him to get us two votes. I don't know what they are worth.

MR. GASTON: I have written to Hannegan and these Senators. We can't make those regional director jobs local patronage jobs. We can't do it.

MR. PERLE: I think it takes -- Mr. Secretary, the Treasury has to be pretty tough on this because there is word around, as Herbert says, that Procurement is a patronage thing and it is going to be hard enough to keep it clean as it is. If we once weaken on that, we are lost.

H.M.Jr: Maybe we can get a good effect on the Hill if we made it patronage.

MR. PERLE: Then you better put somebody else in charge.

H.M.Jr: Well, you know how to play the game.

MR. LEXFORD: How did you get that good publicity? (Laughter)

MR. WHITE: That was only a minor job.

H.M.Jr: Don't you get high hat with me young fellow; anybody can get that in under Olrich and yourself.

MRS. KLOTZ: They are mean, John.

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MR. FENLE: We also got a kick out of Brien McMahon. We put Mr. Fox in because Mr. Fox has lived in Greenwich since last August, and we should have talked to Mr. McMahon.

R.W.JR: The fellows in the bleachers are with me.

MRS. KLOTZ: Do we have to answer that letter acknowledging it?

R.W.JR: Could I answer that tomorrow before I leave, saying that Mr. Fenle doesn't play in politics but he would be glad to take care of Joe Guffey? But boys, you better answer it tomorrow.

MR. EASTON: It is for your signature, isn't it?

MR. FENLE: It will be all over tomorrow if the press release goes out.

R.W.JR: George, I am going to take another look at finances tomorrow, and you better have another look at the one and one-half percent ones, too.

MR. HAAS: We look at them each day.

R.W.JR: This idea of selling them about par--

MR. HAAS: It is better now that the market has gone up.

R.W.JR: I make a little speech on no free riding and up goes the market.

MR. HAAS: Five or six thirty-seconds.

R.W.JR: Boy, Henry Wallace thinks you are wonderful.

MR. BLOUGH: I hope he will keep on thinking so.

R.W.JR: What happened to our recommendations on Tuesday?

MR. BLOUGH: Oh, you didn't see my memo?

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R.W.JR: I haven't seen any memos. I have been fighting the battle of post-war peace.

MR. BLOUGH: Well, the only thing that worries me is that Taft and Vandenberg were so very nice. That, I think, is the cause of real alarm.

R.W.JR: You better not say that. They will come right after you. Get them for Bretton Woods. You have to be very careful with this crowd.

Green is out of town and I said to try to reach him tomorrow.

MR. BLOUGH: We were very well received. It was kept entirely confidential, but we were very well received. As I said, I am just a bit disturbed that Vandenberg and Taft seemed pleased. It is probably the last report they will be pleased at, but it happens on this one we agreed with them.

R.W.JR: Is everything else all right?

MR. BLOUGH: Everything else is pretty much under control, yes.

MR. O'CONNELL: You got a letter the other day from Senator Pepper inviting you to testify before the Sub-Committee of which he is Chairman. He asked me to speak to you by Saturday, or else.

(Mr. O'Connell hands Secretary letter from Senator Pepper to the Secretary dated March 22, 1945.)

R.W.JR: This is only Friday. I'm going over all appointments tomorrow. I have War Bonds, Bretton Woods, and you make a note, Mrs. Klotz.

MRS. KLOTZ: Let me take it.

MR. O'CONNELL: Unless you are particularly anxious to testify, I have written a letter to which Harry and Luford have agreed saying that you would like to testify, but you can't, and suggesting that Harry White or somebody else would be interested in testifying.

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R.M.JR: That would be very helpful.

MR. O'CONNELL: That is a good Committee to appear before, but if you don't want to go, White can go.

R.M.JR: Thank you.

They are asking me to talk on the Seventh War Loan about what I am going to do, and I am so worried that Luxford may worry about my pushing Congressmen around that I have to be very careful. All right?

MR. O'CONNELL: I have nothing else.

R.M.JR: Now that we have a real story in the paper on law enforcement we have to make good. (Laughter)

MR. D.W. BELL: There were a lot of inquiries today at the Federal Reserve Bank about exchanging high denomination bills to lower denomination bills.

R.M.JR: Really?

MR. D.W. BELL: Yes, a lot of them. Les Round is a little worried about it and said he would watch it for a couple of days and let me know. He found one man in upstate New York who--I don't know just how he got it--indicated that he found a million dollars worth of gold certificates among his holdings and was sort of surprised that he had them.

R.M.JR: As a result of that?

MR. D.W. BELL: He began to look them over, and another fellow came in with four hundred thousand dollars in bills to a New Jersey bank and wanted to know if they could exchange them, and they immediately got in touch with the Federal and said they could exchange them but they would have to take his name. Another man came to the Federal and said he had fifty one thousand dollar bills, I think, and wanted to know if they would exchange them. They said, "Yes, but you will have to give us your name and address," and he said, "I'll be back this afternoon." Whether he came back, I don't know.

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R.M.JR: Why can't we get those, Herbert--feed that out to the press, just as result of the story--whip it up?

MR. GASTON: This story you speak about--the story itself gets some results. We can needle them again after awhile.

MR. O'CONNELL: I would wait a little while. Give us a few days.

R.M.JR: The sir last night was just crowded with this stuff. Would you mind tomorrow--I may not agree with these people--I may want to give some of this to the newspaper men tomorrow if I can get there before Elmer Irey does.

MR. GASTON: I am not so sure.

MR. WHITE: If they ~~can~~ in and exchange those bills, I don't think there is any benefit unless you get their names. Can't you get their names?

MR. D.W. BELL: We are getting their names.

MR. GASTON: It is all set up. We do get their names.

MR. WHITE: They will be turned over to the Income Tax Bureau.

MR. D.W. BELL: I am going to call some of the other Federal Reserve Banks and see if they can't do the same thing. We have a reporting system in New York. When someone deposits a large amount of currency they get his name.

MR. WHITE: I notice you have a lot of good old books here--valuable reading.

R.M.JR: Now we are up to you, Mr. Gaston.

MR. GASTON: I don't believe there is anything to report, sir.

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H.M.JR: I don't know whether I reported about my trip out West, but I want you to know Mr. Gaston has three of the finest grandchildren I have ever seen. I have a granddaughter, but he has three boys. They are something!

MR. GASTON: Now you are really getting down to matters of importance.

H.M.JR: Well, anyway, it's a big thing for all of us.

Let's get serious for a minute. I have never been under such pressure in my life to give way on principles, and I didn't, and the fact that we have a good team, they just can't break the team. We stand for something worthwhile. It's one of the few rewards you get. After all, we were really fighting for something important in the conference here this morning. It was one of the most important conferences that I have ever participated in, and it is very encouraging that we had the President to back us up. That's the thing. They tried to get him to change, and they couldn't--the State Department crowd. Sooner or later the President just has to clean his house, I mean, the vicious crowd over there, and people for cartels, for appeasement, and for building up Europe, for doing business with these people--and it is just a vicious crowd.

MR. LUXFORD: Hear! Hear!

H.M.JR: And they are for Herbert Hoover, and Herbert Hoover got us in this mess, and they are Fascists at heart. The Argentine thing is a mess. Here we are more or less telling them, "We will take care of you if you stop buying your food from the Argentine, and take the food away from the British." It's just a vicious crowd, and sooner or later they have to be rooted out. It was that crowd which fought us with no rules. It's terribly hard, and if when these periods are on, if I am ever short with any of you, well, you will just have to be a little charitable, because you can't be fighting a thing like this will all your soul and mind and body, and at the same time always be one hundred percent pleasant.

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I try to be, but I don't know whether I have the habit, but anyway, it has been worth-while, and I think now we are on our way. We have won out on our fight on crimes, I think, Joe, and criminals. Don't you think so?

MR. DuBOIS: I don't know.

H.M.JR: This thing--this document I think sets the tone. I think we are on our way on reparations, and while we are not always invited to all the meetings, by hook or crook we get there uninvited. So, I just want to say I am happy and I like my official family.

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March 23, 1945
5:15 p.m.

SAN FRANCISCO CONFERENCE

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. Bartelt
Mrs. Klotz

H.M.JR: Harry, you may not know it, but you are Assistant Secretary.

MR. WHITE: I am aware of the fact. It weighs very heavily on my mind.

H.M.JR: This is a letter from Mr. Grew. (Referring to letter from Mr. Grew, as Acting Secretary of State, to Secretary, dated March 21, 1945.) It says, "Consideration is now being given to the selection of technical advisers to the Delegation of the San Francisco conference. In this connection I should appreciate it if you will be so good as to nominate at your earliest convenience an official of your Department, within the range of Assistant Secretary or Under Secretary, for consideration as a technical adviser. Sincerely yours--"

Now, I am just stumped. They want everybody but me, and I am frankly stumped. I would like to have some suggestions.

MRS. KLOTZ: How do you know they don't want you?

H.M.JR: It is very obvious, but I couldn't go anyway. I want to point out that it said, "...selection of a technical adviser to the Delegation," and closes up, "Assistant Secretary or Under Secretary for consideration as a technical adviser." In other words, they want a technical adviser.

MR. GASTON: They want a Treasury staff. They are

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admitting Treasury but they won't admit it on the Cabinet level. "The nominal head of the Treasury Delegation is to be Assistant Secretary or Under Secretary." That's what they are saying, and he can take people with him.

H.M.JR: This starts April 25th. I suppose they go out before then.

MR. WHITE: It is an important conference, one of the most important world conferences.

MR. GASTON: Either Dan or Harry should go, I should think, with some technical people.

MR. BELL: Harry has been attending the conferences.

MR. WHITE: It's international affairs, I should think.

H.M.JR: Can you go, Harry?

MR. WHITE: I can go and come, depending on what technical staff will stay there. I would very much like to go, and how long I could stay there could be determined upon what is happening here, but I would take a couple of people with me and leave them there. I could fly back.

H.M.JR: I think you are the person to go, but I delegated you to look after Bretton Woods for me.

MR. WHITE: I think I can do both. Bretton Woods is going along all right, and this is and can be a terribly important conference, because this is in effect a peace conference, and there are a lot of economic matters coming up, a lot of international matters coming up, and there are a lot of things I would like to do for Bretton Woods there because that will be before the final Bretton Woods action here, and it would be an excellent opportunity to round up a lot of the various Nations and get them straightened out on Bretton Woods again. I think it would be very useful to us, and I would like to take, and I am sure they will permit me to take, a couple of people with me, and the staff would carry on and play a role in various parts of the thing.

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I think we can play a very helpful role there as we have in the past, by merely bringing good people there and helping them solve problems that are before the conference.

H.M.JR: I agree with you. My only doubt is your physical limits.

MR. WHITE: Well, I would enjoy going there.

H.M.JR: You would?

MR. WHITE: Yes, I would.

H.M.JR: Well, it is technical and it is your field. I don't think there is any question about it. Supposing you prepare an answer for my signature, and I think I will include in that that I am designating Mr. White, but he would like to take several assistants with him.

MR. WHITE: That would work much better that way.

MR. GASTON: I think they mean that.

(The Secretary hands Mr. Grew's letter to Mr. White.)

MR. WHITE: The Treasury in England is playing a very important role in this.

H.M.JR: Okay. I hope some day your--what, you go to San Francisco, Joe DuBois goes to Moscow, and I go to Connecticut and Wyoming Avenue? Good night!

MR. WHITE: We have a conference fixed up for you, but you don't know it.

H.M.JR: Don't send me to the house of political refuge on the banks of the Chungking River.

MR. GASTON: Is your address now Connecticut and Wyoming Avenue?

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H.M.JR: Twenty, twenty-nine.

MR. GASTON: Connecticut.

H.M.JR: Thank you all.

March 23, 1945

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MEMORANDUM FOR THE SECRETARY'S FILES:

General O'Dwyer and Miss Hodel met with Secretary Morgenthau March 22 at 5:30 p.m.

With respect to the Board's program in Switzerland and the General's proposed trip to Switzerland, General O'Dwyer explained that for reasons of health it would be impossible for him to make the trip at this time. However, he informed the Secretary that Mr. Katzki had left for London that day en route to Paris; that James Mann, the Board's representative in London, had been ordered to Paris; and that Mr. McClelland, with whom he talked on the telephone the day before, was also en route to Paris. The War Department has made appropriate arrangements for all three War Refugee Board representatives to discuss with G-4 in Paris the details involved in the Board's acquiring transportation equipment from United States army stocks.

General O'Dwyer explained that in addition to our efforts to obtain army equipment, Mr. McClelland is continuing his efforts to obtain local equipment in Switzerland and Mr. Currie, with whom General O'Dwyer conferred the day before, has agreed to approach the Swiss Minister in Washington on the question of making Swiss Government trucks available to the Red Cross for War Refugee Board work. It was stated that Mr. Currie will do this in connection with his promise to obtain 50,000 tons of coal for the Swiss.

The General then explained that if trucks get moving, it is conceivable that the stock of War Refugee Board parcels in Switzerland may be exhausted shortly and that efforts must therefore be made to obtain additional food supplies in Switzerland. It was explained that the War Refugee Board now has 65,000 packages in Switzerland and 222,000 in Goteberg, Sweden, and Lubeck, Germany. Since the Board program to evacuate detainees to Switzerland depends upon the delivery of food into occupied territory, it is desirable that we have adequate supplies in Switzerland so that the program, once under way, will not have to stop because of insufficient food supplies. For this reason, General O'Dwyer explained that he had discussed with Basil O'Connor the possibility of having some of the large stock of prisoner of war packages now in Switzerland allocated to the War Refugee Board, if and when we might need

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additional food supplies. It was explained that Mr. O'Connor was very sympathetic to the suggestion but that his staff had presented many obstacles. General O'Dwyer also stated that a memorandum on this matter had been sent, at the suggestion of David Hiles, to Mrs. Boettiger. Secretary Morgenthau stated that he would be glad to give the General any assistance that might be needed in this matter.

General O'Dwyer then raised the matter which he had discussed with Secretary Morgenthau the week before, namely, his taking a short vacation or resigning. The Secretary stated that he had discussed the matter with the President who had requested that General O'Dwyer plan to stay on as Executive Director on a month to month basis. General O'Dwyer stated that this was satisfactory to him.

Roscoe Hodel

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March 23, 1945

My dear Mr. President:

Since you are going away for a time and events are moving fast, I should like your permission before you go to get some facts on the German economy ready for publication in book form when Germany falls.

The people of this country are going to need information of this nature if they are to understand our policy.

With your approval, I want to get to work on this at once. It will take several months to get the material ready.

I hope you will have a good rest at Warm Springs.

With warmest regards,

Sincerely yours,

The President,

The White House.

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ASSISTANT SECRETARY OF THE TREASURY

My dear Mr. President:

Since you are going away for a time and events are moving fast, I should like your permission before you go to get some facts on the German economy ready ^{for publication} in book form ~~to~~ ~~published~~ when Germany falls.

The people of this country are going to need information of this nature if they are to understand our policy.

With your approval I ♥

March 23, 1945

My dear Mr. President:

Since you are going away for a time and events are moving fast, I should like your permission before you go to get some facts on the German economy ready for publication in book form when Germany falls.

The people of this country are going to need information of this nature if they are to understand our policy.

With your approval, I want to get to work on this at once. It will take several months to get the material ready.

I hope you will have a good rest at Warm Springs.

With warmest regards,

Sincerely yours,

The President,

The White House.

Want to get to work on
~~like~~ to get to work on
this at once. It will take
several months to get the
material ready.

I hope you will have
a good rest at Warm
Springs.

With warmest regards,

Faithfully,

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My dear Mr. President:

Since you are going away, I would like to suggest that it would be wise if I were to get the facts on the German economy ready in book form for publication when Germany falls. The people of this country are going to need this knowledge in order to understand our policy. With your approval, I will get this material ready. It will take several months.

Hoping that you will have a good rest at Warm Springs and with best regards, I remain

Yours sincerely,

Memorandum

from the Desk of

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MRS. FRANKLIN D. ROOSEVELT

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Dear Mr. Pres

Since you are going away I would like to suggest to you if I were to get the facts on German economy ready in book form for publication when Germany falls. The book of this

from the Desk of

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MRS. FRANKLIN D. ROOSEVELT

all going to need this knowledge in order to understand our policies. With your approval I will get this material all ready. It will take several months. Hoping you have a good rest in Warm Springs.

THE WHITE HOUSE
WASHINGTON

March 23, 1945

MEMORANDUM FOR THE SECRETARY OF TREASURY

I am enclosing for your information a photostatic copy of a letter which I have sent to the Secretary of State in regard to the supervision by the State Department of the activities of civilian economic representatives in foreign countries of all civilian agencies of the government. I would appreciate your cooperating with the Secretary of State in working out the arrangements in detail.

FNP

Enclosure:

Letter to the Secretary of State

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Copies to Bull +

White 3/26/45

No answer necessary

THE WHITE HOUSE
WASHINGTON

March 20, 1945

My dear Mr. Secretary:

Much good work has already been done to assure that the economic personnel of the various government agencies who are stationed abroad work together as a team, but I should like to see this trend carried further. Effective foreign operation demands a centralization in each country of responsibility for the activities of all of our civilian economic representatives.

I realize that it is not often feasible for the chief of mission to take upon himself personally the task of supervising the activities of the economic personnel within his area, and that, in a number of cases, the chiefs of mission have delegated their authority in such matters to principal economic officers. I would like to see the application of this principle extended to the end that the activities abroad of economic personnel of all civilian agencies be supervised in each country by an economic counsellor or, where appropriate, an economic minister - - of course on the payroll of the Department of State.

I shall give you all necessary assistance in the realization of this goal which is of great importance in the effective conduct of our foreign economic relations.

Very sincerely yours,

Franklin D. Roosevelt

The Honorable
Edward R. Stettinius, Jr.
Secretary of State

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23 March 1945

The following is a summary of U.S. policy relating to Germany in the initial post-defeat period. As such it will be introduced into the European Advisory Commission, and will be used as the basis for directives to be issued to the U.S. Commanding General in Germany.

The authority of the Control Council to formulate policy with respect to matters affecting Germany as a whole shall be paramount, and its agreed policies shall be carried out in each zone by the zone commander. In the absence of such agreed policies, and in matters exclusively affecting his own zone, the zone commander will exercise his authority in accordance with directives received from his own government.

The administration of affairs in Germany should be directed toward the decentralization of the political structure and the development of local responsibility. The German economy shall also be decentralized, except that to the minimum extent required for carrying out the purposes set forth herein, the Control Council may permit or establish central control of (a) essential national public services such as railroads, communications and power; (b) finance and foreign affairs, and (c) production and distribution of essential commodities. There shall be equitable distribution of such commodities between the several zones.

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Controls may be imposed upon the German economy only as may be necessary (a) to carry out programs of industrial disarmament and demilitarization, reparations, and of relief for liberated areas as prescribed by appropriate higher authority and (b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany, and essential to prevent starvation or such disease or civil unrest as would endanger the occupying forces. No action shall be taken, in execution of the reparations program or otherwise, which would tend to support basic living standards in Germany on a higher level than that existing in any one of the neighboring United Nations. All economic and financial international transactions, including exports and imports, shall be controlled with the aim of preventing Germany from developing a war potential and of achieving the other objectives named herein. The first charge on all exports for reparations or otherwise shall be a sum necessary to pay for imports. No extension of credit to Germany or Germans by any foreign person or Government shall be permitted, except that the Control Council may in special emergencies grant such permission. Recurrent reparations should not, by their form or amount, require the rehabilitation or development of German heavy industry and should not foster the dependence of other countries upon the German economy.

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In the imposition and maintenance of economic controls, German authorities will to the fullest extent practicable be ordered to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and for any breakdowns in these controls, will rest with themselves and their own authorities.

The Nazi party and its affiliated and supervised organizations and all Nazi public institutions shall be dissolved and their revival prevented. Nazi and militaristic activity or propaganda in any form shall be prevented.

There shall be established a coordinated system of control over German education designed completely to eliminate Nazi and militarist doctrines and to make possible the development of democratic ideas.

Nazi laws which provide the basis of the Hitler regime and which establish discriminations on grounds of race, creed or political opinion, shall be abolished.

All members of the Nazi party who have been more than nominal participants in its activities, and all other persons hostile to Allied purposes will be removed from public office and from positions of responsibility in private enterprise.

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War criminals and those who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes, shall be arrested, brought to trial and punished. Nazi leaders and influential Nazi supporters and any other persons dangerous to the occupation or its objectives, shall be arrested and interned.

A suitable program for the restitution of property looted by Germans shall be carried out promptly.

The German armed forces, including the General Staff, and all para-military organizations, shall be promptly demobilized and disbanded in such a manner as permanently to prevent their revival or reorganization.

The German war potential shall be destroyed. As part of the program to attain this objective, all implements of war and all specialized facilities for the production of armaments shall be seized or destroyed. The maintenance and production of all aircraft and implements of war shall be prevented.



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Treasury Department
Office of the Under Secretary

Date: 3/23

To: The Secretary

From:

Hurry-up job. If
you want more
detail more time is
necessary. Treasury
in last box had some
of some troubles as in
this one. SWB



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

MAR 23 1918



TO THE SECRETARY:

Reference is made to your memorandum of March 15th concerning the question of reparations -- who handled it during the last war and what part did the Treasury play in it.

In view of the financial contacts between the United States and foreign governments during and after the First World War which grew out of our loans to foreign governments, the Treasury had an important role during the war and at the Peace Conference.

A summary of the principal operations of the Treasury in this field is as follows:

INTER-ALLIED COUNCIL - JULY, 1917

The Secretary of the Treasury submitted to the President on July 10, 1917, his proposal in the form of a letter which he intended writing to each of the governments concerned providing for the prompt creation of an Inter-Allied Council on War Purchases and Finance to sit in London or Paris for the purpose of determining their respective needs and priorities in the markets of the United States and of making recommendations to the Secretary of the Treasury as to the amount of loans that shall be made from time to time by the United States. This Council was eventually created and Mr. Crosby, who was then an Assistant Secretary of the Treasury, was appointed by the Secretary of the Treasury as Special Finance Commissioner in Europe and in that capacity acted as President of the Council.

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PEACE COMMISSION - OCTOBER, 1918

A joint memorandum dated October 24, 1918, addressed to the Secretary, initiated by Mr. E. C. Leffingwell, Mr. Albert Rathbone, Mr. Albert Strauss and Mr. George C. May, referred to a memorandum addressed to the President suggesting the appointment of a representative of the Treasury at the Peace Conference. The joint memorandum stated --

"It is clear that a permanent peace and the future prosperity of this country are both in a large manner dependent on the wisdom with which the financial problems are solved and the bases of the fiscal policies of the belligerents which are laid down for the future. It is therefore essential that this phase of the negotiations should be dealt with by one who enjoys the intimate confidence of the President and who possesses unquestioned standing among his colleagues and among the representatives of the other nations."

Apparently as an outgrowth of these internal Treasury discussions Secretary McAdoo addressed a letter to President Wilson on October 26, 1918, calling his attention to some of the financial phases of the Peace problem and the importance of insuring adequate presentation of the views of the United States on these questions at the Peace Conference. This letter was dictated by Mr. Albert Rathbone and initiated by Russell C. Leffingwell, a copy of which is attached.

In this connection, the following statements were contained in a cable from Secretary McAdoo to Mr. Crosby in London, dated December 5, 1918:

"First: Convinced that peace conference will deal with fourteen points of the President and that no questions will be determined by conference regarding our past or future loans or the date of their maturity. This is apparent as Treasury has not been given official

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"representation at the conference and my opinion has not been asked about these financial questions as undoubtedly would have been the case if American representatives expected to discuss such questions.

"Second: All questions regarding (a) the amount which the United States shall loan Allied Governments within the limits approved by the President and (b) the form of the obligations and the date of their maturity so far as not fixed by statute are matters which Congress has delegated to the Secretary of the Treasury and they must be determined by him. These questions should not, even if technically possible to do so, be settled at the peace table. The peace conference will certainly not wish to interfere with authorities expressly delegated by Congress.

"Third: As Treasury is not to be officially represented at Peace Conference you will appreciate that it must not be unofficially represented there.

"Fourth: Secretary of the Treasury is prepared whenever the Allied Governments desire, to discuss with them in Washington and to determine all questions regarding conversion and maturities of our foreign debt. Congress has delegated to him settlement of these questions and all discussions in regard to these matters should be confined to Washington.

"Fifth: I am convinced that time is rapidly approaching if indeed it has not already been reached when all financial discussions should be conducted in Washington by the Secretary of the Treasury and therefore think matters should be shaped looking to as early a discontinuance of the Inter-Ally Finance Council and the return home of your organization as can be accomplished with dignity and a due regard to the feelings of the Allied Governments.

"Sixth: If you should deem it desirable to visit Washington in the immediate future to discuss the entire situation before terminating the existence of your organization I should entirely approve of your doing so. While however I appreciate the advantage to the Treasury and to the new Secretary of such a discussion I leave to your judgment the decision as to the relative importance of such a visit and of your presence in Europe during the next few weeks."

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While the President was attending the Peace Conference in Paris Secretary Glass became the new Secretary of the Treasury. President Wilson cabled Secretary Glass on December 23, 1918, stating:

"It will be very serviceable to have someone in whom you have the utmost confidence sent over here to represent you in these important matters."

In response to this cable Secretary Glass recommended Mr. Norman H. Davis (then representing the Treasury in Europe). The President notified Mr. Davis --

"That you hold yourself in readiness to supply such general economic and financial advice as I may wish from time to time during the Peace Conference."

In addition the President designated Mr. Davis to represent the United States in connection with the Armistice discussion at Spa.

At about the same time Secretary Glass cabled President Wilson regarding a more complete Treasury representation in Europe and asked his approval of a Treasury Commission composed of Mr. Albert Strauss as Chairman and Mr. Norman H. Davis and Mr. T. W. Lamont. The President approved. While they were working for the President they were available to express the Treasury viewpoint on all financial (and apparently economic) matters which arose at the Peace Conference.

In the files of our activities during this period we find a letter addressed to Assistant Secretary of the Treasury Rathbone by Norman H. Davis from Paris on February 26, 1919, enclosing a confidential bulletin issued by the American Commission to negotiate peace, which Mr. Davis thought would be of interest to Mr. Rathbone. This bulletin contained a section of notes on work of the Commission on Reparation of Damages, February 15 to 21, 1919. Copies of these notes are attached.

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A bulletin issued by the American Commission to Negotiate Peace on February 14, 1919 outlined the membership of the commissions of the Conference. These commissions and the American members of the more important ones are as follows:

League of Nations
President Wilson
Hon. Edward M. House

Responsibility for the War and its Authorization
Hon. Robert Lansing
Mr. James Brown Scott

Reparation of Damages
Mr. Bernard M. Baruch
Mr. Norman H. Davis
Mr. Vance McCormick

International Labor Legislation
International Control of Ports, Waterways and Railways

Economic Drafting Commission
Mr. Bernard M. Baruch

Financial Drafting Commission
Mr. Albert Strauss

Mission to Poland
Study of Greek Territorial Claims
Study of Rumanian Territorial Claims
Control for Teachen.

FINANCIAL REPRESENTATIVES IN EUROPE - 1919-1920

In January, 1919, Norman H. Davis was appointed by the President Finance Commissioner, representing the Secretary of the Treasury in Europe and acting as financial adviser to the American peace mission until July, 1919. Early in that year Albert Strauss and Thomas W. Lamont were designated as special representatives of the Secretary and were associated with Mr. Davis as financial advisers to the peace mission. In the following fall Albert Rathbone, then Assistant Secretary, acted on behalf of the Secretary of the Treasury as financial adviser associated with the peace mission, and after the return

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of the mission, acted as the United States representative on the committee on organization of the Reparations Commission. Upon the organization of the Commission he participated in its deliberations as the unofficial representative of the United States, being succeeded by Roland V. Boyden early in April, 1920.

THE BRUSSELS CONFERENCE - MAY, 1920

The Council of the League of Nations in February, 1920 passed a resolution to "convene an International Conference with a view to studying the financial crisis and to look for the means of remedying it and of mitigating the dangerous consequences arising from it." This conference was to be held in Brussels at the end of May, 1920. The United States was invited to be represented at the conference but the State Department replied as follows:

"This Government would not see its way to appoint an official delegation, but the Secretary of the Treasury will be glad to designate one or more unofficial representatives to attend the conference."

The conference was postponed from time to time but was finally set for September, 1920. Roland V. Boyden, the unofficial representative of the United States on the Reparations Commission, was designated as the unofficial representative of the Treasury at the conference.

COST OF AMERICAN ARMY OF OCCUPATION IN GERMANY - 1923

In 1923 Mr. Elliott Vadsworth, an Assistant Secretary of the Treasury, went to Paris to confer with representatives of the Governments of Great Britain, France, Italy and Belgium concerning the reimbursement of the cost of the American Army of Occupation in

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the Rhineland. As a result of this conference Mr. Wadsworth signed an agreement (May 25, 1923) on behalf of the United States whereby the United States would receive its total Army cost in twelve equal yearly instalments, the first to be paid on or before December 31, 1923.

It is not clear from our files whether this was considered a State or Treasury matter, but being financial in character, a Treasury representative was chosen to carry on the negotiations.

sub

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October 26, 1918.

Dear Mr. President:

In my letter of this morning I called to your attention the financial questions which it is anticipated will form the subject of discussions almost immediately between the United States Treasury and the representatives of the French and British Governments. These discussions cannot but lead to further questions being raised which will have a bearing on peace negotiations.

I feel I should draw your attention to some of the financial phases of the peace problem and the importance of insuring adequate presentation of the views of the United States on these questions at the Peace Conference.

As settlements at the Peace Conference may involve supplying France with gold or foreign credits, the use of the German mercantile fleet and other matters that will have a vital bearing on the questions indicated in my previous letter to you of this date I do not anticipate that any final settlement of these questions can be effected until the Peace Conference. I do think, however, that it may be possible at the discussions about to take place to establish some general principles for dealing with these matters and in any event such discussions will go far to clarify the situation.

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The financial questions referred to in my letter of this morning are sure in some form or other to crop out about the peace table in spite of any tentative arrangements made before that time. There are other questions of finance that must then be determined, in many of which our country is vitally concerned and in all of which we are at least indirectly interested. A permanent and satisfactory peace can scarcely be realized if the financial conditions are not such as to permit the various nationalities to prosper materially and to reap the rewards of industry and frugality.

Among the other financial questions that will no doubt receive consideration at a Peace Conference are -

- (1) Those arising from territorial readjustments, involving considerations of war and pre-war debt, character and purposes of past borrowing, relative wealth and resources of different territorial areas, currency and banking.
- (2) Those arising from reparation, involving consideration of war expenditures, extent to which they have a permanent residual value, extent of damage by the enemy, both in the ordinary course of war and in violation of international law, including seizures of money and securities, destruction at sea as well as on land, payments exacted in occupied territory for legitimate purposes or for spoliation, and also a study of the sources of wealth and financial limitations of nationalities so as to determine the amount of any payments that can safely

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be required without impairing financial resources beyond the safety point.

- (3) Those arising regarding reconstruction, involving consideration of the extent to which neutral countries should be required to participate in the reconstruction of devastated areas by the supply of materials, the wealth and financial resources of such neutral countries, and the methods of financing the actual work of reconstruction in the devastated areas.
- (4) Those arising regarding the use and disposition of sequestered property in the various belligerent countries. It is reported that the Alien Property Custodian holds a large amount of property, and delicate and important financial questions may be involved in the disposition of this and similar funds held in other countries.
- (5) Those arising from demands that will no doubt be presented by some of the associated governments in regard to restoring gold reserves, involving a consideration of the present and pre-war gold and currency situation of the belligerent countries.
- (6) Those arising in respect of the war indebtedness of governments inter se. It may be anticipated that questions of a general readjustment of this debt will be raised by the nations which have been both borrowers and lenders and with which the United States, as one of the principal

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lending nations, is preeminently concerned from a financial standpoint. Such questions would involve studies from the financial standpoint concerning the international trade and finance during the pre-war period of the countries concerned, their earnings and expenditures on account of shipping, capital investment, internal and external debt, and other data required to form a judgment as to the ability of the debtor nations to pay interest on their indebtedness and to amortize the principal. From the standpoint of our own financial safety the importance of holding the obligations of the foreign governments which we have acquired I think must be apparent in any consideration of the questions I have presented, and I cannot too strongly deprecate the suggestion that we should cancel the indebtedness of the Allied Governments which we hold, which is being made by various individuals who are not charged with any responsibility and who are necessarily ignorant of the complicated problems involved.

I am not attempting to state all of the financial questions which may arise at the Peace Conference, nor to go into them in detail. Those mentioned will serve to indicate the importance of the financial problems to the United States and the desirability - if not the necessity - of the Treasury's being represented on any Peace Commission that may be constituted. The magnitude of the task of preparing the statis-

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tical information and studies which are necessary if the Commission is to be fully equipped for its work will readily suggest itself to you, and I recommend that the Treasury, working in close cooperation with the inquiry being conducted under Colonel House, should be charged with the preparation of the financial information necessary to equip the Peace Commission to deal effectively with the financial phases of the peace negotiations. I have every reason to believe that such an arrangement would be welcomed by those in charge of the inquiry.

Cordially yours,

(Signed) Wm. G. McAdoo

The President,

The White House.

AK:VJ

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THE COMMISSION ON REPARATION OF DAMAGES

Notes on Work of Commission. February 15th to 21st, 1919.

The Commission continued its discussion of the fundamental principles on which reparation is to be based. The Belgian Delegation, while maintaining its position as to the rightfulness of complete reparation, including cost of war, has for practical considerations supported the American position, on the ground that it would not be possible to include all war costs of all the Allied and Associate Powers without prejudicing the particular claims of Belgium, which were justified, it was asserted, on account of the violation of Belgium's neutrality.

In regard to Serbia, M. Protitch held that a so-called reparation which gave Serbia a physical reparation but left her burdened with a huge debt to the Allies would fall very short of real reparation.

The position of Great Britain was that of asserting that Belgium's right to claim war costs based on the necessity of self-defense placed upon her, should be equally enjoyed by the Powers that came to her rescue.

The position of France was set forth by M. Klotz, whose main argument was that the agreement with Germany on which the armistice was based could not have been intended to limit the claims for reparation, inasmuch as at the meetings of November 2nd and 4th, at which the agreement for the cessation of hostilities was reached, article XIX of the Armistice Convention was also drafted, in which the right to put in further claims was expressly reserved.

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A third point was brought out, by the Powers which had adopted armistice conventions with the Central Powers other than Germany, viz: that as these conventions took effect before the armistice with Germany and were unlimited as to the right of reparation, the position of the Powers could not be regarded as prejudiced.

The American position was reasserted to be limited to: (1) damage resulting from violations of international law; and (2) damage done to civilian lives and property. The American representative maintained that the November agreement constituted a contract by which the Allied and Associate Powers had expressed a limit to their freedom of action, and held that the armistice could not be considered otherwise than as an instrument intended to guarantee that the Allied and Associate Powers would be in a position to enforce ultimate terms of peace, these terms amounting to no more than a practical application of the principles embodied in the previous agreement with Germany. As to the peculiar position of the Powers which adopted the armistice convention with Austria, Bulgaria and Turkey, the American representative held that while they were technically free, it was the understanding that the spirit and purpose of President Wilson's fourteen points and subsequent addresses would be adhered to.

The French Delegation proposed to end the discussion by a vote on the following proposition: (1) The right of reparation of the Allied and Associate Powers is all-inclusive (integral); (2) The enemy must make good all damage, an order of priority being preserved for certain claims. The American Delegation proposed that the first

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of these propositions be submitted to the Supreme War Council. This proposal was unanimously adopted.

The two Sub-Committees, the First having to do with the valuation of damages, and the Second with the capacity of the enemy to make reparation, are at work trying to come to definite conclusions.

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DEPARTMENT OF STATE

FOR THE PRESS

MARCH 23, 1946
No. 208

CONFIDENTIAL
FUTURE RELEASE
NOTE DATE

CONFIDENTIAL RELEASE FOR PUBLICATION AT 7:00 P.M., E.W.T.,
SATURDAY, MARCH 24, 1946. NOT TO BE PREVIOUSLY
PUBLISHED, QUOTED FROM OR USED IN ANY WAY.

The following is the fifth of a series of seven broadcasts over the National Broadcasting Company entitled "Building the Peace". The subject of this fifth broadcast is "What About the Enemy Countries?"

PARTICIPANTS

MR. JAMES C. DUNN	- Assistant Secretary of State
MR. ARCHIBALD MACLEISH	- Assistant Secretary of State
MR. ROBERT MURPHY	- United States Political Adviser on German Affairs, SHAEF
MR. KENNEDY LUDLAM	- Announcer for NBC

WHAT ABOUT THE ENEMY COUNTRIES?

VOICE #1: How are we going to deal with the Nazi war criminals?

VOICE #2: How can we re-educate the German people, who have been getting nothing but Nazi propaganda for so long?

VOICE #3: What about our unconditional surrender policy?

ANNOUNCER: Tough questions. But we must find the answers if we don't want to pave the way for World War III ... For authoritative information regarding our foreign policy, NBC's University of the Air calls upon officials of the Department of State, in seven broadcasts on the problems of Building the Peace. These programs are part of a larger series on Our Foreign Policy, for listeners in this country, and through the facilities of the Armed Forces Radio Service, for our service men and women overseas, wherever they are stationed.

This,

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This, the fifth of the State Department programs, is about the enemy countries. Assistant Secretary of State Archibald MacLeish has with him Assistant Secretary James C. Dunn, who is in charge of European, Near Eastern and Far Eastern Affairs, and Ambassador Robert Murphy, Political Adviser to General Eisenhower. And now ...

MACLEISH: This is Archibald MacLeish. I want to quote a paragraph or two from a letter sent in by a man who lives on Monroe Street in Memphis, Tennessee. It will explain our purpose in being here tonight far more eloquently than I can. Our correspondent says: "In yesterday's paper I read that the outfit with which I served in World War I, and which spent a year 'occupying' Luxembourg, has just taken Trier again. To me things like this are certain proof that a do-nothing policy has gotten us nowhere, and fast."

"My personal policy is boiled down to this: Will it be necessary for the 5th Division to occupy Trier for the third time?"

That's a fair question. It's up to us -- to you who are listening, and to those of us who are charged with responsibility for the formulation of our foreign policy -- to make sure that the Fifth Division won't have to occupy Trier a third time.

Now, what about Germany? Such influential newspapers as the New York Times, the Philadelphia Inquirer, the Washington Post, and the Christian Science Monitor have asserted that it is time for the people of the United States and the United Nations to be more fully informed about our intentions with regard to Germany. We hope to make our position on this question clear. And this is a most appropriate time to do it, with Allied armies advancing rapidly into Germany from the East and from the West. I have here with me two men who are directly concerned with our policy toward a defeated Germany. Ambassador Robert Murphy has just come from the European theater of war, and is about to return to his duties as Political Adviser to SHAEF -- S-H-A-E-F -- Supreme Headquarters of the Allied Expeditionary Forces. Is that right, Mr. Murphy?

MURPHY: That's right, Mr. MacLeish. I might add that the State Department is working hand and glove with the Army in these matters. That's why I'm assigned to SHAEF.

MACLEISH: There's one question, Mr. Murphy, which has been the subject of much discussion here at home in recent months -- our demand for unconditional surrender. The public opinion polls show that an overwhelming majority of Americans support this demand. But there are some who argue that this policy forces the Germans to fight on, making victory more expensive for us. What do you think of that argument?

MURPHY: That's pure eye-wash. If we offered the Germans any sort of compromise -- which we have no intention of doing -- it would be taken as a sign of weakness. They wouldn't believe us anyhow; the Nazi propagandists have drilled into their minds too long the idea that Wilson's

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14 points were just a ruse to get Germany to surrender in 1918. This time the Germans will not be able to claim that they were duped into laying down their arms. They are now witnessing the thing they understand best -- superior force of arms.

MACLEISH: We have made it abundantly clear, too, in our broadcasts to Germany and in the report on the Crimea Conference, that "it is not our purpose to destroy the people of Germany, but only when Nazism and Militarism have been extirpated will there be hope for a decent life for Germans".

MURPHY: And judging from the increasing number of German soldiers who are surrendering, Mr. Macleish, and the large numbers of German civilians who are disobeying their leaders' demands that they evacuate the western areas -- the German people understand us on this point. They know that we mean to destroy German militarism and Nazism, and they respect us for it. The German people are very tired of war.

MACLEISH: That's the way it looks from Supreme Headquarters in Europe; how does it look from the desk of the Assistant Secretary of State in charge of European Affairs? Mr. Dunn, you have your own views on the unconditional surrender policy.

DUNN: Yes. I think it's more than a military problem. We've got to realize that while our primary military objective is the defeat and unconditional surrender of the German forces, it is just as necessary for us to require the unconditional surrender of the German Government. This is essential if the necessary steps are to be taken to prevent a resurgence of the militarism which has caused this war and the previous wars started by Germany. Anything short of a realization by the German people that their whole apparatus for making war is to be stamped out would only give rise to another wave of militaristic planning. Remember, last time we had an armistice instead of unconditional surrender.

MACLEISH: Here's a letter from a corporal in the European Theatre of War, who also has ideas on this subject: "I was very angry when I read (about the talk of) a negotiated peace. I have seen enough of the German soldier to form the definite conclusion that a negotiated peace will not end this war to any soldier's satisfaction. It would only give Germany time to build up again, and that would bring on a conflict that will be much worse than the one we have now. Our only salvation is to get an unconditional surrender, whereby we can completely disarm Germany and destroy her militaristic form of government ... I want to become a civilian just as much as the other fellow. But when I do become a civilian, I want to stay a civilian. I don't want to be called up again in five years, which is what will happen if we give the Germans a negotiated peace." ... That was a corporal in the Army, who spent 80 days in combat before he was wounded. He wrote from an Army hospital overseas.

MURPHY: I know he speaks for our men over there. He speaks for us, too. Fortunately, this will soon become a dead issue anyhow. Germany's choice now is between unconditional surrender, and pulverization, and if they choose pulverization, they will have only themselves to blame for

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for following vicious leadership.

MACLEISH: Another question we frequently get is: What about the war criminals? Will they get away this time? One lady writes from Portland, Oregon: "I am very much concerned over your failure to advocate punishment of war guilty leaders of Germany and Japan -- surely you will not favor them going unpunished so that history may again repeat itself. I am not vengeful but surely we must punish by death all those instigators or accomplices concerned in the proven atrocities." Another correspondent in New Orleans writes: "One of my sons was killed and one was wounded in this war ... Never will I rest ... while Hitler, Himmler, and their gang walk the world free men." These are typical of many letters to the Department.

Now, one writer has stated that after the last war, a list of 896 war criminals was compiled by the Allies and submitted to the Germans. By clever bargaining, the German Government reduced the list to 48. Only 12 were actually brought to trial, however, and only 6 were convicted, with light sentences. Can such a miscarriage of justice occur again, Mr. Dunn?

DUNN: That's out of the question, Mr. Macleish. We are fully determined to punish the war criminals this time. There is complete agreement among the Allied Nations that all of them will be apprehended and will be "brought to just and swift punishment", to quote the Yalta declaration.

MACLEISH: How do you define a war criminal? Let's start right at the top. Hitler will, of course, be considered a war criminal.

DUNN: Yes, unquestionably.

MACLEISH: The fact that he is chief of state is no reason for excluding him? Some writers have expressed the fear that some such legalistic reasoning will stand in the way of justice being done.

DUNN: Hitler and Himmler and the others will be judged on the basis of the acts which they have committed or have caused to be committed. Hitler is directly responsible for the enslavement of the Jews and foreign workers; he is responsible for the mass murder of Jews, Poles and others; for such crimes as pillage, extortion, and arson; and for numerous other common crimes. He must be held responsible for them as an individual. There is no question in the world but that he is responsible, with others, for the initiation of policies which resulted in all of those acts.

MACLEISH: How far down the line would this go, Mr. Dunn? What about the Gestapo? It's supposed to be a voluntary organization which nobody is forced to join; should its members therefore be held responsible for the organization's crimes?

DUNN: We think that members of the Gestapo who have carried out criminal acts must be punished. All persons, whether members of any such organization or not, who have committed

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committed any of the acts which are considered crimes against humanity will be considered war criminals. We are interested first of all in justice being done, not in technicalities.

MACLEISH: Mr. Murphy, does all this square with the plans being developed at Allied Headquarters?

MURPHY: I think Jimmy Dunn has expressed our views very well. In dealing with the part of Germany our American troops have occupied so far, we have apprehended any known war criminals who have been left behind. Our military authorities have dismissed Nazis from responsible positions as quickly as they could be identified and replaced, regardless of whether or not there were any specific charges against them. As American forces progress and larger areas fall to their jurisdiction, this becomes a major responsibility. After all, in Germany at last reports there were some six million members of the Nazi Party and two million of them held major or minor offices.

MACLEISH: Now let's examine that other legalistic argument which has been cited as a possible loophole for war criminals -- the argument that if an individual is merely carrying out orders from above in committing atrocities, he's not personally responsible. Will that argument be given any weight, Mr. Dunn? Some commentators have expressed the fear that the people who actually committed the atrocities would plead innocent on this ground.

DUNN: I think we should look at the act itself, Mr. MacLeish. We are determined to punish the individual for the acts which that individual has committed. We will make only one stipulation -- that there must be a fair trial in every case.

MACLEISH: How about atrocities committed by Germans against Germans, for example, in the case of German Jews? Will the perpetrators of such crimes be punished?

DUNN: Yes, we expect to go the whole way on this. Under Secretary Grew made that clear a few weeks ago in one of his press conferences. He said that we proposed to bring the Axis leaders and their henchmen who have committed war crimes and atrocities to justice, regardless of who the victims were. That applies to crimes of Germans against Jews, and against the people of every occupied country.

MACLEISH: An accountant up in Newark who wrote in asking us to discuss this whole question as it applies "not only to soldiers but also others who have helped Hitler to get his power" brings up this question: Will Nazi industrialists be included in the definition of war criminals? I don't mean as a group. But take a case like this, and there will be quite a few like it, I'm sure: A German industrialist has supported Hitler from the outset. He has helped finance his rise to power, supported the rearmament of Germany, sold arms to the Nazi Government at a profit, used forced labor from the occupied countries in his plant, and supported the Nazi cause and cooperated with the Nazi Government in every way. Would that man be classed as a war criminal?

DUNN: Well,

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DUNN: Well, Mr. MacLeish, whether he would actually be punished as a war criminal would presumably depend on whether he committed specific criminal acts or caused them to be committed. But he would certainly be among those to be dealt with. There will inevitably be a lot of borderline cases for which a yardstick will have to be constructed. We don't want any of the war criminals to get away.

MACLEISH: You have certainly made our position on war criminals clear enough, Mr. Dunn. Some people seem to think we're just going to sit behind dusty legal volumes and let the culprits get away.

DUNN: They're mistaken, Mr. MacLeish. They're dead wrong.

MACLEISH: There have been some press reports that Nazi political leaders and business men have their plans all laid for escape, or have already escaped, to certain neutral countries. Is that true, Mr. Dunn?

DUNN: Our representatives in the neutral countries have been on the alert for prominent Nazis coming in, but there has been no sign of it so far.

MACLEISH: Can you summarize the steps that have been taken to prevent the escape of war criminals?

DUNN: We have had assurances from most of the neutral countries that they would refuse admittance to any Axis war criminals and would report them if they came in illegally. We are not entirely satisfied on this as yet. But we will take every necessary step to prevent the criminals from escaping.

MURPHY: Our military have instructions to round them up before they can get away, and we will act quickly when we occupy Germany.

MACLEISH: Mr. Murphy, you have seen the work of the United Nations War Crimes Commission in London. There is a prevalent idea in this country that it is supposed to set up the machinery for catching the war criminals and bringing them to trial.

MURPHY: The present War Crimes Commission was set up at the suggestion of the British. It sits in London and includes representatives of 15 of the United Nations, including the United States and Great Britain but not as yet the Soviet Union. Under its terms of reference the Commission makes recommendations to the several Governments looking to uniformity in the definition of war crimes. It also identifies and lists war criminals. It is a Commission for preliminary study and has not been given executive powers. Then, Allied forces arrest and detain war criminals as they advance into Germany. The military of course have considerable data regarding war crimes. Those charged with crimes and atrocities committed in liberated areas are to be turned over to the justice of those countries.

DUNN: The American Government stands solidly for the apprehension and swift punishment of German war criminals and is actively cooperating with its allies to the end that none may escape retribution.

MACLEISH: The

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MACLEISH: The Soviet Union, according to the press reports over here, deals with the war criminals she captures swiftly and drastically. But Mr. Murphy pointed out a moment ago that she is not represented on the War Crimes Commission. Does this mean there is a difference of policy between the Russians and ourselves, Mr. Dunn?

DUNN: No. There is no difference of policy. There is complete agreement among the three big powers on this general issue.

MACLEISH: Mr. Murphy, there have been criticisms of our occupation policy as regards the use of Fascist officials locally. I have seen allegations that Fascist officials have been left in local office in Italy, and recently a New York newspaper said that four Nazis were left in official positions at Aachen. Is that true? If it is, how do you reconcile that with the tough policy you have both been outlining?

MURPHY: On the contrary, in Aachen we have systematically removed not only Nazi party members but others known to be hostile to the Allies. When we reconstituted the administration, a few Nazis were unwittingly left in office, but I was assured just before I left SHAEP that they had been removed. Of course, you've got to consider this: it sometimes takes our combat commanders a little time to find out who the Nazis are. And for military purposes, it is necessary to keep the utilities and important factories running.

MACLEISH: We all understand that military needs must be met first. But are such temporary measures discontinued as soon as they can be?

MURPHY: Yes, absolutely. They are purely temporary. Our policy is definite and unequivocal. We intend to have no truck with the Nazis, or with people known to hold Pan-German theories, for that matter. The two usually go hand in hand.

MACLEISH: Pan-Germanism--by that I understand you to mean the theory that it is Germany's destiny to expand, to take in Germans everywhere in the world and create a German super-state--Pan-Germanism is classed with Nazism as a dangerous doctrine, then?

MURPHY: It is one of the basic Nazi theories. In a way it is even more dangerous than Nazism, in that it goes back much farther, and has inspired German aggression time and time again.

MACLEISH: Can you give us a quick fill-in on the way the AMG--that is, the Allied Military Government--program operates in occupied German territory? I assume there's nothing secret about it, since General Eisenhower himself has broadcast it to Germany. I imagine you had a hand in that, as political adviser to General Eisenhower.

MURPHY: Well, the first step of the Allied forces on moving into a new place is to dissolve all Nazi and affiliated organizations. Our forces revoke all Nazi laws which discriminate against racial minorities and anti-Nazi generally. They also get rid of the Nazis in all official posts as soon as possible

possible

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possible, as I said a moment ago. Complete freedom of religion is established. When all this is done, and matters are running more or less smoothly, our occupation forces get on to other things.

MACLEISH: You might mention some of the "other things".

MURPHY: All Nazi newspapers are closed down immediately, of course; but as the press is essential, newspapers are gradually allowed to resume publication, under close supervision, after sifting out the Nazis on the staff. Licensing boards will be established to supervise this whole process.

MACLEISH: There has been a great deal said and printed over here, as you probably know, about the necessity for encouraging democratic tendencies, such as may exist in Germany, to provide a basis for popular government in the future. One newspaper columnist put it in this way: "If we treat the whole nation as Nazis, they will react as Nazis. If we differentiate, we will discover differences." Do you agree with that, Mr. Murphy?

MURPHY: Well, Mr. Macleish, I don't think we should be too optimistic about the early discovery of many "democratic" Germans. After a dozen years of Nazi rule, there's not much left to build on. But we are trying. We are encouraging the trade unions to organize again. Eventually, I believe, we should make it possible for some of the workers in the mines and factories to participate in their management.

MACLEISH: That would be a forward-looking policy by anybody's book. But how about political organizations?

MURPHY: Our only move so far is to outlaw all Nazi political organizations. Eventually we expect to see the political parties which were dissolved by the Nazis stage a comeback. But that would be premature now because of the military situation. It will have to be done gradually. Local self-government will have to come first.

MACLEISH: We started out to talk about the military government. But some of these plans you mention are long-range plans. They obviously won't be put into effect until the war is over. Are these techniques and objectives to be carried over, then?

MURPHY: Yes, the day-to-day experience we are getting now will be the basis for the policy we will develop when we march into a defeated Germany to occupy the American Zone. The Army is already training several hundred officers in England and France -- the United States Group Control Council -- to take charge in our occupation zone. They will work with the Allied Control Commission which will be set up in Germany.

MACLEISH: You are political adviser to that group, as well as to SHAEP, I understand.

MURPHY: That's right.

MACLEISH: When

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MACLEISH: When the Germany Army is beaten, Mr. Murphy, do you expect the Nazis to organize underground resistance? Some writers have gone so far as to predict that they will break up into guerrilla bands and take to the hills.

MURPHY: It's impossible to tell at this stage just what will happen. We do expect to have a good deal of trouble with the Germans even after they surrender. The fanatical Nazis will probably give us trouble for some time.

MACLEISH: When the occupation comes, it will of course be shared among the four occupying powers. Now, to what extent have detailed plans been drawn up for that, Mr. Dunn?

DUNN: Well, there has been an understanding among the nations as to the general location of the occupation zones. And there has been agreement on the type of central control machinery which will govern Germany -- the Allied Control Council.

MACLEISH: How long do you think Germany will probably have to be occupied? There have been some published guesses that it will take a million men 10 to 20 years to occupy and clean up Germany. Would you care to make a guess of your own?

DUNN: It's absolutely impossible to make any predictions as to actual time periods in connection with occupation. One thing is certain: it will be necessary to keep Germany under control for a great many years in order to insure that she doesn't rebuild her armament and start up her militaristic activities all over again. As to how long it will be necessary for those controls to be imposed and maintained by a large military force, and after that how long the controls would be continued in the form of policing, it is absolutely impossible to say at this time. It will depend on how much trouble the Germans give us. But after the tapering off of military control, it will still be necessary to control manufacturing, and in fact the whole economy.

MACLEISH: And what would that require? A corps of civilian observers?

DUNN: Yes. But whatever type of system or control is put into effect, we must not get the idea that that is the solution; it is going to require continued vigilance on the part of this country and the world to see that Germany does not go again rearms. No matter what system we adopt, we've got to be on the alert to prevent a new growth of German militarism. Don't you think so, Bob?

MURPHY: You're right. We should be wary of putting our entire confidence in any particular plan of control, as such. We should always bear in mind the importance of Allied unity in dealing with the German problem, and the importance of vigilance in maintaining whatever system of control the Allies put into effect. That system must be sufficient to reach into the economy of Germany for the purpose of preventing military production and rearmament. But, whatever system of control is adopted the most important element is that there should be back of it informed American public opinion and a continuing interest by our people in this problem.

MACLEISH: Do

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MACLEISH: Do you think that very large American forces will have to be used over a long period of time, or will we be able to depend on the European nations around Germany to do the policing? The public opinion polls show that most of us are willing to have American troops stationed in enemy territory for some time after the war. But one Colorado newspaper has remarked, "The policing of Germany... is a job for which sufficient European forces exist and which will be better done if those forces are used." What about that, Bob?

MURPHY: Of course, when the collapse or surrender of Germany takes place, there will be very large American forces in Germany. The size of the American army remaining in Germany thereafter, for the purpose of carrying out our responsibilities as to German disarmament and control, would depend on two things. One is the time we will need effectively to carry out our part of the job; the other is the necessity for the use of as many American troops as possible in the Far Eastern war.

MACLEISH: Then there is the question about the division of Germany into three or four parts. Several writers have suggested that, Jimmy.

DUNN: The answer to that will depend on the final decision of the United Nations as to the most effective means of preventing Germany from again becoming a war-making nation. That's the prime consideration.

MURPHY: It's not impossible, of course, that there may be a movement inside Germany to divide the country. If such a tendency occurs and the Allies find it to be in the interest of long term security and the future peace, they may encourage and approve such a development. This question naturally is of the longer range variety. It should be answered in accordance with what seems to us to be our best interests, and the best interests of Europe as a whole.

MACLEISH: A woman out in Wisconsin has written to ask: Will the Austrians be treated differently from the Germans proper? Jimmy, will the fact that Germany annexed Austria by threat of violence influence our treatment of the Austrians?

DUNN: The Governments of the three big powers made a declaration at Moscow in 1943 in favor of the re-establishment of the independence of Austria. They also added that the action taken by the Austrians themselves in liberating Austria would be taken into account, in determining the status Austria would have after the war. We have reminded the Austrians of that again recently.

MACLEISH: Suppose the Austrians want to continue Anschluss -- that is, union with Germany -- for economic reasons. Would the policy you mention rule that out?

DUNN: I should think Anschluss would be definitely ruled out, Archie. Austria would not be combined with Germany in any way, within the foreseeable future, at any rate.

MACLEISH: There has been some controversy, as you gentlemen know, over just how Germany should be controlled economically. The alleged proposal that most of Germany's industry be destroyed and Germany be reduced to an agricultural country

has

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has been the biggest storm center. Most of the press, and public opinion generally, has opposed it. But a great majority of the public favors stripping Germany of all industry she might conceivably use for war purposes.

DUNN: There's no doubt that will be done. The Yalta Declaration says, "It is our inflexible purpose...to eliminate or control all German industry that could be used for military production."

MACLEISH: Some commentators over here have pointed out that in view of war damage, German industry will be almost entirely destroyed. In view of this, what about reparations?

DUNN: Under the Crimea Conference decision, the matter of reparations from Germany was left to a commission to meet in Moscow. Isidor Lubin, who has long been head of the Bureau of Labor Statistics in the U. S. Department of Labor, is to be the American delegate to the Commission.

MACLEISH: Now we come to one of the toughest questions we have to deal with — that is, the reeducation of the Germans. A recent opinion survey showed that Americans believe, by a majority of more than two to one, that there won't be a majority of the right kind of Germans within Germany to "enough of the right kind of Germans within Germany to reeducate the people along democratic lines." How about that, Jimmy? Are we going to be able to reeducate the Germans?

DUNN: I would say that this is one of the most important problems we have before us, because control and elimination of the war-making power of Germany won't be sufficient to insure against the rebirth of a militaristic Germany for all time. I think this is a very broad problem, one that will have to be given very careful study by experts in the field of education. A program of reeducation which would make Germany a peace-loving nation must be instituted. It seems to me that the two most important aspects of the long range treatment of Germany are the reeducation of the Germans and the reestablishment of the rights of labor.

MACLEISH: A radio forum I heard recently came to the conclusion that reform of education should come from within Germany; but that such reform should be made "a part of an international program of cooperation, through an international office of education." In the light of your experience, so far, Bob, do you have any ideas on how reeducation should proceed?

MURPHY: Well, to begin with, Archie, all Nazi teachers, teachers, and text books must be eliminated in the early period of control. Schools will be closed temporarily until necessary adjustments of faculties and text books have been effected.

MACLEISH: Will there be enough Germans who are democratic and anti-Nazi to fill the teaching jobs?

MURPHY: That is a tough question. In the Aachen area, it was found that only a small percentage of the school teachers who remained were not members of the Nazi Party. Some of the local Germans who offered their services to the Military Government authorities, proposing to carry out a program of education adapted to liberal ideas, were found to be of exceedingly doubtful origin. It will not be easy always to

identify

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identify a school teacher as a member of the Nazi Party or to determine what affiliation he or she might have had with Nazi organizations, such as the Storm Troopers or the Hitler Jugend. This will require careful and patient screening over a considerable period of time.

MACLEISH: The main problem is whether German re-education should be left to the Germans themselves or whether Allied supervision will be necessary.

MURPHY: I believe that unquestionably the Allies must supervise this delicate operation.

MACLEISH: According to one public opinion poll, two-thirds of Americans favor some sort of allied supervision over German education after the war.

DUNN: I should think we would certainly want to keep an eye on the reeducation process. That will be essential if we ever expect to see a democratic Germany emerge from the occupation period. But to bring that about — we'll have to find or train Germans to do the main job.

MACLEISH: Now, gentlemen, we have spent virtually all of our time on Germany, which is appropriate enough, since we've got to deal with a post-war Germany in the very near future. In the Pacific there is much more fighting still to be done. But, Jimmy, you might at least touch on our policy toward Japan.

DUNN: Well, Archie, our plans are much less advanced where Japan is concerned. We have to take first things first. Then, too, very little can be said about long-range plans for Japan, for military reasons. The Japanese propagandists would distort anything we might say.

MACLEISH: Of course, some things are a matter of record. Our stand on unconditional surrender applies to Japan as well as Germany.

DUNN: Yes. We'll have no more truck with the Japanese militarists than with the Nazis. As far back as December 1943, the Cairo Declaration made it clear that "the three Allies... will continue to persevere in the serious and prolonged operations necessary to procure the unconditional surrender of Japan." President Roosevelt, Prime Minister Churchill and Generalissimo Chiang Kai-shek said that.

MACLEISH: And the same United Nations leaders also announced at Cairo that Japan will be stripped of every bit of territory she has taken by force of arms, since she started on the warpath back in the 1890's. Formosa and Manchuria will be restored to China, and the Koreans will get their independence "in due course", which presumably means as soon as they are in a position to govern themselves. What can you add to that, Jimmy?

DUNN: Well, as Under Secretary Grew has said, "There can be no peace anywhere in the world until the Japanese, as well as the Nazi enemy, is laid low." If the resistance on Iwo Jima is any criterion, we've still got a big job on our hands to defeat Japan on her home islands and on the mainland. Once Japan is beaten, she will of course be completely demilitarized, like Germany.

MACLEISH: One

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MACLEISH: One question that our correspondents show a lot of interest in is: What is our policy toward the Japanese Emperor?

DUNN: Mr. Grew has told the Senate Committee on Foreign Relations that no one is in a position to determine the postwar position of the Japanese Emperor at this stage of the game. I would like to say this — certainly neither the State Department nor Mr. Grew is defending the Emperor's position.

MACLEISH: What this all seems to come down to is the conclusion that our plans for the treatment of Japan, like the end of the Japanese war itself, are still in the future. So far as Germany is concerned, however, we seem to be able to make some pretty precise statements. I would sum them up in this way. First, we are definitely committed to the policy of unconditional surrender. We believe that Nazism can only really be destroyed and the war really won on that basis. We believe the great majority of the American people feel the same way. Secondly, it is not our purpose to destroy the people of Germany but only the gangs who have mis-governed, mis-managed, and misled them. That means that we propose to punish — and really to punish — the guilty war leaders and their tools and agents. Third, our whole policy for the occupation of Germany is a policy aimed at stamping out Nazi controls at every point. We don't know how long it will be necessary to occupy Germany in order to undo the evil work which has been done there, but we propose to stay with the job until it is finished. We believe, however, that something more than the destruction of the physical power of Germany to make war will be required. We feel that the German people must themselves change their point of view about their relation to the rest of the world. This we think is one of the toughest problems with which we are faced. It is tough because it is part of the larger problem of the future reintegration of the German people into the community of mankind.

ANNOUNCER: That was Archibald MacLeish, Assistant Secretary of State in charge of Public and Cultural Relations. With him were Assistant Secretary James C. Dunn, who is in charge of European, Near Eastern, and Far Eastern Affairs, and Ambassador Robert Murphy, Political Adviser to General Eisenhower. This was the fifth of seven programs on the problems of Building the Peace, featuring top officials of the Department of State. Copies of this broadcast or of all seven State Department programs may be obtained by writing to the Department of State, Washington 25, D. C. These programs are part of a larger series on Our Foreign Policy, arranged by NBC's University of the Air. Starting on April 14, NBC will present members of the Senate Foreign Relations Committee, after which the Series will be moved to San Francisco for the opening of the United Nations Conference on April 25.

Next week at this same time you will hear a discussion of America's Good Neighbors in Latin America. Archibald MacLeish will be back. With him will be Assistant Secretary of State Nelson Rockefeller, who is in charge of American Republic Affairs. Mr. Rockefeller recently returned from the Inter-American Conference on the Problems of War and Peace at Mexico City, as did Mr. Avra Warren, Director of the Office of American Republics, who will also be on the program, and our Ambassador to Cuba, Spruille Braden, who will speak from Havana. They will answer such questions as these:

VOICE #1: How

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VOICE #1: How is the Good Neighbor Policy related to the Monroe Doctrine?

VOICE #2: What is this Economic Charter for the Americas that came out of the Mexico City Conference?

VOICE #3: What about Argentina?

ANNOUNCER: This program came to you from Washington, D. C. This is the National Broadcasting Company.

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March 23, 1945

My dear Mr. President:

I thought you would be interested in some of the editorials which have been appearing recently in favor of Bretton Woods.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,
The White House.

By Messenger Finard
11:30 a.m.

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March 23, 1945

FROM: SECRETARY MORGENTHAU

TO: Mr. White
Mr. Luxford

From an unimpeachable source in Ohio, I have been informed that Senator Burton, of Ohio, is favorable to Bretton Woods.

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March 23, 1945

Dear Phil:

Many thanks for your note
about Senator Burton. It is most
encouraging.

Sincerely yours,

(Signed) Henry

Mr. Philip J. Trownstine,
636 Union Commerce Building,
Cleveland, 14, Ohio.



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TREASURY DEPARTMENT

WAR FINANCE COMMITTEE FOR OHIO

STATE HEADQUARTERS
UNION COMMERCE BUILDING
CLEVELAND 14, OHIO

March 19, 1945

Dear Henry:

Through a reliable source in Washington, that
I am not at liberty to quote, I have been informed
that Senator Burton, of Ohio, is favorable to Bret-
ton Woods. This is for your personal information.

Sincerely yours,

Phil J. Trownstine

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

PJT/eh

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March 23, 1945

My dear Senator:

I have read with great interest the speech you made in New York on February 18, which Senator Pepper had printed in the Congressional Record of March 8.

You made a most convincing statement of the reasons why we must have machinery to prevent economic as well as military aggression. Your reference to the Bretton Woods proposals was particularly pleasing to me since my impression of the American Bankers Association report is quite similar to yours.

We enjoyed very much having you with us last week when the film short was produced. With personal regards, I am

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Wayne L. Morse

United States Senate

A1167

HON. CLAUDE PEPPER

Mr. PETER. Mr. President, I am immediately going to have printed in the Appendix of the Record a very able address delivered by the author himself from Chicago (Mr. Mosier) at a dinner given by the Independent business community of the Air, Commerce, and Transportation in New York City on February 18, 1943.

Industry, thus, has a tendency to erode social institutions as well as our personal commitment. Even if we could satisfy the demands of the performance in the present world which will eventually be adopted at the close of this war, nevertheless the progress of time would render these policies obsolete on the dynamic line of social growth and change rather than the static of water and invariable determinism.

A good step forward will have been taken when we adopt a code of international law and order backed up by adequate police power to maintain international security from military aggression. It is our conviction that this condition is the advance guard of man's immunity to war, it will have kept faith with all that, last year before us, much meant our very existence.

Under our immediate objective is the achievement of a world order of international security must be the demilitarization of Germany and Japan and the engineering of control of the history of nations to agree with force if necessary any military agreement by any nation.

However, let us not lose sight of the fact that the principles of the Atlantic Charter are not incompatible with any World Government designed to protect man, even though the predominant nations in that organization are the United States, England, Russia, France, and China, unless the organization also provides machinery for preventing aggression as well as military exploitation.

Granted that the first need for international security is military for countries in military agreement, we must not lose sight of the fact that economic warfare has been the forerunner of most military wars and that since sometime before producing many war-industrial economic security for most nations, if not for all, is probably ahead of military economic evaluation. Like all

ENDIX

A1167

International Security

EXTENSION OF REMARKS

OF

HON. CLAUDE PEPPER

OF FLORIDA

IN THE SENATE OF THE UNITED STATES

Thursday, March 8 (legislative day of
Monday, February 26), 1945

Mr. PEPPER. Mr. President, I ask unanimous consent to have printed in the Appendix of the Record a very able address delivered by the junior Senator from Oregon (Mr. Morse) at a dinner given by the independent business' committee of the Arts, Sciences, and Professions in New York City on February 18, 1945.

There being no objection, the address was ordered to be printed in the Record, as follows:

None is any more so constituting international security as the necessary for practical machinery empowered to negotiate conventions over the international economic chaos and politics of the world's family of nations. International security and international economic cooperation are not interchangeable. Our first objective is the goal of international security and permanent peace must be to eliminate as much as good faith advances can eliminate the danger of military aggression by outlaw nations. I believe that the principles and objectives of the Bushhorn, Oslo and Yalta Conferences and the only immediate hope for freedom from another world war within another 25 years.

However, time has a tendency to create social institutions as well as our political environment. Even if we could satisfy the demands of the performance in the peace plans which will eventually be adopted of the time of this war, nevertheless the concepts of time would transpire them, unless they are built on the dynamic lines of social growth and change rather than the static of theory and inevitable deterioration.

A great step forward will have been taken when we adopt a code of international law and order backed up by adequate police power to maintain international security from military aggression. If our generation can make that contribution to the advancement of man's humanity to man, it will have kept faith with all that has gone before and much which can come hereafter.

None our immediate objective in the development of a world order of international security need be the demilitarization of Germany and Japan and the empowering of a council of the family of nations to oppose with force if necessary any military aggression by any nation.

However, let us not lose sight of the fact that the principle of the Atlantic Charter are not compatible with any world organization designed to prevent war, even though the dominant nations in that organization are the United States, England, Russia, France, and China, unless the organization also provides machinery for preventing economic as well as military exploitation.

Granted that the first need for international security is machinery for controlling military aggression, we must not lose sight of the fact that economic warfare has been the forerunner of most military wars and the chief causative factor producing many wars. International economic security for many nations, if not for all, is probably decades away. Economic exploitation, like all sin,

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3/23/45

Mr. Luxford
Secretary Morgenthau

I was pleased to see in the New York Times that
Senator Wagner was credited with saying on leaving the
White House that Bretton Woods would pass. *Paul*

NEW YORK HERALD TRIBUNE - March 23, 1945

11 Philadelphia Bankers Back Bretton Woods

See Chance for U. S. to Lead; Fraser Criticizes Stabilization Fund Plan

By The Associated Press

PHILADELPHIA, March 22.—A memorandum recommending the authorization of the Bretton Woods agreement setting up an international monetary fund and an international bank for reconstruction and development was forwarded to Congress today by the heads of eleven of Philadelphia's major banks.

The bankers, who signed as individuals rather than as the heads of their institutions, said the Bretton Woods proposals "in our judgment give reasonable promise of avoiding the major financial errors committed after the last war."

"We believe the agreements provide a fair basis for effective financial collaboration among the United Nations as a counterpart of collective security in the political sphere," the memorandum continued.

The memorandum was signed by William Fulton Kurta, of the Pennsylvania Company for Insurance on Lives and Granting Annuities; David E. Williams, of the Corn Exchange National Bank; Howard A. Loeb, chairman of the Tradesmen's National Bank; James E. Owen, of the Girard

(Continued on page 11, column 2)

11 Philadelphia

(Continued from page one)

Trust Company; Isaac W. Roberts, of the Philadelphia Savings Fund Society; Archie D. Swift, of the Penn Central-Penn National Bank; P. Blair Lee, of the Western Savings Fund Society; W. Logan MacCoy, of the Provident Trust Company; R. Livingston Sullivan, of the Market Street National Bank; Percy C. Madden Jr., of the Land Title Bank and Trust Company, and Evan Randolph, of the Philadelphia National Bank.

Other high lights of the memorandum included:

"The success of any international monetary and financial plan dealing with long-term lending, exchange rates, exchange controls and other aspects of world post-war problems will largely depend upon the mutual understanding and willingness by participating countries, first to undertake and then to carry out the obligations assumed."

"The monetary chaos and the resulting social distress after the first world war have clearly demonstrated the urgency for mutual action."

"The United States now has opportunity to exert leadership in developing a more united and co-operative world. Even though such leadership involves substantial dollar cost, we might well be the gainers through the restoration of reasonable international stability."

SPECIAL
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

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DATE 3/24/45

TO Mr. Fussell
FROM Secretary Morgenthau

Mrs. Morgenthau says that yesterday's Tribune had a story on the front page about the Philadelphia bankers coming out for Bretton Woods. I would like to have that clipping this morning.

*Clipping attached***TREASURY DEPARTMENT**

INTER OFFICE COMMUNICATION

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DATE

March 23, 1945.

TO Secretary Morgenthau
FROM Mr. Luford

You inquired about the Board of Governors coming out for an advisory committee in their Bretton Woods report.

Governor Szymczak has been checking with me frequently regarding the timing of the Federal Reserve report. Although we have discussed this on and off over the last two or three weeks, he never mentioned to me that they were incorporating the recommendation for an advisory committee (although, of course, we always knew that they had not given up this idea and that Eccles would probably include it in his oral testimony when he testified).

In any event, Elliott Thurston, Assistant to Eccles, called me Tuesday morning and said that they were about ready to release their report. Yesterday morning when I went to the Hill, Congressman Spence called me aside and showed me the Board's report and inquired whether it was okay with us if he inserted it in the Record. I told him that I did not know its contents, and knowing only that it was favorable, I would appreciate it if he would give us until noon to check it. He called my attention to the Board's recommendation for an advisory council and said that in his opinion the proposal would not harm us. I called Mr. White's office at once and advised them of the Board's action recommending an advisory committee and requested that he advise me before noon as to whether he wanted to do anything about it. Later in the morning he called me and both of us agreed that there was nothing we could do about the Board's recommendation and that we would not object to the report being introduced by Spence and I advised Spence accordingly.

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I don't think that the Board's recommendation for an advisory council at this time is prejudicial. There is a strong sentiment for a council of this character and Jesse Wolcott has told me several times this might be one of the points on which we could compromise Republican pressure.

DR

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE
March 28, 1945TO Secretary Morgenthau
FROM Mr. LuxfordFor your information

Miss Dorothy Lewis of the Woman's Division of the National Association of Broadcasters, thought you would be interested in the material that her group is using on the United Nations and also in the attached map showing the location of their various outlets. I told her that I would return the map to her when you had had an opportunity to examine it.

DR

Attach.



TREASURY DEPARTMENT

WASHINGTON
March 23, 1945

MEMORANDUM

TO: Secretary Morgenthau

FROM: E. B. Russell

Subject: Newspaper reports on income tax investigations

The United Press story on income tax investigations is made up from these sources, stated chronologically:

1. The Secretary's statements at his press conference, which opened the subject.
2. Supplementary material given the reporters by Irving Perlmeter of the press relations staff, who had accompanied Mr. Irey to Florida, for the purpose of seeing that attention should be given the investigation by the Florida papers. Mr. Perlmeter was contacted by the reporters immediately following the press conference. Material provided by him included the statement that \$50,000 had been collected in delinquent taxes (principally fur, jewelry, cabaret and other excise taxes) and statements attributed to "an agent" that one vacationist had lost \$40,000 in an evening and that \$10,000 had changed hands on a single roll of the dice. Material provided by Mr. Perlmeter was substantially what had been printed previously in Florida.
3. A general discussion with Mr. Irey, after approval by Mr. Coffelt of Public Relations. Mr. Irey confirmed that the investigations would be carried on in "all big pleasure and spending centers." The mention of Philadelphia, Chicago, San Francisco and Seattle as such cities originated with the reporter (Mr. Gregory).
4. A liberal amount of imaginative writing on the part of the reporter, e.g., "the biggest drive of its kind in the nation's history" "overshadowing the prohibition era campaign which trapped Al Capone."
5. Some supplementary material. The "Federal fiscal authority not in the Treasury Department" who estimated the Government was being cheated of 3 to 5 billions by big tax evaders was Harriner Eccles who made some such off the record estimate in a recent press conference. The references to free spending and luxury living at Miami, etc., and "you would never know there was a war on" probably came from Look Magazine.



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The Associated Press story, as carried in the Herald Tribune, is much milder and I do not see how any exception can be taken to it. Incidentally, the A. P. desk became much interested after the U. P. version broke and asked the A. P. man to expand his 400 word story to 800 words. He added considerable verbatim material from the press conference and then the A. P. expanded its coverage further by carrying a story under a Miami dateline. Peculiarly, when the story broke in Miami two or three weeks ago, at the time Mr. Irey was there, it didn't get out of that circuit (Florida-Georgia territory). But the mention at the press conference made it a national story. And the fact that it was brought up at the press conference, in turn, was probably due to the fact that Mr. Irey and several others were coming out of the Secretary's office just as the reporters were going in for the press conference. Mr. Irey's Miami trip was referred to by Mike Flynn and the other reporters heard the reference.

Mr. Irey, incidentally, sees no harm in the stories and thinks they may accomplish good, though he agrees that the United Press story was overwritten.

I do not see that any blame is attached to anyone in the Treasury.

So far as the United Press man is concerned, he showed more enterprise than good judgment and did too much imaginative writing.

I have had a friendly talk with him, along this line -- that the Treasury is primarily a custodian of the nation's money and only incidentally a police agency, and that the exaggerations that could be condoned on a police run aren't exactly appropriate when applied to the Treasury. I am convinced that he is not an intentional trouble maker.

E. B. Russell

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3/23/45

Mr. O'Connell

Secretary Morgenthau

In the report you gave me from Elmer Irely, if I remember correctly, he said he sent a lot of names up on the 28th of February. When I was in New York, I got the impression from McQuillan that he had just received the Miami names. Why did it take so terribly long from the time Irely sent them up until they were distributed in the field? Please look into it and let me have a report not later than Saturday morning.

O'Connell reported to Wagon

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

March 23, 1945

TO Secretary Morgenthau

FROM Joseph J. O'Connell, Jr.

I do not believe there was any unreasonable delay in handling the names Elmer Irely sent up from Miami.

It was, of course, necessary to check the records in the Bureau here before sending the names out to the field, which took a little time. In any event, the names which were forwarded to Mr. McQuillan were sent to him on the 6th of March and all of the names went to special agents in the field on either the 6th or 7th.

Joseph J. O'Connell Jr.

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3/23/45

Commissioner Nunan
Secretary Morgenthau

Confidential

I wish you would have a confidential talk with Lawrence Houghteling over at War Bonds who looks after labor unions, and ask him what he would think of our taking it up with some of the unions in New York in the stores and let them spread the word around that there is a reward for giving information. I have great confidence in Lawrence Houghteling, and I would only do it if he approved it. Please talk to him about it today before you go up, and he could tell you how to approach the unions if he agrees that it would be a good thing. I know that all the stores in New York are organized by the unions *fib-*

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March 23, 1945.

TO: Secretary Morgenthau
FROM: Mr. Nunan

Pursuant to your memo of this morning I had a conference with Mr. Houghteling who expressed a desire to study the matter further before giving his opinion. He said he would let me know the early part of next week whether he thought the suggestion would be beneficial or not. As soon as he does I will advise you as to his conclusion.

Frank D. Nunan

October , 1943

TO: The Secretary
FROM: Mr. Gaston

There have been a number of factors responsible for considerable change in our enforcement activity in recent years. These changes, many of which have occurred since you created the Office of the Chief Coordinator April 9, 1942, arise from: Repeal of the 18th amendment and the effect of this repeal on the Alcohol Tax Unit; changing conditions in Customs resulting from war activity; creation of Foreign Funds freezing and policing of financial transactions of the enemy and Nationals; greater protection of the President arising out of hazardous trips made by him and an accompanying sharp decline in counterfeiting; illicit use of narcotics at Military camps; and, fraud possibilities inherent in complicated and technical changes in our income tax sources. These changes emphasize the need for a more effective and coordinated control of our enforcement activities, which I should like to recommend for your consideration and approval at this time.

The further coordination of the Treasury Department law enforcement activities can be greatly improved along two possible approaches. On the one hand, it is logical that all Treasury enforcement activities should be centralized in one organizational unit. This would involve changes in appropriation legislation and organic statutes, but would eliminate expensive duplication and overlapping of effort under the

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- 2 -

present statutory setup dating back many years. Such a program of consolidation, while highly desirable, would result only after a long period of legislative adjustment. The second approach would be to strengthen, expend, and more clearly define the authority and functions of the Chief Coordinator of the Treasury enforcement agencies to an extent contemplating full executive and administrative control over all enforcement facilities. In weighing the practical aspect of these two possibilities it seems clear that for immediate action the second program should be pursued, bearing in mind that at the opportune time in the future the necessary legislative changes should be proposed to the Congress and their enactment urged.

Though lacking in a specific enumeration of powers, the instruments of authority under which the Chief Coordinator is now operating appear broad enough to embrace many functions not heretofore undertaken. Under the terms of my memorandum of May 9, 1942, which bears your approval, the Chief Coordinator may request all enforcement agencies to submit important case investigations for his review and in the light of his authority to "Perform such other duties" he might direct any alterations or improvements in the handling of cases that appear to him necessary in the discharge of Treasury responsibilities.

In the course of advising individual agency heads on matters of policy, organization and personnel, he is clearly authorized to recommend policy changes, procedural improvement and personnel standards. Likewise, he may exercise final authority on proposed

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personnel changes involving administrative positions. No qualification is placed on this authority as delineated in the May 9th memorandum. However, there is actually divided responsibility and authority and it is believed that a specific enumeration of the activities and authority would make for more effective coordination and better understanding between the Chief Coordinator and the heads of the enforcement agency services.

Under the heading "Such Other Duties in the Interest of Coordination" the Chief Coordinator appears to be given blanket license for initiating and administering programs of coordination in the entire area of Treasury law enforcement. Ideally, a police force operating within one Federal agency should function as a closely knit, integrated organization regardless of the fact that many separate statutes and regulations fall under its jurisdiction. While local administration in matters in which the individual agency specializes can well be left to separate administrative heads, it is important to recognize that centralization of certain management and control functions would lead to more effective coordination. The Treasury program of coordination might be vastly improved by placing in the Chief Coordinator's immediate office responsibility and final authority for the following administrative functions:

1. Exercise of executive supervision over all investigations with unqualified authority to conduct any investigation

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separately or specially as may seem appropriate in the judgment of the Chief Coordinator.

2. Recruitment of all investigative personnel.
3. Training, including orientation of new recruits and refresher instruction for all enforcement offices.
4. Uniform classification of investigative personnel based upon the Classification Act of 1923, and review of recommendations for promotion or change of assignment.
5. Disciplinary action, including separations affecting investigative personnel.
6. Assignment of personnel between the several investigative agencies in whatever manner deemed appropriate by the Chief Coordinator, and authority to call upon enforcement agency heads for the detail of personnel as may be required.
7. Assignment of office space for field offices where such action will facilitate closer coordination of Treasury enforcement activities, including authority to consolidate, establish or abolish field offices.
8. Authorization of the use of joint telephonic, stenographic and other service facilities, including the coordinated use of automobiles wherever feasible.

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9. Executive supervision over all organizational and procedural changes proposed for Treasury enforcement agencies.
10. Review and approval or disapproval of budget estimates covering investigative personnel and other services.

Doubtless any move to reinforce the coordination program will raise major questions of policy concerning agency specialization and control of appropriated funds. For example, the Bureau of Customs and Internal Revenue may argue in the case of Customs Agency Service and the Intelligence Unit that the activities of these agencies are so closely bound to the broader function of tax collecting that they cannot satisfactorily relinquish control of any phase of administration. Likewise, it may be urged that the lack of control over appropriated funds renders the Coordinator impotent to exercise a beneficial control over the separate enforcement bodies.

As arguments against coordination, these contentions have little validity. The common denominator of all enforcement agencies is the fact that their singularly outstanding job is the prevention and suppression of criminal violations of statutes. For this reason enforcement offices have more in common with other enforcement offices than with their parent organizational body. They are all a part of one policing force which is presently broken into separate

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organizational units. By the same token, the source of operating money should be a secondary consideration when planning or implementing a coordinated program of enforcement work.

It may well be argued that the autonomous nature of the several separate units dissipates the strength of the Treasury Department's law enforcement activities. Few, if any other, Federal agencies operate with investigative staffs divided so completely as ours. While specialization may be a consideration, it seems significant that the Federal Bureau of Investigation handles investigations arising under an extremely wide variety of statutes. The same is true of the Inspection Service of the Post Office Department. The Treasury Department is hardly willing to admit a lack of versatility on the part of its investigative agents.

In point of fact, many investigative activities now performed by Treasury offices cause them to work jointly with other Treasury enforcement agencies. For example, it is not common for a Customs agent to initiate a case which is later turned over to a Narcotics man. In a broader sense, it should be recognized that even the Bureau of Internal Revenue does not, with its enforcement agencies, undertake all investigations incident to protecting the Internal Revenue as evidenced by the fact that the sections dealing with narcotics are administered by the Bureau of Narcotics. Thus, enforcement lines cannot be said to parallel major organizational demarcations.

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It is a matter of common knowledge that at various times the work loads of enforcement agencies are, for one reason or another, subject to wide fluctuation. Even a cursory examination of the Alcohol Tax Unit's activity over the past eight or twelve months would probably show that the volume of business has declined faster than the Unit's payroll would indicate. With the rationing of sugar and the declaration as critical of copper, etc., the enforcement work of the Alcohol Tax Unit dropped. Though much of the slack was taken up by an increase in permissive work, it is a fair comment to surmise that some offices of this Unit were and are overstaffed. Likewise, it would be interesting to know what effect the war has had on the enforcement activities of the Bureau of Narcotics.

An intelligent program of coordination would level off the high's and low's between agencies, providing ample staffs for those with a heavy volume of work and reassigning employees not fully utilized. There appears to be no other way to effectively handle this problem than through a central coordinator's office with full authority and responsibility.

The fear that may be expressed by individual agencies that they will, by the expansion of the Coordinator's Office, give up their freedom of action in their own fields, is unwarranted. They will, in fact, relinquish no authority which will tend to damage their respective services. The major portion of their work will

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progress with little change except that the general policy and method of operation shall at all times be subject to the guidance of the Chief Coordinator and further it should be his privilege to remove completely from any enforcement unit any case which in his judgment warrants special handling that can only be achieved by vesting executive control at the level of the Coordinator's office.

No attempt is being made to direct the Bureau of Narcotics or the Secret Service Division or the Alcohol Tax Unit in the manner in which they may elect to pursue their respective responsibilities under law, but rather an effort is being made to provide them with a consistently high caliber of investigative personnel, and to bind them together for the mutual aid and support of each other, based upon the broader interests of the Treasury Department as a whole.

3/23/45

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1. RECOMMENDS SUPPORT OF SENATE BILL 606, PROVIDING FOR A 15% BASIC INCREASE FOR SALARIED FEDERAL EMPLOYEES UNDER THE CLASSIFICATION ACT OF 1923.
2. NEED FOR ADJUSTMENT OF BASE SALARIES.
 - a. NO SUBSTANTIAL CHANGE FOR OVER 20 YEARS
 - b. RISE IN COST OF LIVING SINCE 1939---30%
 - c. CIVIL SERVICE REPORT SHOWS THAT DURING THE YEAR 1944, 61% OF THE FEDERAL WORKERS CHANGED JOBS OR LEFT THE GOVERNMENT SERVICE. RESULTS IN COSTLY RECRUITING PROGRAMS, EXPENSIVE TRAINING AND RE-TRAINING TIME, AND LOWER EFFICIENCY AND MORALE.
 - d. OVERTIME PAY IS NOT A SUBSTITUTE FOR A BASE PAY ADJUSTMENT.
 - e. PRESIDENT'S 1946 BUDGET MESSAGE CALLED FOR "PERMANENT OVERTIME" LEGISLATION AND A "PROMPT REEXAMINATION OF BASE RATES".
3. CIVIL SERVICE AND THE BUREAU OF THE BUDGET HAVE NOT SUPPORTED THE BASE INCREASE LEGISLATION BECAUSE OF OBJECTIONS RAISED BY THE STABILIZATION DIRECTOR. BUT: THE 15% INCREASE RECOMMENDED IS IN LINE WITH THE WAR LABOR BOARD'S "LITTLE STEEL" FORMULA AND IN HARMONY WITH THE NATIONAL STABILIZATION POLICY AS ANNOUNCED, WHICH PERMITS A "COST OF LIVING" ADJUSTMENT. NONE HAS BEEN RECEIVED BY THE SALARIED FEDERAL WORKER.
 - a. GOVERNMENT WORKERS ON PER DIEM AND HOURLY RATES SET BY WAGE BOARDS HAVE HAD BASE INCREASES UNDER WAR LABOR BOARD STANDARDS.
 - b. THE INEQUITIES WITHIN THE GOVERNMENT STRIKE HARDEST ON THE LOWER PAID PEOPLE.
4. ALSO, THE 15% INCREASE WOULD MAKE THE GOVERNMENT'S TREATMENT OF ITS OWN WORKERS CONSISTENT WITH THAT GIVEN INDUSTRIAL EMPLOYEES.
5. NO SIGNIFICANT PAY INCREASE FOR SALARIED FEDERAL EMPLOYEES IN 20 YEARS, EXCEPT THE INADEQUATE OVERTIME ACT. 21.6% INCREASE...FOR...20% MORE HOURS.

6. TREASURY SPECIAL PROBLEMS.
 - a. HOURLY AND PER DIEM RATES FOR SOME
 - b. CLASSIFIED RATES FOR OTHERSPAINTERS EXAMPLE
7. TELEPHONE INEQUITIES...CONGRESS PAYS THEIR OPERATORS \$1800 BASE. WE PAY \$1440.
8. TWO BILLS PENDING...JACKSON BILL IN HOUSE DOESN'T GIVE A BASE INCREASE...DOWNEY BILL IN SENATE GIVES 15% INCREASE IN ALL BASE RATES UNDER THE CLASSIFICATION ACT.
9. WE WANT TO GET THE ADMINISTRATION OFF THE FENCE AND ON THE RECORD IN FAVOR OF A BASE INCREASE AT THIS TIME.
10. DURING SOOHOY PERIOD SALARIES WENT DOWN 15%. IT IS CONSISTENT TO BRING THEM UP NOW IN ACCORDANCE WITH THE LITTLE STEEL FORMULA TO RECOGNIZE THE HIGHER COST OF LIVING.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 22, 1945.

TO Secretary Morgenthau

FROM Charles S. Bell *CSB*

Herewith is proposal mentioned to you by Dan on pay adjustments. I have also cleared this with Mr. Gaston, who is solidly in back of it. If you do decide to take it up at Cabinet, you might wish to check with Fred Vinson and William L. Davis on their stand.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 20, 1945

TO Secretary Morgenthau

FROM Charles S. Bell *CSB*

Subject: Pay Adjustment for Salaried Employees

During the course of the war it has become increasingly apparent that the "white collar" Federal worker has had to bear an unequal share of the economic burden. Basic pay rates for salaried employees have remained virtually unchanged, not only during the war, but for many years prior to the present conflict. After more than three years of war, the War Overtime Pay Act of 1943 represents the only relief that salaried workers have been given. As you know, this Act does not establish true overtime pay, and in even the most favorable instance the employee receives only a 21.6% increase in return for 20% more working hours.

This failure to establish true overtime rates or to adjust the base rates is inconsistent with the Federal treatment of outside industrial workers. The Overtime Act now in force for salaried employees can by no means be regarded an adjustment to compensate for the increased cost of living which today is reported by the Labor Department to be 30% above the level of mid-1939. This increase in the cost of living has, of course, worked the heaviest hardships on the lower salaried workers and has become more acute as the war progressed and lower cost goods disappeared from the markets.

A particularly troublesome problem has arisen from the fact that there are many employees on the Federal rolls who are paid on hourly or per diem rates set and adjusted to prevailing, industrial standards by wage boards. Generally, these workers have had basic wage increases under the terms of the "Little Steel" formula. In our own Department, employees of the Bureau of the Mint and the Bureau of Engraving and Printing have received wage adjustments under the War Labor Board's policy.

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This limited use of industrial standards has aggravated the already bad situation where we have within the Treasury both skilled and unskilled workmen doing identical work for alarmingly different rates of pay. For example, salaried, classified painters on the force of the Superintendent of Treasury Buildings receive \$1860 per annum, plus overtime, or a gross of \$2260 per annum, while painters on a daily rate in the Bureau of Engraving and Printing earn approximately \$4000 per year. In these circumstances, it is extremely difficult to maintain a competent working force under the Superintendent of Buildings.

Further, union craftsmen, such as Plate Printers, have been able to exert the necessary pressure to secure pay increases to compensate for the higher cost of living. In some measure the union-backed, organized "white collar" workers outside the Federal Government have likewise been able to gain pay adjustments. Telephone operators in commercial establishments have recently received pay increases, and those Government activities not subject to the Classification Act have likewise raised the salary of these workers. Yet, there is nothing we can do to remedy these inequalities for our operators under prevailing Civil Service rulings. Thus, of all the nation's workers, the salaried Federal employee is compelled to suffer proportionately the greatest financial hardship.

The President recognized these inequities in his message to Congress accompanying the 1946 Budget, stating in part, "...I recommend a prompt reexamination of Federal salary rates with a view to making adjustments consistent with the national stabilization policy." Except for this statement, no administration spokesman has gone on record with affirmative support for an adjustment in the basic rates of salaried employees.

I have learned from the Bureau of the Budget that neither the Civil Service Commission nor the President's Administrative Assistant on Personnel, Mr. McReynolds, recommended increasing basic rates because of what seems to be the none-too-well founded psychological objections raised by the Stabilization Director.

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To me, the objection that we would be setting a poor example is very weak for the reason pointed out before, namely, the salaried employees in the Federal service have not received the benefit of the permissible 15% increase under the War Labor Board's "Little Steel" formula. Actually, the present position of administration leaders does not seem to be compatible with the President's statement asking for fair treatment of all Federal workers.

Two bills aimed at remedying this situation are now pending in Congress. H. R. 2497, introduced by Representative Jackson is based on the recommendations of the U.S. Civil Service Commission and provides for significant amendments to the Classification Act of 1923, but it fails to cover the basic increase point. The Senate Bill, S. 595 introduced by Senator Downey is a companion measure except that it carries a section calling for a 15% increase in the base rates established under the Classification Act.

Admittedly, not all of the inequalities in the pay system of the Federal Government can be remedied by either piece of legislation, but from our own experience in the Treasury Department, I am convinced that the Downey Bill, if it becomes law, will result in alleviating many of the existing difficulties. There are benefits attaching to Civil Service status which are not enjoyed by workers under the per diem or hourly rates and, even though a 15% increase for the salaried people may not completely close the gap in terms of wages, it is believed that it will so narrow it as to avoid much of the trouble we are now experiencing.

It seems particularly important that the Administration support in Congress that legislation which will most nearly achieve the result apparently desired by the President, as indicated in his Budget message. It appears that the Bureau of the Budget and the Civil Service Commission placed too much emphasis on the stabilization factor when they fail to support a basic pay adjustment. The 15% set up in the Downey Bill is quite clearly in line with the over-all stabilization policy and does no more than offer the Federal employee treatment approximating that given the industrial worker.

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Feeling that the administration should not remain silent on the point of basic increases, I am urging that you, as head of a large Department, employing approximately 95,000 people, and as the chief fiscal officer of the Federal Government, place before the President a memorandum along the lines of the attached, which recommends a strong affirmative stand on Senate Bill 595.



THE SECRETARY OF THE TREASURY
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

In your Budget message to Congress for 1946 you called attention to the many inequities existing in pay rates received by Federal workers. You recommended that Congress enact permanent overtime legislation, and that base salary rates be immediately reexamined with the view toward making adjustments compatible with the national stabilization policy to compensate for the higher cost of living. We are now in the fourth year of war and, in the light of the Federal Government's treatment of commercial workers, it seems obvious that the time for base rate increases for salaried Federal workers is long overdue.

Early in this session of Congress bills were introduced in the House and in the Senate designed to remedy the situation described in your message. The House bill, introduced by Representative Jackson, is based on the recommendations of the Civil Service Commission, concurring in by the Bureau of the Budget, and does not include any provision for the adjustment of base rates. The Senate bill, introduced by Senator Downey, is a companion measure except that it also calls for a 15% increase in the pay rates established by the Classification Act of 1923, as amended.

It is my understanding that the Civil Service Commission, and the Bureau of the Budget, did not sponsor, and have not supported, a base pay increase for the reason that the Stabilization Director considered it to be psychologically inadvisable from the public relations point of view. This objection was raised despite the fact that a 15% upward adjustment in base rates is clearly compatible with the "Little Steel" formula.



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From my experience with a large agency, employing nearly 95,000 people, I am convinced that it is a false economy for the Executive Branch to fail to support legislation calling for an immediate adjustment in base pay rates. We have lost and are continuing to lose the services of many trained and experienced people because they cannot meet the higher costs of living under a wage pattern that has remained virtually unchanged for over twenty years. Expensive recruiting and training programs are but one of the unfortunate results of this shortsighted policy.

Of all the workers in the country today perhaps no other single group has had to bear so large a share of the financial burden of this war as have the salaried Civil Service employees. It seems significant to note that during the depression years, as an economy measure, salaried employees received a temporary reduction in base pay, amounting in total to 15%. Thus, there was established a precedent for moving wages downward. By the same token, an upward adjustment can be supported today in the light of the higher price level of cost of living commodities.

It is with a view toward promoting the objectives of good government, and decent treatment of Federal employees, that I am urging that the Administration go on record at once as favoring the provisions of Senate Bill 595 calling for a 15% adjustment in base rates.

Faithfully yours,

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MAR 29 1945

To All U.S.D.A. Motion Picture Depositories:

As a part of the expanded visual aids program to sell War Bonds to the American people you recently received a supply of 16MM prints of the Farm War Bond motion picture trailer entitled "Your Future Security." This film was produced by the United States Department of Agriculture for the Treasury as a contribution to an "all out" campaign to sell War Bonds to farmers.

We will appreciate your cooperation in giving this film as wide distribution as possible. No doubt you already know many of the reasons why farmers should put every possible dollar into War Bonds. First of all, America needs the money to help win the war. Then, after victory, farmers will have a big War Bond investment to assure them of funds for better farming and better living. These are bonds to win the war and secure the peace.

This is the first strictly farm War Bond film. It has been produced in response to a demand from agricultural areas for a picture that would feature the special reasons for farm buying. Shown at every rural meeting where motion pictures are used, this trailer should make a most effective sales appeal. It will back up the splendid work that is being done by farm War Bond solicitors in every War Loan.

Both the Treasury and the Department of Agriculture wish to thank you for your cooperation in distributing this film.

Sincerely,

(Signed) H. Morgenthau, Jr.

UPmb

again to handle

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

March 23, 1945

TO Secretary Morgenthau

FROM Joseph J. O'Connell, Jr.

For your information

It is just barely possible that Secretary Ickes, in his capacity as Petroleum Administrator, may speak to you today about a recent decision of the Circuit Court of Appeals involving the treatment for tax purposes of intangible drilling expenses in the oil business.

For years we have had a regulation which interprets the law as permitting persons drilling for oil either to spread the expenses over a period of years or to treat them as current expenses.

The other day, out of a clear sky, the Circuit Court of Appeals held that our regulation is invalid, and that such treatment is too favorable to taxpayers in the oil business. The Court held that the proper way to handle such situations is to require the company to spread the expenses over a period of years, thereby eliminating a double deduction.

Needless to say, the oil industry is up in arms. Considering the lush treatment given them through percentage depletion, it would seem to me that anything which tends to subject a little more of their income to tax is not gain from our point of view. However, Mr. Ickes may feel differently and would, I suspect, take the view that any treatment of oil companies less favorable than the type they have been accustomed to will practically lose us the war. The purpose of this memorandum is merely to acquaint you with the general situation.

Joseph J. O'Connell Jr.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

March 23, 1945

TO Secretary Morgenthau

FROM Joseph J. O'Connell, Jr.

For your information

You will be interested to know that the Bureau of Internal Revenue has ruled that amounts paid for goods in excess of established O.P.A. ceiling prices may not be included as a part of the cost of goods sold for income tax purposes.

The announcement of such a policy will, we hope, be helpful as a deterrent to black market operations by wholesalers, retailers, and other mercantile establishments.

Joseph J. O'Connell Jr.

MAR 23 1945

My dear Mr. Secretary:

Further reference is made to your letter of March 3, 1944 (symbols FMA 702.0641/129), referring to correspondence between your Department and the American Embassy in London in regard to the advisability of proposing negotiations looking to a tax convention between the United States and the United Kingdom, and to letter dated March 31, 1944, from this Department in reply to your letter of March 3, 1944. In the letter of March 31, 1944, this Department designated its representatives to participate in the suggested meeting in England looking to the adoption of such convention.

As you are already aware, such discussions took place in England, beginning in April 1944, were temporarily suspended in July, and were resumed at Washington in November of last year. As a result of such discussions, there has been developed the text of a proposed income tax convention between the two countries. Such text, framed in collaboration with representatives of your Department and those of the British Inland Revenue Service and of the British Embassy at Washington, has been carefully considered by and found acceptable to this Department and is transmitted herewith with the recommendation that it be approved.

In the event that further correspondence relative to this matter is necessary, please refer to CC:L&R:PJM:A-289342-4.

Very truly yours,

(Signed) H. Morgenthau, Jr.

The Honorable
The Secretary of State
Washington, D. C.

Enclosure

File to O'Donnell

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MAR 23 1945

My dear Mr. Secretary:

Further reference is made to your letter of March 3, 1944 (symbols FMA 702.0641/129), referring to correspondence between your Department and the American Embassy in London in regard to the advisability of proposing negotiations looking to a tax convention between the United States and the United Kingdom, and to letter dated March 31, 1944, from this Department in reply to your letter of March 3, 1944. In the letter of March 31, 1944, this Department designated its representatives to participate in the suggested meeting in England looking to the adoption of such convention.

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Very truly yours,

(Signed) H. Morgenthau, Jr.

Acting Secretary of the Treasury

The Honorable
The Secretary of State
Washington, D. C.

Enclosure

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MEMORANDUM FOR THE SECRETARY.

March 23, 1945.

Mail Report

From the correspondence viewpoint, the Seventh Drive was formally opened this week. In addition to the usual run of promotional suggestions, there were 100 replies by mail to the telegram sent on March 13 to the presidents of companies employing more than 1,000 persons. One record for the Seventh Drive has already been set, in that only one of the 100 replies objected to the expense of a telegram for that sort of message. Two or three executives spoke of the necessity for reducing quotas assigned their companies, but all in all the replies had one theme, cooperation and success. This week there were fewer songs for use in the Seventh, but slogans and other ideas continued to arrive in numbers each day. One firm, a shipyard, wired that it had already exceeded its quota for the Drive.

For the third consecutive week there were an even dozen complaints from families of service men whose bonds had not been received. Series E Bonds sent to this office for redemption rose to 22, more than half of them bearing Kentucky postmarks.

Tax mail continued to be light and rather passive. Now and then a business firm expressed uneasiness about the proposed capital gains tax, and also a few individuals opposed the suggestion that interest on Government securities be treated as capital gains. Although only 2 or 3 writers asked for 1943 refunds, this problem is now taking on new dimensions, for there were several pleas for return of 1944 overpayments.

Correspondence about the Bretton Woods proposals followed exactly the same lines it has in preceding

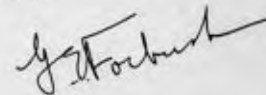
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Memorandum for the Secretary.

March 23, 1945.

weeks. The ratio of favorable comment to unfavorable is about 3 to 1, but there is still very little real discussion of the program in the letters addressed to this office. A few copies of wires or letters to Congressmen were sent for Treasury Department information and these were all favorable.



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General Comments

Herbert Barry, Barry, Wainwright, Thacher & Symmers, 72 Wall Street, New York City. May I call your attention to a matter that may seem of little importance, but which is highly important to an individual citizen, and the handling of which does not impress me as reflecting credit on the Treasury Department. It is the matter of the annuity or pension for Mr. Warrington Dawson, formerly employed in the American Embassy in Paris. Upon his retirement, on account of ill health, he became entitled to an annuity payable in monthly installments and this was paid through the Embassy up to the time we entered the war. He has lived for years at 2 Rue de la Paroisse, Versailles, and has survived the conditions of the war and the occupation by the Germans. He is, however, in frail health and needs this pension. The payment of which is due him. * * * Such information as I have would indicate that the amount in arrears is something between \$2,500 and \$3,000. * * * I have repeatedly asked for action to relieve this situation. * * I appreciate that it might involve some time to ascertain the exact amount of arrears due him, but I shall invoke your good offices to secure the prompt resumption of the monthly payments as they now become due. Formerly they were transmitted through the Embassy and that could still be done, although I should be glad to have some other channel, for example, the Paris office of the Guaranty Trust Company of New York, which has done business with and for Mr. Dawson. * * *

Mrs. William R. Barbour, New York City. Thank you for your very prompt reply to my request for data on the Bretton Woods Conference. I have begun my study of the pamphlets, which I find clear and of use to even a lay person.

Ruth Provus, Attorney at Law, Chicago, Illinois. I have just received the generous amount of literature which you sent me on the Bretton Woods Conference, at my request. It is most gratifying and reassuring to know

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that our Government is so well prepared to educate and inform the people on these vital topics. My Committee and I very much appreciate your prompt and efficient response to our request for literature and we can assure you that it will be put to good use. As a matter of fact, I believe we now have sufficient material not only for the Committee of the National Lawyers Guild, but also for the Committees of the Women's Bar Association and the Chicago Bar Association which are studying this matter.

W. Lewis Abbott, Colorado College, Colorado Springs, Colorado. I feel that there is a need and desire in this community for a series of talks to educate and inform the public on the plans for the Bank for International Settlements, and the International Monetary Fund, of the Bretton Woods Conference. Colorado College is considering sponsoring a program on these and related monetary issues, and would like to know if the Treasury Department is providing speakers on these subjects, in a manner similar to the program of the State Department on the Dumbarton Oaks Agreement. * * * My feeling is that, at least in this part of the country, there is a deep ignorance in regard to the significance of the two plans. Some of our local bankers are out of sympathy with the position taken by the American Banker's Association and would be interested in such a speaker as I have suggested.

A. C. Rowe, San Francisco, California. Congratulations on doing a fine job with one of the toughest jobs a man can undertake. I certainly agree with your position of the Senate passing on the Bretton Woods Conference prior to the United Nations Conference. Believe this would have a decided effect on the delegates to our stand for a real lasting peace. * * *

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Wynn Burton, Harlingen, Texas. * * * The attached copy of my letter of February 14 to Mr. Harry P. Hornby, Collector of Customs, District 23, Laredo, Texas, is self-explanatory. Mr. Hornby has not yet had the courtesy to reply to it. (Re: importation of liquor from Mexico.) It is obvious that either the Customs Office at Brownsville or the one at Hidalgo has misinterpreted the law. It is my opinion that the misinterpretation was at Hidalgo, and that it was made deliberately in order to save the personnel there the work of filling out a few declaration forms. * * In any case, I want you to know these two additional facts that I would not have brought up if the Collector of Customs had had the courtesy to reply to my letter. My mother went into and returned from Mexico at Hidalgo with friends of hers, and not with my wife and me. She is 70 years old and is in every way a gentlewoman. Her only purchases in Mexico were a couple of trinkets with a total value of five or six dollars. It was her first trip across the border, and she had the mistaken idea that it was not necessary to declare anything except liquor, so she told the Customs Inspector that she had nothing to declare. Before her friends could correct her, the Inspector looked in her purse and saw the trinkets there. She was allowed to bring in \$100.00 worth, and in view of that, it should have been apparent that she was not attempting any smuggling. I suppose the Inspector would have been within his rights in assessing a penalty for a false declaration; but instead, he proceeded to bawl her out and tell her that it was just such liars as she was that made his job a hard one. His principal concern about what he preferred to consider a deliberate falsehood was that it caused him a little extra work. I do not know that the Inspector referred to above was Mr. Chester Hyde, but it sounds like him. In my conversation with him, I was particularly careful not to make any statement that was not entirely truthful, and although it was pretty difficult to do it, I managed to control my temper. Mr. Hyde adopted a generally abusive attitude toward my wife and me, and accused us of being liars and cheats. * * * It is my opinion that the Hidalgo Customs Office is in error in its

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decision on the particular quirk of the law in question. But even if it is right and I am wrong, I am sure that I am entitled to a decision from someone with more authority and less bias than Mr. Hyde. And since my taxes, my wife's taxes, and my mother's taxes are helping to pay the salaries of these Inspectors, I thoroughly resent the flagrant discourtesy and disregard of the rights of citizens that they have demonstrated, and that the Collector of Customs for District 23 has shown by ignoring my letter written to him more than a month ago.

Mrs. A. J. McGuire, Executive Secretary, Minnesota United Nations Committee, St. Paul, Minnesota. May I express my great pleasure in your talk at the Nicollet Hotel in Minneapolis recently. We have received many favorable comments on that meeting. Will it be possible to get a copy of your speech? * * * I am sending you herewith a letter which is going to the total membership of the Minnesota United Nations Committee on behalf of the Bretton Woods Agreement. We have had many discussions on this and are receiving requests from all over the state for speakers on the subject. * * *

Dr. John P. Marble, The Franklin Institute, Philadelphia, Pennsylvania. It gives me great pleasure to enclose U. S. Government pay check in the amount of \$167.88 as a further contribution. I only regret that I have not been financially able to return all pay checks received for war work, but I have had to hold some back due to the necessity of paying income tax on the full amount of my salary, regardless of the fact that the greater portion is returned to the U. S. Government before I receive any benefit from it. I hope that in the course of the future I will be able to pay out of my private income the amounts so withheld at this time.

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Ernest L. Owen, Publisher, The Post-Standard, Syracuse, New York. I am very appreciative of your fine letter of March 15th commending us for our editorial in The Post-Standard of February 14th. I fully agree with you that the public will support the Bretton Woods Agreement if it is fully informed. The public in this area has shown keen interest in this subject and we expect to further elaborate on it in future editorials. * * *

Mrs. G. J. Martin, R.D. 2, Doylestown, Pennsylvania. If I were criminally inclined, I should make it my business never to miss a single column of Mr. Walter Winchell's. There, under the heading of general news, is disseminated such items of information as the recent one to the effect that immediately after the war our currency will be issued under a new design, thus invalidating hoards of cash now being piled up by black marketeers and their fellow travelers. This is not the first such tidbit to appear in Mr. Winchell's column, as the Secret Service must be only too well aware. As a columnist he is entitled to inform his readers of his opinions, but thoughtful people remember his abrupt and never fully explained discharge from the Navy in the present War, and I, for one, am inclined to wonder whether his own resentment over this has made him ignore entirely the self-imposed censorship that causes other writers to suppress information when it could be used only to the country's detriment. Can nothing be done to stop the man?

Senator Guy Cordon forwards the following excerpt from a letter addressed to him by a member of the Armed Forces in Europe: "The big thing that really troubles the forces is the fact that, as you well know, the American dollar here is worth less than twenty cents at the rate of exchange. I have heard all of the many arguments about it, but it is a senseless picture. I saw a small comb in a window the other day marked 175 francs. Just a little, ordinary pocket comb of the twenty-five cent variety -- 175 francs. That, my dear comrade, is four

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dollars. * * * I cannot think of American money being debased as it is in this enterprise without wanting to kick the dickens out of somebody. The average private, after he has made his allotments, paid his insurance and bought a haircut at the P.X., if he has P.X., will have certainly not more than ten or twelve dollars left. That's about five hundred francs. * * * There is a way to fix it and fix it fast. If you will find some way to pay us all in American currency, real American Greenback Bills, not gold seal currency of red dot or pink smear or anything else than just exactly the kind we get at home, the American soldier will help break the black market and take care of himself very well, thank you. I do not know a man in the A. E. F. who does not feel that his country is cheating him and that he is being robbed of his pay. * * *

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Favorable Comments on Bonds

Mrs. Mae N. Christensen, Route 2, Leola, South Dakota.
Accept my thanks and appreciation for issuing a duplicate bond. If I find the one I lost, will immediately return this one to you.

Fred W. Buck, Co-chairman, St. Louis County War Finance Committee, Duluth, Minnesota. (Telegram) Walter Butler Shipbuilders, Incorporated, Riverside Yards, Duluth, has reported that at 4:00 p.m., March 18, its employees had subscribed in cash and payroll deductions \$537,199 against a Seventh Loan quota of \$525,000. The employees of this firm, in exceeding their quota so early, have again established an enviable record among industrial firms in the country. We respectfully suggest a national recognition for this excellent accomplishment. It is our hope that Butler Yard Duluth may be the first industrial plant to have met its Seventh Loan Quota.
* * *

George W. Kleiser, San Francisco, California. On behalf of Foster and Kleiser Company, its various branch managers and other personnel who have been active in the various Treasury War Loan Bond Drives, I wish to express my appreciation of the very fine telegrams sent by you to the members of our organization as well as to myself. I am confident that the citations will be greatly appreciated and highly prized by those who receive them. It is a pleasure to be of assistance to you in accomplishing the important job of financing the war. You may count on our continued cooperation and support.

James T. Shea, Attorney and Counselor at Law, Glasgow, Montana. Today, we enjoyed the happy experience of cashing two United States Savings Bonds of the maturity value of \$500 each, both purchased in March 1935. I may be in error, but I believe we are among the first in

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this community to so cash in any of said bonds and immediately convert them into War Savings Bonds, for with the proceeds we purchased one \$1,000 maturity value War Savings Bond, added a little cash and purchased an additional \$500 maturity value War Savings Bond. We were proud to have been able to do that.
* * *

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Unfavorable Comments on Bonds

R. Grinnell, President, Grinnell Corporation, Providence, Rhode Island. This morning I received your telegram of March 14th soliciting the aid of this company in furthering the sale of the "Z" Bonds, and as usual you may count upon our cooperation. But, may I ask why it is necessary for your office to send a 119 word night letter on a subject which is several weeks in the future? Presumably you have sent this same night letter to thousands of other firms - when a letter would have been equally effective. Such a waste of the taxpayers' money, coupled with the congestion of the already overloaded wires of the country does not tend to inspire enthusiasm in the collection of still further funds. This is certainly a horrible example of Government waste and inefficiency. If you have any explanation of the necessity for these telegrams I should be glad to be informed of it.

John Johnson, Duluth, Minnesota. Your 7th War Loan sure will be a flop, understand, unless the butcher shops get some meat. No meat here Saturday. No chickens -- eggs scarce. What in hell does Roosevelt mean by starving the bond buyers of the United States to help out those foreigners, the British and Russians? Charity begins at home. No food, no bonds -- take your choice!

P. A. Williams, San Francisco, California. * * * It has come to our attention that upon occasion when bonds were presented for redemption before maturity the certifying officer at a local bank refused to certify them upon the basis that the date of issue and the date shown in the issuing agent's stamp differed by more than 30 days. As there have been numerous cases where delay in issuance has been brought about by congestion in bond issuing agencies, particularly those of the War Department, and the bonds when finally issued bear an effective issue date some months prior to the date of actual issue, it appears that action should be taken to correct such action in the

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future. * * * We have in our possession a bond which is apparently worthless because the local Federal Reserve Bank of San Francisco refuses to re-issue it to the beneficiary unless and until the beneficiary produces a certified copy of the certificate of death of the owner, which the beneficiary refuses to do as a matter of principle -- believing that the Treasury Department should not require the owner of a bond to go to the expense of procuring said certificate. Inasmuch as the Social Security Board has paid in full all claims resulting from the death of the owner, it would appear that satisfactory proof of death is a matter of record with the Federal Government. * * * Particular attention is invited to the fact that enforcement of arbitrary and unnecessary regulations in the handling of these securities detract considerably from their value as an investment. It is generally believed that the War Bonds are an investment of integrity and simplicity and that at no time will the owner find it necessary to become involved in red tape. If your subordinate agencies do not exercise some discretion in the application of the regulations, the volume of sale will be affected adversely. * * *

Senator H. M. Kilgore - West Virginia. Mrs. Emma Hundley of Graydon, West Virginia, informs me that she received a check in the amount of ten dollars, payable to her son. This boy was killed in action and the money was the amount he had set aside to purchase War Bonds. Inasmuch as it was not sufficient to buy a bond, the Office of the Fiscal War Bond Division, 366 West Adams Street, Chicago, Illinois, sent the money to Mrs. Hundley. She, in turn, sent it to the Treasury for payment. It was returned to her stating that she would have to make affidavit that she was his mother. This she informs me was done more than two months ago. I shall appreciate your advising me what is holding up this check and indicating when she may expect to receive her money. * * *

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Russell A. Robinson, Attorney, Fremont, Nebraska. Since I am unable to contact people and urge them to purchase bonds, without being a complete hypocrite, I wish to advise you, Sir, as Secretary of the Treasury, that while the overwhelming body of union men are loyal and sincere, there are many leaders, and some union men, who are not sincere or patriotic, and whose jurisdictional strikes, and similar squabbles, seriously interfere with the war effort. In the face of repeated and cumulative instances of this kind the President has never, in any way, directly criticized a leader or union; on the other hand, he has actually praised them by referring to them as less than one-tenth of one percent, etc. * * * My son, whose mortality lies on Leyte, sent there by Mr. Roosevelt, did not "strike", but he is not supported in his effort and his death by you who condone the consistent and injurious strikes by certain leaders and union groups. * * * You know, if you are honest, that every soldier has the same right to "refuse" as does any striker. I shall continue to purchase bonds as I have in the past, but I shall have no part whatsoever in helping in any future "bond drive" until this hypocritical Administration changes its tactics and makes a sincere effort to "lead" the Country in a genuine and unpolitical campaign in support of the war. * * *

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Favorable Comments on Taxation

Joseph S. Alford, Nahant, Massachusetts. I wish to thank you and other members of the Treasury Department for the simplification in the income tax for the year 1944. I have fondly hoped for years that the instructions in the income tax forms would be clarified, and especially that the calculations be reduced to a minimum. All these high hopes have been realized in the tax form I completed in ten minutes tonight. I feel that the job you and your associates have done reflects credit on the Treasury Department. * * *

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Unfavorable Comments on Taxation

Karl M. Davis, President, The Salina Supply Company, Salina, Kansas. As a small businessman and an American Citizen, I am glad of the opportunity to pay all the taxes necessary to prosecute the successful conclusion of the war, and for ordinary expenses to run the important and necessary branches of the Government. On the other hand, with the increasing of the useless bureaus and office holders throughout the United States, it is becoming quite a problem for the ordinary businessman. * * * As President of this Company and owner of about 40% of the stock, let me say, first, that the earnings of the Corporation are taxed to such a point that their net earnings left are very small. Then, any dividend paid out plus earnings are taxed again, and there is not much left. Just at this time, I am having to borrow money to pay the income tax due tomorrow. The double taxation feature is a vicious thing and against which it is almost impossible now to start, build and expand a small Corporation. These vicious taxes should be adjusted and reduced, not only for the present generation, but for the future, because if they are not, we will become a nation of peasants in the near future and by winning the war, we will have lost our birthright and our Country, unless some steps are taken to safeguard the small ordinary American businessman.

AMBASSADE DE BELGIQUE

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Washington, March 23, 1945.

My dear Secretary,

I have just arrived in Washington and would be very happy to pay you a visit and chat with you for a few minutes.

I do not intend to discuss business at this stage, but it would be a pleasure for me to renew our acquaintance, interrupted since the end of the Bretton Woods Conference.

I am leaving for Canada, but will be back Tuesday evening and would then be at your disposal at any time.

Sincerely yours,



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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 23, 1945

TO Secretary Morgenthau
FROM Orvis A. Schmidt

I thought you would be interested in the attached memorandum of my conversation with McKittrick in Switzerland. I was surprised that a voluntary recital intended as a defense of the BIS could be such an indictment of that institution.

Attachment



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SECRET

MEMORANDUM FOR THE FILES

Subject: Conversation in Switzerland with Mr. McKittrick, President of the Bank for International Settlements.

Mr. McKittrick called to see Mr. Currie while we were in Switzerland during the recent negotiations and upon learning that I, a representative of the Treasury Department, was a member of the delegation, asked to talk with me.

It was clear that Mr. McKittrick was fully aware of the manner in which he and the BIS are regarded by the Treasury Department. He expressed the hope, however, that if persons in the Treasury Department understood the real role that he and the BIS had played, this attitude might change.

Mr. McKittrick began by explaining to me the origin of the BIS and the role that it had played in the prewar world. He pointed out that the Board of Directors consisted entirely of central bankers and he said that the BIS had become, to use his own words, "a sort of club" of the central bankers of the world. Every year the BIS had invited the central bankers to a dinner in Basle and in this and other ways had served to bring together the central bankers and to fuse them into a little group of like-minded men who understood and trusted one another. McKittrick emphasized particularly the attitude of mutual trust and confidence that had grown up among this group and the realization held by all of them of the importance to the group of faith in each other and of a conduct on the part of each that would warrant this faith regardless of the condition of the world or of the constantly changing political relations between their respective countries.

McKittrick stated that only by understanding this basic relationship could one understand how the BIS had been able to survive during this war and to conduct its affairs in the manner in which he had arranged them. He then explained that at the outbreak of the war he had personally contacted all of the Board members of the BIS, which, of course, included representatives of countries on both sides in the war,

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and had gotten from them a vote of confidence in himself and agreement that the BIS would be strictly neutral. The limited operations of the bank which were necessary consisted of collecting amounts owed by various debtor countries and the distribution of earnings on its capital. These operations and any other necessary business were to continue by having the necessary papers prepared at Basle and then cleared by McKittrick personally with each of the necessary officials of the bank. In this manner the bank has continued to operate during the past five years, and McKittrick emphasized that in no case had there been any disagreement with any of the operations carried on and he had never been under any duress or pressure from any of the belligerent countries which were members of the bank. McKittrick cited as an instance of the effectiveness of his own influence an attempt by the Germans to replace a Belgian member of the Board of Directors after the German occupation of Belgium. McKittrick stated that he refused to permit the change and, accordingly, the original member continued to occupy the position.

McKittrick had some figures showing the amounts of payments made to the BIS during the course of the year as compared to the amounts distributed, and contended that the Germans had paid, in Swiss francs, more to the BIS than they had received from the BIS. (As I recall, the amount so paid was 4,000,000 Swiss francs or about \$1,000,000.) McKittrick thus contended that the BIS had weakened the Swiss franc position of the Germans by depriving them of much foreign exchange.

I asked McKittrick why, in his opinion, the Germans had been willing to allow the BIS to be run in the manner which he had described and had continued to make payments to the BIS. I made the observation that they must have felt that, for some reason or other, such action was in their own interest. McKittrick's explanation was substantially as follows: In order to understand the conduct of the Germans toward the BIS, one must first understand the strength of the confidence and trust that the central bankers had had in each other and the strength of their determination to play the game squarely. Secondly, one must realize that in the complicated German financial setup certain men who have this central bankers' point of view are in very strategic positions and can influence the conduct of the German Government with respect to these matters. According to McKittrick, there is a little group in Germany who do not

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share the Nazi sympathies or Nazi point of view but who are so important to the Nazis and to the management of Germany's finances because of their technical ability that they continue to hold important positions. The existence of this little group is the keystone in the explanation of Germany's conduct with respect to the BIS.

According to McKittrick, there were probably three factors influencing this little group in its conduct toward the BIS. The first was the influence arising from their membership in this "bankers' club" and their implicit feeling of the importance of dealing squarely with other bankers. The second was the fact that this group had felt from the beginning that Germany would lose the war; that after defeat there would be a period of political, economic, and financial confusion in Germany; and that by playing the game squarely they might in this period of confusion emerge as a factor in shaping Germany's future destiny. Thirdly, in addition to the foregoing considerations, this group understood that in order to rehabilitate and reconstruct Germany after defeat it would be necessary that Germany be able to float loans. This little group of bankers felt that the role that they were playing would maintain their contacts and trust with other important banking elements so that they would be in a stronger position in the postwar period to negotiate loans for reconstruction of Germany.

I asked McKittrick whether he would name any of the people who compose the little group to which he constantly referred. The only person whom he named is a man named Puhl, who is one of the two top vice presidents of the Reichsbank. McKittrick explained that although Funk had been made head of the Reichsbank, he knew nothing about financial matters and is only the titular head. Under Funk are two top vice presidents, one of whom is a Nazi appointee who likewise understands nothing about the operations of the bank and only looks after matters of interest to the Party. The real operating head of the bank is Puhl, the other vice president. Puhl was described by McKittrick as a career banker who had been with the Reichsbank for some twenty years, who does not share the Nazi point of view, and who is the key person in explaining Germany's attitude toward the BIS. (I might also point out that in discussions with the Swiss National bank concerning their purchase

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of gold from Germany, the Swiss National Bank said that in order to be sure they were not obtaining looted gold they had requested a member of the Reichsbank, whom they regarded to be trustworthy, to certify that each parcel of gold which they purchased had not been looted. The person who had done this certifying was Puhl.)

During the course of the conversation, I mentioned the gold which the Germans had looted from occupied countries and, at one point, asked McKittrick directly whether he knew what had happened to the gold which the Belgians had had on deposit with the Bank of France and which had been taken by the Germans. McKittrick replied that he knew where it was, that he would tell me, but that it was of extreme importance that word did not leak out. McKittrick then explained that this gold was still held in the vaults of the Reichsbank; that he was sure it would be there when we took Berlin; and that Puhl was holding it there for return to the Belgians after the war.

McKittrick explained that the BIS had also received payments in gold from the Germans during the war and that when the war was over we would find all such gold carefully segregated and documented so that any of it which may have been looted could be readily identified. He said that when gold was offered to the BIS he had thought that it would be better to take the gold and hold it in this fashion rather than to refuse it and let the Germans keep it for other uses.

McKittrick also cited as an instance of the manner in which bankers had kept their word with the BIS, a transaction in which a substantial amount of gold was moved from northern Italy to Switzerland to pay off Italy's debt to the BIS. According to McKittrick, this gold had sometime earlier been pledged to pay off the Italian debt to the BIS. At the time of the collapse of the Mussolini regime, the BIS sent specially to Italy one of its own men, who in cooperation with the Italian Central Bank, succeeded in getting the gold to Switzerland, where it was used to pay off the BIS and the Swiss National Bank. According to McKittrick, this transfer had been made without the knowledge of the Germans, who probably would have stopped it had they been able to do so.

In closing, McKittrick volunteered to answer any other questions I might think of during the course of my stay

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in Switzerland and expressed the regret that he could not invite me to come to Basle and take a look at the books and records of that institution. He stated that as soon as the war was over, however, he intended to throw open the books and records to representatives of the United Nations, and he felt sure that they would appreciate and approve of the role that he and the BIS had played during the war.

Orville A. Schmidt
Orville A. Schmidt

Bern

334

Dated March 23, 1948

Rao'd 9:50 p.m.

Secretary of State,

Washington.

1740, March 23, 6 p.m.

FOR WEB FROM NOCHLELAND.

Department's 1090, WEB's 485 March 16.

Efforts to secure trucks here and move WEB parcels from Switzerland in collaboration with ICRG's Division of Special Assistance (DSA) for unassimilated persons are now meeting with small success.

Six twelve-ton trucks are being rented from private concern and will be available next week to transport relief supplies including WEB supplies to Buchenwald and Vienna area exclusively for civil detainees.

We were also able assist Sternbuch of Union Rabbis rent four trucks commercially which will leave next days for Bergen Belsen with Jewish Easter bread and other relief supplies.

Price such trucks is very high--one franc eighty per kilometer plus stiff insurance charges but we felt it worthwhile.

As reported in Legation's 1687, March 21 DMCA has ceded twelve wood burning trucks now in Germany to ICRG DSA. These trucks have not been located in confusion but they ought begin turn up next week.

French Government has sent 100 new three-ton Renault trucks to Geneva for ICRG's use. French are quite willing that eight or ten if not more be used exclusively for deliveries to their civil detainees if fuel can be made available. French, however, can send little or not fuel themselves and present UNIAF deliveries are solely for shipments to POWs.

On March 23 or 24 one railway car containing 1170 WEB parcels and other relief supplies from Union Rabbis and JDC will go forward to Theresienstadt and two other cars containing 4,800 WEB parcels plus JDC material will be shipped to Vienna area. We sincerely hope they will get through.

#1740

-3-

March 23, 6 p.m. from Bern

335

More trucks can be rented in Switzerland if tires can be obtained; and I shall, of course, discuss this possibility with UNIAF. I understand that AMCHROSS plans ship tires to Toulon for Switzerland on next boat. Could you not squeeze in a few WEB tires for ICRG DSA?

HARRISON

23

336

Istanbul

Dated March 23, 1948

Rec'd 9:30 p.m.

Secretary of State,

Washington

97, March 23, 4 p.m.

Please transmit the following paraphrased message to Moses Leavitt, Joint Distribution Committee, 270 Madison Avenue, New York from Charles Passman Joint Distribution Committee Istanbul:

"No. 4. Accounts for maintenance and transportation of refugees from Istanbul to the Syrian border for seven months ending January 1948 have been completed with Jewish Agency.

According to bills total due is approximately \$190,000 after deducting payment on account. While some items are still disputed it is not a question of accounting and I will have to settle the matter in Palestine.

\$40,000 are urgently required by Jewish Agency to cover its outstanding obligations here. That amount therefore should be sent to Joseph Goldin or Arthur Fishohn. The balance of the account is to be paid in Palestine.

March 27 I am leaving for Palestine for a short visit. While there I shall try to settle the accounts for the transportation from Constanta to Istanbul of refugees by sea."

KEP

THOUTDAE

337

Bern

Dated March 23, 1948

Rec'd 9:30 p.m.

Secretary of State,

Washington.

1739, March 23, 6 p.m.

FOR O'DWYER WBS FROM MCLELLAND.

Department's 998, WBS's 438, March 9 and 1090
WBS's 488, March 16.

Many thanks your telephone call March 21. I regret that illness prevented my going to Paris immediately on receipt your 998 but I was laid up with flu until March 20.

It would be most helpful to have Katski in Paris in first place actively to follow up negotiations with SHAEF concerning allocation trucks tires and fuel for ICRC WBS relief and evacuation work in Germany and secondly to accelerate evacuation from Switzerland of "Hungarian" group of 1872 refugees as well as some 700 stateless from the Besenstadt convey. Slowness with which this has been moving is beginning to have unfavorable reaction in dealings with Swiss. It is most important at this critical time that at least a few hundred of the refugees be moved on as promptly as possible in view of conceivable arrival in Switzerland shortly of unknown numbers of new evacuees. Katski could perform most valuable service as WBS liaison man to handle such matters now and in future with SHAEF in France AFHQ in Caserta and USMEX.

If I had someone to do this outside work who could assist me in Switzerland for a week or two from time to time I could continue swinging this job at this end without need of your sending a special WBS man to assist me full time here.

I shall discuss this whole question with Katski and would appreciate your opinion. Please wire me in Paris.

HARRISON

WBS

Miss Chumcey (for the Sec'y) Cohn, DuBois, Gaston, Hodel, Hutcheon, McCormack, O'Dwyer, Files.

338

129-513

PLAIN

Lisbon

Dated March 23, 1945

Rec'd 9:35 p.m.

Secretary of State,

Washington.

648, Twenty-third

WHB 366 JDC 203 FOR LEAVITT FROM HAROLD TROSE

Sally advises credits placed Filderman's disposal amount to Swiss francs ten and one-half million. He authorized Filderman aid also countries bordering Rumania and finance Red Cross detachments and medical teams pending arrival joint representative Bucharest.

CROCKER

RB

Miss Chauncey (for the Sec'y), Cohn, DuBois, Gaston, Hodel, Hutchison, McCormack, O'Dwyer, Files

339

PLAIN

Lisbon

Dated March 23, 1945

Rec'd 11:15 p.m.

Secretary of State

Washington

634, Twenty-third

WHB 366 JDC 201 FOR LEAVITT FROM HAROLD TROSE.

Julius Huettner, Jewish Refugee Committee Goteborg, advises 150 Turkish Jew ex-Bergen-Belsen Theresienstadt sailed aboard BROTTNINGHOLM for Liverpool for repatriation Turkey. Have asked London obtain all possible information concerning this group and their destination since possible identical with groups 155 Sephardics deported from Athens and Salonica to Bergen-Belsen in April 1944. Will keep you advised.

CROCKER

LMS

Miss Chauncey (for the Sec'y) Cohn, DuBois, Gaston, Hodel, Hutchison, McCormack, O'Dwyer, Files.

340

MS-819

PLAIN

Lisbon

Dated March 23, 1945

Rec'd 9:30 p.m., 24th

Secretary of State,

Washington.

649, Twenty-third

"RB 367 JDC 204 FOR LEVITT FROM TROBE

Hagmos shipped five tons Easter bread five tons flour

Greece.

CROCKER

CSB

Miss Chauncey (for the Sec'y), Cohn, DuBois, Gaston, Rodol,
Hutchison, McCormack, O'Dwyer, Files

341

Bern

Dated March 23, 1945

Rec'd 10:05 a.m.

Secretary of State,

Washington.

1735, March 23, 3 p.m.

FOR WHE FROM MCCLELLAND TO ABRAHAM SILBERSCHWIM
WORLD JEWISH CONGRESS FROM HANS KLEE

No documents from Zelaznik obtained. Have interviewed many people from Burgen Belsen and the Resienstadt groups as well as from other camps collecting documentation for reports. Am in close contact with Mrs. Marcus concerning Lindenbaum. Food parcels for names you indicated ordered through Stockholm. Contacted Moritz Leib who is well regarding aid. Stricker, Friedmann, Kosower, Kahn others left the Resienstadt for unknown destination October 1944 presumably for work camps in Germany. In September, October 1944 several thousands persons obliged leave the Resienstadt.

Please contact joint matter legal defense young men Bucharest to take up this question with JEC representative in Switzerland who has hitherto been uncooperative in this question.

Muehlbaum Tel.-A-Viv asking for \$200 deposited with you formerly for Marcus Gersten because now needs it himself. Paul Ateitelbaum, Hilfikon asks you contact her uncle Charles Gwirt, 7224 High and Hwy, New York for support herself and mother. Contact Dr. Alex Melamid, 243 Riverside Drive New York City to send help for his mother-in-law Clara Caro recently arrived here from the Resienstadt. Mrs. Mann anxious because no news from her husband.

Please cable concerning your activities travel arrangement with World Congress and approximate date your return.

HARRISON

JES

Miss Chauncey (for the Sec'y) Cohn, DuBois, Gaston, Rodol,
Hutchison, McCormack, O'Dwyer, Files.

MS-019

PLAIN

Lisbon

Dated March 23, 1945

Rec'd 9:30 p.m., 24th

Secretary of State,
Washington.

649, Twentythird

REB 367 JNC 204 FOR LEAVITT FROM THOME

Magne shipped five tons Easter bread five tons flour

Greece.

CROCKER

CNS

Bern

343

Dated March 23, 1945

Rec'd 10:05 a.m.

Secretary of State,
Washington.

1735, March 23, 2 p.m.

FOR WEN FROM HOLLAND TO ABRAHAM SILVERSTEIN
WORLD JEWISH CONGRESS FROM HANS KILN

No documents from Lelanski obtained. Have interviewed many people from Bergen Belsen and the Resienstadt groups as well as from other camps collecting documentation for reports. Am in close contact with Mrs. Marcus concerning Lindenbaum. Feed parcels for names you indicated ordered through Stockholm. Contacted Morris Leib who is well regarding aid. Stricker, Friedmann, Kessover, Kahn others left the Resienstadt for unknown destination October 1944 presumably for work camps in Germany. In September, October 1944 several thousands persons obliged leave the Resienstadt.

Please contact joint matter legal defense young men Bucharest to take up this question with JDC representative in Switzerland who has hitherto been uncooperative in this question.

Moselbaum Tel-Aviv asking for \$200 deposited with you formerly for Marcus Garsten because now needs it himself. Paul Atteitlbaum, Hilfikon asks you contact her uncle Charles Gwirt, 7324 Elah Rd KMAK, New York for support herself and mother. Contact Dr. Alex Weissold, 343 Riverside Drive New York City to send help for his mother-in-law Clara Care recently arrived here from the Resienstadt. Mrs. Mann anxious because no news from her husband.

Please cable concerning your activities travel arrangement with World Congress and approximate date your return.

VSB

HARRISON

344

JSD-457
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Ankara
Dated March 23, 1945
Rec'd 10:37 p.m.

Secretary of State

Washington

398, March 23, 1 p.m.

FOR COUNTRIES OF THE FROM PACKER

Ankara No. 15 Central Bank has transferred
\$98,500 (repeat \$98,500) which is balance of ori-
ginal \$160,000 (RHSPTL 311, March 15) through the
Chase National Bank, New York to Iver C. Olsen,
United States Legation, Stockholm, Sweden.

STEINHAUDT

LMS

345

STD-302
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern
Dated March 23, 1945
Rec'd 12:21 p.m.

Secretary of State,
Washington.

US URGENT

1738, March 23, 4 p.m.

FOR COUNTRIES OF THE FROM PACKER

Department's 1148, WHB's 468, March 21.

According to your instructions I shall leave for
Paris at soonest possible moment although with prevailing
transportation difficulties I probably cannot reach
there before March 25 or 26.

I will contact Brigadier General Maurice Gillard
of SHARP G-4 immediately on arrival.

Kindly advise me core Embassy Paris approximate
date Matski's arrival.

HARRISON

RM

345

MS-413

PLAIN

Lisbon

Dated March 23, 1945

Rec'd 9:35 p.m.

Secretary of State,
Washington.

644, Twenty-third

MSB 366 JDC 203 FOR LEAVITT FROM HAROLD THOMAS

Re: Wireless credits placed Filderman's disposal
amount to Swiss francs ten and one-half million. He
authorized Filderman aid also countries bordering Rumania
and finance Red Cross detachments and medical teams
pending arrival joint representative Bucharest.

CROCKER

RN

347

PLAIN

Lisbon

Dated March 23, 1945

Rec'd 11:15 p.m.

Secretary of State

Washington

634, Twenty-third

MSB 365 JDC 201 FOR LEAVITT FROM HAROLD THOMAS.

Julius Kuehnner, Jewish Refugee Committee
Goteborg, advises 160 Turkish Jews ex-Bergen-Belsen
Theresienstadt sailed aboard BROTHINGHOLM for Liverpool
for repatriation Turkey. Have asked London obtain
all possible information concerning this group and
their destination since possible it identical with
group 165 Gephardsen deported from Athens and Valencia
to Bergen-Belsen in April 1944. Will keep you advised.

CROCKER

LAC

Bern

Dated March 23, 1945

Rec'd 9:30 p.m.

348

Secretary of State,

Washington.

1739, March 23, 5 p.m.

FOR O'DWYER WBB FROM MULLIGLAND.

Department's 998, WBB's 438, March 9 and 1090
WBB's 455, March 16.

Many thanks your telephone call March 21. I regret that illness prevented my going to Paris immediately on receipt your 998 but I was laid up with flu until March 20.

It would be most helpful to have Katski in Paris in first place actively to follow up negotiations with SHAFV concerning allocation trucks tires and fuel for ICRC WBB relief and evacuation work in Germany and secondly to accelerate evacuation from Switzerland of "Hungarian" group of 1672 refugees as well as some 700 stateless from the Resienstadt convey. Slowness with which this has been moving is beginning to have unfavorable reaction in dealings with Swiss. It is most important at this critical time that at least a few hundred of the refugees be moved on as promptly as possible in view of conceivable arrival in Switzerland shortly of unknown numbers of new evacuees. Katski could perform most valuable service as WBB liaison man to handle such matters now and in future with SHAFV in France AFRO in Caserta and UNRRA.

If I had someone to do this outside work who could assist me in Switzerland for a week or two from time to time I could continue swinging the job at this end without need of your sending a special WBB man to assist me full time here.

I shall discuss this whole question with Katski and would appreciate your opinion. Please wire me in Paris.

WFS

HARRISON

SECRET

NOT TO BE RE-TRANSMITTED

COPY NO. 349

OPTTEL No. 94

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

NAVAL

1. HOME WATERS. 22nd. Midget U-boat collided with MTB 394 off Great Yarmouth who opened fire causing abandonment of U-boat and capture of 2 prisoners. 22nd/23rd (night). E-boats active in Southern area North Sea and were engaged by MTB's who drove them off.

2. EAST INDIES. 24th Feb to 9th Mar. Two of H.M. Submarines operating together destroyed 6 coasters, 4 junks, 1 tug and submarine chaser, while another sank 8 junks.

3. ENEMY ATTACKS ON SHIPPING. 22nd. A 6996 ton ship torpedoed in convoy off Lands End. A 7247 ton Greek and 7176 ton U.S. ship sunk by mine or torpedo off Zebrugge.

MILITARY

4. WESTERN FRONT. Southern Sector: Now confirmed that 7th and 3rd U.S. Armies joined up several places between Homburg and Neunkirchen. 3rd U.S. Army troops have entered Speyer and reached Ludwigshafen and hold west bank of Rhine between Worms and Bingen with exception small pocket Mainz. Central Sector: At north end of Remagen bridgehead River Sieg reported crossed.

5. EASTERN FRONT. Northern Sector: Further slight gains made south Danzig but Germans claim to have prevented breakthrough to coast between this town and Gdynia. Central Sector: Advances made of some 25 miles S.W. Oppeln where Neustadt and other places captured. Southern Sector: Further gains made north and N.E. Zvolen.

6. BURMA. Coastal Sector: Small advances made from An bridgehead. Central Sector: 20th. In south and Nyaung bridgehead 230 Japanese killed when attacking our position area Seikpyu when our casualties 36 killed and 48 wounded. Further North southern end of Myingyan occupied by our troops and rest of town in flames. In Mandalay area enemy garrison now split in small parties attempting escape southwards. Northern Sector: Our troops advancing S.W. Mong-mit have reached point 7 miles S.E. Mogok.

AIR

7. WESTERN FRONT. 21st/22nd (night). 530 Bomber Command aircraft (7 missing) despatched: 302 oil refinery and benzol plants (1283 tons) at Hamburg and Bochum, 142 Berlin and 86 other operations with mainly good results.

22nd. 645 escorted Bomber Command aircraft (4 missing) attacked in clear weather enemy troops and supplies dropping total 1252 tons Dulmen, Dorsten and Bocholt while 566 tons dropped (including five 22,000 pounders) on railway bridges Bremen and Mienburg (where bridge destroyed) and also 1406 tons Hildesheim. 1293 escorted U.S. heavy bombers (5 bombers, 5 fighters outstanding) attacked visually 10 military camps and barracks in Dorsten Essen du Seldorf area (1629 tons) and 5 airfields east Mannheim (1072) when 14,14 casualties inflicted in combat and 13,0,8 on ground. SHAEF (Air) bombers 1066 (13 missing) dropped 1486 tons on 27 communication centres north and central sectors and 3 railway bridges southern sector while 3394 fighters and fighter bombers (8 missing) operated battle areas destroying or damaging 200 locomotives, 800 M.T., 2,000 rail vehicles and inflicting 13,0,3 casualties in combat and 62,7,44 on ground. 120 Fighter Command Spitfires attacked railway movement Holland and also rocket target Hague area.

22nd/23rd (night). 163 Bomber Command aircraft (2 missing) despatched: Berlin 56, sea mining 29 and bomber support and other targets 78.

8. MEDITERRANEAN. 20th/21st (night). Liberators dropped 170 tons railway centre Pragersko (south Maribor). 21st. 675 escorted U.S. heavy bombers (3 missing) dropped total 1251 tons including 718 on airfield Neuburg (45 miles N.W. Munich). Three oil refineries and 6 railway targets Austria and Yugoslavia. 913 tactical aircraft (5 missing) attacked communications and other targets North Italy.

9. JAPAN. 18th/19th (night). 292 Super Fortresses (1 missing) attacked Urban Area Nagoya (1679 tons) causing heavy damage.

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

10. FLYING BOMBS. 22nd/23rd (night). Eleven plotted, of which nine destroyed.

11. ROCKETS. 21st. One additional incident reported for previous 24 hour period.

22nd. Four incidents reported.
22nd/23rd. Four incidents reported.

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Regraded Unclassified