

DIARY

Book 836

April 11-12, 1945

APR 11 1945

Dear Mr. Finanski:

I want to take this opportunity to express my sincere appreciation for the accomplishments of the exhibitors, distributors, stars, publicists and producers comprising the War Activities Committee of the Motion Picture Industry in all of the previous war loan campaigns. The honest effort everyone in your business has made is exemplified by the record of results attained.

At this time, I wish also to extend to you, as Chairman, and to all the members of your National Seventh War Loan Committee my congratulations on the fine plans you have made. Your aid in our financing program is the sort of aid given only by good, patriotic American citizens.

Your plans can only succeed if you have the full support of all of the men and women in the industry. With this thought in mind, I appeal to one and all to give to the Seventh War Loan Committee the backing they have accorded preceding committees. It is our mutual desire to make this the Mighty Seventh.

Sincerely,

(Signed) H. Morganthau, Jr.

Mr. Samuel Finanski, Chairman  
Seventh War Loan Committee  
Motion Picture Industry  
1501 Broadway  
New York City, New York

TWR:HC

OFFICE OF WAR INFORMATION  
WASHINGTON

OFFICE OF THE DIRECTOR

April 5, 1945

April 11, 1945

Mr. Edward Klauber  
Acting Director  
Office of War Information  
Washington, D. C.

Dear Mr. Klauber:

The Secretary has asked me to reply for him to the matter discussed in your letter of April 5th, about which I spoke to you over the telephone today.

This will confirm our understanding that we will not use the last fourteen of the projected twenty-one programs of "I Know the Enemy." Further, I wish to advise you that if Mr. Dalton feels after reviewing the seven that have already been recorded (previously approved by the OWI) that they should be dropped, then we will abide by his decision.

On Saturday, March 11st, a meeting was held which was attended by the Messrs. Stone, Nash and Ludlum of OWI. While we did not decide at that meeting to eliminate these programs, I'm certain that our minds met on the treatment that should be given the remaining scripts. As I told you over the 'phone, I quite agree with what you had to say and gladly respond to your suggestion.

With all good wishes, I am

Sincerely yours,

Ted H. Gamble  
National Director  
War Finance Division

THG:APP  
cc: Mr. Gaston

The Honorable  
The Secretary of the Treasury

Dear Mr. Secretary:

A number of us here have pondered very carefully the proposed radio series, "I Know the Enemy," which the Treasury is contemplating as one of its promotion efforts in support of the next war loan drive. Eager as we are not to impede any project which might aid in the success of this most important undertaking, we nonetheless must tell you that we are not at all happy about these proposed broadcasts. We have two reasons for believing that they are inadvisable.

First, it is our judgment that the credence of the American people in the authenticity of atrocity information will be broken down by a sudden whooping up of atrocity stories all over the country for the obvious and admitted purpose of selling war bonds. You may recall that, fortuitously, the story of the death march from Bataan was released to the public coincidentally with an earlier war bond drive. There was wide-spread suspicion that the story was not wholly genuine but rather that a deliberate effort was being made to work upon the emotions of the American people by exaggerating the material. We have no doubt that the same thing would happen again and that the result would be cumulative.

Knowing that you are yourself a deep student of public relations, I know I do not need to stress very hard the fact that the government would suffer serious damage not only in its war efforts but in its defense efforts and in its peace efforts as the years go on, if the American people lose faith in what they are told about the nature and the behavior of the enemy. You are of course as well aware as I am that discredited atrocity stories from the last war have created unhealthy skepticism in many minds about such information in the international field, and that this persists to this day. The very existence of this continued skepticism, in our opinion, makes it all the more important that we should provide no further grounds for questioning the motives behind current veracious information, since doubt about the motive of course always tends to cast doubt on the fact, in very many minds.



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Our second reason for believing that this series could well have unfortunate consequences is that we are fearful that sudden and intensive dwelling in official government programs on Japanese atrocities might well lead the Japanese into retaliatory measures against our nationals whom they hold prisoner. We understand that our serious misgivings on this second point are shared in the State Department.

Please let me express the hope that you will reconsider this particular project, and at the same time I want to offer my assurance that, as always heretofore, we will do our utmost to further the success of this drive in every way we possibly can.

Since I must be in New York from Friday afternoon until next Tuesday afternoon, may I ask that if you desire some discussion before my return, you invite Mr. Neil Dalton, Director of our Domestic Branch to come to see you. You can, of course, reach me by telephone in New York through my office, should you care to do so.

Sincerely yours,

*Edward Klauber*

Edward Klauber  
Acting Director

APR 11 1945

My dear Mr. President:

Pursuant to section 10(a) of the Gold Reserve Act of 1934, approved January 30, 1934, as amended by the Act of April 29, 1943, I have the honor to submit the annual report for the fiscal year ending June 30, 1944, of the Exchange Stabilization Fund created by section 10(b) of the Act, including a summary of operations of the Fund from its establishment to June 30, 1944.

By section 10(b) of the Gold Reserve Act of 1934, there was appropriated the sum of \$2,000,000,000 for the establishment of the Exchange Stabilization Fund. This sum was appropriated out of the increment resulting from the reduction in the weight of the gold dollar, which was covered into the Treasury as a miscellaneous receipt in accordance with section 7 of the Act. Section 10(a) of the Gold Reserve Act of 1934 authorized the Secretary of the Treasury, with the approval of the President, to deal in gold and foreign exchange and such other instruments of credit and securities as he might deem necessary for the purpose of stabilizing the exchange value of the dollar.

On March 9, 1934, the Fund was set up on the books of the Treasury, and on April 27, 1934, \$2,000,000,000 in gold from the increment resulting from the reduction in the weight of the gold dollar was transferred to the Fund which, in turn, transferred \$200,000,000 to accounts with the Treasurer of the United States and the Federal Reserve Bank of New York to be used for the Fund's immediate operations.

As originally provided, the Fund was to have a life of two years from January 30, 1934, unless sooner terminated by the President. However, the President was authorized to extend such period for not more than one additional year. On January 16, 1936, the President issued a Proclamation extending the Fund for one additional year from January 30, 1936. By resolutions in 1937, 1939, 1941 and 1943 (Public No. 48, 76th Congress, approved April 29, 1943) Congress extended the life of the Fund to June 30, 1945, unless sooner terminated by the President.

The Gold Reserve Act of 1934, as originally enacted, required that an annual audit of the operations of the Fund be made and a report thereof be submitted to the President. The Act of July 6, 1939 amended this requirement to provide that a report should also be made to the Congress.



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In view of the confidential nature of the transactions of the Fund, it was not deemed advisable to permit documents covering these transactions to leave the Treasury or to permit any outside auditors to come into the Treasury to review the records. It was decided, therefore, that the audit should be made by a committee composed of three Treasury officials, thoroughly conversant with Treasury fiscal operations and not in any way connected with the operations of the Fund, who have served in the Treasury for periods ranging from twenty-five to thirty years. Each year this committee, together with employees working under its immediate jurisdiction, has audited every transaction of the Fund, and the committee's reports and accompanying certifications have been submitted to the President and to the Congress as required by the Gold Reserve Act of 1934 as amended.

No statements showing the position of the Fund were published prior to March, 1939. Since that date the quarterly balance sheets of the Fund have been published regularly.

In the attached report of the auditors, there are presented the following tables showing the condition of the Exchange Stabilization Fund as of June 30, 1944, and giving summaries of transactions in all of its accounts for each fiscal year from its establishment to June 30, 1944:

- Exhibit A - Statement of condition as of June 30, 1944.
- Exhibit B - Recapitulation of profit from April 26, 1934 to June 30, 1944.
- Exhibit B-1 - Analysis of profits from April 26, 1934 to June 30, 1944.
- Exhibit C - Transactions in gold from April 26, 1934 to June 30, 1944.
- Exhibit D - Transactions in silver from April 26, 1934 to June 30, 1944.
- Exhibit E - Transactions in British sterling from April 26, 1934 to June 30, 1944.
- Exhibit F - Transactions in French francs from April 26, 1934 to June 30, 1944.
- Exhibit G - Transactions in Mexican pesos from April 26, 1934 to June 30, 1944.

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- Exhibit H - Transactions in Chinese yuan from April 26, 1934 to June 30, 1944.
- Exhibit I - Transactions in Netherlands guilders from April 26, 1934 to June 30, 1944.
- Exhibit J - Transactions in Belgian belgas from April 26, 1934 to June 30, 1944.
- Exhibit K - Transactions in Swiss francs from April 26, 1934 to June 30, 1944.
- Exhibit L - Transactions in Brazilian milreis (cruzeiros) from April 26, 1934 to June 30, 1944.
- Exhibit M - Transactions in Indian rupees from April 26, 1934 to June 30, 1944.
- Exhibit N - Transactions in Iranian rials from April 26, 1934 to June 30, 1944.
- Exhibit O - Transactions in Egyptian pounds from April 26, 1934 to June 30, 1944.
- Exhibit P - Transactions in investments in United States securities from April 26, 1934 to June 30, 1944.
- Exhibits Q, R, and S - Transactions conducted by the Federal Reserve Bank of New York as Fiscal Agent of the United States on behalf of and for account of Bank of France, Bank of England, and Bank of Netherlands, respectively, under the Tripartite arrangement.

Exhibit A shows the condition of the Fund as of June 30, 1944. Exhibits B and B-1 are a recapitulation and analysis of the profits of the Fund from April 26, 1934 to June 30, 1944. These two exhibits show that the operations of the Fund since its establishment have resulted in a net profit of \$58,877,304.37. The net profit for the fiscal year 1944 was \$27,671,996.32.

As shown by Exhibit C, the Stabilization Fund acquired 35,805,015.396 ounces of gold for which it paid \$1,253,121,991.84 and disposed of 35,501,031.337 ounces of gold for which it received \$1,245,538,139.83 during the fiscal year 1944. The gold holdings of the Fund increased from 300,015,130 ounces, valued at \$10,500,529.80 on June 30, 1943 to 603,999,191 ounces, valued at \$21,139,971.77 on June 30, 1944.



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As shown by Exhibit E, the Fund engaged in no silver transactions during the fiscal year 1944.

Exhibits E to G inclusive summarize the transactions of the Stabilization Fund in foreign currencies from the establishment of the Fund to June 30, 1944. The foreign currency holdings of the Fund valued at \$1,411,386.39 on June 30, 1943 were increased to \$3,519,505.03 by June 30, 1944. During the fiscal year ended June 30, 1944, the foreign currencies acquired by the Fund amounted to \$50,019,508.85 and those sold amounted to \$72,854,306.83.

As shown by Exhibit F, the Fund purchased at par \$10,000,000 of United States securities during the fiscal year 1944, increasing its holdings of such securities to \$20,448,723.13 at cost.

Exhibits G, H, and I summarize the transactions under the Tripartite arrangement of September, 1936, conducted by the Federal Reserve Bank of New York as fiscal agent of the United States on behalf of and for the account of the Bank of France, the Bank of England and the Bank of the Netherlands, respectively. All transactions under this arrangement were suspended following the outbreak of war in 1939.

Many of the transactions in gold, summarized in Exhibit C, and in foreign exchange, summarized in Exhibits E to G, were undertaken in accordance with special agreements entered into by the Fund.

Under the stabilization agreement between the Government of Brazil and the Secretary of the Treasury of July 15, 1937, as subsequently renewed and amended, the Fund sold to Brazil \$124,688,274.76 of gold during the fiscal year 1944 making a total of \$320,986,143.21 sold since the inception of the agreement.

In accordance with the special monetary agreement of July 6, 1942, with the Republic of Cuba, the Fund sold during the fiscal year a total of \$49,999,147.19 of gold to the Government of the Republic of Cuba, making a total of \$79,999,177.48 sold since the inception of the agreement. Of the amount purchased, \$4,999,999.41 of gold was unpaid for as of the close of the fiscal year.

Under the special monetary agreement confirmed September 26, 1942, with the Government of Liberia, an amount of 53,650 pounds sterling in British coins valued at \$214,600 was acquired by the

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Fund during the fiscal year 1944, bringing the total amount acquired to 167,350 pounds valued at \$669,400, and 160,000 pounds were disposed of for \$641,213.69 by sale against dollars to the Bank of British West Africa, Freetown, and by reimbursement by the Bank of Monrovia, Inc. At the close of the fiscal year, the Fund held 7,350 pounds valued at \$28,186.31.

Under special arrangements concluded with the British Treasury, during the fiscal year 1944 the Stabilization Fund acquired 146,026,171.40 rupees, 293,072,315.65 rials, and 1,696,495,753 Egyptian pounds against gold earmarked in New York for the Bank of England to replace gold sold on behalf of the Fund as a participant in the program of open market gold sales. These sales which began in August 1943 served the two-fold purpose of providing local currencies needed for British and American military disbursements and of assisting in efforts to combat inflation in India, Iran, and Egypt. The Fund sold 143,967,060 rupees, 204,000,000 rials, and 2,309,000 Egyptian pounds, including 900,000 Egyptian pounds which were purchased against dollars in New York.

On June 30, 1944, the agreements with Liberia, Iceland, and Ecuador expired. Prior to that date, however, discussions in regard to the extension of the agreement with Ecuador had been initiated. The stabilization agreement with the Government of Brazil was amended on November 24, 1943 to increase the amount of gold made available for sale to the Government of Brazil from \$200,000,000 to \$300,000,000.

In accordance with the Act of January 30, 1934, as amended, this report is also being submitted to the Congress.

Sincerely,

(Signed) H. Morgenthau, Jr.

The President

The White House

Enclosures.

RE: 3-22-45

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April 11, 1945.

Returned to the President.

THE WHITE HOUSE  
WASHINGTON

April 2, 1945.

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

Do you know anything about  
Mr. Sharon Maubs?

F. D. R.

My dear Mr. President—  
Never heard of him.  
Sounds like a good  
man. If you can't  
see him, I might  
find a place for him.  
Wm J.



March 29, 1945

I enclose herewith copy of my letter of today to the National Chairman.

Our up-State County Chairmen sometimes get discouraged, and I have recently had three or four letters from them which indicate a recurrence of their appreciation of the difficulties under which they are forced to operate. As a point of interest to you, I might say that the farm agents up-State are largely Republican, and when they pass out the subsidy checks, which are the result of our Party's program, they make disparaging remarks, such as "Well, they are giving you a check but they will take back double in a few months".

I beg to remain

Respectfully yours

Paul E. Fitzpatrick

Mrs. Franklin D. Roosevelt  
The White House  
Washington, D. C.

daily years. 2. Polyphagous.

March 29, 1963

Honorable Robert F. Hennagan  
Democratic National Committee  
Mayflower Hotel  
Washington 6, D. C.

Dear Bob:

In view of the Senate Turn-down of Aubrey J. Williams for Administrator of the Rural Electrification Administration I would suppose that it will be of the highest importance that the next nominee would go through the Senate in such a way as to solidify the ranks of the Party.

I have a candidate who I believe fits this requirement. He is Sharon J. Mandus, the Chairman of Schoharie County. He is a "real dirt farmer" in the sense that he actually works at running a farm and he is also one of the leading lawyers up-State. As you will note from the enclosed biographical sketch he has an excellent record of achievement both in law and with farm organizations.

I have a particular reason for wishing this appointment to come to up-State New York. I have been urged for sometime by up-State County Chairmen and by farm leaders to seek an appointment in Washington for an up-State New York Democrat who will give confidence to our farm population that they have a representative in Washington important enough to carry weight in advancing their particular problems. Indeed, I was on the point of asking that a new assistant secretary be created for the Department of Agriculture. As you know, Marvin Jones, the War Food Administrator, comes from Texas; Claude Wickard, Secretary of Agriculture, comes from Indiana; and both the Under Secretary and the Assistant Secretary come from the west or the south. This leaves the northeast without representation.

Few people realize how important a State New York is from an agricultural standpoint. Few people realize that New York is the most important milk producing State from the standpoint of milk consumption as such.

We did make some gains in up-State rural areas this year in several counties; in fact we carried Clinton County for the first time in quite a while. I am anxious to have this gain continue; in fact we must forge ahead if the Party in New York is to be representative

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of all sections of the State.

I want to emphasize the fact that this appointment would mean more than merely patronage. It would indicate to our up-State rural areas that they are considered an important part of the New York State organization and that they have a coming position in the Capitol.

I would appreciate your putting forth the utmost effort on this recommendation.

I am sending copies of this recommendation to Senators Wagner and Hend.

With all good wishes,

Sincerely yours,

FEB/3  
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CHAIRMAN



BIOGRAPHICAL SKETCH OF SHARON J. MAUHS

Born at Sharon Springs, New York, October 27, 1901.

Father died in 1911

Left school in 1918 to support mother and sister. Worked one year as steamfitter's helper; 2 years as steamfitter.

Returned to High School in 1921, completed junior and senior years in one year and graduated with honors in 1922.

Entered Union College (Albany Law School) in 1924 and supported self while in law school by working as dishwasher in Union News Company Restaurant, Albany, New York.

Tried and passed New York State Bar Examinations before graduating in March 1926.

Admitted to the New York Bar July 1, 1926

Elected to two three year terms as Prosecuting Attorney of Schoharie County, New York (1927-1932).

In 1934, upon recommendation of the Governor, was appointed Special Assistant District Attorney of Remsenlaer County and placed in charge of the prosecution in the Spornick Murder Case. Personally conducted the trial with great credit to himself and the State of New York.

Served four years (1933-1937) as trial counsel for the Attorney General of New York in the Department for the Investigation of Monopolies and Rackets.

In 1935 he was designated by the Attorney General to prosecute a group of extortioners who had been operating among bakery and confectionery stores in Brooklyn, New York where the owners of the stores had been compelled to pay varying amounts of weekly tribute for "protection" from personal violence and destruction of property. As a result of the prosecutions and convictions he obtained, hundreds of storekeepers were freed from the domination of a powerful extortion ring.

In 1937, again by designation of the Attorney General, he conducted the Racing Investigation in Saratoga County which resulted in the indictment of over eighty individuals and corporations who were manipulating a vast scheme of "tipping" horses, false advertising and allegedly fixing races. Indictments were handed up naming individuals as far south as Florida and when the investigation was completed, every individual defendant apprehended and every corporation indicted, were convicted.

Recognized as one of the leading trial lawyers in Northern New York.

Member of the Schoharie County Bar Assn; the New York State Bar Assn., of which association Mr. Mauhs for several years served as Chairman of the Committee on Membership.

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Recently appointed by the President of the Bar to membership on the Committee to Study Post War Problems and Accident Prevention.

Member of the Grange, Local No. 1499; Holstein-Friesian Association of America; New York State Farm Bureau; Cobleskill Lodge No. 394, F. & A.M.; John L. Lewis Chapter No. 229, B.A.M.; Wellington Lodge No. 471, L.O.O.F.; Schenectady Lodge no. 488 B.P.O.E.; The Albany Club; Schoharie County Historical Society and the Cobleskill Methodist-Episcopal Church.

Owens and since 1927 has personally supervised the operations of Wyndhyl Farms, where he maintains one of the top New York State herds of registered Holstein-Friesian cattle. Several years ago the Wyndhyl herd led the state and nation in milk and butterfat production.

Member of the many farm organizations, he not only is known as one of the leading farmers in New York State but is proud of having been many times designated as a "real dirt farmer". He is thoroughly conversant and familiar with all rural needs.

In 1927 he married Gertrude Williams Myers of Barnerville, New York. They have 2 sons, John, 16, a cadet at New York Military Academy, and Peter, 13, a student at Cobleskill Central High. The family resides at Wyndhyl Farm, Cobleskill, New York.

APR 11 1945

My dear Mr. Secretary:

This will acknowledge your letter of March 15, 1945 concerning investigations into Germany's foreign economic relations, to be undertaken immediately upon her defeat. Representatives of this Department are participating with the representatives of the Department of State and the other agencies concerning the organization of this work.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of State

ON:IM:RRS:gb:3/28/45

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DEPARTMENT OF STATE  
WASHINGTON

SECRET

In reply refer to  
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March 15, 1945

My dear Mr. Secretary:

As your department is undoubtedly aware, the Department of State has been strongly interested in the possibility of obtaining information through Allied authorities who will move into Germany with or shortly after the armies of occupation. You will recall that a memorandum dated December 18, 1944 was circulated in the name of the Joint Intelligence Committee (JIC) to certain government officials who might be interested in the procedures in effect with regard to submission of requests of various kinds to the Combined Intelligence Objectives Subcommittee (CIOS). This memorandum was sent to the Treasury Department. I assume that you are familiar with the procedures outlined by the memorandum.

Under the procedures outlined in the memorandum under reference, the Department sent to the American Embassy in London under date of February 13, 1945, its telegram no. 1107, a paraphrase of which is attached hereto. The telegram suggested the establishment of a project designed to elicit information respecting external German holdings and assets, plans of Germany with respect to investments in foreign countries, contractual relations with persons or firms abroad, information with respect to technical personnel, and other types of information relevant to the general objective of control of German external holdings, connections, and activities. I believe that the paraphrase attached

hereto

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



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hereto will serve to outline the project which the Department had in mind in sending its telegram. I attach hereto also a paraphrase of telegram no. 1627 of February 15, 1945 from the Embassy in London, which indicates the concurrence of the Ministry of Economic Warfare with the proposed project, and suggests the furnishing of further information.

It has been the intention of the Department to attempt to set up and obtain preliminary concurrence through the Embassy in London of the CIOG for a project of the sort outlined in these communications, and, thereafter, to solicit the cooperation of the various interested agencies in Washington in the establishment of procedures for the outlining of target objectives, the recruitment of satisfactory joint personnel for the teams which will enter Germany, the preparation of guide material for the use of these teams, and the setting up of methods of distributing the material which is thus obtained. The Department believes that the interests of many of the government agencies in Washington are identical in so far as the obtaining of this information is concerned, although the agencies involved may well have different uses to which they would put the information once obtained. It seems clear, moreover, that the targets which will be of interest to many of the interested Washington agencies will be identical and that the only efficient and satisfactory procedure will be to work out cooperatively a list of targets for the teams working on the obtaining of business and industrial intelligence and procedures whereby such teams can obtain the information of interest to these agencies and forward it to Washington for distribution to all of the interested agencies.

What remains to be done, therefore, is the establishment of a small working group in Washington which can jointly designate targets, obtain personnel and work out joint instructions to the personnel and devise methods for effective distribution of the material which is finally elicited. I would suggest, therefore, that a representative of the Treasury Department be designated to consult with Mr. Seymour J. Rubin of the Department, who initially will be the

Department's

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Department's representative for the organization of this work, and with representatives of the other agencies which are primarily interested in the utilization of information of the business intelligence sort coming from Germany. A similar suggestion is being made to the heads of the following departments and agencies: Department of Justice; Department of Commerce; Foreign Economic Administration; and Office of Alien Property Custodian.

I believe that it should be pointed out that transportation and other difficulties will be such in the early stages that there will be little likelihood of a large staff being sent into Germany to do this work in the initial period of occupation. I would suggest, therefore, that in initiating this new project, an attempt should be made to separate the immediate needs of this project from the rather longer range needs and that for the immediate future a project should be submitted to CIOG which will envisage targets of only the most important German sources of information and a staff of approximately fifteen to twenty persons. It is realized, of course, that such a staff and the limited targets which would be included under this program would be totally inadequate to obtain the type of information in the full detail which all of the interested agencies would desire. Although, in recognition of military necessities, it will probably be necessary to submit this limited program for the immediate future, appropriate reservations should be made in presenting this project so that additional requests can be submitted to CIOG covering the field more fully and suggesting additional personnel in the near future. The small staff mentioned here should be regarded both as the initial working party and the nucleus for the much larger staff assigned to broader targets, which will be necessary and which, it is hoped, will be assembled and assigned as soon as military conditions permit.

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I should appreciate your comments on this matter at your earliest convenience, since this matter is of extreme urgency.

Sincerely yours,

For the Secretary of State:

*W. L. Clayton*

W. L. Clayton  
Assistant Secretary

Enclosures:

Telegram no. 1107 to  
London.  
Telegram no. 1627 from  
London.

SECRET



## PARAPHRASE OF OUTGOING TELEGRAM

FROM: Secretary of State, Washington  
TO: American Embassy, London  
DATED: February 13, 1945, 7 P.M.  
NUMBER: 1107

SECRET

FOR ALLISON

It is the desire of the Department to submit to CIGS a request for information to be obtained in enemy and liberated areas in Europe, relating to external German holdings and assets and relevant to the objective of control of such German external holdings and relevant to the objective of restitution of German-looted property. Treasury, FEA, and the Department have been engaged in the Safehaven project, by means of which an attempt is being made to conduct a census of German external assets, particularly in the neutral countries, and to obtain information which will be useful in controlling such assets subsequent to the collapse of the German nation which will ultimately take place. That the Department obtain information from Germany, as soon as that information becomes available, which can be checked with the records which are being kept and will be compiled in Washington is obviously important. Records of this latter type will be based largely upon information coming to us from British and American missions in the neutral countries of Europe. Therefore, instructions are hereby given to you to request that CIGS set up a procedure for obtaining information along the following lines:

(a) What is desired is information relating to every aspect of German foreign holdings and to plans of the Germans with respect to investments in foreign countries; information relating to disposal of property of any description which might have been looted by the Germans or which has been transferred by nationals of an occupied country to the Germans, during the period of enemy occupation; information on contractual relations with persons or firms abroad and to plans for preservation of German economic power; information on German accounts in the clearings in the neutral European countries and plans of Germany relating to concealment and preservation of assets held or to be sent abroad; and information on German technical

personnel

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personnel sent or to be sent to other countries. The contractual relations of German nationals are as important as direct German holdings abroad, it is pointed out. Also, it is pointed out that special attention should be paid to the means used by the Germans in disposing of works of art, looted securities, and assets of that type.

(b) This sort of information is needed urgently in order to enable the United States, in collaboration with the other United Nations and with the Allied countries which are participating on the Allied Control Commission, to control German property outside of Germany and to prevent the concealment of such property. Washington anticipates that the Germans will make every effort to conceal such property from the Allied authorities, to utilize such property for the preservation of a strong German economic position in other countries, and to retain such property for future use. German enterprises have for many years been cloaked under the names of nationals of neutral countries, it is well known. All of the information which has been requested in the above paragraph (a) will be of great value in the compiling of an accurate census of German property abroad. This task will be difficult in any case and will be especially difficult because the efforts of the Germans to conceal such holdings have been increased. German effort at concealment may be expected to increase tremendously as Germany's ultimate defeat becomes more lucid to everyone. Also, it is essential that information on technical personnel is available in order to prevent the establishment in European neutral countries of industrial plants and organizations capable of contributing to Germany's plans for future activities inimical to the security of the post-war world and capable of preserving a strong German position. An immediate and substantial flow of information from Germany will make possible, it is pointed out, the cross-checking of information relating to German foreign holdings coming both from sources in the neutral countries and from sources in Germany.

(c) The probable location of the information in question is presumably chiefly in the files of large industrial concerns, in banks, clearing institutes, and foreign exchanges. There will be compiled and forwarded to you in a subsequent communication a list of specific sources of such information.

(d) There can as yet be no adequate statement of the number and names of personnel who can be made available for

technical

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technical investigation of the sources of this information, but further communications will deal also with this subject.

(e) You are instructed, despite the deficiencies in Paragraphs (c) and (d) above, to raise with the CIOG this matter, in order to initiate on a combined basis the establishment of procedures for obtaining information of the kinds described from the enemy countries and from those which have been liberated. Information on the steps taken to implement this request and on the reaction of the CIOG is urgently requested.

FMA:GJR:vc 2/6/45

SECRET



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: Ambembassy, London  
TO: Secretary of State, Washington  
DATED: February 15, 1945, 6 p.m.  
NUMBER: 1627

SECRET US URGENT

Reference Department's 1107, February 13, 7 p.m. As outlined in this document, Department's desire to obtain Safehaven information through CIGS has been discussed by Allison with members of CIGS--both British and American. NEW is the British agency most concerned, and the British representative of NEW expressed emphatic agreement with the importance of obtaining information on this subject. He thinks as the American members consulted think, that there is already sufficient machinery set up for obtaining such information. Items 30 and 31 of the Gray List (business institutions and government and party organizations) and item 28 of the Black List (documents and personnel) furnish opportunity for the inclusion of specific targets of a Safehaven nature. Safehaven interests in technical and industrial items which come in other categories of the Black List can be easily superimposed on those categories. It was shown by the NEW representative. At the next meeting of CIGS on February 28 the whole question will be raised and we are assured of support from NEW in pushing for the consideration of targets of a Safehaven nature.

Until it is possible to give them definite information and lists, including location, of specific targets, neither the Black List nor the Gray List working parties, which are responsible for placing targets on their respective lists, will take any action. Therefore, if prior to the next meeting on February 28 the Department can furnish at least some of the information mentioned in paragraph C of its reference telegram, it will be extremely helpful. The number and names of personnel for investigation as mentioned in paragraph D of the Department's telegram should also be obtained as soon as possible, as this is important, and it is also believed important that in selecting such personnel it is made certain that they have not only the necessary technical qualifications but that they are young and hardy enough to undergo possible hardships in Germany during the investigations there.

WINANT

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April 11, 1945

MEMORANDUM RE: Development on Reparations Subsequent  
to the meeting of April 7, 1945.

1. On Monday, April 9, we received from Lubin a copy of the reparations document, revised in accordance with the comments which were made at the April 7 meeting. This document is attached as Exhibit A.
2. On Tuesday morning, April 10, we circulated to State, FM, War, Navy and Lubin a document containing additional provisions to be added to the reparations document, and suggested that such provisions be considered at the meeting which had been set for Tuesday afternoon. A copy of the additional provisions suggested is attached as Exhibit B.
3. On Tuesday afternoon about 3 p.m., White's office was advised by Clayton's office that the 3:30 p.m. meeting had been postponed in view of the fact that Clayton was "on the Hill". Later in the afternoon White's office was advised that the meeting had been set for Friday, April 13, at 10:00 a.m. in Clayton's office.

*JED*  
Joseph E. DeLois, Jr.

Attachments: Exhibit A  
Exhibit B

EXHIBIT A

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1. It was agreed at the Yalta Conference that Germany must pay in kind for the losses caused by her to the Allied Nations in the course of the war. The primary purpose of the Reparation Commission should be the formulation of a general program for the exaction of reparation and the establishment of the policies under which this program is to be implemented.
2. The principal interest of the United States is to assure that the reparations program shall not jeopardize the economic and security objectives of this country with respect to Germany. The position of the United States on the various issues involved may be summarized as follows:
  3. (a) This Government favors a reparation program which would result in the elimination of industrial capacity in Germany considered to be dangerous to the security of the United Nations.
  4. (b) This Government favors a reparations policy which should aid in strengthening and developing the industries and trade of the devastated non-enemy countries of Europe and of other United Nations. Reparations should also be fixed and distributed so as to raise, as much as possible, the living standards of these countries.
  5. (c) It is the policy of this Government that the reparation burden shall be distributed insofar as possible so to impose equality

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of sacrifice upon the populations of each of the zones under the control of the respective occupying nations.

6. (d) This Government adheres to the principle enunciated in the Yalta Declaration of February 12 to the effect 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, and a place for them in the comity of nations."

Accordingly, the reparation exactions imposed upon the German people should be such as to leave them with enough means to provide a low subsistence standard of living for her population without outside relief, but under no condition with sufficient means to support basic living standards on a higher level than that existing in any one of the neighboring United Nations.

7. (e) Insofar as possible, the level of the general standard of living should be the same for the German people in each of the zones under the control of the Allied armies of occupation.

8. (f) This Government opposes any policy of reparations which will put the United States in a position where it will have to assume responsibility for sustained relief to the German people.

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9. (g) Payment for such minimum German imports as may be determined to be essential shall receive priority over reparations. This Government opposes any reparations policy based upon the assumption that the United States or any other country will finance any reconstruction in Germany or reparation by Germany.

10. (h) It is to the interest of the United States to see that the payment of the costs of the occupation of Germany shall receive priority over reparations.

11. (i) In requisitioning goods and services, priority shall be given to the needs of the occupying forces, irrespective of the zone in which they are located. Such requisitioned goods and services shall not be considered as reparations. All goods exported from Germany shall be considered as reparations, except the following: (Add war booty - military goods - restitution)

12. (j) The period in which the reparations shall be collected and the size of the reparations bill shall be fixed with a view to avoiding the dependence of the recipients of reparations on the German economy for their existence and to avoiding the building up of German economic capacity.

13. (k) The United States reserves to itself the right to claim reparations from Germany to the extent of billions of dollars. The United States will not wish to receive its share

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of reparations in the form of labor services. It desires that labor supplied by Germany to meet the claims of other countries for reparations shall be recruited primarily from Nazi groups, the Gestapo, SS organizations, officers of the Wehrmacht, and those elements of the population who have cooperated in financing and building up the Nazi machine.

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14. (1) The governments participating in the Reparations Commission will retain control over the disposition of German property located within their respective borders. These nations will seek agreement with other countries in which German assets are located designed to eliminate continued German control, or the eventual return to Germans of these assets.

15. To bring about the realization of these policies, you should undertake to secure an agreement in Moscow on a program embodying the following specific objectives:

(a) To the maximum extent possible, reparations should be taken from the national wealth of Germany existing at the time of collapse, including, among other things, the removal of industrial machinery, equipment and plants, particularly the shipbuilding, metallurgical, electrical and chemical industries (including all industries producing oil and oil products, synthetic nitrogen and synthetic rubber), ships, rolling stock and German investments abroad.

(b) To the extent that reparations are collected in the form of deliveries of goods over a period of years, such goods should be of such a nature and in such amounts as not to require the maintenance of the German war potential or the continued dependence of other countries on Germany after reparations cease. Accordingly, after the removal of such items specified in paragraph 15(a), recurring reparations, over a period of years, should be

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- i. As small as possible in relation to the reparations to be paid in the form of industrial plants and equipment.
- ii. Primarily in the form of natural resources, such as coal, metallic ores, timber and potash, and to the smallest extent possible in the form of manufactured products.

(Add - Length & size of Reparations)

16. It is recommended that one of the first tasks of the Reparations Commission shall be the establishment of the necessary machinery for the allocation of such commodities and equipment for removal from Germany as are not essential to the maintenance of the armed forces or to the conditions stated in paragraph 8 above. Consideration should be given to those plants that may be required for waging the war with Japan. Immediate provision should be made also for the allocation of German holdings in neutral countries.

Records should be kept of all deliveries made on reparations account under such interim arrangements and such deliveries should be made without prejudice to the final allocation of reparation shares.

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EXHIBIT B

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17. It is important that agreement be reached as soon as possible on a formula whereby the immediate removal of plants, equipment and materials from Germany (and the taking over of German assets abroad) can start without waiting until decisions are reached on all aspects of the reparations program. To this end, this Government would favor an immediate decision of the Reparations Commission on a program along the following lines:

18. (a) During an initial period of not to exceed one year after the collapse of Germany each of the four occupying powers -- Great Britain, Russia, France and the United States -- may remove from its zone of occupation in Germany any plants, equipment or materials (including current output) which it desires, up to a certain maximum amount to be fixed by the Reparations Commission. This maximum amount would not necessarily represent the ultimate amount of reparations which it may eventually be decided upon that such country is entitled to.
19. (b) The decision as to whether or not particular plants, equipment or materials could be moved out of Germany consistent with carrying out the purposes of the occupation would be made by the respective zone commanders. In making such decision the zone commander would of course be responsible for carrying out any relevant agreed policies which may be formulated from time to time by the European Advisory Commission in London, the Control Council in Berlin, and the Reparations Commission.

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20. (c) During this initial period any one of these four countries can allow, if it so desires, or shall allow, if so decided by the Reparations Commission, any other United Nation entitled to reparations in the form of removals from Germany to take out of its zone plants, equipment and materials up to an amount for such country to be fixed by the Reparations Commission.

21. (d) If a simple formula and machinery can be agreed upon at once whereby these reparations removals can be valued, they should be valued upon removal. Otherwise removals should start against mere receipts, subject to valuation at a later date in accordance with an agreed upon formula.

22. (e) A procedure would be devised whereby at the end of this initial period all of the United Nations (including the United States, Great Britain, Russia and France) entitled to reparations in the form of removals from Germany could make claim to any plants, equipment or materials located anywhere in Germany. Removals to satisfy these claims would be made during this latter part of the two-year period fixed in the Reparations Protocol.

23. (f) The removals of plants and equipment during this two-year period would take place irrespective of the fact that a national of one of the United Nations might have an interest, direct or indirect, in such plants or equipment. The question of compensating United Nations' nationals for losses, suffered as a result of property

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Germany being damaged by the war or removed as a result of reparations, would be a matter outside the scope of the Reparations Commission, except that it may be found desirable for the United States to make a claim for reparations sufficient to cover any such losses which may be suffered by its nationals.

24. With respect to reparations in the form of annual deliveries of goods from current production after the two-year period, this Government would be agreeable if decisions concerning the amount of such reparations and the period of time over which they are to be delivered were postponed until toward the end of the two-year period, at which time it would be possible to form a much better judgment as to what the United Nations concerned may want and what Germany will be able to produce.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 11, 1945

TO Secretary Morgenthau (For information)  
FROM Mr. Coe FC

Subject: German Economic Directive

We have completed discussions of about half of the proposed economic directive on Germany. It will take at least the rest of this week to finish the discussions. It is most likely that the draft which finally emerges from the subcommittee will be quite unsatisfactory in respect to the question of imposition of controls on the German economy and related points. Accordingly, the Treasury has indicated its intention to reargue many of these points before the Clayton Committee.

From the discussions to date the following line has clearly emerged. The State Department, supported in most instances by F.B.I. and War, is bent upon establishing widespread controls of large sectors of the German economy. The justification offered for this approach to the problem is the statement in the President's Memorandum of March 23 that the occupying forces are to prevent starvation in Germany. This part of the President's Memorandum is construed as meaning not merely that the Allied forces are to step in and set up soup kitchens when there is such starvation as endangers the occupying forces, but that we should so control the German economy, including wages, prices, rationing, etc., as to assure throughout Germany that food and supplies sufficient to give the Germans a certain standard of living are available. The President's statement that "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" is construed by State and Army to mean that the Army must watch over the Germans and see to it that such controls are being properly administered.

The Treasury has consistently expressed its views that this interpretation of the President's Memorandum is incorrect. We have also repeatedly pointed out that it will be impossible for the Army to administer effectively the anti-inflation and other controls which are contemplated. In going over the draft in question, we have been offering substitute language which would tend to counteract the idea that the military forces of occupation are to run the whole German economy and to rehabilitate it.

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APR 11 1945

Dear Mr. Flanders:

Thank you for your letter of March 28, and the material which you enclosed therewith relating to the postwar treatment of Germany.

I have read with interest your comments on the German problem. Apparently you and I are thinking along the same lines as to how to deal with the core of Germany's war-making potential, namely her heavy industries. If you have any further material bearing on this matter I would like very much to see it.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Ralph E. Flanders,  
President, Federal Reserve Bank  
of Boston,  
Boston, Massachusetts.

JED:ecr  
4-7-45

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March 28, 1945.

Dear Mr. Flanders:

In the absence of the Secretary, I am acknowledging your letter of March 28, together with the copy of the notes you used in a recent discussion with the Council for Foreign Relations in New York City. You may be sure that both your letter and the material you enclosed will be presented to Mr. Morgenthau immediately upon his return to the office.

Sincerely yours,

(Signed) H.S. Klotz

H. S. Klotz,  
Private Secretary.

Mr. Ralph E. Flanders,  
President, Federal Reserve Bank  
of Boston,  
Boston, Massachusetts.

KP/dbs

FEDERAL RESERVE BANK  
OF BOSTONRALPH E. FLANDERS  
PRESIDENT

March 20, 1945.

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

Dear Mr. Morgenthau:

It goes without saying that I was tremendously pleased at your telephone call Saturday evening. All of us in the OGD Research Committee have the desire to be unconstructive rather than constructive, and I hope we have been so in the case of our Breiten Woods report.

I am enclosed to send you the notes herewith enclosed which I used for discussion at a dinner meeting of the Council for Foreign Relations in New York City, that was called to consider my proposals. In general the reception they met with was favorable. You will note that the statement is in very condensed form which was expanded in the discussion. I am sending the notes to you because of your interest and influence in this vital matter of the post-war treatment of Germany.

Sincerely yours,

Ralph E. Flanders

cc.  
Enc.



The post-war control of Germany involves the following requirements, among many others.

1. Her ability to wage war must be repressed for at least a generation.
2. While dissatisfaction and resentment on the part of her population are inevitable, there must be as little reasonable excuse for it as possible.
3. There should be a minimum of long-term internal policing of which we may so easily grow weary and which will lead into unforeseen complications. Peripheral controls should be used so far as possible.
4. Reparations or other burdens of indeterminate amount or length must be avoided.
5. The European economy must not be upset by the post-war settlement with Germany.

A proposal which meets these conditions would be that German heavy industries be reconstructed outside her borders in the contiguous areas of France, Luxembourg, and Belgium. Specifically, the Ruhr coking coal would be moved to this area in place of moving the Lorraine ore to the Ruhr. This would involve a slight economic change, but a very large political one. Both the steel industry and the chemical industry dependent upon coal tar would be moved outside of Germany's borders, greatly assisting in attaining the desirable conditions (1)

and (3) above. At the same time, these industries would remain integral parts of the European economy, as required by point (5), and policing them, as in point (3), would become unnecessary.

There is, of course, a serious question as to whether these industries could be as economically run at the new locations. The iron ore is normally taken to the coal, rather than the reverse. At the same time, the margin of difference between the two practices is not great, and neither the coal nor the ore would be moved anything like the distances met with in the Great Lakes steel plants in this country.

Furthermore, the rebuilding of these plants, necessary in any event, offers the opportunity to construct them in accordance with the best modern practice, to which few of the existing iron and steel plants in Germany conform at the present time, if current information is correct.

A change in the location of these heavy industries is easily possible at the close of the European war, since they will have to be rebuilt anyway if the processes of destruction are as thorough as we believe them to be. They can be reconstructed on new locations about as cheaply as would be the case if they were to be rebuilt where they are now. Wherever they are built, imported capital and equipment must be used if they are to be available within any reasonable length of time. Putting it bluntly, therefore, we have to determine whether to assist the Germans or our Allies. Is there any reason why we should prefer the former course?

The same conditions can be applied to the Silesian coal and ore fields, where the iron and steel industry based on them should be in the control of Poland and Czechoslovakia.

There is the further opportunity of building an iron and steel industry in Holland and the Scandinavian countries, of sufficient size to serve their own regional needs at the least. These plants would be supplied by water-borne coal from the Ruhr and water-borne ore from Norway and Sweden. Such transport would be highly economical.

How will the German people fare with this important element of their economy transferred across her boundary lines to other nations? The European economy will not suffer, but it will require a severe change in the activities of the German people.

The further proposal, therefore, is that we make careful studies of and definite provision for a decent scale of living for the German people so far as concerns food, clothing, and shelter. The standards here attainable should be the equivalent, say, of those in peace-time Denmark, though they cannot be based so completely on agriculture.

Studies should be made to explore the possibility of a maximum development of agriculture inside the German borders, plus light manufacturing, plus potash export, plus the new and greatly expanded export of coal to the external iron and steel industries, to see whether this combination of internal production and export will give sufficient exchange to provide for the needed importation of food, fiber, and other less important raw materials. A rough survey would seem to indicate that such an economy, on a balanced exchange basis, is entirely feasible. If it is, and the Germans are free to reorganize themselves internally to attain such a condition, they will have no just complaint as to their post-war treatment.

In fact, it would seem to be well, if these proposals are adopted, to advertise to the German people at the earliest possible moment that these positive proposals will be made for their well-being as soon as



they surrender. This would fill the gap in our radio propaganda with a positive element, as distinguished from the negative fear of further continued destruction if their resistance continues.

It is highly improbable that, under the circumstances outlined, Germany could rebuild her heavy industries without outside assistance. With usable elements removed to the new locations and with the old installations demolished, and particularly with all machine tools except those required for lighter repair work removed in reparations, it is very difficult to see how Germany could build up her heavy industries again in even one generation of intense endeavor. We have to see to it externally that she gets no capital assistance or capital equipment from abroad. Internally, she will be helpless, and internal policing will not be necessary.

The conditions for such a settlement are favorable. The place filled by Germany in the European economy will continue to be filled by her near neighbors. The large self-subsistence to which Germany has been driven by the war will be a good basis on which to build her new economy. The pre-war exports were largely subsidized at the expense of the scale of living of her people. Re-orienting her export activities to become a function of a good subsistence for her people will be reversing a previously wasteful process.

These proposals represent neither a hard nor a soft peace. They cover the most effective way to prevent Germany's re-arming, with no injustice to her inhabitants and the least burden of control on the part of the victors.

Proposals of this sort should have a propaganda value now, for helping to bring an early peace.

They should also assist in bringing the three great powers to a point where they each will fish or cut bait in this matter of a real world organization for maintaining peace.

Ralph E. Flanders  
Thirty Pearl Street  
Boston 6, Mass.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

April 11, 1945

to Secretary Morgenthau

For Information

FROM Mr. Coe FC

The French have recently signed two more monetary agreements, one with Belgium and one with Switzerland. Both agreements follow the pattern of the Anglo-Belgian monetary accord but they differ substantially in content.

(1) In the case of the Swiss agreement the maximum balances in the other's currency which each country is obligated to accept is the equivalent of about \$58 millions, while in the Belgian agreement it is \$20 millions.

(2) When credit balances exceed these limits, the creditor may require such balances to be paid in gold or in Treasury bonds issued in the currency of the creditor country, yielding interest at a rate one percent above the official discount rate of the creditor.

(3) The two agreements provide for freedom of payment in their respective areas, but make no provision for payment outside their areas.

(4) The Swiss agreement contains a clause that nothing in its terms shall prevent any party from adhering to a broader international agreement. The Belgian agreement contains no such clause. Both agreements provide that existing rates of exchange of their respective currencies shall not be changed without consultation. However, the Belgian agreement is to be in force for only six months, unless renewed. This doubtless reflects Belgian uneasiness about the French exchange rate.

(5) Unlike the Belgian agreement which is confined to financial considerations, the Swiss agreement makes specific mention of procedures for expansion of trade between the two countries, including the facilitation of overland shipment of goods between Switzerland and Spain.

CORRECTION

April 11, 1945

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In telegram No. 605, April 10, 9 a.m. from Chungking page two, line six should read "monthly deficit for 1945 about dollars 30,000,000,000 now believed somewhat high as monthly deficit for first quarter averaged at others."

DIVISION OF CENTRAL SERVICES

REF

NOTE: Correction from Embassy Chungking

sf:ceyv

4-16-45

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 11, 1945

TO Secretary Morgenthau (For information)

FROM Mr. Coe F

Subject: Settlement for U. S. Army expenditures in China during last quarter of 1944.

1. We have now received figures from both Dr. Kung and the U.S. Army on expenditures in China during the last quarter of 1944 for which you are to negotiate a settlement with Dr. Kung. The two sets of figures do not agree. We are going to begin preliminary discussions with representatives of Dr. Kung to obtain agreement on a set of figures. Thus, when discussions open between yourself and Dr. Kung there will be no disagreement on the amount for which a settlement is being negotiated.
2. Incidentally, you will be interested to know that General Wedemeyer feels that frequent liberal settlements for Army expenditures would hinder him in dealing with the Chinese while our being tough with the Chinese would be very helpful to him. General Wedemeyer expressed these views to General Richards, Budget Officer of the War Department. The War Department goes so far in its thinking along these lines as to suggest that we offer the Chinese \$15 million for settlement of all U. S. Army expenditures in China during the last quarter of 1944 as compared with our offer of \$60 million for the previous quarter of 1944.

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APR 11 1945

Dear Dr. Kung:

I am sorry to learn from your letter of March 31, 1945 that you will have to be confined to the hospital for some time to come. I do hope that this period will be much shorter than you now expect.

It is noted that your figures on U. S. Army expenditures during the last quarter of 1944 differ to some extent from the figures which we have been given by the Army. We are discussing these discrepancies with the Army. It is suggested that your representatives get in touch with my men with a view to obtaining agreement on a set of figures. As soon as such agreement has been reached, we could begin the negotiations for a settlement of the amount involved.

If at that time you are still in the hospital, I would, of course, be glad to negotiate with representatives designated by you, although I always look forward to the occasions when we meet together on matters of mutual interest and concern.

With best wishes for your speedy recovery.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable H. H. Kung,  
Waldorf-Astoria Hotel,  
50 and Park Avenue,  
New York, New York.  
ISF/efs 4/7/45



EXECUTIVE YUAN  
NATIONAL GOVERNMENT OF CHINA

March 31, 1945.

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

Dear Mr. Morgenthau:

With reference to the settlement of U.S. Army expenditures in China, it is provided in the "Memorandum of Agreement" attached to our exchange of letters dated November 28, 1944, that China will continue to make advances of Chinese currency to cover U.S. Army expenditures in China "subject to an adjustment and settlement quarterly." A settlement for the advances made since October, 1944 is, therefore, long overdue.

During our last conversation in January, you indicated that you would like to have us furnish you with a list of figures of such advances. I am, therefore, enclosing a list of tentative figures concerning the advances for the last quarter of 1944 for your reference. It will be noticed that the bulk of the advances for this period is made by the Central Bank of China. Since such advances are not provided for in the government's budget, they, in reality, represent loans from the Central Bank which I have made on my responsibility as Governor of the Bank in the spirit of friendly cooperation. It is hardly necessary to point out that their reimbursement at a reasonable rate is of great importance to the maintenance of the reserve position of the Central Bank and the confidence of our currency.

I will deeply appreciate it if you will let me know your views on this matter and, although I'll have to be confined to the hospital for sometime to come, I will be glad to designate representatives to discuss this matter with you at your convenience.

With best personal regards,

Sincerely yours,

H. H. Kung

TABLE 1 - SUMMARY OF FIGURES\*

ADVANCES TO COVER U.S. ARMY EXPENDITURES DURING  
OCTOBER, NOVEMBER, DECEMBER, 1944.

1 Direct advances to U.S. Army Finance Dept. (For details see Table 2)	6,000,000,000.00
2 Advances to Engineering Commission for construction cost (For details see Table 3)	3,841,917,000.00
3 Advances to Aviation Commission, etc. (For details see Table 4)	1,024,384,600.41

Grand total CN\$ 10,866,301,600.41

\* Note: These figures do not include the CN\$1,758,020,949.95 which was spent by the WASC for food and lodging of U.S. Armed forces in China, the CN\$1,450,000,000 for the construction of the Yunnan-Indian Highway and the CN\$50,000,000 for the construction of branch highways in the vicinity of Kunming.

TABLE 2 - DIRECT ADVANCES TO U.S. ARMY FINANCE  
DEPARTMENT DURING OCTOBER, NOVEMBER,  
AND DECEMBER 1944.

1 Paid for October	CN\$2,000,000,000
2 Paid on Nov.10 for November	2,000,000,000
3 Paid on Dec.1 for December	2,000,000,000
	<hr/>
Total	CN\$ 6,000,000,000

TABLE 3 - ADVANCES MADE TO THE ENGINEERING COMMISSION TO  
COVER CONSTRUCTION COSTS OF U.S. ARMY IN CHINA  
DURING OCTOBER, NOVEMBER & DECEMBER, 1944.

1 Paid on November 7 for month of October	CN\$286,000,000
2 Paid on November 24 for month of November	500,000,000
3 Paid on December 5 for month of November	547,000,000
4 Paid on November 25 for month of December	1,086,717,000
5 Paid on January 13 for month of December	822,300,000

Total	CN\$ 3,641,917,000
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TABLE 4 - ADVANCES MADE BY MINISTRY OF FINANCE TO COVER U.S.  
ARMY EXPENDITURES IN CHINA DURING OCTOBER, NOVEMBER  
AND DECEMBER 1944.

1 For the construction of 8 airfields (at Pei Shih Yee etc) on the suggestion of Gen. Chennault (paid to the Aviation Commission)	CN\$800,000,000.00
2 For expenses of ground force personnel assigned by the Aviation Commission to assist U.S. Air force at Chengtu airfield (paid to Aviation Commission)	30,360,000.00
3 For laying oil pipe-lines (paid to Yunnan- Burma Highway Commission)	100,000,000.00
4 For transportation service for U.S. Army (paid to CNAC & Transport Commission of East Yunnan, etc.)	394,024,600.41
Total	CN\$ 1,024,364,600.41



Assistant Secretary of the Treasury

Date April 11 1945

To: Secretary Morgenthau

As of interest.

H.D.W.

Mr. White  
Room 3436

Strictly Confidential

Letter VIII

American Embassy  
Chungking,  
March 4, 1945

Dear Mr. White:

O. K. Yui in a conversation today informed me that note issue had gone up almost 20% in the last two months, the rise being particularly heavy in February. Budgetary expenditures in the same period were about CN\$77 billion while receipts were roughly CN\$14 billion for January. While no official data are yet available, prices have gone up by well over 50% (conservatively) in Chungking and by nearer 100% in Kunming since the beginning of the year. There are thus many indications that the inflation has reached the snowball stage. The moral Yui drew was that gold sales were absolutely indispensable. Actually, the monthly deficit for the first two months of 1945 was around CN\$30 billion and it will of course be appreciably larger during the course of the year, especially if the Minister of War goes through with his re-organization of the Army. Even at the current rate of deficit it would require 750,000 oz of gold per month to cover half the deficit at the current official price of gold. In other words gold sales would have to take place on an enormous scale to make any appreciable dent on the deficit. In fact, there is only one way by which the present critical financial situation could be improved, namely by broadening the base of the Government so that there would be a chance of reducing graft and corruption and introducing a modicum of efficiency in its operations. And at present the likelihood of that way being adopted is pretty remote. Therefore it is most reasonable to expect a continued deterioration in the financial, economic, and political situation until either external pressure brings about some progress or the inflation begins to approach the Greek model.

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One point of interest on the budgetary and note circulation data is worth mentioning. Some of us have believed for some time that the note circulation figures given us by the Ministry of Finance have understated the amount issued. In the light of the above data this assumption becomes a strong presumption. Up to the end of 1942 there was a fairly close correspondence between the increase in the note circulation and the budgetary deficit. Already in 1943 the expansion in note circulation exceeded the budgetary deficit, and while the final figures for the budgetary deficit in 1944 are not yet available there is every reason to believe that this was the case last year too, as the note issue takes care of extra-budgetary expenditures, approved loans by Government banks to industry, etc. Yet the figures for the first two months of 1945 show a budgetary deficit CN\$30 billion greater than the expansion of note issue in the same period. Gold sales, according to the Central Bank figures, account for only 10% of this gap. Therefore, unless there was some hanky panky with the land tax in kind, a pecuniary valuation of which should show up on both sides of the ledger, the note circulation must have increased by more than the CN\$37 billion shown in Yui's figures.

Yui also mentioned to me that the Supreme National Defense Council had instructed the Ministries of Finance and Foreign Affairs to investigate the plan for taking over Chinese foreign exchange assets abroad prior to taking up the appropriate questions with the American and British Governments and that only when these questions had been discussed with us and the British would any further action be considered.

The Generalissimo's speech of March 1 on Kuomintang-Communist Party relations was drafted by T.V. and the Minister of Information. It is ingenious and disingenuous. The emptiness of the offer to admit non-Kuomintang elements

- 3 -

into the Government is wrapped around in the phrase "without however relinquishment by the Kuomintang of its power of ultimate decision and final responsibility until the convocation of the National Assembly." (It is no secret that if the National Assembly meets according to Kuomintang plan, it will be packed.) The statement that "the Communists magnify out of all proportion their military strength" is belied by the impartial reports of our Observer Mission in Yen-an. And so on down the line. The speech was interpreted here as an uncompromising one designed at the same time to fool foreign public opinion on the same old basis as before. The invocation of the name of Sun Yat-sen is particularly ironic. Sun Yat-sen was a genuine democrat and would turn in his grave if he could see what the Kuomintang is doing in his name; both Dr. Sun Fo and Madame Sun Yat-sen testify to that.

What makes the protestations of goodwill and the expression of the desire for national unity in the speech even more farcical is that at a recent dinner of Government officials the Generalissimo rather tactlessly said that not only should the Communists be liquidated but that everyone advocating a coalition government should also, as such advocacy constituted treason. In the face of such diehardism the policy of sweetness and light we have been pursuing up to now is bound to fail. The Generalissimo is a power politician to his finger tips, and power politics is the only kind of politics he understands. It will be interesting to learn what Washington's reactions to Hurley are and whether he is coming back as Ambassador or not. His return will bode no good for anybody except the most obstinate elements in the Kuomintang.

- 4 -

By the way, the Embassy has dissociated itself from Hurley's policy by sending in a cable advocating a realistic course of action in the present Kuomintang-Communist Party impasse. Atcheson, the Counsellor of the Embassy here, had a long talk with me in which he confirmed the fact that T. V. had not played a constructive role in the recent negotiations and that he had in fact acted as the Generalissimo's willing accomplice. This confirmation is all the more interesting as Atcheson is a safe and conservative, in fact typical, State Department official, who had previously been inclined if anything to place more hope in T. V. than other Americans. Atcheson also rather guardedly indicated that Hurley just didn't know the diplomatic ropes and that he never consulted the Embassy staff, preferring to consult T.V. Someone in the Embassy has suggested that if Hurley remains Ambassador there is no point in his coming back to Chungking, as T. V. could fulfill the role of Charge D'Affaires of the American Embassy as well as being Acting President of the Executive Yuan and Minister of Foreign Affairs at the same time.

It is widely believed here that Kung will return in May and will be given the specially created position of Deputy Leader of the Kuomintang, in which capacity he will be only subordinate to the Generalissimo but not to T.V.

There isn't much other news from here and things are fairly quiet. If I am to go to India on the rupee question, now would certainly be a good time to do so.

With kindest regards,

Sincerely yours,

(signed) Sol Adler.



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- 4 -

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With kindest regards,

Sincerely yours,

(signed) Sol Adler.

The New York Times.

APR 11 1945

## DR. STEPHANUS GIE OF SOUTH AFRICA, 60

Minister to This Country Dies  
in Capital—Was to Serve  
at San Francisco Parley

APRIL 10 (The New York Times).

WASHINGTON, April 9.—Dr. Stephanus F. N. Gie, Minister of the Union of South Africa to the United States, died late today. He suffered a cerebral hemorrhage after a day's work at the legation in preparation for the San Francisco conference of the United Nations, to which he was a delegate. His age was 60.

Dr. Gie, who had represented his country here for more than a year, was the Union of South Africa's Minister to Germany from 1934 until the outbreak of the war in 1939. Before that he had been its Secretary for Education.

Born in Worcester, Cape Province, South Africa, Dr. Gie was educated in South Africa and at the Universiteit of Stellenbosch, South Africa, Amsterdam and Berlin, where he took his Ph.D., specializing in history. After returning to South Africa he devoted the first 26 years to the teaching profession until he became Professor of History at the University of Stellenbosch in 1918. He was rector there for four years.

Dr. Gie was appointed as the Union's Minister to Berlin and Stockholm in 1914, with residence in Berlin. While at this post he regularly attended meetings of the League of Nations Assembly and other international conferences, including the Nine Power Conference in Brussels in 1927, as delegate from South Africa.

As South African Minister in Berlin he did everything in his power to help avoid the continent conflict. After the war started he took up residence in Stockholm, the enemy capital to which he was appointed as Minister, and during visits of Field Marshal Smuts to London he was called to the British capital for consultation.

When the late Ralph W. Chase retired at the end of 1943 as Minister to the United States Dr. Gie succeeded him in Washington. He was appointed Minister to the United States on April 2, 1944.

Here he was council member for the Union Government on the United Nations Relief and Rehabilitation Administration and attended the second conference of UNRRA in Montreal last September. He also was chairman of the South African delegation to the United Nations Monetary and Financial Conference at Bretton Woods and to the International Civil Aviation Conference in Chicago.

He leaves a widow and two sons.

EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

60

DATE April 11, 1945

TO Secretary Morgenthau  
FROM William O'Dwyer

I send you herewith a copy of a letter I have received from the President concerning our feeding program and turning down our request for funds to purchase an additional 300,000 parcels in this country.

Julius Burg

Attachment.



# The New York Times.

APR 11 1945

## DR. STEPHANUS GIE OF SOUTH AFRICA, 60

Minister to This Country Dies  
in Capital—Was to Serve  
at San Francisco Parley.

WASHINGTON, April 9.—Dr. Stephanus F. N. Gie, Minister of the Union of South Africa to the United States, died late today. He suffered a cerebral hemorrhage after a day's work at the legation in preparation for the San Francisco conference of the United Nations. He died at his home in Washington, D. C., at the age of 60.

Dr. Gie, who had represented his country here for more than a year, was the Union of South Africa's Minister to Germany from 1934 until the outbreak of the war in 1939. Before that he had been its Secretary for Education.

He was born in Swartkops, Cape Province, South Africa. Dr. Gie was educated in South Africa and at the Universities of Stellenbosch, South Africa, Amsterdam and Berlin, where he took his Ph.D. specializing in history. After returning to South Africa he devoted the last six years to the teaching of history until he became Professor of History at the University of Stellenbosch in 1938. He was married twice and had three sons.

Dr. Gie was appointed as the Union's Minister to Berlin and Stockholm in 1934 with residence in Berlin. While at this post he regularly attended meetings of the League of Nations Assembly and other international conferences, including the Spine Power Conference in Geneva in 1937, as delegate from South Africa.

As South African Minister in Berlin he did everything in his power to help build the German-South African friendship. After the war started he brought his residence to Stockholm. The place similar to which he was appointed as Minister, and during his stay at Stockholm, South Africa was called in the United States capital for representation.

When the late Ralph B. Chase, died at the end of 1943, as Minister to the United States Dr. Gie succeeded him in Washington. He was appointed Minister to the United States on April 2, 1944.

Here he was named member for the United Nations Relief and Rehabilitation Administration and attended the second conference of UNRRA in Montreal last September. He also was chairman of the South African delegation to the United Nations Monetary and Financial Conference at Bretton Woods and to the International Civil Aviation Conference in Chicago.

He leaves a widow and two sons.


EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE April 11, 1945

TO Secretary Morgenthau  
FROM William O'Dwyer

I send you herewith a copy of a letter I have received from the President concerning our feeding program and turning down our request for funds to purchase an additional 300,000 parcels in this country.



Attachment.

THE WHITE HOUSE  
WASHINGTON

April 8, 1945

My dear General O'Dwyer:

I have received your letter of March 13 which outlined a proposal for an additional food parcel program for civilians interned within Germany. Your report on the progress which has been made to date by the War Refugee Board in extending aid to the unfortunate persons in concentration and refugee camps within Germany was extremely gratifying.

In view of the time element involved, the course of military operations, and the general situation behind German lines, it seems to me that more adequate aid will be available through Army and UNRRA channels before the parcels contemplated in the proposed program could be distributed. Accordingly, I do not believe that we should undertake this additional program.

Sincerely yours,

Franklin D. Roosevelt

Dr. William O'Dwyer  
Executive Director  
War Refugee Board  
Washington, D. C.

EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD  
WASHINGTON 25, D. C.

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APR 11 1945

My dear Mr. Secretary:

I send you herewith for your personal information copies of a cable dated April 9, 1945, received from Mr. McClelland in Bern, and of our reply thereto.

Very truly yours,

*William O'Dwyer*  
William O'Dwyer  
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosures.

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CABLE TO MCCLELLAND, BERN, FROM WILLIAM O'DWYER, WAR REFUGEE BOARD

You are hereby directed not (repeat not) to engage in any discussions concerning proposals of the nature described in your No. 2037 of April 9. Any such proposals or discussions are beyond the terms of reference of the War Refugee Board.

This is WRB Bern No. 493



## PARAPHRASE OF TELEGRAM RECEIVED

64

FROM: American Legation, Bern  
 TO: Secretary of State, Washington  
 DATED: April 9, 1945  
 NUMBER: 2087

SECRET

## US URGENT

The following message from McClelland for General O'Dwyer of WRB and for the Department is transmitted.

Accompanied by Sternbach, Musy who had just come back from his most recent trip to Germany, called on me on the 8th of April with the information and proposals given below:

Himmler, Schellenberg, and another SS general named Gehring, who was described by Musy as being the head of German concentration camp system, were called to a meeting on April 3rd or 4th by Hitler who had learned of negotiations of the SS to release certain categories of schutzhafthlinge, and Hitler was opposed to any such release, the release of Jews especially.

Accordingly, preparations were started for the evacuation on foot toward a Nazi Reduit in the south, of fifteen major concentration camps.

Himmler and Schellenberg nevertheless declared that they were willing to preserve the status quo in these camps and prevent such evacuation provided they receive from the British and

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- 2 -

and Americans assurance that all administrative personnel and SS guards found in such camps will be treated as soldiers and prisoners of war when the British or American forces arrive. The fear that all such SS guards would be shot at once motivated the condition named above.

Musy was informed that to the best of my knowledge it is not the practice of British or American Armies to shoot anyone in uniform of a unit incorporated regularly in German armed forces who without resistance surrendered properly.

Musy was asked by me to furnish information as to the exact geographic location of the fifteen camps in question as soon as possible.

He must have a reply by seven o'clock in the evening, April 11, at the latest if evacuation of these camps is to be avoided, Musy declared.

It is difficult to understand the present proposal made by the Nazis which is apparently of such small advantage to them, in the light of earlier proposals they have made.

It is requested that you inform me as to what action you desire me to take in the matter, if any.

HARRISON

DC/L:LOW:AN

4-10-45

DSB-617

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

Cairo

Dated April 11, 1945

Rec'd 7:13 p.m.

Secretary of State

Washington

889, April 11, 4 p.m.

FOR MOSES LEAVITT JOINT DISTRIBUTION COMMITTEE FROM  
JOSEPH SCHWARTZ

Following one time grants have been made to Jewish  
communities Greece. For reorganization central committee  
for Greece and Athens community \$12,000. Organization of  
other communities including Salonika \$12,000. Cemetery  
Athens and free burial services one year \$32,000. Repair  
and equipment schools \$4,800. Repair of Athens synagogue  
\$2,000. Setting up and equipping orphanage 50 - 75  
children \$16,000. Care of aged \$14,000. Equipment and  
medical supplies dispensary Athens \$4,800. Providing  
immediate summer vacation program 150 - 200 neediest  
sick children including maintenance and supplementary  
feeding 4 months \$8,000. Emergency shelter for homeless  
\$20,000. Setting up of vocational training program and  
cooperative workshop 35 abandoned and homeless girls

-2-, #889, April 11, 4 p.m., from Cairo.

\$10,000. Special grant for wounded and temporarily  
disabled during recent disturbances \$2,000. Providing  
Easter bread Salonika accordance our recent cable  
\$1,250. Total one time grants \$136,850. In addition  
have set up effective and representative committee  
administer loan fund for constructive purposes for which  
again urge one time grant \$200,000. Monthly budget  
includes \$30,000 cash relief which hope reduce gradually.  
Child care \$2,500. Maintenance 60 students who would  
otherwise be forced discontinue studies at university  
and professional schools \$1,600. Religious personnel and  
Hebrew schools \$2,500. Location bureau \$200. Total  
\$36,800. Suggest, however, budget be maintained at  
\$50,000 monthly time being in order provide for other  
phases of activity and for unforeseen emergencies. If  
this program carried through believe will constitute  
major contribution to rebuilding of badly hurt and  
shattered community. Above program has full and enthusi-  
astic approval UNRRA Greek Mission and full support  
Ambassador and Greek Government officials with whom I  
discussed it. Hope arrange Israel Jacobson's arrival  
Greece about April 20.

TUCK

JWS

MEM-508

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

Ankara via Army

Dated April 11, 1945

Rec'd. 7:10 p.m.

Secretary of State,  
Washington.

496, April 11, 5 p.m.

In view of the information contained in my 487, April 9, 6 p.m. which crossed Department's 405, April 9, 7 p.m. and of the information furnished below it seems undesirable for the moment to give any assurances to the Turkish Government along the line authorized and I shall accordingly take no action along that line unless and until further developments require it.

The Ministry of Foreign Affairs has just informed me that a total of 330 passengers arrived at Istanbul on the BROTTINGHAM yesterday. These are divided into the following categories:

- A. 35 Turkish diplomatic and consular officers and members of their families.
- B. 88 Turkish students.
- C. 36 private Turkish citizens.
- D. 70 Turkish Jews.
- E. 8 foreign diplomats.

-2- 496, April 11, 5 p.m., From Ankara via Army

F. 13 foreign nationals. These 250 individuals were all permitted to enter Turkey officially immediately.

The remaining 80 persons are divided into the following categories:

- G. 7 Jews without (\*) formerly Turkish nationals but who have been deprived of Turkish citizenship.
- H. 70 Jews without documents of identification.
- I. 3 individuals apparently Turk nationals who have no passports.

These 80 individuals have been put temporarily on board a vessel at Istanbul where they will be held for the time being pending decision as to their ultimate destination. The Turks are questioning them with a view to establishing their identity nationality, et cetera.

PACKER

WTD

(\*) apparent omission



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MS-534  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

Bern

Dated April 11, 1945

Rec'd 4:50 p.m.

Secretary of State,  
Washington.

2130, April 11, 3 p.m.

MBS FROM MOELLELAND.

Truck convey carrying French women and children  
(Legation's 1988 April 6) from concentration camp of  
Favensbrueck referred to in our 1988 finally arrived in  
Kreuzlingen Switzerland night of April 10 with 299  
persons after having been delayed about 3 days in Hof  
for lack of gasoline which had to be sent by ICRC from  
Switzerland.

Approximately 490 German civilians taken, I  
understand in Alsace, and largely women, children and  
old people were exchanged for the French. German group  
which had been in Annemasse since Saturday, April 7,  
also passed through Switzerland yesterday. Actual ex-  
change has therefore taken place.

Liberation these French detainees accordingly did not  
constitute such of a concession on part of Germans. Ac-  
cording to Mbay, after Hitler's veto of any such release

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-2- #2130, April 11, 3 p.m., from Bern.

and exit from Germany of civil detainees, SS had  
merely permitted this exit of women from Favensbrueck  
in order to save face of ICRC and preserve working  
relationship.

Bachmann of ICRC (Bueckhardt's assistant) was  
negotiating again with "Ansmartigant" people in  
Konstanz on April 10 with view to working out details  
of continued release or exchange of similar groups.

HARRISON

JMS

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CABLE TO HARRISON, BERN, FOR MCKELLAND FROM WAR REFUGEE BOARD

Please deliver the following message to Saly Mayer, St. Gall,  
from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE CONFIDENTIAL FOR YOU STOP CAN YOU SUGGEST DIS-  
CREETLY THROUGH SUCH CHANNELS THAT YOU BELIEVE MOST  
DESIRABLE TO ROMANIAN HUNGARIAN AND HUNGARIAN RED CROSS  
SOCIETIES THAT THEY APPEAL DIRECTLY TO UNRRA HEADQUARTERS  
WASHINGTON FOR MEDICAL AID TO COMBAT EPIDEMICS THEIR  
COUNTRIES UNQUOTE

THIS IS WRB BERN CABLE NO. 494

4:30 p.m.  
April 11, 1945

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CABLE TO AMERICAN EMBASSY, LISBON, FROM WAR REFUGEE BOARD

QUOTE BEFORE APPLYING LICENSE CONNECTION GOLDSTEIN  
CUNIER CLAIMS REFERRED YOUR LETTER 1733 ESSENTIAL WE  
SECURE SALLY MAYER CONFIRMATION BOTH AMOUNTS. YOUR 145  
REPORTED CONFIRMATION ONLY \$35,000 STOP PLEASE ADVISE  
SCHWARTZ WE APPROPRIATED \$100,000 FOR LOAN FUND GREECE  
AND REQUESTED LINER APPROACH ICA TO PROVIDE SIMILAR  
AMOUNT UNQUOTE

THIS IS WRB LISBON CABLE NO. 169

Note: This should have been a private message from  
M. A. Leavitt to Harold Trobe

4:30 p.m.  
April 11, 1945

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN MISSION, BUCHAREST  
TO: Secretary of State, Washington  
DATED: April 11, 1945  
NUMBER: 260

## SECRET

It is desired by William Filderman to determine if consignment of medical supplies mentioned in Department's message number 61 of the ninth of February, has been forwarded and approximately when the consignment may be anticipated to arrive here.

BERRY

Cairo

Dated April 11, 1945

Reg'd 10:55 p.m.

Secretary of State

Washington

885, April 11, noon

FOR NORMAN LEVITT JOINT DISTRIBUTION COMMITTEE FROM  
JOSEPH SCHWARTZ

View great difficulty obtaining permission our staff members proceed Bucharest and view great importance our having direct representation there. Have been discussing with Fassman possibility our asking Bertrand Jacobson act on our behalf. Have called Filderman asking his views and if he agrees we feel this would be wisest step to take at this time despite your and our reservations. Upon receipt Filderman's approval this suggestion we shall ask you undertake necessary steps with Hicem obtain Jacobson's release to us. Meanwhile would appreciate your views. Please cable Lisbon.

TUCK

JMS



Bern

Dated April 11, 1945

Rec'd 4:51 p.m.

Secretary of State,

Washington.

HLSI, April 11, 4 p.m.

O'DWYER OF WAR FROM MORRILLAND

10 Renault trucks left Geneva at 6 a.m. today (Legation's 1980, April 6) and will proceed via Kreuzlingen with Luebeck as final destination. 6 of them were loaded with 19 tons food parcels, 2 with gasoline and 2 with repair parts, tools, et cetera and team of mechanics. Food will probably be off loaded at concentration camps of Oranienburg and Ravensbrueck and trucks will go on to Luebeck to remain and work in this area.

There are excellent prospects that 6 more Renaults will be ready depart end this week for Danau.

Will keep you currently informed.

HAURISON

JMS

NO. 10 RM RM-TRANSMITTED

SECRET

COPY NO. 4

OPTEL No. 116

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

## NAVAL

1. HOME WATERS. 10th. A midget U-boat sunk by M.L. in Straits of Dover while German 2-man U-boat ran aground off Calais when 2 prisoners taken. Radar station S.W. Cherbourg has been under continuous fire from enemy shore batteries Alderney since 0200 hours this morning.
2. MEDITERRANEAN. Explosion in Bari Harbour previously reported caused by explosion in ammunition ship which sank while in addition to the 3 ships reported damaged by fire, an Italian corvette also damaged. Naval casualties 15 killed, 50 wounded.
3. ENEMY ATTACKS ON SHIPPING. 11th. A 7607 ton U.S. ship in convoy north of Havre and a 8000 ton ship in convoy off Dungeness both mined or torpedoed. Latter reported still afloat and tugs have gone to her assistance.

## MILITARY

4. WESTERN FRONT. Southern Sector: 1st French Army making steady progress on broad front while 7th U.S. Army are closing on Schweinfurt. Central Sector: Ruhr pocket further compressed by advances on eastern and southern flanks while to eastward 1st U.S. Army advanced 12 miles east Gottingen and 9th U.S. Army having captured Hanover are thrusting east towards Brunswick. Northern Sector: 2nd British Army advanced 15 miles east of river Leine to reach Fuhrberg (north Hanover) while further west 1st Canadian Army has cleared Deventer and thrust 20 miles north of Meppen.
5. EASTERN FRONT. Northern Sector: Russians claim on cessation resistance Konigsberg some 50,000 Germans surrendered. Central Sector: Germans report renewed Russian assault Breslau and local fighting continuing S.E. Ratibor. Southern Sector: In Carpathians Trenchin (80 miles N.E. Bratislava) taken while further south Gaenserndorf also captured. South of Danube all districts of Vienna on west Bank Danube Canal now cleared.
6. ITALY. Adriatic Sector: On evening 9th after heavy air and artillery support 8th Army launched large scale attack across River Senio which has met with considerable initial success and firm bridgehead already secured. On right of bridgehead Italian troops now 1 mile N.W. Alfonsine while in centre Indian and New Zealand troops having advanced 2 to 3 miles over Senio have captured Fusignano Lugo and Cotignola and on left Polish troops making good progress towards Solarola. Further west additional bridgehead secured S.E. Riolo. West Coast Sector: U.S. troops have captured Massa.
7. BURMA. Central Sector: Yanaung (west Pyawbwa) captured and our troops advancing east now within outskirts latter town while other troops advancing from north within 2 miles.

## AIR

8. WESTERN FRONT. 9th. Further reports state additional tactical aircraft 685 operated battle areas destroying or damaging 50 locomotives, 523 road and rail vehicles and inflicting enemy casualties 20,2,5 in combat and 17,7,17 on ground. 9th/10th (night). 926 Bomber Command aircraft despatched (4 missing) 600 Kiel (2634 tons) in clear weather with bombing concentrated, 44 Berlin, 37 Plauen, 36 Stade, 24 Hamburg, 98 sea mining and 87 bomber support. Photographs taken 10th show SCHEER has capsized. 10th. 217 Bomber Command Lancasters and Halifaxes (2 missing) dropped 754 tons on 2 railway centres Leipzig. 1232 U.S. escorted heavy bombers (22 bombers, 6 fighters missing) dropped 2280 tons on 8 airfields and 701 tons on ordnance depot in area Berlin, Brandenburg and Leipzig during which operations enemy casualties inflicted 37,4,26 in combat and 324,0,250 on ground. SHAEF (Air) Medium bombers 685 (1 missing) dropped 727 tons on targets central sector 350 tons on Schweinfurt and 104 tons Clottenburg (40 miles S.W. Bremen) with good results, while 1626 fighters and fighter bombers (7 missing) operated Northern and Central Sectors destroying or damaging 74 locomotives, 2000 road and rail vehicles and inflicting enemy casualties 16,2,5 in combat and 40,8,31 on ground.

Regraded Unclassified

9. MEDITERRANEAN. 8th/9th (night). Heavy bombers attacked railway centre Trento (138 tons) while 126 light bombers attacked communications North Italy and Po Valley.

9th. Heavy bombers dropped 1510 tons with good results on gun positions and other military targets S.W. Ugo, while 1211 tactical aircraft provided further close support for 8th Army in Lugp/Imola area. 155 Lightnings successfully attacked railway bridges south Germany and Austria while 196 tactical aircraft attacked targets Yugoslavia.

10. BURMA. 8th. 48 heavy bombers and 303 tactical aircraft attacked military objectives.

11. JAPAN. 7th. 285 Super Fortresses (7 missing) attacked Nakajima aircraft engine plant Tokye (46 tons) and Mitsubishi Aircraft Plant, Nagoya (687 tons) when bombing visual and results good with enemy casualties 64,31,41 in combat.

8th. Super Fortresses dropped 147 tons Kagoshima City while 38 Liberators attacked targets Formosa.

April 12, 1945  
10:15 A. M. 79

Mr. Dean  
Acheson:

How is Elinor?

HMJr: Well, she was well enough for me to leave, and, of course, they say the earliest she can leave down there would be the first of May.

A: Oh, yes.

HMJr: But she's in a very good humor and she is in excellent hands, but it is like all of these things, it is a question of taking time.

A: Yes, of course. Well, Alice wanted me to ask you to give her a great deal of love from Alice, and say that she was very distressed to hear that she had not been well.

HMJr: I will do that with pleasure.

A: And from me too, I'm terribly sorry.

HMJr: Thank you, Dean.

A: I'm glad she is getting on..

HMJr: Yes, she was well enough the doctor thought I could leave her...

A: All right.

HMJr: ... for a few days. They said you wanted to talk to me.

A: Well, I wanted to ask you something about a timetable here, and the boys told me that you would probably want to see me sometime today or tomorrow.

HMJr: Well, I think it will be sometime tomorrow. What time would suit you tomorrow?

A: Well, I had a plan which isn't too important at all. I'm going to speak twice in New York ...

HMJr: Yes.

A: ...on Bretton Woods on Monday.

HMJr: Yes.

A: And I had a ticket on the one o'clock train tomorrow to go up to New Haven for the corporation meeting on Saturday, but I can easily call that off.

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HMJr: No.

A: Since this is much more important.

HMJr: No. It is very easy for me to adjust myself, and I would suggest about 10:30 tomorrow morning?

A: That would be fine if that fits in with your plans.

HMJr: Well, I'll just make it, that's all, and we'll say 10:30 tomorrow morning.

A: Do you think it would be satisfactory for you if I..

HMJr: Oh, yes.

A: ...or will there be other ...?

HMJr: No, no. We will sit around and talk about it, and you can count on making your one o'clock train.

A: All right. I did want to get your ideas because it is rather ticklish making a speech in New York at this particular time.

HMJr: I understand. We'll talk it over, and I don't know how much the men have told you, but I told them to...

A: Yes, they've told me the whole story.

HMJr: I sent them a wire, please to keep you posted.

A: They've kept me posted, and they gave me the papers the other day. They came over here, Dan Bell, Eddie, and Lux.

HMJr: Fine, well, then I'll look forward to seeing you at 10:30 tomorrow.

A: First rate, thank you very much.

HMJr: Goodbye.



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April 12, 1945  
10:25 a.m.

## PRE-PRESS

Present: Mr. D. W. Bell  
Mr. Gaston  
Mr. Blough  
Mr. Fussell  
Mr. Bernstein  
Mr. Lynch  
Mr. Shaeffer  
Mr. Engelsman  
Mr. Lake  
Miss Chauncey  
Mrs. Klotz

H.M.JR: Is there anything special, Mr. Bell?

MR. BELL: No, I don't know of a thing.

H.M.JR: Charlie?

MR. SHAEFFER: The bank holding company will be brought up by Wilcox, and he's also interested in the big bills.

H.M.JR: I saw that a story broke in Cissy Patterson's paper.

MR. BELL: What kind of story?

H.M.JR: I had a whole story. Somebody sent me down a clipping. You might get it for Mr. Bell. He is kind of busy. He doesn't have time to read.

MR. SHAEFFER: I'll send him down one.

MR. BELL: I must admit I don't pay a lot of attention to that paper.

H.M.JR: I don't even take it.

Have you anything for me?

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- 2 -

MR. FUSSELL: I think they are going to ask more questions about the law enforcement drive on black markets, and so forth.

H.M.JR: Law enforcement? Well, of course I only got back this morning, so tell them--

MR. BELL: We certainly haven't anything on the holding company bill. I wouldn't say anything about the holding company bill yet.

H.M.JR: What about law enforcement?

MR. GASTON: You are getting some reports. I think it is moving along very nicely.

H.M.JR: I didn't get Charlie Bell's report. He sent it too late. If he would have asked you, he would have known.

MR. GASTON: We may have something for them before very long. As a matter of fact--

MR. FUSSELL: These boys have a story on war bonds.

MR. GASTON: As a matter of fact, we have some-- well, not for general distribution--but we have some teasers we can give out on that already.

H.M.JR: I would like to see some.

MR. BELL: There is some discounting in New York. People are walking in with ten thousand dollar bills and offering the teller two thousand dollars to change them.

H.M.JR: They are? You wouldn't tell them that, would you?

MR. BELL: I don't think so. It's something that the banks give the Fed from time to time and so far they haven't found any teller that will discount them.

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MR. GASTON: One fellow offered two hundred dollars to change a thousand dollar bill and another offered four hundred dollars to change four one thousand dollar bills.

MR. BELL: If they wouldn't take any name or number.

H.M.JR: Send them around to me. We are hard up.

MR. GASTON: We are looking around to see how we can handle it.

H.M.JR: I'll say hello to the boys and let them know that I am back.

Where is White?

MR. BERNSTEIN: He has gone to New York for a speech.

H.M.JR: Is Ned Brown coming on in?

MR. BELL: No. You asked me to have him?

H.M.JR: Why, sure.

MR. BELL: You did? I am sorry.

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April 12, 1945  
10:50 a.m.

## WAR BONDS, BRETTON WOODS

Present: Mr. D. W. Bell  
Mr. Gaston  
Mr. Blough  
Mr. Fussell  
Mr. Bernstein  
Mr. Lynch  
Mr. Shaeffer  
Mr. Engelsman  
Mr. Lake  
Mrs. Klotz

MR. ENGELSMAN: We are meeting with some wire services.

H.M.JR: Every day?

MR. LAKE: During the last War Loan three wire services were meeting with Ted almost every day or every other day.

H.M.JR: Have you started that?

MR. LAKE: He talked with them just yesterday. That was the first time.

H.M.JR: It just proves they don't know what is going on.

MR. ENGELSMAN: We are letting these wire services have conferences called with some of the people putting on the Drives tomorrow.

H.M.JR: Did you get that suggestion? I suggested, Herbert--in the first place, these four men--Gamble should go before them, Vinson and that group, and explain the thing and see what they are doing. Vinson and OPA and--

MR. BELL: Yes.

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H.M.JR: ...that group, see? Gamble should appear before the Senate and House and try to get it to the point where next we can make a speech to the Press Club so Washington knows what is going on. I told them.

MR. LAKE: The Advertising Club here, too.

H.M.JR: Isn't Press and Advertising the same?

MR. LAKE: No. There is an Advertising Club here that meets once a week for luncheon.

H.M.JR: I don't feel we are getting the stuff out of here enough. We have this big anti-inflation thing now.

MR. BELL: In about five minutes I would like to meet with the people here that have to do with General Hilldring, State, and War and whoever are in on reparations and civil affairs. I want Mr. Gaston. Give me about five minutes. Get them together, huh?

MR. BELL: Okay.

H.M.JR: But tell Ted. You were very good, Engelsman.

MR. ENGELSMAN: Thank you.

H.M.JR: You gave them the story. What do you think, Mr. Fussell? Don't you think they ought to sell more here in Washington?

MR. FUSSELL: I think they will eat some more stuff up.

H.M.JR: Sure, but I wanted first to do the thing. Now, I thought I told you to call up Ned Brown and tell him to stand by in case I wanted him Thursday or Friday. Doesn't that ring a bell with you?

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MR. BELL: No, it must have been at home.

H.M.JR: I said call him up. I wanted him down here.

MR. BELL: It completely went out of my mind.

H.M.JR: I'll do it.

MR. BELL: Do you want me to do it?

H.M.JR: I'll do it. I said to have him ready in case I could come. He would be here Thursday and Friday for consultation, because Dean Acheson wanted to go out at one o'clock tomorrow, only if it was agreeable to me.

I have called a meeting at ten-thirty tomorrow on Bretton Woods. Will White be here?

MR. BERNSTEIN: Yes. He will be here tonight, I think.

MR. BELL: Burgess is very nervous. He got his meeting Saturday with this Committee. He doesn't know what to tell them.

H.M.JR: Good!

MR. GASTON: White has a date to eat lunch with the Morgan partners at the Morgan Bank today. Is that all right?

H.M.JR: Sure. Is that what he has?

MR. GASTON: Among other things.

H.M.JR: Did the Morgan partners sign the CED report?

MR. BERNSTEIN: One of them did.



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H.M.JR: He is going all by himself?

MR. BERNSTEIN: Apparently.

H.M.JR: Brave man!

MR. BERNSTEIN: They are getting to be like lambs, Mr. Secretary.

H.M.JR: Says you!

MR. BLOUGH: Exchange lambs.

H.M.JR: Let's go in in about five minutes. This afternoon we will do Bretton Woods, but I'll call Brown in the meantime.

April 12, 1945  
11:17 A. M.

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Mr. Alan  
Barth:

.... well, I take it it is good news that you are back here.

HMJr:

That's right, Alan, that's right.

B:

Things are looking up then.

HMJr:

Things are looking up.

B:

Well, that's fine - that's wonderful.

HMJr:

Alan.

B:

Yes, sir.

HMJr:

I've got a couple of high-pressure boys in here and they have a half-hour's time next Tuesday night with a wonderful program from Hollywood with really top-flight people. They've got nine minutes on it for a speech, and they are trying to get Walter George. And if Walter George won't do it, they think I'm conservative enough. They aren't quite sure - but they only want a conservative. They have little doubts, but they think I might do, see? Hello?

B:

Yeah. If they think you are that conservative you better sue them.

HMJr:

Yeah. Well, we've got a new crowd around here--- Luxford, and this whole crowd. Do you know Luxford?

B:

Sure.

HMJr:

He's gone very -- he is sitting here. He's here - he's laughing. But I didn't want to say yes unless I could call on your generosity to help me.

B:

Yes, sir, certainly.

HMJr:

Now I've got some new ideas. I talked to 900- what they call battle-weary people - down there at this hospital, and they asked me a lot of questions. It's very interesting -- all privates.

B:

Ahuh.

HMJr:

All wounded men, and 50% psychoneurosis.

B:

Yeah.

HMJr:

But out of the questions to me comes two things that I talked to them - that this Bretton Woods

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HMJr:(cont) .two things -- it means peace and jobs. Hello?

B: Yes, sir.

HMJr: And I stressed those two things. I talked without any notes and answered questions. The interesting thing- anybody can walk out, they don't have to stay. They walk out on their commanding officer.

B: Ahuh.

HMJr: But nobody walked out on me.

B: Good.

HMJr: And if you would be willing to collaborate with me, then if they can't get George and they think I'm conservative enough, I'm willing to do it.

B: Oh, of course. I'd be delighted.

HMJr: Well, then, on that basis I'll tell these fellows all right.

B: All right.

HMJr: See? And I'll be getting in touch with you and we will sit down and have a nice talk, and talk it out first. See?

B: I have one simple idea which I would like to suggest to you and it would take me just three minutes. Could I run in to see you sometime?

HMJr: Surely. I would say --- I forget your working hours.

B: Oh, never mind that because I just --- well, I mean..

HMJr: But before five you are always on the editorial desk, aren't you?

B: Yes.

HMJr: Well, I tell you if you will tackle me the very first thing tomorrow morning - I only got in at four this morning. My mind is not too clear, but if you could stop in here the very first thing tomorrow morning...

B: All right.

HMJr: ..... around 9:15.

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B: Very good.

HMJr: If necessary I'll give you coffee, one egg- sunny-side up.

B: Oh- I'll take the coffee and stay just long enough to drink that.

HMJr: Well, then, let's say about 9:15.

B: Fine.

HMJr: Here.

B: Very good, sir.

HMJr: How's the baby?

B: Oh, she is wonderful.

HMJr: And the wife?

B: Very good.

HMJr: I want you to know I've got a four weeks old grandchild that drinks orange juice out of a cup.

B: That's very good.

HMJr: What?

B: That's very good. Does she talk yet?

HMJr: What?

B: Talk yet?

HMJr: No, but she smiles and it's not gas either.

B: (Laughs) That's pretty good.

HMJr: They are all laughing at me.

B: (Laughs)

HMJr: And it's not gas.

B: I'm not -- I can't afford to.

HMJr: You can't afford to have what?

B: I can't afford to laugh - not in my position.

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HMJr: I see.  
B: Too many people laugh at me.  
HMJr: All right, I'll see you at 9:15 in the morning.  
B: Thank you.  
HMJr: All right, bye.

April 12, 1945  
11:25 A.M.

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HMJr: Hello.  
Operator: Go ahead.  
HMJr: Hello.  
Mr. E. E. Brown: Hello, this is Ned Brown.  
HMJr: Henry talking.  
B: Yes.  
HMJr: How are you?  
B: Pretty well. I just got in from Philadelphia about 15 minutes ago.  
HMJr: For heaven sakes! Ned, there have been several proposals made, as you know, by Burgess and his people. Hello?  
B: Yes.  
HMJr: And I sent you a message which, unfortunately, there was a mix-up, saying that I hoped you could come to Washington over the weekend and consult with me, but somehow there was a mix-up and the message didn't get to you. Now I've got to make up my mind here with the people here, and with Dean Acheson what we are going to do. And I want very much to get your advice. Hello?  
B: Yes.  
HMJr: Now, is there any chance of getting you back here, or is that cruelty to ask you?  
B: Well, I --yes, I can get back tomorrow if you'll get me a plane priority tomorrow sometime after five o'clock. I've got a director's meeting.  
HMJr: Well --- what, let me see-- I'm all mixed up. Tomorrow is Friday.  
B: Tomorrow is Friday. You want me there Saturday?  
HMJr: I'll take you whenever I can get you. You'd like to come by plane Friday afternoon?  
B: I'd like to come by plane, on a plane leaving not earlier than five o'clock because I've got a director's meeting at the bank.



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HMJr: All right, I'll get you a plane priority so that you can leave your office by 5 o'clock?

B: Or, if I can leave my office by four I can get out to the airport by five. It takes about an hour to get out.

HMJr: All right. Well, we'll put it this way - any plane leaving from five o'clock on.

B: Yes, the earlier the better because I don't like to get into Washington late at night. That is, I'd like to get there by eight or ten and get a night's rest.

HMJr: Well, do you want us to get you a hotel room?

B: Well, I can probably get one at the Carlton. If you'd have your secretary call up, I'm sure they could get me --- tell them it is for Edward E. Brown in Chicago. I'm sure they will give me a room.

HMJr: I'll get a room for you at the Carlton for Edward E. Brown of Chicago.

B: Well, I only say that because I'm a regular customer there and they always have taken care of me.

HMJr: Good. I'll tell you a story when you come here about regular customers.

B: Yeah.

HMJr: That they don't take care of, but I can't do it on the phone.

B: (Laughs) All right.

HMJr: I'll be looking .....

B: Then I'll go to the Treasury about 9 o'clock ....

HMJr: Right.

B: ... Saturday morning.

HMJr: Right. I'll be looking --- I'll be waiting for you.

B: All right, fine.

HMJr: Thank you.

B: Thank you.

HMJr: Bye.

April 12, 1945 94  
11:37 A. M.

Mr. Edward Stettinius: Welcome home, young man.

HMJr: Thank you.

B: And how's your lady?

HMJr: Well, she was well enough, Ed, for me to leave.

B: Well, I was terribly sorry she had that....

HMJr: She's quite ill, but the doctors assured me that I could come up here for a week.

B: Isn't that hell?

HMJr: Then I'm going to go down there again for a few days.

B: Well, has she got good attention there?

HMJr: She's got --- she's very, very fortunate. She is there at the Welch Convalescent Hospital. They've got excellent doctors, excellent nurses and they are taking excellent care of her.

B: Well, that's fine.

HMJr: So she is very fortunate.

B: But she has had a terrible break, hasn't she?

HMJr: Awful.

B: This series of stuff -- for the last three years?

HMJr: Isn't it unbelievable? Just one thing after another.

B: Too damn bad, Henry.

HMJr: But she is in a very good humor, and she is a very good sport about it.

B: Well, how are you?

HMJr: I'm all right.

B: Did you get some rest?

HMJr: Got in at --- well, not the last week. Hello?

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S: Did you swim a little bit?  
HMJr: Yes, a little bit, but it's the terrific tension.  
S: I know, I know. Family troubles..  
HMJr: But, I'm all right.  
S: Good.  
HMJr: I got in at quarter to four this morning.  
S: Quarter of four (laughs), gosh.  
HMJr: Yeah.  
S: Well, boy, I'm presiding over the delegation to San Francisco....  
HMJr: Yeah.  
S: ....all day, finishing up tomorrow and Saturday morning.  
HMJr: Yeah.  
S: And then we'll have to have a good visit. What are you going to do over the week-end?  
HMJr: I'm here.  
S: Well, I had a good talk with Henry Wallace yesterday afternoon.  
HMJr: Did you?  
S: I had a long thrashout with him.  
HMJr: Oh.  
S: And I want to talk to you about that because he's ready, and the more I study the thing the more I think that you and I ought to push that thing over the dam before I get away for another four or six weeks.  
HMJr: Well, when, when can you and I have a good talk?  
S: Well, now, I was just looking here now. There's no sense trying it during the daytime tomorrow.  
HMJr: No.  
S: Why don't I -- why don't we try to do it up at the hotel

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S:(Cont.) either in the morning or the evening so that we can really do a leisurely job.  
HMJr: Well, here's my trouble. Friday night is the Jefferson Day Dinner.  
S: Yeah.  
HMJr: Which I'm going to.  
S: Yeah.  
HMJr: And Saturday night is the Gridiron Dinner.  
S: Yeah. Well, now, the thing for us to do is go to the Gridiron Dinner together.  
HMJr: Yeah.  
S: We'll meet for a drink up at the hotel and have a good visit and then we'll go to Gene Meyers' party together, and then go to the dinner together.  
HMJr: Fine.  
S: Now, how's that?  
HMJr: Fine. Now, what time would that be?  
S: Well --- the dinner is at --- let's see -- we're due at Gene Meyers' party at six.  
HMJr: Well, you don't go that early.  
S: No. Well, why don't you come to my apartment at six o'clock?  
HMJr: Well, I don't think we would have quite -- five-thirty, I think, would be better.  
S: Five-thirty -- the Gridiron is at seven. Oh, that gives us a whole hour.  
HMJr: Well, I ---  
S: Then we'll just look in other -- a couple of places for cocktails for about 15 minutes before the dinner.  
HMJr: What time would you suggest?

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S: Well --- I --- I would like to do it at five-thirty or six, but I've got to dress because I've got to do a broadcast at 10 o'clock that night.

HMJr: Let me ask you this because you may be - what are you doing Sunday morning?

S: I'm going to go to the country to look at my new bull I bought for the last time.

HMJr: Oh.

S: I haven't seen him, and I haven't been to the country in two months. I'm going down to the country after the Gridiron Dinner.

HMJr: Oh. Are you busy all Saturday afternoon?

S: I'm just locked to --- just jammed up here to the moon on San Francisco meetings all Saturday.

HMJr: And when do you come back from the country?

S: Sunday evening late, probably.

HMJr: Oh.

S: Probably too late for that.

HMJr: Oh.

S: Or we can do it --- I'm not jammed up too much on Monday.

HMJr: You wouldn't want to start off the very first thing Monday morning?

S: Well, I've got to testify before the Reap -- before Wags and.....

HMJr: Well, I'll do it when you suggest. What time...?

S: Henry, let's do this -- we'll have a drink together before Gridiron and then if we don't finish it then, we'll do it on Monday.

HMJr: All right. What time would you like it on Saturday?

S: I think six o'clock is a good time. I think that would--

HMJr: Six o'clock, and then if we don't finish...

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S: If we don't finish then, we'll have another session on Monday.

HMJr: Fair enough.

S: You come to my apartment for an old-fashioned at six o'clock.

HMJr: What is your apartment?

S: 200 G.

HMJr: 200?

S: 200 G.

HMJr: I'll be there at 6 o'clock.

S: 17-year-old Old Taylor.

HMJr: 17-year-old Taylor?

S: Yes, sir. Believe it or not.

HMJr: Lucky man.

S: Right, boy.

HMJr: At six O'clock -- 200 G.

S: O. K. Henry. Thank you.



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April 12, 1945  
11:50 a.m.

## PERSONNEL FOR EUROPE

Present: Mr. D. W. Bell  
Mr. Gaston  
Mr. Lynch  
Mr. Coe  
Mrs. Klotz

MR. GASTON: It's a muddy kind of a bill.

MR. COE: That's more accurate. It is a muddy kind of a bill. The law should object to it. There was an exchange of correspondence on it, and apparently the background of it is that people are more afraid of some of the clauses in the bill as interpreted by State, because you wrote them months ago and asked them if they interpret certain clauses as interfering with the traditional right of the Treasury to dispose of its forces, and so forth, as it wanted to, and they didn't come back with a good clean answer, no, and that causes a problem. But I think we'll--

H.M.JR: There's a move on, because Stettinius told me he got the President to write some letter about this.

MR. COE: Yes, that's much more serious actually than the bill.

H.M.JR: There is a move on. Ostensibly a move is on to--

MR. COE: Consolidate everything.

MR. GASTON: Actually to bring them under the State Department's control.

MR. BELL: When do you want this brought to your attention?

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H.M.JR: Which one?

MR. BELL: You said something about it--do something about this before you see Stettinius.

H.M.JR: At six o'clock, because I want to know where we stand. One of the things I want to tell Stettinius, as I told him when he brought it up to me, I am not going to stand for everything--the Treasury men brought under the State Department. If I have to do that, I am going up on the Hill and tell them some of the things the Treasury has been doing in foreign affairs. If Stettinius wants me to tell them about the March 10th thing, I'll tell them. If he wants me to tell about the things we are doing in China, I'll tell them. If he wants me to tell about the State Department thing last August over there in Europe, I'll tell them. I'll go to bat on this thing. I am not going to take it, and I am just going to tell half a dozen things we have done--where we have picked up the pieces because they were doing what the President didn't want them to do. If he wants me to tell that story on the Hill, I am prepared to do so, but I want that on my agenda, Mrs. Klotz, Treasury people coming under foreign service under the State Department abroad, see?

MR. COE: We have canvassed different parts of the shop on this legal Foreign Funds ourselves.

H.M.JR: Don't bother me with the details. Let me know if it is critical. Talk it over with Mr. Gaston, Mr. Bell and the General Counsel's office, and let me know if I should worry.

MR. COE: I think we will have three sentences on your desk this afternoon.

H.M.JR: You know that story, don't you? This fellow comes back from Europe. He has been abroad for a couple of months, and his two sons meet him on the dock, and he says, "Hello, how's business? Should I worry?" (Laughter) So, let me know, will you?

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MR. COE: Yes.

H.M.JR: All right.

MR. COE: Didn't you say Stettinius had told you?

H.M.JR: He had excluded us, and the thing he was worried about was FEA, but I have been around this town long enough to know it's an old Army game. They relax outside.

MR. GASTON: It appears this bill will not affect the people who have the statutory right to be there as Treasury representatives who specifically are Customs representatives, but it would have a considerable affect on any of our Monetary Research or Foreign Funds people.

H.M.JR: Well, please get together between now and Sunday, huh?

MR. COE: Yes.

H.M.JR: Mr. Hildring is coming in at three o'clock. What can you do to prepare me? I thought at first I would see him alone, but maybe--

MR. BELL: What's he coming in on?

H.M.JR: Personnel for Europe.

MR. BELL: Well, for the top place I gave you the names that we have discussed here informally, and I should add to that list Wayne Taylor and Ned Brown. There are John Sullivan, Wayne Taylor, Ralph Flanders, Ned Brown, Herbert Feis, Beardsley Ruml, and Randolph Paul. They are the only ones we could think of.

H.M.JR: Don't tease me. What do you mean Wayne Taylor? Who suggested Wayne Taylor?

MR. BELL: I don't know who can take credit for it, but I am not so sure Taylor couldn't do a good job with Bernie as deputy.

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MR. COE: Wayne takes all his orders from the State Department.

H.M.JR: That's a discredit.

MR. BELL: Well, we were trying to think of all the people around that were available that we could get.

H.M.JR: Starting off with whom?

MR. BELL: John Sullivan.

H.M.JR: Yes.

MR. BELL: Ralph Flanders of the Federal Reserve Bank in Boston, Ned Brown--

H.M.JR: Wait a minute! Sullivan and who?

MR. BELL: Flanders and Brown.

H.M.JR: Yes.

MR. BELL: Herbert Feis, Beardsley Ruml, and Randolph Paul. I don't think there were any others, were there, Herbert?

MR. GASTON: I think that's all.

MR. COE: Mr. Secretary, of all of those--

H.M.JR: I have only written down three.

MR. COE: Well, of them all I don't think there is one at any rate who I feel sure is in agreement on the basic policy. Now, Joe DuBois said that Flanders was. Apparently there has been some--

H.M.JR: Where is Joe?

MR. BELL: He is with Lubin, I think. He was told, but I think he is across the street.

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MR. COE: I think probably Randolph Paul is, and there were discussions--he worked well with Bernie.

MR. LYNCH: Joe recommended Flanders and added his name to the list largely on account of the letter Flanders had written the Secretary in which he stressed his views which seemed to be in agreement with basic views here.

MR. BELL: We don't know how any of these stood. We were just trying to find names.

H.M.JR: Flanders doesn't know Treasury procedures. Nuts and bolts are his business.

MR. GASTON: Machinery.

MR. BELL: What we were trying to think here was to get somebody that would more or less be the front and put across the policy, and Bernie would do the technical job, be the deputy, and we are fortunate in having him, I think.

H.M.JR: What did you fellows decide about a Chief Investigator?

MR. COE: Schmidt.

MR. GASTON: That was decided to be Schmidt.

H.M.JR: The last time I talked to you it was Mike Hoffman.

MR. COE: We were questioning it because of administrative problems of Foreign Funds, but since you wanted it, and after canvassing it, we decided on Schmidt, and there was a proposal discussed with Harry of having Mike Hoffman who has been high in their hierarchy, act for Schmidt while he is gone.

H.M.JR: Who?

MR. COE: Mike Hoffman, who was our Paris representative, has been one of the right hand men on Foreign Funds right along.

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H.M.JR: What is Saxon doing, nursing ulcers or something?

MR. COE: Saxon is badly ill with ulcers, and he has eye trouble, but Hoffman is Schmidt's choice to act while he is gone.

H.M.JR: That's all right; I like Hoffman.

MR. BELL: There was some thought that Saxon might go along with the top man to Germany, but he couldn't now if he is sick.

H.M.JR: Don't send anybody over there with eye trouble and ulcers.

MR. BELL: We were hoping his top man could come back, and in the course of two or three months a second man would be prepared to take over at that time.

MR. GASTON: We have sent orders out to five Customs men, formerly European agents, to be prepared to go in ten days to help on the crew, and we also have a list of Revenue people who are in the Army whom we can ask for if we want them.

MR. COE: Schmidt now has a list of fifty or seventy-five possibilities as soon as it is decided, and we said--

H.M.JR: Well, Mr. Bell tells me it has been decided.

MR. COE: Well, we wanted to talk with you about it. He is going to start.

MR. BELL: I understood the Secretary approved of us taking on the job if he thought we could get the man, and that was passed on to White.

MR. COE: We already have a list of five that we would like to ask you to get Major Donovan to turn over from OSS.

H.M.JR: Fix me up a letter.



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Now, I think that these suggestions aren't too helpful. Do you agree, Herbert? (Laughter)

MR. GASTON: I don't think they are overpoweringly good. No, I think we might look a little further on the list of presidents of the banks. Maybe there is somebody better.

H.M.JR: The further South you go, the fellows feel the war much more keenly.

MR. BELL: I wouldn't go to any of the Federal Reserve Banks other than Flanders, I don't believe. The second best man, I think, around would be Bryan of Atlanta. He is a very good fellow if you know him. Do you know him?

H.M.JR: No.

MR. BELL: He was here a while under Jake Viner's study and he went down as an economist, but he is now First Vice President of the Atlanta bank and is a strong supporter of your Bretton Woods program.

H.M.JR: Is that the fellow?

MR. BELL: Yes.

MR. COE: What about Paul?

H.M.JR: No. You know when you look around to get somebody who feels right on Germany and right on the Jews who happens to be a Christian, it doesn't almost exist.

MR. COE: Mr. Secretary--

MR. BELL: I think I did overlook one President.

H.M.JR: It's the truth.

MR. BELL: Chester Davis. I don't know how he stands, but he is an able fellow.

MRS. KLOTZ: You mean for this kind of a job.

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H.M.JR: For this kind of a job. I mean, you go outside of the Treasury and try to find somebody to take, for instance, General O'Dwyer's place, or somebody on the Intergovernmental Committee on Refugees, or to take any one of these important places.

MRS. KLOTZ: What about General O'Dwyer?

H.M.JR: Well, he--

MRS. KLOTZ: He is running it anyway. It is not a bad suggestion.

H.M.JR: He doesn't know Government procedure.

MR. BELL: I don't think that is absolutely necessary. It would be a good thing, but as long as you have Bernie there and the fellow who is really going to be the technical man--

MRS. KLOTZ: His heart is in the right place.

MR. BELL: I told you what he said about the women.

H.M.JR: Well, he's wrong. I am not going to argue with him. I am not going to argue with you, but he is wrong.

MR. BELL: I take it what he is up against is the internal policy which started here to be a military setup entirely, and he argued for the civilians.

H.M.JR: If you are going to have Mrs. Luce trotting all over Italy--it's all right for Mrs. Luce to travel up and down for months in Italy. Nobody raises any question about that. They let Mr. McCormick of the New York Times go to the front.

MR. BELL: It's all right a little later, but now he thought about our position on the General staff.

MR. COE: I feel and know Harry feels that there isn't anybody better than Bernie.

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H.M.JR: Now look, boys, Bernie is good, but we have to get somebody over him and I can't give all the reasons, but I have been given enough to convince me somebody has to be over Bernie. What about these one hundred and twenty-five men over their under Crowley? Isn't there anybody worth a damn except Coe?

MR. COE: Yes, there are some good men, but the War Department is--they are going to want for this job a man of prestige now, and we are going to want one acquainted with finance, and the most difficult of all is the agreement on the policy not to come in fighting it. The FEA on the German policy is quarreling with our people up and down the line right now.

MR. BELL: What about Currie?

H.M.JR: I suggested Currie for something else.

MRS. KLOTZ: It's a good suggestion.

MR. COE: Currie was talked of in this group. McCloy doesn't like him.

H.M.JR: Stimson doesn't like him.

MR. BELL: He turned him down on the London thing.

H.M.JR: Stimson will have no part of Currie.

(The Secretary holds a telephone conversation with General Hilldring, as follows:)

April 12, 1945  
12:08 P. M.

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HMJR: Hello.

Operator: General Hilldring.

HMJR: Hello.

Operator: Go ahead.

HMJR: Hello.

General Hilldring: This is Hilldring, Mr. Secretary.

HMJR: I'm looking forward to seeing you at three o'clock.

H: Yes, sir.

HMJR: General, when you come over bring me a little organization chart that is going to function under Clay, will you?

H: Yes, sir.

HMJR: So I can get it?

H: Yes, sir. I'll bring -- I'll bring the chart they have agreed on in the European Advisory Commission. I have one of these, Mr. Secretary.

HMJR: If you would.

H: Yes, sir. I will.

HMJR: I thank you.

H: I certainly appreciate your seeing me, sir.

HMJR: I'm looking forward to seeing you.

H: (Laughs) All right, sir. Thank you very much, Mr. Secretary.

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H.M.JR: Well, we will think about it. If Mrs. Morgenthau was well, I would go over there myself to start it, but that's out. They need a nice gentle soul like me.

MRS. KLOTZ: When does that person have to go?

H.M.JR: Almost immediately.

MR. COE: Just one more thing, Mr. Secretary, on Bernstein. I assume that nothing they have told you would differ from our interpretation. He has been fighting hard for the polloy and is in a box on that.

H.M.JR: There is nothing--listen, Bernstein couldn't last two seconds if Morgenthau wasn't backing him, and they know this, and I know it, and Bernstein knows it, see? And the only reason Bernstein can function is because they are scared of Morgenthau, see, and when they wanted to pull Bernstein back here some time ago I put the quietus on that.

MR. GASTON: Do you think he would follow? It would be worth considering.

H.M.JR: I would much rather send Mrs. Foley.  
(Laughter)

MRS. KLOTZ: I don't know how to interpret that.

MR. GASTON: Send them both.

MR. BELL: You would have to.

H.M.JR: As long as we could promise Mrs. Foley steak for breakfast, she might go.

MRS. KLOTZ: I think you men are terrible.

H.M.JR: Terrible. I am controlling myself because you two ladies are present. "I'm afraid that if darling Ed was going to be in Germany, one of these werewolves might snip his toe."

I am all for Lauch Currie.

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MR. BELL: How about Chester Davis?

H.M.JR: Chester Davis is all right. I'll put him down. He is a good guy. That's the best suggestion yet.

MR. COE: Lauch Currie doesn't agree on basic policy.

H.M.JR: He doesn't?

MR. GASTON: You don't know what Flanders' views are, do you?

H.M.JR: No, but he is not a Government procedure man.

MR. GASTON: I don't think that is important.

H.M.JR: Well, if you just want that, I would like to send Conant. Have you seen his article?

MR. GASTON: Who?

H.M.JR: Conant.

MR. GASTON: J. B. Conant.

H.M.JR: Conant has written a wonderful article.

MR. GASTON: I don't think that counts any. You have to have an active administrator, a man used to dealing with people, and a man with some experience.

Now, Flanders, if his views are right, would be the right kind of a man in my opinion.

H.M.JR: Well, he wrote a good statement on Germany.

MR. GASTON: I am not for just an economist. I don't think they are fitted generally. Most of them wouldn't be fitted.

H.M.JR: Chester Davis would be good.



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MR. GASTON: Yes, if his views are all right.

H.M.JR: Well, I came back to lick this job, and I'll lick it between now and the time I go back. We have two good men, Chester Davis and Flanders.

MR. COE: Landis?

H.M.JR: Flanders. What did you think it was, "Flandberg?" (Laughter) Okay. I'll see you.

MR. BELL: Luxford suggested Allan Sproul.

MRS. KLOTZ: To get him out of the country?

H.M.JR: Is Burgess perspiring between now and Saturday?

MR. BELL: He's quite worried. He doesn't know how to discuss this matter at all with his committee.

H.M.JR: Wonderful!

MR. BELL: His committee was called together more or less for this or for other items, too.

H.M.JR: Fine, I think that's grand!

MR. BELL: He would like to have some further talks before he goes before them.

H.M.JR: Okay, I'll do the talking. Okay, I'll see you all this afternoon.

April 12, 1945  
1:18 P.M.

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Mr. Yost: .... the column of Marquis Childs in the paper.  
I don't know whether you've seen it yet...

HMJr: No, I haven't.

Y: But he deals with this subject of the German economic policy and opposes the Treasury and the State Department positions, and Mr. Stettinius was very much disturbed that anything of that sort should get out and wanted you to know that he was shocked and annoyed, and that he is ----

HMJr: I haven't seen it. There's nothing.....

Y: It doesn't stem in any way from the State Department.

HMJr: What?

Y: He wanted you to know that this doesn't stem in any way from the State Department.

HMJr: Well, I can't get shocked because I haven't read it.

Y: All right(laughs). I think he wanted to get that message to you before you did read it.

HMJr: Before I did read it?

Y: Yes.

HMJr: He wanted to be sure that it wasn't the State Department.

Y: That's right.(Laughs)

HMJr: I see. Here it is. I hadn't read it yet. Well, I'll -- I'll read it and see what happens.

Y: All right.

HMJr: But I got his message.

Y: Bye.

HMJr: Who does it give the break to --- the State Department or us?

Y: It gives it to us, I'm afraid.

HMJr: What?

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Y: It gives it to us, I'm afraid. Oh, you mean who does it favor?

HMJr: Yes.

Y: Us, I'm afraid.

HMJr: It favors you?

Y: Yes.

HMJr: Oh, then I'm very shocked.

Y: (Laughs) That's what he thought might be the case.

HMJr: Oh, it favors you.

Y: Yes.

HMJr: You know the person it favors is always the one that gives it out.

Y: (Laughs) Well, that is what he was afraid you would think.

HMJr: I see.

Y: So he wanted to be sure that I got to you quickly.

HMJr: All right, thank you.

Y: All right.

April 12, 1945  
2:15 P.M.

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HMJr: Hello.

Operator: Mr. Coe. Go ahead.

HMJr: Coe --

Frank Coe: Yes.

HMJr: In regards to your memorandum on Treasury people getting into the Philippines.....

C: Yes.

HMJr: ... the thing, peculiarly enough, has just come to me from Robert Lovett.

C: Oh, well, I asked them --- it's been on their desk two and a half weeks, and I asked them today to dig it out.

HMJr: Well....

C: ... and send it over to you.

HMJr: I'll send you a copy.

C: Thank you. I think we are working it out. We've got to go back at MacArthur once more.

HMJr: Oh, listen --- don't -- I don't care how dirty you make it - MacArthur won't let General Kirk land - he won't let the Treasury land. I'm going to sing out.

C: I talked to Hildring this morning about it.

HMJr: All right, well -- Hildring is coming over at three. I'll send you a copy.

C: Mr. Secretary.

HMJr: Yeah.

C: I've been thinking some more about these names.

HMJr: Yeah.

C: And I hope one of two things. I think it is so important that we get someone who agrees with us on the policy, as you do.

HMJr: That's right.

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C: And I think you've --- if you haven't got it, I don't think you have now -- any names that we feel certain of.

HMJr: Yeah.

C: That you ought to let somebody like Joe or myself go up to New York. And if it's got to be a banker, let's talk with some of these people and dig up some people. The other thing is to consider existing Treasury personnel. That is, make a sacrifice that way.

HMJr: Put it on the teletype and send it down to Daytona -- it'll come back to me. I'll see you later.

C: (Laughs) All right.

HMJr: All right.

April 12, 1945  
2:29 P.M.

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Col. E.H.  
Heller: Hello.

HMJr: Ed?

H: Yes.

HMJr: Henry talking.

H: Yes.

HMJr: Ed, I'd like to say something to you officially, but for the time being I don't want it to come back, see, to the Treasury.

H: Yes.

HMJr: I originally wrote the President a letter -- oh, I don't know -- three or four months ago when this legislation passed, setting up the present system of disposal of surplus property.

H: Yeah.

HMJr: At the time, I was more or less a minority -- I didn't think it would work.

H: Yeah.

HMJr: But, I didn't think that that part of the Government which has to contact the people should be in the second-hand junk business any more than the Wells Fargo Bank of San Francisco should be dealing in second-hand merchandise, see?

H: Yeah.

HMJr: And I think it is a great mistake when we have to go to the public and ask them on these War Loans, that we should be all mixed up in a second-hand business.

H: I don't blame you.

HMJr: Now, I wish you would talk with your associates in a more or less confidential manner of the thought of taking this thing away from the Treasury bodily and giving it to some other agency that is better equipped than we are.

H: Oh, good lord, we couldn't do it!



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HMJr: Well---

H: There isn't anybody else that is nearly as well equipped as the Treasury.

HMJr: Well, Ed, I'm going to start with you, and if I don't get results there then I'm going back to the President. I can't have this thing in the Treasury. It doesn't belong here. It just doesn't belong here.

H: Well, I'll be happy to talk with my associates, but I know that they will --- I'm pretty sure that they will tell me to tell you just what I have.

HMJr: Well, will you think of this -- the idea of two places that I'd like to suggest-- one is the RFC that has part of it now. Hello?

H: Yes.

HMJr: They have part of it.

H: Yes, I know.

HMJr: And the other thing that is possible is the Department of Commerce.

H: You see you've built up a fairly -- a fairly complete organization.

HMJr: Yeah, but you can have it - lock, stock and barrel. You can have the whole works.

H: Well, I'll certainly talk to my associates about it.

HMJr: You can have the whole works.

H: And when do you want me to talk to you?

HMJr: Whenever you feel like it.

H: O.K. I shall certainly do so. I hear that Ellie has been sick.

HMJr: Yes, Ellie has been very sick.

H: Is she better?

HMJr: She's better -- enough that I could leave for a few days.

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H: Gee, I'm sorry to hear that she hasn't been well. Was it serious at all?

HMJr: Well, she had a slight coronary thrombosis.

H: Oh, that's a shame.

HMJr: But she will be down there for another couple of weeks. Edith Lehman is down there with her now.

H: Yeah.

HMJr: But she is getting along very well, and she is very cheerful.

H: Fine. I'm sure she will get along better.

HMJr: Is your wife in town?

H: Yes, she's here now, and we were looking forward to seeing you, but I'm terribly sorry to learn that Ellie isn't well.

HMJr: Yeah, I'd like to see you too. We'll get together soon. Now give this thing serious thought, but talk about it without having it bounce back on the Treasury. If you want to talk about it, talk to me about it.

H: Well, I can talk to my associates here about it in confidence.

HMJr: Right. And think about putting it over with either the RFC or with Commerce.

H: All right, I'll certainly do so.

HMJr: I'm going to keep wiggling until I get rid of the damn thing.

H: (Laughs)

HMJr: It doesn't mix with War Bonds.

H: Well, I'm sure it doesn't. Of course, the whole thing is a very difficult thing to administer. I'm damned sorry I had anything to do with it.

HMJr: Yeah.

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H: I don't think that a good job is going to be done on surplus - not due to anybody's particular fault, but due to the fact that so many people are involved. The law is a bad law, an involved law --

HMJr: Ahm.

H: And I'm afraid that it is going to be a mess, and it's not going to be done to anybody's credit.

HMJr: Well, you fix -- talk it over will you?

H: I shall.

HMJr: Thank you, Ed. Remember me to your wife.

H: I shall. Thanks a lot, Henry

HMJr: Thank you.

H: Goodbye.

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April 12, 1945  
3:15 p.m.

## PERSONNEL TO ITALY

Present: Mr. D. W. Bell  
General Hilldring  
Mr. Coe

H.M.JR: You say this was done by the European Advisory Committee?

GEN. HILLDRING: That is right.

H.M.JR: In London?

GEN. HILLDRING: Yes, sir.

H.M.JR: Can I have this chart?

GEN. HILLDRING: Yes, sir, if you want it.

H.M.JR: You have plenty of copies?

GEN. HILLDRING: Yes, sir, and I am sure there are some around the Treasury.

MR. BELL: I don't know--I saw it last Saturday, not this one, but I saw this last Saturday.

(Mr. Coe enters the conference.)

H.M.JR: What the General came over on was contrary to what I expected, and that is he wants to know why we don't demilitarize Italy, and why we don't take care of our end. I don't know a damn thing about it. And it doesn't particularly interest me, so--

GEN. HILLDRING: Well, we find ourselves, as I explained to the Secretary here, in a little strange position.

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and perhaps not too sound a position with respect to the Magna Carta, as I said to the Secretary, that was devised here last January. Up until that time it was the soldiers' desire to get out of Southern Italy. We expressed a desire to have our soldiers replaced and civilians substituted for them. Well, as long as it was simply the soldiers and the War Department pressing upon the civilian agencies of the Government to take over, we took what we could get and were grateful.

On the other hand, that position changed in January when we set up the new policy for Italy in which it is stated as a policy of our Government and of the British Government that the Allied Commission will be "civilianized," it says. That is the British word meaning demilitarized, as we understand it. That decision was made in January, and implementing that we got a request for some seventy-five civilian replacements to begin the demilitarization of the Allied Commission. In the intervening two months we had gotten five nominations from the three departments for those seventy-five positions. And since there are several hundred positions involved, it is going to take a considerable amount of time at that rate of speed to demilitarize the Allied Commission.

In the meantime, what really brought me over here-- started me to see Mr. Morgenthau, Mr. Stettinius, and Mr. Crowley, was that out of Italy came Harlan Cleveland last week, and said to me--he hemmed and hawed around for fifteen minutes and I said, "Harlan, you have got something on your mind that you are not telling me."

H.M.JR: Who is he?

GEN. HILLDRING: Cleveland. He is an FEA official on the Control Commission in Italy, Mr. Secretary.

So I said, "What is it?"

He said, "Well, General, you say that you really wanted to demilitarize the Control Commission. I am telling you that it isn't being done. There is some slip between your desire and Mr. McCloy's desire and the actual accomplishment of the objective." In other words, they are beginning to feel

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in Italy we are insincere in our business of demilitarizing, and, of course, the simple answer is there is no way of getting the soldiers out until we get civilians in. It is that easy and that difficult.

H.M.JR: As far as I am concerned, it bores me, but--

MR. BELL: I thought October 1 was the deadline. This was discussed last May and June, and October 1 was to be the date when the changeover would take place, and we were discussing giving the dollars to Italy in order that FEA might avoid Lend-Lease and that they would take over what you are doing on the Army side. What happened to October 1?

GEN. HILLDRING: October 1 hasn't anything to do with the question of replacing the soldiers in the Commission.

MR. BELL: I thought you were going to get completely out of the picture on October 1.

GEN. HILLDRING: We had hoped to.

MR. COE: Why don't we get on something that interests the Secretary and--

H.M.JR: It doesn't interest me if the Army is there. God bless them as far as I am concerned. I am not going to worry.

MR. COE: We are not in opposition. We want the whole Commission wound up.

H.M.JR: What?

MR. COE: As far as the Treasury is concerned, we want to turn over to the Italians the responsibility for the thing and exchange control. We hear the British weakened somewhat on opposition to that, so on the financial side it may be possible to--

GEN. HILLDRING: Mr. Coe, I think we are talking about two different things; the rapidity with which we discharge U. S. Governmental responsibility over there is one thing. The thing I am talking about is--



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MR. COE: Civilians instead of military.

GEN. HILLDRING: ...the present turnover of the U. S. responsibility in Italy from the soldiers to the civilians. That is another matter, and as I say, it was decided by our Government last January that that would proceed rapidly, and what I am doing now is not finding fault, but simply reporting that it is not transpiring rapidly. As a matter of fact, it is traveling at a snail's pace.

H.M.JR: From our standpoint--

MR. COE: What are we supposed to do which we haven't done?

GEN. HILLDRING: Provide about fifteen people.

MR. COE: We are supposed to provide people! I think the answer of providing top people--if we can get them out of uniform from the Army, we can do it. These people just don't exist.

H.M.JR: Is that all he wants? And the Army is doing it nicely now.

MR. COE: They want to get out; it is true.

H.M.JR: How can we get fifteen people and send them there when we are trying to get one man to help you out in Germany?

MR. BELL: We are going to need more than that to go to Germany, largely the same kind of people as in Italy.

H.M.JR: General, I am not going to worry or bother one damn bit. Now, you came over here. I am going to tell you that I am interested in helping you get these investigators. I am willing to send Orvis Schmidt, the best man in the Treasury. All these fellows don't want him to go, and I said, "I am going to give you the best man." I think the Army should have the best man. We are going to give you the best people we can on finance, but the Army is holding the bag in Italy, and it is wonderful.

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GEN. HILLDRING: It disturbed us, I mean, on a number of accounts. I will tell you one thing. I am in a very ticklish business for a soldier, Mr. Secretary. So long as we move in the wake of battle and handle this thing when the going is tough and when the problems are simple, I think the soldiers are doing their job, and the job they should do. I think when they stay in too long in the beginning--you may remember it was decided that the soldiers' tenure was somewhere for planning date, about six months.

H.M.JR: That is right.

GEN. HILLDRING: We have been in Italy two years.

H.M.JR: Turn it over to UNRRA.

GEN. HILLDRING: We would like to turn it over to anybody.

MR. BELL: How far back of the lines can you go, down to Rome?

GEN. HILLDRING: No, that is too far south.

H.M.JR: Let me say that I had the English in here, Brand and somebody, and a couple of these boys came back and told them what was going on in Italy. See, every time they wanted to do anything England would say no. I just got a letter from the Chancellor of the Exchequer saying he had taken it up with Mr. McMillan and everything was going lovely in Italy. This idea that we are letting Fascists run right back into control, he couldn't find anything to that. Everything is lovely. Well, I am not going to buck my head against him. I am not going to worry about it. I don't know. I haven't got fifteen men, and I don't know where I could get them. We have two or three fellows there. I think the Italian thing is a mess, and I am just not going to worry about it.

GEN. HILLDRING: Let me state it a little differently.

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H.M.JR: Normally you get my reaction, don't you?

GEN. HILLDRING: Yes, sir.

H.M.JR: I say that I will help you. Well, I am not going to do one damn thing. I am discharging my responsibility when I inform you of it. I think between us the three principal civilian agencies, State, FEA, and Treasury on the one hand and the War Department on the other--we are not implementing--we are not doing what our Government decided should be done; and as long as you know that, I am in the clear.

All right, you have done your Boy Scout duty.

GEN. HILLDRING: Yes, I have done my Boy Scout duty.

H.M.JR: Yes, let's talk a minute about the Philippines. That is something I am mad about, and I am going to find out from Mr. Stimson why the United States Treasury can't send people in when the Chase Bank, who is under investigation and indictment for trading with the enemy--see, they can send people in.

GEN. HILLDRING: Can they?

H.M.JR: Yes, two men went in, and they are under investigation by the Department of Justice for trading with the enemy, and I can't send anybody in.

GEN. HILLDRING: Chase did? I thought you said National City.

H.M.JR: Chase. It was all Chase, wasn't it?

MR. COE: Yes. It was National City that called you this morning.

MR. BELL: Yes, National City called on me.

GEN. HILLDRING: The Army won't have anything to do with them; I kicked them out of my office.

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H.M.JR: What kind of letter--do we bother you, or does this go to Mr. Stimson?

GEN. HILLDRING: This should go back to the Secretary of War.

H.M.JR: I am not going to write another to Lovett; it took him three weeks to answer that.

GEN. HILLDRING: He is pinch-hitting for McCloy. That is the only explanation there.

MR. COE: I think that is where the holdup was.

MR. BELL: Wait for Jack to come back.

H.M.JR: You write a good red-hot letter to get Mr. Stimson mad, see. I will take great pleasure in sending it.

GEN. HILLDRING: Coe called me up this morning, and I said I would blast this thing loose and get it over.

H.M.JR: You write one back and say I want to know why the hell the U. S. Government can't send a couple of people over there. I want to know why, see. I think the people of the United States would like to know. Who the hell does MacArthur think he is?

MR. COE: Give him the works. This is one of the few times the General came over and didn't get what he wanted.

GEN. HILLDRING: I accomplished what I wanted.

H.M.JR: Did you?

GEN. HILLDRING: I don't run this Government, but when I have an order to do something--

MR. BELL: A soldier's--

GEN. HILLDRING: I am a soldier, and if I don't get it done--this is what I call a warning order in the Army, Mr. Secretary.

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H.M.JR: I am in such a sweat about the German business  
I haven't time to turn around.

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April 12, 1945

TO: Secretary Morgenthau

FROM: H. B. Russell

Subject: Marquis Childs' column on control of Germany

I have read the Marquis Childs' column in the Post, as suggested in a message received by my secretary from your operator, while I was at the Pentagon Building with Mr. Gaston.

As I read this article, it sounds like the start of a series of columns, presumably on information received from State Department and War Department sources.

I met Childs when he visited Seattle, last fall. He was making a tour to get election dope on the various states and looked me up at the request of a mutual friend. What I gave him as to prospects in Washington (state) was pretty well borne out by election results so I think he and I should be on friendly terms, if I should call him up. I have not contacted him since I came here, because he was in Europe when you had the columnists and commentators for lunch and there was no particular occasion for me to break in on him.

However, in the course of our conversation in Seattle he dropped remarks which indicated to me that he took a critical view of your program, or what he supposed was your program, as to Germany.

I wonder if it would not be a good idea if you and he had an off the record talk. My impression of Childs is that he is intelligent and liberal and ought to be all right, if he is not permitted to get out so far on the limb that he can't crawl back.

I'd be delighted to have the opportunity to call him, and ask him if he could drop around to talk with you some time, soon, at your convenience, if you think this course would be desirable.

*H. B. Russell*



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April 12, 1945  
3:35 p.m.

Re: DEINDUSTRIALIZATION OF GERMANY

Present: Mr. D. W. Bell  
Mr. Gaston  
Mr. DuBois  
Mr. Fussell  
Mr. Coe  
Mrs. Klotz

H.M.JR: The purpose of this meeting is Marquis Childs. Sit down gentlemen.

(Mr. Fussell enters the conference.)

H.M.JR: Stettinius had Mr. Yost call up and say he was so sorry and so disturbed because this thing had appeared by Marquis Childs.

(Mr. DuBois enters the conference.)

H.M.JR: Hello, Joseph. Have you another name?

MR. DuBOIS: Yes, Ellis.

H.M.JR: Sit down.

MR. DuBOIS: How is Mrs. Morgenthau?

H.M.JR: Getting along nicely.

That certainly was a dirty story you gave Marquis Childs. Mr. Stettinius was so disturbed. I am not going to take it lying down. Those days are past. Is it lying down or laying down?

MRS. KLOTZ: Lying.

MR. GASTON: It's a matter of preference.

H.M.JR: I am not going to take it lying down.

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MR. GASTON: Whether you're a layman or--

H.M.JR: I am not going to take it lying down anyway.

MRS. KLOTZ: Look how enthusiastic they all look.

H.M.JR: I am not going to go through this thing again.

MR. DuBOIS: Well, I think, Mr. Secretary, and I have felt this way for a long time, and I think I have mentioned it to most everybody here one time or another, that this issue has got to be fought out publicly if it is going to be won, and it's the only way you are going to ever win this issue. Now, your views have been distorted, continually distorted, and they will continue to be distorted, and until they are made clear to the public by distortions and other methods, they are going to win, because you can't possibly lick them unless they feel that the people are against it, and I think once the people get the facts and understand the facts, the people will be against them, and until you can do that--I don't think you can ever miss.

H.M.JR: Okay. What do you have as of today, Herbert?

MR. GASTON: The first thing I want to have a talk with Marquis Childs. That's one thing.

H.M.JR: Do you think you can?

MR. GASTON: I think so. Then we want to get hold of some other people and tell them some of the facts. Do you think we are in a position to write to Childs, to write the editor? I'm just wondering what we can--whether there is enough we can say to justify that. It might get a good deal of publicity.

H.M.JR: Make it a lovely story, that Stettinius was so tired that he didn't read the document that he gave the President of the United States and didn't know what was in it. It was up to me; when I showed it to him the President was shocked and ordered the thing rewritten. I am not going to go through all that.

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MR. GASTON: Do you think this stuff comes out of State?

H.M.JR: Where else would it come from?

MR. GASTON: Or does it come from Army?

MR. DuBOIS: Not the way this is written, Herbert.

MR. BELL: It mentions Clayton in the third paragraph.

MR. DuBOIS: And Army and State got together. It obviously came from State. I have a little further information, not exactly bearing on this, but I think relevant, and that is despite this good reparations document, Lubin has just told me on the side that there will be a fight tomorrow morning and that the Army is going to come in opposing this provision to the maximum extent possible--taking from the wealth, including specific industries. They are going to try to argue, the Army is, that that isn't according to the wishes of the President, and State is going to oppose it together with the Army, and Lubin says that State and War have been getting together on this thing and are going to gang up on this thing tomorrow.

H.M.JR: Where does this take place?

MR. DuBOIS: Tomorrow morning in Clayton's office. It was supposed to be last Tuesday but it was postponed to Friday, and as I get the picture, I gather that State and War are now trying to get their lines straight and present a united front.

H.M.JR: Well, I thought--

MR. GASTON: I thought--

H.M.JR: Go ahead.

MR. GASTON: I think surely you ought to have a talk with Stettinius about this.

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H.M.JR: I am going to call Stettinius now and tell him I am not going to take it. I am not going through this thing what I went through last time. I am not going to take it, that's all!

MR. GASTON: He shouldn't bestir himself to get something on record.

MR. COE: Mr. Secretary, I have one suggestion, and you may still want to do it, but in line with what was said about seeing Childs, I think that since the issue is big, it is worth going after the publicity, I mean, the same way we are going at Bretton Woods and other things. I think it is worth seeing a lot of columnists. It is worth seeing Marquis Childs simply to tell him he is wrong, that he has the wrong story, and disturb him.

H.M.JR: And so what when you see Marquis Childs?

MR. COE: This is just one incident.

H.M.JR: He's not going to change.

MR. GASTON: He didn't get this solely at the State Department.

MR. COE: Let's not have him writing six more like it. Let's disturb him. I think some magazine articles ought to be written. I think we have material to get them written, regarding Germany, what would happen--inflation in Germany.

H.M.JR: I have clearance from the President to go ahead and prepare the book. I am going to show it to him again, but I have clearance now, so I mean that I am going full steam ahead with the book.

MR. BELL: How long would it be before the book could be out?

MR. COE: We have to do more than that.



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MR. GASTON: I would say so, too.

MR. BELL: Not before V-E Day?

MR. GASTON: I don't think we could have it soon enough.

MR. BELL: Not soon enough, certainly.

H.M.JR: Let me just talk to Stettinius, because I'm tired of those pious--

MRS. KLOTZ: I don't think you will profit any by that, really I don't.

MR. BELL: He called you first on this. He had seen it.

MR. COE: There are writers or a half-dozen people in the Treasury who can do that sort of job, like Bill Taylor did with Winant when he started to throw slush all around about what the Morgenthau Plan was and how it would operate, and that sort of thing, and we have to take the time and sit down with them and feed them stuff and present the big issues and present deindustrialization as the major issue, and incidentally, do some of this background stuff of explaining what kind of fight there has been in the administration. But I wouldn't make that the major focus of it; I would make the issues the major focus. Give the writers what they want, which is stuff--

MR. GASTON: We have to watch the danger of creating simply a series of fight stories about the great row going on.

MR. COE: I wouldn't focus it on a fight story.

H.M.JR: He would have to go to more than one place to get this.

MR. GASTON: I'll tell you why I say that. When he was in here the other day he went into Perry White's office, and then he came to my office and we started

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talking about Bretton Woods, and then I was called out of the office, but at one point Marquis Childs whispered to me that some of the generals, some of the officers over on the other side were very much against the Morgenthau Plan, and I didn't have a chance to go on with the conversation because I was interrupted, and when I came back he was on the point of leaving. But he has had some propaganda when he was over on the other side because there is that evidence of it.

H.M.JR: I have been reinforced by a conference with the President, and I have told the President what I want to do and am going to do, and I feel I have ample backing to go ahead.

MR. COE: Did you hear the State Department's broadcast on the plans of German industrialists?

H.M.JR: Was that the one Murphy was on?

MR. COE: Julius Holmes--Murphy, too.

MR. DuBOIS: Murphy first.

MR. COE: I heard that that was inspired by the President, that he got hold of the accounts which we had around here of the meeting of the German industrialists at the town of Strasbourg, and that he sent it over to State and told them he thought they ought to hit it. I was wondering why Holmes and they would take so much initiative to say they were going after those German industrialists, but it is my understanding this came from the White House.

H.M.JR: That was the Saturday before I left, the one Boettiger was so upset about. Well, I have no objection to your sending for Marquis Childs. You know him very well, don't you?

MR. GASTON: I know him very well.

H.M.JR: Have you any ideas?



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MR. FUSSELL: My idea was the same as Herbert's. I was working on a memo and sent a copy to Herbert, but it didn't reach him yet. I met Childs when I visited Seattle in the last campaign. He dropped, in the course of that conversation, something that convinced me he was critical of the Morgenthau Plan. However, Childs is so friendly disposed generally that I am convinced that this is just a start of a series of columns that can be cut off.

(The Secretary holds a telephone conversation with Mr. Stettinius, as follows:)

April 12, 1945  
3:47 P.M. 136

HMJr: Hello.

Operator: Stettinius.

HMJr: Hello.

Mr. Edward

Stettinius: Yes, Henry.

HMJr: Ed.

S: Yes, sir.

HMJr: After Yost called me up I read that Marquis Childs' thing.

S: Wasn't that terrible!

HMJr: Well, I think so, and I'm not going to take it lying down, Ed. I'm not going to go through again what I did after Quebec. I'm just not going to take it.

S: Well, Henry, I've had the whole crowd here this afternoon.

HMJr: Yes.

S: And I have read the Riot Act, and I am completely -- and I just don't believe it came from this place.

HMJr: Well, I'm not making --- I hadn't even seen the damn story and certainly it wouldn't come out of the Treasury.

S: Yeah.

HMJr: Because it -- as I said jokingly to Yost, "Is it favorable to State or favorable to the Treasury?" and he said, "It's favorable to State." So I said, "Well, then it's obvious where it came from."

S: Well, I don't know that it is favorable to State, is it? I haven't --- I've just seen the digest of it --

HMJr: Well, it doesn't take you three minutes to read it.

S: Yeah.

HMJr: And, I'm not going to go through what I did after Quebec again.

S: I agree.

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HMJr: I mean, after all, if a document is given to the President, with the comment that it is the best course or something like that -- as you yourself said you were so tired you didn't have time to read it.

S: Yeah.

HMJr: And I've got the loyalty to bring it to the President's attention.

S: Yeah.

HMJr: I'm not going to be the whipping boy.

S: I agree.

HMJr: I'm not going to take it, Ed.

S: Well ---

HMJr: Now, I think --- I don't know what I'm going to do but I don't want to get --- I'm not looking for any fights, but I'm not going to go through with what I did after Quebec.

S: Well, I don't blame you, Henry, at all.

HMJr: Yep.

S: And the purpose of my message to you -- I was presiding at a meeting -- and I wanted you to know from me immediately that I was shocked and embarrassed about it.

HMJr: Yeah.

S: All right, old boy.

HMJr: O.K.

S: Thank you.

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MRS. KLOTZ: He will sleep well tonight. He is not going to worry about it.

H.M.JR: He's not going to worry.

MR. BELL: He was disturbed, or he wouldn't have called you about it.

MR. GASTON: He feels ashamed.

MR. BELL: When he read it he certainly felt it came out of his Department.

H.M.JR: He didn't say to me, "Don't do anything," or anything like that.

MR. BELL: No.

H.M.JR: He didn't react the way I thought he would.

MR. BELL: He agreed with you that you shouldn't take it lying down like you did after Quebec.

H.M.JR: He didn't say, "Wait a minute, Henry, let's see if we can get together." He didn't react the way I thought he would.

MRS. KLOTZ: No.

H.M.JR: This is my thought. The fellow that has done us the best job around this town is Grafton, see? He's done a beautiful job. If we talk to Pearson, he's got too much venom against State. I mean, there is too much personal stuff and all the rest, but I was thinking of trying to get hold of Grafton and tell him just what happened and what the fight is about, and he has an enormous circulation. I am surprised how many papers carry his articles.

MR. GASTON: Did he tell you how many he has now?

H.M.JR: Grafton? No. Do you know?

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MR. GASTON: No.

H.M.JR: I asked Feltus' office to find out. Will you check with them about leading columnists? He was going to find out how many newspapers they have. I'll tell you who can do it over night, Little. You know Little?

MR. FUSSELL: Yes.

H.M.JR: Little can find out which of these columnists have how many newspapers.

MR. FUSSELL: The circulation of those papers would be more important.

H.M.JR: I asked Fussell weeks ago.

MR. GASTON: Feltus.

H.M.JR: Yes. Feltus. What do you think of my sending for Grafton and telling him what happend?

MR. FUSSELL: I think it's all right, but I think you ought to try to cut off Childs at the same time before he gets clear out where he can't go back.

H.M.JR: Do you know him?

MR. BELL: Herbert knows him.

H.M.JR: Herbert, who should send for Childs this afternoon?

MR. FUSSELL: Let Herbert talk to him, because he has talked to him more recently than I have. I haven't talked to him since I got here.

H.M.JR: Herbert?

MR. GASTON: Yes. It's all right, I can talk to him, but he has been filled up with a lot of stuff, you know, and I have to bring somebody in that is better acquainted with this than I am.

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H.M.JR: I brought you in to do this thing, (Fussell). You can do this. I like to keep Herbert for--if you don't mind my saying so--for more important things.

MR. GASTON: Well--

MR. FUSSELL: I suggest you talk to Childs.

H.M.JR: I don't want to talk to him. Coe can tell him all this stuff. I won't talk to him. The hell with him!

MR. GASTON: The difficulty in this thing is he has an outline that has a good deal of truth in it so far as events are concerned. It is a question of merits of the different plans. He has been filled up with a lot of background which has to be met, impressions to overcome.

MR. BELL: He said, "It has just been disclosed to me."

MR. COE: I think he has to be told that he is wrong on about six points and he has been taken for a ride, and if he sticks to it--

H.M.JR: Have him see Coe.

MR. GASTON: I think Frank ought to be brought into this discussion.

H.M.JR: Let him see Coe. How does one get hold of Grafton?

MR. FUSSELL: Through--

MR. GASTON: Call him up at the New York Post. The operator can get him on the Post. You want him to come down here some definite time, so either Mr. Fussell, or--

H.M.JR: I'll call him up. I want to tell him anyway. Sammel, isn't it?

MR. GASTON: Samuel Grafton.



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H.M.JR: Does anybody know any better person?

MR. DuBOIS: I think he's just the one. I agree thoroughly with what Frank says to the extent that we--

MR. COE: Let's have some lunches.

MR. DuBOIS: We ought to go all out, not only on the jurisdiction issue, but the whole program.

MR. COE: Lippmann is always interested in major issues. Let's talk to Lippmann.

MR. BELL: Wouldn't Lippmann be friendly to this approach?

MR. COE: Raymond Gram Swing.

MR. DuBOIS: A fellow like Gabriel Heater has a tremendous audience, and he has been very good on this German thing as a whole.

MR. COE: I heard Heater say the other night that the main thing was going to be to know who the enemy was after the fighting was over.

H.M.JR: Let's do it this way.

MR. DuBOIS: He has a tremendous audience. I am sure you can sell him.

H.M.JR: Fussell, will you work it out? It is the first important assignment I have given you. Work out a little campaign on this.

MR. FUSSELL: Yes. I will have to educate myself first. Mr. Coe will be my teacher.

H.M.JR: You have been here now about a month, haven't you?

MR. FUSSELL: Yes. A little more than a month.

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H.M.JR: You ought to have your feet on the ground. Do you have a place to live?

MR. FUSSELL: Yes. I haven't any furniture in it yet.

H.M.JR: Here is your first important assignment. You take this on and let's see what we can do. Do you think I should call Grafton up? I don't think so. I think you should work out a campaign.

MR. FUSSELL: Will you see him if he comes down here?

MR. DuBOIS: I think it would be a good idea to call Grafton. He has a good story.

H.M.JR: What do you think?

MR. FUSSELL: Yes. Will you see these men personally, Lippmann, Swing, and Heater, and do you want to see them together or singly?

MR. BELL: You couldn't see that group together, could you? I don't think so.

MR. GASTON: I suppose Heater has come north by this time. He lives in Jacksonville all winter.

H.M.JR: There is no use for me to see Lippmann. I don't hit it off too well with him.

MR. GASTON: No. I know Lippmann pretty well. I can see him.

H.M.JR: Do you want to have a luncheon downstairs with about a dozen of them and talk about this thing?

MRS. KLOTZ: I can't see why you can't see them altogether.

MR. FUSSELL: Will you appear at that luncheon?

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H.M.JR: Yes.

MR. GASTON: The question is what we can tell them about what has happened. When you talk to a group of people you are broadcasting that particular thing.

MR. DuBOIS: I think that at that luncheon it would be more a question of discussing the merits of the issue.

MR. COE: That's right.

MR. GASTON: Yes, that's right.

H.M.JR: That's right, but I want to have someone answer Childs, and I think Grafton is as good a one as any. You know, I am amazed at Stettinius letting me get away with what I said, something about it being whisked across the President's desk, and I said--didn't I say, "You were too tired to read it?" Didn't I say that?

MR. BELL: That's right, you said that. Yes, sir.

H.M.JR: Didn't I say that?

MR. BELL: You said, "You were too tired to read it."

MRS. KLOTZ: I have a feeling he has so much on his mind that he just can't be bothered with this. It is too bad he felt chagrin, but that's that.

MR. COE: He doesn't make any false moves, anyway, on the human relations angle.

MRS. KLOTZ: That's right.

MR. GASTON: I think he will still be in the office. It isn't quite four.

H.M.JR: No. I know Stettinius. He must have been very tired now because what I said was two things: One was that it was whisked across the President's desk, and

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the other, "You were too tired to read it," and I thought he would jump down my throat.

Well, that's known as a battle by legislation, isn't it, in Washington? Get all the people together in a riot act.

MRS. KLOTZ: Do you want to set a date for the luncheon?

MR. GASTON: You told him you hoped nobody in the State Department had anything to do with that story, and he said, "Oh, no, of course not."

H.M.JR: We'll let Fussell think this thing over, and I would like a little plan by tomorrow, Fus.

Is that right? Is that what you call him, Herbert?

MR. GASTON: Well, I sometimes--

H.M.JR: What do you call him?

MR. GASTON: Well, I sometimes call him Ed. That's his name.

H.M.JR: Can I call you Ed?

MR. FUSSELL: I would be glad if you would.

MR. GASTON: My children grew up calling him Fus, however.

H.M.JR: Well, you fellows think it over, but as soon as I catch my breath, Joe, I am going to see Loth, and let me tell you, if you do go into any meetings on reparations or anything, don't give an inch.

MR. DuBOIS: Fine.

Those are good instructions, because tomorrow we may-- we would either have to give an inch I am afraid, Mr. Secretary,

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or else, if necessary, we may have to go to the President. I think that is what we should do, because it is so important rather than give up.

H.M.JR: Well, don't misunderstand. The book is to be written. I agreed to show it to the President after V-E Day, and I have asked the President if he would--

MR. GASTON: It's to be put into type before you show it to him.

H.M.JR: In proof form. I asked him--

MR. DuBOIS: He has agreed to your signing it?

H.M.JR: You people are all so silly. I didn't say that. I said what was needed was a textbook for Mr. Lubin and General Clay and everybody else. I told the President we are going to have a chapter on how sixty million Germans can feed themselves. He said, "I have always said that was true." I said, "we are going to prove it." You fellows are so gauche.

MRS. KLOTZ: I asked the same question and I got the same answer.

H.M.JR: She was a "gauchee."

All right. After twelve years! You plan a little campaign, and we will just teach these State Department people a few little things.

MRS. KLOTZ: Facts of life.

(Secretary holds a telephone conversation with Mr. Grafton, as follows:)

April 12, 1945  
4:02 P.M.

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HMJR: Hello.

Mr. Samuel Grafton: Hello.

HMJR: Mr. Grafton?

G: Yes.

HMJR: Henry Morgenthau, Jr.

G: How are you, Mr. Morgenthau?

HMJR: Fine. First may I thank you for the perfectly magnificent series of articles that you have been writing on Bretton Woods.

G: Well, I hope you think they have done some good. I've tried my best. I'm not an economist.

HMJR: Well, I think you can qualify anyway.

G: Well, thanks so much. That's delightful to hear. I feel very set up about it.

HMJR: I think that they are the best series which have been written by far.

G: Oh, I'm delighted, Mr. Secretary.

HMJR: And we've been sitting around here reading Marquis Childs' article today. I don't know whether you happened to see it.

G: I haven't seen it yet.

HMJR: .... on the German policy.

G: Ahuh.

HMJR: And they are talking about to whom I could talk, and are again trying to pull a Quebec on me, see?

G: Yes.

HMJR: And about a new directive on Germany.

G: Yes.

HMJR: ....and I just got through telling Mr. Stettinius that this time I'm not going to take it lying down.



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G: Ahuh.

HMJr: And I'd like an opportunity to talk to you and tell you about this whole fight we have been going through again.

G: Yes.

HMJr: Or how to treat Germany.

G: Yes. Well, I'd like very much to see you.

HMJr: And I wondered how you were fixed on time and that sort of thing.

G: Well, now, let me see. I might be --- it might be possible for me to get to Washington Saturday. Would that be any good for you?

HMJr: That would be fine. Just let me look a minute at my calendar. I'd be delighted if you would take lunch with me Saturday in the Treasury.

G: What time of day?

HMJr: About one o'clock?

G: One o'clock. Fine, I'd like very much to do that.

HMJr: This -- we've just gone through-- we've had another success.

G: Ahuh.

HMJr: And somebody's been whining to Childs, and giving him a false picture. I just got through talking to Stettinius, and I'm not going to take it this time. There's too much at stake. I mean, after all, we're talking about the peace of the world, and I'm not going to take it. So I'd like to tell you the story.

G: All right, fine. I'll try my best to break loose -- early tomorrow morning.

HMJr: If you want any help on priorities or anything like that, if you'll send a telegram to Mr. FitzGerald.

G: FitzGerald.

HMJr: Office of the Secretary of the Treasury, he'll help get you down.

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G: Fine. I'll do that, and it will be good to see you.

HMJr: I'll be looking forward.

G: All right, thanks so much.

HMJr: Goodbye.

G: Goodbye.

April 12, 1945  
4:20 P. M. 149

HMJr: ..... Tuesday nite.

Mr. Leroy: That's right.

HMJr: Now, look if I go on I'm going to insist on being in the middle of the program.

L: In the middle?

HMJr: And not on the end.

L: Well, here's what I've heard so far, that the program comes on then you go on, and then they are going to finish up in Hollywood.

HMJr: Well, that's all right. I just --- as long as I don't come on the end.

L: No, they are going to finish up with probably music on the end, but you won't finish on the end.

HMJr: Where will I come?

L: Near the end, but you won't be on the end.

HMJr: Well, get --- will you please get Lt. Dave Levy, of War Bonds, in on this?

L: All right, sure.

HMJr: I want him --- when I go on the air like this, he takes care of me.

L: O. K., I'll call him right away.

HMJr: Call him right away.

L: O. K. And here's what I also have just done. I've just talked to them. I've asked them to teletype the script to the offices in New York, and I'm going to call Secret Service people now and ask them to teletype it down to you so you can see what the script is like.

HMJr: All right, but get Dave Levy in on this right away.

L: All right. I'll call him.

HMJr: Do you know him?

L: Yes, I've spoken to him over the phone.

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HMJr: Yes.

L: And I'll talk to him about this.

HMJr: Have they agreed to do it from the house?

L: Yes, they said O.K. I talked to New York on that and they said they would be willing to do that.

HMJr: And I'm going to have nine minutes?

L: Well, they thought in New York that it might be better to be about six.

HMJr: Oh.

L: Have you looked at that speech...?

HMJr: No.

L: ..... the Baltimore speech?

HMJr: No, I haven't yet.

L: I thought it would save you some time -- we could just cut that down to suit your ---

HMJr: Well, --- what's his name -- Barth, is coming in tomorrow morning. I'm going to go over it with him.

L: All right, good.

HMJr: First thing in the morning.

L: O. K. Well, I'll call Lt. Levy right now.

HMJr: Six minutes is very little. I thought the spot was nine.

L: Well, it was nine, but the chap in New York -- the national program director, thought it might be more effective if you made it about six.-- Now we can make it nine; it's just --- I'm just --

HMJr: Let's wait until we see what kind of a speech we have before we ask for more time.

L: Yes, good.

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HMJr: But get Levy in on it.

L: I will right away. It ought to be very good. They seem to have a terrific script out there.

HMJr: Where is Feltus?

L: Feltus went down to New Orleans. He had an engagement with Benjamin Fairless of United States Steel to try to get him on his Businessmen's Committee to take a chair.

HMJr: Oh, I remember. Righto.

L: O. K. Righto.

HMJr: Bye.

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✓

April 12, 1945

I called up Schram at 9:20 tonight, and told him I thought the stock market should be open tomorrow. I said that I didn't believe that anybody would sell stocks tomorrow. I also told him that Allan Sproul would keep the Government market steady.

Schram called me back at 9:40, and said that the Exchange had agreed to close on Saturday out of respect to the President.

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## TREASURY DEPARTMENT

WASHINGTON

April 12, 1945

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TO: Secretary Morgenthau  
FROM: Mr. Gaston

In the absence of Joe O'Connell, Tom Lynch has handed to me your memorandum of April 7, concerning publicity for the tax drive.

The Bureau seems to have in the making a number of cases which may develop into something really worthwhile. This, together with the information which is coming to them currently and which will be developed under the program laid down by you, will probably make possible the development of a great many interesting cases. Stories of the black market tax cases can be placed in the hands of a few persons who can write them up without mentioning names, thereby creating an appetite for the individual stories as they come out of grand juries and trial courts later. Public Relations can then tip off local papers so that they can give these individual stories real play. Mr. Fussell and Mr. Shaeffer are getting a look at the weekly reports and will be able to promote stories out of them.

I think your idea about advising the Joint Committee on Taxation with respect to these cases is a good one. However, our needs at this particular time are not for additional funds but, rather, for qualified personnel. We still have a number of vacancies in the Intelligence Unit which we have not been able to fill because there are no available investigators. It might be a good idea for us to let the Budget Bureau and the Appropriations Committees of the House and Senate know of this situation, so that when we later ask for funds they will be prepared.



*MS*

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APR 12 1945

Dear Eleanor:

Reference is made to Miss Thompson's letter of March 31, 1945, enclosing a letter received by you from Miss Evelyn E. Furman suggesting a special exemption of at least \$1,500 for pension and annuity income.

As you doubtless know, under present law pensions in general are taxable. However, certain types of payments, such as veterans' benefits and Social Security and Railroad Retirement benefits are exempt. Pensions or annuities that have been purchased or at least partially financed by the contributions of the recipients are given a special kind of treatment to allow for the tax-free return of capital. Such payments are not taxable in their entirety until the purchase price or contributions have been recovered.

Miss Furman's suggestion is similar to a number of proposals which have come to the Treasury's attention from time to time. In my opinion, it is very difficult to justify a special exemption for a certain class of income such as Miss Furman suggests. Under the present law, taxpayers are allowed certain personal and dependent exemptions designed to protect minimum living standards and to adjust tax burdens in accordance with ability to pay. In the absence of compelling reasons for special treatment, such exemptions should apply to all taxpayers alike. Thus, it would be unfair and discriminatory to collect income tax from a wage earner and to exempt another individual with the same income and family status just because his income was derived from a pension or annuity. It should also be noted that a special exemption for pensions and annuities would discriminate not only against wage earners, but also against aged and retired individuals who do not happen to have pension or annuity benefits and who have been required to provide for their old age by personal programs of saving and investment other than the purchase of annuities.

With specific reference to Miss Furman's point that retired individuals have special hardships under the income tax, it does not appear that on balance a pensioner has less ability to pay than

- 2 -

an active wage earner at the same income level, particularly since the wage earner may be less secure, may have higher living expenses connected with earning a living, and may have a greater need to save for the future.

For some time the Treasury Department has been giving careful study to the various problems and issues relating to the treatment of pensions and annuities. These questions will undoubtedly receive further attention in connection with the pending legislation to which Miss Furman refers. Miss Furman's proposal and observations have been brought to the attention of members of the Treasury staff who are concerned with such matters.

I trust these comments may be helpful to you in considering Miss Furman's letter, which I am returning to you.

Affectionately yours,

(signed) Henry

Mrs. Franklin D. Roosevelt

The White House

Enclosure Miss Furman's letter to Mrs. Roosevelt dated March 28, 1945

Div. of Tax Research

HRR:amw - 4/10/45

PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

12"

THE WHITE HOUSE

WASHINGTON

TO THE PRESIDENT

FROM THE SECRETARY OF THE ARMY

RE: [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Very respectfully,  
[illegible]



NEW YORK, N. Y.  
PHONE BANCERY 7-1227

MAR 23 1945

COMMUNICATIONS



ROBERTSON, FURMAN & MURPHY  
OF WASHINGTON, D. C.  
TAX CONSULTANTS  
ACCOUNTANTS AND ENGINEERS

NATIONAL OFFICE

1214 L STREET, NORTHWEST  
WASHINGTON, D. C.

March 28th, 1945.

Mrs. Franklin D. Roosevelt,  
The White House,  
Washington, D. C.

Dear Mrs. Roosevelt:

May I invite your attention to a condition existing under present laws which I hope you will give an earnest audience to - namely, the taxing of annuities and pensions.

Does it not seem hard to work practically all one's life, certainly the best years of one's life, to acquire such an annuity or pension and then to find that it really is only a maintenance sum after all, and still to be faced with paying an income tax on same?

I understand there is such a movement before the Civil Service Committee, but that when passed will only rectify a portion of such cases. In the meantime, many of these persons are actually struggling to meet expenses, affording no luxuries, while even the Civil Service possibility languishes in a pigeon hole.

While I am not on a pension, I belong in the office of the oldest tax firm of its kind, in existence, and naturally am called upon to figure returns for all and sundry. In this way, many really pathetic cases have come under my observation. Persons who are alone, old, and would not have money to pay for help in time of emergency. Others, who have some responsibility for the care of relatives, yet trying to make their figures balance and still maintain the semblance of respectability accustomed to. All with different problems and yet all faced with the necessity of income tax paying, with little or nothing to pay it with.

Does it not seem to you reasonable that such persons should have a pension or annuity exemption of at least \$1500. in order that they may maintain themselves, without becoming objects of charity, when they have spent their lives trying to avoid just that?

Please consider this carefully, for in so doing, I may feel sure I have placed the matter in the right hands to have something done about it.

Mrs. Franklin D. Roosevelt, -2-

March 28th, 1945.

No doubt, I should address myself to the Committee on Ways and Means, but I know that no one on that Committee would go into the merits of this condition and my letter would be pushed aside with the two relief bills now pending along with the one recently recommitment to the Civil Service Committee.

Very respectfully,

*Ernest E. Furman*

APR 12 1945

Dear Francis:

I was considerably disturbed by certain statements attributed to you by Mr. Winthrop Aldrich, President of the Chase National Bank, during the course of a conference with Mr. Daniel Bell, Under Secretary of the Treasury, in New York City on April 5 on the subject of the Bretton Woods proposals.

Mr. Aldrich, during the course of that conference, imputed that I was using the pending case against the Chase National Bank as an instrument of retaliation because of his part in connection with the report of the American Bankers Association recommending against certain of the Bretton Woods proposals. He stated that within a day or two after the ABA report came out I had called upon you to get busy in the Chase Bank suit. When Mr. Bell replied that my communication with you could not have been any more than a routine check-up by this Department of a case pending in the Department of Justice, Mr. Aldrich replied that he knew differently because you had told him that you had been compelled to move forward in the case because of a call from me following release of the ABA report.

You will realize my interest in learning whether Mr. Aldrich has any ground for attributing such a statement to you.

Sincerely,

(Signed) Henry

Hon. Francis Biddle  
The Attorney General of the  
United States  
Washington, D. C.

TJL:ims  
4/12/45

Assistant Secretary of the Treasury

Date April 13 1945

To: Secretary Morgenthau

Some of the information in this memorandum may be new to you.

H.D.W.

*Erwin:  
I thought you would  
like to read this.  
If you can give it back  
to me when you see me.  
Mr. White  
Room 3434*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 12, 1945

TO The Secretary

FROM Mr. White

Subject: Recent Developments on Bretton Woods.

1. Meeting with the bankers in New York. (You have Luxford's memo of April 5 and Bell's memo of April 6 on this.)
2. Senators Ball (R. Minn.), Wiley (R. Wisc.), Capehart (R. Ind.), and Aiken (R. Ver.), and Representatives Baldwin (R. N.Y.), Biemiller (D. Wisc.), Luther Johnson (D. Tex.), McCormack (D. Mass.), Patterson (D. Col.), and Hook (D. Mich.) have signified their support.
3. Representative Baldwin (D. Md.) has written to Spence and the Baltimore Sun saying that he was disturbed over the newspaper reports that he was against Bretton Woods as this was untrue.
4. The American Economic Association poll of its entire membership of 1,800 has been completed and shows 90% for Bretton Woods. (The State Department is now going to have them polled on the Reciprocal Trade Agreements Act.)
5. There are shortly to be very favorable articles on Bretton Woods in the popular magazines - Life, Colliers, the American Magazine. These will be very widely read.
6. The following organizations have come out recently in support:
  - Board of Governors of the Federal Reserve System.
  - National Foreign Trade Council
  - National Council of American Importers
  - Chicago Exporters Club



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National Cotton Council  
 Advertisers' Club of New York  
 Catholic Association for International  
 Peace      Congregational Churches - Council for  
 Social Action      United Christian Council for Democracy  
                  Americans United for World Organization  
                  Southern Council on International  
 Relations      Minnesota United Nations Committee  
                  Chicago Council on Foreign Relations  
                  Council of African Affairs  
                  Independent Voters of Illinois  
                  Economists of Duke University  
                  Economists of the University of North  
 Carolina      National Congress of the American Teachers'  
 Association      Parent Teacher's Association

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date April 12,  
1945

TO            Secretary Morgenthau  
 FROM        Randolph Feltus

Harry White and Luxford asked for my opinion on the strategic question of how and how far we should go in negotiation for compromise with Burgess and his group. Hence, this memorandum.

1. I am confident that we are in very good shape and are gaining ground daily. I say this because:

- a. The opposition is still centered in the same small group and has not extended beyond that.
- b. Contrarily, support is fanning out in all directions. More and more groups and individuals are rallying to our support.
- c. Piecing together scraps of information from the Hill and knowing how the various blocs in Congress react to the pressures we have created, I feel certain that the bill will go through both houses with comparative ease.
- d. As we near San Francisco, public opinion is becoming more and more crystallized in favor of international cooperation. In this favorable climate of public opinion, it will be difficult for the opposition to make its story stick. Few Congressmen will have the temerity to buck the international cooperation trend, if we are able to keep Bretton Woods before the public as an essential part of the world security picture.

2. Because of our good position, I feel that compromise is not necessary at this point. We can win with-

- 2 -

out it. However, should the position change, we will know it sufficiently in advance to be able to negotiate a quick compromise in the Senate.

When I say "compromise", I mean any real concession. I am not opposed to giving the opposition a chance to save its face through some device such as the CED report. In fact, I think we should use the CED report as a point of compromise.

3. I have read Luxford's report on the New York meetings with Burgess and his group. I do not feel competent to judge whether or not the points of compromise in that report constitute a real concession on our part. If they do, I think it would be a mistake to carry through on this basis. If they do not, they can be quite helpful in getting the bill through with an overwhelming majority.

In other words, would collaboration on these points seriously jeopardize the Fund and the Bank in substance or in operation?

To Summarize

1. We don't need to compromise to get the bill through.

2. Compromise would, however, assure greater unanimity in our favor.

3. In my judgment, we should compromise only if in so doing we are not damaging the agreements as they now stand, or placing obstacles in the way of the operation of the Fund and Bank in the future.

R.F.

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4/13/45

Mr. Feltus

Secretary Morgenthau

I have read your excellent memorandum of April 12th giving your opinion on the strategy for Bretton Woods. I find myself in complete agreement with your memorandum.

I am sorry that I couldn't see you today, but look forward to seeing you tomorrow.

Please see that Dan Bell, Herbert Gaston and Fussell get copies of your April 12th memorandum.



## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

TOP SECRET

DATE

April 12, 1945

TO Secretary Morgenthau  
FROM Mr. Luxford

For your information: Plans for Coordinating  
Liberal Groups

Randolph Paul called me on Monday and said that the third meeting of the liberal groups was going to be held at his home on Tuesday, April 10th. He said that he had not invited any government people to the two previous meetings because they were first anxious to get the groups represented to agree on the terms for united action.

He felt that sufficient progress had now been made to warrant bringing in one or two government men and with that in mind he was thinking of inviting you and Wallace to attend. I explained that you were out of town. He then invited me to attend. I told him that obviously I had no authority to speak for you on this matter and that if I attended it would be merely as an observer. He agreed but thought it might be desirable to attend so that you could be fully informed.

The meeting was attended by the following:

Senator Claude Pepper  
Mr. Morris Rosenthal, affiliated with Businessmen  
of America  
Mr. Sidney Hillman, National Citizens Political  
Action Committee  
Mr. Bruce Bliven, President of the New Republic  
Mr. C.B. Baldwin, National Citizens Political  
Action Committee  
Mr. Phillip Murray, C. I. O.  
Miss Hannah Dornier, Arts and Sciences  
Mr. Walter Wanger, Motion Picture Producer  
Mr. Lee Pressman, C. I. O.  
Mr. Russell Smith, Alternate for James Patton,  
National Farmers Union

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Mr. Earl C. Bassett, Alternate for Mr. A. R. Whitney,  
 Brotherhood of Railroad Trainmen  
 Mr. Martin Popper, Alternate for Robert W. Kenny,  
 Attorney General of California  
 Mrs. Rachel Bell, Alternate for Mr. Ulrich Bell,  
 Americans United  
 Dr. William Hastie, Dean of the Howard University  
 School of Law  
 Mr. Randolph Paul  
 Mr. A. F. Luxford

There was one other man present, whose name can not be made public without the approval of his Council - Harvey Brown, International Association of Machinists.

This was the first meeting at which Senator Pepper and Walter Wanger were present. Paul presided.

Without attempting to give you a detailed chronology of everything that happened, I would like to summarize as follows:

(1) Agreement apparently has been reached to the formation of a United Citizens Council whose purpose would be to unify the liberal forces into a working team which would be as effective as that produced during the 1944 campaign. Specifically its purposes would be (i) to get behind Bretton Woods, Dumbarton Oaks and other foras of international cooperation, (ii) to support a program for full employment, and (iii) to carry the fight in the 1946 elections.

(2) Membership in the Council would be limited to individuals and there would be no membership of organizations as such. Membership by organizations has been discarded because the feeling was that speed was important in getting action on important decisions. This end would be defeated in many instances if it were necessary to refer every issue back to the various organizations for decision through regular organization procedures. By getting the top men in these organizations to come in, however, in a

- 2 -

personal capacity it would be possible to get speedy decisions without a material sacrifice in over-all effectiveness. For the time being, and until the U.C.C. gets on its feet, decisions must be unanimous. It is contemplated that the membership will be greatly expanded so as to include the heads of all the liberal forces ready to cooperate. Prominent liberals not connected with any organization also would be invited to join.

(3) Randolph Paul is acting chairman of the group and it is clear that he is highly respected and has their confidence. At this meeting, however, he insisted that he must relinquish this post because of an assignment he is about to accept. He urged the group to get a permanent chairman and an executive director as soon as possible.

(4) At the meeting an executive committee was named. Its membership is:

Mr. Harvey Brown (subject to approval of his Council)  
 Mr. Phillip Murray  
 Mr. Mark Etheridge, Louisville Courier Journal  
 Mr. Bartley Krum (Affiliation not known to Mr. Paul's secretary)  
 Mr. Louis Reynolds  
 Mr. James Patton, Farmers Union  
 Mr. Leon Henderson  
 Mr. Morris Rosenthal  
 Dr. William Hastie  
 Mr. Walter Wanger  
 Mr. Ulrich Bell  
 Mr. Robert Kenny

This executive committee was charged with the responsibility for (i) selecting a permanent chairman and executive director for the organization, and (ii) taking steps to enlarge the U.C.C.'s membership. (Incidentally, the name of Randolph Feltus was mentioned very prominently in connection with staffing U.C.C.). A small finance committee was also named to work out the Council's financial needs.

(5) Bretton Woods played a very important part in the discussions. Almost one-half of all the time was devoted to this subject. There was unanimous support for the

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proposals. As Lee Pressman put it "If we don't get Bretton Woods through Congress you might as well forget about full employment and the 1946 elections." It was clear from other things he said that not only was he thinking in terms of the actual contribution Bretton Woods can make toward full employment but in particular of the broader issue that if we fail on Bretton Woods, there is little or no chance of getting a full employment program adopted. Pressman expressed extreme concern for Bretton Woods. He is very troubled about the House Committee vote. He also pointed to the Senate tie on the Taft amendment on the Lend Lease Act as a further manifestation of a trend he foresees. Senator Pepper expressed his concern also. He was more confident of ultimate victory on Bretton Woods but thought it might be late fall before the Senate passed it. He too was upset about the vote on the Taft amendment and almost equally upset about the line of argument Senator George had used to beat the Taft amendment. He thought George's speech had probably defeated Taft's proposal but the extreme conservatism expressed by George was ominous.

Pressman was strongly in favor of the U.C.C. announcing its formation at once (even though he conceded it was premature from the point of view of the U.C.C.) and for asking Sidney Hillman to designate C. B. Baldwin to coordinate the liberal fight for Bretton Woods. This position was criticized by others. Rachel Bell of Americans United said that her group already was coordinating both the liberal and conservative groups. Smith of the Farmers Union thought that the liberals could and were coordinating through Americans United on this issue and that they should continue to "carry the ball." Others felt that care must be exercised to not frighten off the conservative support which they deemed to be essential. Sidney Hillman said that he never was too much impressed with the liberals "holding back" because it might frighten off the conservatives. On the other hand, he stressed that the liberals must be careful not to "hog the show" and must avoid the appearance of being the only supporters for measures. He went on to illustrate his point by reference to PAC's policy during the last campaign. He said that they tried always to appear to be one of a number of supporters and to understate their power. It was the opposition who sought to push PAC to the forefront and to dramatize their part.

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(While this discussion raged, Baldwin told me privately that he hoped they would beat Pressman's proposal because he was worried sick over Bretton Woods and was afraid that the U.C.C.'s action might prejudice its chances. Rachel Bell indicated to me privately the next day that both she and Smith were afraid Pressman's proposal might jeopardize conservative support).

Finally, it was agreed (i) that the U.C.C. would not act publicly at this time; (ii) that Americans United would draw up a strong statement supporting Bretton Woods and that the names of all present (except Brown) could be affixed (but not as members of U.C.C.) as soon as Paul approved the document; (iii) that Rachel Bell would try to get other organization leaders (including conservative groups) to sign it also, and (iv) that Americans United would release it to the press.

(6) The most significant point of the whole meeting to me was the fact that here were the top leaders of the liberal forces actually working together as a team. This fact was very conscious to all present. Senator Pepper was tremendously impressed. He said that in that room were leaders representing literally millions of votes and that as a team they could represent a turning point in the whole history of the liberal movement. He felt that it was clear that the two major parties could not survive indefinitely in their present form. A new alignment of forces was taking place now and that this group occupied a most pivotal position in shaping the direction of the parties which would emerge. He said that an organization of this type must have one of the top liberal leaders of the country as its head.

Phil Murray emphasized the significance he assigned to the U.C.C. by saying that he was not interested in a small time-short run affair. He was coming in because he saw it as one of the major forces of the future and the backbone of a coordinated liberal movement. Hillman emphasized that the U.C.C. could be most effective by not establishing an elaborate organization duplicating the work of organizations already in the field. Rather, U.C.C. should have a small able staff



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that could work with and coordinate the activities of the other organizations. Wanger emphasized the need for dramatizing the issues for the public and the need for mass education.

(7) I was introduced as an "observer". Apart from asking one or two questions I took no part in the discussions-- even when they related to Bretton Woods. I did, however, answer one or two direct questions on the present status of the Bretton Woods legislation and how the House Committee appeared to be aligning on the issue at this time.

*AK*

Co: Mr. White

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April 12, 1945.

Dear Bernie:

Thanks for your letter of March 22 and the very interesting document you sent me. On your return I hope to have a chance to talk to you on both the domestic and the foreign questions you discuss. I particularly want to get your views on the probable course of employment and prices. So far as the war period is concerned, I think the record up to date has been good. What the end of the war will bring is of course another matter on which I'd like to have the benefit of your appraisal.

I can't quite follow your reasoning as to the Treasury's "first and worst mistake". I am still of the opinion that any attempt to freeze wages absolutely as if they were commodity prices would literally have been a "bust" and would have done the Administration and the country immense harm, particularly in view of the course of profits, even after taxes.

Of course I want to know more of your own observation and opinions on the European situation after your return.

Sincerely,

(Signed) Henry

Mr. Bernard M. Baruch  
597 Madison Avenue  
New York 22, N. Y.

*WJ* *HEG/mah* *GA* *sub*

*Copy to Mr. Gaston*

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W T D V D W H NR 4 APRIL 8, 1945. CR 246

MEMORANDUM TO: HERBERT GASTON

1. PLEASE ASK MRS. KLOTZ TO GIVE YOU A COPY OF BARUCH LETTER OF MARCH 22 TO ME IN REGARD TO INFLATION. FRANKLY I DON'T KNOW WHAT HE IS GETTING AT, BUT HE SEEMS TO BE BUILDING A CASE AGAINST ME. IN TODAY'S PAPER THE VARIOUS STABILIZATION AGENCIES ISSUED A JOINT STATEMENT WHICH SEEMS TO ME TO PRETTY WELL TAKE CARE OF WHAT BARUCH IS WORRYING ABOUT, ANYWAY I THINK IT IS VERY IMPORTANT THAT YOU SHOULD PREPARE A LETTER FOR MY SIGNATURE ANSWERING HIM.

2. BARUCH HAS NEVER FORGIVEN ME FOR THE STATEMENT THAT I MADE WHEN I APPEARED BEFORE CONGRESS THAT LABOR COULD NOT BE TREATED AS A COMMODITY. I HAVE NEVER REGRETTED HAVING MADE THIS STATEMENT BECAUSE I FEEL THAT LABOR HAS MORE THEN JUSTIFIED ITSELF DURING THE WAR.

3. I THINK YOU SHOULD KNOW THAT BARUCH WANTS TO HAVE BRITTON WOODS HELD UP PENDING A DECISION ON REPARATION, WHICH ALSO DOES NOT MAKE SENSE.

4. ON PAGE 2, BARUCH SAYS, QUOTE, I HAVE SEEN SOME OF THE DISCUSSIONS AT YALTA, SOME OF THE ACTIONS TAKEN AS REGARDS HUNGARY AND RUMANIA AND THEY DO NOT GEE, UNQUOTE. WHAT HE IS TALKING ABOUT, I HAVE NOT GOT THE FAINTEST NOTION, BUT I REPEAT MYSELF, HIS LETTER MUST BE ANSWERED AND I WOULD APPRECIATE YOUR CONSULTING WITH THE APPROPRIATE PEOPLE IN THE TREASURY AND ANY OTHER AGENCIES THAT YOU DEEM IT NECESSARY IN PREPARING THE ANSWER.

COPY TO: MRS. KLOTZ

TOD NR 4 091310Z WAG  
MIN PLS

MARCH 23, 1945

Dear Mr. Baruch:

As the Secretary has left Washington for a brief vacation, I am acknowledging receipt of your letter of March 22nd and the document which was enclosed. I shall be glad to bring these to his attention as soon as he is back at his desk.

Yours sincerely,

(Signed) H.S. Klots

H. S. Klots,  
Private Secretary.

Mr. Bernard M. Baruch,  
597 Madison Avenue,  
New York 22, N. Y.

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Dr. White's advice is to have photostats made for Mr. Du Bois and Mr. Loe and to have Mr. Du Bois draft an answer to be ready when the Secretary returns.

Dr. White says the Secretary will be interested in reading Mr. Baruch's letter (it will please him) and it should be sent to him with a note that a draft reply is being prepared for his consideration upon his return or it can be sent to him.

*Personal*  
BERNARD M. BARUCH  
597 MADISON AVENUE  
NEW YORK 22, N. Y.

March 22, 1945.

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

My dear Henry:

Herewith is the document concerning which I spoke to you.

As I told you, the Treasury's importance looms greater and greater, and you have got to take a position justifying that, even if it irritates others. You, more than any other, are going to be held responsible for inflation, and you cannot get away from it. I would be less than frank and unfriendly if I did not tell you that the first and worst mistake the Treasury made was in its position regarding the non-control of wages, which upset the program and has been damning us ever since.

The problem of inflation has permeated every single one of our policies and will also affect our future. It is the province of the Treasury, War Mobilization, Price Control, Economic Stabilization, O.P.A. and Food Administrations. There are too many segmentary works on inflation, instead of having all the elements pieced together.

But the matter of gravest importance to you and the future credit of America, and the standards of living, and your ability to collect taxes and pay off your debt, lies in our policy towards Germany and Japan. I cannot see how we can go ahead with the Bretton Woods and other discussions, unless it is determined what kind of a world is to be after Germany and Japan are conquered. Of what avail will all these discussed agreements be if the policy toward Germany and Japan may run from absolute control of Germany and Japan, increasing the jobs and volume and profits of the United Nations, to the other extreme of a limited control which will leave us open to the sweated labor, war-



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breeding, subsidized exports of those two countries in a few years?

I have seen some of the discussions at Yalta, some of the actions taken as regards Hungary and Romania and they do not gee. This policy had better be straightened out now, Henry. This is not personal to me except as a citizen and a man who has seen this thing happen twice. No one saw quicker than you the necessity of an all-out war. For Heaven's sake, be for an all-out peace, which we never will get unless the foundations are secure.

Sincerely yours,

*Wm*

March 18, 1948.

The most important factor in making and keeping the peace is the earliest definite settlement of what is to be done with Germany and Japan. The policy in this regard must be the basis of any peace structure. We can make it an enduring bedrock foundation or the shifting sands on which everything will crumble.

That is so not only because we must be insured against another ghastly resurrection of our enemies' military might but because none of the economic problems of the peace - how people are to make a living - and therefore the long-run political problems as well - can be settled except in the light of policy on the occupation, reparation and industrial control of Germany and Japan.

For at least five and possibly seven years after the peace, there will be an enormous, overconsuming demand for everything, for raw materials, manufactured goods, food, clothing, housing, transportation machinery and capital. It is at the end of this period that what is done regarding Germany and Japan will rise to plague - or bless us. If the settlement is wise, the demand will go on. If we foolishly permit - or through unwise reparations policy force - Germany and Japan to compete with their sweating labor in the markets of the world, this competition will reflect back on the United Nations in lowered wages, lessened production, lessened profits and economic and social disintegration.

We should ask ourselves:

Do we want any share of reparations for ourselves?

What is to be the policy towards Germany? Is Germany to be occupied in three or four parts for a certain period and then restored as a whole, or is the occupation to

-2-

be the basis of a lasting dismemberment of Germany into lesser parts? How long is the period of occupation to run? During the occupation how are movements of labor and trade between the different zones of occupation to be handled to permit desirable unified economic activity? Towards what kind of permanent Germany should occupation policy be shaped?

Are the United Nations going to ask for reparations that will require Germany to work at full-tilt and thus become again a highly industrialized nation and a menace to the world?

In this regard, three points that are inextricably mixed together should always be borne in mind:

1. We must keep Germany - and this applies equally to Japan - from re-establishing herself as a great industrial nation ready to make war.
2. We must keep Germany and Japan from re-establishing themselves in the exports of the world. By eliminating the subsidized, sweetened competition of 170 to 200 million Germans and Japs - among the lowest cost producers in the world - we not only deny the enemy the wherewithal to make future war, but we expand the industrial opportunities for the rest of the world. We open up more jobs and more business for the United Nations which enable them to help pay part of their war costs out of increased profits and greater tax revenues. We make room for the new industrialization of hitherto undeveloped countries. Agricultural and other products of ours which Germany will not use will be taken up by other countries, whose industrial activities will expand. The United Nations will have more trade with one another, instead of with Germany.

-3-

3. We must protect and lift our living standards, raising standards all over the world. By keeping our standards high and exerting our influence to swell the purchasing power of the rest of the world, we can keep to a minimum the disruptive effects of the inflation already loose in the world, pay off debts and reduce taxes. The descent from inflated peaks which we all will have to make after the war will be less precipitous, less drastic, than if the forced competition of Germany and Japan cuts away normal standards.

So important is this last matter, I believe a self-demonstrating clause should be inserted into all financial and economic arrangements we make, giving us the right to terminate any agreement which results in lowering of wages and lengthening of hours - and undercutting of our standards. Certainly, the raising of human standards all over the world must be a bulwark of postwar economic policy.

After the last war, much of reparations argument concerned the question of "Germany's capacity to pay". The three considerations enumerated above suggest this basic principle of reparations policy:

That reparations be fixed according to "Germany's capacity to pay" within these three limitations: first, her capacity to pay without contributing to a revival of her war-making potential; second, her capacity to pay while preventing sweated competition in the export markets; and, third, her capacity to pay without undercutting wage and living standards.

Should that principle - however worded - be adopted, the reparations task then becomes one of principally (a) factually determining Germany's capacity to pay within these three limitations;

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(b) appraising the claims of the various United Nations, and  
(c) negotiating the division of what Germany can pay among the conflicting claims of the nations.

The "reparations" I speak of here are those involving longer time considerations. The question of restoring the loot that the Nazis have taken - stolen fortunes, the robbing of churches or religious groups, art treasures, etc. - can be dealt with according to simple justice. Such properties should be returned to their rightful owners. Since such properties will be in liquid, disposable form, they can be scooped up in one take, along with German foreign investments.

In this regard, it would be worthwhile making an effort to recapture funds snatched out of Germany by the Nazi leaders and to return those funds to Germany. The amounts involved would not loom large against reparation claims, and the action could have valuable political repercussions inside Germany. It would demonstrate that the Nazi leaders had robbed their own people and that the United Nations stood ready to correct such robbery. Set forth as a principle of justice - the Germans would have to give back what they had looted from other peoples; the Nazi profiteers would have to give up what they had robbed from the German people.

Using reparations in kind or in German labor for the repair of German ravages will raise different considerations in the different countries. Germany will have to export coal to surrounding countries; also perhaps, some steel. Safeguards against the re-exporting of reparations in kind will be needed.

What is hoped for in reparations in kind must be weighed against the dangers of maintaining or rebuilding the German economy.



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2

This caution is most important in the whole of occupation and reparations policy. In a desire to obtain the maximum possible reparations, some will want to preserve Germany's economy, relying solely on occupation to insure against another German war. Since the effectiveness of any lengthy occupation is doubtful - the public mood may alter drastically a few years after the war - at least a minimum of conditions to prevent Germany's military revival should be quickly carried out. For example, the great Junker landed estates should be broken up and divided into small plots which will absorb the greatest possible population, lessening the numbers seeking industrial work.

This need for a minimum of immediate safeguards against German resurgence is emphasized as insurance against possible public apathy in the future when memories dim. This minimum must not be permitted to lapse. After Versailles, the victors fell apart - the Americans did not go with the League; the French and English did not continue their agreements. The terrible cost of this second war - maybe, has taught us our lesson of the need for continued, cooperative scrutiny of the enemy. The Germans will try again in every possible way.

And if we do but watch the hour,  
There never yet was human power,  
Which could evade, if unforgiven,  
The patient search and vigil long,  
Of him who treasures up a wrong.

The determination to occupy Germany as long as is necessary will be strengthened by the reparations policy suggested here since such a policy will be accompanied by increased business and jobs in the United Nations.

-6-

3

As soon as the military comes into control of Germany, a body of scientists, engineers, technicians of every kind should investigate German industrial and technological progress in all fields. This so we can learn what Germany has that can be used for the benefit of all. That knowledge also is necessary for effective control of the German economy - we must know what secret things of war or peace may be hidden away. The knowledge will be valuable in estimating Germany's capacity to pay within the three limitations set forth earlier.

The extent of damage and destruction wreaked upon Germany will need to be investigated to estimate Germany's capacity to pay. We surely do not want to embark on an extensive program of rebuilding German industry so she can produce to meet reparation claims. Far better to rebuild such industries in locations within friendly European countries, thus lessening Europe's industrial dependence upon Germany. In any such program of shifting industries from Germany, care should be exercised so that the Western nations share in balance with nations in Eastern Europe. Russia has a special claim on Germany for labor and materials.

The Balkans and the pieces of the old Hapsburg jigsaw will present other reparation problems. These must be balanced against the needs of some kind of customs union there.

It may be argued that the program envisaged here must mean a great transformation of the German economy. That is true. But such a transformation is unavoidable even should a "be nice to Germany" policy be adopted. At no time since the first World War has the foreign trade of Germany been one of mutual advantage for human welfare to exporter or importer.

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Particularly since Hitler, Germany's foreign trade has been distorted to war-making purposes. There is no 'normalcy' of trade to return to as regards Germany. Since in any event her economy would have to be completely overhauled and a period of difficult adjustment cannot be avoided, let us make sure we insure peace.

To make and keep the peace there must be work and jobs. Whatever is done at San Francisco will be only an architect's blueprint, which cannot be turned into a lasting structure except as it rests on a sound settlement of these economic questions. Even more so, whatever is attempted through the Bretton Woods Monetary Fund and the International Bank can prove of no avail unless the problem of Germany is determined. No stabilization of currencies - at any level - can survive the depreciations of the sweating competition that will result from an unsound reparations policy. There can be no effective reduction of trade barriers, no orderly system of foreign lending, no controlling the evils of cartels, no lasting revival of world trade, unless the German and Japanese cancers are cut out.

The enormous demand clamoring to be filled may hide the effects of any German and Japanese settlement for the first few years after the war. It is after the first flush of reconstruction is met - and some of the lessons of the war perhaps tragically forgotten - that the test of the wisdom and statesmanship of the settlement will come. If Germany and Japan are taken care of, there will be work for everyone. If the enemy economies are rebuilt, their cheap competition will be felt in the destruction of living standards for all the United Nations, sowing economic and spiritual discontent - spreading human misery -

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all the things that would prepare for the enemy's attempting again to conquer the world. Again we must have in mind that the Nazi no-surrender policy, when defeat is certain, is to deliberately sear Germany and sabotage her industry.

All of the economic problems of the peace must be treated as parts of one whole not in piecemeal fashion. If we are not to find ourselves vainly chasing to catch up, we must move with the greatest dispatch to get ahead of the situation and that means the quickest definite settlement of the German problem.

Many questions have been asked as to what will happen in connection with American private property destroyed in Germany. American or foreign owned private properties there can either have the option of being rebuilt by German labor or being paid for from the proceeds from German private property held in this country, as was done in World War I.

The subject of reparations does not cover the question of private property, debts, copyrights, patents, tariffs, postal and communication rights, and all the multifarious relationships that will have to be re-established between the enemy countries and the United Nations, and which affect Germany's ability to pay.

In the matter of labor battalions, I hope it will not be the peasant and the workers who will be sent away but the brain-trusters, the Geopolitikers and German General Staff - Army, Industrial and Diplomatic. Let them work in the labor battalions which they so freely drew from other countries.

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The German General Staff will be found hiding all over the world. It would be well to search them at home, with all the other junkers - leaving the workers and peasants who will recover their balance with the schemers sent away.



TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE APR 12 1945

TO Secretary Morgenthau  
 FROM Mr. Haas  
 Subject: Redemption of Series "A" Savings Bonds

In accordance with your request, I checked into the status of Series "A" bond redemptions. On March 1, 1945, approximately \$35 million of Series "A" savings bonds matured. Of this amount, just under \$19 million had been redeemed or exchanged by March 31. This figure represents, however, only the amount that had been cleared through the records of the Treasury on March 31. There were, in addition, a number of millions of dollars of Series "A" bonds redeemed that had not yet reached the Treasury records. These were either still in the hands of the commercial bank redemption agents, or were in transit to the Federal Reserve Banks, or were in the process of being sorted, tabulated or audited at the Federal Reserve Banks. They will appear in the Treasury accounts in April.

We have not, as yet, received information from the Federal Reserve Banks comparing the proportion of the Series "A" bonds exchanged with the proportion paid off. The Federal Reserve Banks have been asked to wire this information and we expect to have a complete analysis next week.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 12, 1945

TO Secretary Morgenthau  
 FROM Mr. Haas  
 Subject Reaction of the Government Security Market to Your Announcements with respect to the Seventh War Loan

The attached chart shows the prices, daily since the close of the Sixth War Loan, of three issues of Government securities -- one each in the areas of the market primarily affected by the 1-1/2 percent, 2-1/4 percent, and 2-1/2 percent securities to be offered in the Seventh War Loan. The dates of your two announcements with respect to the Seventh War Loan -- the first giving the coupon rates, and the second giving the maturities of the marketable securities to be offered in the Loan -- are indicated by red vertical lines on the chart.

The following comments may be made with respect to the price fluctuations shown on the chart:

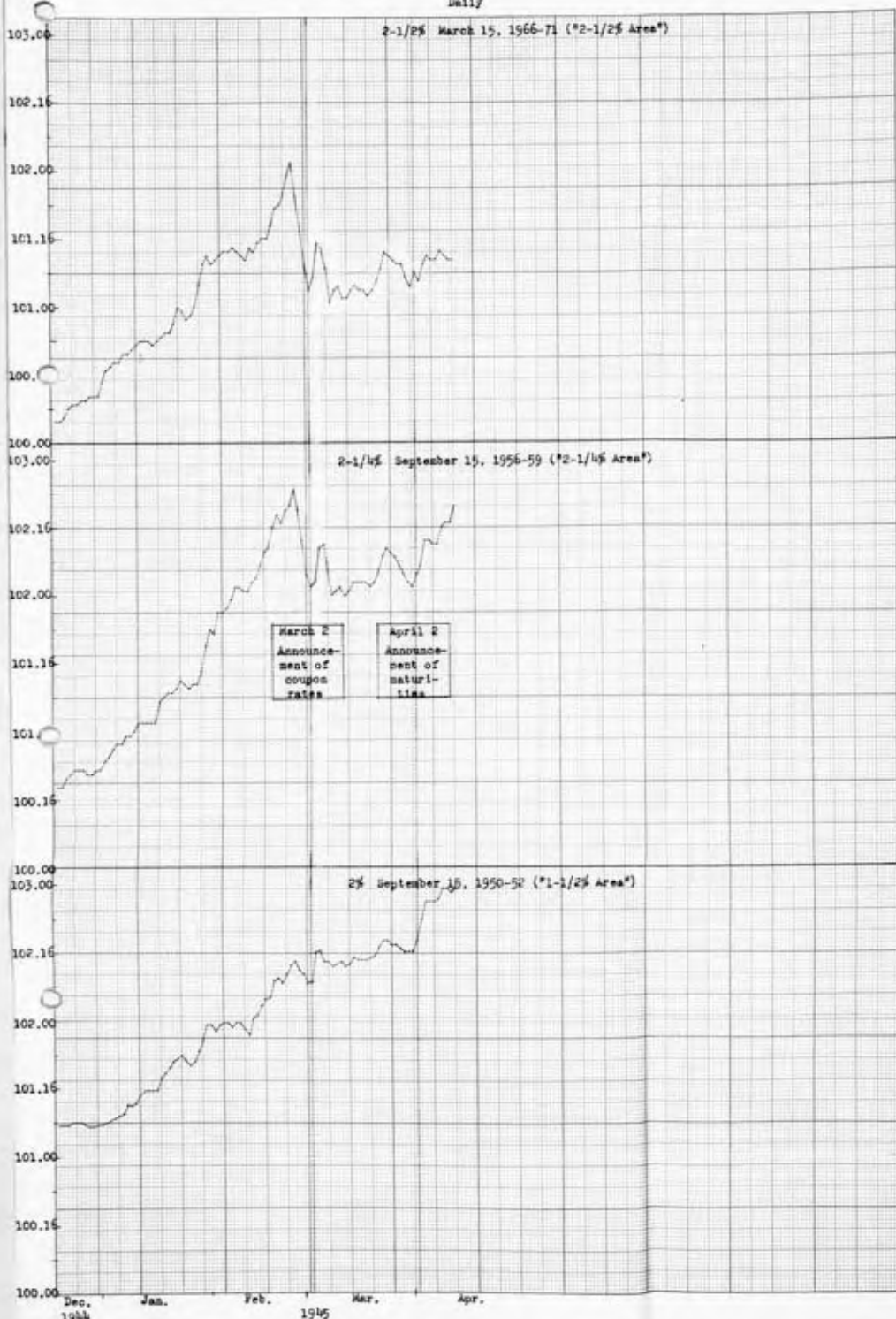
- (1) Following the Sixth War Loan, the opinions that the 2 percent issue would be eliminated from future War Loans and that a 2-1/4 percent issue would be substituted for the 2-1/2 percent issue gained wide credence in the market. As the fundamental monetary forces underlying the market were strong, the market responded to these rumors by rising rapidly.
- (2) One of these rumors -- the one that the 2 percent bond was to be omitted -- proved to be true; while the other -- the one that the 2-1/2 percent issue was to be replaced by a 2-1/4 percent issue -- proved to be false. As a result, the rise in the medium-term market continued after your first announcement; while the long-term market fell off sharply as soon as it guessed that the 2-1/2 percent rate was to be continued -- as it did several days before your announcement.

Secretary Morgenthau - 2

- (3) During the time between the announcement of the coupon rates and the announcement of the maturities, the 2-1/2 percent and the 2-1/4 percent areas of the market fluctuated within a fairly narrow margin, and showed little net change. The 2-1/2 percent issue shown on the chart rose 4/32, and the 2-1/4 percent issue rose 3/32. The 1-1/2 percent area was much stronger, however -- the issue shown on the chart rising 10/32.
- (4) Since the announcement of the maturities of the new issues, all areas of the market have been strong, but the strength has been greater in the 1-1/2 percent and 2-1/4 percent areas than in the 2-1/2 percent area.

Attachment

Prices of Selected Government Securities Since the End of the Sixth War Loan  
Daily



PRECISION  
TRADE MARK  
MICROSTAT  
MADE IN U.S.A.  
MICROFILM  
NO. 100



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE APR 13 1945

TO Secretary Morgenthau  
FROM Mr. Hays  
Subject Effect of VE-Day on Treasury Financing

I. Economic Situation After VE-Day

During the period between VE-Day and VJ-Day we may expect a continued hazard of inflation. According to the latest information we have received from the War Production Board, deliveries of munitions will be cut back by 15 to 20 percent by the end of the first six months after the defeat of Germany, and by 30 to 35 percent by the end of the first year. Presumably, these are on the low side, rather than on the high side, in view of the natural inclination of the military to keep a fairly free hand with respect to its programing. In any event, Treasury expenditures will be reduced more slowly than outbacks in munitions deliveries because of lags in payments; but the employment situation will be hit more quickly than the delivery figures indicate because munitions manufacturers may be expected to draw down their inventories of raw materials and work-in-process as they adjust to the new level of munitions production.

If the actual outbacks are approximately in line with the WPB estimates, we may expect a continued high level of economic activity and of consumer demand. It may be estimated that, assuming the period between VE-Day and VJ-Day to be one year long, income payments to individuals during that year will aggregate between \$140 and \$150 billion as compared with the present level of approximately \$160 billion. Nevertheless, there will be a fairly large number of persons unemployed at different times, as several million persons must be "re-deployed", most of them coming from munitions work, but part of them coming from the armed forces. Statistically, the unemployment figure will probably not exceed three or four million at any one time, and most of these persons will be

Secretary Morgenthau - 2

en route to new jobs. Local situations will be much worse than the national figures indicate, however, because the impact of outbacks will be spread unevenly throughout the country. The headlines will make the economic situation look bad, and there will doubtless be complaining from many quarters, including Congressional sources -- but the statistics will tell a story of peak prosperity exceeded only by the earlier war years.

II. Policy Suggestions

As already indicated, VE-Day will bring about only a relatively small reduction in the budgetary requirements of the Federal Government. Even with no reduction in tax rates, receipts may be expected to decrease somewhat; and it seems unlikely that the deficit will fall below an annual rate of \$35 to \$40 billion in the interval between VE-Day and VJ-Day. Thus, borrowing requirements may be expected to continue at a high level. Equally important, the financial pressures toward inflation will show little, if any, diminution; and there will probably be an increasing tendency on the part of the public to resist anti-inflationary restrictions. The continuation of present financing policies would, therefore, seem to be indicated.

(1) Security Market Support. We do not believe that VE-Day will have a material effect on the market for Government securities. If any weakness should develop, however, it is important that the market be supported promptly and firmly. A decline in the prices of United States Government securities would be prejudicial to the future borrowing operations of the Treasury. It would also tend to increase the proportion of the debt financed by bank credit, for a decline in the market would tend to result in a withdrawal from the market of nonbank buyers, leaving only the banks to take up the securities being offered. Both Governor Ransom and Mr. Sprout have assured you that the Federal Reserve System will give the Government security market all necessary support.

Secretary Morgenthau - 3

(2) Maintenance of a Large Cash Balance. Expenditures will continue large during the period between VE-Day and VJ-Day; and receipts, both from taxation and borrowing, will be less reliable and more difficult to predict. There will also probably be increased redemptions of savings bonds and savings notes. To be prepared for these developments, it would appear desirable for the Treasury to continue to maintain a large cash balance in the period after VE-Day.

(3) No Change in Seventh War Loan Goals. There is nothing, either in the probable budgetary situation after VE-Day or in the threat of inflation, which would indicate the probability or desirability of either reducing the goals or calling off the Seventh War Loan. The liquid funds will be there; and they will be needed for continuing Government expenditures. VE-Day may, however, call for some modifications in war loan techniques. It may also be desirable for you to issue a statement explaining simply, but fully, the necessity of going ahead with the Seventh War Loan, in order to counteract the effects of any over-optimism on the part of either the buyers of war bonds in the Seventh War Loan or the salesmen. Perhaps the issuance of a revised budget summation would be helpful, not only in connection with the Seventh War Loan, but in securing popular support for the necessary interim financial policies as a whole.

(4) Continue Payroll Savings Plan. The payroll savings plan should be continued in the interval between VE-Day and VJ-Day -- conceivably, it might prove desirable to step it up.

(5) Eighth War Loan Necessary. Everything in the budgetary position and on the inflation front indicates the necessity for an Eighth War Loan. Here again, it may be desirable to initiate a program to educate the War Finance organizations and the people in general, who may be inclined to feel that, because of victory in Europe, the Seventh War Loan should be the last.

Secretary Morgenthau - 4

(6) Savings Bond Redemptions. There may be an upswing in savings bond redemptions after VE-Day. Some of these redemptions will be for the purpose of tiding individuals over periods of unemployment; and it would be neither feasible nor desirable to discourage these redemptions. However, publicity will probably be desirable to discourage excessive redemptions and redemptions not occasioned by personal emergencies.

(7) Encouragement of Reconversion. After VE-Day, corporations may cash their treasury savings notes, allow their certificates to run off, and sell their holdings of marketable Government securities; and their purchases of new Government securities are likely to decline. In many cases, this will be necessary to facilitate speedy reconversion. This reconversion is the most effective safeguard against inflation between VE-Day and VJ-Day, and in the postwar period; and should, therefore, receive every facility, so long as it does not impede the Pacific war.

(8) Maintenance of Liquid Public Debt Structure. The desirability of smooth reconversion points also to a continuance of the policy of helping banks and business concerns to keep themselves in a liquid condition. This policy has been implemented by the concentration of a large proportion of Government security issues in short-term obligations. In the period between VE-Day and VJ-Day, the proportion of the total debt in short maturities should not be decreased, and the outstanding amounts of both bills and certificates should be increased.

(9) Need for Continued Ease in Member Bank Reserve Situation. The liquidation of Government security holdings to finance reconversion and to tide people over temporary unemployment -- both that which is channeled through the Treasury and that which occurs in the market -- will place increased demands on commercial banks. Their ability to meet these demands effectively calls

Secretary Morgenthau - 5

for continued ease in the bank reserve situation. This calls for a vigorous policy of open market purchases of Government securities by the Federal Reserve Banks, and, of course, continued purchases of all Treasury bills offered at the posted rate of  $3/8$  of 1 percent.

(10) Continued Urgency of Reserve Ratio Legislation. The expansion of bank credit to finance reconversion between VE-Day and VJ-Day, will call for increased member bank reserves. This demand is unlikely to be offset by a return of money from circulation -- it is more likely that circulation will continue to increase. Thus, the downward trend of the Federal Reserve ratio of reserves to deposit and note liabilities seems certain to persist. There will be no occasion, therefore, for any relaxation of efforts to secure the passage of legislation now pending before Congress to reduce the minimum required ratio to 25 percent.

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## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE APR 12 1946

TO : Secretary Morgenthau  
 FROM : Mr. Henry  
 Subject: Latest Developments Regarding Outbacks After Victory in Europe

Since our discussion in Florida regarding the outback situation, we have gone over the figures again with Mr. Fox of W.F.B. The situation is still fluid, with revisions of more programs expected within the next few days and further information on some of the Army contracts expected towards the end of April. Meanwhile the current estimates are that outbacks in munitions deliveries will amount to between 15 and 20 percent by the end of the first six months following VE and 30 to 35 percent by the end of the first full year after VE. The figures are presented in the upper part of the first chart accompanying this memorandum.

It must be emphasized that these outback figures refer to munitions deliveries. Treasury expenditures for munitions will decline more slowly than outbacks in munitions deliveries because of lags in payments. A substantial proportion of Treasury expenditures for munitions will thus flow through the economy in winding up old operations rather than in maintaining the stream of production at a peak level as in the recent past. Moreover, the munitions program accounts for only about two-thirds of Treasury war expenditures so the effect of outbacks will be limited to this segment of Treasury outlays. The other third of Treasury war expenditures is for military pay and subsistence, transportation, nonmunitions lend-lease, etc., and is expected to decline very slowly after VE. Total Treasury war expenditures, therefore, may be expected to hold up quite substantially for some time after VE.

On the other hand, the employment situation in munitions industries will be hit more quickly than the delivery figures indicate because manufacturers may be expected to draw down their inventories of raw materials and work-in-process quickly as they adjust to the new lower level of munitions production.

Regraded Unclassified



Secretary Morgenthau - 2

In short, the "pipelines" of munitions production will be drawn off in part permanently, so that some deliveries will use up materials which are not replaced. Thus the cutbacks in productive resources will be faster than in munitions deliveries.

The lower part of the first chart presents dollar figures on the quarterly value of munitions deliveries both before and after VE, which is assumed to be June 30, 1945. An analysis of these figures by the major categories of munitions is presented in the second chart. It should be noted that the dollar value figures are stated in terms of quarterly periods, whereas the cutback percentages referred to above are expressed as rates at particular points in time after VE.

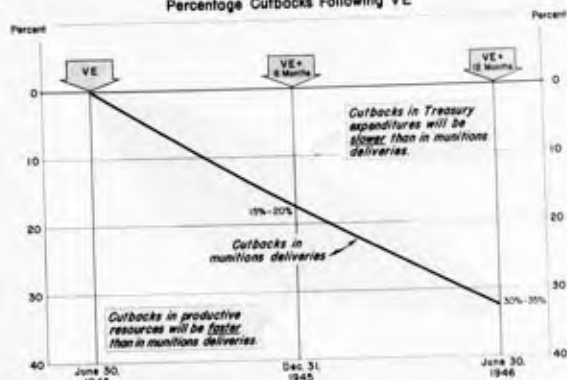
In Justice Byrnes' recent report to Congress, some figures were presented on cutbacks which differ somewhat from the W.F.B. figures. Army cutbacks were said to amount to 15 to 20 percent in the first quarter following VE and to 40 percent before the end of the first year. With respect to Navy and merchant shipbuilding programs, the report said that present schedules call for sharp declines in the months ahead and they will undergo little further change after VE. The report also said that W.F.B. had estimated that the release of overall resources from munitions production after VE would amount to 20 percent in the first quarter, another 5 percent in the second quarter, and another 5 percent in the third quarter. In response to our questions on these figures Mr. Fox has informed us that the latest figures he has given us are more up to date than those in the Byrnes report.

Attachments

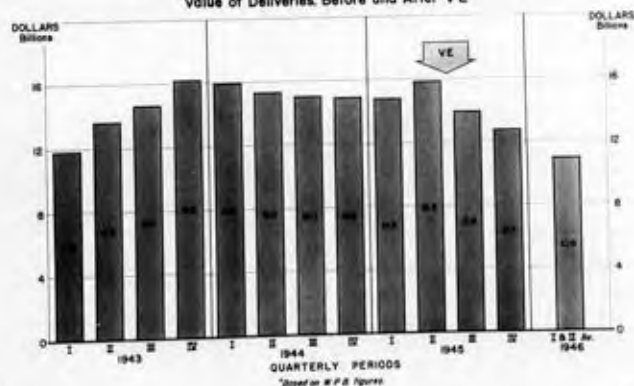
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## OUTBACKS IN MUNITIONS DELIVERIES\* ASSUMING VE TO BE JUNE 30, 1945

Percentage Cutbacks Following VE

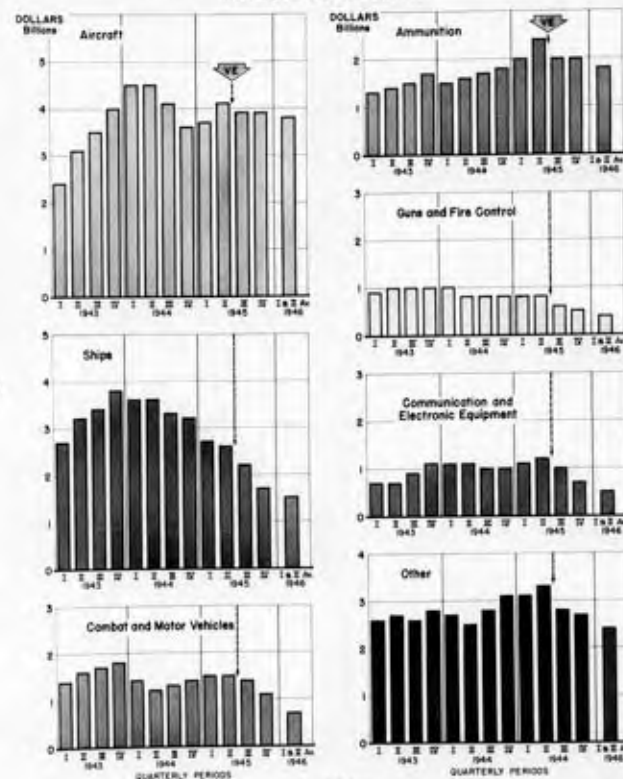


Value of Deliveries, Before and After VE

Office of the Secretary of the Council  
Board of Economic Warfare

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ANALYSIS OF QUARTERLY MUNITIONS DELIVERIES\*  
Assuming VE to be June 30, 1945Office of the Secretary of the Council  
Board of Economic Warfare

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## TREASURY DEPARTMENT

INTERNAL OFFICE COMMUNICATION

DATE APR 12 1945

TO : Secretary A. A. Berenson  
 FROM : Mr. Hoar  
 Subject: The international food situation

In response to your request of March 31, I am submitting herewith a statement on the present food situation, based on data from the Office of Supply of the War Food Administration and the Bureau of Agricultural Economics. It is not clear to me which aspect of the food situation is of chief interest to you, but I hope this statement will provide the information needed.

The general situation

The prospect of serious shortages in a number of foods this year has recently become a matter of widespread public concern. During the past year, about 79 percent of our food supplies have been used for domestic civilian consumption, 14 percent for the military services, and 7 percent for lend-lease, UNRRA, exports, etc. As the war approaches its climax, non-civilian food requirements have increased, while food supplies unfortunately have declined. Serious shortages are developing in meats, fats and oils, dairy products, dried eggs, sugar and rice.

According to testimony of Lt. Col. Ralph W. Olmstead, Director of Office of Supply, War Food Administration, before a subcommittee of the Senate Committee on Agriculture and Forestry on April 3, the following factors are contributing to the developing shortages:

- (1) World production of meats, fats and oils, eggs, and sugar are expected to be smaller this year than last.
- (2) Military requirements this year are higher than in 1944. For example, U. S. military requirements exceed those of 1944 by about 10 percent. They have been boosted by such factors as increases in troop strength, increases in numbers of war prisoners, and proposed expansion of activity in the Pacific after V-E Day, with consequent extension and filling of supply lines. The military requirements of our Allies have likewise increased for comparable reasons.
- (3) Liberated-area food requirements are increasing with the progress of the war. Present indications are that requirements for relief feeding in 1945 will be so high that they cannot be met from available world supplies without substantial cuts in present allocations to other claimants.

As one part of the relief picture, our military requirements for civilian feeding are increasing steadily, and the projected requirements for next August are double those for March. The disruption of internal transportation and other factors have increased the dependence of liberated areas on outside aid, as in France, for example.

The total food supply this year for U. S. civilians will be adequate to permit a per capita consumption at pre-war levels, since supplies of many foods are of record or near-record size. World wheat supplies, for example, are adequate to meet all demands. Domestic supplies of fresh vegetables have been entirely adequate, and prospects for this year are favorable. Large supplies of fresh and frozen fish are expected. The outlook for fresh fruit this spring is for supplies slightly larger than last year. Civilian supplies of fluid milk will be of record size, about 25 percent above pre-war, and civilian supplies of eggs will be about 20 percent above pre-war.

The unfavorable part of the picture is in the critical items previously mentioned. The increase in incomes, furthermore, has created a civilian demand in excess of the pre-war level, particularly for many items that are in short supply. On the basis of present allocations for 1945, the civilian per capita consumption of fats and oils, sugar, and rice will be below the 1935-39 average. The consumption of meats is also likely to be somewhat lower than this pre-war average. For dairy products, the civilian consumption of butter, cheese and evaporated milk will be lower than the pre-war level, though milk consumption will be higher.

The world situation for each of the more important critical food items is summarized below.

Meats

The prospective world supply of meats in 1945, according to Lt. Col. Olmstead, will be about 15 percent less than needed to meet the stated requirements of the Allied military forces, civilians in the United States, Canada, and the United Kingdom, and to provide for needs in liberated areas. If requirements for liberated areas were excluded, the deficit would be about 9 percent, and would be further reduced to about 5 percent under the present curtailed allocations to U. S. civilians. If any substantial amounts are to be made available to liberated countries, a change in the consumption policies of all claimants will be necessary, according to Mr. Olmstead.



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The stated requirements for civilians in 1945, as compared with pre-war consumption rates, are shown in the following table:

Per capita civilian consumption of meats  
(excluding livers, hearts, etc.)

	: Pre-war, : 1935-39	: Requirement : 1945
	(Pounds)	(Pounds)
United States	125.6	138.4
United Kingdom	125.4	110.2
Canada	113.7	134.4

The present allocation to U. S. civilians, however, is only 125.3 pounds per person, as compared with stated requirements of 138.4 pounds, and actual consumption will probably be as low as 115 pounds in the second quarter.

The meat shortage arises from a reduction in the world production of meats, while Allied military and liberated-area requirements have sharply increased. Meat production in the United States this year will be about 10 percent below 1944, with an expected reduction of 18 percent in the supply of pork, partly offset by an increase in beef and veal. Production in Canada shows a similar trend. In Australia and Argentina, the other two major exporting countries, the outlook is for curtailed production due to drought.

The shortage is most serious with respect to canned meats required by the armed forces. Allied military requirements (including Russian requirements under protocol) are approximately 15 percent greater than the prospective available supplies of canned meat, including stock reductions. Our allocations to the U. S. military forces in the second quarter are about 10 percent less than stated requirements.

In answer to your question regarding the use of Argentine meat by our armed forces in Australia, we have learned from the War Food Administration that our armed forces in some war areas have very probably used Argentine canned meats bought from the British, who are the sole

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purchasers of meat for the Allies in Argentina. It was considered possible, though rather illogical, that such meat would be used in Australia, but it might have been shipped as part of a cargo on a British ship going directly from Argentina to Australia.

#### Dairy products

The production of milk this year in the major producing countries available for Allied supplies may not be as high as in 1944, since unfavorable prospects in the Southern Hemisphere may more than offset increased production in the Northern Hemisphere. While the consumption of fluid milk and cream in the producing countries continues substantially above pre-war, serious shortages are developing in manufactured dairy products, largely because of increased military and liberated-area requirements.

A shortage of butter has necessitated reduced civilian rations, which are now drastically below the pre-war levels in all the supplying countries. Supplies available for the United States are 10 percent lower than the 1944 consumption level. In Canada, the 1944 ration of 6 ounces per week has been cut to 6 ounces in the first quarter of 1945. The United Kingdom hopes to maintain a 2-ounce weekly ration, but supplies from the Southern Hemisphere may be inadequate.

Evaporated milk supplies are about 16 percent short of requirements. If all war requirements were met, practically the full impact of the deficit would fall on civilians in the United States, since very little evaporated milk is available to civilians in other producing countries. Supplies of condensed milk are 25 percent short of requirements, due entirely to the materialization of liberated-area demands. Supplies in 1944 were more than adequate for all requirements.

The production of dried whole milk is insufficient to meet high military needs, and therefore is largely unavailable for needs of liberated areas. Production of non-fat dry milk solids is running somewhat higher than in 1944, but is far below the amount that would be used in liberated areas if available. A lack of suitable packaging materials will limit the amount that can be exported. Stockpiles of dry milk solids were accumulated in 1944 because of the lower demand at that time, and a stock of over 100 million pounds on January 1, 1945, was thought adequate to cover liberated-area demands. However, the entire stock was moved out in the three months against relief needs as a substitute for meats and other protein foods.

- 5 -

Estimated supplies of cheese this year fall about 2 percent short of meeting military requirements (including the program for Russia) and maintaining civilian consumption in the supplying countries at 1944 levels. This will require some reduction in the United Kingdom civilian ration, while consumption in the United States is expected to be maintained at about 15 percent less than pre-war. Thus practically no cheese will be available for liberated areas under these conditions.

#### Fats and oils (excluding butter)

Present estimates indicate that the supply of fats and oils (excluding butter) available to the United Nations will fall about 21 percent short of meeting estimated requirements, assuming the supplies available can be fully utilized. (Linseed oil is included in these estimates.)

The shortage is due both to a decline in production and to a substantial increase in requirements, particularly for liberated areas. Lard production in the United States and Canada will be sharply lower than last year, accounting largely for the decline in production.

The situation would be improved if copra (for making coconut oil) could be imported this year from the Philippines, or if fuel oil could be shipped to Argentina to replace the linseed oil now being burned in that country for fuel, as recommended by the WFA. Any slackening in military procurement that might follow the end of hostilities in Europe, according to the BAE, would probably be offset by increased exports through other channels.

#### Eggs

The shortage in dried eggs has been due to high civilian consumption of shell eggs (partly to replace meats) and to high non-civilian requirements, which has reduced the supply of eggs for drying. Production of eggs in the United States, which provides five-sixths of the supply available to the Allies, is about 10 percent below last year. As a result, the supply of dried eggs will fall at least one-third short of meeting requirements. This will necessitate almost complete elimination of stocks in both the United States and United Kingdom, and will require that allocations to other than direct military uses be cut below submitted requirements.

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#### Sugar

This year is expected to be the most difficult year of the war for sugar supplies, with a prospective deficit of 1.7 million tons, or 15 percent, in supplies available to the Allies. Furthermore, the present supply estimates may not be fully realized, in view of a prolonged drought in Cuba and hurricane damage in the Indian Ocean area. No allowance is being made for possible supplies from the Philippines, and none is expected from that source until late in 1946.

The civilian requirements for the United States included in the above estimates represent a civilian per capita consumption of 83 pounds, or 14 percent below the 1935-39 average, with a similar per capita consumption for Canada. The figure for the United Kingdom is 86 pounds, or 17 percent below the 1934-38 average.

The relief requirements in the above estimates for 1945 include: 471,000 tons for military civilian feeding, a small part of which is for civilian feeding in the Pacific theater; 122,000 tons for UNRRA; 466,000 tons for the payees Allies, including 414,000 tons for Metropolitan France and 52,000 tons for Norway (after liberation). Estimated requirements are not included for French North Africa, Belgium, Denmark, or the Netherlands.

#### Rice

A serious shortage of rice has been caused by Japanese occupation of areas which before the war produced 90 percent of the rice entering world trade. The shortage is becoming more severe as territories are liberated which previously depended on rice supplies from Japanese-occupied areas. Available production this year will be about the same as in 1944. Since submitted requirements of 76 million bags are 24 million more than the supplies available, only the most urgent needs can be met. To help meet this situation, the Government is taking over all rice processed by mills in this country.

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



In reply refer to  
A-C

DEPARTMENT OF STATE  
WASHINGTON

April 12, 1945

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The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a statement by the Executive Committee on Economic Foreign Policy regarding the importance of full employment to economic foreign policy and containing recommendations, in which I concur, concerning the formulation of a full employment program with reference to such a policy. Also, there is attached to the statement a report concerning the possible effects of various types of full employment policies on United States foreign trade.

The statement and report have been transmitted to the President.

Enclosure:  
Restricted document  
ECEFP D-21/45



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ECEFP D-21/45  
February 23, 1945

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EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY

FORMULATION OF A FULL EMPLOYMENT PROGRAM WITH REFERENCE  
TO ECONOMIC FOREIGN POLICY

(As approved by the Executive Committee on Economic Foreign Policy February 23, 1945.)



RESTRICTEDECONF D-21/45  
February 9, 1945

FORMULATION OF A FULL EMPLOYMENT PROGRAM WITH REFERENCE  
TO ECONOMIC FOREIGN POLICY

1. The Executive Committee on Economic Foreign Policy is charged by the President with examining problems and developments affecting the economic foreign policy of the United States and with formulating recommendations in regard thereto for the consideration of the Secretary of State, and, in appropriate cases, of the President. It includes in its membership agencies of the Government having responsibilities in the domestic and the foreign fields and appreciates that foreign as well as domestic economic policy should seek to raise the national standard of living. It recognizes the mutual dependence between foreign and domestic policies in advancing that aim, to which expanded world trade is regarded as fundamental.

2. The Committee has stated its belief "That a domestic program to maintain a high level of productive employment in the United States is essential to the maintenance of a high level of international trade and to the substantial reduction of restraints on trade"; and "that domestic measures designed to maintain such a level of employment should facilitate, and not conflict with, a policy of international trade expansion." As we approach the period when we have to deal with the problems of post-war foreign trade, and when the successful development of our economic foreign policy depends upon the negotiation of beneficial international agreements, the formulation of a suitable domestic full employment program becomes increasingly urgent.

3. The Committee has requested a group of government experts to consider at the technical level "the effects on foreign trade of various types of full employment policies in the United States." On the basis of the statement prepared in accordance with that request, the Committee submits the report which is annexed hereto. In this report it is pointed out: (a) that a positive government program is necessary for assuring a continuously high level of employment; (b) that a program can be framed which appears likely to be effective in maintaining a high level of employment and which will be consistent with the purposes and methods of United States economic foreign policy; and (c) that, on the other hand, certain types of measures sometimes urged as contributing to the maintenance of a high level of employment would apparently be of

doubtful

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doubtful effectiveness in creating this necessary condition for unrestricted foreign trade, or would in their general principles conflict with United States economic foreign policy, or both.

4. Recommendations. Accordingly it is suggested that the Secretary of State, on behalf of the Executive Committee on Economic Foreign Policy, transmit this report to the President and convey to the President the following specific recommendations of the Committee:

(a) That an effective full employment program should be formulated as expeditiously as possible which will be favorable to the expansion of international trade in accordance with comparative efficiencies of production;

(b) That this report should be brought to the attention of the government agencies concerned in formulating such a program with a view to advancing their consideration of the problem.

5. To the end of facilitating the development of an effective full employment program, the Executive Committee will continue its examination of the international aspects of the full employment problem including the effect of domestic full employment measures which may be proposed upon United States economic foreign policy.

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Attachment: ECEFF D-21/45  
February 9, 1945THE EFFECTS OF VARIOUS POSSIBLE TYPES OF FULL EMPLOYMENT  
POLICIES ON UNITED STATES FOREIGN TRADE

## SUMMARY

In appraising any suggested domestic full employment program from the standpoint of foreign trade, two questions must be considered: First, whether it would actually be effective in achieving a high and stable level of employment and national income, which is a necessary condition for expanded trade and for removal of restraints on trade; second, whether it would in other respects tend to create a favorable environment for trade barrier reduction here and abroad, for trade expansion, and for private trading of the traditional type.

It is concluded herein that adoption of a positive economic program by the Government is essential if a continuing high level of employment is to be assured, and that a program can be framed which appears likely to be effective in maintaining a high level of employment and which will be consistent with the purposes and methods of United States economic foreign policy. Positive measures under such a program should not go beyond what conditions require. However, mere elimination of government interventions in economic processes cannot be relied upon to maintain employment.

With respect to a number of the leading positive proposals, the conclusions presented herein, including the technical subcommittee's conclusions as to the probable effectiveness of these several policies in maintaining a high level of employment, may be summarized as follows:

1. Government policies to provide for active stimulation of private investment, of new enterprises, and of business activity as a whole are an essential component of a well rounded full employment program, and would in general benefit foreign trade. A fully implemented government commitment to maintain a high level of employment could offer a most effective encouragement to private enterprise. Such a commitment would also tend to reassure other countries as to our prospective markets for their exports, and hence would facilitate international action to remove trade restrictions.

2. Strengthened

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2. Strengthened antitrust enforcement, preserving the freedom to compete, plus public control of industries where competition is not feasible, is essential to assure maximum employment by private enterprise and to minimize dissipation of the effects of fiscal action in unduly high prices. Such a program would further benefit foreign trade by helping to undermine restrictive cartel practices.

3. Fiscal policy, including both revenue and expenditure measures, can provide a powerful and flexible instrument for maintaining demand at the full employment level, assuring suitable companion measures. It can thereby play a major part in increasing the volume of foreign trade. This approach also favors freedom of trade by reducing the pressure for interventions to assist particular industries. A program emphasizing expansion of consumer demand might confer somewhat greater benefits from the standpoint of our foreign trade than one based mainly on public investment.

4. Some measures which would have the effect of reducing the labor supply are undoubtedly justified on other grounds, but attempts to solve the unemployment problem by artificial reduction of the labor supply would neither remove involuntary unemployment nor stimulate trade by expanding the national income.

5. (a) Production planning in the form of "industrial self-government" would almost certainly restrict rather than expand production and employment, and would similarly foster a variety of foreign trade restrictions. (b) Co-ordinated production planning under public authority would be inherently capable of promoting a high level of employment, but the centralization of control necessary to avoid unemployment by this method would probably not be acceptable in this country, and would involve extensive participation by the state in foreign trade.

I

In a previous recommendation of this Committee it was pointed out "that a domestic program to maintain a high level of productive employment in the United States is essential to the maintenance of a high level of international trade, and to the substantial reduction of restraints on trade".\* This conclusion is supported by the following considerations: (1) American imports are very

sensitive

\* Executive Committee on Economic Foreign Policy: minutes, June 23, 1944.

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sensitive to the level of domestic income and business activity in the United States; a high national income is thus an indispensable condition for a high level of international trade. (2) Failure to maintain a large domestic market and a high level of employment would create in the United States an environment unfavorable to reduction of import restrictions and export subsidies. (3) A high level of income in the United States tends to improve the balance of payments position of foreign countries and will therefore reduce their reluctance to relinquish their own controls of foreign trade - (a) because it stimulates our imports and thus in turn provides other countries with dollar exchange, and (b) because it increases our domestic demand for world-surplus commodities of which we are exporters, thereby tending to reduce the surpluses and maintain the prices of these commodities.

It is apparent from the foregoing that the value of any domestic "full employment program" for foreign trade - not to speak of domestic considerations - must depend in great degree upon its actual effectiveness in achieving high employment and a high national income. However, even if all programs were equally effective in this respect, they would still differ in their foreign trade effects because some would cause a larger share of a given national income to flow through foreign trade than others. Some would also provide a better environment than others for relaxation of trade barriers and for competitive private trading.

The first broad conclusion with respect to domestic full employment policy is that a positive government program will be necessary if a continuing high level of employment is to be assured. The mere abandonment of wartime controls and cultivation of a hands-off policy in domestic economic affairs will not be enough to assure a continuing high level of employment, and consequently will not promote confidence in the adequacy and stability of our demand for products traded in world markets. Lacking such confidence, other nations will probably be unwilling to desert existing arrangements for preferential trading, exchange controls, and other restrictive or discriminatory devices which do, in their view, give them some measure of protection against the apparent dangers to them of an inadequate or unstable American demand for their products.

Turning to the multiplicity of partly conflicting and partly complementary proposals for positive government action to sustain employment, the conclusion appears warranted that a program can be framed which will probably be effective in assuring the maintenance of a high level of employment and which will in all essential

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respects be consistent with the purposes and methods of United States economic foreign policy. Such a program will mainly consist of a combination of a number of the elements discussed under the first three broad headings below, since most proposals of the types discussed under headings four and five are of doubtful merit or actually dangerous from the standpoint of our foreign trade policy.

II

Five leading types of post-war domestic full employment policies likely to receive a significant share of public attention are here considered. They are as follows:

#### 1. Positive Stimulation of Enterprise

Policies designed to provide positive stimulation to enterprise are generally recognized to be a part of any well rounded full employment program in a private enterprise system. These policies comprehend a wide variety of measures.

Special assistance to new businesses, removal of unreasonable financial handicaps confronting small businesses, and encouragement and diffusion of scientific research and technical information would no doubt encourage employment by stimulating activity on the part of the immediate recipients of such assistance and would probably also tend to stimulate enterprise in general by strengthening competition. Government assistance and guarantees in the field of housing and urban redevelopment could widen the investment opportunities for private capital and insure a substantially higher level of construction activity and national income, without necessarily entailing heavy expenditure of public funds. A generalized stimulus to business activity might be provided by the selective revision of our tax system to encourage the enterprising use of funds; if desirable and practicable, the effect could presumably be heightened by imposing a tax designed to penalize the holding of idle money or of unused corporate earnings in excess of reasonable requirements. A continuing government program of facilitating long-term foreign investment is a widely advocated means of stimulating private enterprise and employment in the war-expanded capital goods industries, and secondarily in other parts of the economy.

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\* In developing its analysis, the Committee has made extensive use of background material contained in the survey, "Post-War Full-Employment Programs: Main Types of Proposed United States Domestic Prosperity Policies with Special Reference to Their Probable Effects on Our Foreign Trade", which was prepared in the Department of Labor. This survey is transmitted with this report.

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A more far-reaching proposal currently under discussion calls for an outright government commitment that full employment will be maintained. This commitment would be implemented so far as possible by means of long-range measures designed to eliminate artificial restrictions and promote a better natural balance between demand and capacity to produce. When necessary, such measures would be supplemented by additional Federal expenditures for public investment and public services or by Federal expenditures or tax reductions that bring about a direct expansion of the purchasing power of individual consumers. Under such conditions businesses would still be subject to the usual competitive business risks, but would not face the risk of a sudden decline in national income and aggregate demand.

## 2. Antitrust and Monopoly Control

Antitrust and monopoly control programs are advocated not only as a means of preserving the basic freedoms of enterprise in our economy and maximizing opportunities for expenditure by new and growing businesses, but also in order to assure that added amounts of expenditure by consumers and investors will lead to corresponding expansions of employment and output instead of being absorbed in monopolistic price rises. In the absence of such programs, spontaneous economic expansion would tend to be checked, and the effectiveness of compensatory expenditures by government might be seriously impaired even as the need for such expenditures was accentuated. If saving was allowed to increase as a result of monopoly profits, while no effort was made to break down the barriers to new investment in established industries, a heavier burden would be placed upon the government in finding means to absorb the resulting uninvested saving, as would be necessary if resources were not to be left unused.

According to this view, a more explicit and more readily enforceable antitrust law than we now possess, providing easier access to essential information, more adequate penalties, and reasonable limitations on large business combinations, might do much to prevent any further unnecessary decline of competition. Certain revisions in the patent law, as, possibly, provisions voiding unused patents and forbidding restrictive licensing, are also urged as an important means of strengthening competition. It is recognized, however, that the technical conditions for competition are not necessarily present in all fields of production not already classified and regulated as public utilities, and that a really strong antitrust program might in fact be unduly burdensome on industry and at variance with the public interest unless technologically justifiable monopolies were exempted from antitrust prosecution, and subjected instead to some effective form of government regulation, or other control, intended to assure maximum output and reasonable prices. Hence it is suggested that a practical approach to the monopoly problem would include monopoly control as well as antitrust action.

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## 3. Fiscal Policy

Fiscal policy is widely advocated as a means of preventing unemployment. This use of fiscal policy would have many aspects, but in general its main purpose would be to enlist various government revenue and expenditure measures in supporting total expenditure for goods and services in the economy at a level adequate to buy a full employment output. During the war, full employment has been quickly attained by stepping up government demand for goods and services to a level requiring full utilization of resources to meet the aggregate private plus government demand. Government expenditures have, moreover, been large enough not only to fill the previously existing gap but to divert resources away from other uses to war production and to require administrative control of prices. As a result individuals have accumulated an extraordinary volume of savings during the war years. The post-war spending of these savings (or an increase in spending out of current income resulting from the heightened security afforded by these savings) may temporarily act as a partial substitute for further expenditures by government. In the normal course of events we may also expect a liberalization of social security benefits, and an expansion of public programs such as education, public health, conservation, and development, which are regarded as having such high intrinsic value that they will probably be carried on without specific reference to their employment creating effects.

Proponents of the fiscal approach point out that, if appropriately financed, these developments will substantially assist in maintaining demand and employment. In addition, wage policies which insure that labor receives its full share of increases in productivity, assistance to substandard income groups in agriculture and elsewhere, and long-run fiscal measures such as the removal of regressive taxes and the curtailment of automatic saving in social insurance reserves would contribute substantially to maintaining an adequate volume of consumer demand. Whenever private consumption and investment and normal public expenditures failed to generate a satisfactorily high level of activity, however, fiscal policy would be utilized for the specific purpose of making up any deficiency in aggregate demand. Fiscal policy in its most highly developed form is envisaged as an instrument sufficiently powerful, sufficiently flexible, and sufficiently precise to act promptly and effectively either against threatened deficiencies in employment and national income or, if the situation changes, against developing dangers of over-expanding and inflation.

## 4. Reduction of the Labor Supply

Certain programs seek to attain full employment, or something superficially resembling full employment, not by the assumption of

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continuing responsibility for economic expansion but by the mechanical expedient of contracting the labor supply. It goes without saying that a freely chosen increase in leisure such as a successful economy makes possible is definitely to be desired. However, the proposals here referred to would frequently impose a reduction of working hours beyond the point where additional leisure is actually as much desired as a higher material standard of living. Or, they may take the form of arbitrarily forcing certain categories of workers (women, immigrants, minority groups, persons over a certain age, etc.) out of the labor market, or out of certain types of work, without regard to their capacities and inclinations. A complete ban on immigration, or even the deportation of all aliens, has sometimes been proposed on similar grounds.

### 5. Production Planning

Production planning programs, which tend to substitute centrally planned for market-directed relations between business units, typically take one of two quite different forms. The planning may be confined to the single industry and be directed by the industry itself, or it may embrace the interrelations of several or of all the industries in the economy and be directed by a public planning authority, which may be connected in part or in whole with representatives of major interest groups. The narrower type, industrial self-government, would extend the activities of trade associations and cartels and give them official sanction. The wider type, coordinated planning, is illustrated by the production control aspects of our war production program, and in its most extreme form by collectivistic economies. In certain of its aspects, the N.R.A. program stood somewhere between industrial self-government and coordinated planning.

III

Each of the foregoing measures should be examined with reference to its probable effectiveness as part of a program that will actually maintain a high level of employment. It cannot be emphasized too strongly that the success of our foreign economic policy is in large measure dependent upon securing a high level of employment at home. However, it is felt that such an appraisal is primarily a function of agencies directly concerned with domestic policy. As a matter of information for those who may later undertake such an appraisal, the original conclusions of the subcommittee (TFR D-12/44) are quoted:

"While measures whose specific effect is to provide positive stimuli for enterprise cannot be relied upon to assure sustained full employment by themselves, a policy that takes advantage of the possibilities

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along this line is an indispensable component of a well rounded full employment program in a private enterprise system."

A government commitment that full employment would be maintained, which would presuppose, of course, available means of implementation, should provide a most effective stimulus to private enterprise. . . . A policy which emphasizes maintaining and assuring a high level of consumer expenditure may prove more effective than other elements of a full employment program in stimulating private enterprise, by strengthening the market for its products."

"A successful combination of antitrust action and monopoly control would supplement effective programs for the positive stimulation of enterprise in assuring spontaneously high levels of operation in the economy and keeping the need for compensatory government action down to manageable proportions."

"Fiscal policy will be most effective under the following conditions, to which the more carefully developed proposals with varying degrees of emphasis direct attention: (1) The deficiency in demand is minimized by full use of policies designed to stimulate private investment and consumption. (2) In order to avoid overemphasis on government spending, consideration is given to the possibilities of increasing private spending by reduction of taxes. (3) The total volume of private plus public expenditure is related to the total full employment productive capacity in such a manner that it does not lead to instability in the general price level. (4) The need to rely on compensatory public investment is kept within limits that will avoid a wasteful use of resources and avoid undesirable government competition with private enterprise. Due attention must therefore be given to fiscal and other policies aiming directly at assuring an adequate volume of consumer demand. These policies may include tax remissions or other supplementary transfers of purchasing power to consumers."

"Fiscal policy would in particular be indispensable for implementing a commitment to maintain a specified level of employment or of consumer spending."

Certain measures which have the effect of reducing the labor supply are undoubtedly justified by broad social considerations. However, as a means of solving the employment problem, policies to contract the labor

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supply "would not eliminate unemployment so much as redistribute it, disguise it, remove public responsibility for it, or in the most obvious manner export it to other nations . . . The compulsory reduction of hours, as well as the encouragement of voluntary withdrawals from the labor market, may, however, be justified during the reconversion period as a temporary supplement to fundamental measures."

"Where it has operated, industrial self-government has shown an understandable tendency to place primary emphasis on keeping total output in each self-governing industry from exceeding the limits judged necessary to preserve prevailing prices or established profit expectations. It seems most unlikely that full employment could ever be attained by means of a program so predisposed toward restrictionism . . . Co-ordinated planning under government auspices, on the other hand, could promote a concerted and well balanced expansion of output and employment, but only by exerting a high degree of centralized control over the detailed operations of industry, and probably over the income shares going to workers, stockholders, landowners, etc."

## IV

Apart from the question of the fundamental efficacy of the plans - basic to our foreign policy as well as to our domestic interests - these programs will have different repercussions on foreign trade. These may be summarized as follows:

1. Positive Stimulation of Enterprise

These programs would as a rule impose no obstacles to foreign trade, but would rather be beneficial in so far as they served to increase production and raise theoretical income. This would not be true, however, of forms of assistance which have the effect of creating or stimulating uneconomic production, since such measures would tend to limit the benefits obtainable through international specialization. Some question might also be raised concerning the taxation of idle money, which might require exchange controls to prevent transfers of idle balances to other countries if the export of funds should become excessive.

Measures to stimulate productive foreign investment may confer substantial benefits on international trade. There are obvious dangers to international relations if foreign investment is encouraged merely in order to create domestic employment, and without regard to the needs or wishes of borrowing countries or their opportunities to repay. If, however, the program is reasonable in its size and in its terms, and if measures are adopted to enable the debtor nations to secure the dollars necessary for payment of interest and principal when due, then repayment

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be possible and new loans will be encouraged. Under such circumstances net foreign investment will offer a profitable opportunity to invest a part of our savings, and to contribute at the same time to raising productivity and standards of living in other parts of the world. Moreover, if the borrowers are left free to spend the proceeds wherever desired, such an investment program will best promote a steady expansion of multilateral trade.

A firm government commitment to maintain a high level of employment could be expected to have a highly favorable collateral influence on foreign trade, since it would operate to assure other nations as to the prospective size and stability of our market for their exports.

2. Antitrust and Monopoly Control

Antitrust action and monopoly control would benefit foreign trade by attacking restrictive cartel practices, which are private obstructions to trade comparable in importance to formal trade barriers. Effective antitrust programs would dissolve some of the domestic trusts and combinations in restraint of trade upon which international cartels are built. Government regulation or other control of technologically justifiable monopolies would greatly weaken the incentive to make restrictive agreements, particularly if a regulatory system could be devised that made maximum profits after taxes, or maximum managerial rewards, depend upon the widest use of productive facilities.

3. Fiscal Policy

Adequate fiscal policies would have a favorable effect on foreign trade. While providing assurance of an expanded volume of demand for imports, which in turn would stimulate exports, they would require no government control over the importing or exporting industries. The assumption by government of a clear-cut responsibility to maintain a sound general framework for business operations and to sustain the general level of operation in the economy as a whole would be a helpful antidote to the philosophy of government intervention, via tariff protection, to safeguard the prosperity of particular industries.

Fragmentary data suggest that high consumption programs would involve a somewhat greater expansion of imports than public investment programs; this would certainly be the case if the latter are legally required to use domestically produced materials. High consumption programs would also to a greater extent enlarge the domestic market for important world-trade commodities produced in this country, such as cotton and wheat, and would thus be more helpful in reducing our export surpluses of these commodities. It would therefore appear that our balance of payments position might be more easily rectified if our complementary fiscal policy were to emphasize high consumption than if it were to place primary emphasis on public investment.

4. Education

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#### 4. Reduction of the Labor Supply

The high levels of national income associated with genuinely high employment would not be attained by a program that artificially reduced the labor supply, and no substantial expansion of imports and foreign trade generally could be expected to result.

#### 5. Production Planning

A program involving industrial self-government would clearly have unfavorable repercussions on foreign trade. Being shielded against domestic competition, the organized industries would almost certainly attempt to exclude foreign competition by securing higher tariff barriers or import quotas. In the struggle for foreign markets among the organized industries of various nations, an extensive use of export subsidies, exchange controls, and restrictive and discriminatory cartel agreements would logically follow.

Under coordinated planning, if the central planning authority reached the point of being sufficiently independent of separate industry interests, it could also plan for an expansion of foreign trade, even if this required the admission of imports that would jeopardize high-cost domestic industries. Foreign trade would, of course, be subject to the requirements of the over-all domestic economic plan, and import quotas would be established accordingly. Trade of this sort, however large it might become, would be neither free trade nor trade of the traditional individualistic type, but rather a variety of state trading.

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April 12, 1945.

My dear General Donovan:

I have read your memorandum of April 6 and the accompanying memoranda to the President on the subject of a central intelligence service.

The objectives are not sufficiently clear to me to permit the expression of a firm opinion.

However, I must say that on the basis of my present information I am skeptical as to the necessity or propriety of establishing such an agency.

The burdens on the President are now monumental. We shouldn't add to them if we can avoid it.

Why couldn't the purposes be achieved by a better liaison between departments and agencies?

Sincerely,

(Signed) H. Morgenthau, Jr.

Major General William J. Donovan  
Director, Office of Strategic Services  
Washington, D.C.

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Reply says not sure of necessity or propriety of establishing a central intelligence service.

OFFICE OF STRATEGIC SERVICES  
WASHINGTON, D. C.

6 April 1945

**SECRET**

## MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

In accordance with a memorandum of the President dated 5 April copy attached, I am asking for your comments on the proposal for a central intelligence service contained in my memorandum to the President of 18 November 1944.

I shall be grateful if you will give me on or before 20 April your comments upon the objectives and basic principles covered in my proposal.

After receipt of the replies a meeting can be arranged with the chiefs of your foreign intelligence and internal security units to discuss the suggestions of the several agencies and to obtain a consensus of opinion pursuant to the President's wish.

In contributing your suggestions to the proposed central intelligence service, I hope you will keep in mind that the following principles underly my 18 November proposal:

1. Responsibility to the President with an Advisory Board consisting of the Secretaries of State, War and Navy, and such other members as the President may appoint.

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2. Wartime control of operations in military areas by Joint Chiefs of Staff and Theater Commanders.

3. Maintenance of the integrity of operational intelligence and internal security functions of the several executive departments and agencies.

4. Integration of intelligence activities in fields of common concern, and synthesis and evaluation of intelligence required for national planning and security in peace and war.

5. No police or law enforcement function.

6. Independent budget under Congressional control.

7. Coordination of the existing facilities for collection, processing and dissemination of intelligence with a view to economy, efficiency and mutual advantage to the several agencies.

8. Bringing together specialized military and civilian personnel to reflect the needs and responsibilities of the several agencies on the national policy level.

William J. Donovan  
Director

## Inclosures:

Memo of 5 April 1945 from the President to Maj. Gen. Donovan.  
Memo of 18 November 1944 from W. J. Donovan to the President.

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**CONFIDENTIAL**COPY

THE WHITE HOUSE

Washington

April 5, 1945

MEMORANDUM

TO: MAJOR GENERAL DONOVAN

Apropos of your memorandum of November 18, 1944, relative to the establishment of a central intelligence service, I should appreciate your calling together the chiefs of the foreign intelligence and internal security units in the various executive agencies, so that a consensus of opinion can be secured.

It appears to me that all of the ten executive departments, as well as the Foreign Economic Administration, and the Federal Communications Commission have a direct interest in the proposed venture. They should all be asked to contribute their suggestions to the proposed centralized intelligence service.

(sgd.) FDR

F.D.R.

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18 November 1944

## MEMORANDUM FOR THE PRESIDENT

Pursuant to your note of 31 October 1944 I have given consideration to the organization of an intelligence service for the post-war period.

In the early days of the war, when the demands upon intelligence services were mainly in and for military operations, the OSS was placed under the direction of the JCS.

Once our enemies are defeated the demand will be equally pressing for information that will aid us in solving the problems of peace.

This will require two things:

1. That intelligence control be returned to the supervision of the President.
2. The establishment of a central authority reporting directly to you, with responsibility to frame intelligence objectives and to collect and coordinate the intelligence material required by the Executive Branch in planning and carrying out national policy and strategy.

I attach in the form of a draft directive (Tab A) the means by which I think this could be realized without difficulty or loss of time. You will note that coordination and centralization are placed at the policy level but operational intelligence (that pertaining primarily to Department action) remains within the existing agencies concerned. The creation of a central authority thus would not conflict with or limit necessary intelligence

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functions within the Army, Navy, Department of State and other agencies.

In accordance with your wish, this is set up as a permanent long-range plan. But you may want to consider whether this (or part of it) should be done now, by executive or legislative action. There are common-sense reasons why you may desire to lay the keel of the ship at once.

The immediate revision and coordination of our present intelligence system would effect substantial economies and aid in the more efficient and speedy termination of the war.

Information important to the national defense, being gathered now by certain Departments and agencies, is not being used to full advantage in the war. Coordination at the strategy level would prevent waste, and avoid the present confusion that leads to waste and unnecessary duplication.

Though in the midst of war, we are also in a period of transition which, before we are aware, will take us into the tumult of rehabilitation. An adequate and orderly intelligence system will contribute to informed decisions.

We have now in the Government the trained and specialized personnel needed for the task. This talent should not be dispersed.

William J. Donovan  
Director

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TAB A

SUBSTANTIVE AUTHORITY NECESSARY  
IN ESTABLISHMENT OF A  
CENTRAL INTELLIGENCE SERVICE

In order to coordinate and centralize the policies and actions of the Government relating to intelligence:

1. There is established in the Executive Office of the President a central intelligence service, to be known as the \_\_\_\_\_, at the head of which shall be a Director appointed by the President. The Director shall discharge and perform his functions and duties under the direction and supervision of the President. Subject to the approval of the President, the Director may exercise his powers, authorities and duties through such officials or agencies and in such manner as he may determine.

2. There is established in the \_\_\_\_\_ an Advisory Board consisting of the Secretary of State, the Secretary of War, the Secretary of the Navy, and such other members as the President may subsequently appoint. The Board shall advise and assist the Director with respect to the formulation of basic policies and plans of the \_\_\_\_\_.

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3. Subject to the direction and control of the President, and with any necessary advice and assistance from the other Departments and agencies of the Government, the \_\_\_\_\_ shall perform the following functions and duties:

(a) Coordination of the functions of all intelligence agencies of the Government, and the establishment of such policies and objectives as will assure the integration of national intelligence efforts;

(b) Collection either directly or through existing Government Departments and agencies, of pertinent information, including military, economic, political and scientific, concerning the capabilities, intentions and activities of foreign nations, with particular reference to the effect such matters may have upon the national security, policies and interests of the United States;

(c) Final evaluation, synthesis and dissemination within the Government of the intelligence required to enable the Government to determine policies with respect to national planning and security in peace and war, and the advancement of broad national policy;

(d) Procurement, training and supervision of its intelligence personnel;

(e) Subversive operations abroad;

(f) Determination of policies for and coordination

of facilities essential to the collection of information under subparagraph "(b)" hereof; and

(g) Such other functions and duties relating to intelligence as the President from time to time may direct.

4. The \_\_\_\_\_ shall have no police or law-enforcement functions, either at home or abroad.

5. Subject to Paragraph 3 hereof, existing intelligence agencies within the Government shall collect, evaluate, synthesize and disseminate departmental operating intelligence, herein defined as intelligence required by such agencies in the actual performance of their functions and duties.

6. The Director shall be authorized to call upon Departments and agencies of the Government to furnish appropriate specialists for such supervisory and functional positions within the \_\_\_\_\_ as may be required.

7. All Government Departments and agencies shall make available to the Director such intelligence material as the Director, with the approval of the President, from time to time may request.

8. The \_\_\_\_\_ shall operate under an independent budget.

9. In time of war or unlimited national emergency, all programs of the \_\_\_\_\_ in areas of actual or projected military operations shall be coordinated with



SECRET

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- 4 -

military plans and shall be subject to the approval of the Joint Chiefs of Staff. Parts of such programs which are to be executed in a theater of military operations shall be subject to the control of the Theater Commander.

10. Within the limits of such funds as may be made available to the \_\_\_\_\_, the Director may employ necessary personnel and make provision for necessary supplies, facilities and services. The Director shall be assigned, upon the approval of the President, such military and naval personnel as may be required in the performance of the functions and duties of the \_\_\_\_\_. The Director may provide for the internal organization and management of the \_\_\_\_\_ in such manner as he may determine.

SECRET

202✓

APR 12 1945

My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet government, indicating the availability of cargo for April.

The inventory of material in storage as of April 1, 1945, was 189,691 tons or 2,019 tons more than the March 1st inventory. Production scheduled for April shows an increase of 96,630 tons as compared with March.

Faithfully yours,

(Signed) D. W. BELL

Acting Secretary of the Treasury

The President

The White House

WFBrennan:hsc  
(4/7/45)

TREASURY DEPARTMENT - U. S. S. S.  
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING APRIL, 1945  
(IN 2000 LB. TONS)

<u>COMMODITY</u>	<u>STORAGE APRIL 1, 1945</u>	<u>PRODUCTION DURING APRIL</u>	<u>TOTAL AVAILABLE</u>	<u>PRIORITY CARGOES FOR PORT AREAS SPECIFIED TO DATE FOR APRIL</u>
AGRICULTURAL MACHINERY AND IMPLEMENTS		13	13	601
ALUMINUM		38	38	
AUTOMOTIVE EQUIPMENT AND PARTS		29	29	
BEARINGS	79	1,006	1,085	3,270
BRASS AND BRASS	590	3,670	4,260	12,309
CHEMICALS	2,174	2,591	4,765	
CLOTHING AND TEXTILES		90,455	90,455	
CONSTRUCTION MACHINERY		6,933	6,933	6,966
COPPER IN VARIOUS FORMS	9,499	5,115	14,614	224
FERRO-ALLOYS		275	275	3,920
HAND AND CUTTING TOOLS		3,234	3,234	9,056*
INDUSTRIAL MACHINERY	37,303	47,055	84,358	34
NICKEL AND NICKEL PRODUCTS	71	561	632	
NON-FERROUS METALS, OTHER		22	22	
NON-METALLIC BASIC MINERALS		323	323	560
PAPER AND PAPER PRODUCTS	1,369	1,596	2,965	
PLASTICS	462	160	622	4,066
RUBBER	1,403	4,219	5,622	6,653
STEEL, ALLOY AND SPECIAL	12,410	4,235	16,645	11,077
STEEL, CARBON	29,999	20,526	50,525	8,279
STEEL, PIPE AND TUBING	25,212	10,526	35,740	24,268
STEEL, RAILS	66,990	15,352	82,342	3,920
TIN PLATE	2,050	4,202	6,252	
ZINC		6	6	
<b>TOTAL</b>	<b>189,691</b>	<b>222,144</b>	<b>411,835</b>	<b>96,043</b>

\*In addition, all available tonnage applicable to the Oil Refinery Program is classed as priority cargo for prompt shipment to ports.

BRITISH EMBASSY  
WASHINGTON, D. C.

(page 1)

12th April 1945.

My dear Morgenthau,

You may remember that I wrote to you on March 28th regarding a request from the Duke of Windsor that he might have free entry into this country for his effects. I have just heard from him that the head of the Customs in Miami has been authorised by the United States Treasury to give this free entry.

The Duke has asked me to send you his sincere appreciation for this courtesy, and I would like to add my own thanks for what you have done.

Yours sincerely,

*Halifax*

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

March 30, 1945

My dear Mr. Ambassador:

In the absence of Secretary Morgenthau, I have your letter dated March 28, 1945, in regard to free entry for the goods and chattels of the Duke of Windsor.

I shall be happy to authorize the appropriate customs officers to extend all possible courtesies and free entry privileges to the Duke of Windsor and to admit his effects free of duty and pass them without examination upon their arrival.

Sincerely,

(Signed) Herbert E. Gaston

Acting Secretary of the Treasury

His Excellency  
The Ambassador of Great Britain  
Washington, D. C.

HTA:ajb



BRITISH EMBASSY  
WASHINGTON, D. C.

(Trans. 4)

28th March 1945.

My dear Morgenthau,

I would be most grateful if you could, so far as you rightly may, assist the Duke of Windsor over a point on which he has written to me.

As I expect you know, he is leaving the Bahamas next month and he is anxious to have free entry for his goods and chattels into this country, his immediate destination, so far as I know, being New York. I understand that Mr. Klein, the head of the Customs in Miami, has assured the Duke that he will do all he can to assist him in this, but suggests that it would be desirable to ask the United States Treasury to give a specific authorisation of free entry, if this is in accordance with your regulations. That the Duke wishes to do is to send some of his property in advance, to take some of it with him, and to leave some of it

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

to/

- 2 -

to follow him, and he would appreciate it very much, provided this is permissible, if he could be allowed clearance of all three consignments.

I apologise for troubling you over a matter like this when I know you must be very busy.

Yours sincerely,

*H. W. F.*

t. 2 -

to follow him, and he would appreciate it very much, provided this is permissible, if he could be allowed clearance of all three consignments.

I apologise for troubling you over a matter like this when I know you must be very busy.

Yours sincerely,

*H. G. H.*



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APR 18 1945

My dear Mr. Secretary:

This is in reply to letter dated March 30, 1945 from Acting Secretary of Navy H. Struve Hensel regarding China.

The Treasury hereby consents to the request made in the letter that it negotiate with the Chinese Government quarterly settlements for advances of Chinese national currency made by the Government of China to the Navy Department. It is assumed that the settlements which will be negotiated by the Treasury will also cover any Chinese dollar expenditures made by agencies of the Chinese Government at the request of the Navy Department.

It is noted that the Treasury is also authorized and requested to make arrangements with the Chinese Government for the delivery of Chinese national currency for use by the Navy. We will inform the Chinese that they will be receiving requests for advances from the Navy disbursing officer similar to those which they have received in the past from the Army finance officer in China. In cases wherein currency is to be made available at points in the United States, the Treasury, as heretofore, will be glad to make arrangements with the Chinese Government for the delivery of such currency to designated naval officers.

We have been informed informally that the Navy Department will provide the Treasury with monthly reports on its expenditures in China to be used as a basis for these negotiations.

I will, of course, keep you informed on the progress of these negotiations.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of the Navy.

ISF/cfs 4/6/45

246007

## THE SECRETARY OF THE NAVY

WASHINGTON

30 March 1945

SECRET

The Honorable  
The Secretary of the Treasury

Sir:

Reference is made to the conferences between representatives of the Bureau of Supplies and Accounts and the office of the Secretary, Treasury Department, regarding the procedure for handling and accounting for no-rate Chinese National currency.

It is now proposed that the Navy Department will establish a central disbursing office in China and use no-rate Chinese National currency in making expenditures for sundry supplies and services in China. Military payrolls will be paid in United States currency or funds derived from United States currency. Monthly, the expenditures made in no-rate Chinese National currency will be summarized by the various appropriations chargeable. It is understood that every three months, the Treasury Department will negotiate with the Chinese National Government a settlement for the amount of no-rate Chinese National currency furnished the Navy Department for the determination of amounts chargeable to Navy appropriations. Periodically, on the basis of the settlement, charges, stated in terms of American dollars for the amount of no-rate Chinese National currency expended, will be made against the related appropriations.

You are authorized and requested to make the necessary arrangements with the financial authorities of the Chinese National Government for the delivery of no-rate Chinese National currency to designated Navy, Marine Corps, and Coast Guard disbursing officers and Navy special disbursing agents against receipts of such officers. It is desired that these funds be made available to these officers, as may be required, at points in the United States or the Central Bank of China, Kuming, China. Monthly, the Bureau of Supplies and Accounts will inform the Treasury Department by symbol number, name of disbursing officer or special disbursing agent, and the amount of no-rate Chinese National currency delivered by the Chinese Government to the designated officers.

Respectfully,

*W. L. H. H. H.*

*Copy sent to  
The Treasury  
Secretary's Office  
1945*

APR 12 1945

Dear Mr. Kung:

I am glad to receive your letter of March 30, 1945 regarding the situation in China.

I do hope that your operation was a complete success and that by now you are well on your way to full recovery.

With regard to the problems raised in your letter, it is needless for me to say that I deeply sympathize with the difficulties which confront China at the present time. It is my sincerest hope that the Chinese Government will find it possible to adopt effective remedies to cope with China's grave financial and monetary problems. You will be pleased to learn that of the \$7 million of gold to be exported to China during the next few months, the first shipment of more than \$1 million has already left this country.

As for the question of United States civilian and military personnel in China exchanging U. S. dollar currency in the open market, both of our governments have acquiesced in this practice because of the general recognition that the official rate of exchange has not reflected real conditions. It is noted that you would be willing to recommend to your government that it grant suitable special exchange subsidies to United States civilian and military personnel. I would be glad to consider any proposal which would give fair Chinese national dollar equivalent for the expenditures of United States civilian and military personnel in China as a substitute for the present practice of exchanging U. S. dollars in the open market.

Your eagerness to explore the question of the stabilization of China's currency is readily appreciated. I completely agree with you that currency stabilization is a complicated problem, involving, as it does, military and political considerations as well as economic and financial. I would be glad to discuss these matters with you at any convenient time.

I am looking forward to our next meeting together and do hope that it will not be too long delayed because of your present illness.

With best wishes for your good health.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable H. H. Kung,  
Waldorf-Astoria Hotel,  
50 and Park Avenue,  
New York, New York.

ISF/ers 4/6/45



EXECUTIVE YUAN  
NATIONAL GOVERNMENT OF CHINA

March 30, 1945.

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

Dear Mr. Morgenthau:

Having just recovered from the first operation and while waiting for the second, I am taking advantage of this interval of rest to write to you about a problem that has been on my mind all these time.

As you know, with the government deficit increasing as it has been in recent months over 30 billion Chinese dollars per month in January and February, the inflationary danger is reaching alarming proportions. It is no exaggeration to say that if this situation is allowed to deteriorate further, it may seriously affect our common war effort in the Far East. It is thus becoming more and more urgent to pool our efforts together to combat this danger. I, therefore, wish to call your attention again to the need of hastening the shipment of gold and commodities of daily consumption, such as textiles, to China. I am fully aware of the difficulties involved, but I am sure you agree with me that the situation is so grave that exceptional measures to overcome these difficulties are justified.

In this connection, I wish also to call your attention to the disturbing problem of the U.S. dollar black market in China. Speculative activities in U.S. dollar bills in such large cities as Chungking, Kunming and Chengtu have boosted up the black market rate of the U.S. dollar in terms of Chinese currency to unreasonable heights and this phenomenon has, in turn, stimulated the rise of commodity prices. While it is true that the shortage of goods and increasing government deficits are the main causes for high prices, it cannot be denied that the stimulating effect of the U.S. dollar black market contribute to aggravate the situation.

I fully realize that the closing of the black market may result in certain hardships for the personnel of the U.S. Army, government and other agencies in China. Thus, just as I have done in the past, and in the spirit of cooperation, I will be willing to recommend to my government to grant suitable special exchange subsidies to U.S. Army, Government and other personnel in order to alleviate their difficulties. I also

realize that the problem of the black market is closely linked with the bigger question of the stabilization of the Chinese currency, which, in view of impending developments in the Far Eastern Theatre of War, should now begin to be explored. The problem, however, is admittedly complicated and I wish to explore it further before formulating my views and it will be deeply appreciated if you would indicate your views on this problem.

With best personal regards,

Sincerely yours,

H. H. Kung

25

APR 12 1945

Dear Mr. Gatt:

I have your letter of April 4, 1945 regarding the matter of payment by the United States for Belgian francs used for the pay of U.S. troops in Belgium.

I understand that you recently reviewed this entire problem in the Treasury Department at which time you were given a full statement of the basis on which settlement is currently being made. We appreciate the fact that the lapse of time involved in obtaining the definitive figures concerning the army's expenditures leads to some delay in settlement. There can, of course, be no question but that the Belgian Government will eventually receive the entire amount due from the United States Government for the net amount of Belgian currency used for pay of U.S. troops in Belgium.

Meanwhile we anticipate that it will be possible for the army to reduce the amount of Belgian francs held by army finance officers in Belgium, thereby reducing the nominal circulation of your currency, and we are urging the army to take all possible steps in this direction. We will keep you advised of progress on this matter.

There are no further steps to be taken until such time as the army is able to furnish us with figures covering the quarter December 31, 1944 to March 31, 1945. I understand that such figures should be ready by June 15, 1945 at which time we will, of course, be glad to discuss them fully with you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Camille Gatt,  
The Belgian Embassy,  
Washington, D. C.

HL:ser 4/14/45

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

245

DATE April 9, 1945

TO Secretary Morgenthau  
FROM Mr. Coe FC

For Action

M. Gutt of the Belgian Government has written you requesting that we pay an increased amount of dollars to the Belgian Government for local currency used for the pay of U.S. troops in Belgium.

We met with M. Gutt in Mr. Bell's office on March 28, 1945 and reviewed the whole question of our dollar payments to the Belgians. Up to December 31, 1944 the army had obtained currency equivalent to \$95 million from the Belgians of which approximately \$59 million had been used. Based on experience as to amounts of currency held by the troops and the amount spent through army channels, the army believes that a maximum of \$7,700,000 represents net troop pay. This is not a final figure. Following conversations with M. Gutt, the army agreed to certify a total of \$5 million as net troop pay for the period up to December 31, 1944 and we have paid this amount to the Belgians.

M. Gutt feels that this figure is too low. He cites the fact that the Canadians have paid for all of the Belgian currency they have received (\$13 million) and the British have paid \$40 million. He also thinks the army keeps too many francs. We have strongly urged the army to turn back as many francs as possible.

I have attached for your signature a reply to Gutt to the effect that the Belgians will eventually receive what is due to them and that meanwhile there is nothing further to discuss.

The Belgians cannot expect the army to change its method of bookkeeping just for this problem and I feel that you should not give Gutt any encouragement to argue on this issue.



## AMBASSADE DE BELGIQUE

9.8443/6/3.  
9.8443/5/7.8.  
No. 1893 - 6918.

Washington, April 4, 1945

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

My dear Secretary:

Following the conversation I had the pleasure of having with you and Mr. Coe on March 24, we had a meeting under the chairmanship of Under-Secretary Daniel Bell, during which we discussed the question of the payments to be made to the Belgian Treasury, in counter-part of the Belgian notes handed over to the armies of liberation.

I am glad to say that thanks to the good will of everybody concerned, I obtained a first installment which was indispensable to cover some of our commitments maturing this week. Nevertheless the question of far bigger sums being due to us remains open.

As a matter of fact we heard at that meeting from the representative of the army that out of 133 million dollars which had been received so far in Belgian notes by the U. S. army, 93 millions had been received by them on December 31st; that at the same date only 36 had been actually paid up to the officers and soldiers, the balance remaining with the army cashiers, and that out of the 36 millions actually paid up, it was estimated that only about 20% had been spent.

## AMBASSADE DE BELGIQUE

Those first three figures bear out what I repeatedly but vainly told Gheef in Brussels, e. g. that they were asking for an amount of notes disproportionate with the real needs of the Army, therefore quite uselessly increasing our monetary circulation.

At the time of our meeting I mentioned that the Canadians had already paid up 15 million dollars but I did not know how much the British have paid. The information was cabled to me yesterday from Brussels: the British Treasury has paid to the Belgian Government, as a provisional counterpart of Belgian notes, 10 million pounds. This is much more in the vicinity of the figure which I mentioned to you during our interview, when I said that about 50 million dollars should be paid to us. From what was told at the Treasury meeting, I gather that the British Army has received about the same amount of notes as the U. S. Army. Therefore the question ought to be discussed again as soon as possible. I am at your disposal to do it whenever you like.

-----

I must draw your attention to a last point. In order to justify its too conservative estimates, the Army takes as a basis the amount of Belgian notes returned by the soldiers and anticipates that these returns will increase in the future. To my remark that those returns certainly included a heavy proportion of black market proceeds, the representative of the Army replied that

AMBASSADE DE BELGIQUE

- 3 -

steps had been taken to prevent that; that whenever a soldier returned to the Cashier an amount of notes not in keeping with his pay, he was very carefully cross-examined and, if his replies were not satisfactory, handed over to the Provost-Marshal.

I at once replied - and my remark was borne out by the Treasury - that whenever a soldier had sold, say, for one thousand dollars of material in the black market, he would never be stupid enough to return such a sum to the Cashier, but would divide it between a number of friends who had already spent a big share of the total of their pay and were willing to make the return for his account.

How the Army is going to settle this difficult problem of the black market, I do not know. But we certainly cannot suffer for it, on top of the very big troubles that our increased circulation on one hand, the increased black market on the other, have brought to us.

Believe me, my dear Secretary,

Yours very sincerely,

Guth  
Camille Guth



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APR 12 1945

Dear Bob:

Since I have not been in my office for a few days, I was not able before today to read your letter of April 2, suggesting that it would be desirable to pay our troops in dollars.

I understand that Mr. D. W. Bell has been in contact with Mr. McCloy on this subject and he will certainly give careful consideration to your views on this subject in his discussions with Mr. McCloy.

Sincerely,

(Signed) Henry

Honorable Robert P. Patterson,  
Under Secretary of War,  
Washington, D. C.

SP:lr 4/11/45

cc to New Bell

250

25

April 3, 1945.

My dear Mr. Patterson:

The Secretary is away from Washington for a few days and I am therefore simply acknowledging your personal letter of April 2nd, which enclosed a clipping from the April 1 issue of the New York Times. You may be sure that your letter and its enclosure will be brought to Mr. Morgenthau's attention as soon as he is again at his desk.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,  
Private Secretary.

Honorable Robert P. Patterson,  
Under Secretary of War,  
Washington, D. C.

KP/dbs

WAR DEPARTMENT  
OFFICE OF THE UNDER SECRETARY  
WASHINGTON, D. C.

April 2nd, 1945.

PERSONAL

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

Dear Henry:

I wonder whether you saw the enclosed article from  
the New York Times yesterday (April 1).

I think that a great deal of trouble is being stirred  
up because of the universal feeling among the soldiers that  
they are getting a raw deal in France under the existing rate  
of exchange of 50 francs to the dollar.

I hear of these complaints on every hand.

It seems to me that the best course would be to  
pay our troops in dollars. That is the only way that I see of  
getting any real relief.

Sincerely yours,

*RLyPP*

Robert P. Patterson,  
Under Secretary of War.

rpp:lm

## GRIPES ON GI

Suggestion  
Dollars Re  
With I

### NOW THE

Several weeks ago thousands of letters were complaining that at night he was getting at thereby was being adverse effect on France after the last war.

The article brought in France who agree interested in maintaining third, from Washington was founded on a firm countries.

Now the gripes are it is true that many have now left France that many of them there, especially after the European fighting can be brought home the factor of the French something worth a reflection on the soldiers that there are complaints over the rate of 54 to the pound, on the Italian rate, the dollar, no kidding exchange of 40 cents, no complaint on the of 47 francs to the complaints have on French rate and it France that the is valued by all the to

#### As to Dollar Pay

The general kick may be summarized "We didn't mind France but we're getting for it, too." As the suggestion that soldier in France dollars and left to him. Of course, what is that the Army cashes the soldiers him francs at fifty. It was argued that 200 to the dollar, a French trademark an article was 400 dollars." or 1,000 dollars." Against that this might be market business, as the French should fair value for the



## GRIPES STILL CONTINUE ON GI EXCHANGE RATES

Suggestion That Soldiers Be Paid in  
Dollars Runs Into the Contracts  
With Liberated Countries

### NOW THE MARK IS A FACTOR

By EDWIN L. JAMES

Several weeks ago it was pointed out in this column that thousands of letters were being received daily in the United States complaining that at 50 francs to the dollar the American soldier thought he was getting a raw deal in France and it was argued that thereby was being created a sentiment which might have an adverse effect on Franco-American relations, such as resulted after the last war.

The article brought considerable reaction: first, from soldiers in France who agreed fully; second, from Frenchmen and others interested in maintaining the present value of the franc; and, third, from Washington officials who said that the present system was founded on a firm agreement with France and other liberated countries.

Now the gripes are continuing. It is true that many of our troops have now left France, but the fact that many of them will remain there, especially after the end of the European fighting until they can be brought home, still leaves the factor of the French exchange a reflection on the judgment of our soldiers that there were few complaints over the British exchange of \$4 to the pound, relatively little on the Italian rate of 100 lire to the dollar, no kicks on the Dutch exchange of 40 cents to the guilder, no complaint on the Belgian rate of 45 francs to the dollar. The complaints have centered on the French rate and it is precisely in France that the dollar is undervalued by all the tests.

**As to Dollar Payments**  
The general sticks from France may be summarized as follows: "We didn't mind fighting to liberate France but we don't like paying for it, too." And there comes the suggestion that the American soldier in France be paid in dollars and left to his own resources. Of course, what happens now is that the Army finance officer cashes the soldier's checks, giving him francs at fifty to the dollar. It was argued that a fair rate was 200 to the dollar, that frequently a French tradesman would say that an article was 400 francs or "two dollars," or 1,000 francs "ten dollars." Against the consideration that this might be called black market business, soldiers contended the French should know what a fair value for the dollar was.

Inquiries in Washington brought the information that the soldiers were being paid in local currency wherever they were. By an agreement negotiated by the War Department, the Treasury and the State Department with countries where our soldiers were and that all elements had been considered. It was admitted that the French rate worked against the soldier, but that the Army provided a great deal of entertainment and facilities at prices which were fair.

#### The Economic Factor

It was held by both Washington and Paris authorities that to let the American soldier have a higher exchange rate would enable him to buy up things the French people needed. This brought the report from soldiers that such articles were rationed in France as they were in England and that it was just too bad if the French were unable to enforce their ration regulations and that furthermore most of the things the soldiers would buy were not rationed anyhow.

It was further argued by Frenchmen that even if the French rate was too high now, that would straighten itself out when foreign trade was resumed. That, naturally, is largely true, but by that time many of the troops will be gone, taking with them the idea that somehow or other they hadn't got a fair deal in France. So much true is that circumstance that it might be suggested that the War Department publicize the fact that our soldiers are agreed to the present rate and that it is not all the fault of the French.

For just as long as a cocktail costs \$1.50 in soldier's pay and just as long as a Frenchman thinks a dollar is worth 200 francs, just as long as the American soldier in France goes to think that something is wrong about the arrangement.

It is wise perhaps to explain to him why it is that the 50 francs he gets for a dollar in Belgium will buy more than twice as much as the fifty francs he gets in France.

He needs to be told why it is that in Paris on leave he cannot go out on the town as he likes to do everywhere. Because up to now the letters show he does not understand why the good American dollar has not been so good in France.

#### Now It's the Mark

As matters stand a good many American soldiers have moved on into Germany. The rate of exchange has been fixed at 10 marks to the dollar. It is too early to tell what the American soldier will think of the result. Perhaps there will not be much to buy in Germany anyhow and the matter may lack some of the sharp points it developed in France. But, if the mark like the tobeogan—and in Switzerland the exchange value is now better ten to the dollar—there may be new complaints. And in this case Washington cannot very well offer the explanation that it is all in accord with an agreement with a liberated country. It is a cinch that if the Army pays off in Germany in dollars the soldiers will be much better off than under any other arrangement. If the French rate was pegged where our soldiers' purchases could not hurt our French friends, will the same argument hold in the Reich?

Before now the German mark has done spectacular things. It may do something after the defeat of Germany by the Allies. Doubtless, the War Department will watch this and find some way to protect the soldiers' pay.

#### A Political Consideration

It was never intended to argue that there was anything financially wrong about the payment of soldiers in French francs at fifty to the dollar. There was no wish to fail to recognize that the French, forced to print 400,000,000 francs a day for the German invaders during four years, have a difficult monetary problem to handle. It was merely suggested from recollection of the complaints after the last war that it might be good to try to allay the resentment the soldiers were showing in their letters home.

It still seems a pity that with a desire by Washington to build up France again to the stature of a great power to which much depends on public sentiment in this country to have several million American boys come home with an idea that they had not been treated fairly in France. The last time they complained that in France there were two prices—one for the Frenchman and one for the American. That was not exactly fair; there were two prices in France, but one was the asking price and one was the price if one knew how to get it and most of the boys didn't know.

Now if the Washington authorities, by arranging a better rate for the celebration days after victory or by explaining just how the present rate was fixed and why, can pacify our troops, the effort ought to be beneficial. Some way ought to be found to explain to the soldier why his paymaster gives him fifty francs for a dollar while a Frenchman will give him 200.

And that's a neat job for some-

For just as long as a cocktail costs \$1.50 in soldier's pay and just as long as a Frenchman thinks a dollar is worth 200 francs, just as long as the American soldier in France going to think that something is wrong about the arrangement. It is wise perhaps to explain to him why it is that the 47 francs he gets for a dollar in Belgium will buy more than twice as much as the fifty francs he gets in France.

He needs to be told why it is that in Paris on leave he cannot go out on the town as he likes to do everywhere. Because up to now the letters show he does not understand why the good American dollar has not been so good in France.

#### Now It's the Mark

As matters stand a good many American soldiers have moved on into Germany. The rate of exchange has been fixed at 10 marks to the dollar. It is too early to tell what the American soldier will think of the result. Perhaps there will not be much to buy in Germany anyhow and the matter may lack some of the sharp points it developed in France. But if the mark hits the toboggan—and in Switzerland the exchange value is now below ten to the dollar—there may be new complaints. And in this case Washington cannot very well offer the explanation that it is all in accord with an agreement with a liberated country. It is a pinch that if the Army pays off in Germany in dollars the soldiers will be much better off than under any other arrangement. If the French rate was pegged where our soldiers' purchases could not hurt our French friends, will the same argument hold in the Reich?

Before now the German mark has done spectacular things. It may do something after the defeat of Germany by the Allies. Doubtless, the War Department will watch this and find some way to protect the soldiers' pay.

#### A Political Consideration

It was never intended to argue that there was anything financially wrong about the payment of soldiers in French francs at fifty to the dollar. There was no wish to fail to recognize that the French, forced to print 400,000,000 francs a day for the German invaders during four years, have a difficult monetary problem to handle. It was merely suggested from recollection of the complaints after the last war that it might be good to try to allay the resentment the soldiers were showing in their letters home.

It still seems a pity that with a desire by Washington to build up France again to the stature of a great power in which much depends on public sentiment in this country to have several million American boys come home with an idea that they had not been treated fairly in France. The last time they complained that in France there were two prices—one for the Frenchmen and one for the American. That was not exactly fair; there were two prices in France, but one was the asking price and one was the price if one knew how to get it and most of the boys didn't know.

Now if the Washington authorities, by arranging a better rate for the celebration days after victory or by explaining just how the present rate was fixed and why, can pacify our troops, the effort ought to be beneficial. Some way ought to be found to explain to the soldier why his paymaster gives him fifty francs for a dollar while a Frenchman will give him 200.

And that's a meat job for some-

## TREASURY DEPARTMENT

253

INTER OFFICE COMMUNICATION

DATE April 12, 1945

TO Secretary Morgenthau - For Information  
 FROM Mr. Coe FC

M. Pleven requested our Treasury Representative in Paris to advise you that the real reason for his trip to the United States to the San Francisco Conference was to see you and to discuss with you the financial needs of France and its problems of reconstruction. He was not sure as to whether he would be able to see you before going to San Francisco or after, as it would depend upon the time that he left France.

You may be interested in the comment made by a member of the FEA at a meeting of the French Area Committee on April 11. This man who returned from Paris, yesterday, remarked that M. Pleven was undoubtedly the No. 2 man in France.

## TREASURY DEPARTMENT

254

INTER OFFICE COMMUNICATION

DATE April 12, 1945

TO Secretary Morgenthau For Information  
 FROM Mr. Coe FC

Subject: Report on three meetings with Pleven: March 20 - Judge Rosenman and W.H. Taylor of the U.S. Treasury; March 21 - W.H. Taylor of the Treasury; April 2 - T.H. Ball of the Treasury.

Mr. Pleven emphasized that the fundamental problems with which France was faced were economic rather than financial. This war has differed from the last in that depletion of stocks and the devastation of industries has been much more extensive. The aircraft industry is an exception in the French industrial picture. The housing situation is very much worse than after the last war and the magnitude of the problem of French prisoners of war and other displaced persons is greater than before. He estimated that the cost of the reconstruction would range between 1½ billion and 3 billion of francs.

He stated that two to three times the amount of imports received in the immediate pre-war years would be needed after the war and that the contribution of the colonies, especially Indo-China, was absolutely indispensable. For the financing of these import requirements Pleven is counting on the Bank and Fund and in addition expects to borrow large sums in the United States if the Johnson Act is repealed. From the viewpoint of acquiring foreign exchange the French are ready and anxious to export liquors and if they can get the raw materials they will be able in a relatively short order to ship textiles and perfumes. The general rehabilitation of industry must wait upon an overall improvement in the supply and transport situation and, in particular, it is important that coal be received from the Saar and Ruhr Mines. In addition to coal France wants to import German labor to be used especially for the removing of mines. France will demand the restoration of stolen property, including \$200 millions of gold.

A deficit of 230 billion francs (about 4½ billion dollars) is anticipated for the current fiscal year but future revenues



- 2 -

255

will be substantially increased if industrial rehabilitation can be accelerated. Pleven stated that a further rise in prices and salaries will be necessary but he felt that the problem of currency circulation is under control and that the financial situation would be measurably improved by the enactment of the proposed capital levy on all forms of wealth, including a punitive tax on collaborationist profits. This levy would be based on a universal declaration of private property holdings, including currency. The amount of individual currency holdings would have to be reported to the Government at the time of the contemplated currency conversion. His present plans are to begin the conversion of the currency and the census of "estates" around the first of June. M. Plevin asked that this information be held in confidence.

M. Plevin made reference to the complaints of American soldiers regarding high French prices and stated that he and his associates were considering the plan of selling perfumes and liquors directly to the Army for tax-free resale to the soldiers and having the Army ship perfumes to the United States on behalf of the soldiers.

## TREASURY DEPARTMENT

256

INTER OFFICE COMMUNICATION

DATE April 12

TO Secretary Morgenthau (For information)  
FROM Mr. Coo FC  
SUBJECT Russian Civil Affairs Policy in Eastern Germany

The OSS has prepared a report on Russian Civil Affairs policy in Eastern Germany based on material sent to the London Times by a correspondent. This material constitutes our only information on the character of Russian administration in German territory.

1. General Occupation Policy

- a. Local industries and public services essential to the war are to be kept going. Property is to be protected from looting.
- b. Population is to be registered and Nazis listed.
- c. fraternization between Russian soldiers and the German population is strictly forbidden.
- d. All abled bodied German men and women are kept fully occupied on manual labor during the day and confined to their houses at night.
- e. Factory foremen are appointed from among volunteer foreign workers.
- f. Germans are not permitted to form trade unions or other organizations.
- g. Schools are closed for the time being. Hospitals and churches remain open.
- h. Listening to the radio is not permitted; only news available is in the form of a daily bulletin posted in the streets.

2. The Red Army has no Civil Affairs branch. The Commanders of towns are appointed from among the forces which have fought in the area.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

257

DATE April 12, 1945

TO Secretary Morgenthau (For Action)  
FROM Mr. Coe *fc*

Here are the letters to the President, Currie and Stettinius about the Currie Mission.

In the letter to Stettinius, it is suggested that he agree to set up a top committee on Safehaven with Currie as a White House person on the committee. We have discussed this with Currie, and he would like it but does not think that he should take the initiative.

APR 12 1945

Dear Mr. President:

I want to call your attention to the very important results and the great success of Lauchlin Currie's recent mission to Switzerland. Of all the wartime negotiations with neutral countries with which I am familiar, I consider that this one has been conducted most ably and has yielded the largest wartime and postwar results. I know, too, that the Swiss were impressed by the fact that an assistant to the President headed the American group.

Because of our concern with Nazi plans to use Switzerland as a base for financial operations in the post-hostilities period, the Treasury Department gave the Mission every possible support, and sent as a member of it the Director of Foreign Funds Control, Mr. Orvis Schmidt. We consider that our financial demands were substantially met.

This Mission seems to me a good example of what can be accomplished in this complicated field by a vigorous policy. If we follow this up with equal vigor in our negotiations with the other neutral countries, I am confident that these financial safe havens can be cleaned out and that these threats to postwar security will be substantially eliminated.

Sincerely,

(Signed) H. Morgenthau, Jr.

OASchmidt:FCoe:rhh 4-9-45

253

APR 12 1945

Dear Lauchlin:

I want to congratulate you on the fine job that you have just done in Switzerland and to let you know the importance I attach to your achievements.

In getting the Swiss to implement Resolution VI of the Bretton Woods Conference I feel that you have not only thwarted the Nazis' plan for using Switzerland as a financial hideout, but also have laid the basis for the Allied Military Government in Germany to take control of German assets in Switzerland. Of all the wartime negotiations with neutral countries with which I am familiar, I consider that this one has been conducted most ably and has yielded the largest wartime and postwar results. I am sure that the large measure of success achieved can be attributed primarily to the able manner in which you discharged your responsibilities as head of the American delegation.

I was sorry to learn of your recent illness and hope that you can soon drop in and tell me of some of your experiences in Switzerland.

Sincerely yours,

(Signed) Henry

Mr. Lauchlin Currie,

Administrative Assistant to the President

OASchmidt:FCoe:rhh 4-9-45



APR 12 1945

Dear Sir:

I have been greatly interested in Lauchlin Currie's recent accomplishments in Switzerland. His success in getting the Swiss to take action to implement Bretton Woods Resolution VI highlights, in my opinion, the importance of proceeding promptly to induce other countries, such as Sweden, Spain, Portugal, Turkey, and Argentina, to take similar action. The proximity of the German defeat makes it imperative that prompt action be taken to eliminate the possibility of our enemies establishing in these countries the financial foundation for postwar operations to keep together the German war leaders and revive the Nazi party.

Might it not be well to set up a small steering group, consisting of top-level representatives of FEA, State, and Treasury, working with Mr. Currie as representative of the President, for the purpose of following through on the Safe-haven Program in the neutral countries. I am inclined to think that such a step would facilitate the expeditious handling of this problem.

Sincerely,

[Signed] Henry

The Honorable

The Secretary of State

OASchmidt:FCoe:rhb 4-9-45

April 12, 1945

261

4 p.m.

URGENT

AMLEGATION

RICH

1430

The following for McClelland from O'Dwyer is WRS 497.

Reference Department's No. 1392 of April 9 (WRS No. 490).

It is clear that there is no alternative but to repackage in Switzerland 206,000 American Red Cross prisoners of war parcels being purchased by War Refugee Board. Accordingly, you are instructed to arrange for repackaging, using your discretion as to size and type of containers.

Advise immediately as to what action you take.

Instructions to Amcross representative in Geneva to turn over these parcels to War Refugee Board may be expected soon.

STETTINIUS  
(GHW)WRS:MYFED  
4/12/45

WE

SWP

262

Cairo

Dated April 12, 1945

Rec'd 3:21 p.m.

FEB-908

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

Secretary of State,

Washington.

900, April 12, Noon

FOR NOSES LEAVITT, JOINT DISTRIBUTION COMMITTEE,  
FROM JOSEPH SCHNAPE

Our estimates indicate that in Bulgaria, Rumania, Hungary and Poland approximately 350,000 our proteges urgently require clothing.

In France, Belgium, Holland minimum 75,000 in similar situation. Since UNHCR not distributing clothing these areas suggest you ask immediate allocation for complete outfitting above numbers including overcoats and other winter necessities. Order meet winter requirements you should begin immediately arrange for shipping especially for Balkans and Poland. Our information shipping facilities directly from USA to Istanbul will be available regularly from end April through Fern Line. All clothing for Balkans and Poland should be shipped this route if possible. Would also require soonest possible clothing for 150,000 Polish refugees Rumania. This will be sent to Rumania in bulk and should be shipped to Basrah for Tehran. Generous quantities children's clothing should be included all shipments. For western Europe shipments should be consigned our offices various countries. Please advise progress.

TUCK

JT

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

April 12, 1945

4 p.m.

# AMEMBASSY

LONDON

2849

The cable below for Mann is WRB 66.

For your information following is text of cable No. 2045 dated April 7, received from McClelland:

QUOTE Additional to Legation's 1988, April 6 regarding ICRC's Division of Special Assistance's plan for trucking relief to civil detainees in Germany.

Five Renault trucks instead of six now scheduled leave Switzerland April 9 for Luebeck carrying 16 tons relief goods and gasoline. This convoy is feasible will offload supplies at Bergen Belsen en route. ICRC plans have these trucks remain and work out of Luebeck distributing WRB parcels, shipped over from Goteborg, to concentrations of detainees at Ravensbrueck and Nanburg-Neuengane. ICRC is now checking with Goteborg on number of WRB parcels already at Luebeck all of which committee hopes be able distribute area in question within coming three weeks.

Present stress of Luebeck Nanburg area is motivated by ICRC fear that this region may soon be cut off and by fact that no trucks are at present available in that zone for civil detainees relief. Committee is accordingly anxious send in more relief and means of transport to distribute it before it is too late.

Four more Renaults with capacity of 3200 kilos each scheduled depart April 12 or 13 for Dachau. They will also remain this area to distribute parcels to large number smaller camps administered from Dachau.

ICRC further counts on being able ship within next ten days by rail to new ICRC depot at Ravensburg between Swiss border and Munich, balance of approximately 50,000 WRB parcels remaining in Switzerland. Plan is then to move these

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

-2- #2849, April 12, 4 p.m., to London.

parcels on by trucks as rapidly as possible to accessible camps near Munich and to east and northeast thereof mentioned my 1988. This trucking will be done with 11 more Renaults which ICRC's DSA is due to receive week after next total agreed being 20. They will be operated by gasoline released to ICRC by SHAEP for WRB programs first tank ca. 1000 of which is already en route from Marseille to Geneva.

Our thirty tires and tubes have arrived and first advance of Diesel oil (Legation's 1981, April 5) will be made to ICRC today. Herbert Katski is now in Geneva accelerating arrangements with ICRC to make at least four more trucks available for WRB shipments on basis tires and oil.

ICRC informs us that in addition to above mentioned trucks a small convoy of five wood burning Swiss trucks belonging to commercial transport concern of Bressanli in Basel will leave Switzerland next week in effort to get through to Denmark to repatriate Swiss citizens there. Bressanli has agreed transport ten tons of relief goods to women's concentration camp of Ravensbrueck for ICRC.

The four trucks which Sternbuch was fortunately able to rent (Legation's 1740, March 23) left Switzerland on March 29 with ICRC assistance but headed for Theresienstadt rather than Bergenbelsen as previously reported. UNQUOTE

STETTINIUS  
(GHE)

WRB:HWK:KG  
4/12/45

RC

WE

SWP

254



4/12  
255

CABLE TO AMERICAN LEGATION, BERLIN, FOR MCCLELLAND, FROM WAR REFUGEE BOARD

The Danish Legation here has called to the attention of the War Refugee Board the plight of some 3,000 Danish patriots, who, following the occupation of Denmark by Germany were removed to certain concentration camps and prisons in German-controlled territory, and who, because of their unassimilated status are in need of food. Where it is possible you are to make arrangements with Intercross for the forwarding of parcels from the WRS stockpiles to these patriots who are interned in the following places, some of which are known or thought to be liberated:

A. Concentration Camps.

Buchenwalds b/Weimar  
Sachsenhausen, Cramburg b/Berlin  
Neuengamme, Gergendorf b/Hamburg  
Cawicim (Auschwitz), Poland  
Stutthof b/Danzig  
Sangerhausen, Germany  
Flossenburg Uber Floss, b/Weiden, Ober Pfalz  
Iherosienstadt, Post/Bauschowitz, N.Y.  
Ravensbruck b/Marstenberg, Mecklenburg  
Kollwals, Nieder Rauen b/Darmstadt

B. Prisons

Dreierger b/Butzen, Meckl.  
Neumunster, Holstein  
Gorden, Winterfeldalle 22, Brandeb, a/Havel  
Waldheim, Sachsen  
Luckau  
Halle  
Niederrode  
Berlin  
Hamburg  
Köln  
Kiel  
Breslau  
Stettin  
Schwerin  
Rendsburg  
Pahlbettel  
Hagen, Ruhrgebiet  
Prenzlau  
Rochum

THIS IS BERLIN CABLE NO. 496

GEN-765

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

Ankara via Army

Dated April 12, 1945

Rec'd 10:06 a.m.

266

Secretary of State,

Washington.

503, April 12, 3 p.m.

I have discussed with the Minister of Foreign Affairs again this morning the question of the individuals who arrived on the BROTHINGHOLM and who have been placed temporarily on board another boat in the harbor of Istanbul (REKINS 496, April 11). I was told the discussions with the British Embassy regarding their admission to Palestine are progressing favorably; that technically they have been admitted to Turkey and are being kept on the boat which serves as a hotel merely temporarily until decision as to their eventual destination is made and that arrangements are being made with the necessary safeguards for them to be allowed in individual cases to go ashore from time to time for short periods.

Jacob Troge and Arthur Fishohn of the United States JIC were allowed to visit the refugees yesterday and are assisting them with clothing and other supplies.

PACKED

KFS

267

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

April 12, 1945

7 p.m.

## AMLEGATION

BERN

1437

The following for McClelland is WNB 496.

The Danish Legation here has called to the attention of the War Refugee Board the plight of some 5,000 Danish patriots, who, following the occupation of Denmark by Germany were removed to certain concentration camps and prisons in German-controlled territory, and who, because of their unassimilated status are in need of food. Where it is possible you are to make arrangements with Interzoores for the forwarding of parcels from the WNB stockpiles to these patriots who are interned in the following places, some of which are known or thought to be liberated:

A. Concentration Camps.

Dachau b/Weimar  
Sachsenhausen, Oranienburg b/Berlin  
Munsingen, Bergedorf b/Hamburg  
Oswiecim (Auschwitz), Poland  
Stutthof b/Danzig  
Sangerhausen, Germany  
Flössen b/Floss, b/Weiden, Ober Pfalz  
Theresienstadt, Post Hausenowits, S.W.  
Ravensbrück b/Purstenberg, Mecklenburg  
Rohlfeld, Nieder Roden b/Harnstadt

B. Prisons

Dreiburger b/Dutrow, Meckl.  
Neumünster, Holstein

268

-2- #1437, April 12, 7 p.m., to Bern.

Garden, Winterfeldallee 22, Brandenb. a./Havel  
Waldheim, Sachsen  
Luckau  
Halle  
Niederrode  
Berlin  
Hamburg  
Köln  
Kiel  
Breslau  
Stettin  
Schwerin  
Rendsburg  
Fuhlbuttel  
Hagen, Ruhrgebiet  
Frankfurt  
Dachau

STETTINUS  
(GHE)

WNB:WV:EG  
4/12/45

WE

NOE

SWP

269

MYD-795  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

Lisbon

Dated April 12, 1945

Rec'd 10:04 a.m.

Secretary of State,  
Washington.

767, April 12, 10 a.m.

WHS 379, JDC 214 FOR LEAVITT FROM THOM

Following information received from Gory.

Intercross trucks with parcels for camps near Switzerland.

365 Jewish women living Belgium France brought back

from Ravensbrück by one convoy.

CROCKER

RHP

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

270

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara via Army  
TO: Secretary of State, Washington  
DATED: April 12, 1945  
NUMBER: 804

CONFIDENTIAL

## PRIORITY

Reference is made herewith to Embassy's cable of April 12, no. 803.

This afternoon the official at the Turkish Foreign Office who is handling the question of Germans scheduled to depart on the BROTT-MINGHOLM informed a member of the Embassy staff as follows:

The Government of Turkey has told the Swiss Legation (handling German interests) that it will not compel any Germans to leave Turkey ahead of the BROTT-MINGHOLM. Those who remain here, however, will be classified by Security Directorate of Interior Ministry according to each individual's case history and each must agree to subject himself to whatever administrative regulations the Government of Turkey decides to impose. Moreover, Germans staying must clearly understand that Turkey as one of the United Nations is bound to deliver for trial to any other United Nation upon demand the person of anyone who is held by that nation to be a war criminal. Question of whether an extradition treaty is in force between Turkey and the United Nations making the demand will not be raised.

Vice Admiral Ralf von Der Marwitz, former German Naval Attaché, is among the 101 persons whose applications to stay in Turkey has been made already. It is expected that 80 to 85 additional names will be added to the list of those wishing to stay. The Government of Turkey on humanitarian grounds will assume support of these without funds who stay, as the Swiss Legation will presumably cut off financial support from official German sources. Those who stay and are not considered to be dangerous from the security angle will be placed in enforced residence in some Anatolian town similar to Gorus, Samsat or Kirschir where there are in restricted residence the German nationals who last August refused to return to Germany.

PACKER

DC/L:VAG 4/13/45



271

Born

Dated April 12, 1945

Rec'd 6:46 p.m.

Secretary of State

Washington

2144, April 12, 1 p.m.

WKS FROM MOGELAND

Department's 1350 WKS 484, April 8

ICRC informs me that it is unfortunately no longer physically possible ship relief goods from Switzerland to region of Yugoslavia where camps of Jasenovac and Starogradiska are located. Along with camp of Jablanac they are on Sava River about 100 kilometers due south east of Zagreb in territory either a fighting zone or already taken over by Tito. Only possible relief channel would therefore seem to be via Italy.

Katski is taking up question of Armenians in Germany and possible relief to them with Burckhardt of ICRC this week in Geneva.

HARRISON

WKS

272

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

Please deliver the following message to Harold Linder,  
11d Lower Regent Street, London, from M. A. Leavitt of  
American Jewish Joint Distribution Committee:

QUOTE SCHWARTZ CABLED FROM ATHENS URGENTLY REQUESTING  
ONE TIME GRANT \$200,000 FOR FREE OR CHEAP CREDIT LOANS  
IN ORDER REHABILITATE 1,000 HEADS OF FAMILIES STOP  
THIS IN ADDITION TO \$200,000 WE REMITTED FOR FIRST  
QUARTER FOR ESTABLISHED COMMUNITY ORGANIZATIONS STOP  
COMMITTEE APPROPRIATED \$100,000 AND SUGGESTS YOU EXPLORE  
WITH JEWISH COLONIZATION ASSOCIATION THEIR JUSTIFICATION  
SIMILAR AMOUNT UNQUOTE

THIS IS WRB LONDON CABLE NO. 65

11:30 a.m.  
April 12, 1945

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

273

CABLE TO AMERICAN EMBASSY, ROME, FROM WAR REFUGEE BOARD

Please deliver the following message to J. J. Schwartz  
from M. A. Leavitt of American Jewish Joint Distribution  
Committee:

QUOTE PHILIP STUCHEN CANADIAN EMPLOYED BY SAUL HAYES  
ASSIGNMENT JDC OVERSEAS STAFF BORN ONTARIO AGE 32  
UNMARRIED LANGUAGES YIDDISH FRENCH NOW EMPLOYED DEPART-  
MENT LABOR OTTAWA ASSIGNED RESEARCH STATISTICS. PLEASE  
ADVISE WHERE YOU WILL ASSIGN. STOP JAMES RICE ORIGIN-  
ALLY INTERVIEWED UNRRA UNIT RELEASED DUE LACK ASSIGNMENT  
NOW AVAILABLE JDC PROGRAM. WE MAKING ARRANGEMENTS  
FRANCE. BORN CLEVELAND MARCH 6, 1913 MARRIED ONE  
CHILD TEN YEARS EXPERIENCE JEWISH SOCIAL SERVICE.  
UNQUOTE

11:30 am.  
April 12, 1945

SECRET

OPTCL No. 112

Information received up to 10 a.m., 12th April, 1945.

## NAVAL

1. **HOME WATERS.** 11th/12th (night). Midget U-boat rammed and sunk by MTB off Dungeness.

2. **MEDITERRANEAN.** Landing craft and coastal craft are supporting Yugoslav advance up Croatian Coast. Preliminary reconnaissances Pag, Karlobag and Jabenac (50 miles S.E. of Fiume) show that there have been no demolitions and harbours appear clear of mines.

3. **ANTI-SUBMARINE OPERATIONS.** 11th. One of H.M. Frigates damaged small U-boat west of Ostend.

## MILITARY

4. **WESTERN FRONT.** Southern Sector: 1st French Army made gains of 2 to 3 miles at several points. Infantry of 7th U.S. Army cleared enemy salient west of Schweinfurt and within 5 miles of town on three sides. Further north advances up to six miles made towards Coburg. Central Sector: On 3rd U.S. Army Front armoured column reached and cleared Neustadt, while further north Erfurt by-passed to north and south. On 1st U.S. Army front one armoured column gained 40 miles between 9th and 11th, bypassing Nordhausen to the south. Second armoured column captured Nordheim and went further 35 miles to within 5 miles of Nordhausen. On 9th U.S. Army front armour by-passed Brunswick to north and reached Helmstedt, half way between Brunswick and Magdeburg. Ruhr pocket steadily compressed from south, east and north. Large part of industrial area now cleared and Ruhr River reached east of Essen. Northern Sector: On front of 21st Army Group outskirts of Celle reached and whole west bank of Ritters Aller and Weser cleared down to 4 miles south of Bremen. Some further progress north of Osnabruck against fairly stiff resistance. In N.E. Holland progress more rapid and Assen and Moppel reached. 11th. Canadian troops assaulted westwards over River IJssel, attack reported going well.

5. **EASTERN FRONT.** Central Sector: Germans report further strong Russian attacks against West and South of Breslau. Southern Sector: Russians made substantial gains N.W. of Banska Bystrica in Carpathians advanced up west bank of Morava to 30 miles N.E. of Vienna and captured Prater area in Vienna.

6. **ITALY.** 8th Army continued advance and now reached River Santeramo on wide front; small bridgehead obtained across river. On right Italian troops took Alfonsino, while on left Polish forces captured Santeramo. In Western Sector U.S. troops of 5th Army little more than 5 miles from Carrara.

7. **BURMA.** Central Sector: Continuing drive south, leading elements of our troops entered Yamethin and Pyawbwe. In latter village fighting in progress. Other troops occupied villages 8 miles S.E. and 9 miles East respectively of Thazi. Burmese guerilla forces occupied village of Myogi (15 miles east of Myittha).

## AIR

8. **WESTERN FRONT.** 10th. Further 1589 tactical aircraft (4 missing) operated. Over 350 road and rail vehicles destroyed. 32 aircraft destroyed on ground. 777 U.S. aircraft carried 1400 tons petrol to 7th, 3rd, 1st and 9th U.S. Armies and evacuated 4,000 Allied prisoners of war. 10th/11th (night). 590 Bomber Command aircraft despatched (10 missing). Blauen railway centre 316, Leipzig railway centre 95 (1421 tons) Berlin 100 (99 tons) in 3 attacks. Other operations 102. 11th. 244 escorting Spitfires and Lancasters attacked in clear weather railway centres Prague (340 tons) and Nuremberg (459 tons), bombing accurate and concentrated. 1267 escorted U.S. heavies (4 bombers outstanding but 1133 safe) dropped 3000 tons visually on targets in Nuremberg, Munich areas including 6 railway centres (1501 tons), two ordnance depots (142 tons), 2 oil storage depots (821 tons), two airfields (143 tons) and explosive works (340 tons) results fair to good. Coastal Command aircraft attacked shipping off South Norway and set on fire five ships totalling 7500 tons.

SHAEP (Air). 950 medium bombers (2 missing) dropped 1489 tons on six railway centres and other targets in Central Germany. 2549 fighters and fighter bombers (15 missing) operated over all battle areas. Over 1100 M.T. destroyed, mainly in Central Sector. Enemy casualties 66,213 in combat and 130,2105 on ground. 998 U.S. aircraft carried 1927 tons petrol and 524 tons supplies to 3rd and 9th U.S. Armies. 3549 casualties and 2112 prisoners of war evacuated.

9. **MEDITERRANEAN.** 9th/10th (night). Liberators dropped 188 tons on army support targets on Santeramo River. 10th. 848 escorted heavies (4 missing) dropped 1600 tons military objectives west of Lugo. 1333 tactical aircraft (2 missing) attacked similar targets and communications in Po Valley.

10. **SEA.** 9th. Mustangs attacked Nagorn Pathom airfield (Bangkok) and destroyed 19 aircraft on ground.